



An Coimisiún um
Rialáil Cumarsáide
Commission for
Communications Regulation

Review of universal postal service specification Consultation and draft amending Regulation

Consultation and draft Regulation

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An Coimisiún um Rialáil Cumarsáide
Commission for Communications Regulation

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Additional Information

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| Report by Frontier Economics 'Research and recommendations on the universal postal service specification' | 18/66a |
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Submissions to Consultation

All submissions to this consultation should be clearly marked "Reference: Submission to ComReg document No 18/66", and sent by post or e-mail to arrive on or before 5.p.m, Friday 10 August 2018, to:

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Please note in accordance with ComReg's Consultation Procedures in ComReg Document 11/34, ComReg will publish all respondents' submissions with the Response to Consultation, subject to the provisions of ComReg's guidelines on the treatment of confidential information in ComReg Document 05/24.

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1 Introduction

- 1 The purpose of this public consultation is to allow ComReg to consider the views of interested parties in the context of reaching a decision on amending the specification of the universal postal service.
- 2 In the absence of a fully competitive postal sector, the universal postal service guarantees postal services of a specified quality at an affordable price for the benefit of all postal service users (both the senders and receivers of post), irrespective of their geographic location. The universal postal service is established by the European Postal Services Directive¹, transposed into Irish law by the Communications Regulation (Postal Services) Act 2011 ("Postal Act").
- 3 The Postal Act requires ComReg "for the purposes of ensuring that the universal postal service develops in responses to the technical, economic, and social environment and to the reasonable needs of postal service users ... following a public consultation process, make regulations specifying the services to be provided by a universal postal service provider relating to the provision of a universal postal service." In 2012, following a public consultation, ComReg made a regulation (SI 280 of 2012) specifying the universal postal service.
- 4 Given the passage of time and developments in the postal sector since 2012, it is appropriate to revisit the specification of the universal postal service for the purposes of ensuring that the universal postal service develops². By this public consultation, ComReg is revisiting the specification to examine whether certain services should remain in the specification of the universal postal services.
- 5 Any removal of a service from the universal postal service would represent a decrease on the regulatory oversight placed on the universal postal service provider ("USP") as such services would no longer be subject to regulatory oversight on price, access, quality, and terms and conditions. This means that An Post will have full commercial freedom for these services. However, it is important to note that the removal of a service from the universal postal service would not mean that it is no longer provided. Rather, the provision of these services would now be a commercial decision for the postal sector, in particular for An Post.
- 6 Finally, for the avoidance of any doubt, this consultation on the specification of the universal postal service does not and will not consider the statutory requirement for collection and delivery of universal postal services every working day.

¹ The objectives for postal services 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.

² As required by section 16(9) of the Postal Act. This was noted as Goal 2 in the Postal Strategy Statement ("PSS") 2018 – 2020.

2 Executive Summary

- 7 The Postal Act tasks ComReg with ensuring that the universal postal service develops in response to the technical, economic, and social environment and to the reasonable needs of postal service users. ComReg last set the specification of the universal postal service in 2012. Therefore, given the passage of time and developments in the postal sector since 2012, it is appropriate to revisit the specification of the universal postal service to ensure the universal postal service develops, as required by the Postal Act. Consequently, the purpose of this public consultation is to allow ComReg to consider the views of interested parties in the context of reaching a decision on amending the specification of the universal postal service.
- 8 To support this public consultation on revisiting the specification of the universal postal service, ComReg commissioned Frontier Economics (with the assistance of Amárach Research)³ to provide supporting research and analysis on changes to the technical, economic, and social environment and to the reasonable needs of postal service users. Frontier Economics' research included the following:
- Identifying other postal service providers present in the Irish market who offer postal services that can be considered alternatives to the universal postal service. This included desk research and interviews with certain postal service providers.
 - Analysis of data on existing usage of universal postal services. This largely utilised revenue and volume information obtained from the USP's Regulatory Accounts.
 - Primary research (conducted by Amárach Research) with key postal user groups as follows:
 - Consumer survey
 - Small-to-medium sized enterprises (“SME”) survey
 - Consumer and SME focus groups
 - In-depth interviews with large users.
 - Benchmarking on the specification of the universal postal service in Ireland against that in other EU Member States.

³ Report by Frontier Economics ‘Research and Recommendations on the universal postal service specification’ dated April 2018, published as ComReg Document No. 18/66a

- 9 For the purposes of ensuring that the universal postal service develops in response to the technical, economic and social environment and to the reasonable needs of postal service users, the scope of this consultation only examines whether the following services should remain in the specification of the universal postal services:
- Certain bulk mail services; namely "Delivery only" (largely An Post Ceadúnas Discount 9), "Deferred Delivery" (largely An Post Ceadúnas Discount 6), International Bulk Mail Service ("IBMS") as other universal postal services specifications across Europe have either:
 - never had bulk mail services specified as universal postal services or;
 - removed bulk mail services from the universal postal services since ComReg made its specification in 2012.
 - Basic parcel service beyond 10kg in weight as the Postal Act only requires the basic parcel service in the universal postal service⁴ to be not less than 10kg. Some European States have limited the universal postal service basic parcel to 10kg.
 - Certain 'ancillary services'; namely Private box/bag, Redirection, Mailminder, Business Reply, Freepost. Such services are linked to the universal postal service requirement set by the Postal Act to clear and deliver postal packets.
- 10 For ComReg to revise the specification of the universal postal service by removing a service, it is important to ensure that this is not to the detriment of postal service users' needs. Likewise, for a service to remain in the universal postal service, it is important to ensure that this is not to the detriment of the development of competition for the supply of this service, particularly as the USP is subject to a number of regulatory controls and oversights for those services specified as universal postal services.
- 11 To ensure this balance, and as required by s.16(9) of the Postal Act, ComReg, in this public consultation, assesses how the technical, economic and social environment has changed since 2012 and whether that universal postal service is still required to meet the reasonable needs of postal service users. These two considerations are very much interlinked.

⁴ Domestic and Outbound, the upper limit of Inbound parcel is set at 20kg by s.16(b)(iii) of the Postal Act

12 In summary, the major changes since 2012 are:

- There has been a major shift in bulk mail volumes away from universal postal service following the launch by An Post of a new domestic non-universal postal service bulk product in July 2014 which is priced the cheapest of all bulk mail services. This suggests that An Post responded to the competitive dynamics in the provision of bulk mail services by introducing a new lowest priced bulk mail service which is not a universal postal service.
- There has been a significant growth in the volume of parcels with most parcels sent being outside the universal postal service. There are greater competitive dynamics with a number of parcel delivery operators and competitive negotiated prices being the norm, with prices cheaper than An Post available for the sending of parcels greater than 10kg.
- Increased electronic substitution offering competitive alternatives to certain postal services.

13 The preliminary views, for the reasons and findings set out in this document, are to remove the following from the specification of the universal postal service:

- Certain bulk mail services; namely "Delivery only" (largely An Post Ceadúnas Discount 9), "Deferred Delivery" (largely An Post Ceadúnas Discount 6), International Bulk Mail Service ("IBMS")
- Basic parcel service⁴ beyond 10kg in weight, this would mean that the specification would match the minimum requirement set by the Postal Act.

It seems reasonable that the reasonable needs of postal service users for the above services would be met by normal market conditions so that such services no longer need to be specified as universal postal services. It also seems reasonable that An Post would continue to choose to provide such services if these services were not in the universal postal service, noting that An Post would now have full commercial freedom (price, access, quality, terms and conditions) on the provision of such services.

14 The preliminary view, for the reasons and findings set out in this document, is that the certain Ancillary Services should remain in the specification of the universal postal service as such services are linked to the clearance and delivery of postal packets under the universal postal service, as required by the Postal Act.

15 ComReg welcomes the views of interested parties on the preliminary views and findings set out in this public consultation. It should, however, be noted that the process is not equivalent to a voting exercise on proposals and ComReg will exercise its judgement having considered the merits of the views expressed and any supporting evidence provided.

3 Background

16 The universal postal service is the minimum postal service requirements that the designated USP, An Post, is under a statutory obligation to provide to all individuals and organisations within the State. The universal postal service guarantees postal services of a specified quality at an affordable price for the benefit of all postal service users (both the senders and receivers of post), irrespective of their geographic location. The current designated USP, An Post, also provides non-universal postal services which are not subject to the same regulatory regime and oversight as these non-universal postal services are offered in a competitive market.

3.1 How is the universal postal service defined?

17 The universal postal service is set by primary legislation, the Postal Act, transposing the European Postal Services Directive. ComReg is required by the Postal Act to specify through secondary regulation the services to be provided by a USP relating to the provision of a universal postal service. Further detail on this is as below:

- i. **Primary legislation:** Section 16 of the Postal Act sets the universal postal service in Ireland, transposing the universal postal service requirements of the European Postal Services Directive. For example, the primary legislation defines “postal packets” up to 2kg as part of the universal postal service.
- ii. **Secondary regulation:** In line with section 16(9) of the Postal Act, ComReg specified services to be provided under the universal postal service through Statutory Instrument 280 of 2012 (SI 280 of 2012). For example, the secondary regulation specified the primary legislation definition of “postal packets” up to 2kg to mean a letter up to 100g, a large envelope up to 500g, and a packet up to 2kg, with specific associated dimensions.

3.2 Which services are currently specified in the universal postal service?

18 ComReg’s specification in 2012 was made following public consultation and was largely based on Universal Postal Union⁵ requirements and ComReg’s working definition of 2005⁶. The services currently specified as the universal postal service are shown in Figure 1 below.

Figure 1. Universal postal service

| Postal Act requirement | ComReg’s universal postal service specification set under the SI 280 of 2012 |
|-----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Clearance, sorting, transport of postal packets up to 2kg. | SI 280 of 2012 specifies 3 formats of items with minimum dimensions and maximum weight: Letters up to 100g, Large Envelopes up to 500g and Packets up to 2kg. It also specifies that for these formats, provision for the payment of postage by stamp, meter or other reasonable methods is required. |
| Clearance, sorting, transport of postal parcels at least up to 10kg (if not specified: 20kg). | Clearance, sorting, transport of postal parcels at least up to 20kg. |
| - | SI 280 of 2012 requires the provision of specific services <ul style="list-style-type: none"> ■ PO Box; ■ Redirection; ■ Poste Restante; ■ MailMinder; ■ Business Reply; and ■ Freepost. |
| - | SI 280 of 2012 requires the provision of a domestic service for items deposited in bulk: <ul style="list-style-type: none"> ■ for “Delivery only” – which refers to a next day delivery service; and ■ for “Deferred Delivery” – which refers to a D+n service, where n>1. The SI 280 of 2012 requires the provision of an international service for items deposited in bulk. |

Source: Frontier analysis of S.I. No. 280 of 2012 and Postal Act

⁵ The Universal Postal Union is a specialised agency of the United Nations that coordinates postal policies among member nations, in addition to the worldwide postal system.

⁶ ComReg Document No. 05/85 (https://www.comreg.ie/?dln_download=the-universal-postal-service-a-working-definition)

3.3 Ensuring the universal postal service specification develops

19 The Postal Act tasks ComReg with ensuring that the universal postal service develops in response to the technical, economic, and social environment and to the reasonable needs of postal service users. ComReg last set the specification of the universal postal service in 2012. Therefore, given the passage of time and developments in the postal sector since 2012, it is appropriate to revisit the specification of the universal postal service to ensure the universal postal service develops, as required by the Postal Act.

Supporting research

20 To support this public consultation on revisiting the specification of the universal postal service, ComReg commissioned Frontier Economics (with the assistance of Amárach Research) to provide supporting research and analysis on changes to the technical, economic, and social environment and to the reasonable needs of postal service users. Frontier Economics' research included the following:

- Identifying other postal service providers present in the Irish market who offer postal services that can be considered alternatives to the universal postal service. This included desk research and interviews with certain postal service providers.
- Analysis of data on existing usage of universal postal services. This largely utilised revenue and volume information obtained from the USP's Regulatory Accounts⁷.
- Primary research (conducted by Amárach Research⁸) with key postal user groups as follows:
 - Consumer survey
 - SME survey
 - Consumer and SME focus groups
 - In-depth interviews with large users.
- Benchmarking on the specification of the universal postal service in Ireland against that in other EU Member States.

⁷ Published at <http://www.anpost.ie/AnPost/MainContent/About+An+Post/Annual+Reports/>

⁸ Amárach ensured that the survey samples were representative of postal users (minimum postal usage threshold) across a number of variables, including rural and urban, age, etc. See Annex B of the supporting report by Frontier Economics (ComReg Document No. 18/66a) for further detail.

Key trends in postal usage 2012 - 2016

- 21 As noted by Frontier Economics in its supporting report, the Irish postal sector has undergone significant development in the period 2012 - 2016⁹. From 2012 to 2016, An Post's total mail volumes have fallen by 13%. This has largely been driven by accelerated use of electronic alternatives to mail due to changes in the technological environment. Moreover, An Post's universal postal service volumes fell by 34% from 2012 to 2016.
- 22 Underlying this overall decline, there has been a structural shift in the mix of mail sent.

