



Commission for
Communications Regulation

Draft Postal Strategy Statement 2020 – 2022

Public consultation on mid-term review of
ComReg's five year strategy

Draft for public consultation

Reference: ComReg 19/90

Date: 02/10/2019

Legal Disclaimer

This draft Postal Strategy Statement is not a binding legal document and also does not contain legal, commercial, financial, technical or other advice. The Commission for Communications Regulation ('ComReg') is not bound by it, nor does it necessarily set out ComReg'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 ComReg 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 ComReg. Inappropriate reliance ought not therefore to be placed on the contents of this document.

Content

Executive Summary	5
Our remit	5
Trends and Challenges	6
Strategic Intentions	10
1. Introduction.....	13
Our remit.....	13
Our strategy	14
2. Trends and Challenges	16
Trends:.....	16
1) A continued decline in letter mail volumes	16
2) A significant threat to letter volumes arising from electronic substitution	17
3) End user needs - changing mix of mail and speed of delivery	19
4) Continued competition and growth in the packets and parcels sector.....	20
Challenges:	22
1) The continuing liquidity challenges for An Post, given its statutory designation as the sole universal postal service provider	22
2) Limited scope for further significant price increases.....	24
3) Need to reduce costs to reflect letter mail volume declines	26
4) Need to reduce losses (by negotiating better terminal dues agreements) on International Inbound mail.....	27
5) Responding to the changing demand dynamics of the postal sector	29
6) Responding to the delivery challenges resulting from “Brexit”.....	30
7) Responding to the delivery challenges resulting from climate change actions.....	31
3. ComReg’s Strategic Intents	34
Seek to ensure the provision of a universal postal service.....	36
Promote the interests of postal service users	36
Facilitate the development of competition and innovation.....	37
4. Seek to ensure the provision of a universal postal service	38
5. Promote the interests of postal service users	45
6. Facilitate the development of competition and innovation	49
Annex 1: Vision, role, mission, and values.....	52
Annex 2: The Economic and Legal Framework	53
The economics of postal services	53
The legal framework.....	55
An overview of our areas of responsibility.....	57

Table of Figures

Figure 1. An Post's mail volumes have more than halved since 2007	16
Figure 2. An Post Company cash (adjusted)	23
Figure 3. Stamped letter has increased in price by 82% since 2012	25
Figure 4. An Post stamped letter price versus pricing in Europe	25
Figure 5. % change in Revenue, Costs, and Volumes at An Post Mails.....	27
Figure 6. Universal postal service profits / losses	28
Figure 7. International Inbound losses	28
Figure 8. ComReg Strategic Framework.....	35
Figure 9. Three categories of postal services which are subject to regulation	56

Executive Summary

1. In December 2017 we published our Postal Strategy Statement 2018 – 2020¹ which took a five-year perspective, 2018 to 2023, in developing and setting the strategy for postal regulation. This enabled us to take into account longer term developments and develop our thinking on what the role of postal regulation might be in dealing with issues that might arise in the future, while still meeting our statutory functions and objectives.
2. This Postal Strategy Statement acts as a mid-term review of our five year strategy for postal regulation and reaffirms our three statements of strategic intent, noting progress made, and identifying the related key programmes of work which ComReg intends to undertake over the period 2020 – 2022.
3. In what follows:
 - we summarise our remit;
 - we then revisit and reaffirm the principal trends and challenges that are shaping the postal sector;
 - we then reaffirm our three statements of strategic intent and identify the related key programmes of work which ComReg intends to undertake over the period 2020 - 2022.

Our remit

4. Our remit to regulate the postal sector comes directly from legislation, in particular from the European Postal Services Directive² and the Postal Act. The Postal Act fully opened the Irish postal market to competition in August 2011 and designated An Post as the sole universal postal service provider. As the postal market is fully liberalised, our remit set by the Postal Act is largely limited to the universal postal service. 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. It is a form of protection for postal service users, to ensure universal access by all citizens of Ireland. The universal postal service protects vulnerable users and those that are digitally disadvantaged. In Ireland, the universal postal service mainly consists of the posting of letters, a large proportion of which are posted by small and medium-sized enterprises (“SMEs”). The Postal Act sets out in general terms the universal postal service that An Post is required to provide.

¹ ComReg Document No. 17/113 dated 20 December 2017

² The objectives for postal services regulation have been implemented in EU law through the European Postal Services Directive - Directive 97/67/EC. This directive established a regulatory framework for European postal services and was amended by Directive 2002/39/EC and Directive 2008/6/EC.

5. With regard to competition, our remit is to facilitate the development of competition and innovation in the market for postal service provision, subject to ensuring the availability of a universal postal service. Central to ComReg's regulatory role is the principle that well-functioning markets deliver optimal outcomes in terms of price, quality, choice, and access.
6. In general, our remit is largely a two-part role:
 - (1) A consumer protection role for postal services generally by monitoring and ensuring postal service providers comply with the obligations required of them under the Postal Act or by ComReg, to ensure that the interests of postal service users, both senders and receivers, are promoted and protected.
 - (2) This includes:
 - ensuring appropriate codes of practice are drawn up and implemented;
 - ensuring the availability of simple and inexpensive dispute resolution procedures carried out by a body independent of the parties involved; and
 - consulting and co-operating with the Competition and Consumer Protection Commission ("CCPC") who is responsible for the enforcement of a wide range of consumer legislation.
 - (3) A wider regulatory role with regard to the universal postal service. The European Postal Services Directive and the Postal Act require that these universal postal services are regulated in terms of aspects of pricing, quality, and access.
7. Our remit does not include:
 - other various non-postal services that are provided by postal service providers;
 - other various non-postal services provided at post offices;
 - Eircode - this is the responsibility of the Department of Communications, Climate Action and Environment ("DCCAE").
8. With this remit in mind, this document sets out our postal strategy for the period 2020 - 2022. In setting our postal strategy, we have re-assessed the trends and challenges facing the postal sector.

Trends and Challenges

9. In our last Postal Strategy Statement we took a 5 year perspective and identified the trends and challenges facing the postal sector in the 5 year period to 2023.
10. In setting this Postal Strategy Statement, we have revisited these and have reaffirmed the **four principal trends** which are and will continue to shape the postal sector.

1) A continued decline in letter mail volumes:

An Post's mail volumes have more than halved since 2007³ and the increase in parcel volume is not offsetting letter volume declines at this time. This trend of letter volume declines and increased parcel volumes requires re-assessment of the provisioning and design of the postal network to ensure effective and efficient delivery.

2) A significant threat to letter mail volumes arising from electronic substitution:

Linked to the letter mail volume decline trend, it is generally accepted that the decline in letter volume is due in part to increasing digitisation and the availability of electronic substitutes. In Ireland, approximately 80% of postal transactions are business related and the top 20 large postal service users (e.g. banks, utilities, government) account for the majority of mail sent, mainly bulk letter. A loss of any one of these large postal service users would be significant, and could have the effect of a more marked decrease in volume at a particular time rather than following a general decline trend.

3) End user needs - changing mix of mail and speed of delivery:

Most letter mail is sent by large mailers availing of deferred delivery bulk mail service, largely deferred delivery within 3 days, which is not a universal postal service. As a result, the majority of letter post is not sent using next day delivery even though the postal network continues to be provisioned for next day delivery with the associated costs. Recent research conducted by ComReg²⁴ has found that even though the postal network is provisioned for next day delivery, 5 in 10 residential consumers assume it takes 2 working days or more (1 don't know) for standard national mail to be delivered. Therefore, given these factors, the question to be asked over the period of this Strategy Statement is whether the current legislative requirements in respect of delivery frequency are constraining the universal postal service provider's (currently An Post) ability to restructure its postal network to meet market realities and the reasonable needs of users.

4) Continued competition and growth in the packets and parcels sector:

The delivery of packets (small parcels) and parcels is a growing competitive sector with e-commerce being the driver of growth. Most packets and parcel volumes originate from a small number of key e-commerce players. Therefore, getting and keeping such large e-commerce players as a customer, once it is profitable to do so, is key for postal and parcel delivery operators. An Post in its Annual Report 2018 noted that losing such a key customer is a principal risk it faces.⁴ These key large e-commerce players are requiring better delivery from their parcel delivery operators; more pick-up and drop-offs locations including parcel lockers, Saturday and evening delivery with a possible push to seven day delivery and same day delivery, capability to change delivery "in flight". These demands may require postal and parcel delivery operators to share "last mile" access and infrastructure. The competitive dynamics now also include possible moves to self-delivery by these large e-commerce players.

³ Source: An Post Annual Reports 2008 - 2018

⁴ See Section 4 'Principal Risks and Uncertainties' in Report of the Directors - An Post 2018 Annual Report – <https://www.anpost.com/AnPost/media/PDFs/Annual%20Reports/An-Post-Annual-Report-2018.pdf>

This is a significant risk given the costs of investments being made and increased staffing by parcel delivery providers to deliver the significant amount of parcels originated from these large e-commerce players.

11. Given these trends, we have reaffirmed the principal challenges for the postal sector in the period to 2023 and have identified new challenges arising from “Brexit” and climate change actions.

12. The **seven principal challenges** for the postal sector are:

1) The continued liquidity challenges for An Post, given its statutory designation as the sole universal postal service provider:

Since the last Postal Strategy Statement, An Post’s liquidity situation has improved largely due to once-off transactions. An Post has a number of ongoing and one-off expenditures over the next few years; these include significant expenditures relating to the planned transformation of An Post to a “*nationwide e-commerce delivery service*”⁵; these significant expenditures will likely require funding as such significant expenditures are unlikely to be met solely from ongoing cash generation. As An Post is currently the sole designated universal postal service provider to provide the universal postal service, ComReg would be concerned if further declines in cash jeopardise An Post’s viability and capability to provide the universal postal service.

2) Limited scope for further significant price increases:

An Post has continued to increase the prices of its postal services, for example, bulk mail which is used by large mailers. As the majority of mail is sent by large mailers (utilities, financial services, Government), with significant price increases, these mailers can choose cheaper options, including electronic substitution. Recent research conducted for ComReg²⁴ has found that of SMEs that use bulk mail services to send a large amount of mail, 2 in 3 of these claim to be dissatisfied with the cost of sending letter post. Similarly, SMEs that prepay by meter frank are large senders of post and 7 in 10 of those claim to be dissatisfied with the cost of sending letter post. ComReg considers that given the price increases already made by An Post, given that large senders of post are very sensitive to price increases and have expressed dissatisfaction with the price increases, that there is limited scope for future significant price increases. Therefore, ComReg remains concerned about the impact of any further substantial price increases.

3) Need to reduce costs to reflect decline in letter mail volumes:

According to An Post, its volumes have fallen by 60% since 2007⁶ (largely letter) and An Post forecasts further letter volume declines. However, An Post’s mails costs base is currently not reflecting this letter volume decline. There may be a number of factors here, for example,

⁵ See An Post submission published at <https://www.comreg.ie/publication/consequences-of-the-repeal-of-the-price-cap-on-certain-of-the-universal-postal-services-submissions-to-consultation/>

⁶ An Post Annual Reports 2008 - 2018

increased short-term costs for greater parcel volumes and delivery options. This may change in the future when longer term cost reductions are evident following An Post's longer term strategic plans taking effect.

4) Need to reduce losses (by negotiating better Terminal Dues agreements) on International Inbound mail:

Since the last Postal Strategy Statement, An Post's losses in the international inbound segment (mail posted abroad for delivery in Ireland) has increased from €15.6m in 2016 to €29.3m in 2018 and now, according to An Post's Regulatory Accounts⁷, account for all of its total losses in providing the universal postal service. There is already action taken and future action is required to address these losses, such actions include:

- new terminal dues multi-lateral agreements to increase revenues. Since the last Postal Strategy Statement An Post has negotiated better rates for the European multi-lateral agreement which should contribute an extra c.€6m-€10m per annum⁸. Following the Universal Postal Union ("UPU") Congress in September 2019, An Post⁹ has stated that the new UPU agreement 2020 – 2025 on packets should contribute an extra c.€5 million per annum from 2020.
- An Post to reduce its costs to an efficient level.
- Improved rates for the bi-lateral agreements that An Post has entered into.

5) Responding to the changing demand dynamics of the postal sector:

The postal sector is changing and the postal needs of consumers and businesses are shifting rapidly, in particular with increased e-commerce and increased online communication. As a result, there is a changing demand dynamic, particularly in the mix of services (more parcels and less letters) and on requirements for delivery certainty (less letters needing next day delivery). Postal service providers are responding to this challenge of changing demand dynamics.

Over the period of this Postal Strategy Statement, the European Commission¹⁰ will review the Postal Services Directive and consider a new Directive, given the significant changes in the postal sector since the Directive was set.

⁷ <https://www.anpost.com/AnPost/media/PDFs/Regulatory%20Reports/Regulatory-Reports-2018.pdf>

⁸ <https://www.businessworld.ie/news/An-Post-returns-to-profit-in-2017-570679.html>

⁹ <https://www.irishtimes.com/news/ireland/irish-news/an-post-to-receive-30m-boost-from-global-postal-body-1.4030420>

¹⁰ WIK Consult study, Users needs in the postal sector, commissioned by the European Commission in the context of the future review of the postal regulatory framework - <https://ec.europa.eu/docsroom/documents/37121>. The European Commission plans to publish Commission roadmap of the review of the postal regulatory framework by Q4 2019 and Report on application of PSD by mid-2020

The European Postal Regulators Group¹¹ (“ERGP”) has issued an Opinion¹² that calls for a fundamental “greenfield” approach rather than a mere revision of the existing Postal Services Directive.

6) Responding to the delivery challenges resulting from "Brexit":

As An Post has stated¹³, it is highly unlikely that Britain’s exit from the European Union (“Brexit”) will adversely impact on letter correspondence between Ireland and Britain. However, depending upon the final arrangements in place for Brexit there may be adverse consequences arising in packets and parcels postal services to and from Britain, particularly with regard to customs inspections and charges (including VAT) and customs documentation.

