



An Coimisiún um
Rialáil Cumarsáide
Commission for
Communications Regulation

Consequences of the repeal of the price cap on certain of the universal postal services Consultation seeking views

Consultation

Reference: ComReg 19/43

Date: 16/05/2019

An Coimisiún um Rialáil Cumarsáide
Commission for Communications Regulation

1 Lárcheantar na nDugaí, Sráid na nGildeanna, BÁC 1, Éire, D01 E4X0.
One Dockland Central, Guild Street, Dublin 1, Ireland, D01 E4X0.
Teil | Tel +353 1 804 9600 Suíomh | Web www.comreg.ie

Submissions to Consultation

All submissions to this consultation should be clearly marked “Reference: Submission to ComReg document No 19/43”, and sent by post or e-mail to arrive on or before 5.p.m, 12 June 2019, to:

Postal Regulation,
Commission for Communications Regulation,
One Dockland Central,
Guild Street,
Dublin 1,
D01 E4X0.
Email: retailconsult@comreg.ie

Please note in accordance with ComReg's Consultation Procedures in ComReg Document 11/34, ComReg will publish all respondents' submissions with the Response to Consultation, subject to the provisions of ComReg's guidelines on the treatment of confidential information in ComReg Document 05/24. As such, responses to consultation should be provided as non-confidential documents, with any information for which confidentiality is claimed (e.g. commercially sensitive information) supplied in a separate annex (see ComReg Document 05/24).

Legal Disclaimer

This Consultation is not a binding legal document and also does not contain legal, commercial, financial, technical or other advice. The Commission for Communications Regulation is not bound by it, nor does it necessarily set out the Commission's final or definitive position on particular matters. To the extent that there might be any inconsistency between the contents of this document and the due exercise by it of its functions and powers, and the carrying out by it of its duties and the achievement of relevant objectives under law, such contents are without prejudice to the legal position of the Commission for Communications Regulation. Inappropriate reliance ought not therefore to be placed on the contents of this document.

Content

Section	Page
1 Introduction	4
2 Background	5
3 Consultation	8
4 Next Steps	10

1 Introduction

- 1 The Communications Regulation (Postal Services) (Amendment) Act 2017 (“the Repeal Act”) repealed the legislative basis for the price cap on certain universal postal services (for example, stamped letters) provided by the universal postal service provider (“USP”), An Post, and accordingly ComReg’s price cap decision¹ ceased to have effect.
- 2 As a result, this meant that ComReg could no longer limit the level of price increases by An Post for universal postal services² and An Post could increase such prices, without requiring any advance approval from ComReg. Therefore, since April 2017, the prices of universal postal services have been set exclusively by An Post.
- 3 The Repeal Act requires ComReg to undertake a review of any consequences of the repeal of the price cap. That review is now commenced and as required by the Repeal Act a report will be provided to the Minister for Communications, Climate Action and Environment by 21 September 2019 at the latest. The Repeal Act stipulates that this report will then be laid by the Minister before both houses of the Oireachtas as soon as practicable after it is furnished to the Minister by ComReg.
- 4 The purpose of this public consultation is to enable ComReg to consider the views of interested parties on the consequences following the repeal of the price cap on certain of the universal postal services. ComReg welcomes the views of all interested parties. ComReg considers that interested parties are likely to include:
 - Consumers of the universal postal service (e.g. stamped letters, stamped parcels), in particular any vulnerable consumers who due to circumstances are typically more reliant on universal postal services;
 - Small and medium-sized enterprises (“SMEs”) who also use the universal postal service (e.g. stamped letters / meter letters / stamped parcels);
 - Advocates / associations representing the interests of consumers / SMEs;
 - The USP, An Post;
 - Advocates / associations representing the interests of An Post stakeholders;
 - Other postal service providers.

¹ ComReg’s price cap, based on cost and volume data from An Post, was designed so that, in due course, An Post should return those universal postal services which were subject to the price cap to profitability based on efficient costs and affordable prices.

² Letters, large envelopes, packets and parcels for delivery within State and/or internationally.

2 Background

- 5 The framework for the regulation of the universal postal service is harmonised across the EU by the "Postal Directive" (as amended)³, enacted in 1997 and transposed into Irish law in 2011 by the Communications Regulation (Postal Services) Act ("Postal Act").
- 6 The Postal Act designates An Post as the USP in the State and it designates ComReg as the national regulatory authority for the postal sector.
- 7 An Post, as USP, is obliged to provide a universal postal service that meets the reasonable needs of all postal service users in the State, in terms of its affordability and quality. ComReg's overarching function is to ensure the proper provision of that universal postal service.
- 8 A universal postal service is an essential postal service, the provision of which is mandated by the State because the market concerned is not effectively competitive, meaning that there is no guarantee that the market, of itself, will ensure the provision of the service to all persons in the State, at an affordable price and to a sufficient level of quality and while upholding the rights of postal service users.
- 9 In Ireland, the universal postal service mainly consists of the posting of letters, which comprise about 90% of all universal postal service postings within the State⁴. Most universal postal service letters are posted by large mailers (e.g. utilities, banks, State) and SMEs.
- 10 The Postal Directive and the Postal Act both specify that prices for universal postal services must be cost-oriented and affordable. The Postal Act required a price cap control for the universal postal service, this was not required by the Postal Directive.
- 11 The price cap was set to enable An Post to manage and adjust its universal postal service prices and thereby make a reasonable return on the efficient provision of the universal postal service. The price cap was based on An Post's own forecasts for its costs and volume declines over the 5 years of the price cap. The price cap also included a return on turnover of 3.5% per annum to provide a buffer for possible non-manageable risks over the 5 year life of the price cap. As required by the Postal Act, the price cap also included an efficiency incentive, set at a conservative 2% per annum, noting that internal benchmarking within An Post revealed a greater inefficiency.