- **Shift in bulk mail volumes away from universal postal service:**

The launch by An Post of a new domestic non-universal postal service bulk product in July 2014, Ceadúnas Discount 11, has seen significant volumes shift out of the universal postal service. Many large mailers switched to using Ceadúnas Discount 11 for their bulk mail needs as it is priced lower than the universal postal service bulk mail products. This suggests that An Post responded to the competitive dynamics in the provision of bulk mail services by introducing a new lower priced bulk mail service which is not a universal postal service.

- **Growth in parcels:**

Since 2012, there has been significant growth in e-commerce in Ireland. This is evident in the structural shift of mail by format over this period. Parcels are the only format which has seen a volume increase, with total universal postal service parcel volumes growing by 23% over the period 2012-2016, albeit that universal postal service parcels (volume c.1.5m in 2016) are a small part of the overall market for parcel delivery.

- **Businesses remain the major senders of universal postal service volumes:**

Despite the declines in meter and bulk mail volumes, businesses remain the major senders of An Post's universal postal services within Ireland. In 2016, 61% of domestic universal postal service volumes were sent using An Post's metered or bulk mail services.

⁹ An Post's Regulatory Accounts for 2017 were published at the end of May 2018, these will be considered in the Response to Consultation.

3.4 Scope of this consultation

23 For the purposes of ensuring that the universal postal service develops in response to the technical, economic and social environment and to the reasonable needs of postal service users, the scope of this consultation only examines whether the following services should remain in the specification of the universal postal services:

- Certain bulk mail services; namely “Delivery only” (largely An Post Ceadúnas Discount 9), “Deferred Delivery” (largely An Post Ceadúnas Discount 6), International Bulk Mail Service (“IBMS”) as other universal postal services specifications across Europe have either:
 - never had such bulk mail services specified as universal postal services or;
 - removed bulk mail services from the universal postal services since ComReg made its specification in 2012.
- Basic parcel service beyond 10kg in weight as the Postal Act only requires the basic parcel service in the universal postal service¹⁰ to be not less than 10kg. Some European States¹¹ have limited the universal postal service basic parcel to 10kg.
- Certain 'ancillary services'; namely Private box/bag, Redirection, Mailminder, Business Reply, Freepost. Such services are linked to the universal postal service requirement set by the Postal Act to clear and deliver “postal packets”.

24 As noted earlier, and in the supporting report by Frontier Economics, for ComReg to revise the specification of the universal postal service by removing a service, it is important to ensure that this is not to the detriment of users' needs. Likewise, for a service to remain in the universal postal service, it is important to ensure that this is not to the detriment of the development of competition for the supply of this service, particularly as the USP is subject to a number of regulatory controls (price, quality, access, terms and conditions) for those services specified as universal postal services.

¹⁰ Domestic and Outbound, the upper limit of Inbound parcel is set at 20kg by s.16(b)(iii) of the Postal Act

¹¹ See Annex C of supporting Frontier report (ComReg Document No. 18/66a)

- 25 To ensure this balance, and as required by s.16(9) of the Postal Act, ComReg will assess how the technical, economic and social environment has changed since 2012 and whether that universal postal service is still required to meet the reasonable needs of postal service users. These two considerations are very much interlinked.

4 Certain bulk mail services

26 Bulk mail services are typically used by large users (banks, utilities, government), as minimum volume thresholds apply in order to get the discounted prices. An Post offers a number of bulk mail services, both universal postal service and non-universal postal service.

27 ComReg’s 2012 specification of the universal postal service requires the provision of the following certain bulk mail services as part of the universal postal service:

- For domestic next day delivery
- For domestic deferred delivery service, delivery within 2 days
- International service for items deposited in bulk.

28 The details and conditions of the bulk mail universal postal service products are shown in Figure 2 below:

Figure 2. Bulk mail universal postal services

| Service | Delivery speed | Min. posting volume | Conditions | Letter price |
|-------------------------------------------------------|-------------------|---------------------|----------------------------------------|--------------|
| Deferred Delivery (An Post Discount 6) | D+2 | 2,000 | Presented before noon 85%+ autosort | 66c |
| Deferred Delivery (An Post Discount 7 (Packets only)) | D+2 | 2,000 | Presented before noon | 78c |
| Delivery Only (An Post Discount 9) | next day delivery | 2,000 | Pre-sorted, presented before 5.30pm | 74c |
| International Bulk Mail Services | | | | |

Source: An Post, Bulk Discounts for Mailers

29 There are a total of eight bulk mail non-universal postal services currently offered by An Post (Figure 3) with Discount 11, the cheapest bulk mail service, having the largest volume of all bulk mail services.

Figure 3. An Post’s bulk mail services (for volumes above 2,000) – not in universal postal service

| Service | Delivery speed | Min. posting volume | Conditions | Letter price |
|-------------|-------------------|---------------------|--------------------------------------------|--------------|
| Discount 1 | next day delivery | 2,000 | Presentation before noon auto - processing | 74c |
| Discount 2 | D+2 | 2,000 | Processing before noon auto - processing | 72c |
| Discount 3 | next day delivery | 2,000 | Presentation before noon 85%+ autosort | 73c |
| Discount 4 | next day delivery | 2,000 | Presentation before 3pm 85%+ autosort | 74c |
| Discount 5 | next day delivery | 2,000 | Presentation before 3pm | 87c |
| Discount 8 | next day delivery | 2,000 | Pre-sorted before noon | 73c |
| Discount 10 | D+2 | 2,000 | Processing before noon auto-processing | 75c |
| Discount 11 | D+3 | 5,000 | Presentation before noon,95%+ auto-sort | 62c |

Source: An Post, Bulk Discounts for Mailers

30 This chapter considers whether it is appropriate to continue to include the certain bulk mail services in the universal postal service by assessing the changes in the technical, economic, and social environment and the reasonable needs of postal service users since 2012.

4.1 Technical, economic and social environment changes since 2012

Introduction by An Post of Bulk 11, not in universal postal service

31 As noted earlier, the launch by An Post of a new domestic non-universal postal service bulk product in July 2014, Ceadúnas Discount 11, has seen significant volumes shift out of the universal postal service. Many large mailers switched to using Ceadúnas Discount 11 for their bulk mail needs as it is priced lower than the universal postal service bulk mail products. This suggests that An Post responded to the competitive dynamics in the provision of bulk mail services by introducing a new lower priced bulk mail service which is not a universal postal service.

Increased electronic substitution

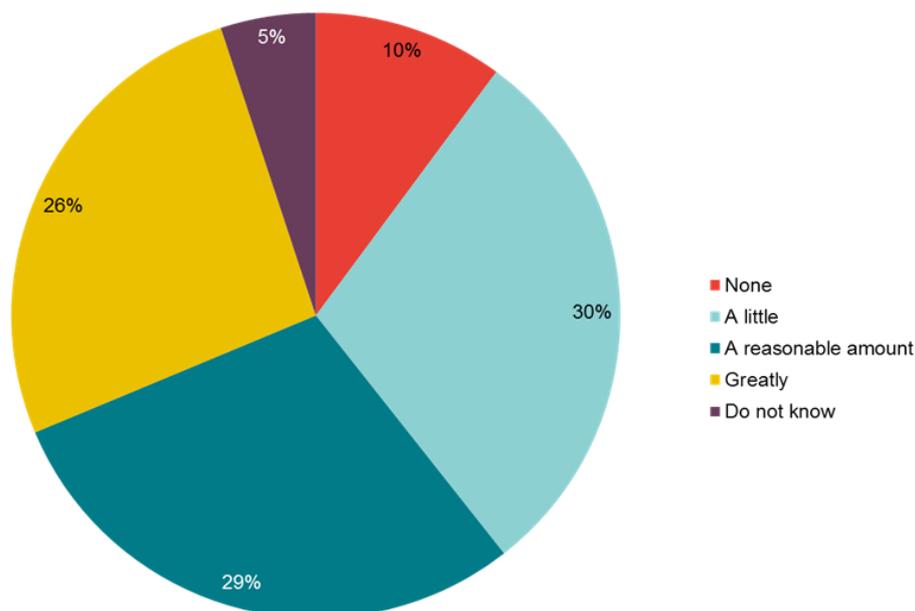
Large users

- 32 Since 2012, bulk mail remains largely used by large senders of post (banks, utilities, government). The greatest threat to bulk mail volumes is from electronic substitution, for example, since 2012, the two largest banks have moved to electronic statements with a resultant decline in their mail demand. Technological changes such as the preponderance of smartphones allows for service enhancements (such as 'My Services' type portals), which results in greater level of e-substitution.
- 33 According to the research conducted by Amárach, it is estimated that 36% of existing mail volumes from large users interviewed could be substituted to other means of communication over the next 3-5 years, with some large users targeting switching up to 100% of their bulk mail to electronic alternatives over the next three years.
- 34 In the supporting research, it was also noted that price is only one factor behind increased substitution. For many businesses, e-substitution is also about providing customers with better levels of service and is therefore an inevitable evolution of how they communicate with their customers. However, according to the research, An Post's price increases were seen as having accelerated this evolution.

SMEs

- 35 The SME survey indicated that significant e-substitution has already occurred. 55% of respondents stated that they have substituted letter mail with electronic communications by a reasonable amount or greatly (Figure 4). Only 10% of respondents stated that they have not substituted any letter mail for electronic alternatives.

Figure 4. To what extent have SMEs substituted letter mail with electronic communications such as e-mail



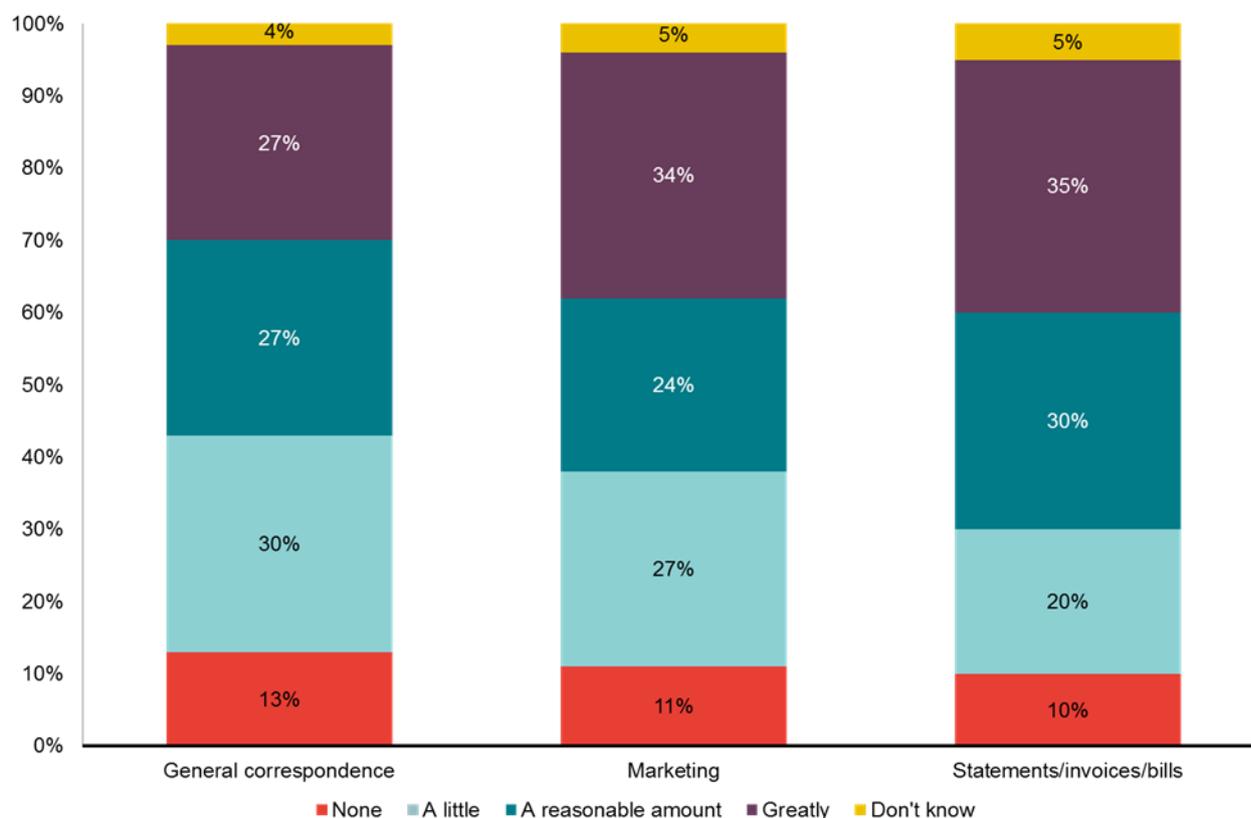
Source: Amárach, 2017, SME Survey: Research on the Universal Postal Service specification

Note: To what extent have you substituted your letter mail with electronic communications such as e-mail in the last three years?

36 While a large proportion of SMEs have already engaged in e-substitution, survey results indicate that this shift is not over. The Amárach research considered the likelihood of further e-substitution by mail type of communications.