7) Responding to the delivery challenges resulting from climate change actions:

It is likely that postal and parcel delivery operators will need to demonstrate their climate action credentials to be a future business partner / supplier with e-commerce players. It is likely that there will be postal and parcel delivery contracts won and lost on climate actions. Postal and parcel delivery providers are responding to the challenges resulting from climate change actions.

Strategic Intentions

13. The trends and challenges identified impact on and require action by a number of different parties, mainly An Post itself, as An Post handles most of the post in Ireland, particularly letters. For many of these challenges, ComReg has no role or remit. Where ComReg has a role or remit in addressing certain of these challenges we have considered these in developing our three statements of strategic intent, describing what we hope to achieve over the period of this Postal Strategy Statement through the use of the regulatory powers that we have been provided by the Oireachtas.

Strategic Intention 1: Seek to ensure the provision of a universal postal service

14. ComReg’s statutory function includes ensuring the provision of a universal postal service that meets the reasonable needs of postal service users. To meet our legal mandate, **our strategic intention is to act within our powers set by the Oireachtas to seek to ensure that there is a universal postal service that meets the reasonable needs of postal service users.**

¹¹ The European Regulators Group for Postal Services (ERGP) was established on 10 August 2010. The group serves as a body for reflection, discussion and the provision of advice to the European Commission on postal services. It also aims to facilitate consultation, coordination and cooperation between EU countries and the Commission.

¹² ERGP PL I (19) 12 Opinion on the review of the regulatory framework published July 2019

¹³ “Brexit has no impact on letters, just on parcels” quote attributed to An Post at Brexit preparation event, reported by The Journal 26 August 2019 - <https://www.thejournal.ie/brexit-mail-consumer-rights-4782870-Aug2019/> and Irish Times reporting 27 September 2019 – <https://www.irishtimes.com/news/ireland/irish-news/uk-parcels-will-be-green-laned-to-an-post-depots-in-no-deal-brexit-1.4031687>

Strategic Intent 1:	There is a universal postal service that meets the reasonable needs of postal service users
What does this look like?	<ul style="list-style-type: none"> • There is a ‘de minimis’ universal postal service that meets the reasonable and changing needs of postal service users • The universal postal service provider complies with the statutory and regulatory requirements of providing the universal postal service

15. With regard to this strategic intention, **ComReg’s strategic goals** are to:
- Goal 1: Continue to understand the reasonable needs of postal service users
 - Goal 2: Consider the designation of universal postal service provider(s)
 - Goal 3: Monitor for compliance with the requirements of providing the universal postal service

Strategic Intention 2: Promote the interests of postal service users

16. ComReg’s second strategic intention is that postal service users can choose and use postal services with confidence.

Strategic Intent 2:	Postal service users can choose and use postal services with confidence
What does this look like?	<ul style="list-style-type: none"> • Universal postal services are available, where there is no effective competition, that meet the reasonable needs of postal service users • Postal service provider(s) comply with the statutory and regulatory requirements of providing a postal service • Vulnerable users are protected • Postal service users are empowered through clear and adequate information and effective redress • Postal service users are treated fairly by postal service providers • Postal service users, both senders and receivers, derive maximum benefit in terms of choice, price and quality

17. Our strategy emphasises the role of informed decision-making by postal service users, and has the following strategic goals:
- Goal 4: Empower postal service users by ensuring the availability of accurate and appropriate information on postal services and cross border parcel services
 - Goal 5: Empower postal service users by ensuring the availability of complaints and redress procedures

- Goal 6: Protect postal service users by ensuring postal service users, both senders and receivers, derive maximum benefit in terms of choice, price, and quality
- Goal 7: Consult and co-operate with the CCPC
- Goal 8: Resolve disputes between postal service users and postal service providers

Strategic Intention 3: Facilitate the development of competition and innovation

18. ComReg’s third strategic intention is to facilitate the development of competition and innovation in the provision of postal services. All postal service providers will need to be flexible and innovative to adapt to likely further declines in postal letter volumes or to take advantage of any new opportunities that may arise in the changing postal sector. The e-commerce market also offers new opportunities for consumers and postal service providers.

Strategic Intent 3:	Regulation facilitates the development of competition and innovation in the provision of postal services by using appropriate regulatory intervention within our remit
What does this look like?	<ul style="list-style-type: none"> • Postal service users are aware of and can avail of competing postal service providers • Competing postal service providers bring innovations to the sector both in terms of products and process to the benefit of postal service users

19. ComReg’s strategy is to facilitate the development of competition and innovation in the postal sector and has the following strategic goals:

- Goal 9: Facilitate the development of the postal sector by delivering on our legal remit
- Goal 10: Promote the development of the postal sector by continuing to provide information regarding the provision of postal services in Ireland.

1. Introduction

Our remit

20. The Postal Act fully opened the Irish postal market to competition in August 2011. With regard to competition¹⁴, our remit set by the Postal Act, is to facilitate the development of competition and innovation in the market for postal service provision, subject to ensuring the availability of a universal postal service. The universal postal service required by the Postal Act¹⁵ means that on every working day, except in such circumstances or geographical conditions as ComReg considers exceptional, there is at least one postal clearance and one postal delivery to the home or premises of every person in the State.

21. In general, our remit for the regulation of postal services is largely a two-part role:

(1) A consumer protection role for postal services generally by monitoring and ensuring postal service providers comply with the obligations imposed on them by the Postal Act and by ComReg. This role is limited to “postal services”¹⁶ provided by authorised postal service providers¹⁷.

(2) A wider regulatory role with regard to universal postal services, which are a subset of postal services, as they do not face effective competition. Our legal remit is to ensure a universal postal service that meets the reasonable needs of postal service users. In Ireland, the universal postal service consists largely of the posting of single-piece letters, largely SMEs. As there is no effective competition for the universal postal services, the European Postal Services Directive and the Postal Act require that these universal postal services are regulated in terms of:

- **Price:**

Ensuring that the prices of such universal postal services are, among other things, cost oriented (reflective of the efficient cost of providing the service) and affordable.

- **Quality:**

Ensuring that such universal postal services are provided at a reasonable quality that meet the reasonable needs of postal service users.

- **Access:**

Ensuring that such universal postal services can be easily accessed by all across the entire State.

¹⁴ Unlike the electronic communications sector regulated by ComReg, ComReg does not have competition law powers in the postal sector.

¹⁵ Also known as the Universal Service Obligation (“USO”)

¹⁶ “Postal services” are services involving the clearance, sorting, transport and distribution of postal packets. ComReg has decided that “Document Exchange” and “Express and Courier services” and the delivery of unaddressed advertising material lack certain constituent features by which to be deemed “postal services”.

¹⁷ There are currently 11 authorised postal service providers. See <https://www.comreg.ie/industry/postal-regulation/authorised-postal-providers/authorised-postal-providers-register/>

22. Our remit does not include:

- other various non-postal services that are provided by postal service providers;
- other various non-postal services provided at post offices;
- Eircode - this is the responsibility of DCCAÉ.

Our strategy

This Postal Strategy Statement acts as a mid-term review of our five year strategy. Taking a longer term 5 year perspective enabled us to take into account longer term developments and develop our thinking on what the role of postal regulation might be in dealing with issues that might arise in the future, while still meeting our statutory functions and objectives, particularly to:

- i. ensure the provision of a universal postal service;
- ii. promote the interests of postal service users; and
- iii. facilitate the development of competition and innovation.

23. For each of these areas, we have developed a statement of strategic intent, and goals that support the strategic intent.

Strategic Intentions 2018-2023		
1.	Seek to ensure the provision of a universal postal service	There is a universal postal service that meets the reasonable needs of postal service users
2.	Promote the interests of postal service users	Postal service users can choose and use postal services with confidence
3.	Facilitate the development of competition and innovation	Where required, regulation facilitates the development of competition and innovation in the provision of postal services

24. In what follows, we identify and re-affirm the principal trends and challenges that are shaping the postal sector, with additional challenges identified for the postal sector arising from “Brexit” and climate change actions.

25. We then set out our three statements of strategic intent in the context of our overall strategic framework.

26. Then, chapter by chapter, in relation to each of the three strategic intentions, we set out the related particular key programmes of work which ComReg intends to undertake over the period 2020 - 2022.

2. Trends and Challenges

27. In our last Postal Strategy Statement¹⁸ we took a 5 year perspective and identified the trends and challenges facing the postal sector in the 5 year period to 2023. These trends and challenges assisted in informing and developing our strategic intentions.

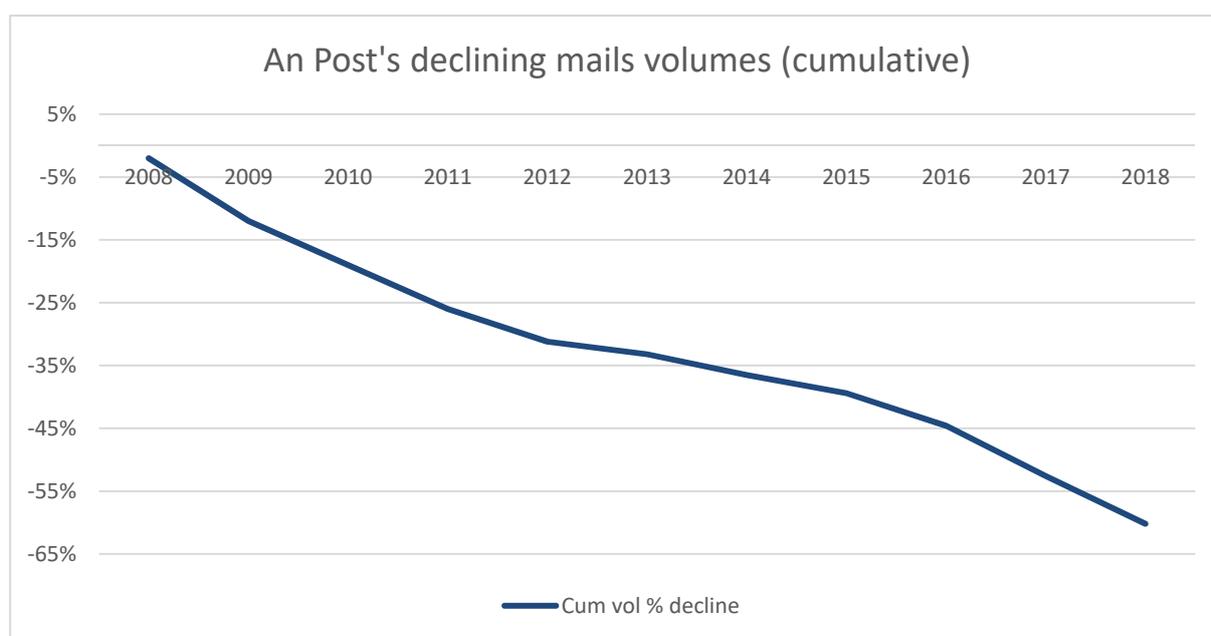
28. In the following, we have updated and reaffirmed the four principal trends which are likely to shape the postal sector and pose challenges to it in the coming years.

Trends:

1) A continued decline in letter mail volumes

29. According to An Post¹⁹, its overall mail volumes have fallen by 60% since 2007 and An Post is forecasting further letter mail volume declines.

Figure 1. An Post's mail volumes have more than halved since 2007



Source: ComReg analysis of An Post's audited Annual Reports

30. Therefore, An Post's mail volumes have more than halved since 2007. A decline of this magnitude would typically require a postal operator to re-assess the provisioning and design of its postal network to ensure effective and efficient delivery.

¹⁸ ComReg Document No. 17/113 - <https://www.comreg.ie/publication/postal-strategy-statement-2018-2010/>

¹⁹ An Post Annual Reports 2008 - 2018

31. This decline of mail is largely on letter mail volumes. However, there is an increase in higher value parcel volumes. While this increase in parcel volume is not offsetting letter volume declines at this time, in the future increased parcels could compensate revenue declines arising from lost letter mail volumes. This trend of letter volume declines and increased parcel volumes also requires re-assessment of the provisioning and design of the postal network to ensure effective and efficient delivery.
32. There are many options available to An Post to ensure that An Post remains viable given these significant letter mail volume declines to date and given An Post's forecast of future letter mail volume declines. Regarding letter mail volume, to date, An Post has increased price to mitigate the lost revenue from letter mail volume declines.
33. Ensuring that An Post remains viable is a matter for An Post management and its shareholder; with NewERA now having a review and advice role²⁰. ComReg has no prudential role.
34. However, as An Post is currently the sole designated universal postal service provider to provide the universal postal service, ComReg would be concerned if these ongoing letter volume declines without appropriate measures to counter and limit the effect of these letter volume declines jeopardise An Post's viability and capability to provide the universal postal service.

2) A significant threat to letter volumes arising from electronic substitution

35. Linked to the letter mail volume decline trend, it is generally accepted that the decline in letter volume is due in part to increasing digitalisation and availability of electronic substitutes. Customer communications that in the past would have been sent by post are now widely available through Government and company websites and other electronic facilities. For example, many utility bills and bank statements are now not posted but are instead notified to customers via email / available online. Therefore, the greatest threat to An Post's traditional postal business does not come from other providers of postal services but lies beyond it – i.e. substitutable electronic methods of communication. Furthermore, once a portion of mail business has been lost to an electronic substitute it is likely to be a permanent loss. In this case, business customers would likely have re-engineered their internal processes to take account of the switch to an electronic substitute.

²⁰ See NewERA report published November 2018 (https://www.ntma.ie/wp-content/uploads/2018/12/NewERA-Annual-Financial-Review-2017_18.pdf) for details of NewERA annual review of An Post for year ended 2017. Continuing mail volume declines is identified by NewERA as a key challenge.

