

Qz.05255 *OSP*

MR ADDISON, 10 Downing Street



MT

CCBS (2)

*Prime Minister
You were concerned
about this point.*

MT

European Community: postal charges

*CDP
3/9*

Although it may at first appear that the decision of the Post Office is simply to reduce charges for external mail at an equal and opposite expense for inland mail, this is not the case. As part of this package of measures, the Post Office is making other changes in external mail charges which increase revenue -

(i) at present the post to the Republic of Ireland is charged at the United Kingdom's inland rate (first class letter 17p, second class letter 12p). As the number of Irish nationals in the United Kingdom is large, the volume of traffic from the United Kingdom to the Republic of Ireland is also quite large. We are "net exporters" of letters to the Republic of Ireland and the British Post Office is paying terminal dues to An Post in the Republic of Ireland for the handling of post originating in the United Kingdom. The imbalance costs us about £4 million a year. Accordingly the British Post Office has decided to increase its revenue quite significantly by bringing the postage rates for letters to the Republic of Ireland into line with those for letters to other European countries. As to other European countries there will not be a second class mail rate. A full system of international pricing for services to the Republic of Ireland was estimated to generate gross additional revenue of about £7.7 million;

(ii) as part of this package of decisions and taking account of the increased revenue, the Post Office decided that the inland first class rate should be retained for mail of up to 20g to the Republic of Ireland and that



this should be extended to other Community countries. This means that skimpy letter writers (because the weight limit is more restrictive than for inland mail) can keep an advantage to the Republic of Ireland and get it for other Community countries. But because the new arrangement is limited and there is, for example, no second class rate, it is far less than a general extension of inland postal arrangements to the Community. Almost all other Community countries charge their own internal rate for first weight-step letters to the United Kingdom.

I am sending copies to Sir Robert Armstrong and to Bernard Ingham.

D F Williamson

D F WILLIAMSON

3 September 1986