



Commission for
Communications Regulation

Postal Strategy Statement

2012 – 2014

Reference: ComReg 12/116

Date: 30 October 2012





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Introduction from the Chairperson

ComReg is pleased to publish its Postal Strategy Statement for the period 2012 - 2014. The Postal Strategy Statement is a forward-looking document that serves as a framework for action by ComReg over the next two years, and is aimed at the successful delivery of identified key priorities. It is supplemented by our annual Action Plans, which set out the detailed steps to be undertaken, along with their timeframes.

A new regulatory framework for the postal sector was mandated by the Communications Regulation (Postal Services) Act 2011 and earlier this year ComReg completed the necessary first step to put that framework into operation by setting out the scope of regulation and An Post's role as the current designated universal postal service provider¹.

The formulation of a Strategy Statement is invaluable to ComReg in that it facilitates stock-taking and forward-planning and helps ComReg prepare for near-term change, enhancing our regulatory agility and flexibility. In the current period of significant change in the postal sector, it is vital that regulation is predictable, consistent, and transparent. In this way ComReg can achieve its objectives:

- To promote the development of the postal sector and, in particular, the provision and the availability of a universal postal service;
- To promote the interests of postal service users;
- To facilitate the development of competition and innovation in the provision of postal services.

¹ ComReg 12/81 (D08/12) dated 26 July 2012

This Postal Strategy Statement is made against the background of a liberalised Irish postal market fully open to competition. Irish postal service users enjoy a universal postal service, currently provided by An Post, along with other postal services provided not only by An Post but also by other authorised postal service providers who have a wide range of business models most of which offer value added niche services to certain postal service users. However, the full opening of the Irish postal market to competition comes at a time of significant change in postal markets both at home and globally. These changes include:

1. Significant opportunities from the rapid growth of fulfilment of online transactions and from continued growth in advertising mail (direct mail). In particular, this has seen increased competition and innovation in the delivery of packets and parcels.
2. A significant decline in letter volumes. In particular, An Post, as the current universal postal service provider and the market leader in the delivery of letters, must address this trend in order to ensure the continued availability of the universal postal service. ComReg will have its part to play by providing appropriate incentives to An Post, as the current universal postal service provider, to achieve these important efficiencies.
3. A significant threat to traditional mail volumes arising from electronic substitution. The major sources of addressed letters are Government, financial services, and utilities; these postal service users have and continue to examine electronic means of communicating with their customers. Consequently, there is a need for innovation and efficiency in the delivery of letters and alignment with postal service user needs in order to minimise the volume of letters that may be lost to electronic substitution. This is a challenge that needs to be addressed by all postal service providers.
4. The economic recession and the impact this is having on the number of businesses and general economic activity. Furthermore, market data suggests that there is now a break in the

relationship between Gross National Product ('GNP') / Gross Domestic Product ('GDP') and mail volumes. Historically, when the economy improved (i.e. GNP/ GDP increased), mail volumes also improved and increased. This is no longer the case. Consequently, when the economy does begin to improve, the postal sector will nonetheless need to continue to ensure that their businesses are efficient and adaptable to see out a continued decline in mail volumes and to meet emerging customer needs.

This changing environment has set challenging tasks for postal service providers, the DCENR as the policy lead for the sector, ComReg, and other relevant stakeholders. For postal services to stay competitive as a medium of communication, postal service providers must be cost effective, innovative, and continually aligning and re-aligning their postal services to postal users' needs. ComReg can do its part by setting the appropriate level of regulation to ensure the sustainable provision of a universal postal service, while providing all postal service users (consumers, small businesses, and large organisations) with the choice, quality, and innovation offered by a liberalised market. To this end, we have set out in this Postal Strategy Statement our actions and the indicative timing of these over the next two years. Notwithstanding the appreciable workload, it is this plan that informs and guides ComReg over the life of this strategy.

Alex Chisholm
Chairperson

01:

Strategy at a glance

Our Mandate

- National & European Legislation
- National & International Co-operation & Co-ordination activities

Our Postal Mission

Through effective and relevant regulation, our mission is to promote the development of the postal sector, to ensure the provision and availability of an affordable, high quality universal postal service; to promote the interests of postal service users; and to facilitate the development of competition and innovation in postal service provision.

Our Values

- Integrity
- Impartiality
- Effectiveness
- Excellence
- Transparency

HIGH LEVEL GOALS

Ensuring the provision and availability of the universal postal service

To apply effective and proportionate regulation to ensure the provision and availability of universal postal service

Promoting the interests of postal service users

To promote the interests of postal service users by empowering and protecting them

Promoting the development of the postal sector by facilitating competition and innovation

To provide regulatory certainty that facilitates competition and innovation in the postal sector

Striving for organisational excellence

To be a highly effective and innovative organisation which is a centre of excellence, that supports and enables its people to achieve the organisation's objectives

| Priorities | Action (references) | |
|---|---|--|
| Ensure that the universal postal service provider complies with regulatory obligations associated with the provision of the universal service | 4.1.1 Approve or amend terms and conditions 4.1.2 Monitor pricing for compliance 4.1.3 Monitor compliance with Accounting Direction | 4.1.4 Monitor Quality of Service for compliance 4.1.5 Monitor access points, points of contact, access to postal infrastructure |
| Protect the stability of universal service provision by considering all means to ensure appropriate incentives are in place for the efficient delivery of the universal service | 4.2.1 Price cap and efficiency | 4.2.2 Efficient net cost methodology |
| Provide regulatory certainty by implementing regulatory framework that relates to the universal postal service provision | 4.3.1 Specify universal postal service 4.3.2 Efficient net cost methodology | 4.3.3 Specify sharing mechanism if unfair burden |

| Priorities | Action (references) | |
|--|--|--|
| Empower postal service users by ensuring the availability of appropriate and transparent information | 5.1.1 Approve or amend universal service terms and conditions 5.1.2 Review postal service provider's Codes of Practice | 5.1.3 Set dispute resolution procedures for postal service users |
| Empower postal service users through an effective complaints handling process that ensures redress and timely resolution of complaints | 5.2.1 Approve or amend universal service terms and conditions 5.2.2 Review or amend postal service provider's Code of Practice | 5.2.3 Set dispute resolution procedures for postal service users |
| Protect postal service users by ensuring postal service providers respect and uphold their obligations | 5.3.1 Approve or amend universal service terms and conditions 5.3.2 Monitor universal service pricing for compliance 5.3.3 Monitor universal service quality of service for compliance | 5.3.4 Review postal service provider's Codes of Practice 5.3.5 Set dispute resolution procedures for postal service users 5.3.6 Co-operate with National Consumer Agency |

| Priorities | Action (references) | |
|--|---|---|
| Provide regulatory certainty to postal service providers | 6.1.1 Set Regulatory Framework 6.1.2 Set Postal Levy | 6.1.3 Set timeframe for actions |
| Facilitate authorised postal services providers to enter / compete in the provision of postal services | 6.2.1 Monitor compliance with Accounting Direction 6.2.2 Co-operate with The Competition Authority | 6.2.3 Set notification / authorisation requirements 6.2.4 Set dispute resolution procedures for access to postal network |
| Provide information about the provision of postal services in Ireland | 6.3.1 Register of authorised postal service providers 6.3.2 Business and residential surveys | 6.3.3 Ad-hoc reports |

| Priorities | Action (references) | |
|--|--|--|
| Be an effective, independent and innovative organisation with the appropriate systems, structures, and skills | 7.1.1 Employee Engagement 7.1.2 Corporate Governance | 7.1.3 Process Improvement 7.1.4 E-Services |
| Continue to be a centre of excellence providing effective and relevant regulation | 7.2.1 RIA & Consultation 7.2.2 Stakeholder Engagement 7.2.3 Consultation Procedures | 7.2.4 Research & Data 7.2.5 Maximise Resources 7.2.6 Developing our People |
| Engage with other regulatory agencies and key stakeholders, both nationally and internationally, to enable ComReg to achieve its goals | 7.3.1 Stakeholder Relationships 7.3.2 International Fora 7.3.3 Annual Output Statement | 7.3.4 Annual Work Plan 7.3.5 EU Representation |
| Ensure that ComReg's regulatory decisions are supported by market data and international benchmarks | 7.4.1 Benchmarking 7.4.2 Robust Decision Making | 7.4.3 Economic Research |



02:

Our Mandate

2.1: An overview of our areas of responsibility

The Commission for Communications Regulation (“ComReg”) is the independent regulator for the postal sector. ComReg’s statutory functions and objectives in relation to the regulation of postal services are set out in the Communications Regulation Acts 2002 to 2011.