36. In Ireland, approximately 80% of postal transactions are business related and the top 20 large postal service users (e.g. banks, utilities, government) account for the majority of mail sent, mainly bulk letter. A loss of any one of these large postal service users would be significant, and could have the effect of a more marked decrease in volume at a particular time rather than following a general decline trend; in particular, as a result of e-substitution projects being completed by these large postal users (for example, a bank no longer posting statements monthly).
37. According to research commissioned by ComReg²¹, amongst large mailers, there is a large focus on postal costs. Expenditure on postal services is closely monitored and budgeted for as postal costs incurred by these organisations can be significant. Private sector organisations that were interviewed for the research appear to be particularly active in this respect, and some have already achieved very large reductions in volumes in recent years, by switching customers to electronic alternatives, especially in relation to statements, invoices and bills. Some stated that electronic substitution can bring additional benefits. For example, staggered electronic billing patterns used by utilities can be used to smooth:
- cash flow, as electronic billing can provide better delivery certainty and customers on electronic billing are more likely to use direct debits (perhaps through use of discounting or other incentives).
 - incoming calls to call centres, as staggered electronic billing can be set to match call centre capacity.
38. The Irish State has and continues to also examine electronic alternatives in its engagements with its citizens. The Irish government is implementing an eGovernment Strategy²² to be a leader in the provision of digital government services to successfully meet the European eGovernment Action Plan²³. The eGovernment Strategy recognises the clear requirement from Irish citizens and businesses to have a similar user experience in dealing with Government as they would have in dealing with the best of the retail and banking sectors. The aim is to ensure all Digital Government services are high quality, secure, reliable and easy to use.
39. However, it is not just the large mailers looking at electronic alternatives. SMEs account for a significant portion of traditional mail (mainly metered and stamped letter) and according recent research conducted for ComReg, a significant portion of SMEs' communications has already moved to electronic substitutes and is the main reason for sending less mail versus three years ago²⁴.
40. The changing technological environment also makes e-substitution more pervasive. The proportion of households in Ireland with access to the internet is 89%²⁵. Mail senders are more likely than ever to get traction with their customers when they try to switch to cheaper electronic communications methods, especially if such cost savings, in whole or part, are passed onto the customer.

²¹ ComReg Document No. 16/107 - <https://www.comreg.ie/publication/research-postal-users-needs/>

²² <https://egovstrategy.gov.ie/>

²³ <https://ec.europa.eu/digital-single-market/en/european-egovernment-action-plan-2016-2020>

²⁴ ComReg Document No. 19/84a

²⁵ <https://www.cso.ie/en/releasesandpublications/er/iss hh/information society statistics-households2018/>

3) End user needs - changing mix of mail and speed of delivery

41. Most letter mail is sent by large mailers availing of deferred delivery bulk mail service, largely deferred delivery within 3 days, which is not a universal postal service. The deferred delivery bulk mail service is increasingly seen as an attractive option capable of satisfying business requirements. While mailers availing of the deferred delivery bulk mail service must accept a service to deliver within 3 days, relative to the cost of the next day delivery services, the associated prices are much lower. As a result, the majority of letter post (as the majority of post is sent by businesses), is not sent using next day delivery even though the postal network continues to be provisioned for next day delivery with the associated costs.
42. The universal postal service, according to the Postal Service Directive, must provide collection and delivery every working day, reflected in Irish legislation and supported by DCCAIE in its Statement of Strategy 2019-2021²⁶ which notes as a Key Outcome the maintenance of the 5 day nationwide delivery requirement on An Post.
43. However the recent ERGP Opinion²⁷ stated that the universal postal service collection and delivery requirement needs a “greenfield” review and as a result 5 day collection and delivery may not be required.
44. Recent research conducted by ComReg²⁴ has found that even though the postal network is provisioned for next day delivery, 5 in 10 residential consumers assume it takes 2 working days or more (1 don't know) for standard national mail to be delivered.
45. The research also found that residential consumers send on average 2.6 letters per month and that around half of this is standard and half “important”.
46. ComReg's research poses interesting questions for policy makers and legislators in respect of the reasonable needs of postal service users, and in particular whether next day delivery for letters is required to protect postal service users in the future postal regulatory framework.
47. Therefore, given these factors, the question to be asked over the period of this Postal Strategy Statement is whether the current legislative requirements in respect of delivery frequency are constraining the universal postal service provider's (currently An Post) ability to restructure its postal network to meet market realities and the reasonable needs of users.

²⁶ <https://www.dccae.gov.ie/en-ie/news-and-media/publications/Documents/34/Statement%20of%20Strategy%202019%20-%202021.pdf>

²⁷ ERGP PL I (19) 12 Opinion on the review of the regulatory framework published July 2019

4) Continued competition and growth in the packets and parcels sector

48. The delivery of packets (small parcels) and parcels is a growing competitive sector with e-commerce being the driver of growth. Research commissioned by ComReg²⁸ estimated that in the wider packet and parcel sector in Ireland:

- Eight operators account for about 90% of the volumes of the packet and parcel sector in Ireland, with An Post²⁹ estimated to be the largest (largely in smaller parcels, packets).
- Most packets and parcels originate with ‘Business to Consumer’ large mailers who use commercially negotiated services. Most pricing is negotiated and done on a bespoke basis, except for over-the-counter single piece sales to smaller consumers. There is a significant amount of price variation, with large volume senders typically receiving lower prices. The vast majority of packets and parcels in this sector are not subject to regulation by ComReg, with ComReg’s remit largely limited to universal postal service packet and parcels which are single piece and low volume services and account for c.6% of the universal postal service by volume.
- Senders place most value on price and reliability when choosing packet and parcel operators.

49. Most packets and parcel volumes originate from a small number of key e-commerce players. Therefore, getting and keeping such large e-commerce players as customers, once it is profitable to do so, is key for postal and parcel delivery operators. An Post in its Annual Report 2018 noted that losing such a key customer is a principal risk it faces.³⁰

50. Furthermore, these key large e-commerce players are requiring better delivery from their parcel delivery operators; more pick-up and drop-offs locations including parcel lockers, Saturday and evening delivery with a possible push to seven day delivery and same day delivery, capability to change delivery “in flight”. Postal and parcel delivery operators need the operational capability and flexibility to meet those demands. These demands may also require postal and parcel delivery operators to share “last mile” access and infrastructure.

²⁸ ComReg Document No. 15/47 - <https://www.comreg.ie/csv/downloads/ComReg1547.pdf>

²⁹ An Post estimates it has 25% market share, which it plans to grow – see <http://www.anpost.ie/AnPost/MainContent/About+An+Post/Media+Centre/Press+Releases/2017/World+Wide+Open.htm>

³⁰ See Section 4 ‘Principal Risks and Uncertainties’ in Report of the Directors - An Post 2018 Annual Report – source: <https://www.anpost.com/AnPost/media/PDFs/Annual%20Reports/An-Post-Annual-Report-2018.pdf>

51. The competitive dynamics now also include possible moves to self-delivery by these large e-commerce players. For example, Amazon has³¹ and is establishing Amazon Delivery Service Partners³² to deliver Amazon parcels using Amazon technology and logistics support with an increased focus on Amazon controlling its “last mile” delivery so that it can offer more delivery services like same day delivery. Therefore, there is a significant risk to post and parcel delivery operators losing business to smaller entrepreneurs owning/leasing delivery vans to deliver Amazon parcels. This is a significant risk given the costs of investments being made and increased staffing by parcel delivery providers to deliver the significant amount of parcels originated from Amazon. At this time, it is understood that Amazon has not yet established this model in Ireland but this could change over the period of this Postal Strategy Statement.
52. However, it is not just the key large customers that is the focus for parcel delivery; SMEs have a key role too and this presents opportunities for postal and parcel delivery operators.
53. WiK Consult in its study³³ for the European Commission noted “*Domestic e-commerce markets are characterised by a very small number of large and powerful e-retailers and a huge number of small e-retailers and hobby sellers. Member States ... characterised by relatively small domestic retail markets (as for example ... Ireland ...) may not have such large or very large e-retailers in their countries.*” This study also noted that “*it appears that with the increasing size of the domestic retail market (in terms of the number of inhabitants) the incentives to expand internationally become weaker*”, therefore, Ireland has a relatively high selling cross-border by Irish SMEs, in part reflective of our small domestic retail market. The European Commission has been monitoring Member States’ digital competitiveness with the Digital Economy and Society Index (“DESI”)³⁴. According to the latest DESI report for Ireland, Irish SMEs continue to excel in the use of e-commerce. 30% sell online and 17% sell cross border, well above the EU average of 17% and 8% respectively. 26% of the total turnover generated by SMEs comes from online sales, more than double the EU average of 10%. Therefore, there is opportunity and challenge for parcel delivery operators in Ireland to also fulfil SMEs’ parcel delivery requirements. Furthermore, recent research conducted for ComReg²⁴ has found that 4 in 10 SMEs are dissatisfied with the cost of sending parcels showing opportunity, subject to underlying cost considerations, for increased price competition for SME parcel delivery.

³¹ In the UK – see <https://logistics.amazon.co.uk/>

³² Entrepreneurs are able to lease customised blue delivery vans with the Amazon smile logo on the side, and take advantage of other discounts, including fuel, insurance, branded uniforms.

³³ ‘Development of Cross-border E-commerce through Parcel Delivery’ dated February 2019

³⁴ <https://ec.europa.eu/digital-single-market/en/scoreboard/ireland>

54. Also, of particular interest, in Ireland, according to the CSO³⁵, 60% of persons who bought or ordered goods or services online in the previous 12 months used sellers from other EU countries. This shows also the opportunity and challenge for parcel delivery operators in Ireland to also fulfil delivery in Ireland for overseas parcel delivery operators if such operators do not deliver in Ireland; an example of this is An Post's delivery in Ireland of parcels originated overseas with Deutsche Post DHL.

Challenges:

55. Given these trends, we have reaffirmed the five principal challenges for the postal sector in the period to 2023 and have identified two new challenges arising from "Brexit" and climate change actions. These principal trends pose a number of significant challenges for the postal sector in the upcoming period, though they largely require action by An Post, as An Post:

- accounts for most of the mail in the postal sector, largely letter correspondence;
- is currently the sole designated universal postal service provider.

The **seven** principal challenges for the postal sector are:

1) The continuing liquidity challenges for An Post, given its statutory designation as the sole universal postal service provider

56. Under the Postal Act, An Post is designated as the sole universal postal service provider until 2023³⁶. At the time of the previous Postal Strategy Statement, ComReg stated "*(t)he consequential decline in universal postal service revenues coupled with the lack of success in reducing related costs, means, among other things, that there has been a significant decrease in An Post's cash balances. The liquidity situation that An Post faces has been steadily developing over several years³⁷. Though ComReg has no prudential function with regard to An Post, ComReg is very concerned by the liquidity situation facing An Post as currently there are no alternative universal postal service provider(s) to provide the universal postal service. This liquidity situation means that regulatory monitoring at this time is particularly important, given that a lack of liquidity could jeopardise An Post's ability to provide the universal postal service in its current legally mandated form.*"

³⁵ <http://www.cso.ie/en/releasesandpublications/er/iss hh/information society statistics-households2017/>

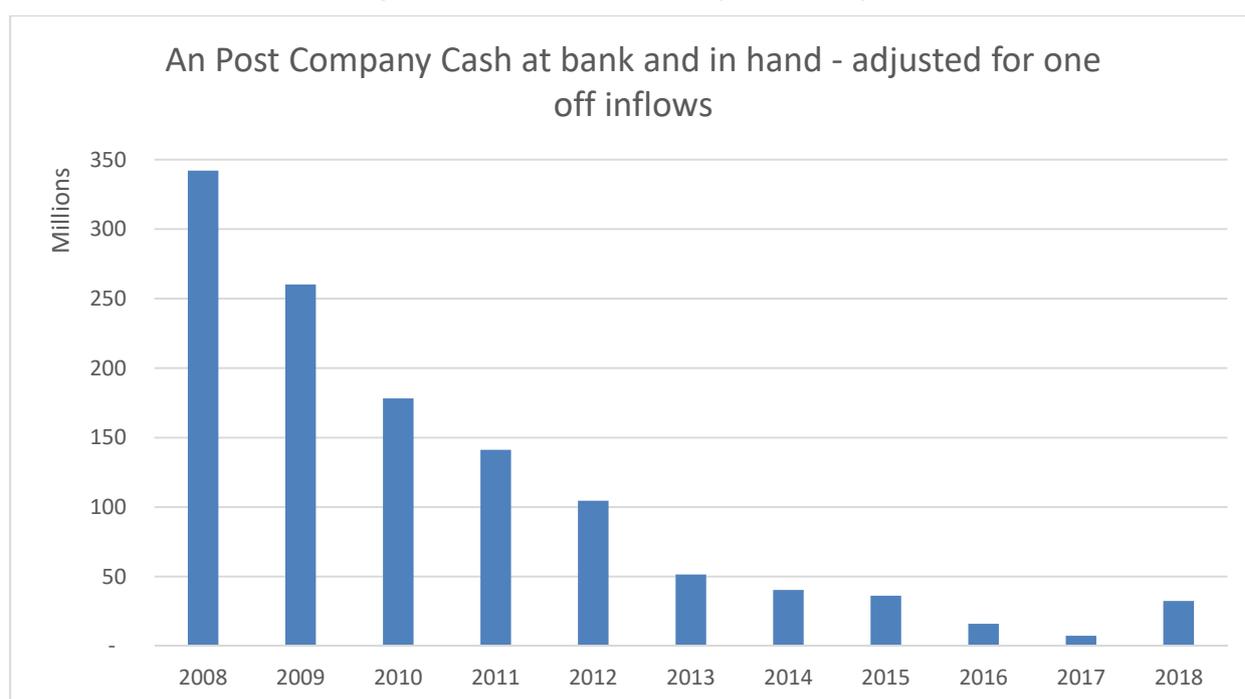
³⁶ Subject to review by ComReg after August 2018

³⁷ ComReg has publicly noted these concerns since 2012. See ComReg Document Nos. 12/138, 13/21, 14/59, 15/135, 16/53, 16/81, 17/06.

