

Post-Enactment Report

Communications Regulation (Postal Services) (Amendment) Act 2017

(Dáil Éireann – Standing Order 164A)

(Seanad Éireann – Standing Order 168)

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Communications Regulation (Postal Services) (Amendment) Act 2017 (No. 3 of 2017)

1. Background

The Communications Regulation (Postal Services) (Amendment) Act 2017 was signed by the President on 15th March 2017. The Commencement Order was signed by the Minister for Communications, Climate Action and Environment on 21st March 2017 to bring the Act into operation from that date.

The Communications Regulation (Postal Services) (Amendment) Act 2017 was introduced to repeal the price cap mechanism in the Communications Regulation (Postal Services) Act 2011 in order to give An Post increased pricing freedom to bring its postal pricing in line with European peers. Checks and balances remain with the Commission for Communications Regulation (ComReg) retaining a role in postal price regulation.

2. Context

An Post is experiencing financial challenges which have arisen, in the main, from the decline in mail volumes and the move to electronic transactions in both the mail and post office network. This is a global trend and is not unique to the Irish postal service. NewERA conducted an in-depth review of the company on behalf of the shareholding Ministers and confirmed the seriousness of the situation facing the company.

The Minister for Communications, Climate Action and Environment took a proactive approach to addressing the challenges facing An Post and to ensure the continued fulfilment of a 5 day national delivery service by introducing legislation to facilitate the repeal of the price cap mechanism when the drop in mail volumes accelerated in 2015 and 2016.

While it is forecast that the market will continue to decline, the repeal of the price cap mechanism was considered to have a twofold effect, (a) generate cash flow for the business and (b) enable the development of scenarios and courses of action for a longer term solution.

3. Outcome

The introduction of this legislation has achieved the original policy objective set out above in addition to allowing An Post to continue to provide its Universal Service Obligation, providing an essential service to Irish business and the citizens of State through the delivery mail to every address in the State, every weekday, for a uniform price, with one of the highest next-day delivery rates in Europe.

The repeal of the price cap mechanism has given An Post the flexibility to determine its own pricing in line with best practice. An Post introduced price increases on several of its mail products bringing pricing more in line with European norms. The implementation of the price increases and the continued demand for mail services has resulted in a more stable financial environment in which An Post can operate. The repeal of the price cap mechanism was only ever intended as part of the solution to An Post's financial position. In parallel, the An Post Board has overseen the preparation of a comprehensive strategic plan, the objective of which is to secure the long term viability of both the post office and mails businesses and return the company to a sound financial footing. Government is fully supportive of An Post in its endeavours. Reflecting its commitment to sustaining a nationwide post office network and daily mails service, the Government has made a €30m loan available to An Post to support the renewal of the post office network and the continued fulfilment of a 5 day per week mails delivery service. The €30m funding is subject to stringent conditions and Key Performance Indicators, the delivery of which will be monitored on by the parent Departments and NewERA.

The funding will be used to underpin the delivery of An Post's Strategic Plan. The strategy for An Post has seen the company split into two distinct business units, An Post Mails and Parcels and An Post Retail. Improved profitability will be targeted through growth, pricing and cost reduction strategies. A sustainable, modern and vibrant network for the future, capable of adapting to the changing environment in which it operates, is envisaged. The Strategic Plan sets out a positive vision for the company, positions it for the digital age and aims to put the company in a position where it can support sustainable jobs in both the mails business and post office network right across the country.

The strategic plan harnesses the company's existing strengths such as its nationwide reach, trusted brand and the relationship of postmasters with communities, both rural and urban. At the same time, An Post has recognised that it must embrace the digital agenda and this is reflected in the plan, especially in the emphasis on growing the parcels business. Enhanced banking services are becoming available through the post office network with the smart bank account. It is expected that further such opportunities will be available across the network, especially as high-speed broadband becomes widely available through the roll-out of the national broadband plan. The Government has also committed to exploring the potential for extra Government business, including motor tax, to be

channelled through the network and the Department of Communications, Climate Action and Environment is engaging with other relevant Government Departments in this regard.

4. Conclusion

The Minister for Communications, Climate Action and Environment issued a policy direction to An Post under section 110 of the Postal and Telecommunications Services Act 1983 directing that any price increases introduced following the repeal of the price cap mechanism must be subject to prior consultation with ComReg and have due regard to the tariff principles set out in section 28 of the Communications Regulation (Postal Services) Act 2011. An Post was also instructed to give due consideration to the impact of any proposed price increase on personal customers and SMEs. An Post has engaged experts in pricing to assist it in terms of developing future pricing strategies.

The Act also provides for a review of the consequences of the repeal, 2 years after the commencement of the Act. This review will be carried out by ComReg who will report to the Minister for Communications, Climate Action and Environment within a 6 month timeframe. ComReg's report will be laid before the Houses of the Oireachtas.

Department of Communications, Climate Action and Environment

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