ComReg’s statutory functions in relation to the regulation of postal services are:

1. To ensure the provision of a universal postal service that meets the reasonable needs of users; and
2. To monitor and ensure compliance by postal service providers with obligations imposed by them by or under the Communications Regulation Acts 2002 to 2011 in relation to the provision of postal services.²

ComReg’s statutory objectives in relation to the regulation of postal services are:

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

² Section 10(1) (ba) and (c) of the Communications Regulation Act 2002

³ Section 12(1)(c) of the Communications Regulation Act 2002

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

1. Establishing such monitoring and regulatory procedures for the purposes of ensuring compliance by postal service providers with the obligations imposed on them by or under the Communications Regulation Acts 2002 to 2011 as are necessary to secure the provision of a universal postal service,
2. Ensuring that postal service users may avail of a universal postal service that meets their reasonable needs,
3. In so far as the facilitation of competition and innovation is concerned, ensuring that postal service users derive maximum benefit in terms of choice, price and quality, and
4. In so far as the promotion of the interests of postal service users within the Community is concerned –
 - a. Ensuring a high level of protection for postal service users in their dealings with postal service providers, in particular by –
 - i. Ensuring the availability of simple and inexpensive dispute resolution procedures carried out by a body that is independent of the parties involved, and
 - ii. Consulting and cooperating with the National Consumer Agency as appropriate
 - b. Addressing the needs of specific social groups, in particular, disabled postal service users.⁴

This Postal Strategy Statement sets out ComReg's high level goals, priorities, and the actions it plans to take in the period 2012 to 2014 to meet its statutory obligations. These specific actions are detailed in chapters 4, 5, 6 and 7.

ComReg is required to publish Strategy Statements for radio spectrum management and the regulation of electronic communications services. The current radio

spectrum management Strategy Statement (ComReg 11/89) is in place for the period 2011-2013 and this year we also published a Strategy Statement for the electronic communications sector (ComReg 12/69) for the period 2012-2014.

As noted in ComReg 12/69, ComReg's activities take place within a framework that encompasses National and European legislation and international co-operation and co-ordination. Our overall mandate and the scope of our responsibilities, including those in the electronic communications sector and radio spectrum management, can be illustrated as shown overleaf:

⁴ Section 12(2A) of the Communications Regulation Act 2002

02: Our Mandate



ComReg's Mandate

2.2: Postal Services Regulation

The EU Regulatory Framework for the postal sector is primarily concerned with ensuring the provision of a universal postal service in a market without barriers to competitive entry. The universal postal service plays a key role in meeting the social, business, and legal needs of the nation. Once a letter is posted, there is a presumption in law that the letter will be delivered to the addressee in the ordinary course of post. This means that, amongst other things, quality of service standards must be consistently high and there must be easy access to postal services and daily deliveries in accordance with Section 16 of the Communications Regulation (Postal Services) Act 2011 ("2011 Act"). Our mandate in regulating the postal sector is set out in the 2011 Act which transposes the 1997 Postal Directive⁵ (last amended by the Third EU Postal Directive of 2008⁶).

5 Directive 97/67/EC of the European Parliament and of the Council of 15 December 1997 on common rules for the development of the internal market of Community postal services and the improvement of quality of service

6 Directive 2008/6/EC of the European Parliament and of the

At an international level, ComReg plays a key role in postal matters through its participation in the European Regulators Group for Postal Services (ERGP), the European Commission's Postal Directive Committee, and the European Committee for Postal Regulation (CERP).

2.3: Regulatory Accountability

We are keenly aware of the importance of accountability for an independent regulatory body, and ComReg works with all of its stakeholders to ensure it operates within the spirit of the principles of "Better Regulation"⁷.

ComReg's accountability framework ensures independent, transparent and evidence-based regulation, this being the litmus test for international credibility as a best-in-class regulator. Our use, where appropriate, of public consultation procedures, Regulatory Impact

Council of 20 February 2008 amending Directive 97/67/EC with regard to the full accomplishment of the internal market of Community postal services

7 Regulating Better: A Government White Paper setting out six principles of Better Regulation, January 2004.

Assessments (RIAs), industry fora, and our Postal Expert Advisory Group ensures that the views of all stakeholders are considered in our decision making process. It also ensures that the impact of our decisions is proportionate, effective, and in the broad interests of all stakeholders.

ComReg is audited by the Comptroller and Auditor General (C&AG) who, in turn, reports on our financial performance to the Public Accounts Committee of Dáil Éireann. The Government Statement on Economic Regulation⁸ emphasises the need for effectiveness and efficiency in the business of regulation. This is a responsibility that we take very seriously. It is vitally important, given our growing mandate and the public sector reform agenda, that we apply continuous and rigorous scrutiny of costs in all of our activities.

ComReg is accountable to the Minister for Communications, Energy and Natural Resources and the Minister may issue policy directions to ComReg in accordance with the provisions of the Communications Regulation Acts 2002 to 2011 subject to the requirement in article 22 of the Postal Directive⁹. ComReg is subject to parliamentary scrutiny by relevant Oireachtas Committees and we are required to prepare and present a Strategy Statement every two years and an Annual Report, Action Plan, accounts and financial forecast on a yearly basis. ComReg is also accountable for its decisions and conduct through judicial oversight, Ethics in Public Office legislation, and Freedom of Information legislation.

8 Available at: http://www.taoiseach.gov.ie/eng/Publications/Publications_2011/Government_Statement_on_Economic_Regulation.pdf

9 Member states that retain ownership or control of postal service providers must ensure effective structural separation of the regulatory functions from activities associated with ownership or control of the postal service provider.



03: Strategic Context and Environment

In setting the high level goals, priorities, and actions of this Strategy Statement, ComReg needs to consider the strategic context and environment related to each high level goal.

3.1: High Level Goal #1: Ensuring the provision and availability of the universal postal service

ComReg's function includes ensuring the provision of a universal postal service that meets the reasonable needs of postal service users.

An Post has been designated as universal postal service provider for the provision of universal postal service within the State for the period to 2023. According to the 2011 Act, universal postal service means that on every working day, there is at least one clearance (for example, collection from a post box) and one delivery to the home or premises of every person in the State.

In ComReg's Regulations¹⁰ specifying the universal postal service, ComReg has set a 'de minimis' / minimum level of universal postal service to meet postal service users' needs that would not be met by competition at an affordable price. This approach minimises the regulatory burden on An Post as the current universal postal service provider as it is only subject to detailed regulatory control in relation to its universal postal services. As a result of setting a 'de minimis' universal postal service, An Post has appropriate regulatory freedom and commercial flexibility in relation to its other postal services.

¹⁰ Communications Regulation (Universal Postal Service) Regulations 2012 (SI 280 of 2012) available at http://www.comreg.ie/_fileupload/publications/SI_280_of_2012.pdf

Though the postal sector is now fully liberalised and open to competition since 1 January 2011, An Post has maintained a high market share, in particular in the mailing of letters. Evidence suggests that incumbent operators typically enjoy dominant market shares for long periods after full market opening¹¹. Incumbent operators, such as An Post, have a number of competitive advantages such as ubiquity of network and service offering, ability, brand strength¹², and consumer trust. It can be argued that providing the universal postal service has the additional competitive advantages of brand / corporate reputation enhancements, VAT exemption, and customer life cycle benefits.

Since the last Postal Strategy Statement, mail volumes have notably declined both in Ireland and abroad arising from the challenging economic environment and electronic substitution. An Post, the universal postal service provider, has stated that it is responding to the decline in mail volumes, which relates both to mail as universal postal services and other commercial mail, with a combination of delivering costs savings, price increases¹³, and development of new revenue streams.

Challenging economic environment

The Irish economic landscape has changed dramatically since the last Postal Strategy Statement as set out in the table below. This environment presents challenges to all postal service providers, including the universal postal service provider.

