



Consultation Paper

Postal Strategy Statement (2005-2007)

| | |
|---------------------|-----------------------------------|
| Document No: | 05/59 |
| Date: | 2nd August 2005 |

All responses to this consultation should be clearly marked:-
“Reference: Submission re ComReg 05/59” as indicated above,
and sent by post, facsimile, e-mail or on-line at www.comreg.ie
(current consultations), to arrive on or before [5pm, 16th
September 2005], to:

Ms. Sinead Devey
Commission for Communications Regulation
Irish Life Centre
Abbey Street
Freepost
Dublin 1
Ireland

Ph: +353-1-8049600 Fax: +353-1-804 9680 Email:
postalconsult@comreg.ie

Please note ComReg will publish all respondents
submissions with the Response to this Consultation, subject
to the provisions of ComReg’s guidelines on the treatment
of confidential information – ComReg 05/24

Contents

| | | |
|-------|--|----|
| 1 | Foreword [by the Chairperson] | 3 |
| 2 | Introduction | 4 |
| 2.1 | POSTAL SERVICES: A BRIEF OVERVIEW | 4 |
| 2.2 | MARKETS IN WHICH THE POSTAL SERVICES OPERATE | 6 |
| 2.2.1 | <i>Retail Markets for Business Customers</i> | 6 |
| 2.2.2 | <i>Retail Markets for Private Consumers</i> | 6 |
| 2.2.3 | <i>Wholesale markets for other operators</i> | 7 |
| 2.2.4 | <i>The emergence of competition</i> | 7 |
| 2.3 | CONSULTATION PROCEDURE | 9 |
| 3 | Environmental analysis..... | 10 |
| 3.1 | THE CHANGING NATURE OF POSTAL SERVICES | 10 |
| 3.2 | AN EVOLVING REGULATORY FRAMEWORK | 11 |
| 3.3 | EMERGING OWNERSHIP TRENDS..... | 11 |
| 3.4 | THE TECHNICAL ENVIRONMENT | 12 |
| 3.5 | MACROECONOMIC ENVIRONMENT | 13 |
| 3.6 | POSTAL BUSINESS ENVIRONMENT | 14 |
| 3.6.1 | <i>The social environment</i> | 16 |
| 3.7 | THE LEGISLATIVE ENVIRONMENT | 17 |
| 3.7.1 | <i>Overall regulatory principles</i> | 17 |
| 3.7.2 | <i>Legislative framework of regulation</i> | 17 |
| 3.7.3 | <i>Legislative framework for the postal sector</i> | 18 |
| 3.8 | OUR STAKEHOLDERS | 19 |
| 3.8.1 | <i>Users</i> | 19 |
| 3.8.2 | <i>Industry</i> | 20 |
| 3.8.3 | <i>Regulatory bodies</i> | 20 |
| 4 | ComReg's mission, values and vision..... | 21 |
| 4.1 | COMREG'S MISSION STATEMENT | 21 |
| 4.2 | COMREG'S VALUES | 21 |
| 4.3 | COMREG'S VISION FOR THE POSTAL SECTOR | 22 |
| 5 | ComReg's objectives and strategies for the postal sector..... | 23 |
| 5.1 | A DYNAMIC POSTAL MARKET. | 23 |
| 5.2 | FUTURE ROLE OF AN POST'S DELIVERY NETWORK..... | 23 |
| 5.3 | EXPANDED POSTAL VALUE CHAIN..... | 24 |
| 5.4 | RETAIL COMPETITION (BUSINESS MARKETS) | 24 |
| 5.5 | RETAIL COMPETITION (CONSUMER MARKETS) | 25 |
| 5.6 | PARCEL AND EXPRESS MARKETS | 25 |
| 5.7 | IMPACT OF AN POST'S OTHER ACTIVITIES ON UNIVERSAL SERVICE PROVISION..... | 25 |
| 5.8 | UNIVERSAL SERVICE | 25 |
| 5.9 | SUMMARY | 26 |
| 6 | Achieving our objectives..... | 27 |
| 6.1 | HUMAN RESOURCES | 27 |
| 6.1.1 | <i>Organisational structure and Commissioners' roles</i> | 27 |
| 6.1.2 | <i>Centre of Excellence</i> | 28 |
| 6.1.3 | <i>Performance Management</i> | 29 |
| 6.2 | INFORMATION SERVICES | 29 |

| | | |
|-------|---|----|
| 6.2.1 | <i>Information Technology</i> | 29 |
| 6.2.2 | <i>Consumer Care</i> | 31 |
| 6.3 | ACCESS TO INFORMATION AND PUBLICATION PROCEDURES | 33 |
| 6.4 | COSTS | 33 |
| 7 | Submitting Comments..... | 36 |
| | Appendix A – The origin and impact of the postal monopolies. | 37 |
| | Appendix B – Consultation Questions | 38 |

1 Foreword [by the Chairperson]

This consultation on ComReg's strategy for the postal sector forms part of a sequence of consultations aimed at informing ComReg on its strategy for the sectors it regulates from 2005-7. This is in line with the requirements as set out in the 2002 Communications Act and will enable ComReg to publish its overall strategy in September 2005.

In a period of dynamic change in the postal market both in Ireland and globally, it is vital that regulation is both consistent and transparent to promote the development of the sector and ensure the availability of universal service. In parallel with all the advances in electronic communications, Ireland needs a vibrant, functioning postal service in line with international best practice

The formulation of a strategy statement is invaluable to any organisation such as ComReg in that it facilitates stock-taking and forward-planning and helps ComReg prepare for near-term change, enhancing our regulatory agility and flexibility.

Regulation must be based on a process of continuous interaction with stakeholders and in this context I would encourage feedback on this draft strategy statement from a wide range of respondents.

Isolde Goggin,

Chairperson.

2 Introduction

Under the Communications Regulation Act 2002, ComReg is obliged to produce a Strategy Statement every 2 years. The Strategy Statement must take into account the objectives set out in section 12 of the Act and any directions under section 13 of the Act.

These objectives are as follows:

In relation to the provision of electronic communications networks, electronic communications services and associated facilities

- To promote competition,
- To contribute to the development of the internal market, and
- To promote the interests of users within the Community
- To ensure the efficient management and use of the radio frequency spectrum and numbers from the national numbering scheme in the State in accordance with a direction under section 13, and
- **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 users**

In June 2003 ComReg issued its first Strategy Statement for the period 2003-2005 following a period of consultation with its stakeholders.

The objective of this draft Strategy Statement is to set out ComReg's initial views on possible developments in the Irish postal sector between July 2005 and June 2007, to set out our vision in the light of possible developments during that period and to highlight appropriate strategies to achieve this preferred outcome.

2.1 Postal Services: a brief overview

Postal services are atypical as there are two "customers" for every transaction, the sender and the receiver. Normally the sender pays, but operators have obligations to both as it is often the receiver who "wants" the service¹.

A network of Posts was first developed in these islands in the mid 17th Century. From the outset they were organised as a monopoly under state control, not for economic reasons but to safeguard state security (through censorship when necessary). Over the centuries innovation, increased geographical coverage and the quest for affordable prices were all driven by public campaigns and the enterprise of

¹ In Common Law jurisdictions the act of posting a letter is normally sufficient to discharge the responsibility of the sender and the recipient bears the risk arising from loss or damage in the course of transmission by post.

entrepreneurs.² Until recent years the ideas of successful competitors were adopted by the monopolies. It is only with the arrival of the international couriers in relatively recent times that enduring alternatives became available, and then to business customers only. While the provision of such services was allowed "de jure" in some large countries, in many European Countries, including Ireland, they operated only with "de facto" approval, until the first Postal Directive regularised the position.³

It was the Postal Reforms of the mid 19th Century, including the introduction of postage stamps which gave the impetus for the Posts to become a network for mass communication.

The formation of the UPU⁴ in 1874 laid the foundations for an integrated network of national Posts providing affordable services to every part of the world.

The introduction of a Parcel Post on 1 August 1883 arose from the decision of a UPU Conference in Paris in 1880 to establish an International Parcel Post. Within Britain and Ireland successful lobbying by the railway companies and other carriers had prevented the Post from providing such services, although "letters" were regularly used for the conveyance of small items.

Whether used for the conveyance of letters or parcels the postal value chain for the last two centuries comprised six distinct activities as shown in Figure 1 below. Upstream of the postal value chain originators of mail had to purchase envelopes and paper on which to write their message, or in which to wrap the goods or other articles.

