



Commission for  
**Communications Regulation**

## Postal Strategy Statement (2008-2010)

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## 1 Foreword

ComReg is pleased to publish this Strategy Statement for the postal sector for the period 2008- 2010, as required under the Communications Regulation Act 2002, following a public consultation process on its draft of the Strategy Statement.

This Strategy Statement sets out ComReg's vision of the way forward for the organisation for the period 2008-2010. It sets out ComReg's plan over these three years for the successful delivery of identified key priorities and is underpinned by our annual Action Plan, which sets out our detailed priorities and timeframes. In developing the plan, we recognise that the Strategy Statement should reflect ComReg's role and obligations under legislation and should also preserve flexibility to meet the challenges in our dynamic operating environment.

Postal services have long been recognised as essential to the smooth functioning of the economy and society as a whole. This is reflected in the universal service obligation and other such safeguards for the interests of users. Today we face a period of great change in the postal sector. The Information Revolution is the principal driver of these changes. The development of e-government and e-commerce, and developments in the ICT sector generally, impact significantly, both positively and negatively, on the demand for and supply of postal services.

Political agreement has been reached at the European level to set a deadline of 31 December 2010 for the full opening of the market for postal services to competition. To be successful in a competitive market, postal operators must be innovative, customer focused and efficient. These are exactly the same qualities as are needed to respond to the challenges posed by the Information Revolution.

It is against this background that the changes in regulatory framework that the Irish Government will need to put in place during the period covered by this strategy statement must be viewed. ComReg's role in this process is to act as an advocate for the consumer and all those interested in providing customer focused and efficient postal services. The achievement of the appropriate level of regulation necessary to ensure sustainable competition, provide consumers with price, choice and quality and drive innovation is central to Ireland's continued economic success.

The Strategy Statement is one of three documents that ComReg is publishing at this time. On 17 December 2007 ComReg published its Strategy Statement for the electronic communications sector (document 07/104) and we intend to consult shortly on the Spectrum Strategy Statement for the period 2008-2010.

**John Doherty**

**Chairperson  
Commission for Communications Regulation**

## 2 Mission, Values, Vision

### MISSION

ComReg enables the development of a sustainable, competitive and dynamic communications sector in Ireland and empowers consumers to make informed choices

### VALUES

- Integrity
- Professionalism
- Impartiality
- Effectiveness
- Transparency

### VISION

ComReg's vision for the postal sector is of a dynamic and competitive market which provides all consumers (individuals, businesses or organisations) with access to an increasingly wide range of competitively-priced quality products and services.

Our vision is of a postal market with an innovative, customer focused and efficient public postal network operating alongside the existing delivery networks operated by express and parcel operators and supplemented, where markets dictate, by new networks responding to social and technological change and its impact on consumer needs.

Our vision is of ComReg supporting the development of the postal market with the long term aim of growing mail volumes per capita towards the level of those in key comparator economies elsewhere in the EU.

To aid the achievement of our vision, ComReg will encourage the development of e-commerce and e-government services which generate a significant demand for postal services in fulfilment of transactions initiated electronically.

### 3 Environmental Analysis

#### 3.1 National Economy

The Irish economy has continued to grow since ComReg's previous Strategy Statement 2005-2007. In 2006, GDP expanded by 5.7%, while GNP increased by 6.5%.<sup>1</sup> IMF estimates suggest that the economy will continue to grow in 2007, albeit at a slightly slower rate.<sup>2</sup> However, a number of commentators, such as the ESRI and the Central Bank, have highlighted potential threats to these prospects for growth, including a risk of declining competitiveness, rising interest rates and inflation, as well as increased risk of growth in unemployment, particularly in the construction and multinational sectors.