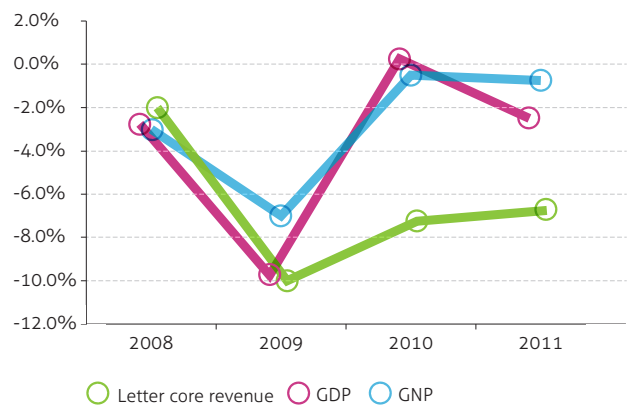
| | 2008 | 2009 | 2010 | 2011 |
|-------------------|-------|-------|-------|-------|
| GNP% | -2.8% | -9.8% | 0.3% | -2.5% |
| GDP% | -3.0% | -7.0% | -0.4% | 0.7% |
| Unemployment rate | 6.1% | 11.8% | 13.6% | 14.4% |
| CPI% | 4.1% | -4.5% | -1.0% | 2.6% |

Source: CSO and ESRI

Declining letter mail volumes

Historically, there has been a strong correlation between GDP and letter mail volumes, an increase in GDP would also increase letter mail volumes; however, that is no longer the case as noted, for example, in the recent Boston Consulting Group report 'Focus on the Future: Building a compelling position for posts'¹⁴.

Posted letter traffic is seeing a decline beyond the decline in GDP. This can be illustrated in the following graph which tracks changes in An Post's Letters core revenue index against the changes in GDP% and GNP%.



Source data: An Post's 2011 annual report and CSO

11 See Table 1 of LECG report "Ensuring that consumers benefit from the opening of postal markets to competition" dated 18 October 2007 available at http://www.comreg.ie/_fileupload/publications/CP45e.pdf

12 For example, An Post was recognised as having the Best Reputation for an Indigenous Irish Organisation in the RepTrak 2011 survey

13 On 1 May 2012, An Post increased the prices of certain of its postal services weighing greater than 50 grams. See <http://www.anpost.ie/AnPost/MainContent/About+An+Post/Media+Centre/Press+Releases/2012/Revised+Postal+Rates.htm>. These did not require ComReg's prior approval.

14 http://www.ipc.be/~media/Documents/PUBLIC/Brochures/IPC-BCG_Focus%20on%20the%20Future.ashx

03: Strategic Context and Environment

An Post, in the period from 2008 to 2011, states that it has seen its core letters mail revenue decline by 23.5%.

| | 2008 | 2009 | 2010 | 2011 |
|-------------|------|--------|--------|--------|
| Mail Volume | -2% | -10% | -7% | -7% |
| Cumulative | -2% | -11.8% | -10.8% | -23.5% |

Source: An Post (2008 – 2010 An Post Annual Reports)

According to An Post, this decline reflects the economic challenges and the emergence of electronic substitution. Therefore, a decline in letter volumes is likely to continue over the period of this Strategy Statement.

Reducing cost base

Declining letter mail volumes are in danger of producing an uncontrollable spiral of rising unit costs leading to higher prices and hence even greater decline. Consequently, with a declining letter mail volume there is a need to also reduce the cost base in order to have a sustainable business model.

This has been recognised by An Post's Chairman when he stated "...as mail volumes continue to decline significantly across the world, it becomes increasingly important for us to continue to reduce our cost base."¹⁵

An Post has stated it has implemented and continues to implement change programmes to reduce its cost base. To date, An Post's programmes have mainly concerned more efficient working arrangements and automation. However, automation systems require volume to remain viable and this needs constant review by An Post.

Increasing packets and parcels volumes

Though letter volumes may be declining, the growing popularity of online shopping has contributed to an increase in the respective volumes of packets and parcels being delivered. In respect of the packets market, An Post maintains a sizeable share of the market. An Post's share of the parcel market is much lower than its share of the

letters and packets market as the parcel market is very competitive with a number of operators in existence. Therefore, to take advantage of opportunities for growth, An Post has been expanding its parcel service with innovative offers such as its recent offer to collect parcels from customers' premises as opposed to requiring them to be presented at the post office.¹⁶

Electronic substitution

It is generally understood that traditional posted letter volume is now threatened by the ready availability of electronic substitutes. As noted by the Department of Communications, Energy and Natural Resources ("DCENR")¹⁷, in Ireland approximately 80% of postal transactions are business-related. These business postal service users have and may continue to switch to electronic alternatives for non-price as well as price reasons – electronic alternatives offer some advantages in terms of speed, ease of use, functionality etc. In particular, this is true for business mail such as invoices, statements¹⁸, and customer communication (known as transactional mail). Customers are regularly being offered incentives to move away from paper based communications. For example, paperless electronic billing is seen as a key objective by major utilities as a means of reducing costs. Paperless electronic billing is also generally associated with the use of direct debits as the payment method so there is an associated decline in the use of cheques and the mailing of these cheques. Furthermore, in the context of reducing costs generally, senders of transactional mail are reducing the frequency of these mailings. Also customer information that in the past would have been sent by post is now widely available through Government and company websites.

15 At page 7 of An Post's Annual Report 2011 available at <http://www.anpost.ie/AnPost/Annual+Reports/Annual+Report+2011/>

16 <http://www.anpost.ie/AnPost/MainContent/Personal+Customers/Sending+Mail/Speed/Express+Post/Parcel+Collection+Service.htm>

17 <http://www.dcenr.gov.ie/NR/rdonlyres/716F9A6E-BD77-4A3E-8EB2-BE6E26DD0BAE/0/DCENRStatementofStrategy20112014.pdf>

18 For example, Bank of Ireland has recently launched "eStatements" to allow its customers to replace their statements by post. See <http://www.bankofireland.com/help/faqs/personal/estatemnts>

A major driver towards electronic communication is coming from the European Commission's Digital Agenda for Europe¹⁹, which is a key part of the European Commission's Europe 2020 strategy. The European Commission's e-Government Action Plan 2011 – 2015²⁰ sets out a programme for e-Government in member states by 2015. In Ireland, the Government has recently published a policy document entitled eGovernment 2012 – 2015²¹, which sets out action plans for public bodies in the introduction of e-services. Governments have traditionally been the source of large volume mailings for the postal sector. However, already we have seen initiatives from Revenue and Motor Tax to introduce online solutions to replace services which previously involved bulk mailings while the recently introduced Household Charge sought registration and payment online.

Also, there is a general social environment change, with the younger generations less likely to use mail as a means of communication due to the availability and instantaneous nature of social networks, smart phones etc.

In particular, the wider adoption of mobile devices such as smart phones as a means of communication and accessing the internet appears to have facilitated the greater use of e-substitution.

Against this background, it is worth noting that the universal postal service remains essential to the economy (for example, sending of invoices for payment, order fulfilment for internet economy etc), and to society as a national communications infrastructure. But falling volumes, brought about by the fast changing technological and social environment, are in danger of producing an uncontrollable spiral of rising unit costs leading to higher prices and hence even greater

decline. Unless the universal postal service provider can deliver efficiency gains that exceed the effect of the volume decline, the universal service provider will either have to rely on other interventions such as increasing prices, drawing from any universal postal service fund established if it is an unfair burden, or relying on profits from non-universal postal services. Clearly, if the universal service provider relies on price increases, there is the related risk that the prices for universal postal services would be raised to such a degree to begin to raise affordability issues for vulnerable postal service users.

Such a spiral would be dangerous to any industry, but for the postal sector, and in particular An Post, this danger will be accentuated by any failure to innovate or adjust costs.

As noted by DCENR²², "Technology presents both a threat and an opportunity for the postal sector and specifically for An Post. In terms of threats, a significant proportion of An Post's letters business currently takes the form of transaction mail and it is likely that large mailers of transaction mail (e.g. utilities and banks) will look to alternative means to reduce costs. Technology also means that mailers can produce their mail in formats bypassing the need for significant levels of sortation. This will have an impact on An Post and how it needs to configure its business. In terms of opportunities, e-fulfilment will likely be a growth area (albeit in the packet and parcel segments, which are already open to competition)."

For An Post as the current universal postal service provider, managing these threats and positioning itself to avail of the opportunities will require significant focus on efficiency, innovation, and developing relevant customer solutions.

19 Available @ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0245:FIN:EN:PDF>

20 Available @ http://ec.europa.eu/information_society/activities/egovernment/action_plan_2011_2015/docs/action_plan_en_act_part1_v2.pdf

21 Available @ <http://per.gov.ie/wp-content/uploads/eGovernment-2012-2015.pdf>

22 At page 6 of Department of Communications, Energy and Natural Resources: 'Liberalisation of the Irish Postal Market: Options Paper' dated October 2009

03: Strategic Context and Environment

Against this strategic context and environment, Chapter 4 provides further details on ComReg's priorities and actions to ensure the provision and availability of the universal postal service.