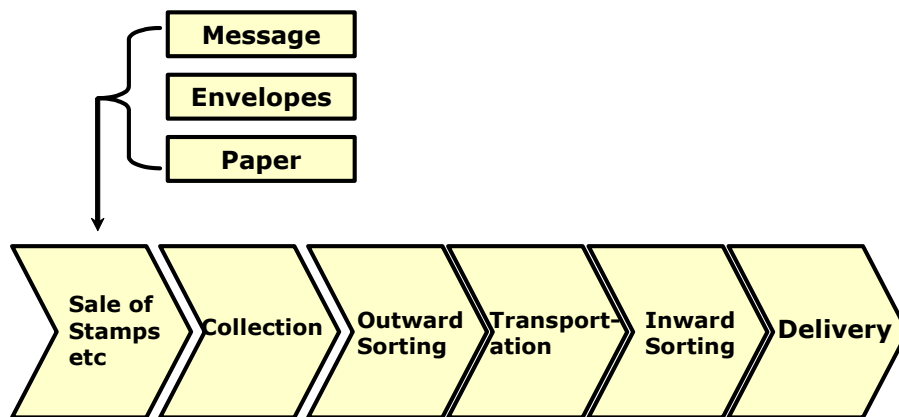


Figure 1 Traditional Postal Value Added Chain

² The earliest example was one William Dockwra who established a local "Penny Post" in London in 1680.

³ See Green Paper on the Development of the Single Market For Postal Services, COM(91)476

⁴ Originally the General Postal Union, it changed its name to the Universal Postal Union in 1878 and became a specialised agency of the United Nations on 1 July 1948

The impact of changes in the technical environment on the Postal Value Chain is discussed in section 3.5.

2.2 Markets in which the postal services operate

Consistent with the objectives of the Postal Reforms of the 19th century, postal operators have traditionally held de jure monopolies over the conveyance of letters. De jure monopolies over the provision of services, in any market, tend to lead to the underdevelopment of the market by comparison with fully competitive markets⁵.

Furthermore, the existence of substitutes (such as newspaper advertising and electronic communications) which can meet market demand for at least some of those services, also tends to restrict the development of the market.

2.2.1 Retail Markets for Business Customers

Business customers account for between 80% and 95% of the postal items handled by the national “universal service providers”, depending on the country concerned.⁶ Irrespective of whether the recipient is another business (B2B) or a private consumer (B2C) there are substitutes available to most such users of the post. The opening of postal markets to full competition will enable the postal market to achieve its full potential.

2.2.2 Retail Markets for Private Consumers

At the beginning of the 20th century mail generated by private consumers accounted for a very large proportion of all mail. The emergence of affordable electronic communications services in the last three decades of the 20th century has largely eliminated the Post’s role in the messaging market. Currently mail posted by private consumers addressed to other individuals (C2C) accounts for between 6% and 8% of total letter mail flows.⁷

A large percentage of this relates to greetings cards and the vast majority of these are posted in the weeks immediately prior to Christmas. Customers of the Post have the alternative of hand delivery and retailers willing to deliver “gifts”, such as flowers or chocolates, in lieu of a greetings card.

The consumer to business (C2B) segment is concerned with correspondence and transactions. A small element of the C2B segment is concerned with physical distribution, largely in relation to returns of unwanted / damaged goods, or the despatch of items for repair.

5 See Annex A for a more comprehensive note on the origin and impact of the postal monopolies.

6 See "Main Developments in the European Postal Sector", WIK for the European Commission 2004, pages 111-112

7 See "Main Developments in the European Postal Sector", WIK for the European Commission 2004, pages 111-112

2.2.3 Wholesale markets for other operators

The whole concept of a universal (worldwide) postal service has from the start been built upon national Posts, on foot of international treaties, providing wholesale delivery services to postal operators in other countries.

In more recent years similar services have been offered by many operators to consolidators of mail, mail preparation companies (e.g. printers and other companies who provide printing and/or addressing and insertion services on an outsourcing basis) and large mailers who can hand over their mail to the operator in delivery sequence.

2.2.4 The emergence of competition

As noted above alternatives to the services of the state monopolies emerged right from the start. The earliest example in these islands was the Penny Post launched in 1680 by William Dockwra and his partner Robert Murray to meet the demand for a local postal service in London. They had a head office in Lime Street and seven sorting offices. In two years, it had grown to four to five hundred receiving houses, with messengers who delivered between five and 15 times daily. It was so successful that the Post Office claimed that it infringed their monopoly. As a result Dockwra lost his Penny Post, and in 1682 it was incorporated into the General Post Office⁸

Writing in the context of Dockwra's Penny Post and subsequent innovations the postal historians Feldman and Kane⁹ observed:

“It is one of the remarkable facts of Post Office history that all the really important innovations and reforms were the work of outsiders, who usually did not achieve success until the strenuous opposition of Post Office Officials was overcome. Dockwra's case was, however, somewhat different. He was permitted to set up his Penny Post, open a large number of Receiving houses, and conduct his project with skill and efficiency. However, good results did not bring personal popularity for Dockwra. The Penny Post proved a great financial success and this was his undoing. The Post Office could view with majestic aloofness Dockwra's work so long as he arranged, planned, developed or spent money; but when it came to the point of his making a profit, the forces of law were at once put into operation against him.”

It was not until very recently that real competition was permitted in the provision of services for the conveyance of letters. Initially in 1972 the USA permitted competition in upstream activities (Collection, Sorting and Transportation), while from 1981 Britain permitted competition providing the price paid exceeded £1. During this period also the Express Companies developed their courier services on a global basis – in some countries with de jure authority, in others with de facto acceptance Full competition followed in New Zealand (1987) and Sweden (1992).

⁸ <http://www.victorianweb.org/history/letters/1791.html>

⁹ Feldman and Kane, “Handbook of Irish Postal History to 1840”, David Feldman (Ireland) Ltd 1984

In 1991 the EU Commission published its Green paper on the Liberalisation of postal services and in 1997 the first Postal Directive¹⁰ became law. Under this Directive the services that could be “reserved” to designated universal service providers within the EU were confined to those relating to the clearance, sorting, transportation and delivery of items of correspondence weighing less than 350g, providing that the price charged was less than 5 times the basic tariff¹¹.

The second Postal Directive¹² was adopted in 2002 and reduced the extent of the reserved area to 100g (with a limit of 3 times the basic tariff) with effect from 1 January 2003. This Directive (Article 7(3)) also set 1 January 2009 as the target date for the accomplishment of a fully liberalised postal market within the EU.

Many countries, such as Norway, Britain, the Netherlands and Germany intend to remove the restrictions prior to this date while countries such as Sweden, Finland, Estonia and New Zealand already have postal markets fully open to competition.

Within Ireland the Government opened the market for outbound cross-border mail to full competition from 1 January 2004, in accordance with the EUs timetable for the creation of an internal market in postal services. From the same date providers of postal services in Ireland with a turnover of more than €500,000 (excluding VAT) were obliged to obtain a Postal Service Authorisation from ComReg. As at June 2005 23 Postal Service Authorisations had been issued by ComReg.

From 1 January 2006 the postal services which are “reserved” to An Post will be further reduced so that only services involving items of correspondence for delivery in Ireland weighing less than 50g and priced at less than 2½ times the basic tariff (i.e. currently €1.20 = 2½ x 48c.) cannot be provided by competitors. From this date competitors to An Post will be allowed to deliver all other letters, so long as they weigh more than 50g.

The Second Application Report¹³ by the European Commission (March 2005) reports:

“In order to ensure that consumers can continue to enjoy the benefits of the Internal Market, it is essential to maintain (in parallel) the pace of regulatory reform and respect the timetable set in the Directive for accomplishing the Internal Market for postal services. Developments to date provide no evidence supporting the need for a change of the deadlines set out in the Postal Directive.”

¹⁰ Directive 97/67/CE of December 15, 1997.

¹¹ Five times the public tariff for an item of correspondence in the first weight step of the fastest category,

¹² Directive 2002/39/EC of 10 June 2002 (amending Directive 97/67/EC with regard to the further opening to competition of Community postal services)

¹³ Report on the application of the Postal Directive (Directive 97/67/EC as amended by Directive 2002/39/EC) – COM(2005)102 final and annex

The European Commission are due to submit another report to the European Parliament and the Council of Ministers by the end of December 2006. The European Commission intend to launch a public consultation towards the end of this year to develop the regulatory framework appropriate once the internal market for postal services is fully accomplished in 2009.

2.3 Consultation Procedure

ComReg welcomes views on this draft Strategy Statement so as to enhance our understanding of what the key objectives should be and enable us to develop work-programs to reflect this.