³ Directive 97/67/EC as amended by Directive 2002/39/EC and Directive 2008/6/EC.

⁴ The other 10% is largely packets and parcel mail.

- 12 The price cap control set an upper limit on the amount by which An Post could adjust its prices for certain universal postal services, during the 5 years 2014 to 2019. The price cap did not set actual prices but only set an uppermost limit on the extent to which An Post could adjust its prices to ensure the continued provision of those services.
- 13 Subject to An Post making the maximum permitted price increases the price of a Domestic Stamped Letter would have increased from 60 cents to 75 cents, over the 5-year period of the price cap control (June 2014 – June 2019). Overall prices in the universal postal service would have increased by a fifth (c.21%) over the 5 year period of the price cap control.
- 14 In September 2016⁵, An Post requested ComReg to review the price cap for the following issues:
- Efficiency target of 2% per annum was not met
 - Pay increases not factored into price cap as An Post had not forecast these pay increases
 - Actual volume declines were greater than forecast.
- 15 Following An Post's request, ComReg commenced a process to review and update the price cap with proposed adjustments, among other things, for An Post's updated forecast pay costs and volumes. ComReg's proposed decision on an updated price cap did not issue or take effect as planned in June 2017 as the Repeal Act was enacted in March 2017.
- 16 The Repeal Act repealed the legislative basis for the price cap on certain universal postal services provided by the USP, An Post, and accordingly ComReg's price cap decision ceased to have effect and ComReg's role in making such decisions also ceased. As a result, this meant that ComReg no longer had the statutory power to limit the extent of the price increases for universal postal services and An Post could increase such prices, without requiring any advance approval from ComReg. Therefore, since April 2017, the prices of universal postal services have been set exclusively by An Post⁶.

⁵ For correspondence from An Post, see <https://www.comreg.ie/publication/request-post-review-price-cap/>

⁶ In setting such prices An Post must continue to comply with the "tariff requirements" set out in section 28 of the Postal Act, these requirements include that such prices are cost oriented and affordable. Using An Post's audited Regulatory Accounts as an input, ComReg monitors An Post's compliance, on an ex post (after the event) basis, with these "tariff requirements". Where ComReg considers that a universal postal service provider is not complying, or has failed to comply, with the tariff requirements, ComReg can issue a direction to the universal postal service provider concerned.

- 17 In April 2017, following the repeal of the price cap, An Post made price increases⁷ on its universal postal services. For example, the price of a Domestic Stamped Letter increased by c.39%, from 72 cents to €1. Also, the discount for metered letters was decreased from a 10 cent discount to a 5 cent discount. Further details on the price increases for certain of the universal postal services following the repeal of the price cap can be found in the Annex 1.

⁷

<http://www.anpost.ie/AnPost/MainContent/About+An+Post/Media+Centre/Press+Releases/2017/Postal+rates+2017.htm>

3 Consultation

- 18 The Repeal Act states that in making the review on the repeal of the price cap, ComReg may consult with such persons as it considers appropriate. However, the Repeal Act requires that ComReg must complete this consultation within a period of 42 days. This is a very short timeframe to commence, conduct and complete a public consultation process. Notwithstanding this limitation, ComReg is allowing its usual consultation period of 28 days to facilitate responses.
- 19 By this public consultation, ComReg is seeking the views of interested parties, in particular the views of consumers and SMEs, on the consequences (both positive and negative) following the repeal of the price cap; these views could include:
- Your view on whether the repeal of the price cap has ensured the continued provision of the universal postal service and the USPs ability to cover its efficient costs;
 - Your view as to whether the price increases for universal postal services has changed your use of the universal postal services;
 - Your view on the affordability of universal postal services, for example, the domestic stamped letter price of €1; and on any consequence on the socially excluded / vulnerable;
 - Your view on any consequence on competitiveness;
 - Your view on any consequence on postal competition;
 - Your view on any consequence for international inbound mail pricing⁸, also known as Terminal Dues;
 - Your view on the role of regulation regarding pricing matters in respect of the universal postal services;
 - Your views on other matters you consider related to the repeal of the price cap.