3.2: High Level Goal #2: Promoting the interests of postal service users

ComReg's function is to ensure the provision of a universal postal service that meets the reasonable needs of postal service users. The objectives of ComReg in relation to the provision of postal services include:

1. promoting the development of the postal sector and, in particular, the availability of a universal postal service within, to and from the State at an affordable price for the benefit of all postal service users
2. promoting the interests of postal service users within the Community which includes:
 - a. ensuring a high level of protection for postal service users in their dealings with postal service providers
 - b. addressing the needs of specific social groups, in particular, disabled postal service users.

Consequently, in setting its strategy, ComReg has to ensure that the interests of postal service users are being promoted and protected. Postal service users include both the senders and receivers of a postal service, therefore, ComReg will ensure that both the interests of senders and receivers of postal services are being promoted and protected.

ComReg considers the needs of postal service users can vary, depending whether they are households or businesses for example. In this respect, ComReg notes that the Department of Communications, Energy and Natural Resources ("DCENR")²³ has stated that in Ireland

approximately 80% of postal transactions are business-related. Therefore, ComReg will be particularly cognisant of the needs of business postal service users, and in particular small and medium enterprises. Generally, ComReg considers that postal service users require postal products and services that are affordable, reliable, high quality and that meet their individual needs. ComReg also considers that the interests of postal service users are promoted by the development of competition in the postal sector.

Changing postal service user interests

There has been a significant change in recent years in the use of postal services. Generally, all postal service users have moved some of their communications in the direction of electronic and mobile communications and are using the postal service far less as a result. For example, many residential consumers are increasingly undertaking a number of administrative tasks over the internet that they previously were conducted through post or face-to-face channels. However, there are some postal service users who are unable to use electronic means of communications and the interests of these postal service users must be safeguarded so that there is a postal service that they can avail of.

Similarly, ComReg considers that small and medium enterprises ("SMEs") while using email as a primary means of communication still require a general postal service with quality guarantees as they still regard it as an important means of conducting business e.g. invoicing for payment. The needs of these postal service users, who send and receive a significant amount of postal transactions, must also be safeguarded.

On the other side, there are some postal service users (for example, large businesses) that want flexibility and choice in their purchase of postal services. For example, developments in technology can now make it more efficient for large postal users (e.g. utilities and banks) with large volumes to undertake the sorting to delivery office rather than allowing the postal service provider to do it. This would result in a much lower priced postal

²³ <http://www.dcenr.gov.ie/NR/rdonlyres/716F9A6E-BD77-4A3E-8EB2-BE6E26DD0BAE/0/DCENRStatementofStrategy20112014.pdf>

service as there would be cost savings for the postal service provider. Therefore, the interests of these postal service users must also be promoted in order to facilitate commercial negotiation of bespoke postal services in order to avail of these cost savings.

The effects of e-commerce and online shopping are also being felt. The interests of postal service users have materially changed and many are sending and receiving far more packets and parcels as online shopping and trade continues to grow. This is a positive development for personal choice and flexibility, especially for those postal service users who are based in rural locations.

Affordability

Irish postal service users undoubtedly face severe constraints on their purchasing power following the economic downturn. However, for residential postal service users, this constraint may be less severe. Data from the CSO's Household Budget Survey for 2009-2010²⁴ shows that domestic postal users spend on post is a very small part of overall household expenditure.

However, it is business users, SMEs and large businesses, that account for the majority of postal volumes²⁵ and it is the affordability for business users that needs to be carefully considered, especially in the context of alternatives to post e.g. e-substitution. Therefore, it is SMEs and large businesses that are more likely to consider their future usage of postal services in the context of any further economic downturn / price rises for postal services as they endeavour to remain competitive in their product / service offerings.

Keeping postal service users protected and informed

The 2011 Act has introduced provisions to ensure that postal service users are adequately protected and informed. Having a clear and consistent approach to

compliance is essential to ensure that operators fully meet their obligations to postal service users. As a complementary approach to compliance, ComReg will ensure that postal service users are fully informed regarding terms and conditions, codes of practice, and the process to resolve disputes where they arise. ComReg expects that this should pre-empt the development of any systemic issues or failings that might negatively impact on postal service users.

Chapter 5 provides further details on ComReg's priorities and actions to promote the interests of postal service users.

3.3: High Level Goal #3: Promoting the development of the postal sector by facilitating competition and innovation

ComReg's objectives include promoting the development of the postal sector and facilitating the development of competition and innovation in the market for postal service provision.

Challenging economic environment

As set out earlier, postal service providers face a challenging economic environment. Also, for those postal service providers that do not have the benefit of scale, the relative low volume of mail in Ireland may result in higher unit costs which in turn may make it difficult for those postal service providers to compete. Consequently, ComReg considers that postal service providers will need to be customer-focussed, finding niche markets to fulfil in order to find opportunities for profit. Postal service providers will need to be flexible and innovative to adapt to any further declines in postal volumes or to grasp any new opportunities that may arise in the changing postal sector. As will be the case for the universal postal service provider, ComReg considers that postal service providers will also need to be efficient in the provision of postal services to meet the needs of their postal service users.

24 Available @ <http://www.cso.ie/en/media/csoie/releasespublications/documents/housing/2010/0910first.pdf>

25 An Post's volumes are mainly sent by Financial Services, Utilities, and Government. See <http://www.anpost.ie/AnPost/AnPostDM/KNOWLEDGECentre/Research+and+Insights/Irish+Direct+Mail+Trends/Irish+Direct+Mail+Trends.htm>

03: Strategic Context and Environment

Changing postal sector

The changing and dynamic marketplace will mean that postal service providers will need to be customer oriented by moving away from the more traditional process orientation employed by the postal industry over many decades. In this respect, An Post has introduced customer oriented sales channels such as selling “stamps on a roll” and selling stamps through vending machines.

In relation to the service itself, postal service access is moving online with the ability to purchase and print (label) stamps online. There may be cost savings due to this which may be reflected in lower associated pricing.

In relation to payment, many leading posts have moved to payment online, for example, Royal Mail²⁶ and the United States Postal Service²⁷.

Growing parcel market

The Boston Consulting Group²⁸ states that the growing parcel market will be, within the next 10 years, larger than the declining mail market. In this respect, DHL has recently noted an ongoing double-digit growth in its parcel volumes against its declining mail volumes²⁹. They further note that margins in the parcel market could be higher than the traditional mail business.

This growing parcel market in Ireland has already seen the provision of kiosks³⁰ and collection points where a postal user can collect their post 24/7 – this service is likely to increase with increased purchases from the internet which require a secure delivery point that can contain a packet / parcel.

Securing the trust of postal service users

In order to compete, ComReg considers that new entrant and existing postal service providers need to secure the trust of postal service users in order to develop and expand their businesses. ComReg recognises that this is a particularly challenging task for new entrants competing against the An Post brand which is generally highly regarded, trusted, and respected. Consequently, it is essential that every postal service provider upholds their obligations under the 2011 Act to provide clear and unambiguous codes of practice to ensure that the interests and trust of postal service users is secured so that competition can develop. ComReg will play its part by ensuring compliance with those obligations.

Access requirements

While entry into the postal sector, as a labour intensive network business, requires relatively little capital investment and few sunk costs, there are advantages to be gained by having economies of scale. Consequently, ComReg considers that there are mutual benefits for the universal postal service provider and postal service providers in allowing access to the universal postal service provider’s postal network on a non-discriminatory basis.

Where commercial negotiations between a postal service provider and the universal postal service provider cannot agree on access to the universal postal service provider’s postal network, The Competition Authority and / or ComReg, in accordance with their respective remits, may intervene in order to resolve any complaints / disputes.

Regulatory Clarity

Providing regulatory clarity will be at the core of ComReg’s approach to the work that it undertakes to promote the development of the postal sector by facilitating competition and innovation. Further details on ComReg’s actions in this area are provided in chapter 6.