#### 3.2 Social

Ireland has undergone a dramatic transformation in recent years with strong population growth, driven by high birth rates and inward migration. In the decade from 1996 to 2006, Ireland's population expanded from 3.6m to 4.2m. The CSO has indicated that it expects this growth to continue to 2021. The Greater Dublin Area<sup>3</sup> (GDA) may account for almost 41% of the total population by this date. Predictions indicate considerable continuing investment in infrastructural development including roads, energy supply, communications, and so on, and that this, in turn, will offset any slowing in the housing construction market back to more typical levels enjoyed across Europe.

#### 3.3 Globalisation

Globalisation is currently driving the transfer of production activities from Europe to low cost countries. This in turn creates a need to transport raw materials and finished goods around the globe. As a result trade is growing twice as fast as production. This is a significant factor in increasing demand for (and therefore the cost of) energy and raw materials.

But these trends will not necessarily continue. As energy, transport and raw material costs increase, labour costs will become less influential in terms of location. This in turn may force a rethink about the way finished goods are sold and distributed – and in an era where consumers are cash rich and time poor, and where e-commerce is growing so rapidly, this will create a tremendous opportunity for postal service providers.

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<sup>1</sup> Source: Department of Finance Monthly Bulletin, September 2007

<sup>2</sup> Dept. of Finance press release, 25/09/2007,

<http://www.finance.gov.ie/viewdoc.asp?DocID=4654&CatID=1&StartDate=1+January+2007&m=n>

<sup>3</sup> The GDA covers counties Dublin, Kildare, Meath and Wicklow

### 3.4 Postal Market

Changes are apace in the postal market and so postal services themselves appear to be in the middle of a revolution some believe to be comparable to that in the middle of the 19th Century, which saw the introduction of postage stamps and uniform penny postage.

The 19th Century postal reforms were driven by the Industrial Revolution. The current postal reforms are being driven by the Information Revolution. Witness the explosion of internet usage, the development of e-commerce and e-government.

E-commerce and e-government can have both negative and positive impacts on the demand for and supply of postal services.

On the one hand, some commentators have argued that these developments sound the death knell for postal services as people write to each other less often, and the volume of transactional mail - e.g. utility bills and bank statements - declines as customers substitute by using electronic means.

On the other hand, e-commerce and e-government generate a significant demand for postal services in fulfilment of the very transactions initiated electronically, e.g. delivery of goods purchased over the internet, renewal of motor tax on line. Research also suggests that promotion of goods and services on the internet is more successful if complemented by Direct Mail, rather than used as a single media. Not only is there convergence between electronic and physical communications, but their continuing development seems to go hand in glove.

The challenge for the 21st century postal operator is to open the door and grasp the great opportunities that exist. This means selling customer centric postal services and a move away from the historical 'sell what we make' orientation which has prevailed. This shift will be accentuated by the introduction of competition throughout the postal market, stimulating innovation and value for the consumer.

### 3.5 Technical

The work that needs to be done by the postal operator is changing. The traditional competencies of postal operators were in sorting and delivery. Developments in the ICT sector now make it more efficient in many instances for the customer to undertake sorting as part of mail preparation rather than to pay a postal operator to do it. The business model of most new entrants to the postal sector takes account of this change.

Door to door delivery of letters and Direct Mail items will continue for the foreseeable future but new ways of delivering more valuable items, such as goods ordered over the internet, or legal documents requiring proof of delivery are already emerging. Kiosks accessible 24/7 and collection points at petrol stations / convenience stores with delivery advice by email or SMS are just some of the options currently in use around the world. Convergence also means that in many

countries it is possible to pay for postage over the internet in the same way as airline passengers can buy their tickets or check-in on line.

These changes are also driving a convergence between the traditional posts and the express sector, both in terms of speed and reliability but also with the express / parcel industry entering the private consumer markets; witness the development of retail sales networks in Germany (Hermes Parcel Shops), Sweden (DHL), and Ireland (GLS & DHL). Also there is intense price competition in Germany with DHL offering prices for parcels as low as €3.90 (domestic) and €7.90 (within Europe). These alternative retail networks in Ireland appear to offer prices as half those charged by An Post for comparable international services. The collection of VAT and Customs Duty on imports by private consumers from outside the EU presents particular issues for these operators.