The document is structured as follows:

Chapter 3 examines the environment within which ComReg operates including the legislative framework underpinning its work.

Chapter 4 outlines ComReg's mission statement, core values and vision for the communications sector in Ireland.

Chapter 5 sets out ComReg's goals and objectives for the postal sector between 2005 and 2007 and suggested strategies to achieve those objectives.

Chapter 6 contains an overview of ComReg's current organisational structure and cost base and maps out the resources it will need.

Respondents should note that ComReg has issued a separate consultation document¹⁴ on its strategy for the electronic communications sector for the period 2005-2007.

¹⁴ Strategy Statement (2005-2007) Document 05/47

3 Environmental analysis

It is a vital first step of any strategy review to consider key developments in the relevant sector. This chapter will examine key trends in the postal sector and also key trends in the Irish economy:

- The changing nature of postal services
- An evolving regulatory framework
- Emerging ownership trends
- The technical environment
- The economic environment
- The postal business environment
- The legislative environment

3.1 The changing nature of Postal Services

In Ireland it can be observed that there are changes in the overall composition of letter mail, for example:

- Competition from electronic media, e.g. telephone (fixed and mobile), email, internet, and interactive television (iTV), is reducing the proportion of mail that is made up of business correspondence or which originates from private consumers¹⁵.

On the other hand postal services continue to offer business customers significant advantages over electronic communications in some of their communications with private consumers and other businesses. According to recent research, consumers remain more favourable towards direct mail compared with other channels. Many more consumers prefer to receive direct mail compared to those that want to get email or telemarketing promotions.¹⁶

- According to the Worldwide Benchmarking Study “What is Driving Direct Mail? Expected Mail Volumes vs. Actual Mail Volumes”¹⁷, the level of addressed mail per capita in Ireland is 53% of the expected volumes on the basis of the key national economic indicators that are

¹⁵ See "Main Developments in the European Postal Sector", WIK for the European Commission 2004, Table 5.1.8 page 115

¹⁶ See in particular page 15 of “Mail Trends” Fouad H. Nader (Adrenale Corporation) for Pitney Bowes Inc.

¹⁷ A research report by Bryan Cassady, Postal Solutions, Belgium.2003

correlated internationally with mail volumes. The level is only 47% of that expected on the sole basis of national expenditure on advertising.

Parcel and packet services have always been open to intense competition and a process of consolidation is apparent internationally. Within Ireland An Post's specialised parcels division, SDS, has recently been closed. Competition between direct marketing / centralised distribution of goods and retail distribution and, in particular the growing importance of e-commerce, is leading to increased demand for fulfilment services and boosting the B2C segment of the parcels markets for remaining operators¹⁸.

3.2 An evolving regulatory framework

Six countries currently have postal markets that are fully open to competition – Sweden, Finland, Estonia, New Zealand, Columbia and Argentina.¹⁹ A number of countries, including Britain, Germany, the Netherlands and Norway, intend to open their markets to competition in the near future, Britain as soon as January 2006. The transitional period granted to allow other European operators time to comply with the internal market provisions of the EU Treaty / EEA Agreement is due to end on 1 January 2009.

The third Postal Directive, setting out the regulatory framework once the transitional period ends, is due to be presented to the European Parliament and Council of Ministers by the end of 2006. The European Commission intend to launch a public consultation towards the end of this year to develop the regulatory framework appropriate once the internal market for postal services is fully accomplished in 2009. Postal Operators may be given more freedom to decide what services they will and will not provide and how to provide them. Regulatory intervention will possibly be confined to ex-ante enforcement of competition law principles although, as in the current telecommunications regulatory framework, there may be exceptions / alternatives in specific circumstances. The role and powers of National Regulatory Authority's (NRA's) could be enhanced in key areas such as accounting and pricing.

3.3 Emerging ownership trends

At present, only two national postal operators in Europe are quoted on the Stock Market – TNT (NL) and DPAG (Germany)²⁰ although the German government still retains a controlling interest in DPAG. The remainder are owned by the State,

¹⁸ See "Main Developments in the European Postal Sector", WIK for the European Commission 2004, pages 141-144 and 205-206

¹⁹ The model adopted in Finland and Estonia has been described by Ecorys in a study for the European Commission as "cosmetic liberalisation" because although legal barriers to market entry have been removed fiscal barriers still exist.

²⁰ Outside of Europe the Argentine Post Office was privatised with disastrous results due to under capitalisation – and perhaps the political – economic environment in that country.

although some Governments are seeking to dispose of a part of the share capital in their national operators, including Denmark²¹, Austria, Italy and Belgium.

The large national operators DPAG, TNT, Royal Mail, La Poste (France) have already built pan-European Networks for parcel and express delivery and many intend to do the same for letters. Current indications are that this will be achieved by developing existing packet / parcel delivery networks, or acquiring national or local operators in complementary markets (especially delivery of unaddressed leaflets), rather than by acquiring interests in the national postal operators of other countries. There are two nationwide delivery networks for unaddressed mail in Ireland (in addition to An Posts’s Publicity Post service) and another that claims to serve 800,000 households, together with many more locally based companies.

3.4 The technical environment

Technical developments involving further automation of mail processing will lead to reductions in unit costs, while developments in mail preparation, particularly in relation to computer generated business mail will lead to a remodelling of the traditional postal value chain (see Figure 2). Many large mailers can now produce their mail in delivery sequence, thereby facilitating entry into the postal value chain downstream, and confining the need for the traditional activities of Collection, Sorting and Transportation to “single-piece” mail.

On the other hand incumbent postal operators will be in a good position to move upstream and into the mail preparation market by using their sorting capabilities and expertise. However, the upstream market will experience strong competition as more and more business customers seek out technology-enabled, innovative turnkey mailing solutions.

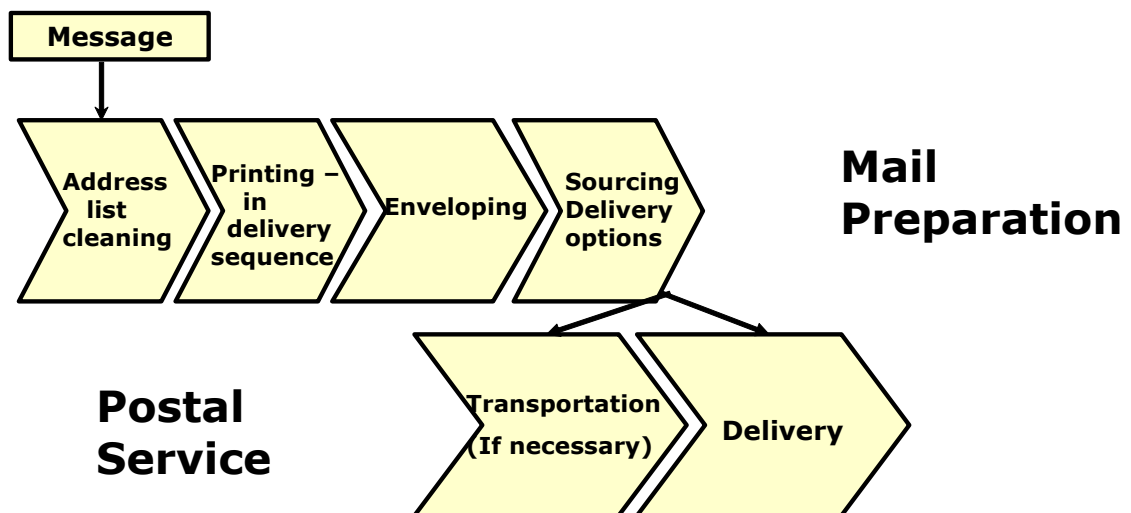


Figure 2 Remodelled Postal Value Chain

²¹ The Danish government has recently sold a 25% stake to a Venture Capital Company.

The introduction of Postcodes which is currently being evaluated would, if introduced, open up new opportunities within the delivery market. Objectives such as route optimisation, giving customers a choice of delivery options²² and value added features such as “track and trace” will all be facilitated by technological developments.

This all suggests that the distinctive, if not core competence of traditional postal operators going forward will be in the field of delivery. Operators will therefore need to move toward more flexible and effective operating models.

3.5 Macroeconomic environment

The Irish economy has continued to significantly out-perform most industrialised countries. The past 10 years has seen average growth exceed 7% per annum. In 2004 as a whole GDP expanded by 4.9%, while GNP increased by 5.5% - this is the first year since 2000 that GNP growth has exceeded GDP growth.