57. Since the last Postal Strategy Statement, An Post's liquidity situation has improved largely due to the following once-off transactions:

- A government loan of €30m provided in November 2017³⁸; repayment is not required until 2022-2024³⁹.
- The sale of Cardiff Lane for c.€37m in 2017 (c.€24m after tax)
- An equity dividend from An Post's investment in Premier Lotteries Ireland in 2017 of c.€9m.

Figure 2. An Post Company cash (adjusted)



Source: ComReg analysis of An Post's audited Annual Reports

³⁸ <https://www.dccae.gov.ie/en-ie/news-and-media/press-releases/Pages/Minister-Denis-Naughten-secures-%E2%82%AC30-million-in-State-funding-to-protect-Post-Office-network.aspx>

³⁹ In December 2017, having regard to the Services of General Economic Interest it provides, An Post received a loan of €30m from the Department of Finance to assist in the restructuring of the Company. The loan is for a 5 year term with the potential for an annual extension on two occasions. It attracts an interest rate of 1% and was provided to execute An Post's strategic plan.

58. An Post has a number of ongoing and planned one-off expenditures over the next few years; these include significant expenditures relating to the planned transformation of An Post to a “*nationwide e-commerce delivery service*”⁴⁰; these significant expenditures will likely require funding as such significant expenditures are unlikely to be met solely from ongoing cash generation. As noted in Trend 4, increased focus on e-commerce parcel delivery is not without risk, especially if Amazon establishes its own delivery network in Ireland as it has done and is planning to do in other countries. It is a matter for An Post and its shareholders to ensure that An Post’s planned transformation, expenditures associated with, and funding of the planned transformation are reasonable. Ensuring that An Post remains viable is a matter for An Post management and its shareholder; with NewERA now having a review and advice role⁴¹. ComReg has no prudential role.
59. However, as An Post is currently the sole designated universal postal service provider to provide the universal postal service, ComReg would be concerned if further declines in cash jeopardise An Post’s viability and capability to provide the universal postal service.

2) Limited scope for further significant price increases

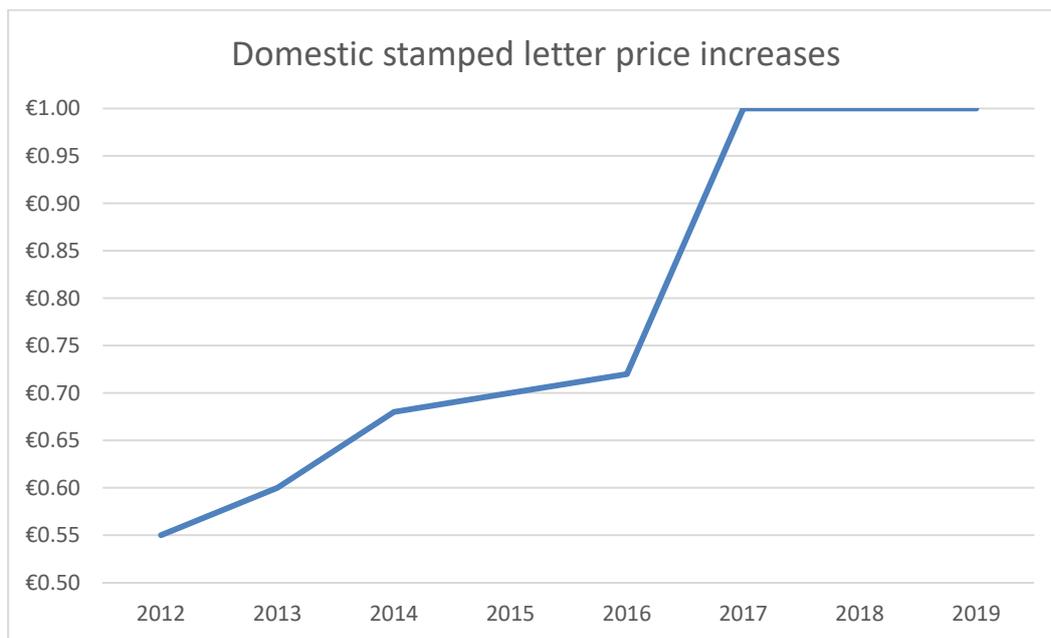
60. At the time of the Postal Strategy Statement 2018 – 2020, ComReg stated that given the significant price increases made by An Post and given that large senders of post are very sensitive to price increases, that there is very limited scope for future significant price increases. Since the significant price increases made during 2017⁴², An Post has not increased the price of the domestic stamped letter and it remains at €1, just above the European average.

⁴⁰ See An Post submission published at <https://www.comreg.ie/publication/consequences-of-the-repeal-of-the-price-cap-on-certain-of-the-universal-postal-services-submissions-to-consultation/>

⁴¹ See NewERA report published November 2018 (https://www.ntma.ie/wp-content/uploads/2018/12/NewERA-Annual-Financial-Review-2017_18.pdf) for details of NewERA annual review of An Post for year ended 2017. Continuing mail volume declines is identified by NewERA as a key challenge.

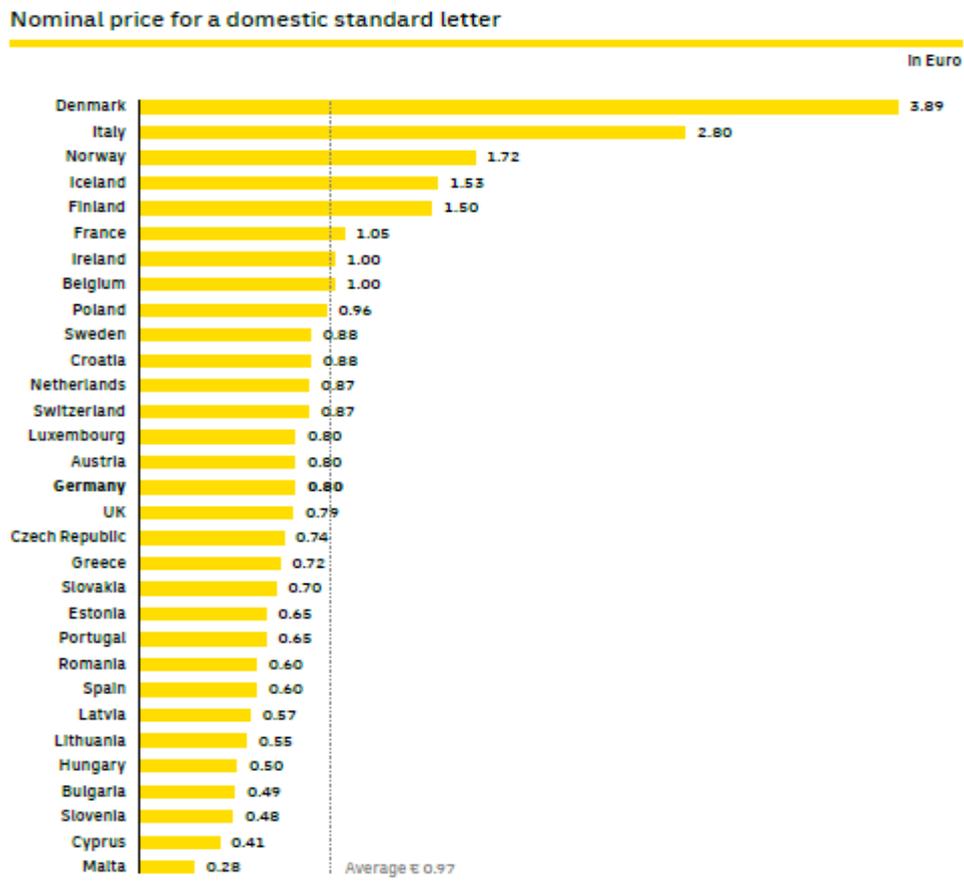
⁴² <http://www.anpost.ie/AnPost/MainContent/About+An+Post/Media+Centre/Press+Releases/2017/Postal+rates+2017>

Figure 3. Stamped letter has increased in price by 82% since 2012



Source: ComReg analysis of An Post price increases of domestic stamped letter

Figure 4. An Post stamped letter price versus pricing in Europe



Source: Deutsche Post 'Letter prices in Europe' – 18th Edition – June 2019

61. However, An Post has continued to increase the prices of its other postal services, for example, bulk mail which is used by large mailers.
62. As the majority of mail is sent by large mailers (utilities, financial services, Government), with significant price increases, these mailers can choose cheaper options, including electronic substitution. Such electronic options, if adopted, would lead to a significant permanent decline in letter mail volume, which could have serious consequences. Recent research conducted for ComReg²⁴ has found that of SMEs that use bulk mail services to send a large amount of mail, 2 in 3 of these claim to be dissatisfied with the cost of sending letter post. Similarly, SMEs that prepay by meter frank are large senders of post and 7 in 10 of those claim to be dissatisfied with the cost of sending letter post.
63. An Post in its submission⁴³ to the public consultation on the repeal of the price cap submits the combination of low population density and a low number of mail items per capital in Ireland results in a higher cost per item to provide the nationwide delivery service in Ireland. An Post further submits “*that the rapid ongoing decline in mail volumes and the requirement for An Post to transform into a nationwide e-commerce delivery service will require further creative and substantial changes to pricing*”.
64. ComReg considers that given the price increases already made by An Post and given that large senders of post are very sensitive to price increases and have expressed dissatisfaction with the price increases, that there is limited scope for future significant price increases. Therefore, ComReg remains concerned about the impact of any further significant price increases.

3) Need to reduce costs to reflect letter mail volume declines

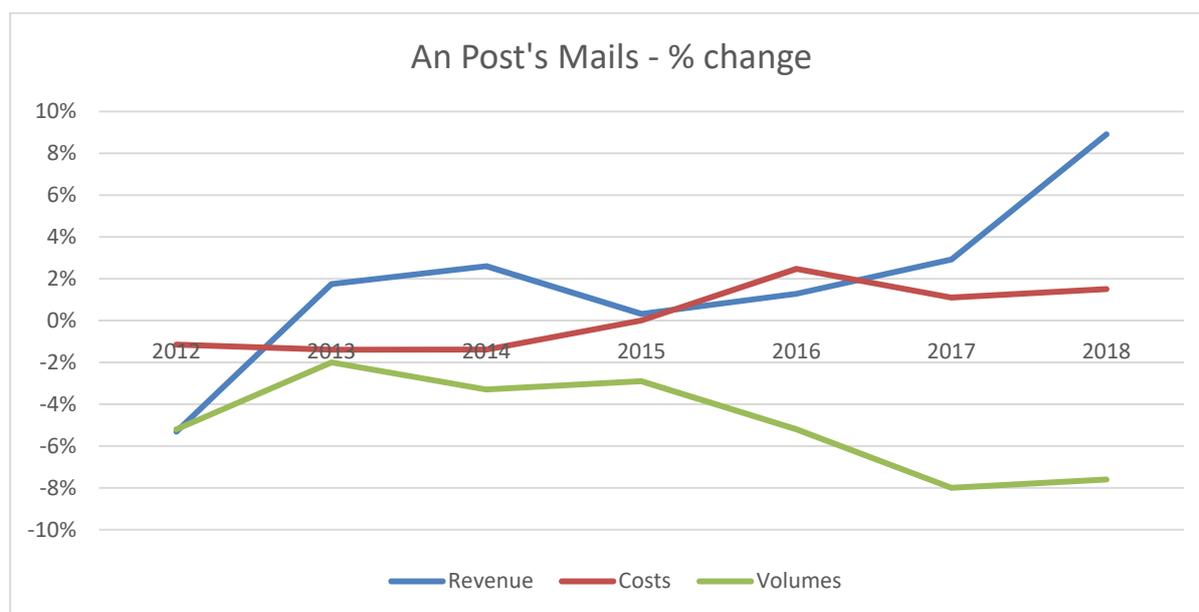
65. According to An Post⁴⁴, its volumes have fallen by 60% since 2007 (largely letter) and An Post forecasts further letter volume declines. However, An Post’s mails costs base is currently not reflecting this letter volume decline⁴⁵ - see Figure 5. There may be a number of factors here, for example, increased short-term costs for greater parcel volumes and delivery options. This may change in the future when longer term cost reductions are evident following An Post’s longer term strategic plans taking effect.

⁴³ Published by ComReg at Document No. 19/62s dated 21 June 2019

⁴⁴ An Post Annual Reports 2008 - 2018

⁴⁵ Following the repeal of the price cap, the challenge is for An Post to deliver cost efficiency so as to ensure the financial stability of An Post into the future.