26 <http://www.royalmail.com/discounts-payment/online-postage>

27 <https://www.usps.com/business/online-postage.htm>

28 At page 39 - http://www.ipc.be/~media/Documents/PUBLIC/Brochures/IPC-BCG_Focus%20on%20the%20Future.ashx

29 http://www.dp-dhl.com/content/dam/Investors/Publications/Presentations/2012/Q22012/DPDHL_H1_2012_Presentation.pdf

30 For example, Nightline has recently launched “Parcel Motel”. See <http://www.siliconrepublic.com/careers/item/28276-nightline-to-invest-5m-in>

3.4: High Level Goal #4: Striving for organisational excellence

Increased scrutiny of the Irish public sector

Since ComReg issued its last Postal Strategy Statement in 2008, the economic recession has deepened, both in Ireland and globally. In late 2010, Ireland accepted a 3-year EU-IMF programme of assistance and its economic performance is now subject to very close national and international scrutiny. So too are the budgetary decisions of the government and those of its ancillary agencies (including ComReg). The Programme for Government, the Public Service Agreement 2010-2014, and the Employment Control Framework will therefore all influence and shape ComReg's ability to deliver on its regulatory mandate during the timeframe of this Strategy Statement.

Within the constraints of existing budget cuts and staffing caps, ComReg must ensure over the next two years that it continues to operate efficiently and fully meet all of its obligations to stakeholders, in Ireland and abroad. To do this, we shall actively seek out ways in which we can work more efficiently and effectively, with enhanced use of information technology being a primary focus for driving forward productivity. Harnessing IT in innovative ways, whether for internal or external use can enable us to deliver useful and innovative e-services to our stakeholders. We will strive to ensure that the manner in which we regulate a dynamic and exciting communications industry continues to be both proportionate and relevant. Further details on ComReg's actions in this area are provided in chapter 7.



04:

Ensuring the provision and availability of the universal postal service

High Level Goal #1:

To apply effective and proportionate regulation to ensure the provision and availability of universal postal service.

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

Arising from the 2011 Act, An Post is the designated universal postal service provider for a period of 12 years which came into effect on 2 August 2011.

In ComReg Document 12/81 (D08/12, SI 280 of 2012), following a public consultation, ComReg has set a minimum level of universal postal service to meet postal service users' needs that would not be met by competition at an affordable price. This approach also minimises the regulatory burden on An Post as the current universal postal service provider as it is only subject to detailed regulatory control in relation to its universal postal services. In setting a 'de minimis' universal postal service, An Post has appropriate regulatory freedom and commercial flexibility in relation to its other postal services. However, for the universal postal services that are set, it is essential that effective regulation is applied to ensure that those universal postal services are provided and are available.

4.1: Priority: Ensure that the universal postal service provider complies with regulatory obligations associated with the provision of the universal service

Arising from the 2011 Act, a universal postal service provider is required:

- a. To provide a universal postal service in accordance with the obligations imposed by or under the Communications Regulation Act 2002 to 2011
- b. To provide identical services to postal service users under comparable conditions, and
- c. To comply with the terms and conditions of its universal postal services provision.

Pursuant to the 2011 Act, where ComReg is of the opinion that a universal postal service is failing, or has failed, to comply with any of the universal postal service requirements, it will give a direction to the universal postal service provider to ensure compliance.

In this respect, ComReg monitors and will continue to monitor the universal postal service provider's compliance with its regulatory obligations, either in response to complaints, or following investigations on our own initiative. We then take appropriate enforcement action where necessary to correct non-compliance.

Our monitoring in respect of universal postal service provision will include the following:

Terms and conditions

Approving or directing amendment(s) to the universal service provider's terms and conditions for its universal postal services. In making the approval of the terms and conditions or in directing (following a public consultation) an amendment to the terms and conditions, we will consider the reasonable needs of users and

ensure that the terms and conditions do not have a significant adverse effect on postal service users. In particular, we will ensure that the terms and conditions meet the reasonable needs of users and their right to seek appropriate redress. This is particularly important because the universal postal service provider is immune from all liability in respect of any loss or damage suffered by a postal service user arising from:

- Any failure or delay in providing, operating or maintaining a universal postal service, or
- Any failure, interruption, suspension or restriction of a universal postal service.

Pricing

Ensuring that the tariffs for each postal service or part of a postal service provided by a universal postal service provider in the provision of a universal postal service comply with the tariff requirements which are:

- Prices must be affordable and be such that all postal service users may avail of the services provided
- Prices must be cost-oriented, that is to say, that prices must take account of, and reflect the costs of, providing the postal service or part of the postal service concerned
- Prices must comply with the uniform tariff requirement which applies throughout the State to any postal service provided at a single piece tariff
- Tariffs must be transparent and non-discriminatory.

Separated accounts

In relation to the requirement to keep separated accounts, there is an Accounting Direction³¹ in place and ComReg will continue to monitor compliance with the Direction. The Accounting Direction obliges An Post to demonstrate its compliance with the Tariff Principles, Terminal Dues Principles and Universal Service Obligations. The 2011 Act continues the right for ComReg to make a direction on the universal service postal provider to keep separate accounts, subject to any one of

31 http://www.comreg.ie/_fileupload/publications/ComReg0663.pdf

04: Ensuring the Provision and availability of the Universal Postal service

the following three conditions as set out in the 2011 Act being met:

- That a mechanism to share the net cost of the universal service obligation (if it is an unfair burden) has been established
- That ComReg is satisfied that the universal postal service provider is in receipt of State assistance
- That ComReg is satisfied that competition in the market for postal services is not fully effective.

Quality of service

In relation to quality of service, there is a Direction³² in place and ComReg will continue to enforce compliance as necessary.

The availability of an efficient, high quality postal service on par with the best in Europe is a key objective for a modern competitive society such as Ireland's. ComReg sees quality of service as crucial in building consumer confidence in postal services and is central to enabling business in Ireland to operate efficiently.

In Ireland, all of the universal postal services that are provided at a single piece tariff³³ offer a basic, but nevertheless high quality, level of service for postal packets deposited at an access point for delivery to addressees at their home or premises. Domestic postal packets should be delivered on the next working day after the day of posting.

In approximately half of all EU Member States, postal service users are given a choice between a priority postal service with a next-day delivery target and a slower but cheaper non-priority postal service. Where there is a single tier service, such as that currently provided by An Post, it is only possible to meet the requirements of all postal service users by providing the priority (and more expensive) service. This means that some postal service users have to pay for a

higher level of service than they might actually require.

Consequently, in Consultation 12/38³⁴, ComReg sought views from interested parties whether this status quo should remain or should a two tier service for universal postal services be specified. All respondents to Consultation 12/38 wanted the single tier status quo to remain. Consequently, the current specification of the universal postal service remains single tier and, therefore, the priority quality of service standard applies to all universal service mail e.g. next day delivery for domestic single piece mail.

Density of access points, the provision of point of contact and access to postal infrastructure

In relation to access by postal service users to the universal postal service, there is a Direction³⁵ setting minimum access points to meet the postal service user's right of access to universal postal services. ComReg will monitor the universal postal service provider's compliance with this.

32 http://www.comreg.ie/_fileupload/publications/ComReg0456.pdf

33 Section 28(4) of the 2011 Act provides that "service provided at single piece tariff" means "a postal service for which the tariff is set for individual postal packets by a universal postal service provider in its charges published under section 22 or 23, as the case may be".

34 Postal Regulatory Framework: Implementation of the Communications Regulation (Postal Services) Act 2011' dated 30 April 2012

35 http://www.comreg.ie/_fileupload/publications/ComReg0350.pdf

Actions arising from Priority 4.1

Ensure that the universal postal service provider complies with regulatory obligations associated with the provision of the universal service

ACTIONS:

- 4.1.1 Approve or amend the universal service provider's terms and conditions for its universal postal services offered to postal service users.
- 4.1.2 Monitor universal service provider's pricing to ensure it is compliant with tariff requirements.
- 4.1.3 Monitor universal service provider's separated accounts for compliance.
- 4.1.4 Monitor universal service provider's quality of service for compliance.
- 4.1.5 Monitor density of access points, the provision of points of contact, and access to postal infrastructure.

4.2: Priority: Protect the stability of universal service provision by considering all means to ensure appropriate incentives are in place for efficient delivery of the universal service

The universal postal service provider, like all postal service providers, is facing a challenging future in the context of declining volumes and a changing market for postal services. This will require the universal postal service provider to be agile and flexible in order to adapt its structure and cost base to reflect new realities. Consequently, in order to protect the stability of universal service provision it will require consideration by ComReg of all means to ensure appropriate incentives are put in place for the efficient delivery of the universal postal service. Therefore, ComReg over the next two years

will review the following as required by the 2011 Act.