This rapid growth has resulted in Ireland overtaking a number of peer countries in the EU in terms of GDP per capita as Figure 3 demonstrates.

²² E.g. before 9am, before Noon, after 6pm

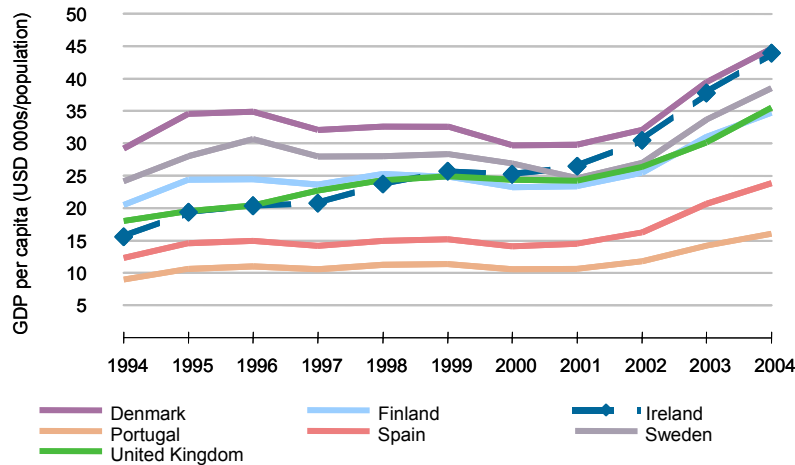


Figure 3 GDP per capita [source: Analysys]

This strong growth is set to continue over the period of this strategy statement. The European Commission forecasts GDP growth rates of 4.9% in 2005 and 5.1% in 2006. In addition recent analysis by Deutsche Bank indicates that Ireland will be the "top growth centre" within the OECD between now and 2020, with an estimated population growth rate of 1.1% per annum. Deutsche Bank also suggested that GDP per capita would grow by 3% per year, leaving Ireland second only to the US in terms of personal wealth.

The strong growth in GDP has been accompanied by historically high levels of employment. At the end of 2004 unemployment stood at an estimated 4.5% of the labour force, which when adjusted for seasonal and other factors is generally considered to be at full employment levels.

The success of the economy has however led to increasing concerns about Ireland's competitiveness vis-à-vis other countries, particularly with the accession of 10 new Member States to the European Union in June 2004. Specific areas of concern identified by the National Competitive Council in their latest report included relatively high labour costs allied to labour shortages in sectors such as information technology, above inflation-level increases in a range of products and services and the low levels of Irish businesses' investment in R&D compared with other developed countries. High costs in the service (non-traded) sector are of particular concern to companies considering inward investment projects.

Therefore, while there is optimism with regard to the Irish economy in the near term, such optimism is also tempered with a more cautious outlook with regard to future growth.

3.6 Postal business environment

The future demand for postal services is more difficult to predict. Post is one of the most resilient communications media. Although it has existed for more than three centuries volumes were still growing substantially until a few years ago.

Two very useful reports have recently been published by Pitney Bowes Inc. “Mail Trends” and “Forecasts” both by Fouad H. Nader (Adrenale Corporation). Some key findings relative to global markets are:

- Traditionally there has been a correlation between growth in mail volumes and growth in economic activity. In the future any mail growth is likely to be slower than GDP growth. However volumes have increased during 2004 (year to date) by an average 0.3% in Europe and 1.7% in the U.S.
- Advertising spending by businesses has been growing faster than overall GDP, and this is reflected in the growth in Direct Mail volumes internationally. Unaddressed advertising leaflets may have substituted for higher-priced addressed direct mail services.
- Electronic substitution appears to have had a relatively reduced effect on mail volumes compared with predictions. (See also the EU Commission’s conclusion reported below.)
- Reported volume declines in some countries can also be due to competition from private postal operators (PPOs) and from foreign posts operating in each other’s markets as well as customer rationalization when faced with price increases.

The report “Mail Trends” draws some overall conclusions for specific streams of mail:

“The fundamental pattern of mail composition between businesses and households is generally unchanged. Businesses still originate some 85-90% of the mail. At a more granular level, business-household mail is generally still growing, especially for advertising. Business-business mail has begun to decline after decades of growth, exhibiting the resilience of mail in the face of an explosive increase in the level of electronic communications between businesses in the last two decades. Household-business mail is typically flat or declining, with the few countries where checks are widely used for mailing payments having the potential to experience additional volume declines for this stream. Household-household mail is a minor portion of total mail. Greeting cards continue to be a major flow in some countries and person-person correspondence has long ago been reduced to a minimum with the proliferation of telephone services in the last 50 years.”

The Second Application Report²³ by the European Commission (March 2005) concludes

“More accurate data are needed to discern more subtle market trends. It should also be noted that while many public operators have foreseen a decline

²³ Com-2005-102 annex page 38

in volumes in the future, it appears that no in depth research has been published confirming this hypothesis. This will require further monitoring of the market and the collection of appropriate data.”

In response to the need for more transparent data the more progressive postal operators are confining their use of postage stamps to specific retail letter services, and using counter automation to directly identify revenue from the heavier / more expensive letters, packets and parcels. Operators in some countries, e.g. Norway, offer customers financial incentives to use “state of the art” franking machines which can record the service used as well as the price paid.

On the supply side there is evidence of alternative delivery networks emerging in countries such as Sweden, the Netherlands and Germany. The key conditions for success appear to be:

- High level of urbanisation
- High Population density in Urban areas
- High Levels of mail per capita
- A reluctance by the incumbent postal operators to provide “wholesale” (delivery only) services

Incumbent postal operators, such as An Post in Ireland, have significant advantages because the ubiquity of coverage (daily deliveries to every address) and their brand (high regard for the delivery postman, especially in rural areas and small towns) are important assets, which give gives them certain advantages in remaining the dominant operator in terms of letter delivery.

3.6.1 The social environment

Social change will also have an impact on the demand for and supply of postal services.²⁴

Smaller family size²⁵, tending to European norms, improved employment prospects, more two income families, the number of new homes (400,000 in the last 6 years), together with an increase in the population of rural areas based on a movement from town to country driven by a mixture of expediency in terms of both housing availability and price, life-style change, etc are all positive factors favouring growth in mail volumes.

²⁴ See in particular page 4 of “Mail Trends” Fouad H. Nader (Adrenale Corporation) for Pitney Bowes Inc.

²⁵ Central Statistics Office (CSO) figures based on the 2002 Census place average household size at 2.94 persons with over 47% of total households having only one or two persons.

On the other hand the difficulties of delivering packets and parcels when no one is at home to accept them, the large percentage of population (40%) living in rural areas²⁶, the level of immigration²⁷ and the EU requirement for daily deliveries to every address will continue to put pressure on costs.

The nature of mail will also change as people become increasingly 'cash rich' but 'time poor' and so seek to process more of their affairs remotely.

3.7 The legislative environment

3.7.1 Overall regulatory principles

Regulation is used most often as a general term to describe the diverse set of instruments by which all Governments, and all branches of Government, regulate the economic and social activities of citizens and organisations. Regulation in this context includes general principles and specific rights laid down by the Constitution, Acts of the Oireachtas and Statutory Instruments. It also includes specific regulations made by Local Authorities and other regional authorities such as the EU and rules issued by non-Governmental or self-regulatory bodies to which regulatory powers have been delegated.

Sector-specific regulation has been promoted primarily by the EU and supported by national governments as a move towards fully liberalised markets offering low barriers to entry for new entrants and a wide range of competitive services to consumers.

ComReg recognises that it is important to continually review the impact of regulation to ensure that it is proportionate and justified. In this context ComReg will carry out Regulatory Impact Analyses (RIA) where warranted to ensure that undue regulatory burdens are not imposed on the industry.

3.7.2 Legislative framework of regulation

The general principles and guidelines under which ComReg operates are set out in national legislation, which is itself underpinned by a number of European Directives.

The Commission for Communications Regulation (ComReg) was established in December 2002 under the Communications Regulation Act 2002.

The Act established ComReg as the national regulatory authority for the postal sector in Ireland.

²⁶ Who increasingly expect "urban" standards of service.

²⁷ Immigrants tend to receive less mail per head. See in particular page 11 of "Mail Trends" Fouad H. Nader (Adrenale Corporation) for Pitney Bowes Inc.

The 2002 Act sets out ComReg's objective 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 users.

The Communications Regulation Act, 2002 contains various organisational and procedural provisions relating to matters such as the composition, staffing and financing of ComReg, most of which are usual for bodies established by statute.