Figure 5. % change in Revenue, Costs, and Volumes at An Post Mails



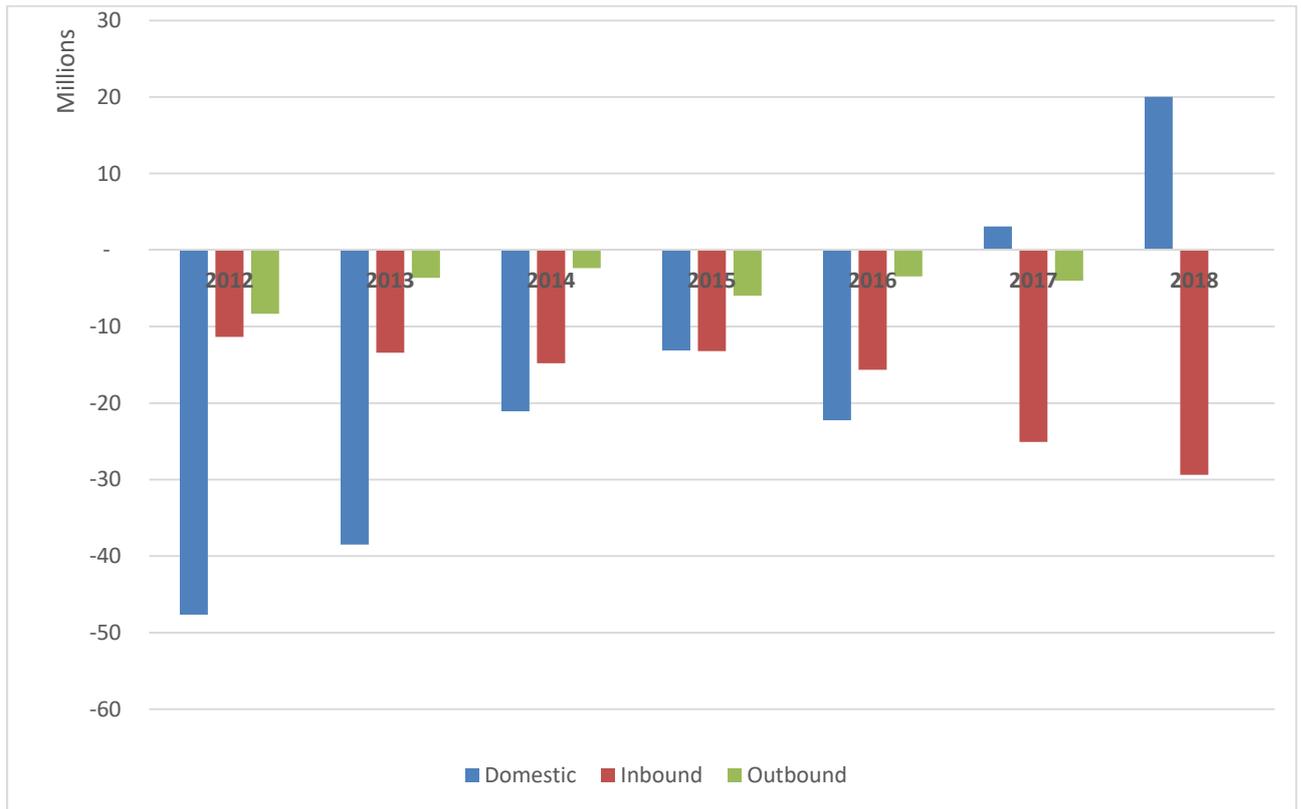
Source: ComReg analysis of An Post’s audited Regulatory Accounts

4) Need to reduce losses (by negotiating better terminal dues agreements) on International Inbound mail

66. Since the last Postal Strategy Statement, An Post’s losses in the international inbound segment (mail posted abroad for delivery in Ireland) has increased from €15.6m in 2016 to €29.3m in 2018 and now, according to An Post’s Regulatory Accounts⁴⁶, account for all of its total losses in providing the universal postal service. Essentially, international users posting to Ireland are enjoying a better or almost subsidised rate than Irish postal service users.

⁴⁶ See <https://www.anpost.com/AnPost/media/PDFs/Regulatory%20Reports/Regulatory-Reports-2018.pdf>

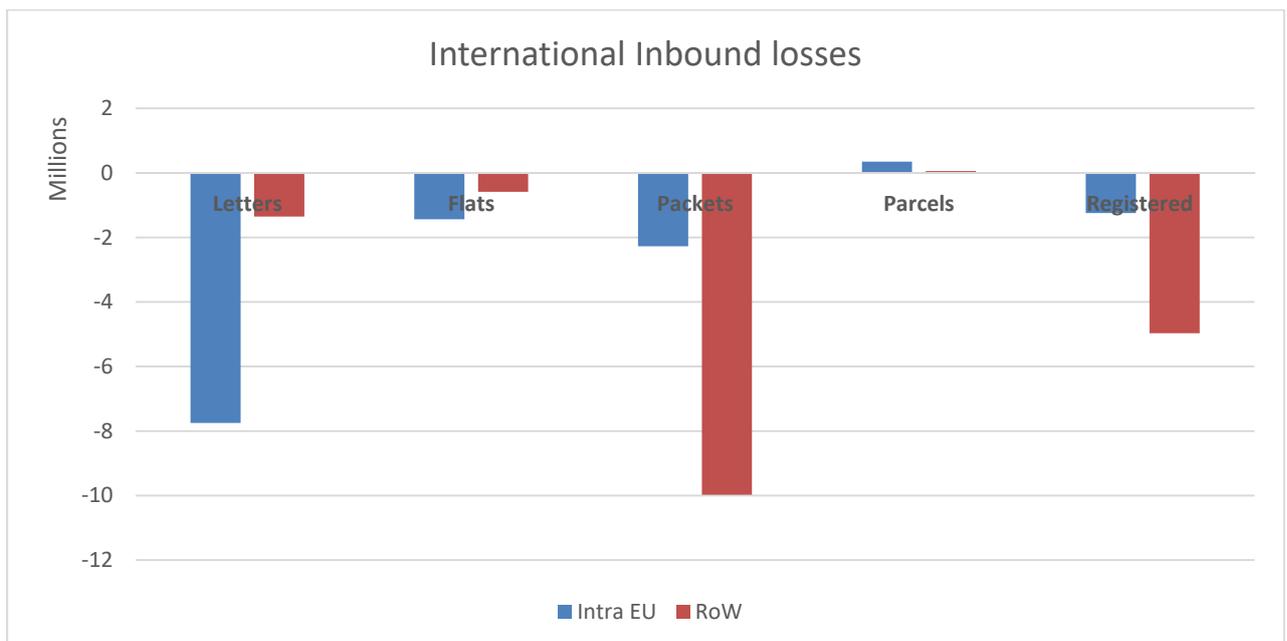
Figure 6. Universal postal service profits / losses



Source: ComReg analysis of An Post’s audited Regulatory Accounts

67. An Post’s losses in international inbound mail is primarily in Intra-EU letters (mainly UK) Rest of World (“RoW”) packets (mainly e-commerce packets from China) and registered items (e-commerce registered packets).

Figure 7. International Inbound losses



Source: ComReg analysis of An Post’s audited Regulatory Accounts

68. There is already action taken and future action is required to address these losses, such actions include:

- new terminal dues multi-lateral agreements to increase revenues. Since the last Postal Strategy Statement An Post has negotiated better rates for the European multi-lateral agreement which should contribute an extra c.€6m-€10m per annum⁴⁷. Following the Universal Postal Union (“UPU”) Congress in September 2019, An Post⁴⁸ has stated that the new UPU agreement 2020 – 2025 on packets should contribute an extra c.€5 million per annum from 2020.
- An Post to reduce its costs to an efficient level.
- Improved rates for the bi-lateral agreements that An Post has entered into.

69. ComReg’s role on international inbound mail is limited by legislation to a compliance role, requiring An Post, as the current universal postal service provider, to cover its costs in processing and delivering international inbound mail within the universal postal service from other EU Member States only.

70. Therefore, ComReg’s role does not include UPU rates (as these apply for rest of world, outside EU) and any bi-lateral rates agreed with the Royal Mail, following Britain’s exit from the EU in due course.

5) Responding to the changing demand dynamics of the postal sector

71. The postal sector is changing and the postal needs of consumers and businesses are shifting rapidly, in particular with increased e-commerce and increased online communication. As a result, there is a changing demand dynamic, particularly in the mix of services (more parcels and less letters) and on requirements for delivery certainty (less letters needing next day delivery). Postal service providers are responding to this challenge of changing demand dynamics.

72. ComReg has a statutory objective to promote the development of the postal sector. Given this and the changing demand dynamic, ComReg will continue to explore through market research how consumer and business postal needs and preferences are evolving as such information is important to fully understand the sector. ComReg will publish this research so that all can benefit from its findings. Such research, where appropriate:

- will assist in informing future regulatory decisions by ComReg
- could be used to inform wider legislative and policy issues for the postal sector.

⁴⁷ <https://www.businessworld.ie/news/An-Post-returns-to-profit-in-2017-570679.html>

⁴⁸ <https://www.irishtimes.com/news/ireland/irish-news/an-post-to-receive-30m-boost-from-global-postal-body-1.4030420>

73. Over the period of this Postal Strategy Statement, the European Commission⁴⁹ will review the Postal Services Directive and consider a new Directive, given the significant changes in the postal sector since the Directive was set.
74. The European Postal Regulators Group⁵⁰ (“ERGP”) has issued an Opinion⁵¹ that calls for a fundamental “greenfield” approach rather than a mere revision of the existing Postal Services Directive. The ERGP states that such an approach will require assessing, at the outset, whether there is still a need to regulate and what the objectives of regulation will be, considering that regulatory intervention in markets should take place only in case of actual or potential market failures.
75. Furthermore, the ERGP states that it should acknowledge the existing differences in postal markets among Member States hence allowing National Regulatory Authorities (NRAs), such as ComReg, enough flexibility to adapt regulation to national market circumstances.

6) Responding to the delivery challenges resulting from “Brexit”

76. This is a new challenge for the period 2020 – 2022. As the designated universal postal service provider, An Post has confirmed⁵² that it has appropriately planned for the impact on postal services arising from when Britain exits the European Union (“Brexit”), including ongoing communications with the Revenue Commissioners, DCCAE and other key organisations.
77. As An Post has stated⁵³, it is highly unlikely that Brexit will adversely impact on letter correspondence between Ireland and Britain. However, depending upon the final arrangements in place for Brexit there may be adverse consequences arising in packets and parcels postal services to and from Britain, particularly with regard to customs inspections and charges (including VAT) and customs documentation.

⁴⁹ WIK Consult study, Users needs in the postal sector, commissioned by the European Commission in the context of the future review of the postal regulatory framework can be found at <https://ec.europa.eu/docsroom/documents/37121>. The European Commission plans to publish Commission roadmap of the review of the postal regulatory framework by Q4 2019 and Report on application of PSD by mid-2020

⁵⁰ The European Regulators Group for Postal Services (ERGP) was established on 10 August 2010. The group serves as a body for reflection, discussion and the provision of advice to the European Commission on postal services. It also aims to facilitate consultation, coordination and cooperation between EU countries and the Commission.

⁵¹ ERGP PL I (19) 12 Opinion on the review of the regulatory framework published July 2019

⁵² See <https://www.anpost.com/Brexit>

⁵³ “Brexit has no impact on letters, just on parcels” quote attributed to An Post at Brexit preparation event, reported by The Journal 26 August 2019 - source: <https://www.thejournal.ie/brexit-mail-consumer-rights-4782870-Aug2019/> and Irish Times reporting 27 September 2019 – source: <https://www.irishtimes.com/news/ireland/irish-news/uk-parcels-will-be-green-laned-to-an-post-depots-in-no-deal-brexit-1.4031687>

78. As a result, Britain's exit from the European Union, particularly a "no deal" exit, will present challenges for e-commerce with Britain, which in turn impacts on deliveries and returns to/from Britain. Buying from Britain in a "no deal" scenario will be the equivalent of purchasing from a 'third country' such as the US or China. Online shoppers purchasing from Britain will have to pay extra import charges, duty and VAT when the items are delivered to their door; this presents challenges on delivery regarding the collection of these extra charges and, where applicable, a payment to the delivery operator for the handing and collection of these additional charges (for example, An Post currently charges a minimum charge of €10 to handle and collect customs taxes of parcels imported from countries outside the EU). It is possible, given these extra charges payable, that online shoppers will refuse the delivery for these goods from Britain; especially if the value of the good is less than the cost of the extra charges. Any refused acceptance of delivery and custom changes will present additional challenges for the delivery operator, with resultant extra cost in this scenario.
79. Regarding returns to Britain, online shoppers and delivery operators will face increased administrative costs of export/re-import declarations.
80. It is possible, given the above, that much of the existing e-commerce with Britain will be moved to other European Member States to minimise costs and burdens for retailer, the online shopper, and the delivery operator.

7) Responding to the delivery challenges resulting from climate change actions

81. This is a new challenge for the period 2020 – 2022. Increased digitalisation is changing our world, and our carbon footprint. It is recognised that the postal sector must support and advance the objectives of the UN Sustainable Development Goals with regard to climate action (Goal 13)⁵⁴.
82. On the one hand, increased digitalisation is reducing the number of paper bills and statements printed and posted; this is bad for post, but good for the environment - this very action is sought by the UN's 'Action Now' bot⁵⁵.

⁵⁴ <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

⁵⁵ <https://www.un.org/en/climatechange/take-action.shtml>

83. However, increased digitalisation is also increasing e-commerce and the amount of goods transported globally, shopping is no longer local. This increased e-commerce is increasing our carbon footprint but postal and parcel delivery operators are already acting and seeking further ways to mitigate rising carbon emissions resulting from this trend. Furthermore, e-commerce users are becoming more aware of the environmental impact of their e-commerce purchases with a recent Accenture survey⁵⁶ finding that *“half of the respondents said that, due to the negative environmental impact of fast-shipping options — which includes the use of planes rather than ground transportation, as well as the shipping of multiple items separately rather than together to expedite delivery — they would opt for delivery options with a lower environment impact, such as slower shipping or in-store pick-up.”*

84. In addition to the environmental and social benefits, there are many good commercial reasons for postal and parcel delivery operators to act on climate change and reduce their carbon footprint as follows:

1. Reduced costs:

A big cost for postal and parcel delivery operators is transport related. Moves to electric fleets and other actions such as route optimisation systems reduce not only carbon emissions but fuel and other costs such as maintenance as electric fleets have fewer moving parts.