### **3.6 Political and Legislative**

The regulatory framework is also changing. The European Council and the European Parliament have now adopted a Common Position on the third Postal Directive, setting a deadline of 31 December 2010 for the opening of postal markets to full competition, and the agreed text will be published in the Official Journal of the European Communities shortly.

Already postal markets in Great Britain are fully open to competition, and this extends to Northern Ireland, while Sweden's postal market has been opened to competition for some 14 years. The British regulatory model, together with the geographical and economic characteristics of the postal market in that country, has favoured downstream access over end-to-end competition. The British regulator is now examining how best to stimulate end to end competition as well. In Sweden there is a level playing field and consumers have benefited from end to end competition and improved quality and efficiency.

In January (2008) Germany fully opened its postal market to competition. Other countries like the Netherlands, Austria and Estonia opened their Direct Mail markets many years ago and thus also have experience of operating in a competitive market.

While Ireland is not a leader in this field it is essential that we follow suit as soon as possible for the sake of ensuring that our economy retains its competitiveness. An unambiguous and precise transposition of the 3rd Postal Directive into Irish law and consolidation of existing national legislation is also a prerequisite.

The text of the proposed Postal Directive gives Member States sufficient flexibility to tailor the regulatory framework to suit national characteristics. The Minister announced at ComReg's recent Annual National Conference that he would consult with stakeholders on the options available to him before transposing the Directive into Irish Law. The decisions he has to make are complex and will set the framework for many years to come.

Mail integrity provisions in national legislation which guarantee confidentiality, delivery to the addressee, and reliability, and which underpin the law of contract and many aspects of our legal system will need to be revised to take into account the new multi-operator environment.

The Post Office Act 1908 is still the seminal piece of legislation in relation to An Post's responsibilities to the sender and the addressee. Additionally, there are some 19th Century laws on the statute book, and since the foundation of the State there are many hundreds of Acts and Statutory Instruments that mandate the use of particular postal services, and particularly registered post. All will have to be reviewed, and amended or repealed as necessary.

There are particular aspects of the postal market (such as high levels of common costs) that make it difficult to appeal to competition law in the event of anti-competitive activity and ex ante regulation might well be required in the period around market opening. The need is to balance the desire for light-handed regulation with the need for proper control of anti-competitive activity.

Ensuring that the right decisions are made will involve identifying options, evaluating likely responses to those options, consulting widely, drafting legislation that is precise and unambiguous, while at the same time allowing sufficient flexibility to respond to ever changing market needs all in advance of the impending deadline for full market opening. ComReg will work with DCENR to provide advice and support to this process. In this regard, ComReg recently published a report commissioned from LECG Ltd that identifies many of the key regulatory issues.

It will be some time following the opening of postal markets to competition before consumers will reap the full benefits that competition brings. That is why the proposed third Postal Directive envisages continued regulatory intervention to protect consumers in terms of the prices, quality and services of the incumbent operator, An Post, who are likely to retain a dominant position in the market for some time to come.



#### 4 High Level Goals

- To ensure all consumers are relevantly informed and protected and have easy access to a wide range of competitively-priced quality products and services
- To create the conditions for sustainable, dynamic and innovative competition in the Irish postal sector
- To facilitate innovation by new and existing operators to ensure that the universal service provided to Irish consumers evolves in response of the technical, economic and social environment and to the needs of users and therefore have access to leading edge postal services
- To be a professional, innovative organisation that is acknowledged as a leading source of expertise in the communications sector

## 5 Objectives – Consumer

### *High Level Goal*

To ensure all consumers are relevantly informed and protected and have easy access to a wide range of competitively-priced quality products and services.