ComReg is also subject to a number of ministerial directions arising out of the 2002 Act. These Directions are available on the website of the Department of Communications, Marine and Natural Resources.

In addition ComReg also participates in the Government's Better Regulation initiative, which has as its aim the development of best practice and heightened efficiency with regard to regulation in Ireland.

There are various other Acts and Statutory Instruments which have an actual or potential application to public bodies such as ComReg. Notable examples include the Freedom of Information Act 1997 which (subject to certain specified exemptions) provides a right of access to records held by it and the Regulations transposing the EU Directives relating to procurement of works and services contracts in the public sector.

As a public sector body, ComReg is subject to various obligations arising as a matter of administrative law and some of its decisions may, in certain circumstances, be subject to challenge by way of judicial review. Most of the principles of administrative law have been developed over the centuries through a very large body of case law in the Irish courts and the courts of other common law jurisdictions, whose rulings are persuasive (but not binding) on the Irish courts.

3.7.3 *Legislative framework for the postal sector*

The main provisions relating to the Regulation of the Postal Sector are set out in the European Communities (Postal Services) Regulations, 2002 (S.I. No. 616 of 2002), which transposes the European Communities' Postal Directive, Directive 97/67/EC, as amended by Directive 2002/39/EC. The overall aim of the EU Postal legislation is to establish common rules for the development of the internal market for Community postal services.

It is intended to guarantee, at community level, the provision of a minimum level of universal service, while at the same time progressively opening up the postal services market to competition.

Provisions are also contained in older legislation including the Postal and Telecommunications Services Act, 1983, the Evasion of Postage Act, 1937, the Post Office (Duties) Act, 1847, the Post Office Act, 1908 (of which provisions remain extant), and a body of secondary legislation comprising various statutory instruments and orders.

Q. 1. Do you agree with ComReg’s analysis of the external market and legislative environments? Are there other key short term developments that ComReg needs to consider?

3.8 Our stakeholders

ComReg has a number of stakeholders and must take account of their views and expectations in formulating regulatory initiatives. Figure 4 below analyses our key stakeholders.

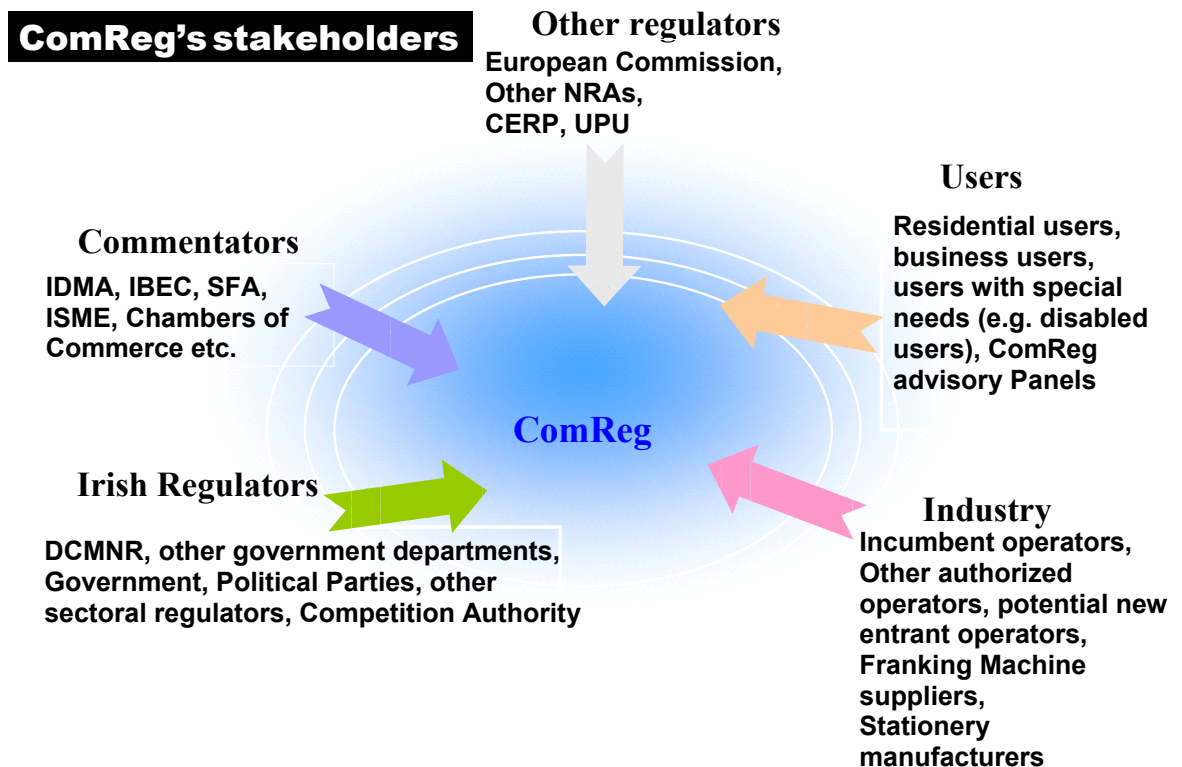


Figure 4 ComReg’s stakeholders

Given the difficulties inherent in satisfying the competing needs of all of these stakeholders, ComReg will require each group’s input into its work. While public consultations continue to prove extremely valuable for eliciting comments from a range of external groups and individuals, the following sections outline our interactions with three of our most important groups of stakeholders.

3.8.1 Users

ComReg will pay particular attention to its relationship with users, particularly disabled users, within the timeframe of this review, given the likelihood of new legislation in the form of the Disabilities Bill. ComReg intends to host a public conference in this timeframe on the communications needs of users with disabilities.

ComReg welcomes the formation of the National Consumer Agency (NCA) and will cooperate closely with the NCA to ensure that its regulatory policy continues to reflect the needs of all consumers.

ComReg will also continue to engage with business users both individually and via organisations such as the IDMA, ISME, SFA, Chambers of Commerce of Ireland and IBEC, to ensure that their voices are represented and their needs are met.

3.8.2 Industry

ComReg anticipates significant change in the 2005-2007 timeframe. This poses enormous challenges for regulators and industry alike. In order to ensure the smooth implementation of its regulatory policy, ComReg depends upon the active cooperation of the postal industry.

ComReg appreciates input from industry to date in shaping the postal services market in Ireland and welcomes the industry's continued cooperation with ComReg to develop innovative and competitive products and services for the Irish market.

3.8.3 Regulatory bodies

It is a specific statutory objective for ComReg²⁸ to have regard to international developments with regard to postal services. ComReg will continue to work closely with the European Commission on both a formal basis via the Postal Directive Committee and with our national regulatory counterparts who meet under the auspices of CERP (The European Committee of Postal Regulators) to ensure that we follow best regulatory practice and regulate in a harmonised and proactive manner.

ComReg's contribution in this regard has been recognised by the election of one of its senior officials as Vice-Chair of CERP.

ComReg also works very closely with the Department of Communications, Marine and Natural Resources on legislative issues. Given the wide range of issues inherent in regulation of the postal sector, ComReg also recognises the value of close cooperation with other regulatory bodies such as the Competition Authority, the National Consumer Agency and the Data Protection Commissioner.

**Q. 2. Do you consider that ComReg provides sufficient opportunities for stakeholders' views to be heard? If not then how could we improve?
Are there other key stakeholders that ComReg needs to consider?**

²⁸ Section 12(5) of the Communications Regulation Act, 2002

4 ComReg's mission, values and vision

4.1 ComReg's Mission Statement

ComReg's mission statement takes into account National and European objectives and has been revised in light of feedback from stakeholders.

“The Commission for Communications Regulation will to the extent of its powers facilitate the development of a dynamic, efficient and competitive market-place for electronic communications and postal networks and services for the benefit of the Irish Community.”

4.2 ComReg's Values

ComReg's mission is underpinned by adherence to five values:

- Integrity
- Professionalism
- Impartiality
- Effectiveness
- Transparency

Q. 3. ComReg is proposing to revise its mission statement and its core values to reflect changes in both the market and ComReg's regulatory duties. Do you think the revised mission statement and values set out above are appropriate?

4.3 ComReg's vision for the Postal Sector

An organisation's vision is a key component of any corporate strategy.