2. Ready for climate change action legislation:

Climate change action plans and legislations are in place and will continue. Actions now by postal and parcel delivery operators enable these operators to be on the “front foot” and ready for future changes in emissions legislation. Such legislation may for example restrict city centre access of “polluting” vehicles; without action now this will adversely affect those delivery companies that don’t have environmentally friendly delivery vehicles to deliver in the cities.

3. Possible better access to loans and better financing costs:

Under the Paris Agreement⁵⁷, countries committed to make finance available to help achieve the long-term climate action goals. As a result, there is a more financing being made available to climate action and possibly at better terms; for example⁵⁸, in 2017 the Belgian postal operator, Bpost, entered into an innovative €300m revolving credit facility agreement with a variable interest rate that reflects Bpost’s sustainability performance. Bpost is incentivised to improve its sustainability performance in order to lower the interest rate.

4. Better customer relationships:

End customers are increasingly becoming aware of the carbon impact of their online purchasing and returns. End customers are increasingly wanting to know what their carbon footprint is, how they can reduce it, and to know which post and delivery providers are more environmentally efficient. To enable this competitive dynamic, e-commerce sellers are likely to demand more from the

⁵⁶<https://newsroom.accenture.com/news/most-us-shoppers-expect-to-spend-as-much-or-more-this-holiday-season-than-last-year-with-many-turning-to-physical-stores-for-inspiration-accenture-survey-reveals.htm>

⁵⁷ <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

⁵⁸ Source: <https://www.ipc.be/sector-data/sustainability/case-studies/bpost>

post and parcel delivery operators on the carbon footprint of delivery and efforts to reduce this. Furthermore, using the widely accepted greenhouse gas accounting methods, postal and delivery service providers could show customers the environmental (and cost) benefit of using drop off / pick up automated parcel lockers to encourage greater use as 'home' delivery is increasingly reliant on good 'final mile' communications with customers to ensure successful first time delivery and minimise repeat delivery attempts.

5. Better supplier relationships:

Businesses, in particular the larger e-commerce players, are increasingly becoming aware of their carbon impact and requiring better climate action from their suppliers, in particular postal and parcel delivery operators.

It is likely the model of the future will require postal and parcel delivery operators to demonstrate their climate action credentials to be a future business partner / supplier with e-commerce players. It is likely that there will be postal and parcel delivery contracts won and lost on climate actions.

3. ComReg's Strategic Intent

85. ComReg's vision, role and mission was reaffirmed in its ECS Strategy Statement (ComReg Document No. 19/52) and is summarised in Annex 1 of this document.
86. For postal regulation, the tools we have to deliver our role and mission can be categorised into four broad areas:
- Ensuring the provision of a universal postal service
 - Promote the interests of postal service users
 - Facilitate the development of competition and innovation in the postal sector, and
 - Monitoring and ensuring compliance.
87. Underpinning our ability to deliver is our legal remit, obtaining and analysing information and evidence, and the development of our organisation. This relationship is captured in our strategic framework which is illustrated in Figure 8 below.

Figure 8. ComReg Strategic Framework



88. The trends and challenges identified in Chapter 2 require action by a number of different parties, mainly by An Post, as An Post accounts for most of the post in the postal sector, particularly letter correspondence. For many of these challenges, ComReg has no role or remit. Where ComReg has a role or remit in addressing certain of these challenges we have considered these in developing our three statements of strategic intent, describing what we hope to achieve through the use of the tools at our disposal.

Seek to ensure the provision of a universal postal service

89. ComReg has a statutory function to ensure the provision of a universal postal service that meets the reasonable needs of postal service users. Furthermore, ComReg has a statutory objective to promote the availability of a universal postal service within, to, and from the State at an affordable price for the benefit of all postal service users. ComReg recognises that a co-ordinated and clear regulatory framework relating to the provision of universal postal services is beneficial in providing regulatory certainty so that universal postal service provider(s) can take the necessary actions to ensure and provide a stable provision of the universal postal service. The strategic intention associated with this role is to act within our powers set by the Oireachtas to seek to ensure that there is **a universal postal service that meets the reasonable needs of postal service users.**

Strategic Intent 1	
Seek to ensure the provision of a universal postal service	There is a universal postal service that meets the reasonable needs of postal service users

Promote the interests of postal service users

90. ComReg has a statutory objective to promote the interests of postal service users. In particular, ComReg must ensure a high level of protection for postal service users in their dealings with postal service providers. Most post is sent by large mailers (utilities, financial services, Government) and such postings are typically conducted in accordance with a negotiated contract, with terms and conditions, including dispute resolution, set by those contracts. Therefore, ComReg does not have a role with regard to such mail. ComReg's role is primarily with regard to the remainder of mail that is not conducted in accordance with a negotiated contract, to ensure that the interests of those postal service users are promoted and protected.

91. Protecting and informing consumers involves setting rules to ensure that postal service users can access basic services and that they are armed with the information they need to engage with the postal sector with confidence. With this in mind, ComReg considers that ensuring the availability of clear and transparent information can greatly empower postal service users to respond directly to situations they consider to be less than satisfactory. Nevertheless, ComReg must always be ready to step in with firm action focused on rectifying any unfair or unreasonable treatment of postal service users. The strategic intention associated with this role is that **postal service users can choose and use postal services with confidence.**

Strategic Intent 2

Promote the interests of postal service users

Postal service users can choose and use postal services with confidence

Facilitate the development of competition and innovation

92. ComReg has a statutory objective to promote the development of the postal sector and to facilitate the development of competition and innovation in postal service provision. The strategic intention associated with this role is that there is **competition and innovation in the provision of postal services**.

Strategic Intent 3

Facilitate the development of competition and innovation

Regulation facilitates competition and innovation in the provision of postal services by using appropriate regulatory intervention within our remit

93. In Chapters 4 to 6 we set out the strategic goals associated with each of these three strategic intentions.

4. Seek to ensure the provision of a universal postal service

94. ComReg has a statutory function to ensure the provision of a universal postal service that meets the reasonable needs of postal service users. Furthermore, ComReg has a statutory objective to promote the availability of a universal postal service within, to, and from the State at an affordable price for the benefit of all postal service users.

95. The universal postal service required by the Postal Act means that on every working day, except in such circumstances or geographical conditions as ComReg considers exceptional, there is at least one clearance and one delivery to the home or premises of every person in the State and that the following services are provided:

- the clearance, sorting, transport and distribution of “postal packets”⁵⁹ up to 2 kilograms in weight;
- the clearance, sorting, transport and distribution of parcels both within the State and from other Member States up to 10 kilograms in weight;
- a registered items service;
- an insured items service within the State and to and from all UPU countries;
- postal services, free of charge, to blind and partially-sighted persons.

96. With regard to the universal postal service, the Postal Act requires ComReg to:

- specify the universal postal service to ensure that the universal postal service develops in response to the technical, economic and social environment and to the reasonable needs of the postal service users;
- review the designation of the universal postal service provider and consider whether a designation of a universal postal service provider is required, subject to the timeframes and other requirements set by the Postal Act;
- monitor for compliance by universal postal service provider(s) with the statutory and regulatory requirements of providing a universal postal service. These requirements include price, access, and quality.

This Chapter sets out ComReg’s strategic goals associated with seeking to **ensure the provision of a universal postal service** with the high level objective of **a universal postal service that meets the reasonable needs of postal service users**.

⁵⁹ The Postal Act defines a “postal packet” as meaning an item addressed in the final form in which it is to be carried by a postal service provider and includes a letter, parcel, packet or any other article transmissible by post.

Strategic Intent 1:	There is a universal postal service that meets the reasonable needs of postal service users
What does this look like?	<ul style="list-style-type: none"> • A ‘de minimis’ universal postal service that meets the reasonable and changing needs of postal service users • The universal postal service provider complies with the statutory and regulatory requirements of providing the universal postal service

97. ComReg recognises that a co-ordinated and clear regulatory framework relating to the provision of universal postal services is beneficial in providing regulatory certainty so that universal postal service provider(s) can take the necessary actions to ensure and provide a stable provision of a universal postal service.

98. In this respect, in the upcoming period, ComReg’s goals are to:

Goal 1: Continue to understand the reasonable needs of postal service users

The postal sector is changing. There is a changing demand dynamic, particularly in the mix of services (more parcel and less letters) and on requirements for delivery certainty (less letters at next day delivery). ComReg has a statutory function to ensure the provision of a universal postal service that meets the reasonable needs of postal service users.

Since the last Postal Strategy Statement, ComReg considered the reasonable needs of postal service users in re-setting the specification of the universal postal service. As a result, following public consultations, the specification was revised to:

- exclude parcels greater than 10kg from the universal postal service reflecting the greater competitive dynamics in the parcel delivery sector.
- make the certain bulk mail services in the universal postal service to be more readily available to SMEs.

99. Since the last Postal Strategy Statement, ComReg has also commissioned research to inform the reasonable needs of postal service users regarding daily collection and delivery, and next day delivery requirements set for the universal postal service. This research and other evidence available to ComReg will assist in informing future regulatory decisions by ComReg on the universal postal service. It may also be of use to other stakeholders involved in the development of the postal sector.

100. Over the period of this Postal Strategy Statement, the European Commission⁶⁰ will review the Postal Services Directive and consider a new Directive, given the significant changes in the postal sector since the Directive was set. The ERGP has issued an Opinion⁶¹ that calls for a fundamental “greenfield” approach rather than a mere revision of the existing framework. The ERGP Opinion states that such an approach will require assessing, at the outset, whether there is still a need to regulate and what the objectives of regulation will be, considering that regulatory intervention in markets should take place only in case of actual or potential market failures. Furthermore, the ERGP states that it should acknowledge the existing differences in postal markets among Member States hence allowing National Regulatory Authorities, such as ComReg, enough flexibility to adapt regulation to national market circumstances. ComReg will use its understanding and research on the reasonable needs of users to inform relevant stakeholders in the context of this review of the Postal Services Directive.

Goal 2: Consider the designation of universal postal service provider(s)

101. The Postal Act designated An Post as the sole universal postal service provider until 2023. However, the Postal Act also set out for ComReg to review that designation after August 2018 and ComReg may decide to:

- i. continue the designation of An Post as universal postal service provider;
- ii. with the prior consent of the Minister, designate one or more than one postal service provider as a universal postal service provider;
- iii. with the prior consent of the Minister, decide that no such designation is required.

102. Since the last Postal Strategy Statement ComReg has set out the procedures for the review and decision on the designation of universal postal service provider(s)⁶² as these are required by the Postal Act to be in place before conducting any reviews. One of the provisions made by the Postal Act is for ComReg to review whether other postal service provider(s) should be designated to provide the universal postal service, in whole or part. For example, other postal service provider(s) could be designated to provide a registered items service or a parcel service. Any decision by ComReg in this regard would be subject to engagement with authorised postal service providers, would include public consultation and, as required by the Postal Act, the prior consent of the Minister. In 2020, ComReg plans to make a decision on whether there is a need for designation and if so, following that, a decision on the designated universal postal service provider(s).

⁶⁰ WIK Consult study, Users needs in the postal sector, commissioned by the European Commission in the context of the future review of the postal regulatory framework can be found at <https://ec.europa.eu/docsroom/documents/37121>. The European Commission plans to publish Commission roadmap of the review of the postal regulatory framework by Q4 2019 and Report on application of PSD by mid-2020

⁶¹ ERGP PL I (19) 12 Opinion on the review of the regulatory framework published July 2019

⁶² Document No. 19/64a dated 26 June 2019

Goal 3: Monitor for compliance with the requirements of providing the universal postal service

103. Arising from the Postal Act, a universal postal service provider is required:
- To provide a universal postal service in accordance with the obligations imposed by or under the Postal Act;
 - To provide identical services to postal service users under comparable conditions; and
 - To comply with the terms and conditions of its universal postal services provision.
104. Pursuant to the Postal Act, where ComReg is of the opinion that a universal postal service is failing, or has failed, to comply with any of the universal postal service requirements, it may issue a direction to a universal postal service provider to ensure compliance.
105. In this respect, ComReg will continue to monitor universal postal service provider(s) compliance with regulatory obligations, either in response to complaints, or following investigations on its own initiative. ComReg may then take appropriate enforcement action, as necessary, to remedy any non-compliance.
106. ComReg's monitoring in respect of universal postal service provision will include the following:

Pricing

107. ComReg is tasked to ensure that a universal postal service provider's pricing of its universal postal services comply with the tariff requirements of the Postal Act which are:
- Prices must be affordable and be such that all postal service users may avail of the services provided;
 - Prices must be cost-oriented, that is to say, that prices must take account of, and reflect the efficient costs of, providing the postal service or part of the postal service concerned;
 - Prices must comply with the uniform tariff requirement which applies throughout the State to any postal service provided at a single piece tariff;
 - Tariffs must be transparent and non-discriminatory.
108. ComReg must carry out this task following, and not in advance of, a universal postal service provider increasing the prices of its universal postal services. In the event that ComReg was to find that prices of universal postal services are not compliant, for example, they are not affordable or do not reflect efficient cost, ComReg's intervention is limited to the issue of a direction to the universal postal service provider to ensure compliance which would result in legal action where the direction is not complied with.

109. Over the period of this Postal Strategy Statement, ComReg will continue to review whether An Post's prices for universal postal service comply with the tariff requirements, particularly in the context of many of the domestic and international outbound universal postal services now reporting significant profits according to the audited regulatory accounts and in light of the significant changes to reported costs per unit for some universal postal services.

Regulatory accounts

110. ComReg will continue to monitor compliance by a universal postal service provider with the 2017 Accounting Direction⁶³. The audited regulatory (separated) accounts are critical information for ComReg to assess how the universal postal service is performing financially, for assessing universal postal services' prices for compliance with the cost orientation tariff requirement of the Postal Act, and for other regulatory requirements. Since the last Postal Strategy Statement, ComReg has engaged with An Post and the Regulatory Auditor; this engagement resulted in a number of prior year adjustments to the 2018 Regulatory Accounts to improve those accounts. ComReg will continue to engage with An Post and the Regulatory Auditor.