### **Objectives**

**1. Engage with DCENR to ensure that, following the opening of postal markets to competition, the regulatory framework for postal services will give consumers access to innovative, customer focussed and efficient postal services throughout the state, and provide adequate safeguards against excessive pricing and failure to comply with advertised quality standards.**

### *Strategies*

- Evaluate options for effective light-handed regulation
- Ensure all stakeholders are aware of implications for consumers
- Act as an advocate for the consumer and all those interested in providing customer focused and efficient postal services.

**2. Ensure that prior to the opening of postal markets to competition An Post fully meets its existing obligations in relation to prices.**

### *Strategies*

- Review all universal service prices to ensure that inappropriate cross-subsidies between services are removed.
- Investigate allocation of common costs between the universal service and other activities to ensure universal service costs are correctly allocated

**3. Ensure consumers have convenient, affordable access to basic postal services (universal service), including access to relevant information.**

### *Strategies*

- Review compliance with the working definition of universal service
- Ensure compliance with Directions on access points
- Monitor compliance with the daily delivery obligation

- Review compliance with obligations in respect of information provision
- Measure quality of service (transit time)

**4. Support and encourage improvements in the quality of customer service and the overall consumer experience of the postal sector**

*Strategies*

- Monitor consumer satisfaction and identify key issues, through consumer contacts and surveys
- Seek continual improvements in service and standards for operator's consumer complaint process and continue to monitor and publish reported issues and trends.

**5. Deal efficiently with operator non-compliance**

*Strategies*

- efficiently manage consumer contacts to ComReg by answering consumer queries and liaising with operators to achieve a resolution for consumer complaints.
- through compliance and enforcement, address serious issues and trends reported to ComReg, by priority.
- Work with the Authorised Service Providers to resolve issues in relation to the collection of VAT and Customs Duty on imports from outside the EU by private individuals.

**Performance Measurement**

- New regulatory framework for provision of postal services in Ireland which safeguards consumer interests
- Pricing of Universal services that is “geared to cost”, transparent and non-discriminatory.
- Regular publication of quality of service measurement and other reviews of universal service provision

## 6 Objectives - Competition

### *High Level Goal*

To create the conditions for sustainable, dynamic and innovative competition in the Irish postal sector

### **Objectives**

**1. Engage with DCENR to ensure that, following the opening of postal markets to competition, the regulatory framework for postal services will provide a level playing field for all existing and new operators, protect other operators from below cost pricing and inappropriate cross-subsidisation by any dominant operator and ensure that all operators co-operate in terms of access to basic infrastructure – redirection information, address databases etc.**

### *Strategies*

- Evaluate options for effective light-handed regulation
- Ensure all stakeholders are aware of implications for development of postal market
- Act as an advocate for the consumer and all those interested in providing customer focused and efficient postal services.

**2. Ensure that prior to the opening of postal markets to competition An Post meets all its obligations in respect of pricing and access to its wholesale services on a non-discriminatory basis.**

### *Strategies*

- Review all universal service prices to ensure that internal cross-subsidies between services are eliminated.
- Prices charged by An Post for delivery of inbound international mail to be cost reflective
- Require access to public postal network to be available to all postal operators on non-discriminatory terms as regards price, quality and terms and conditions

**3. Facilitate effective and sustainable competition in the postal market.**

*Strategies*

- Encourage An Post to prepare for competition by improving efficiency and developing appropriate products.
- Facilitate, to the extent allowed by law, authorised service providers wishing to develop innovative postal services..
- Facilitate entry by light handed regulation of postal service providers who intend to enter the market when permitted to do so by law.