Postal services are essential for communication and trade and as such have an important role to play in the economic and social cohesion of the EU. They are also strategically important as part of the wider communications and distributions market. Many key sectors, such as e-commerce, publishing, mail order, insurance, banking and advertising depend on the postal infrastructure. The role played by the postal sector is an important one in the context of achieving the Lisbon Agenda ²⁹

ComReg's vision is of a dynamic and competitive postal services market offering a wide range of innovative, leading-edge, high-quality and competitively priced services to businesses, organisations and consumers, at least on a par with those available in key comparator economies elsewhere in the EU.

ComReg's statutory objective is 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 users. There is no explicit objective to promote competition, although in ComReg's view the availability of competing postal services, as envisaged in European and National Legislation, is the best way of ensuring that the Universal Service provided by An Post is fully reflective of customers needs.

The companies providing these services will need to be efficient and profitable if they are to be capable of carrying the start-up costs associated with introducing the new and innovative services needed for a successful and vibrant postal sector. Experience abroad suggests a two to four year period is needed before new networks become profitable, while new retail operators availing of wholesale delivery service provided by an existing operator can achieve profitability within one year.

²⁹ In March 2000, the EU Heads of States and Governments agreed to make the EU "the most competitive and dynamic knowledge-driven economy by 2010".

5 ComReg's objectives and strategies for the postal sector

5.1 A dynamic postal market.

ComReg's vision of a dynamic and competitive postal services market offering a wide range of innovative, leading-edge, high-quality and competitively priced services to businesses, organisations and consumers will result in an environment where:

- The third Postal Directive due to be published early in 2007 removed the remaining restrictions on the provision of postal services, and introduced a new lighter touch regulatory framework.
- In particular, governmental / regulatory intervention in the market will be limited to instances where there is market failure (e.g., where customer needs are not being met) or where there might be an abuse of a dominant position in a particular market..
- Universal Service will have been redefined to reinforce the European Union's guarantee that all customers, regardless of location, but especially indigenous businesses and SMEs, will have access to efficient high quality postal services relevant to current and future needs.
- All exporters and importers, and especially the multi-national companies based in Ireland, will have access to the global and pan-European operators providing cross-border services in the letters, parcels and express markets.
- There will be significant competition in the provision of domestic retail services for business customers and emerging competition for individual consumers.
- Collectively postal operators will have strengthened their position, especially in relation to :
 - ❖ basic person to person communications,
 - ❖ advertising,
 - ❖ recording and facilitating transactions, and
 - ❖ the distribution of goods and services,

5.2 Future role of An Post's delivery network

Competing delivery networks already exist in the unaddressed mail, parcels and express markets.

ComReg will use its powers, whenever appropriate and to the maximum extent permitted by law, to ensure that there is real competition at the retail level. At the wholesale (delivery) level ComReg's priority will be to ensure that the full forces of competition can influence the performance of this market in terms of choice, price and quality. Whether this is achieved by developing competing delivery networks or by the pressure from numerous retail service providers on a dominant wholesaler, if necessary backed up by regulatory intervention, will depend on how the key players react to the market opening programme. Either way the customer will win.

5.3 Expanded Postal Value Chain

As mentioned in section 3.4 incumbent postal operators are in a good position to move upstream into the mail preparation market. In Ireland An Post has already moved upstream, and established a subsidiary, Printpost, which competes with many indigenous companies. These companies have traditionally acted as intermediaries between the principal generators of bulk mail and An Post, in effect "de facto" salesmen for An Post. ComReg will be vigilant to ensure that An Post's dominant position in the postal delivery market, currently ensured by the "reserved area", is not used to extend that dominance into the upstream mail preparation market, to the detriment of existing service providers.

5.4 Retail Competition (Business Markets)

Competition between providers of retail services to business customers, leading to growth in volume and increased usage vis a vis other media, should lead to a revitalisation of postal services. Leveraging efficiencies from automation and computerisation in the mail preparation market and the economies of scale will be key factors.

There is some evidence that customers would prefer to see more tangible competition in the form of competing networks³⁰, but economies of scale and scope mean that this is only likely to happen if An Post, as the owner of the dominant letter delivery network, does not operate an efficient network or fails to offer "wholesale" services, on terms and conditions consistent with competition law principles.

In this context the "below cost" wholesale rates it offers to some operators under the REIMS II agreement might discourage such operators from developing competing delivery networks in Ireland.

ComReg will ensure that An Post adheres to its requirement to ensure that such prices are fixed in relation to the cost of processing incoming international mail and that the prices are offered on a non-discriminatory basis to all operators.

³⁰ See Monitoring developments in the postal sector – market survey" Roland Berger Strategy Consultants for Postcomm April 2004.

5.5 Retail Competition (Consumer Markets)

While competition in consumer markets is not foreseen by many commentators at this stage, the possibility of the major supermarkets and convenience store / petrol station chains offering an “own label” version of An Post’s C2C and particularly C2B products cannot be discounted where there may be some synergies with the intensifying transaction processing industry offering consumer services.

ComReg will facilitate the emergence of such competition wherever permitted.

5.6 Parcel and Express Markets

These markets have always been open to competition, and all of the major multi-national operators are represented in Ireland. Postcodes, if they are introduced, will assist in improving their service offerings, which will in turn contribute to enhanced competitiveness.

ComReg will monitor this market to ensure that the benefits that Irish industry gains from the current level of competition are not eroded by the emergence of dominant supplier as a result of market consolidation.

5.7 Impact of An Post’s other activities on Universal Service Provision

Europe’s national postal operators have diversified into a wide range of other services, principally financial services, and express services that compete with the major multi-national operators. These non-postal activities bring with them both opportunities and challenges both in terms of management and funding.

ComReg’s role is to ensure that the provision of “universal service” is not compromised.

5.8 Universal Service

The four key concepts embraced by the term “universal service” as developed by the European Union are:

- Affordable prices
- High quality
- Accessible to all
- Evolution in response to customer needs (“innovation”)

ComReg is firmly of the view that these criteria can best be met by a competitive market. Regulatory intervention to achieve these objectives is however necessary in the short term while services remain reserved to An Post,

5.9 Summary

Competition is key to ensuring a sustainable industry, which has the means to, and is willing to, invest in developing innovative products and promoting product differentiation. Competition is also vital to ensuring the provision of universal service. Regulatory intervention is necessary only where one operator has a dominant position in a market, whether from a legal monopoly (“reserved area”), economies of scale or scope, or uncontested markets.

Q. 4. Do you agree with the objectives and strategies set out above?

Q. 5. Are there additional objectives that ComReg should agree?

6 Achieving our objectives

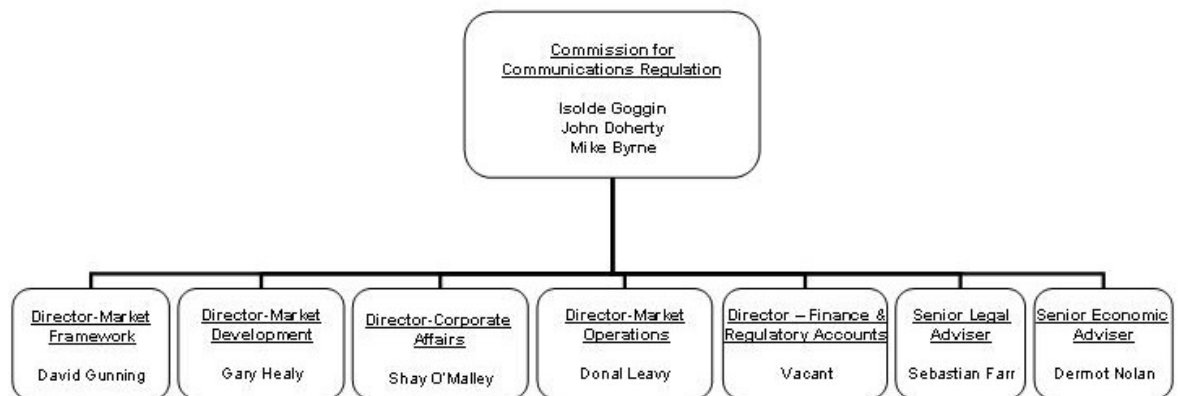
The delivery of timely, quality and transparent services and decisions to our stakeholders is central to effective regulation. In order to achieve our objectives, ComReg is reliant on a number of key internal corporate resources, as follows:

- Human resources
- Information services
- Finance.

6.1 Human Resources

6.1.1 Organisational structure and Commissioners' roles

ComReg is managed by a three person commission with the chairperson appointed on an annual basis by the Minister of Communications, Marine and Natural Resources. The current Chair is Isolde Goggin. ComReg is divided into five main divisions supported by the Senior Legal Advisor and a Senior Economic Advisor. The organisational structure is illustrated below



The Postal Team reports to the Director, Market Framework.