Quality of service

111. Quality of service standards are necessary to ensure that postal service users receive the appropriate postal service for which they have paid. ComReg continues to monitor compliance by a universal postal service provider against the current standard of 94%. It was noted in the last Postal Strategy Statement that the rate of next-day delivery had improved between 2003 and 2016 by 20 percentage points to 91% – a rate of improvement of 28%. However, since then the annual quality of service has declined to 89%⁶⁴ in 2018, mainly due to a continuing decline in the Dublin area performance. ComReg has and will continue to engage with An Post on its quality of service performance and its improvement initiatives.

Terms and conditions for universal postal services

112. A universal postal service provider meets its universal postal service in accordance with its terms and conditions. As required by the Postal Act, such terms and conditions must not have a significantly adverse effect on postal service users and must meet their reasonable needs. Where a universal postal service provider proposes to amend its terms and conditions for its universal postal service, we will consider the reasonable needs of postal service users and ensure that the amended terms and conditions meet these needs.

Complaint and redress procedures

113. As required by the Postal Act, all postal service providers must draw up and implement a code of practice setting out procedures, standards and policies with respect to the handling of complaints from postal service users, in particular, complaints, relating to loss, theft, damage or quality of service. We will monitor postal service provider's complaints and redress procedures for compliance.

⁶³ Document No. 17/06 (D02/17) dated 20 January 2017

⁶⁴ <https://www.comreg.ie/publication/comreg-reports-a-decline-in-an-posts-performance-for-next-day-delivery-of-mail-in-2018/>

Terminal dues

114. As required by the Postal Act, in order to ensure the cross-border provision of the universal postal service, a universal postal service provider is required to ensure that its agreements on terminal dues for cross-border mail within the EU complies with the following requirements:

- a) Terminal dues shall be fixed to the costs of processing and delivering incoming cross-border mail;
- b) Levels of remuneration shall be related to the quality of service achieved;
- c) Terminal dues shall be transparent and non-discriminatory.

We will monitor universal postal service provider(s) compliance with these requirements.

Assessment of cross-border parcel tariffs

115. As required by the European cross border parcel delivery regulation⁶⁵, ComReg has and will continue to assess whether An Post's cross-border parcel tariffs are 'unreasonably high' and pass that assessment to the European Commission. ComReg has and will publish non-confidential versions of that assessment⁶⁶.

Any net cost claim arising from the provision of the universal postal service

116. As required by the Postal Act, if a universal postal service provider makes a claim arising from the provision of the universal postal service, ComReg would in accordance with its Decisions D09/13⁶⁷ and D15/13⁶⁸, determine whether any request for funding for the net costs (if any) of providing the universal postal service (a) represents a net cost to the universal postal service provider (b) represents an unfair financial burden on the universal postal service provider.

117. In determining whether there is a net cost, ComReg is required to take account of whether the universal postal service was provided in a cost-efficient manner.

⁶⁵ Regulation (EU) 2018/644 of the European Parliament and of the Council of 18 April 2018 on cross-border parcel delivery services

⁶⁶ <https://www.comreg.ie/industry/postal-regulation/postal-framework/parcel-provider/>

⁶⁷ 'Response to Consultation and ComReg's determination on the form and the manner of any net cost request by the universal postal service provider under section 35 of the 2011 Act' dated 25 July 2013

⁶⁸ 'Response to Consultation and Decision on how to assess and finance any unfair financial burden on the universal postal service provider' dated 4 December 2013

118. In making any claim to seek funding for its net costs, An Post would set out how it would re-optimize its postal operation in the absence of the universal postal service requirements – i.e. it would identify the changes to postal services that An Post would make if it operated on an unconstrained commercial basis. This would be informed by An Post's own commercial knowledge and reflects how An Post would seek to reorganise its postal operations, absent the current universal postal service requirements, so as to maximise profits. If An Post makes any such net cost request, ComReg would publish a non-confidential version of An Post's request and would consult publicly on the matter to seek the views of interested parties and to set out ComReg's preliminary views. To date, An Post has not made a net cost submission. An Post's latest audited Regulatory Accounts⁶⁹, based on historic fully allocated costs, record An Post's domestic universal postal service reporting a profit of c.€20m (margin c.9%) and international outbound universal postal services breaking even.

⁶⁹ <https://www.anpost.com/AnPost/media/PDFs/Regulatory%20Reports/Regulatory-Reports-2018.pdf>

5. Promote the interests of postal service users

119. ComReg has a statutory objective to promote the interests of postal service users, both the senders and receivers of post. Most post is sent by large mailers (utilities, financial services, Government) and such postings are typically conducted in accordance with a negotiated contract, with terms and conditions, including dispute resolution, set by those contracts. Therefore, ComReg does not have a role with regard to such mail.

120. ComReg's role is primarily with regard to the remainder of mail that is not conducted in accordance with a negotiated contract, to ensure that the interests of those postal service users are promoted and protected. ComReg must ensure a high level of protection for those postal service users in their dealings with postal service providers.

121. This includes:

- ensuring appropriate codes of practice are drawn up and implemented by postal service providers;
- ensuring the availability of simple and inexpensive dispute resolution procedures carried out by a body independent of the parties involved;
- consulting and co-operating with the CCPC as appropriate;
- addressing the postal needs of specific social groups, in particular, disabled postal service users.

122. With this in mind, ComReg considers that ensuring the availability of clear and transparent information can greatly empower postal service users to respond directly to situations they consider to be less than satisfactory.

123. Nevertheless, ComReg must always be ready to step in with firm action focused on rectifying any unfair or unreasonable treatment of postal service users. Proactive monitoring of obligations and the undertaking of investigations are essential components of our postal service user protection brief. The Postal Act empowers ComReg to give Directions:

- i. where postal service providers, including the universal postal service provider, are found to be non-compliant in relation to their complaints and redress procedures;
- ii. to the universal postal service provider to modify its terms and conditions for its universal postal service or where ComReg is of the opinion that the universal postal service provider is failing, or has failed, to comply with certain requirements of the Postal Act.

Strategic Intent 2:	Postal service users can choose and use postal services with confidence
What does this look like?	<ul style="list-style-type: none"> • Universal postal services available, where there is no effective competition, that meet the reasonable needs of postal service users • Postal service provider(s) comply with the statutory and regulatory requirements of providing a postal service • Vulnerable users are protected • Postal service users are empowered through clear and adequate information and effective redress • Postal service users are treated fairly by postal service providers • Postal service users, both senders and receivers, derive maximum benefit in terms of choice, price and quality

This Chapter sets out ComReg’s strategic goals associated with **promoting the interests of postal service users** with the high level objective of ensuring that **postal service users can choose and use postal services with confidence**. Our strategy emphasises the role of informed decision making by postal service users, and has the following strategic goals:

Goal 4: Empower postal service users by ensuring the availability of accurate and appropriate information on postal services and cross border parcels services

124. We recognise that postal service users must be adequately informed if they are to correctly select postal services that suit both their needs and budget. ComReg engages with postal service providers to help ensure that appropriate information is made available to postal service users.

125. To empower and inform postal service users on the quality of service of the universal postal service we publish the annual quality service performance results of the universal postal service provider against the regulatory standards as required by the Postal Act. An Post in turn publishes these results on its website⁷⁰.

126. ComReg ensures the provision of appropriate information on postal services by maintaining a register of authorised postal service providers and this is accessible via ComReg’s website¹⁷. The register contains information, such as what postal services are detailed in each postal service provider’s notification to ComReg, to inform postal service users of the choices available to them. Over the period of this Postal Strategy Statement, ComReg will engage with postal service providers to help clarify for postal service users what postal services are available and what the features of these services are. This should ensure that postal service users are better informed of available competing postal services.

⁷⁰ <https://www.anpost.com/Customer-Charter/Mail-Service-Performance>

127. ComReg will ensure that the terms and conditions for the universal postal services contain the appropriate information to meet the reasonable needs of postal service users.
128. As required by the European cross border parcel delivery regulation⁷¹, ComReg has and will continue to collect and publish information on parcel delivery service providers and the public tariffs for such services⁶⁶.

Goal 5: Empower postal service users by ensuring the availability of complaints and redress procedures

129. Arising from the Postal Act, every postal service provider must implement a code of practice setting out procedures, standards, and policies in respect to the handling of complaints from postal service users, in particular, complaints relating to loss, theft, damage, or quality of service.
130. ComReg will continue to ensure that the codes of practices set by the respective postal service providers are sufficient and contain appropriate information to secure effective protection of postal service users. As clear and unambiguous codes of practice are critical to protect postal service users, ComReg, under the Postal Act, may direct postal service providers to make such alteration(s) or addition(s) to these codes of practice as ComReg considers appropriate. This measure, where appropriate, helps ensure that postal service providers respect and uphold their obligations to protect postal service users.

Goal 6: Protect postal service users by ensuring postal services users, both senders and receivers, derive maximum benefit in terms of choice, price and quality

Quality:

131. Without effective competition, quality of service standards are necessary for single piece universal postal services to ensure that postal service users receive the appropriate service for which they have paid. As required by the Postal Act, ComReg regularly monitors compliance by the universal postal service provider in this regard. Where ComReg is of the opinion that the universal postal service provider has not met the quality of service standards it may give a direction to the universal postal service provider to take corrective action. However, compliance action can take significant time and resources and requires legal action if the universal postal service provider does not comply with the direction. Furthermore, ComReg has no powers to administer fines/penalties in the case of non-compliance.

⁷¹ Regulation (EU) 2018/644 of the European Parliament and of the Council of 18 April 2018 on cross-border parcel delivery services

Price:

132. The Postal Act requires universal postal service prices to be cost oriented and affordable. This is necessary as there is no effective competition for universal postal services. ComReg is tasked with ensuring that the universal postal service provider complies with this requirement. The following points are pertinent:

- ComReg no longer has an *ex-ante* pricing tool to ensure cost orientation and affordability. An Post now has pricing freedom on setting the prices of universal postal services and ComReg has no price approval role.
- ComReg can only take compliance action against prices that are not affordable or above cost after the price changes are made by An Post. Compliance action can take significant time and resources and it would likely take time to reverse non-complaint prices that have taken effect. Furthermore, ComReg has no powers to administer fines/penalties in the case of non-compliance.

Goal 7: Consult and co-operate with the Competition and Consumer Protection Commission (“CCPC”)

133. The CCPC is responsible for the enforcement of a wide range of consumer legislation. As noted in the Postal Act, ComReg will help ensure a high level of protection for postal service users in their dealings with postal service providers by consulting and co-operating with the CCPC as appropriate.

Goal 8: Resolve disputes between postal service users and postal service providers

134. In order to protect postal service users, ComReg has a discretionary power, under the Postal Act, to resolve disputes which remain unresolved after due completion of all the procedures of a postal service provider's code of practice (known as the section 43(3) dispute resolution powers), and in doing so specify measures for the resolution of a dispute.

135. ComReg may direct postal service providers to comply with the measures specified to resolve a dispute between a postal service provider and postal service user(s). This appropriately aids in securing redress where appropriate for postal service users.

6. Facilitate the development of competition and innovation

136. Central to ComReg’s regulatory role is the principle that well-functioning markets deliver optimal outcomes in terms of prices, quality, choice and innovation. In postal regulation, effective competition minimises the specification of the universal postal service as the universal postal service is only required where there is no effective competition.

137. ComReg has a statutory objective to promote the development of the postal sector and to facilitate the development of competition and innovation in postal service provision.

Strategic Intent 3:	Regulation facilitates competition and innovation in the provision of postal services by using appropriate regulatory interventions within our remit
What does this look like?	<ul style="list-style-type: none"> • Postal service users are aware of and can avail of competing postal service providers • Competing postal service providers bring innovations to the sector both in terms of products and process to the benefit of postal service users

138. In this respect, in the upcoming period, ComReg’s goals are:

Goal 9: Facilitate the development of the postal sector by delivering on our legal remit

139. To develop a competitive and sustainable postal services sector, it is important that postal service providers can compete on a fair basis with the universal service provider to ensure that postal service users derive maximum benefits in terms of choice, price, and quality. ComReg, as sectoral regulator, facilitates this by acting in accordance with its mandate set out in the Postal Act. This includes:

- ensuring that the universal postal service provider does not cross-subsidise, for example, by unfairly or incorrectly allocating cost to the regulated universal postal services over the competitive postal services. ComReg has issued an Accounting Direction⁷² to An Post to minimise this risk and ComReg will ensure that An Post is in compliance with that Direction;
- liaising and providing assistance to the CCPC where competition law issues arise noting that unlike the electronic communications sector regulated by

⁷² <https://www.comreg.ie/publication/universal-postal-service-accounting-obligations-2017-accounting-direction/>

ComReg, ComReg does not have competition law powers in the postal sector;

- acting in accordance with our dispute resolution procedures with regard to access to the postal network of a universal postal service provider. ComReg will resolve, where necessary and appropriate, disputes between postal service providers and a universal postal service provider in relation to access to the postal network of the universal postal service provider;
- acting, as required by the Postal Act, with regard to access to postal infrastructure, such as post office boxes, delivery boxes, post codes or addresses, or arrangements made with others for the provision of any service. Where necessary and appropriate, ComReg may give a direction to a universal postal service provider requiring it to permit access to other postal service providers to its postal infrastructure on such conditions as ComReg may direct for that purpose.

140. To develop a competitive and sustainable postal services sector also requires regulatory certainty. When making further regulations, in accordance with the Postal Act, ComReg will continue to provide regulatory certainty by providing the timeframe of ComReg's proposed actions in ComReg's annual action plan. Furthermore, where required, ComReg will continue to consult publicly on these actions in order to seek and consider the views of all interested parties.