- **General correspondence:** 27% of SMEs indicated that they expect to move a large amount of this communication to email or other online platforms, with 83% indicating that there will be at least some shift towards e-substitution.
- **Market communications:** Marketing communications seem more amenable to e-substitution, with 34% of SMEs indicating that they will greatly shift and 24% saying that they will shift a reasonable amount of marketing communications to online platforms.
- **Statements, invoices and bills:** For these communications, 66% of SMEs indicated that they expect to either greatly shift or shift a reasonable amount to more electronic communications. Only 10% of respondents indicated that they will not engage in any e-substitution for the various categories of communication.

Figure 5. To what degree do SMEs expect to switch away from post to more electronic communications such as e-mail by communication type?



Source: Amárach, 2017, SME Survey: Research on the Universal Postal Service specification

Note: Q22: To what degree do you expect to switch away from post to more electronic communications such as e-mail?

Increased postal competition

37 Since 2012, there has been an increased number of authorised postal service providers offering bulk mail services to businesses. The research by Frontier Economics¹² has identified seven alternative providers of letter services for businesses, as summarised below (Figure 6):

¹² Report dated April 2018

Figure 6. Overview of alternative postal service providers

| Company | Volume requirements | Geographic coverage |
|-----------------------------|------------------------------------------------|-------------------------------------------------------------------------------------|
| An Post - Meter | No minimum volume | Nationwide |
| An Post – Discount 6 | 2,000+ per posting | Nationwide |
| An Post – Discount 9 | 2,000+ per posting | Nationwide |
| Citypost | Bulk over 1000 | Pickup in “most business districts and industrial estates.” Delivery nationwide. |
| | Non-bulk with unspecified minimum | As above |
| Lettershop | Single piece – hand-delivery | Greater Dublin Area |
| EirPost (Nightline) | Bulk | Nationwide through An Post network |
| RR Donnelly | Bulk mail – min. volume not specified | Ireland, UK, International |
| Tico Mailworks | Bulk – min. volume not specified | Nationwide through networks of other postal operators |
| DX Ireland | Document exchange based on a box-to-box system | Nationwide through networks of other postal operators |

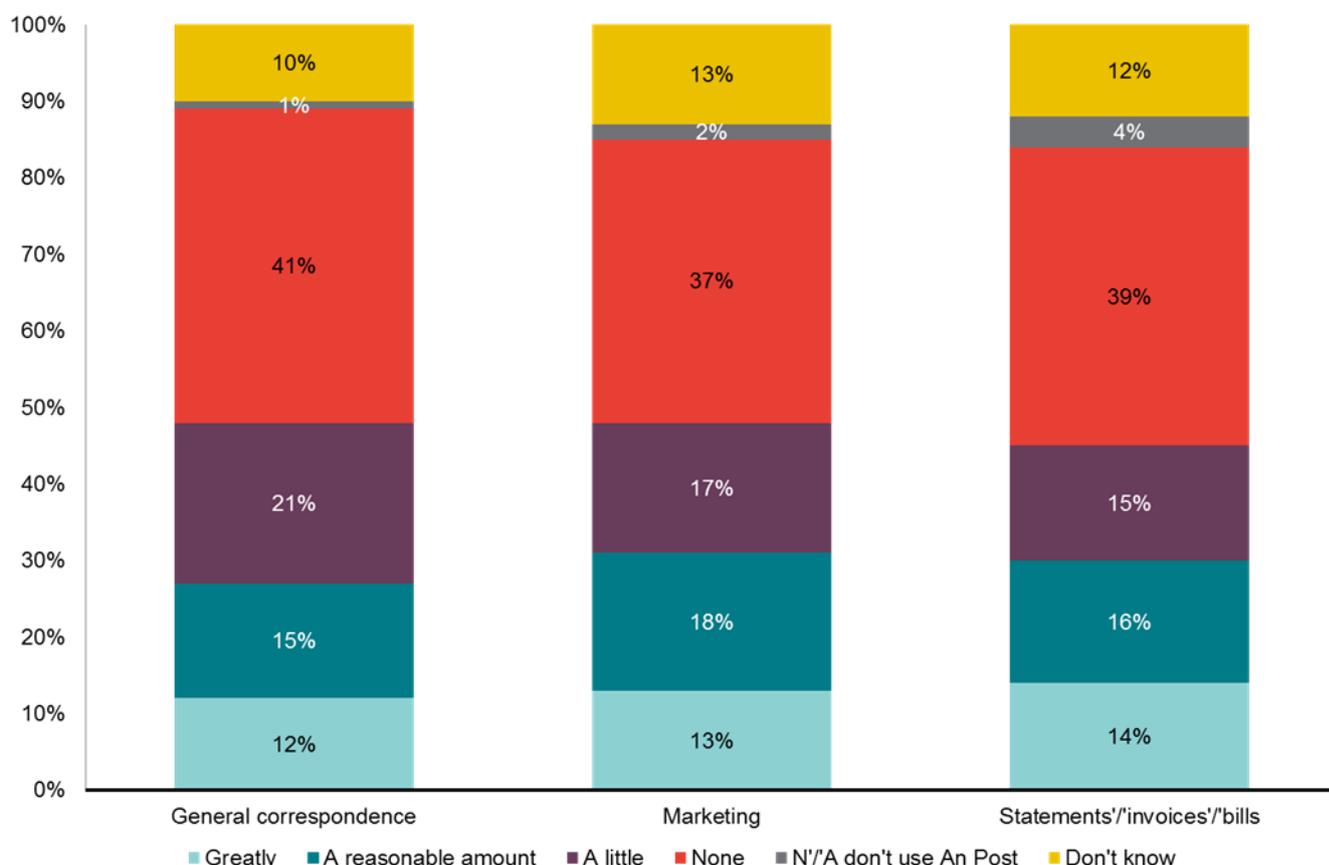
Source: Frontier analysis in report dated April 2018

38 The majority of these providers rely on the An Post network exclusively for delivery of mail. The exceptions to this are:

- Lettershop: Own delivery network in Dublin.
- DX Mail: Offers a document exchange primarily on a box-to-box basis. For example, used by legal companies to exchange documents.

39 According to the research, there appears to be some appetite for SMEs to switch away from An Post to alternative providers in the future. On average, 29% expected to shift either greatly or a reasonable amount to an alternative provider. This indicates that over time SMEs expect to become less reliant on the USP.

Figure 7. To what degree do SMEs expect to switch away from An Post to alternative providers?



Source: Amárach, 2017, SME Survey: Research on the Universal Postal Service specification

Note: Q27ABC: To what degree do you expect to switch away from post from An Post to an alternative provider

Continued cost savings

40 According to An Post’s Regulatory Accounts, providing bulk mail services affords it with significant cost savings over stamped mail (Figure 8), and it would therefore appear commercially reasonable for An Post to continue to offer those services at a price that reflects those cost savings even if they were not specified in the universal postal service. Furthermore, as evidenced by the take-up of Bulk Discount 11, the buyers of bulk mail services are very price sensitive. Such buyers of bulk mail services are large senders, such as utilities, banks, government departments and other large organisations, account for the majority of bulk mail items sent.

Figure 8. An Post’s costs for domestic letters: stamped and bulk

| | 2015 | | 2016 | | 2017 | |
|----------------------------|---------|-------------|---------|-------------|---------|-------------|
| | Stamped | Discount 6 | Stamped | Discount 6 | Stamped | Discount 6 |
| Volume ('000) | 71,343 | 74,184 | 76,144 | 67,004 | 66,563 | 55,809 |
| Service expenditure ('000) | 61,547 | 40,051 | 69,732 | 39,541 | 67,776 | 35,908 |
| Cost per item | 0.86 | 0.54 | 0.92 | 0.59 | 1.02 | 0.64 |
| <i>Difference</i> | | <i>0.32</i> | | <i>0.33</i> | | <i>0.38</i> |

Source: *An Post Regulatory Accounts*

41 The above suggests that the provision of bulk mail services faces increased competitive dynamics, including from e-substitution as for many bulk mail users, electronic substitution is an alternative for a large proportion of bulk mailing. An Post continues to have cost savings associated with its provision of bulk mail which it passes to postal service users through lower prices reflective of those cost savings and the increased competitive dynamics.

4.2 Reasonable needs of postal service users

Large mailers

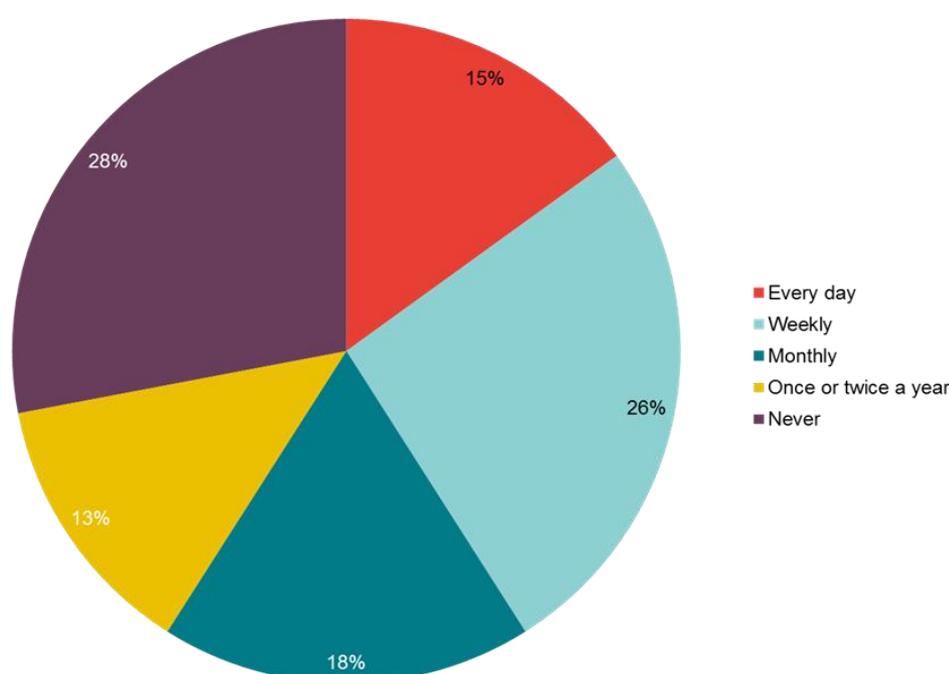
42 All of the large mailers interviewed as part of the Amárach research use An Post as their main postal service provider for delivering their bulk mail, primarily, they claim, because no other postal provider can provide the same scale and reach when it comes to high volume letter mailings going regularly to a large number of addressees throughout Ireland.

43 Very large mailers tend to outsource the printing, enveloping and dispatch of their bulk mail to mail consolidation specialists, such as RR Donnelly. This typically entails the electronic transmission of customer contact details, including postal addresses, to the sub-contractor who then processes the mailing, sometimes consolidating several together to avail of the best rates from An Post. According to the research by Amárach, users of sub-contractors tend to be very satisfied with the standard of service they receive, including transparency about billings, discounts and overall costs. Large mailers and consolidators typically use An Post’s Ceadúnas Discount 11, the cheapest bulk mail service, which is not a universal postal service.

SMEs

- 44 SMEs also use bulk mail, but their use is not as predominant as the large users. According to the Amárach survey conducted to inform the supporting report by Frontier Economics, on average 18% of SMEs' mail is bulk mail. Its SME surveys also found that 15% of SMEs send bulk mail every day, while 59% use bulk mail services at least once a month (Figure 9).

Figure 9. How often do SMEs use bulk letter services?

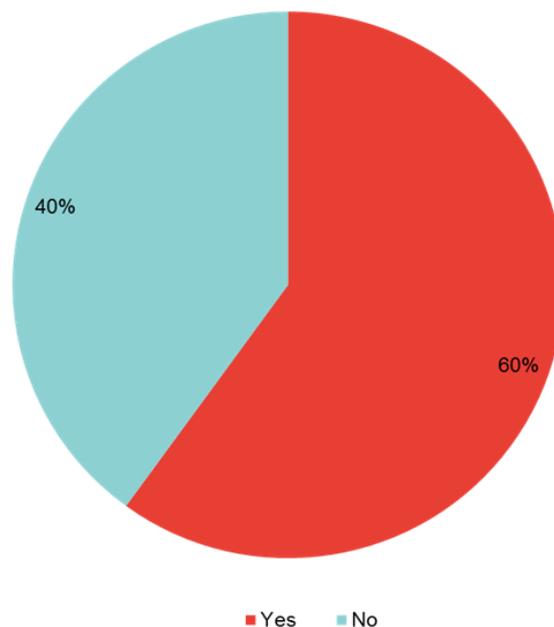


Source: Amárach, 2017, SME Survey: Research on the Universal Postal Service specification

Note: Bulk letter services (meaning you have a certain minimum volume to obtain a discount): : Q1 Do you use the following letter service...and how often do you use it...?

- 45 Also, the Amárach research found that 60% of SMEs bunch their mail in order to reach volume thresholds for discounts. This indicates that a portion of SMEs' mail may not be urgent, in that SMEs are willing to trade-off a delay in mail delivery for a lower price.
- 46 Of the bulk products used by SMEs surveyed, An Post's Ceadúnas Discount 9 is the most popular product, followed by An Post's Ceadúnas Discount 6. SMEs use An Post's Ceadúnas Discount 11 relatively less often, which is likely due to the larger minimum volume threshold of 5,000 items.