A more detailed description of the work of each Division is available on the ComReg web site.³¹ Each of the three Commissioners has a distinct and complementary role, which is outlined below:

Innovation: Isolde Goggin

This covers both regulatory innovations, such as the completion of the first round of market reviews under the new European regulatory framework, and technical innovations. The role also covers the revision of ComReg's spectrum strategy, new

³¹ http://www.comreg.ie/about_us/default.asp?s=2&navid=19

initiatives in the wireless licensing area, and the promotion of Ireland as a test bed for innovative uses of spectrum. It also covers the development of a forward-looking telecommunications regulatory strategy, taking into account new technical, economic and regulatory trends. The evolution of postal services and the associated regulatory framework are also within the ambit of the Innovation role.

Competition: John Doherty

This role is concerned with enabling maximum competition in the electronic communications and postal sectors. It includes broadband, voice and Voice over Internet Protocol, including LLU, bitstream, wireless broadband (including mobile wireless broadband), cable and alternative infrastructure. John also leads on promoting enhanced competition in mobile via MVNO entrants, reviewing and (where appropriate) making adjustments in the fixed network wholesale pricing regime, and overseeing operator's compliance with obligations under the regulatory frameworks for telecoms, spectrum and the postal service.

Consumers and End Users: Mike Byrne

This role covers business and residential consumers, as well as major consumer representative organisations, and spans telecommunications, spectrum licensing operations and postal services. It covers regulatory developments which affect retail consumers, including the application of the consumer protection provisions of the Universal Service and Postal Directives. Mike oversees both proactive consumer information measures, such as the www.askcomreg.ie website, Consumer Guides and the Interactive Tariff Guide (ITG) comparative pricing website, and the consumer care function within ComReg. The role also oversees the strategic development of the Licensing Operations function within ComReg, which deals with more than 16,000 wireless telegraphy licences per annum.

6.1.2 Centre of Excellence

ComReg is a multi-disciplined organisation employing highly motivated professional and support staff, including accountants, engineers, business analysts, economists and lawyers, who work in project-based, cross-functional teams. At June 2005, ComReg employed approximately 105 staff members.

The ongoing challenges faced by ComReg in our complex and fast-changing operating environment have made investment in the professional development of our staff more important than ever. ComReg is committed to attracting, retaining and developing highly competent staff, and we are pleased to have been awarded a number of major awards for our innovative human resources programmes, including:

- the Excellence Through People national standard since 2002
- the Irish Institute of Training and Development (IITD) National Training Awards in 2002 and 2004

- the Institution of Engineers of Ireland (IEI) award for Continuing Professional Development (CPD) in 2003
- the Association of Chartered Certified Accountants (ACCA) award for Continuing Professional Development (CPD) in 2005.

A key HR strategy is to position ComReg as a recognised centre of excellence and these accreditations provide us with the opportunity to benchmark our HR processes with other organizations, to obtain independent recognition of best practice HR standards and provide assurance our stakeholders. ComReg aims to maintain these high standards and ensure that we continue to be perceived as an employer of choice.

ComReg is seen internationally as a centre of excellent in the postal field.

“... we used the especially well developed NRAs of the United Kingdom, Portugal, and Ireland as benchmarks for the large, medium, and small sized member states, respectively.” Report “Main Developments in the European Postal Sector” by WIK for European Commission, July 2004

6.1.3 Performance Management

ComReg aims to create a high performance, team-based culture where there is a realisation that performance makes a difference, both professionally and personally. The primary objective of ComReg’s performance management process is to clarify staff expectations; provide feedback to staff on performance against goals; facilitate vertical communication between managers and staff; inform decisions on remuneration levels; identify staff development requirements and inform selection decisions.

Our human resources philosophy holds that our effective performance management process makes a significant contribution to achieving our business objectives and desired culture and we are committed to developing and enhancing this key process.

ComReg currently allocates around 5% of its budget to training.

6.2 Information Services

Our information services function encompasses three areas;

- Information Technology
- Consumer Care
- Access to Information

6.2.1 Information Technology

The ComReg IT function aims to provide an efficient, reliable, secure and value-add Management Information Service for its stakeholders.

To this extent, IT acts as a seamless business enablement resource, ensuring that ComReg's function supported and enhanced and supported through its effective use. This will be achieved by supporting ComReg's business at an operational level, providing tactical mobilisation of software applications and information systems, while enabling strategic initiatives as required.

The key objectives of the IT Function are:-

- To ensure that IT is used effectively to support and enhance the delivery of ComReg's functions.
- To ensure that ComReg's IT dependent services provided for staff, operator and consumer usage are kept operational and secure.
- In the event of occurrence of IT issues, to ensure resolution of issues according to priority and within an acceptable time frame.

Strategic Use of IT

Recognising the benefits of information technology and its ability to deliver a more efficient, timely, transparent and user-friendly service to stakeholders, ComReg intends to move firmly towards providing an array of on-line services for businesses and individuals who are providing and using electronic communications services regulated by ComReg.

Existing on-line services include:-

- On-line Form for Notification of Postal Services
- On-line Register and Search for Authorised Postal and Telecommunications Operators
- 'Siteviewer'
- Licensing e-payments service
- Email notification service
- On-line Respond to Consultation facility

ComReg recognises the benefits of information technology to allow it to deliver a more efficient, timely, transparent and user-friendly service to stakeholders.

Other planned on-line initiatives include:-

- The launch of an on-line form for Notification of Electronic Communications Services,
- The provision of a tool for on-line query of market data

- The provision of an Interactive Tariff guide for consumers
- The further development of Siteviewer.

6.2.2 Consumer Care

ComReg's consumer policy seeks to promote the interests of consumers with the following three aims:

- **Maximising Consumer Welfare**
The aim is to ensure choice, price and quality for consumers and is generally delivered through the regulatory framework that has been put in place to facilitate the development of effective competition.
- **Protecting Consumers**
The aim is to put in place measures to protect consumers while competition is developing; this is achieved through specific measures adopted under appropriate legislation (mainly EU Directives and national legislation).
- **Raising Consumer Awareness**
The aim is to provide consumers with information to allow them to make informed choices in the market, thereby contributing to the development of competition. This is achieved through the publication of relevant information and ongoing communication with consumer groups and their representatives.

Consumer Initiatives

ComReg has introduced a number of initiatives to encourage a proactive and effective approach to providing up-to-date information to consumers. This is mainly done through the following means:

- www.askcomreg.ie website
- Consumer Guides
- Market Research and Surveys
- Consultation Process
- Quarterly Reports
- Annual Report

Complaints Policy

The aim of ComReg's complaints policy is to empower consumers to take direct action regarding poor service provision, quality or other issues. ComReg received

circa. 13,000 consumer contacts in 2004. The primary emphasis is to provide users with sufficient relevant information so that they can deal with their service providers and to ensure that operators have adequate procedures in place to address customer issues (not all issues are complaints). Consumers can contact ComReg for information, however ComReg cannot act on a consumer complaint until the operator's complaint handling process is completed. The primary responsibility for complaint resolution must be retained by the operator, as they have the direct relationship with the consumer.

Advisory Panels

While public consultations are extremely valuable for eliciting comments from a range of external groups and individuals, ComReg has established a number of advisory panels to assist it in understanding specific aspects of its role and to provide advice and feedback. The Postal Expert Advisory Group consists of national and international experts in the field of Economics, Postal Operations and European Legislation as well as a representative of large scale users of postal services. Similar Groups exist for the electronic communications sector. These panels make a vital contribution to ComReg's strategic planning and work programme.


www.askcomreg.ie

ComReg has developed a website which is dedicated to consumers (www.askcomreg.ie) and their specific needs. The aim of this website is to provide consumers with a user-friendly platform that gives them relevant information and answers on the main issues which affect them in their dealings with providers of communication services. The content of the website is written in non-technical language. In June 2005, ComReg was awarded the EIQA (Excellence Ireland Quality Association) W-mark award for this website. The W-Mark is assessed and audited under 6 criteria, namely: Accessibility, Commitment to Customer Service, Consistency & Appearance, Data and Information Security Management, Navigation and Privacy Compliance Management.

The www.askcomreg.ie website was developed to be accessible for all types of users, with special consideration for those with disabilities. Features include larger text sizes for consumers who are visually impaired; text only; high contrast versions for those with colour blindness; the ability to use assistive technologies such as screen readers and consideration for those consumers using adaptive keyboards or other more complex technologies to view websites. The site is built to adhere to W3C web standards, including WAI Accessibility standards.