Price cap

Subject to ComReg being of the opinion that there is no effective competition in the market for the supply of the postal services concerned, under the 2011 Act, ComReg must implement a price cap price control on An Post for its services within the scope of universal postal service that have no effective competition.

When making a price cap decision, ComReg, under the 2011 Act, must:

- a. have regard to the tariff requirements e.g. cost-orientation, affordability etc
- b. ensure that the price cap provides incentives for efficient universal postal services provision
- c. ensure the protection of the interests of postal service users and in particular the interests of small and medium-sized enterprises.

As required by the 2011 Act, the price cap must be calculated in accordance with the formula of annual percentage change in the Consumer Price Index ("CPI") "-X", where "-X" is the percentage adjustment set by ComReg to provide incentives for the efficient provision of the postal services concerned. Setting this efficiency adjustment will require a detailed review of the universal postal service provider's costs.

The 2011 Act also requires that the price cap must be set for a period of 5 years but that ComReg may conduct a review of the price cap after it has been in place for 3 years.

Net cost of provision of universal postal service

If a universal postal service provider makes a claim to seek funding for its net cost arising from its provision of the universal postal services, according to the 2011 Act, the calculation of net costs should take account of incentives for cost efficiency and ComReg must take into account whether the universal postal service was provided in a cost-efficient manner.

Actions arising from Priority 4.2

Protect the stability of universal service provision by considering all means to ensure appropriate incentives are in place for efficient delivery of the universal service

ACTIONS:

- 4.2.1 Ensure that the price cap provides incentives for efficient universal postal services provision.
- 4.2.2 Ensure any claim for net costs (if unfair burden) are based on universal postal services provided in cost efficient manner.

4.3: Priority: Provide regulatory certainty by implementing regulatory framework that relates to the universal postal service provision

ComReg recognises that a co-ordinated and clear regulatory framework relating to the provision of universal postal services is beneficial in providing regulatory certainty and incentivising investment in the postal industry. In this respect, ComReg has taken the first step in implementing the requirements of the 2011 Act by setting the regulatory framework and specifying the universal postal services in ComReg Document 12/81 (D08/12).

Specifying universal postal services

Arising from the provision of the 2011 Act, for the purposes of ensuring the universal postal service develops in response to the technical, economic and social environment and to the reasonable needs of postal service users, ComReg made regulations³⁶ specifying the universal postal services, thereby providing clarity and regulatory certainty for the postal industry.

ComReg set a “de minimis” universal postal service by reference to postal service users’ needs to ensure that only those postal services that postal service users would not otherwise be able to obtain nationally (at affordable prices) are provided. This also meant that An Post was freed from detailed regulatory control in respect of the majority of its postal services as they are not universal postal services.

Calculation of net cost (if any) associated with the provision of universal postal service

In order to assess whether there is a net cost associated with the provision of universal postal service, any net cost request, in accordance with the 2011 Act, must be in such a form and manner as ComReg determines. Consequently, in order to provide regulatory certainty, there is a need for ComReg to consult publicly on what form and manner the net cost request should be made.

Also, the methodology employed is critical in any calculation of net cost. Consequently, in order to provide regulatory certainty and to minimise any delay in an application, there is a need for ComReg to consult publicly on what methodology is appropriate for the calculation of net costs. This will also include consultation on what market benefits should be considered and how they should be calculated. The methodology will consider the guidance annexed in Schedule 4 of the 2011 Act and at Annex 1 of the Third Directive.

Furthermore, as noted by the 2011 Act, the net cost submission should be accompanied by such supporting information as may be reasonably required by ComReg. Again, in order to provide regulatory certainty, by way of public consultation, ComReg will provide detail, insofar as possible, on the supporting information it would require for any net cost submission in advance of any net cost submission being made by the universal postal service provider.

If the universal service provider makes a net cost request, this request will be assessed in accordance with the methodology specified by ComReg.

If unfair burden, sharing the net cost associated with the provision of universal postal service

In accordance with the 2011 Act, where ComReg makes a determination that the net cost of provision of a universal postal service represents an unfair burden on the universal postal service provider concerned, it must apportion the net cost among all providers of postal services within the scope of the universal postal service including An Post.

The assessment, apportionment, collection, and distribution of the required contributions to the universal postal service provider to cover the net cost will be made by Regulations set by ComReg.

Consequently, in order to provide regulatory certainty, there is a need for ComReg to publicly consult as to how the contributions to the net cost should be assessed, apportioned, collected, and distributed to the universal postal service provider. Also, in setting the Regulations, in accordance with the 2011 Act, ComReg must ensure that the sharing mechanism operates:

- a. in an objective, proportionate and transparent manner, and
- b. in a manner that does not involve or tend to give rise to any undue discrimination against –
 - i. particular postal service providers or a particular class or description of postal service providers, or
 - ii. particular postal service users or a particular class or description of postal service users.

Actions arising from Priority 4.3

Provide regulatory certainty by implementing regulatory framework that relates to the universal postal service provision

ACTIONS:

- 4.3.1 Set regulation specifying universal postal services.
- 4.3.2 Consult and decide on methodology and information requirement to calculate any net cost associated with universal service provision. If any net cost request is made, ComReg will assess that request against the methodology specified by ComReg.
- 4.3.3 If the provision of universal service is found to be an unfair burden, consult and decide on how contributions to the net cost will be assessed, apportioned, collected, and distributed.



05:

Promoting the interests of postal service users

High Level Goal #2:

To promote the interests of postal service users by empowering and protecting them

Protection of the interests of consumers is a regulatory constant of particular importance in these challenging times. Whether ComReg is implementing policies or monitoring service providers' compliance with their obligations, protecting the consumer interest is frequently the driving force behind regulatory intervention.

ComReg has a statutory objective to promote the interests of postal service users. In particular, to achieve that objective, ComReg must ensure a high level of protection for postal service users in their dealings with postal service providers. This includes:

1. ensuring appropriate codes of practice are established by postal service providers
2. ensuring the availability of simple and inexpensive dispute resolution procedures carried out by a body independent of the parties involved
3. consulting and co-operating with the National Consumer Agency as appropriate
4. addressing the needs of specific social groups, in particular, disabled postal service users.

With this in mind, ComReg considers that ensuring availability of clear and transparent information can empower postal service users to respond directly to situations they consider to be less than satisfactory and in many cases this is the preferred regulatory approach. Nevertheless, in other cases, ComReg must be ready to step in with firm action focused on rectifying any unfair

or unreasonable treatment of consumers. ComReg offers postal service users a facility to contact its “consumer line”³⁷ for assistance in dealing with postal service providers.

5.1: Priority: Empower postal service users by ensuring the availability of appropriate and transparent information

We recognise that postal service users must be adequately informed and empowered as they choose products and services that suit their needs and budget. ComReg engages with postal service providers to ensure that accurate and transparent information is always available to consumers, in particular the needs of specific social groups such as disabled postal service users. This is in addition to actions we may take when we identify information gaps that impact postal service users.

Terms and conditions for universal postal service

Arising from the 2011 Act, ComReg can amend or approve the terms and conditions of the provision of universal postal services to ensure that they meet the reasonable needs of users and do not have a significant adverse effect on postal service users. In particular, we will ensure that the terms and conditions are transparent and contain the appropriate information to meet the reasonable needs of users and their right to seek appropriate redress.

Codes of practice offered by postal service providers

As a result of the 2011 Act, every postal service provider must draw up and implement a code of practice setting out procedures, standards, and policies in respect to the handling of complaints from postal service users, in particular, complaints relating to loss, theft, damage, or quality of service.

The 2011 Act sets out what a code of practice should make provision for. This includes provision in the code of practice of any other matters that ComReg considers necessary and appropriate to secure effective protection of postal service users.

Dispute resolution

ComReg, or an independent person appointed by ComReg, may in accordance with procedures established and maintained by ComReg, resolve disputes between a postal service provider and a postal service user which remain unresolved after due completion of all the procedures on the postal service provider’s code of practice.

In order to do so, ComReg must publish its procedures established by it. Consequently, ComReg will consult on proposed dispute resolution procedures to finalise them for publication. In making the dispute resolution procedures, ComReg will endeavour to ensure that they are transparent and contain appropriate information. When the procedures are finalised and established, ComReg will make postal service users aware of them.

37 http://www.askcomreg.ie/about_us/form.asp

05: Promoting the interests of postal service users

Actions arising from Priority 5.1

Empower postal service users by ensuring the availability of appropriate and transparent information

ACTIONS:

- 5.1.1 Approve or amend An Post's terms and conditions for its universal postal services to ensure that they are transparent and have required information.
- 5.1.2 Review and amend Codes of Practice by authorised postal service providers to ensure that they are transparent and have required information.
- 5.1.3 Establish and publish transparent dispute resolution procedures.