Figure 10. Proportion of SMEs that bunch their mail

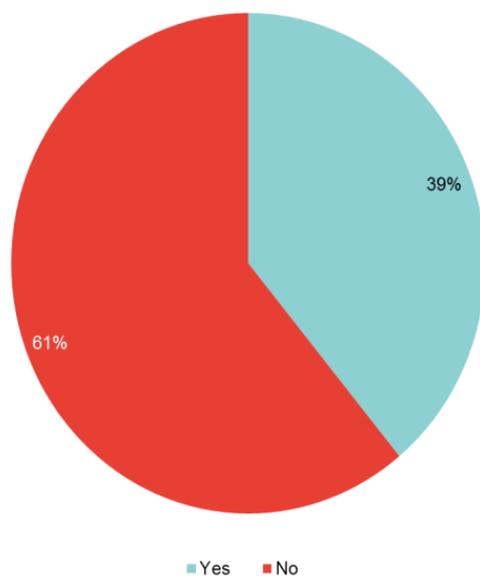


Source: Amárach, 2017, SME Survey: Research on the Universal Postal Service specification

Note: Do you 'bunch' your mailings to maximise discounts for exceeding certain volume thresholds? For example, do you delay certain mail until a certain volume threshold is reached?

47 The SME surveys by Amárach indicate that the majority of SMEs use An Post as their bulk mail provider. Of the SMEs which currently use only An Post, 71% have never considered using another postal provider for bulk mail (Figure 12) but 39% have used an alternative postal provider for bulk mail (Figure 11).

Figure 11. Do SMEs use service providers other than An Post to send bulk letter mail?

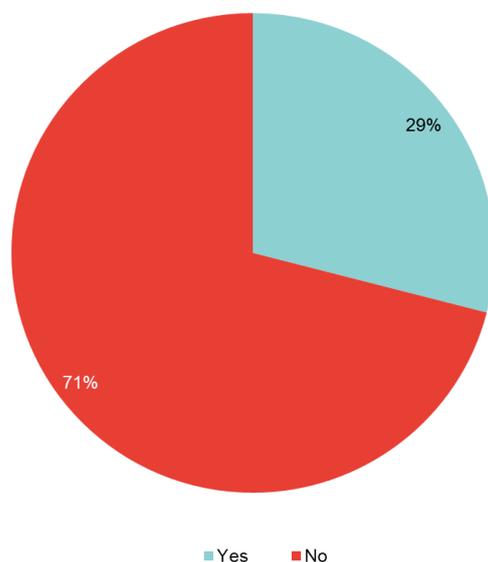


Source: Amárach, 2017, SME Survey: Research on the Universal Postal Service specification

Note: Do you use any other service providers to send bulk letter mail apart from An Post?

48 Of those that only use An Post for bulk mail, almost a third would consider another postal provider for their bulk mail requirements (Figure 12).

Figure 12. If use An Post only for bulk mail have SMEs ever considered using other operators for bulk mail?

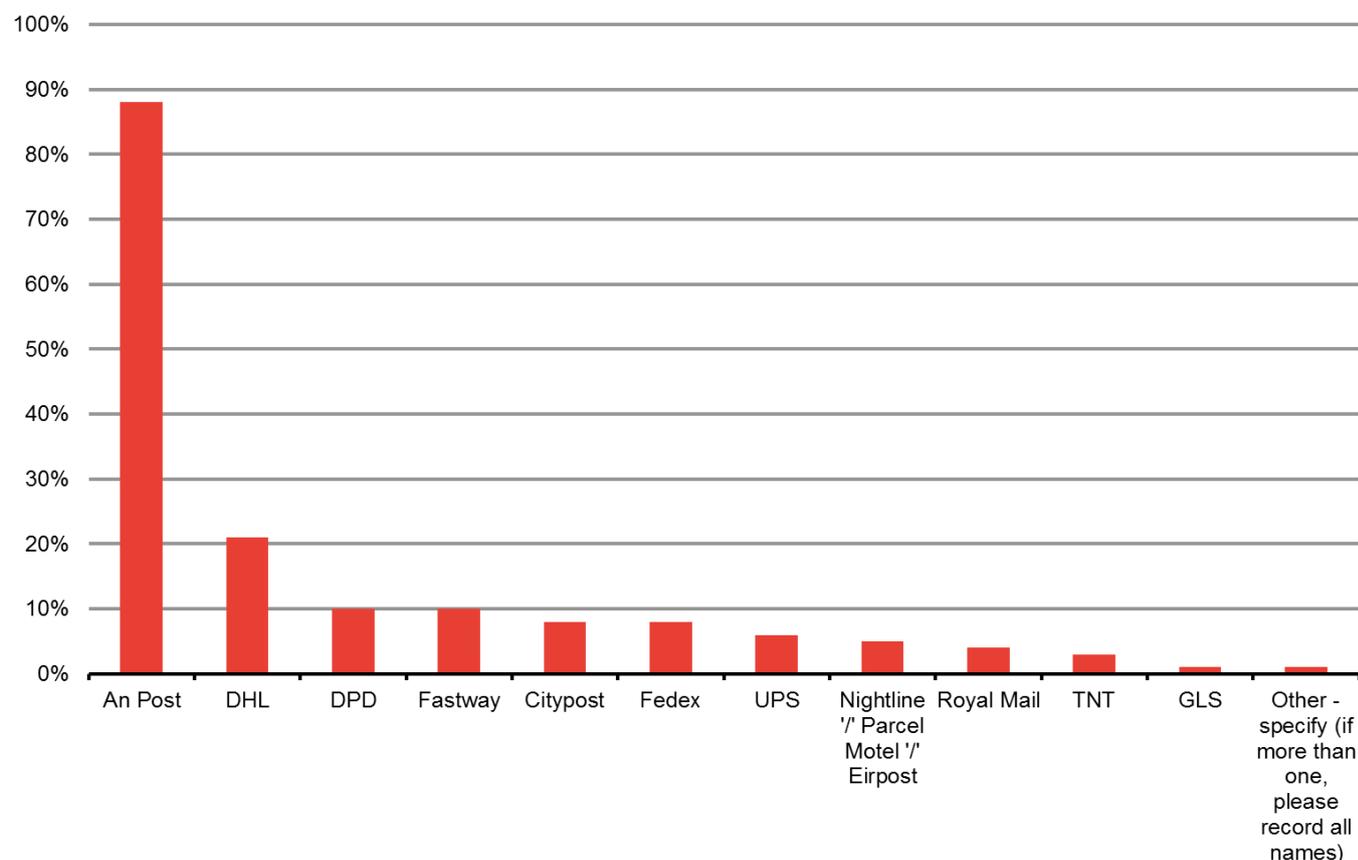


Source: Amárach, 2017, SME Survey: Research on the Universal Postal Service specification

Note: Have you considered using any other operators for bulk mail?

- 49 Of the SMEs that use bulk mail, 53% stated that they commercially negotiate on the service for bulk letter mail. This indicates that the slight majority of SMEs consider they may have pricing negotiation options for bulk mail services.
- 50 In the SME survey, Amárach asked which service providers are used to send letter mail. The vast majority (nearly 90%) use An Post. Of the alternatives, SMEs tend to use express or parcel companies. These providers are likely used predominantly for urgent or express items.

Figure 13. Service provider SMEs use to send letters



Source: Amárach, 2017, SME Survey: Research on the Universal Postal Service specification

Note: Who do you use for sending letters?

51 Services offered by these providers include:

- **Consolidation:** For large business mailers who do not meet the minimum volume threshold for An Post bulk mail offerings, mail consolidators can combine mail volumes from multiple customers in order to avail of An Post’s bulk letter prices. This allows customers with volumes under the bulk mail threshold to obtain lower prices.
- **Print and fulfilment:** Some alternative providers also offer print and fulfilment services. When SMEs were asked, however, 91% said they send their own letters rather than outsource it to a managed print service provider to print and send on their behalf.
- **Delivery:** Some alternative providers also offer delivery, in certain circumstances. This service is used by some SMEs, in particular for SMEs that may not require a next day delivery service.

52 The above suggests that the reasonable needs of postal service users, both large mailers and SMEs, are being met by the postal sector. It is also worth noting that the predominant bulk mail service used is not a universal postal service.

4.3 Preliminary view

53 ComReg's 2012 regulation on the specification of the universal postal service requires the provision of the following certain bulk mail services:

- For domestic next day delivery service
- For domestic deferred delivery service, delivery within 2 days
- International service for items deposited in bulk.

54 Given the passage of time since 2012, in particular the technical, economic and social environment changes and whether those universal postal services are still required to meet the reasonable needs of postal service users, ComReg's preliminary view is to remove those bulk mail services from the specification of the universal postal service.

55 This preliminary view is informed by the following:

- Many large users now use a non-universal postal service bulk product (Bulk Discount 11), introduced by An Post in 2014, rather than universal postal service bulk products. This product is the cheapest bulk product offered by An Post and is the predominant bulk mail service used; in particular, this non-universal postal service is also used by many postal service providers and mail consolidators to facilitate delivery to their customers using An Post's national postal network.
- 39% of SMEs that use bulk mail use a provider other than An Post.
- A large proportion of bulk mail customers (53% in the SME survey) commercially negotiate for their bulk mail services.
- For many bulk mail users, electronic substitution is an alternative for a large proportion of bulk mailing.
- There is a general trend in other EU countries for bulk mail to not be in the universal postal service (see Annex C of Frontier's report for details). 12 EU Member States do not include bulk mail in the universal postal service.

- It is understood that postal services offered by An Post are VAT exempt¹³, therefore the exclusion of certain bulk services from the universal postal service should have no VAT implications, noting that national taxation matters are solely for Revenue. If a postal service user requires a Vatable postal service, then it can commercially negotiate with both An Post and all other postal service providers, as individually negotiated postal services are subject to VAT¹³.
- Given the findings presented in this chapter, it seems reasonable that the reasonable needs of postal service users would be met by normal market conditions.
- It seems reasonable to assume that in the counterfactual, An Post would continue to choose to provide bulk services if these services were not in the universal postal service. This is evidenced by:
 - the Regulatory Accounts showing that providing bulk mail services afford An Post with significant cost savings over stamped mail;
 - the large number of non-universal postal service bulk products that are already provided by An Post, particularly its cheapest bulk mail service, Bulk Discount 11, which was introduced in 2014 and has seen significant volumes shift towards it;
 - An Post facing the risk of volumes switching away to alternatives (physical delivery and non-physical delivery) if it no longer offered discounted bulk services;
 - the increase and likely continued increase in electronic substitution, there is a competitive limit on how much An Post can increase its prices for bulk mail. Therefore, it appears that such bulk mail services should not need price regulation to remain affordable;
 - An Post currently offering its non-universal postal service bulk mail at the same acceptance offices as universal postal services, that is, An Post's non-universal postal service bulk mail benefit from the same access points as the universal postal services. This is to benefit of postal service users and likely reflects the competitive dynamics meeting the reasonable needs of users. Consequently, bulk mail services should not need regulation to ensure reasonable access to these services;

¹³ Schedule 1, paragraph 1 of Value Added Tax Consolidation Act 2010 and <https://www.revenue.ie/en/vat/vat-rates/search-vat-rates/P/postage-stamps-postal-services-.aspx>

- An Post currently offering its non-universal postal service bulk mail across a range of delivery day options, from next day to deferred delivery of 2-3 days. This is to benefit of postal service users and likely reflects the competitive dynamics meeting the reasonable needs of users. Consequently, bulk mail services should not need regulation to ensure the reasonable quality of these services.
- Removing the certain bulk mail services from the universal postal service will mean that the regulatory oversight (price, access, quality, terms and conditions) on An Post, as designated USP, for these services is no longer required. This means An Post will have full commercial freedom for these services.

Q. 1 Do you agree with the preliminary view to remove the certain bulk mail services from the specification of the universal postal service? Please explain your response.

5 Basic parcel service upper limit of 10kg

- 56 Universal postal service parcels are a basic parcel service and most parcels sent and received are not universal postal service. As noted by ComReg in 2012, ComReg considers that most postal service users appear to demand something more than the basic parcel service envisaged by the Postal Services Directive. As ComReg considers that this demand is being met by a competitive sector, ComReg noted that it was of the view that there was no need to mandate the provision of anything other than a basic parcel service as forming part of the universal postal service. Consequently, following public consultation in 2012, ComReg only set a basic parcel service as part of the universal postal service specification.
- 57 The Postal Act allows ComReg to limit the basic parcel service under the universal postal service¹⁴ to an upper limit of 10kg. Therefore, this chapter considers whether it appropriate to continue to include a basic parcel service that weighs more than 10kg and less than 20kg in the universal postal service. For the avoidance of any doubt, regardless of ComReg's decision on this, postal service providers (including An Post) will remain free to offer parcels above 10kg in this competitive sector.
- 58 In considering whether it appropriate to continue to include basic parcel services that weigh more than 10kg and less than 20kg in the universal postal service, ComReg again will assess the changes to the technical, economic and social environment and to the reasonable need of postal service users since 2012.