141. At an international level, ComReg participates in the ERGP⁷³. The ERGP has set out its Medium Term Strategy for the period 2020-2022 (under public consultation). The ERGP Medium Term Strategy has three Strategic Pillars for the period to 2022 and ComReg will continue to input into the ERGP and will continue to consider the output of ERGP to ensure that ComReg continues to apply effective and proportionate regulation. This is particularly important for the period ahead as there is likely to be a move toward a new postal regulatory framework; this is reflected in ERGP's first Strategic Pillar.

ERGP Strategic Pillars 2020 – 2022

- 1. Revisiting the postal sector:** The ERGP will provide technical assistance to the European Commission, the European Parliament and the Council in all regulatory aspects of the future postal legislative
- 2. Promoting a competitive EU postal single market**
- 3. Empowering end-users and ensuring a user oriented universal service**

⁷³ The European Regulators Group for Postal Services (ERGP) was established on 10 August 2010. The group serves as a body for reflection, discussion and the provision of advice to the European Commission on postal services. It also aims to facilitate consultation, coordination and cooperation between EU countries and the Commission.

Goal 10: Promote the development of the postal sector by continuing to provide information regarding the provision of postal services in Ireland

142. As noted previously, ComReg maintains a register of authorised postal service providers and this is accessible via ComReg's website¹⁷. This information ensures that postal service users are informed of the choices available to them which, in turn, aids transparency and helps promote the development of the postal sector.
143. Over the period of this Strategy Statement, ComReg will engage with postal service providers to help clarify for postal service users what postal services are available to them and what the features of these services are; this will benefit postal service providers as it should more clearly set out the competing postal services available to postal service users.
144. ComReg also commissions research on the postal sector in Ireland, for example, ComReg has commissioned research on the needs of postal service users⁷⁴. ComReg considers it essential to explore through research where the postal sector is changing and where innovation in the postal sector has and will occur. It is clear that the e-commerce market offers new opportunities for consumers and postal providers. The postal and e-commerce sector has changed dramatically in the recent years. The postal market is part of the Digital Single Market Strategy and where required ComReg will engage with the Department of Business, Enterprise and Innovation⁷⁵ as that Department is responsible for ensuring cross-Government coordination of the Digital Single Market agenda. Over the period of this Postal Strategy Statement, ComReg will explore how the postal, e-commerce and digital markets are adapting to the opportunities presented by increased e-commerce.
145. ComReg will continue to gather and collate postal statistics for the European Commission and ERGP. This data, where not confidential, is published to the benefit of the postal sector⁷⁶.

⁷⁴ <https://www.comreg.ie/industry/postal-regulation/postal-framework/postal-research/>

⁷⁵ <https://dbei.gov.ie/en/What-We-Do/Business-Sectoral-Initiatives/Digital-Single-Market/>

⁷⁶ <https://www.comreg.ie/industry/postal-regulation/postal-framework/eu-stats/>

Annex 1: Vision, role, mission, and values

The vision, role, mission, and values of ComReg were set in the Strategy Statement for ECS 2019 – 2021⁷⁷. For reference, these are set out below:

ComReg's Vision

Consumers and businesses in Ireland have affordable, high-quality, and widespread access to communications services and applications that support their social and economic needs.

ComReg's Role and Mission

ComReg's role is to ensure that communications markets operate in the interests of end-users and society.

Through effective and relevant regulation, we facilitate the development of a competitive communications sector in Ireland that attracts investment, encourages innovation and empowers consumers to choose and use communications services with confidence.

ComReg's Values

- Integrity
- Impartiality
- Effectiveness
- Excellence
- Transparency

⁷⁷ <https://www.comreg.ie/publication/electronic-communications-services-strategy-statement-2019-2021-2/>

Annex 2: The Economic and Legal Framework

The role of postal services is significantly changing. Its significance as a means of communication or exchange of information, in particular urgent information, is diminishing due to e-substitution. In contrast, the relevance of postal services as a means to deliver goods is continually increasing due to the growth of e-commerce.

The economics of postal services

The postal sector is largely three segments:

- (1) The sending of correspondence, mainly the mailing of letters; for example, bills, invoices, statements.
- (2) The sending of packets (small parcels) and parcels, mainly associated with e-commerce.
- (3) The receiving of (1) correspondence and (2) packets/parcels above.

Sending of correspondence

This segment can be further split into two categories:

- (1) Correspondence sent by public (for example post cards, letters). This post accounts for a small % of post on the postal network and generally is not time critical. Substitutes for this post include social media, smart phone messaging and communication apps.
- (2) Correspondence sent by businesses (for example, addressed advertising, invoices, documents, bank cards). This post accounts for most of post on the postal network and is mostly not time critical post, but includes some time critical post. Substitutes for this post include websites, email.

Overall, this segment is in decline. Mail volumes are falling each year, and An Post's mail volumes have decreased by c.60% since 2007⁷⁸. Typically, the posting of correspondence is sent in large bulk mailings, for example by utilities (bills), financial services (statements), government. The posting of bulk mail is typically by commercial negotiated contract or by non-universal postal service bulk mail services. Such posting of correspondence by bulk mail is typically not next day delivery, but deferred delivery over 3 days to avail of the cheapest prices available. As a result, the majority of An Post's letter mail is not sent using next day delivery even though its postal network continues to be provisioned for next day delivery with the associated costs.

Given the declining nature of this segment, and other factors, this segment faces limited postal competition, and An Post has maintained a very high share, in particular in the mailing of letters⁷⁹. Other factors include that An Post has a number of competitive advantages such as the reach and ubiquity of the network, brand strength

⁷⁸ Source: An Post Annual Reports 2008 - 2018

⁷⁹ Even where a business uses a postal alternative to An Post for its correspondence, for example a mail consolidator or other postal service provider for its mailing, this letter mail is typically passed to An Post (in whole or in part) for "last mile" delivery.

and consumer trust. It can be argued that providing the universal postal service therefore offers the additional competitive advantages of brand / corporate reputation enhancements and VAT exemption for certain postal services.

Furthermore, postal competition for sending correspondence is generally a low margin transaction and requires significant volume to be sustainable.

Consequently, switching from post to electronic substitutes has grown; for example, the sending of bills, invoices, statements by email / internet. The cost of electronic substitution mainly arises from a large upfront investment so as to put in place the required systems and minimise ongoing cost thereafter. Therefore, once communication has moved to an electronic alternative, it is likely to be permanently lost from post.

Sending of packets and parcels

This segment is developing strongly. Research commissioned by ComReg⁸⁰ estimated that in the wider packet and parcel sector in Ireland:

- Eight operators account for about 90% of the volumes of the packet and parcel sector in Ireland, with An Post⁸¹ estimated to be the largest (largely in smaller parcels, packets). Most of these operators are not postal service providers and therefore are not regulated by ComReg.
- Most pricing is negotiated and done on a bespoke basis, except for over-the-counter single piece sales to smaller consumers. There is a significant amount of price variation, with large volume senders typically receiving lower prices.
- Senders place most value on price and reliability when choosing packet and parcel operators.

Receivers of post (correspondence and packets/parcels)

This segment can be best considered as two somewhat distinct groupings.

(1) Receivers of correspondence i.e. letters:

Such receivers do not pay directly for the service and typically do not know when such correspondence is sent, for example, customers of a utility company do not typically know that it takes up to 3 days for their bill to arrive as the utility company has purchased a cheaper, but slower, deferred delivery postal service. Usually, correspondence received is of domestic origin, that is, from Irish based utilities, banks, government.

(2) Receivers of packets/parcels:

Such receivers typically do have choices as to whether to pay directly for delivery or not. Typically, receivers of packets/parcels only pay for delivery when such receivers opt for an express option. Generally, many packets/parcels are sent “free delivery” to receivers but the packet/parcel, as a

⁸⁰ ComReg Document No. 15/47 - <https://www.comreg.ie/csv/downloads/ComReg1547.pdf>

⁸¹ An Post estimates it has 25% market share, which it plans to grow – see <http://www.anpost.ie/AnPost/MainContent/About+An+Post/Media+Centre/Press+Releases/2017/World+Wide+Open.htm>

result, can take a number of days to arrive as the sender of the packet/parcel has purchased a slower delivery service at a lower cost to minimise the cost of providing “free delivery” to its customer, the receiver of the packet/parcel. Packets/parcel received are of both domestic and overseas in origin, much of which originates in the UK.

The legal framework

Our remit to regulate the postal sector comes directly from legislation, in particular from the Postal Act, which transposed the European Postal Services Directive⁸² into national law. As required by the European cross border parcel delivery regulation⁸³, ComReg is required to collect and publish information on parcel delivery service providers and the public tariffs for such services.

There are three categories of postal services which are subject to regulation under the Postal Act:

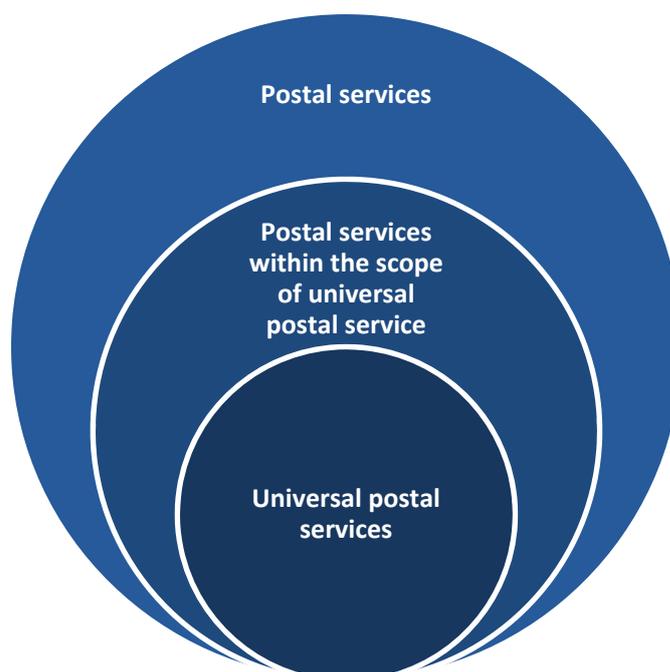
1. The universal postal service as defined by the Postal Act and ComReg regulation. The Postal Act has designated An Post as the universal postal service provider until 2023, with the option for ComReg to consider a review.
2. Postal services which fall within the scope of the universal postal service on the basis that they meet any one of the three criteria set out in section 37(1) of the Postal Act and by reference to ComReg’s guidelines⁸⁴. Any postal service provider can provide “postal services within the scope of the universal postal service”. According to section 37(1) of the Postal Act this category does not include document exchange or express or courier services.
3. Other postal services; this being a residual category comprising postal services that are not part of the two previous categories.

These can be represented graphically as follows:

⁸² The objectives for postal services regulation have been implemented in EU law through the Postal Services Directive - Directive 97/67/EC. This directive established a regulatory framework for European postal services and was amended by Directive 2002/39/EC and Directive 2008/6/EC.

⁸³ Regulation (EU) 2018/644 of the European Parliament and of the Council of 18 April 2018 on cross-border parcel delivery services. That regulation requires Member States to lay down the rules on the penalties applicable to infringements of this Regulation and shall take all measures necessary to ensure that they are implemented. The penalties provided for shall be effective, proportionate and dissuasive. Member States shall, by 23 November 2019, notify the Commission of the provisions of their laws regarding penalties. ComReg is engaging with DCCA on this.

⁸⁴ ComReg 12/81a - <https://www.comreg.ie/csv/downloads/ComReg1281a.pdf>

Figure 9. Three categories of postal services which are subject to regulation

The Postal Act grants certain rights as well as imposing certain obligations on providers of postal services, depending on the type of service being provided - i.e. whether it is a universal postal service, or a service within the scope of the universal postal service, or a residual category of postal service. The particular type of service being provided thus determines the specific rights and obligations that shall apply to the provider of that service. The Postal Act imposes greater obligations on the universal postal services, with lesser obligations on postal services within the scope of universal postal service, and with lesser obligations again on postal services, largely limited to obligations to protect postal service users.

Of course, any undertaking may also provide services which are not in fact a postal service, as that term is defined in the Postal Act, and which are not subject to any form of regulation by ComReg under the Postal Act⁸⁵.

⁸⁵ Also, all financial and other non-postal services which are provided at "post offices" are outside the definition of "postal services" and therefore such services are outside the regulatory remit of ComReg

An overview of our areas of responsibility

ComReg's statutory functions and objectives in relation to the regulation of postal services are set out in the Postal Act.

ComReg's statutory functions are:

1. To ensure the provision of a universal postal service that meets the reasonable needs of users; and
2. To monitor and ensure compliance by postal service providers with obligations imposed by or under the Postal Act in relation to the provision of postal services.

ComReg's statutory objectives are:

1. To promote the development of the postal sector and, in particular, the availability of a universal postal service within, to and from the State at an affordable price for the benefit of all postal service users;
2. To promote the interests of postal service users; and
3. Subject to 1 above, to facilitate the development of competition and innovation in the market for postal service provision.

In order to achieve these statutory objectives, ComReg must take all reasonable measures including the following:

1. Establishing such monitoring and regulatory procedures for the purposes of ensuring compliance by postal service providers with the obligations imposed on them;
2. Ensuring that postal service users may avail of a universal postal service that meets their reasonable needs;
3. In so far as the facilitation of competition and innovation is concerned, ensuring that postal service users derive maximum benefit in terms of choice, price and quality; and
4. In so far as the promotion of the interests of postal service users is concerned –
 - a. Ensuring a high level of protection for postal service users in their dealings with postal service providers, in particular by –
 - i. Ensuring the availability of simple and inexpensive dispute resolution procedures carried out by a body that is independent of the parties involved; and
 - ii. Consulting and cooperating with the Competition and Consumer Protection Commission as appropriate.
 - b. Addressing the needs of specific social groups, in particular, disabled postal service users.