5.2: Priority: Empower postal service users through an effective complaint handling process that ensures redress and timely resolution of complaints

Arising from the 2011 Act, all postal service providers are obliged to offer a complaints-handling service to postal service users. ComReg has ensured and will continue to ensure that service providers have a complaints-handling code of practice that outlines procedures for resolving complaints by postal service users. ComReg will implement new guidelines on the codes of practice to ensure there is consistency and certainty. We also consult and co-operate with the National Consumer Agency as appropriate.

ComReg will continue to drive improvements in consumer complaint handling by postal service providers so that issues can be resolved in a timely manner without the postal service user having to seek further redress with ComReg or any independent person appointed by ComReg.

Therefore, ComReg will conduct the similar actions as Priority 5.1 above but with the focus for this Priority on ensuring redress and timely resolution of complaints.

Terms and conditions for universal postal service

We will ensure that the terms and conditions meet the reasonable needs of users and their right to seek appropriate redress and timely resolution of complaints. This is particularly important as a universal postal service provider is immune from liability in respect of certain losses or damage.

Codes of practice offered by postal service providers

We will ensure that the codes of practice are an effective complaint handling process that ensures customer redress and timely resolution of complaints.

Dispute resolution

We will consult on establishing this dispute resolution role to ensure that there is a final process in place to resolve complaints and facilitate redress.

Actions arising from Priority 5.2

Empower postal service users through an effective complaint handling process that ensures redress and timely resolution of complaints

ACTIONS:

- 5.2.1 Approve or amend An Post's terms and conditions for its universal postal services to ensure that they include effective complaint handling process.
- 5.2.2 Review and amend Codes of Practice by authorised postal service providers to ensure that they include effective complaint handling process.
- 5.2.3 Establish and publish transparent dispute resolution procedures as means to ensure redress.

5.3: Priority: Protect postal service users by ensuring postal service providers respect and uphold their obligations

Proactive monitoring of obligations and the undertaking of investigations are essential components of our postal service user protection brief.

The 2011 Act empowers ComReg to give Directions where postal service providers are found to be non-compliant in relation to their terms and conditions / code of practice.

Terms and conditions for universal postal services

ComReg may, following a public consultation process, give a direction to a universal postal service provider requiring it to modify its terms and conditions where ComReg considers that the terms and conditions of the universal postal service provider:

- a. require appropriate modification having regard the obligations imposed on the universal service provider and the reasonable needs of postal service users
- b. that a proposed amendment by the universal service provider may have a significant adverse effect on postal service users.

Also, generally, where ComReg is of the opinion that the universal service provider is failing, or has failed, to comply with any of the requirements relating to terms and conditions, ComReg may give a direction to ensure compliance.

These measures will ensure that the universal service provider respects and uphold its obligations in relation to the terms and conditions of universal postal services in order to protect postal service users.

Tariff requirements for universal postal services

As required by the 2011 Act, the universal postal service provider in the provision of a universal postal service must comply with tariff requirements which include that prices should be affordable, cost-oriented, uniform, transparent, and non-discriminatory.

Where ComReg is of the opinion that the universal service provider is failing, or has failed, to comply with any of the tariff requirements, ComReg may give a direction to the universal service provider to ensure compliance with the requirement.

This measure will ensure that the universal service provider respects and upholds its obligations in relation to the pricing of universal postal services in order to protect postal service users.

05: Promoting the interests of postal service users

Quality of service standards for single piece mail as the universal postal service

There is currently a quality of service standard in place for the delivery of single piece mail as part of the universal postal service. This standard is necessary to ensure that postal service users get the appropriate first class service they are paying for. ComReg regularly monitors compliance by the universal postal service provider with the quality of service standards.

Where ComReg is of the opinion that the universal postal service provider has not met the quality of service standards it may give a direction to the universal postal service provider to take corrective action.

This measure will ensure that the universal service provider respects and upholds its obligations in relation to the quality of service in order to protect postal service users.

Code of practice to be drawn up and implemented by every postal service provider

As required by the 2011 Act, every postal service provider must draw up and implement a code of practice setting out procedures, standards, and policies with respect to the handling of complaints from postal service users, in particular, complaints relating to loss, theft, damage, or quality of service.

As these codes of practice are critical to protect postal service users, ComReg, under the 2011 Act, may direct postal service providers to make such alteration or additions to these codes of practice as ComReg considers appropriate.

This measure ensures that postal service providers respect and uphold their obligations to protect postal service users.

Dispute resolution

In order to protect postal service users, under the 2011 Act, ComReg may direct postal service providers to

comply with such measures that are required to resolve a dispute between a postal service provider and postal service user(s).

This measure, where appropriate, ensures redress for unresolved disputes.

Consult and co-operate with the National Consumer Agency

The National Consumer Agency is responsible for the enforcement of a wide range of consumer legislation. As set out by the Communication Regulation Acts 2002 to 2011, ComReg will ensure a high level of protection for postal service users in their dealings with postal service providers by consulting and cooperating with the National Consumer Agency as appropriate.

Actions arising from Priority 5.3

Protect postal service users by ensuring postal service providers respect and uphold their obligations

ACTIONS:

- 5.3.1 Ensure the universal postal service provider respects and upholds its terms and conditions for its universal postal services.
- 5.3.2 Ensure that the universal postal service provider respects and upholds the tariff requirements for its universal postal services.
- 5.3.3 Ensure that the universal postal service provider respects and upholds the quality of service requirements for its universal postal services.
- 5.3.4 Ensure postal service providers respect and uphold their Codes of Practice.
- 5.3.5 Use dispute resolution procedures as means to ensure redress for postal service users.
- 5.3.6 Consult and co-operate with the National Consumer Agency as appropriate.



06: Promoting the development of the postal sector by facilitating competition and innovation

High Level Goal #3:

To provide regulatory certainty that facilitates competition and innovation in the postal sector

A competitive and sustainable market is key to providing postal service users with the best available products and services at the best prices, and affording all postal service providers with opportunities to maintain and grow their businesses in this liberalised marketplace. In order to achieve this objective, ComReg must continually reassess its regulatory approaches to evaluate the impact they are having on postal service providers as well as the benefit to postal service users.

ComReg has a statutory objective to promote the development of the postal sector and to facilitate the development of competition and innovation in the market of postal service provision. In achieving this objective, ComReg will ensure that postal service users derive maximum benefit in terms of choice, price, and quality.

6.1: Priority: Provide regulatory certainty to postal service providers

In the context of a changing market for postal services, ComReg sees much benefit in providing regulatory certainty to postal service providers. In this context, ComReg has set its regulatory framework in ComReg Document 12/81 (D08/12). Furthermore, in that document, ComReg has indicated its next steps to further implement the framework.

Postal Regulatory Framework

ComReg has set out its Postal Regulatory Framework in order to provide regulatory certainty to postal service providers. In particular, the Postal Regulatory Framework provided regulatory certainty in relation to:

- ComReg’s understanding of the definition of “postal services” in the 2011 Act and, in particular, ComReg’s understanding that “Document Exchange”, “Express and Courier Services”, and unaddressed advertising material lack certain constituent features by which to be deemed “postal services”.
- How and in what form a postal service provider should make a notification to ComReg in relation to its intention to provide postal services. The communication of this was supported by emails, letters, and the placing of notices in national newspapers and *Iris Oifigiúil*.
- Providing detail on the obligations and rights of postal service providers as set out in the 2011 Act.
- ComReg’s guidelines on postal services within the scope of universal postal service.
- Regulations specifying the universal postal service.
- Direction specifying the publication requirements for the terms and conditions for universal postal service.

Postal Levy

In accordance with the 2011 Act, the cost of regulating the postal sector is to be borne solely by postal service providers offering services within the scope of universal postal service. Arising from same, ComReg will review its Postal Levy Order in accordance with the 2011 Act. ComReg will consult on this matter with all interested parties.

Next Steps

In ComReg Decision D08/12 (12/81) on the Postal Regulatory Framework, ComReg set out its proposed next steps. These included:

- Following ComReg’s Regulations specifying the universal postal service, consultation on ComReg’s approval or otherwise of An Post’s proposed terms and conditions for its universal postal services.
- ComReg will consult on whether the conditions exist where ComReg must impose a price cap on An Post’s services within the scope of universal postal service and if so, what efficiency factor should be used and how should these services be grouped into “baskets”.
- ComReg will consult on the form in which An Post should submit any request for funding of the universal postal service where this is a net cost.
- ComReg will review the codes of practice that postal service providers must publish and will consult on the dispute resolution procedures to be carried out by ComReg or an independent person appointed by ComReg.