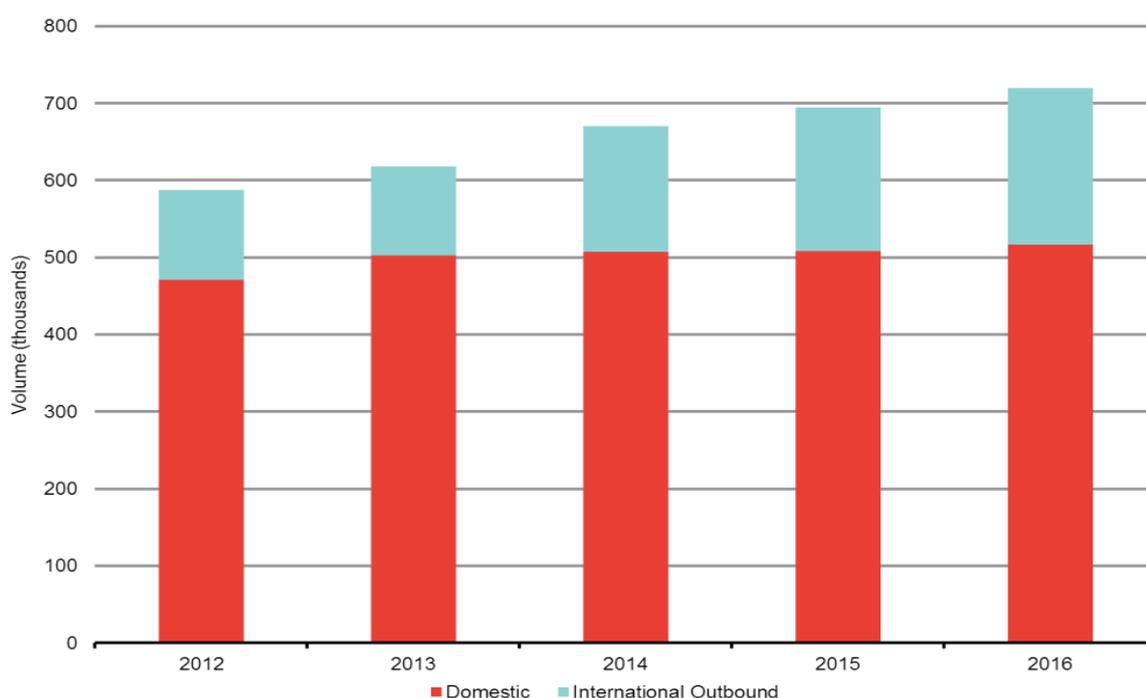
5.1 Technical, economic and social environment changes since 2012

- 59 While there has been a general downward trend for letters, flats and packets since 2012, parcel volumes have increased, albeit that parcels remain a very small part (c.1% volume) of the universal postal service. The increase in parcels is consistent with the observed trend of changing consumer shopping habits. In particular, there has been a marked increase in e-commerce in Ireland, leading to a significant increase in fulfilment volumes and customer needs from a packet and parcel delivery service.

¹⁴ Domestic and Outbound, Inbound maximum weight is set at 20kg by the Postal Act

60 Total universal postal service parcel volumes have increased by 23% in the period 2012 to 2016 albeit that universal postal service parcels (volume c.1.5m in 2016) are a small part of the overall market for parcel delivery. This increase in universal postal service parcels has largely been driven by the 75% increase in International outbound universal postal service parcel volumes (Figure 14). Although, domestic universal postal service parcel volumes still account for the majority of universal postal service parcel volumes, and increased by 10% over the period.

Figure 14. Universal postal service parcel volumes, 2012-2016



Source: Frontier analysis of An Post Regulatory Accounts data 2012-2016

61 There alternative delivery operators that offer a number of next day delivery parcel service across Ireland, these include:

- Parcel Motel;
- Parcelconnect (Fastway);
- GLS ParcelShop;
- Nightline/UPS¹⁵;and

¹⁵ We note that Parcel Motel is owned by Nightline/UPS, but the service offer differs, along with the pricing framework. We therefore present them separately here.

- DPD.

62 All of these next day delivery parcel delivery services include ‘Track and Trace’ as standard (as with An Post parcel products). While An Post does not offer collection of mail items for its Standard Post product, all but Parcel Motel do offer this service. In addition, ParcelConnect, GLS ParcelShop and Parcel Motel all offer store drop-off options, with longer access hours than An Post’s Post Offices.

63 Like An Post, each of these operators provides a national service, as can be seen in Figure 15 which shows the spread of each provider’s physical locations and collection coverage across Ireland. Additionally, they all operate with no explicit zonal pricing. In other words, the price to ship from one Irish address to another Irish address is not dependent on the distance to, or location of, the addressee. Therefore, rural based users avail of the same pricing as urban based users.

Figure 15. Geographic coverage of alternative providers

| | Number of physical locations in Ireland | Additional comments |
|----------------|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Parcel Motel | 157 | <ul style="list-style-type: none"> ■ At least one physical location per county ■ Highest concentration in Dublin and Cork ■ Nearly 50% of all locations are in Dublin |
| Parcelconnect | 1,062 | <ul style="list-style-type: none"> ■ At least six physical locations per county ■ Most concentrated in urban areas ■ 30% in Dublin, Cork and Galway cities combined |
| GLS ParcelShop | Approximately 200 | <ul style="list-style-type: none"> ■ At least one physical location in each county ■ Most concentrated in Dublin and Cork |
| Nightline | 8 | <ul style="list-style-type: none"> ■ Collection available across Ireland ■ Physical locations in Dublin, Waterford, Cork, Kerry, Limerick, Athlone, Galway and Sligo |
| CityPost | - | <ul style="list-style-type: none"> ■ Parcel collection available from any address in Ireland |
| DPD | - | <ul style="list-style-type: none"> ■ Parcel collection available from any address in Ireland |

Source: Frontier analysis of location data from company websites – report dated April 2018

- 64 The increased competition provided by these operators since 2012 has led to a number of technical, economic and social changes. Frontier's 2015 research report into the Irish packet and parcels sector¹⁶ concluded that the developments in technology, consumer buying patterns and online retailing, have led to a diversified marketplace of packet and parcel operators. This has led to significant opportunities for operators to provide innovative solutions and develop new and evolving business models, including operations for low cost cross-border delivery such as drop-boxes/lockers.
- 65 The Frontier 2015 research noted that in relation to volume shares of this packets and parcels sector in Ireland (in 2013), eight operators account for about 90%. The Frontier 2015 research estimates suggested that An Post is the largest operator with between 30-40% of packet and parcel volumes. Nightline, DPD and GLS are the next largest with respective shares between 10-15%, while Fastway and DHL are estimated to have 5-10% of volumes respectively. In relation to value shares of this packets and parcels sector in Ireland, the Frontier 2015 research estimates suggest that An Post is the largest operator with between 20-30% share by value. This is less than An Post's share by volume, primarily due to express operators having higher per item revenues. DHL and UPS are estimated to have between 10-15% respectively by value, reflecting higher average revenue per item as both these operators primarily serve the express and international parts of the sector.
- 66 The Frontier 2015 research noted that parcel operators have had to become more responsive to customer demands (businesses and private consumers) as their requirements have become more complex and exacting. Due to growth in online shopping, leading to increased Business to Consumer ("B2C") parcel demand, end-user demands for faster, more flexible delivery options is in turn driving the requirements of large B2C players for example retailers, such as weekend deliveries or same day deliveries, services at a higher standard than the universal postal service. This has been facilitated by the role of technology, for example providing a seamless interface between online retailers and the parcel and packet operations. The dynamic nature of the sector has also meant that the dividing lines between segments have become more blurred. For instance, large online e-retailers now provide outsourced warehousing and fulfilment services to SMEs, which can reduce the need for cross-border deliveries if it allows, for example, additional overseas firms to have a local presence.

¹⁶ https://www.comreg.ie/media/dlm_uploads/2015/12/ComReg1547.pdf

- 67 The Frontier 2015 research also noted that most parcel pricing is now done on a bespoke basis, except for over-the-counter sales to consumers. There is a significant amount of price discrimination; with large volume senders typically receiving lower prices. The Frontier 2015 research report stated that competition has been noted by some operators as being strong. In particular, there are operator concerns with regard to senders' expectations for very low prices and increasing levels of services.

5.2 Reasonable needs of postal service users

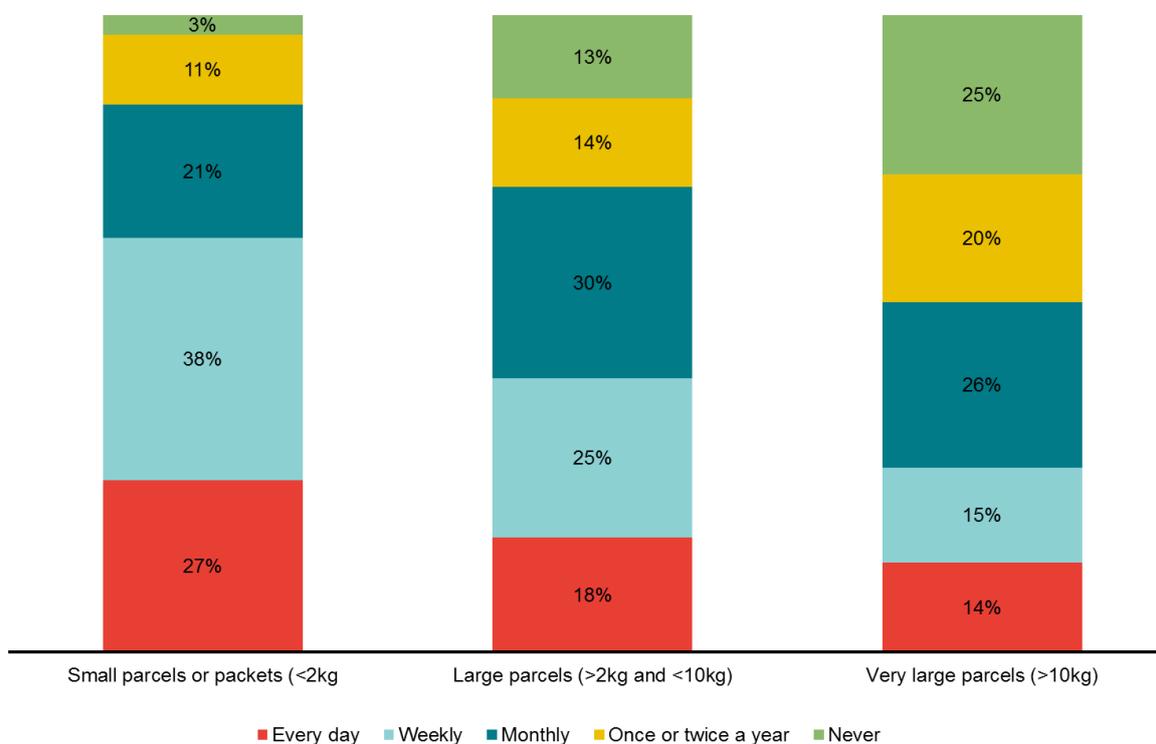
Single piece senders

- 68 According to the Amárach research, of those consumers sending parcels, An Post is used by 83%, with 79% using An Post most frequently. DPD and Fastway are most popular amongst the alternative providers, with c.a. 9-10% of consumers using both, and c.a. 4-5% using the providers most frequently.
- 69 69% of survey respondents reported that they have alternatives to An Post that they could easily use. With regards to satisfaction with the existing choice of service providers, 89% of consumers state that the existing choice serves their current needs.

SMEs

- 70 According to the Amárach research, of the packets and parcels that are sent by SMEs, small packets and parcels (less than 2kg) are sent most often, with 27% of SMEs who send these items doing so every day, and a further 38% sending them weekly. This compares to only 18% and 25% for large packets/parcels (between 2kg and 10kg), and 14% and 15% for very large packets (greater than 10kg).