⁸ Noting the price cap did not set any direct price limits for international inbound mail but such prices for international inbound mail are typically set by reference to the domestic prices, which were subject to the price cap. Following the repeal of the price cap, An Post increased domestic prices, which in turn, subject to agreements, should have enabled increased terminal dues. The issue of international inbound pricing remains important as evident by proposed actions under consideration by the Universal Postal Union.

Q. 1 What, in your view, are the consequences of the repeal of the price cap on certain universal postal services? Please explain your response and provide any supporting evidence.

4 Next Steps

- 20 The purpose of this public consultation is to allow ComReg to consider the views of interested parties on the consequences of the repeal of the price cap.
- 21 All responses to this public consultation will be considered. It should, however, be noted that the process is not equivalent to a voting exercise and ComReg will exercise its judgement having considered the merits of the views expressed and any supporting evidence provided.
- 22 In a Response to Consultation document, to be published by 26 June 2019, ComReg will publish these views and ComReg's statement that they will be considered for the repeal review and report.
- 23 These views, including supporting evidence gathered, along with further information gathered from An Post and with other relevant information, will then be considered for ComReg's report on the consequences of the repeal of the price cap. This report will be presented to the Minister for Communications, Climate Action and Environment by 21 September 2019 at latest.

Questions

Section

Page

Q. 1 What, in your view, are the consequences of the repeal of the price cap on certain universal postal services? Please explain your response and provide any supporting evidence.....	9
--	---

Annex: 1 Price increases to certain universal postal services

A 1.1 The repeal of the price cap has provided An Post with greater freedom to set prices for certain universal postal services that were previously subject to the price cap. For information, in the below we set out in detail the key price increases that were applied in 2017- 2019 for each previously price cap controlled service.

A 1.2 Stamped letters have faced the largest price increase of all universal postal services driven by a 39% increase from 2016-2017. The discount for metered letters increased (from €0.04 to €0.10) from 2016-2017 and was then reduced back to €0.05 for 2018.

Domestic letters	Price 2016	Price 2017	Price 2018	Price 2019	% increase 2017	% increase 2018	% increase 2019
Stamp	€0.72	€1.00	€1.00	€1.00	39%	0%	0%
Meter	€0.68	€0.90	€0.95	€0.95	32%	6%	0%

A 1.3 Similarly to letters, large envelopes faced price increases from 2016 to 2017 (27% for 100g stamped large envelope). The discount for metered large envelopes increased (from €0.05 to €0.10) for 2017 but was then reduced back to the 2016 level for 2018 (€0.05).

Domestic large envelopes	Price 2016	Price 2017	Price 2018	Price 2019	% increase 2017	% increase 2018	% increase 2019
Stamp 100g	€1.30	€1.65	€1.80	€2.00	27%	9%	11%
Stamp 250g	€1.75	€2.10	€2.30	€2.50	20%	10%	9%
Stamp 500g	€2.35	€2.80	€3.10	€3.40	19%	11%	10%
Meter 100g	€1.25	€1.55	€1.75	€1.95	24%	13%	11%

Domestic large envelopes	Price 2016	Price 2017	Price 2018	Price 2019	% increase 2017	% increase 2018	% increase 2019
Meter 250g	€1.70	€2.00	€2.25	€2.45	18%	13%	9%
Meter 500g	€2.30	€2.70	€3.05	€3.35	17%	13%	10%

A 1.4 The following were the key price changes to Domestic packets and parcels.

Domestic packets and parcels	Price 2016	Price 2017	Price 2018	Price 2019	% increase 2017	% increase 2018	% increase 2019
Stamp packet 500g	€4.55	€5.25	€5.80	€6.20	15%	10%	7%
Stamp parcel 500g	€7.05	€8.00	€8.00	€8.00	13%	0%	0%
Stamp packet / parcel 1kg	€7.05	€8.00	€9.00	€9.00	13%	13%	0%
Stamp packet/ parcel 2kg	€8.30	€9.00	€9.00	€9.00	8%	0%	0%

A 1.5 The key price changes to the Registered service were as follows.

Registered	Price 2016	Price 2017	Price 2018	Price 2019	% increase 2017	% increase 2018	% increase 2019
100g	€6.25	€7.00	€8.00	€8.00	12%	14%	0%
500g	€7.75	€8.50	€8.00	€8.30	10%	-6%	4%
1kg	€10.75	€11.50	€13.00	€13.00	7%	13%	0%

A 1.6 There are a number of bulk mail services provided by An Post that meet the universal postal service requirements. An Post’s “Bulk 6” is the bulk mail service with the highest volume of use that meets the universal postal service requirement. Prices for this bulk mail service have increased as follows:

Bulk Mail Service – “Bulk 6”	Price 2016	Price 2017	Price 2018	Price 2019	% increase 2017	% increase 2018	% increase 2019
Letter 100g	€0.52	€0.60	€0.66	€0.66	15%	10%	0%
Large envelope 100g	€1.02	€1.20	€1.32	€1.32	18%	10%	0%

A 1.7 All international outbound universal postal services have experienced price increases. Letter and large envelope prices have faced the largest price increases. The percentage price increases are relatively consistent across the UK, Europe, and Rest of the World.