Customer Charter

In 2003, ComReg launched its Customer Charter which sets out the standards of service that the consumer can expect when dealing with us. These standards apply to all our stakeholders including consumers, industry, Government, interest groups, other national regulatory authorities and EU institutions.

 [Click here to view our Customer Charter](#). (PDF Document Download, Size 140KB)

6.3 Access to Information and Publication Procedures

In line with best practice, ComReg is committed to ensuring that its Communications Strategy provides our stakeholders with access to all public documents and information. In achieving this goal, ComReg has taken into account all of the existing legislation that it is obliged to comply with. This includes the Communications Regulation Act, 2002, the Official Languages Act, 2002 and Government Accessibility Guidelines.

ComReg Information and Publications

ComReg aims to communicate with all of its stakeholders in a manner appropriate to their needs and we use a range of methods and techniques to communicate effectively with all of the stakeholders. We aim to ensure that all of our regulatory decisions are communicated clearly and in a timely manner. ComReg has identified the following information channels through which it makes information available to its stakeholders. These include:

- Face-to-face meetings
- Web Site(s)
- Emails & Written Correspondence
- Consumer Information Leaflets
- Phone

ComReg has laid out the following core principles for dissemination of information:

- All Consumer information will be readily available in a format that can be accessed by a wide range of consumers.
- Corporate information will be readily available in a format which accommodates a wide range of consumers, including Irish Language speakers.
- All regulatory documents such as consultation papers, responses to consultation and information notes are placed on our website www.comreg.ie.
- ComReg will also make available on its website all non-confidential submissions to consultations. ComReg has set out its guidelines for the treatment of confidential information in ComReg document 05/24.

6.4 Costs

This section outlines at a high level the financial profile of ComReg in the context of the future funding of its activities.

ComReg's income derives mainly from three sources: electronic communications levy, postal levy and wireless telegraphy fees. The electronic communications levy is set by ComReg at 0.2% of relevant turnover (from the provision of electronic communications networks and services within the State). In any year, the levy covers approximately 35-50% of ComReg's costs.

The postal levy currently is collected at three different rates. An Post, or any other designated universal service provider, pays 0.25% of relevant turnover from the provision of universal services. Holders of Postal Service Authorisations, and An Post in respect of non universal services, pay a levy of €15,000 p.a. A lower payment of €1,000 applies if turnover is less than €20m p.a.

Wireless telegraphy fees, on the other hand, are the fees payable to the State, after deduction of administrative fees, for the use of the electromagnetic frequency spectrum. There is a huge range of applications, from individual use by radio experimenters, ship and aircraft radios, through to fixed links used by telecommunications network operators and mobile networks. There are more than 16,000 licenses in existence and their administration forms a large part of our day to day work. Some uses, such as short-range devices or radio LANS, are exempted from licensing, where this will not lead to interference problems.

The economic value of these spectrum allocations varies considerably, and in some cases the state considers it appropriate to charge a fee which reflects the economic rent for that spectrum. Fees are set by Statutory Instrument, which are drafted by ComReg but must be approved by the Minister for Communications, Marine & Natural Resources and the Minister for Finance. Since there is no overall policy framework for determining how fees should be set for any particular application, any change in fees (e.g. to reflect inflation) must be implemented by drafting new regulations for approval by both Ministers. The Wireless Telegraphy Act is currently under review by the Department of Communications, Marine and Natural Resources.

The table below shows ComReg's 5-year income and expenditure from 2000 to 2004.

Five Year Income and Expenditure Summary

| | 2000 €'m | 2001 €'m | 2002 €'m | 2003 €'m | 2004* €'m |
|---|-------------|-------------|-------------|-------------|--------------|
| Income | | | | | |
| Recurring | | | | | |
| Electronic Communications Levy | 5 | 6 | 6 | 7 | 8 |
| Cable, MMDS & Deflector licensing | 4 | 4 | 4 | 5 | 1 |
| Radio Spectrum Licensing | 7 | 12 | 12 | 15 | 15 |
| Postal Levy | | | 1 | 1 | 1 |
| Other (mainly Bank Interest) | 1 | 1 | 1 | 2 | 1 |
| Total Recurring Income | 17 | 23 | 24 | 30 | 26 |
| Non-Recurring | | | | | |
| Spectrum Income | 27 | 2 | | 101 | 0 |
| Administration Fees | 3 | | 4 | | |
| Total Non-Recurring Income | 30 | 2 | 4 | 101 | 0 |
| Total Income (Recurring & Non-Recurring) | 47 | 25 | 28 | 131 | 26 |

Summary of Income & Expenditure

| | | | | | |
|--------------------|-----------|-----------|-----------|------------|-----------|
| Income | | | | | |
| Recurring | 17 | 23 | 24 | 30 | 26 |
| Non-Recurring | 30 | 2 | 4 | 101 | 0 |
| Total | 47 | 25 | 28 | 131 | 26 |
| Expenditure | | | | | |
| Recurring (Note 1) | 13 | 15 | 9 | 20 | 16 |
| Non-Recurring | 3 | | 4 | | |
| Total | 16 | 15 | 13 | 20 | 16 |
| Surplus | | | | | |
| Recurring | 4 | 8 | 15 | 10 | 10 |
| Non-Recurring | 27 | 2 | 0 | 101 | 0 |
| Total | 31 | 10 | 15 | 111 | 10 |

*Unpublished

Note 1:

Recurring Expenditure in 2002 reflects a reduction in a Legal Provision of €4m. If the Legal Provision had not been reduced the Recurring Expenditure in 2002 would have been €13m giving a Recurring Surplus in 2002 of €11m.

7 Submitting Comments

All comments are welcome; however it would make the task of analysing responses easier if comments were referenced to the relevant question numbers from this document.

The consultation period will run from 2nd August 2005 to 16th September 2005 during which the Commission welcomes written comments on any of the issues raised in this paper.

Having analysed and considered the comments received, ComReg will review the draft Strategy Statement and publish a final Strategy Statement in September based on responses received.

In order to promote further openness and transparency ComReg will publish all respondents' submissions to this consultation, subject to the provisions of ComReg's guidelines on the treatment of confidential information – ComReg 05/24

Please note

ComReg appreciates that many of the issues raised in this paper may require respondents to provide confidential information if their comments are to be meaningful.

As it is ComReg's policy to make all responses available on its web-site and for inspection generally, respondents to consultations are requested to clearly identify confidential material and place confidential material in a separate annex to their response

Such Information will be treated subject to the provisions of ComReg's guidelines on the treatment of confidential information – ComReg 05/24

Appendix A – The origin and impact of the postal monopolies.

For more than three hundred years postal services have been provided by state monopolies. Initially the purpose of the monopoly was to protect the security of the State, but in more recent times the monopoly was justified on economic grounds³². Throughout this period postal services have continued to play an important role in the national economies only because they have continuously changed in response to the needs of their customers and the social, technical, economic and political environment in which they have operated.

Largely, these changes took place because the monopoly did not fully protect the postal operator from the influence of competition. Customers had other channels of communication and distribution available, e.g. newspapers, telephone and telegraph systems, railways and road haulage. In more recent times developments such as the internet and email, and the emergence of Courier and Express Parcel services, have widened the choice of services available to customers.

Latterly some countries, e.g. Sweden and New Zealand, have decided to fully expose their postal operators to competition. As a result the state owned operators have become more efficient, more profitable and more customer focussed. In turn customers have benefited not only from the better service provided by the state owned operator, but from the greater choice of services provided by the market as a whole.

The EU Treaty requires that customers throughout the whole of Europe should have access to an internal market that is free of restriction as to what type of services are provided and who can provide them. Transitional arrangements are due to be phased out by 1 January 2009.

³² State security still remains an issue, see for example the Interception of Postal Packets and Telecommunications Messages (Regulation) Act, 1993

Appendix B – Consultation Questions

List of Questions

- Q. 1. Do you agree with ComReg’s analysis of the external market and legislative environments? Are there other key short term developments that ComReg needs to consider? 19
- Q. 2. Do you consider that ComReg provides sufficient opportunities for stakeholders’ views to be heard? If not then how could we improve? Are there other key stakeholders that ComReg needs to consider?.....20
- Q. 3. ComReg is proposing to revise its mission statement and its core values to reflect changes in both the market and ComReg’s regulatory duties. Do you think the revised mission statement and values set out above are appropriate? 21
- Q. 4. Do you agree with the objectives and strategies set out above?26
- Q. 5. Are there additional objectives that ComReg should agree? 26