Figure 16. Frequency of sending different sizes of packets and parcels by SMEs

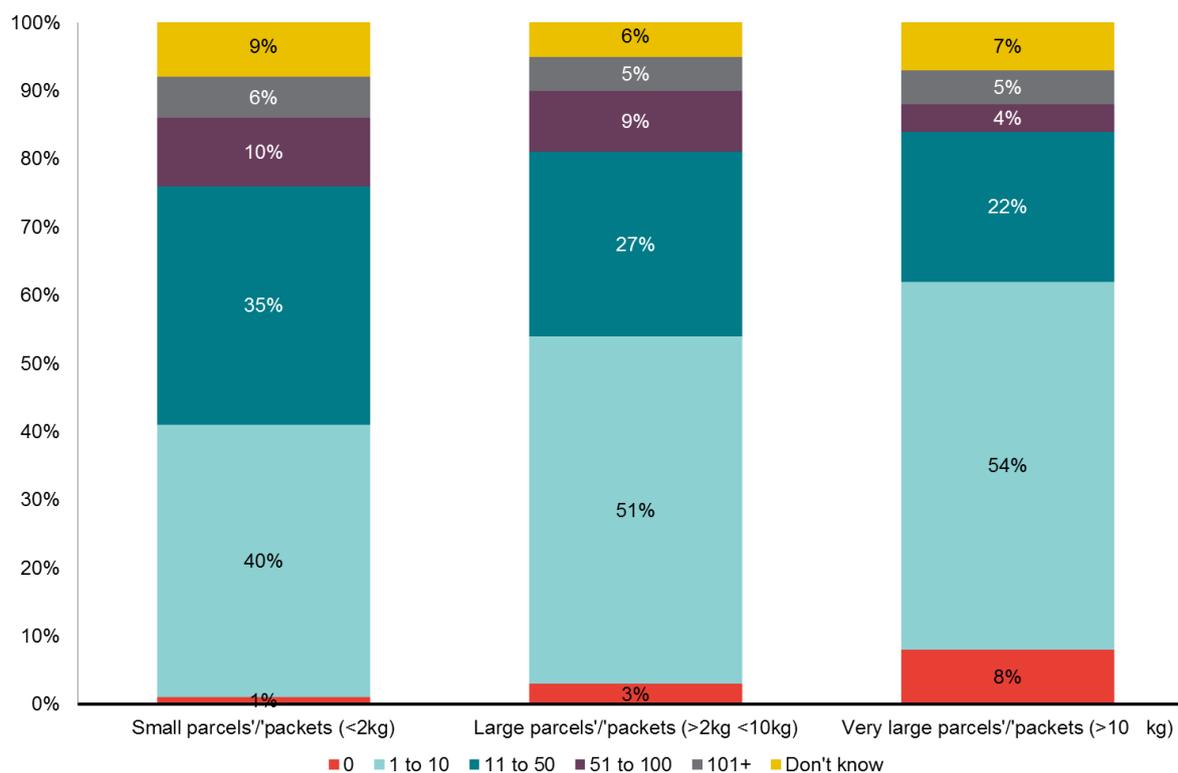


Source: Amárach: SME Survey - 2017

Note: Question: Do you send the following mail items...and how often do you send them?

71 Likewise, higher volumes of small packets and parcels (less than 2kg) are sent by SMEs in a typical month than other size of packets and parcels (Figure 17). Of those sending small packets and parcels (less than 2kg), 51% send more than 10 per month, with 16% sending more than 50 per month. In comparison, of those sending large packets (between 2kg and 10kg), 41% send more than 10 per month, and of those sending very large packets (greater than 10kg), only 31% send more than 10 per month.

Figure 17. Volumes of different sizes of packets and parcels sent by SMEs

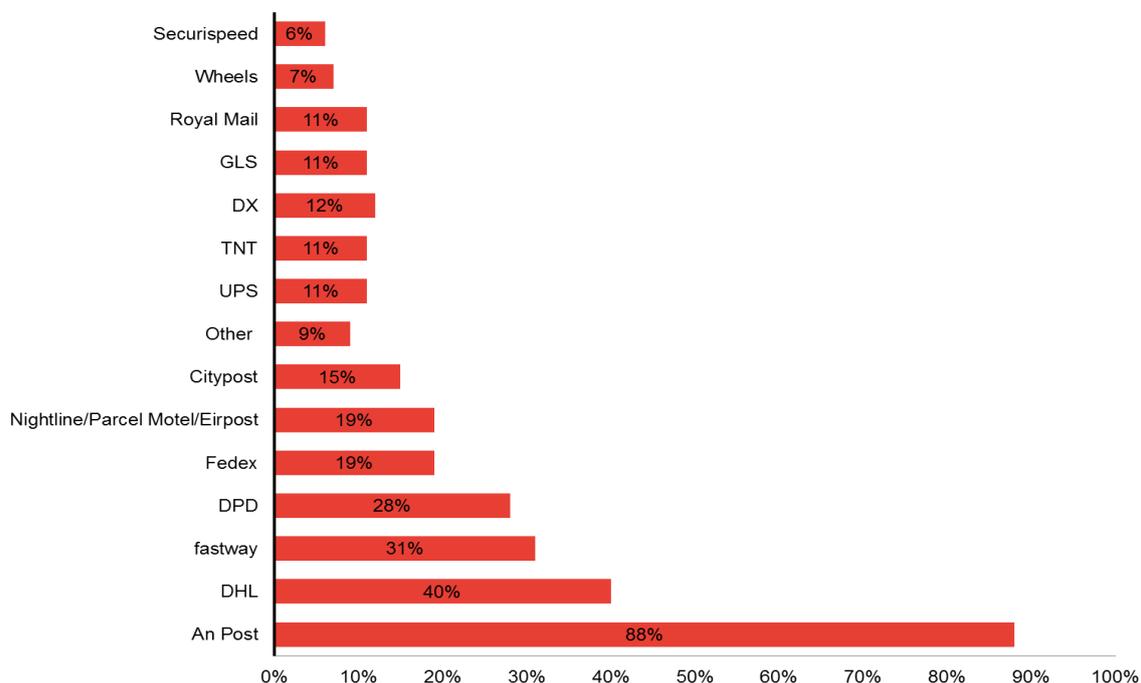


Source: Amárach: SME Survey - 2017

Note: Question: In a typical month, how many...do you send?

72 A wide variety of delivery providers are also used by SMEs, as shown in Figure 18. Although 88% of survey respondents still use An Post for at least some of their packet and parcel delivery needs, 40% use DHL, 31% use Fastway, and 28% use DPD.

Figure 18. Delivery providers used by SMEs, for at least some of their packet and parcel delivery needs

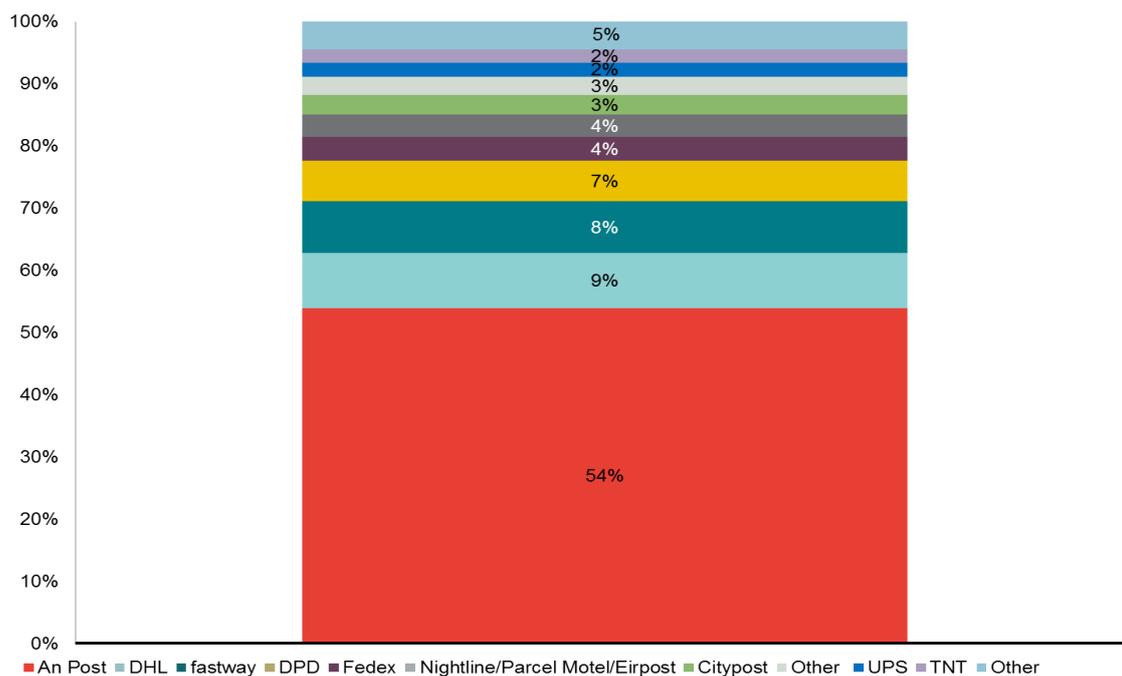


Source: Amárach: SME Survey - 2017

Note: Question: Which delivery company do you use to send parcels/packets...and what proportion of your packets/parcels are sent through each company?

73 With regards to volumes, on average, 54% of packets and parcels sent by SMEs, are through An Post, with 9% being sent through DHL, 8% through Fastway, and 7% through DPD (Figure 19).

Figure 19. Average volumes sent by SMEs through each delivery provider

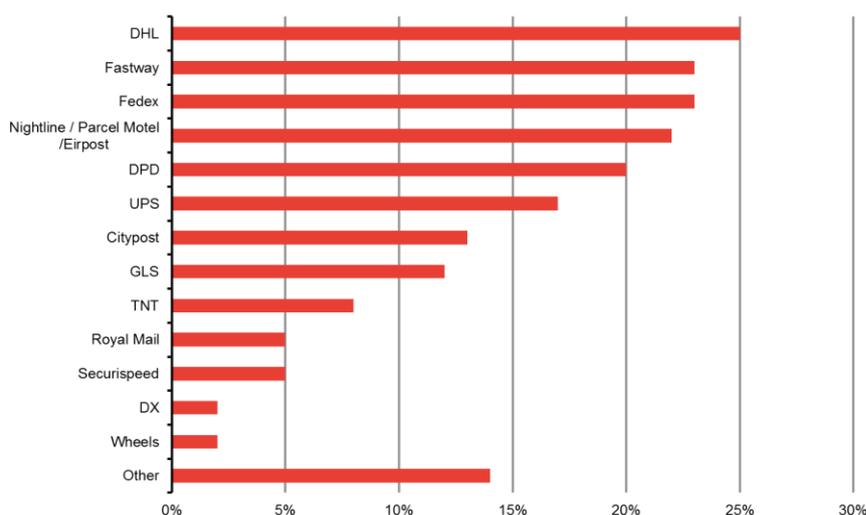


Source: Amárach: SME Survey - 2017

Note: Question: Which delivery company do you use to send parcels/packets...and what proportion of your packets/parcels are sent through each company?

74 In addition, 38% of SMEs reported that they had considered using other operators to those that they currently use. Of these SMEs, 20% or more had considered either DHL, Fastway, Fedex, Nightline/Parcel Motel/Eirpost, DPD (Figure 20).

Figure 20. Other delivery providers considered by SMEs



Source: Amárach: SME Survey - 2017

Note: Question: Have you considered using any other operators? Which operators did you consider?

- 75 Further, 89% of SMEs reported that the current choice of delivery service meets or exceeds their needs.
- 76 In addition, 41% of SME survey respondents commercially negotiate on service in relation to price and/or terms and conditions. For DPD, Fastway and DHL users, the proportion that do commercially negotiate is higher at 54%, 51% and 48% respectively.

Large users

- 77 Most senders of large volumes of parcels that Amárach interviewed also tend to use a combination of An Post and other parcel operators to meet their requirements. Amongst the large mailers interviewed by Amárach, where the volume of parcels is low, An Post tends to collect and deliver the majority of them (with the parcel service working alongside the letters service, including picking up mail bags from customers). However, no large mailers interviewed give all their parcels to An Post to deliver, and most use DHL, Fastway or other providers, especially for heavier parcels and packets (accounting for 30%-100% of larger parcels in some instances).

78 Generally, according to the research findings, An Post tends to be used for smaller parcels (under 10kg), while other parcel providers are used for larger parcels (up to 20kg or higher).

5.3 Preliminary views

79 Universal postal service parcels are a basic parcel service and most parcels sent and received are not universal postal service. Parcels provided under the universal postal service only accounts for c.1% of the total volume of the universal postal service.

80 As noted by ComReg in 2012, ComReg considers that most postal service users appear to demand something more than the basic parcel service envisaged by the Postal Services Directive. The Postal Act allows ComReg to limit the basic parcel service under the universal postal service to an upper limit of 10kg. Therefore, this chapter considered whether it appropriate to continue to include a basic parcel service that weighs more than 10kg and less than 20kg in the universal postal service. For the avoidance of any doubt, regardless of ComReg's decision on this, postal service providers (including An Post) will remain free to offer parcels above 10kg in this competitive sector.

81 ComReg's preliminary views is that a basic parcel service above 10kg to 20kg is no longer required in the specification of the universal postal service for the following reasons:

- A variety of alternative parcel delivery providers operate in the sector, all offering competitively priced nationwide products at nationwide prices.
- Pricing analysis conducted by Frontier Economics in 2017 suggests that An Post's Standard Post parcel service is only cheaper than alternative parcel services in two very small segments of the sector relating to large low weight parcels, namely:
 - parcels under 1kg which are larger than the Parcel Motel medium size (19 x 38 x 64 cm); and
 - parcels between 2-3kg which are larger than the Parcel Motel maximum size (41 x 38 x 64 cm).
- Although An Post remains the main parcel delivery provider chosen by all user groups, a growing proportion also use other providers for at least some of their delivery needs. In addition, 69% of consumers reported that they have alternatives to An Post that they could easily use.

