

An Post Response to Additional Information Requested 15 March 2016 – Unaddressed Items

	Staff Working Document Ref:	An Post Response to Additional Information Requested 15 March 2016 Ref:	Question:	An Post Response:
1	Page 16	Page 23	Please provide evidence of the costs of including in the Accounting Manual details of the process for reviewing container fills, and the outcome of those reviews.	<p>As per our response of 27 January 2016 and as outlined in our 26 April 2016 response, An Post believes that these requirements violate the principles of materiality and proportionality that should guide any regulation. It should also be considered that the operational volumes are not used in preparing the RFS.</p> <p>The reasons given by ComReg to justify the need for new stricter rules regulating manual counts do not seem reasonable considering the additional cost that would be incurred by An Post to satisfy these requirements. This process will require the following additional resources be put in place:</p> <ul style="list-style-type: none"> • A formal reporting structure between Operations and Regulatory Affairs to document the process for all Container fills at Mail Centres and Delivery Service Units • A formal process to document any changes to the process • A formal process to document the outcome of quarterly reviews

2	Page 19	N/A – appears omitted	Please detail how would this requirement remove flexibility?	<p>Constraining the extent to which An Post is able to adjust its cost drivers would decrease An Post’s ability to respond to changes in the market. For example, many cost drivers are linked to volumes, and may thus require regular adjustments. Since changes would all be documented in the Accounting Manual, giving ComReg visibility of them, An Post believes that flexibility to adapt cost drivers should be ensured.</p> <p>However, An Post suggest that year on year methodology changes could be discussed with ComReg in advance of publication of the annual Regulatory Accounts.</p>
3	Page 24	Page 26	Please explain why, in An Post's view, that legislative basis / competitive environment is comparable in UK and for other regulated utilities in Ireland.	<p>It is not clear how ComReg’s comment “<i>legislative basis / competitive environment</i>” relates directly to our response. Our response of 27 January 2016 was “<i>The UK and Ireland follow very similar corporate governance systems in respect of financial reporting for businesses and utilities. In this context, in respect of financial reporting for regulatory accounting for the national postal operator, An Post would encourage ComReg to put in place reporting regimes very much in line with those in the UK and for other regulated utilities in Ireland.</i>” We consider it to be quite clear that the corporate governance environments in Ireland and the UK are comparable.</p> <p>Further, as outlined in our response of 26 April 2016, ComReg itself used Royal Mail extensively as a benchmark in its pre-consultation document. The document includes many references to Royal Mail</p>

				and no references to other relevant European jurisdictions, such as Italy or France, which have instead been consulted by An Post. It is not clear why ComReg uses so extensively Royal Mail as a benchmark but does not appear to accept An Post's reference to it.
4	Page 24	Page 26	Please explain more fully why An Post is of this view.	<p>If this refers to comment 3 on page 24 of the "Staff working document", this should be put in clear context that the comment refers to the overall response. Many examples of our views that some of the proposals made by ComReg are disproportionate and impractical are documented in our responses. For example:</p> <ul style="list-style-type: none"> • Reconciliation of revenue and operational mail volumes • Identification of costs and cost drivers (Section 2.2) • Publication of detailed USO and non-USO costs, which is not in line with international benchmarks, e.g. Royal Mail • Costs for each universal postal service at each price point • Balance sheet reporting <p>This is discussed in detail in Section 3 of our 26 April 2016 response.</p>
5	Page 26	Page 27	Please explain fully why the proposed reporting requirement would lead to this claimed outcome.	<p>The requirement to hold €100m on the Balance Sheet, in a time of very low interest rates, is restrictive on any business. Please see our response of 26 April 2016 for more details: "<i>The ability of An Post to plan future investments will also depend on the liquidity requirements that would be imposed by ComReg.</i>"</p>

				<i>The €100m requirement would make An Post more dependent on external funding for its investments, thus making it more difficult for An Post to invest.”</i>
6	Page 29	Page 29	Why is An Post of this opinion? Please explain fully with supporting evidence by reference to requirements of the 2011 Act which include s.28, s.29, s.30, s.31, s.33, s.35	An Post proposes that provision of “Additional Financial Information” or “Additional Financial Data” when requested by ComReg is appropriate to fulfil the requirements of the 2011 Act.
7	Page 32	Page 31	Is this not answered by reference to the audit opinion in the Regulatory Accounts - namely, that the Regulatory Accounts present fairly, the profits and losses attributable to the individual services? What further information does An Post request?	As per our responses of 27 January 2016 and 26 April 2016, An Post requests that more detail and wider engagement is required in order to ensure that the Audit engagement clearly reflects any new Accounting Direction. Given the highly specialised nature of auditing, we consider that the professional body, e.g. CAI, should be engaged further to ensure that the requirements are clear to all parties.
8	Page 43	Page 35	Considering concerns relating to the USO here in Ireland, and to help facilitate evaluation of the PCM, does An Post not think that a USO & non-USO split of Mails balance sheet is understandable?	The split of the Balance Sheet between USO and non-USO will involve a significant number of assumptions concerning the use of various assets where these assets are used by both USO and non-USO services. This point was included in Consultation document 15/135 “ <i>Based on pre-consultation engagement with the USP, it appears that [...to split its capital expenditure between its universal and non-universal postal services] doing so may be practically difficult as it would require the USP to make a number of assumptions, which would be difficult to validate.</i> ” Additionally, it is not clear what extra value this estimation will bring to the function of ComReg.