**Performance Measures**

- New regulatory framework for provision of postal services in Ireland which guarantees a level playing field for all operators, a viable scheme for sharing infrastructure, and interoperability where necessary.
- Comparable rates for access to the public postal network available to all operators

## 7 Objectives - Innovation

### *High Level Goal*

To facilitate innovation by new and existing operators to ensure that Irish consumers have access to leading edge postal services

### **Objectives**

**1. Ensure that the universal service evolves in response of the technical, economic and social environment and to the needs of users.**

**2. Ensure that the regulatory environment is conducive to the timely introduction of innovative services**

### *Strategy*

Provide regulatory certainty in relation to the continuity of existing regulatory obligations and future competitive market regulatory obligations

**3. Provide an insight into how the postal services landscape may develop and ensure continuing regulatory certainty**

### *Strategies*

Raise awareness among stakeholders in relevant areas

Interact with a range of groupings, including expert panels, industry fora, research organisations and universities

### **Performance Measures**

• Ireland to become recognised as having a proactive, supportive regulatory environment for the introduction of innovative postal services

• Irish customers gain access to innovative services, for example, sale of stamps over the internet, hybrid mail (initiated and transmitted electronically, printed near to the point of delivery and delivered in the normal way), kiosks accessible 24/7 for the collection of goods ordered over the internet, as part of a flexible response by operators to changing customer requirements.

## 8 Objectives - Organisation

### *High Level Goal*

To be a professional, innovative organisation that is a leading source of expertise in the communications sector

### **Objectives**

#### **1. Ensure that ComReg has the powers, resources and skills to regulate effectively in a dynamic market**

##### *Strategies*

- Engage with DCENR and D/Fin to ensure that ComReg has the powers and resources in place to regulate effectively in our operating environment
- Work with DCENR to ensure that the Government's transposition of the European Communities Third Postal Directive, and consequential amendments to national legislation, provides ComReg with appropriate powers to ensure compliance by operators with obligations imposed in the legislation.
- Ensure the optimal utilisation of our resources to ensure continued high performance and value for money

#### **2. Develop and implement regulatory policies in accordance with international and national standards**

##### *Strategies*

- Influence the development and implementation of overall international regulatory policies
- Participate in international fora to influence the development and implementation of best regulatory practice guidelines
- Influence the development and implementation of national regulatory policies (e.g. DCENR, Dept of An Taoiseach)
- Participate in the Better Regulation Forum to ensure better regulation in Ireland
- Develop and enhance co-operation agreements with appropriate regulatory agencies (e.g. NCA, Competition Authority)

#### **3. Maintain ComReg's reputation for competence and expertise as a benchmark NRA within the European Community.**

- Work closely with European Commission's consultants undertaking surveys for regular application reports to European Parliament and Council
- Facilitate bilateral visits from other NRAs when appropriate
- Fully utilise ComReg's research programmes to help inform our decision making

#### **4. Maintain ComReg's reputation for competence and expertise among key stakeholders**

##### *Strategies*

- Formulate and implement a proactive Communications Plan
- Maintain an ongoing quality dialogue with key stakeholders
- Continue to participate in Outreach initiatives (e.g. events; conferences)
- Ensure balanced media coverage of communications regulatory issues

#### **5. Develop and implement a focused Staff Development Programme**

##### *Strategies*

- Align HR policies to ensure the attraction and retention of quality people; the continuation of a high performance culture and the reinforcement of our position as a recognised centre of excellence
- Formulate and implement a quality Learning and Development Programme
- Continue to pursue proactive policies in respect of corporate social responsibility and equality and diversity initiatives, including our obligations under the Disability Act, 2005.

##### **Performance measures**

- Benchmark ComReg's performance against best international comparators, using established standards
- Conduct a Key Stakeholder Survey (to establish confidence levels/respect in ComReg's expertise)
- Conduct an audit of competences (to establish if ComReg has the appropriate competences in place)



## Appendix A – List of Abbreviations

CSO	Central Statistics Office
DCENR	Department of Energy, Communications and Natural Resources
D/Fin	Department of Finance
ESRI	Economic and Social Research Institute
GDA	Greater Dublin Area
GDP	Gross Domestic Product
GNP	Gross National Product
ICT	Information and Communications Technology
IMF	International Monetary Fund