- Some 41% of SMEs and some large mailers commercially negotiate for their packet and parcel delivery services.
- It is understood that postal services offered by An Post are VAT exempt¹⁷, therefore the exclusion of certain bulk services from the universal postal service should have no VAT implications¹⁸. If a postal service user requires a Vatable postal service, then it can commercially negotiate with both An Post and all other postal service providers, as individually negotiated postal services are subject to VAT¹³.
- Given the findings presented in this chapter, it seems reasonable that the reasonable needs of postal service users would be met by normal market conditions. These findings suggest that for many postal service users there are alternatives to the basic universal postal service parcel (including non-universal postal service services offered by An Post), and that these alternatives are competitively priced. Overall, based on the supporting research, there appears to be a high level of satisfaction with the quality and choice of parcel services – including An Post’s – with the various requirements for speed, frequency, value and flexibility (including weight limits) met by a cross-section of suppliers. This also applies to all weight steps, although lower weight steps make up the majority of volumes sent.
- In addition, parcels are the only mail format for which An Post has experienced an increase in volumes since 2012. This has been fuelled by the continued growth in e-commerce, which is not showing any evidence of slowing, with the number of parcels received by postal service users having increased considerably even over the past year. Frontier and Amárach’s 2015 research project into the packets and parcels sector in Ireland identified an increasingly diversified marketplace of parcel operators, and competitive pressures on parcel delivery operators. Postal service users have many options for the sending of parcels greater than 10kg. It therefore seems reasonable to assume that An Post would continue to provide parcel services for parcels weighing greater than 10kg even if they were not in the universal postal service. In fact, An Post has itself signalled its clear intention to target the growing Irish and International e-commerce business and to aggressively grow its current 25% market share¹⁹, removing parcels greater than 10kg from the universal postal service affords An Post with greater commercial flexibility with regard to price, access, and quality.

¹⁷ Schedule 1, paragraph 1 of Value Added Tax Consolidation Act 2010. See also

<https://www.revenue.ie/en/vat/vat-rates/search-vat-rates/P/postage-stamps-postal-services-.aspx>

¹⁸ Noting that national taxation matters are solely for Revenue

¹⁹ An Post Press Release (04-07-2017) – An Post heralds a World Wide Open while closing in on Irish Parcels Market

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

- ComReg's preliminary view is also consistent with recent changed specifications across Europe for the universal postal service parcel to be a maximum of 10kg (Austria, Czech Republic, Latvia, Portugal, Slovakia, and Slovenia²⁰).

Q. 2 Do you agree with the preliminary view to remove a basic parcels service above 10kg from the specification of the universal postal service? Please explain your response.

²⁰ Source: Figure 51 (Annex C) of supporting report by Frontier Economics.

6 Ancillary Services

82 The certain ancillary services under consideration are as follows:

Figure 21. Ancillary services

| Service | Feature of service |
|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PO Box | A Post Office Box (PO Box) may be rented at Delivery Service Units and certain Post Offices. It is used to hold mail until collected by the customer renting the box. |
| Redirection | With its Redirection service, An Post forwards the mail to wherever the addressee requires, for up to a year, whether it's at home or abroad. |
| MailMinder | MailMinder suspends delivery of mail to the home or business while the addressee is away, for up to 12 weeks. |
| Freepost/ Business reply | Both of these services are designed to speed up bill payments and generate orders/subscriptions for business customers. The service allows the customer's clients to reply without having to pay postage. The Business Response service uses pre-printed envelopes or cards, whilst the Freepost service lets respondents reply with their own envelopes or cards. |

83 Universal postal service ancillary services are relatively low volume and low revenue services although they some offer very high profit margins. According to An Post's Regulatory Accounts, in 2016 and in 2017, An Post was making a c.60% profit margin on Redirections, Mailminder and PO Boxes.

84 The Postal Act and the EC Postal Directive do not explicitly require these to be provided as part of a universal postal service, but such services are linked to the requirement for the clearance and delivery of "postal packets".

85 As noted earlier, and in the supporting report by Frontier Economics, for ComReg to revise the specification of the universal postal service by removing a service, it is important to ensure that this is not to the detriment of users' needs. Likewise, for a service to remain in the universal postal service, it is important to ensure that this is not to the detriment of the development of competition for the supply of this service, particularly as the USP is subject to a number of regulatory controls (price, quality, access) for those services specified as universal postal services.

86 As before, for considering whether it appropriate to continue to include certain ancillary services in the universal postal service, ComReg again will assess the changes to the technical, economic and social environment and to the reasonable need of postal service users since 2012.

6.1 Technical, economic and social environment changes since 2012

- 87 Since 2012, PO Box mails volumes has likely seen a decline in use in line with the general electronic substitution of mail and a greater acceptance of such communication now being electronic. There are very limited physical alternatives for PO Boxes, such as services like 'MailBoxes etc'²¹.
- 88 For Redirection and MailMinder, the increased use of websites and the general electronic substitution of mail has afforded greater opportunities and greater acceptance for communications to move to electronic forms. For those users who prefer communications by post, company websites and general websites, such as TICO's newaddress.ie, afford postal service users with the ability to change their postal address permanently or for a definitive period of time.
- 89 Business Reply/Freeport have seen a decline in use in line with the general electronic substitution of mail and a greater acceptance of such communication now being electronic.

6.2 Reasonable needs of postal service users

Consumers

- 90 Consumers largely use MailMinder and Redirection. The usage of each was explored as part of Amárach's consumer survey, and appears to be low for every service.
- 91 The majority of consumers surveyed would not opt to pay for a Mailminder or Redirection service.
- **Mail Minder** – According to the survey, 9% of consumers would pay for a mail minding service if no one is present in their household for a long period (up to 3 months). 71% of consumers say they would arrange for a friend/family to collect their mail if no one is present in their household for a long period (up to 3 months), with a further 17% stating that they would simply let mail aggregate in house/letterbox. However, 60% of these consumers have not used a mail minding service in the last 3 years. Of those who have used it, 42% have used it at least 3 times in the last 3 years. Of those who would pay for a mail minding service, if this service was no longer available, 9% say that they would have no other reasonable alternatives, with 68% stating that they would arrange for a friend/family to collect the mail.

²¹ Limited locations in Dublin, Cork and Killarney

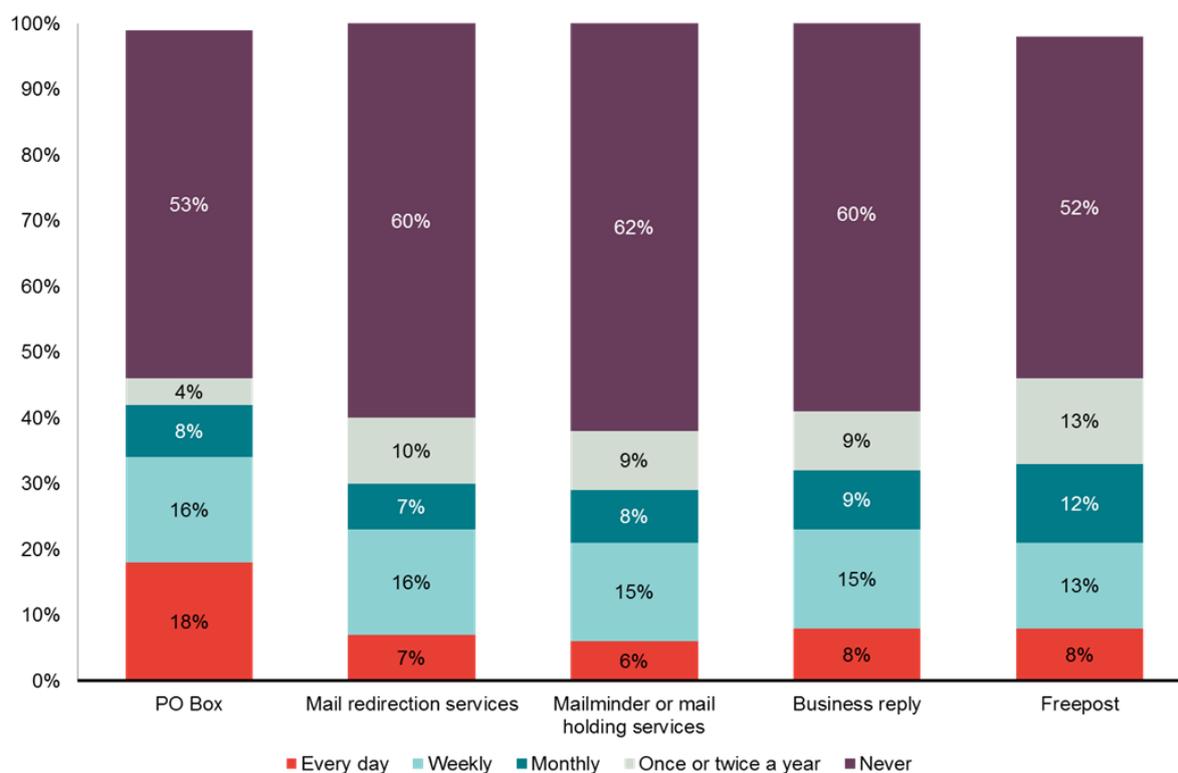
- **Redirection** – According to the survey, 22% of consumers would pay to redirect mail from an old address to a new address if they moved house. 41% of consumers would just notify main senders of mail of their new address, a further 27% would do this and arrange to collect mail at their old address. But, not surprisingly given the proportion of people that move houses in any given year is low, 73% of these consumers have not used this service in the last 3 years. Of those that would use a redirection service, 6% say that have no other reasonable alternatives, while 71% would notify main senders and 21% would arrange to collect mail at old address. One of Amárach’s consumer focus groups was solely made up of participants that had changed address in the past year in order to explore this point further. The findings from this focus group mirrored the wider survey findings, with few using the redirection service.

- 92 In addition, if these ancillary services were no longer offered by An Post, some of the consumers that would have paid for the service stated that they have no reasonable alternatives available to them.
- 93 However, low usage, in of itself, does not necessarily mean that such a service should be removed as a universal postal service. There may be a small cohort of postal service users who are critically dependent on such services being offered as universal postal services, with appropriate protections on price, access and terms and conditions. For example, ComReg is aware that the Redirection service is commonly used in cases where a person is ill, incapacitated, or a Ward of Court.

SMEs

- 94 As with consumers, Amárach’s research sought to identify businesses’ most commonly used ancillary services. The majority of respondents had never used these services (Figure 22).

Figure 22. Frequency of ancillary service use by SMEs



Source: Amárach: SME Survey - 2017

Note: Question: Do you use these An Post services...and how often do you use them?

95 For all of the universal postal service ancillary services used by SMEs, 75% or more stated that the service met or exceeded their needs (Figure 23).

Figure 23. SME satisfaction around ancillary services

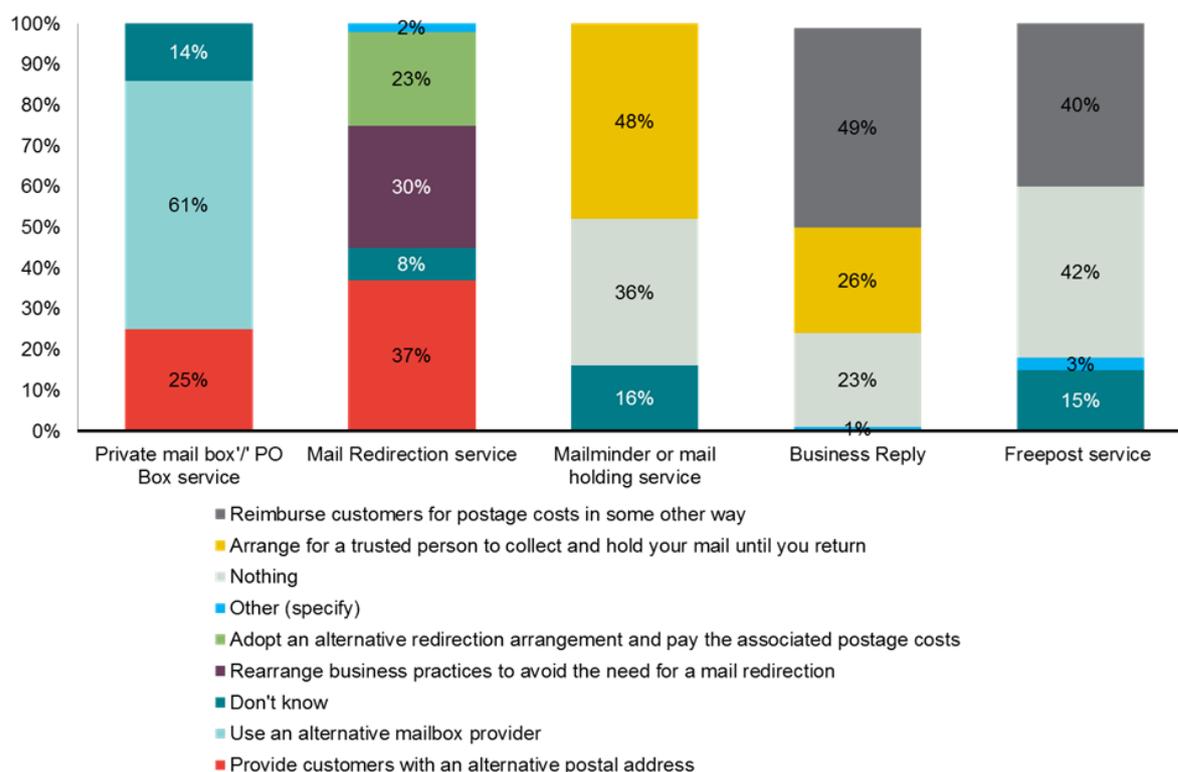
| | % for whom the service meets or exceeds their needs |
|----------------|-----------------------------------------------------|
| PO Box | 80 |
| Redirection | 85 |
| Mailminder | 78 |
| Business Reply | 81 |
| Freepost | 79 |

Source: Amárach: SME Survey - 2017

Note: Questions: In relation to the...service, how does the service meet your current needs?

96 Further, just under a quarter of SMEs stated that they didn't know what they would do if An Post stopped offering these ancillary services.

Figure 24. Alternative options for SMEs if An Post no longer offered ancillary services



Source: Amárach: SME Survey - 2017

Note: Questions: What would you do if An Post were to stop offering a...service?

6.3 Preliminary views

97 SI 280 of 2012 required the provision of a number of specific ancillary services as part of the universal postal service:

- PO Box;
- Redirection;
- MailMinder;
- Business Reply; and
- Freepost.

98 However, the Postal Act and the EC Postal Directive do not require these to be provided as part of a universal postal service. We have therefore considered whether it is appropriate to continue to include these ancillary services in the specification of the universal postal service.

99 Though the supporting report by Frontier has noted that ComReg could consider if these services could be removed from the specification, Frontier also notes that in the case of Redirection and Mailminder, in particular, that further analysis and consultation would be appropriate. That is because there are no direct physical delivery substitutes or competitors to these services; rather consumers rely on alternative options that are essential self-supply (e.g. have a friend or relative collect mail). While these alternatives appear to be reasonable substitutes for most users; there is likely a sub-set of users that have a reasonable need for these services. Therefore, absent further evidence to support the removal of certain ancillary services from the universal postal service, ComReg's preliminary view is maintain the ancillary services as part of the universal postal service. This would maintain the status quo and such ancillary services would continue to be subject to regulatory oversight on access, price, and terms and conditions.

100 ComReg would welcome evidence in response to this consultation whether certain services should be added or removed from the ancillary services that form part of the universal postal service.

Q. 3 Do you agree with the preliminary view to maintain the certain ancillary services in the specification of the universal postal service? Please explain your response and provide any evidence to support any addition or removal of ancillary services from the specification of the universal postal service.

7 Draft amending Regulation

STATUTORY INSTRUMENTS

S.I. No. _____ of 2018

Communications Regulation (Universal Postal Service) (Amendment) Regulations 2018

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STATUTORY INSTRUMENTS

S.I. No. of 2018

Communications Regulation (Universal Postal Service) (Amendment) Regulations 2018

The Commission for Communications Regulation, in exercise of the powers conferred on it by section 16(9) of the Communications Regulation (Postal Services) Act 2011 (No. 21 of 2011) hereby makes the following Regulations:

Citation

1. (1) These Regulations may be cited as the Communications Regulation (Universal Postal Service) (Amendment) Regulations 2018.

(2) These Regulations may be cited as the Communications Regulation (Universal Postal Service) Regulations 2012 and 2018 and shall be construed together as one.

Interpretation

2. In these Regulations “Principal Regulations” means the Communications Regulation (Universal Postal Service) Regulations 2012 (S.I. No. 280 of 2012)

Amendment

3. (1) Regulation 2 of the Principal Regulations is amended by replacing “20 kilograms” with “10 kilograms” where it occurs

(2) Regulation 3(1) of the Principal Regulations is amended –

- (a) by deleting subparagraph (1)(h);
- (b) by deleting subparagraph (1)(i); and
- (c) by deleting subparagraph (1)(j).

GIVEN under the official seal of the Commission for Communications Regulation,
2018

[], Chairperson

For and on behalf of the Commission for Communications Regulation

EXPLANATORY NOTE

(This note is not part of the Instrument and does not purport to be a legal interpretation.)

These Regulations amend the specification of the universal postal services set out in S.I. No. 280 of 2012 Communications Regulation (Universal Postal Service) Regulations 2012. The Commission for Communications Regulation is making these Regulations under the powers conferred upon it by section 16(9) of the Communications Regulation (Postal Services) Act 2011.

Q. 4 Do you have any comments on the proposed amending Regulation? Please explain your response.

8 Draft Regulatory Impact Assessment

101 A Regulatory Impact Assessment (“RIA”) is a structured approach to the identification and assessment of available regulatory options to meet the policy issue, including the likely impact of the regulatory options on different stakeholders. Based on this assessment, the RIA concludes with the choice of the best option to meet the policy issue. This best option should be the most effective and least burdensome regulatory option – it should be appropriate, effective, proportionate, and justified.

102 ComReg’s approach to the RIA is set out in the “Guidelines on ComReg’s Approach to Regulatory Impact Assessment” published in August 2007²² and have regard to the RIA Guidelines issued by the Department of An Taoiseach in June 2009 (“the Department’s RIA Guidelines”), adopted under the Government’s Better Regulation programme.

103 The guidelines set out, amongst other things, the circumstances in which ComReg considers that a RIA is appropriate. In summary, ComReg indicated that it would generally conduct a RIA in any process that might result in the imposition of a regulatory obligation, or the amendment of existing regulatory obligations to a significant degree, or which might otherwise significantly impact on any relevant market or on any stakeholders or consumers

Steps involved

104 In assessing the available regulatory options, ComReg’s approach to RIA follows five steps as follows:

Step 1: describe the policy issue and identify the objectives

Step 2: identify and describe the regulatory options

Step 3: determine the impacts on stakeholders

Step 4: determine the impacts on competition

Step 5: assess the impacts and choose the best option

²² ComReg document 07/56a

Step 1: Describe the policy issue and identify the objectives

105 The Postal Act requires ComReg "for the purposes of ensuring that the universal postal service develops in responses to the technical, economic, and social environment and to the reasonable needs of postal service users ... following a public consultation process, make regulations specifying the services to be provided by a universal postal service provider relating to the provision of a universal postal service." In 2012, following a public consultation, ComReg made a regulation (SI 280 of 2012) specifying the universal postal service.

106 Given the passage of time and developments in the postal sector since 2012, it is appropriate to revisit the specification of the universal postal service for the purposes of ensuring that the universal postal service develops as required by section 16(9) and this was noted as Goal 2 in the Postal Strategy Statement ("PSS") 2018 - 2020. By this public consultation, ComReg is revisiting the specification to examine whether certain services should remain in the specification of the universal postal services.

107 Consequently, the policy issue and the objective is to ensure that the specification of the universal postal service that An Post, as the universal postal service provider ("USP"), must provide continues to develop in response to the technical, economics and social environment, and to the reasonable needs of postal service users.

Step 2: Identify and describe the regulatory options

108 The inclusion of a service within the universal postal service, among other things, is intended to safeguard the provision of that service at an affordable price to all postal service users in a transparent and non-discriminatory way. Without this protection, the USP may decide not to offer these services commercially, or only provide them to a sub-set of the population where it is most profitable to do so.

109 However, in line with ComReg's statutory duties, a balance must be struck between the protection that the universal postal service affords postal service users (both senders and receivers), and any potentially detrimental impact on the development of competition that could result from restricting commercial freedom as universal postal services are subject to regulatory oversight on price, quality, access, and terms and conditions.

110 In identifying the regulatory options, ComReg has considered the changes to the reasonable needs of postal service users and to the wider technical, economic and social environment changes since 2012, noting that these two considerations are very much interlinked.

111 As a result:

111.1 Option 1 is to maintain the universal postal service specification as that set in 2012.

111.2 Option 2 is reduce the specification of the universal postal service to exclude the following:

- Option 2a: Certain bulk mail services; namely "Delivery only" (largely An Post Ceadúnas Discount 9), "Deferred Delivery" (largely An Post Ceadúnas Discount 6), International Bulk Mail Service ("IBMS")
- Option 2b: Basic parcel service beyond 10kg in weight

The proposed reduction in the specification of the universal postal service is being made following consideration of:

111.2.1 Supporting research by Frontier Economics which included the following:

- Identifying other postal service providers present in the Irish market who offer postal services that can be considered alternatives to the universal postal service. This included desk research and interviews with certain postal service providers.
- Analysis of data on existing usage of universal postal services. This largely utilised revenue and volume information obtained from the USP's Regulatory Accounts²³.
- Primary research (conducted by Amárach Research²⁴) with key postal user groups as follows:
 - Consumer survey
 - SME survey
 - Consumer and SME focus groups
 - In-depth interviews with large users.
- Benchmarking on the specification of the universal postal service in Ireland against that in other EU Member States.

²³ Published at <http://www.anpost.ie/AnPost/MainContent/About+An+Post/Annual+Reports/>

²⁴ Amárach ensured that the survey samples were representative of postal users (minimum postal usage threshold) across a number of variables, including rural and urban, age, etc. See Annex B of the supporting report by Frontier Economics (ComReg Document No. 18/66a) for further detail.

111.2.2 Responses to the public consultation on the proposal to amend the specification of the universal postal service.

111.2.3 s.16 of the Postal Act, particularly s.16(1)(b), s.16(2), s.16(3), and s.16(9).

111.2.4 All other available evidence.

Steps 3 & 4 & 5: Determine the impacts on stakeholders and competition, assess the impacts and choose the best option

112 Option 1 maintain the status quo. There would be no additional impact on stakeholders and competition, however, both stakeholders and competition may be impacted if it is that certain universal postal services should no longer be universal postal services, as such services remaining universal postal services may limit the competitive dynamics and freedoms. This explored in Option 2.

113 Generally, Option 2 has a number of impacts:

- it continues to ensure a minimum set of postal services, that would otherwise not be provided, to meet the needs of postal customers
- it minimises the scope of regulatory control on An Post by no longer requiring certain universal postal services to be included in the specification of the universal postal service
- it puts An Post and its competing postal service providers on the same footing for those services now excluded from the universal postal service. It is considered that the services to be removed from the specification of the universal postal service are commercial offerings and that the reasonable needs of postal service users would be met by market conditions.
- having considered the supporting research, it is considered that postal service users have reasonable alternatives if such services were no longer offered as part of the universal postal service.

114As set out in step 2, Option 2 includes two options – Option 2a and Option 2b. Specifically Option 2a and Option 2b are assessed as follows for impact on stakeholders, namely the USP and postal service users, and on competition as follows:

| Option | Impact on the USP (An Post) | Impact on postal service users | Impact on competition |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Option 2a: Remove the certain bulk mail services; namely "Delivery only" (largely An Post Ceadúnas Discount 9), "Deferred Delivery" (largely An Post Ceadúnas Discount 6), International Bulk Mail Service ("IBMS") from the universal postal service</p> | <p>The USP would not be subject to regulatory oversight (price, access, terms and conditions) on these certain bulk mail services.</p> | <p>While postal service users would no longer benefit from regulatory oversight on price, access, terms and conditions, it is considered that An Post would continue to offer these bulk mail services on competitive conditions, as evidenced by the pricing, access, and terms and conditions associated with its bulk mail services that are not universal postal services.</p> | <p>An Post would have full commercial freedom with regard to the pricing, access, and terms and conditions of its bulk mail services.</p> |

| Option | Impact on the USP (An Post) | Impact on postal service users | Impact on competition |
|-----------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Option 2b: Remove the basic parcel service beyond 10kg in weight</p> | <p>The USP would not be subject to regulatory oversight (price, access, terms and conditions) on basic parcel services beyond 10kg in weight.</p> | <p>While postal service users would no longer benefit from regulatory oversight on price, access, terms and conditions, it is considered that An Post would continue to offer basic parcel services beyond 10kg on competitive conditions, given the general competitive dynamics for the provision of parcel delivery services.</p> | <p>An Post would have full commercial freedom with regard to the pricing, access, and terms and conditions of its basic parcel services beyond 10kg in weight.</p> |

115 Having regard to the impacts assessed above, and the findings presented in this document, the preliminary conclusion of this draft RIA is that Option 2 (particularly Option 2a and 2b) is best as it is the most effective and least burdensome regulatory option.

Q. 5 Do you have any comments on the draft RIA? Please explain your response.

9 Next Steps

116 The purpose of this public consultation is to allow ComReg to consider the views of interested parties in the context of reaching a decision on amending the specification of the universal postal service. In line with ComReg's statutory duties, a balance must be struck between the protection that the universal postal service offers for postal service users (both senders and receivers), and any potentially detrimental impact on the development of competition that could result from restricting commercial freedom as universal postal services are subject to regulatory oversight on price, quality, access, and terms and conditions. Non-universal postal services are not subject to this regulatory oversight.

117 All responses to this public consultation will be considered and account taken of the merits of views expressed and the supporting evidence provided. It should, however, be noted that the process is not equivalent to a voting exercise on proposals and ComReg will exercise its judgement having considered the merits of the views expressed and any supporting evidence provided.

Questions

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