In Chapter 8, ComReg sets out the indicative time frame to achieve the actions of this Postal Strategy Statement.

06: Promoting the development of the postal sector by facilitating competition and innovation

Actions arising from Priority 6.1

Provide regulatory certainty to postal service providers

ACTIONS:

- 6.1.1 Set Regulatory Framework which includes:
- How postal service providers should notify ComReg of their intention to provide postal services
 - Detail on the obligations and rights of postal service providers as set out in the 2011 Act
 - ComReg's guidelines on postal services within the scope of universal postal service
 - Regulations specifying the universal postal service
 - Direction specifying the publication requirements for the terms and conditions for universal postal service.
- 6.1.2 Consult on and introduce a revised postal levy arising from the requirements of the 2011 Act.
- 6.1.3 Set timeframe for next steps to continue implementation of the 2011 Act.

ComReg, as the independent regulator, can facilitate this by:

- ensuring that that the universal postal service provider cannot cross-subsidise from regulated markets into non-regulated markets. ComReg has imposed an Accounting Direction on An Post to minimise this risk and ComReg will ensure that An Post is in compliance with that Direction.
- liaising and providing assistance to The Competition Authority where competition law issues arise as ComReg, unlike for the other sectors that it regulates, does not have competition law powers in the postal sector.
- setting appropriate notification and authorisation requirements. These requirements minimise the regulatory burden associated with being authorised while also protecting the interests of postal service users insofar as possible by ensuring appropriate safeguards are in place. These have already been set by D08/12 (12/81).
- setting dispute resolution procedures to resolve, where appropriate, disputes between postal service providers and the universal postal service provider in relation to access to the postal network of the universal postal service provider. This is currently under consultation in Consultation 12/82.

6.2: Priority: Facilitate authorised postal service providers to enter / compete in the provision of postal services

To develop a competitive and sustainable market, it is important that postal service providers can compete on a fair basis against the universal service provider to ensure that postal service users derive maximum benefits in terms of choice, price, and quality.

Actions arising from Priority 6.2

Facilitate authorised postal service providers to enter / compete in the provision of postal services

ACTIONS:

- 6.2.1 Ensure An Post is compliant with its Accounting Direction.
- 6.2.2 Liaise and provide assistance to the Competition Authority where competition law matters arise in the postal sector.
- 6.2.3 Set appropriate notification and authorisation requirement on postal service providers.
- 6.2.4 Set dispute resolution procedures between postal service providers and the universal postal service provider in relation to access to the postal network of the universal postal service provider.

6.3: Priority: Provide information about the provision of postal services in Ireland

To promote the development of the postal sector, ComReg provides and will continue to provide information regarding the provision of postal services in Ireland.

ComReg will, in accordance with the 2011 Act, maintain a register of authorised postal service providers. This register will be accessible on ComReg's website. The register will contain relevant and appropriate information from each postal service provider's notification to ComReg. For example, the register will contain the list of postal services that each postal service provider offers and, in particular, it will detail those postal services within the scope of the universal postal service. This information will help ensure that postal service users are informed of the choices available to them from a range of postal service providers which, in turn, should help promote the development of the postal sector.

Also, to promote the development of the postal sector, ComReg plans, subject to resources being available, to undertake residential and business surveys relating to the Irish postal market. Based on a surveyed nationally representative sample, it is envisaged that these surveys may offer some insights into:

- mail delivered
- mail sent
- awareness / usage of postal service providers
- attitude to postal service
- postal complaints
- internet usage and its effect on postal services
- future requirements from postal service

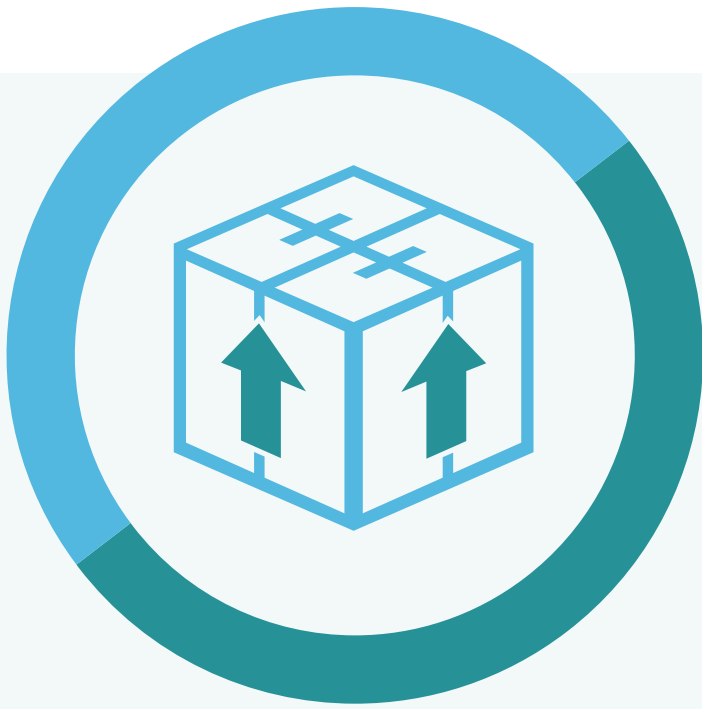
Furthermore, to promote the development of the postal sector, where there is a requirement for the information, ComReg plans, subject to resources being available, to publish ad-hoc reports on the postal sector.

Actions arising from Priority 6.3

Provide information about the provision of postal services in Ireland

ACTIONS:

- 6.3.1 Publish register of authorised postal service providers and services offered.
- 6.3.2 Undertake and publish business and residential surveys that provide relevant market data (subject to resource availability).
- 6.3.3 Undertake and publish ad-hoc reports that provide relevant market data (subject to resource availability).



07: Striving for Organisational Excellence

High Level Goal #4:

To be a highly effective and innovative organisation which is a centre of excellence, that supports and enables its people to achieve the organisation's objectives

The following reflects the High Level Goal #4 and resultant actions that has been set for the electronic communications sector as per ComReg's Strategy Statement, 12/69³⁸. In relation to setting high level goals and actions for the organisation, ComReg sees these being generally the same whether it concerns regulation of the electronic communications sector or the postal services sector. Therefore, this chapter, for the most part, reflects Chapter 7 of ComReg's strategy statement for the electronic communications sector.

As an independent statutory body operating in a challenging economic environment, ComReg must continue to add public value and discharge its functions and objectives effectively with an expanded mandate, while working within resource constraints. At the same time we must maintain a working environment that continues to foster a culture and practice of excellence and high performance.

To build our expertise and value, ComReg will focus on a number of areas as set out below.

7.1: Priority: Be an effective, independent and innovative organisation with the appropriate systems, structures and skills

We will continue to increase our capacity to be alert, agile, independent and fully compliant with appropriate governance standards. We will pursue continuous process improvement so that we are responsive to changes in our environment in line with international best practice.

Our people are professional knowledge-workers and experienced subject matter specialists, working in multi-disciplinary teams. In order to ensure that we deliver public value, ComReg will continue to build a high performing work environment that facilitates a culture of teamwork, flexibility, and innovation, supported by ongoing investment in training and continuous learning. In relation to the professional development of our people, we regularly seek external validation of our HR policies and systems against best practice elsewhere. In this regard, ComReg has been recognised externally by Continuing Professional Development (CPD) awards from a number of bodies, including the Association of Chartered Certified Accountants, Certified Public Accountants Ireland, Engineers Ireland, the Irish Institute of Training & Development, the Chartered Institute of Personnel & Development and through accreditation in the Excellence through People Gold Standard award.

It is ComReg's objective to ensure compliance with best practice in Corporate Governance. Accordingly, we adhere to the Code of Practice for the Governance of State Bodies. ComReg has implemented Government policy in relation to prompt payments and procurement and we will continue to supplement our corporate governance and accountability framework.

ComReg requires a professional, efficient and user-friendly medium through which it can engage with all of its stakeholders. Existing and planned e-services will help us to further reduce the regulatory burden and to be

a more accessible and efficient organisation.

Our focus on enhancing individual and organisational performance will continue, along with the identification of ways to work smarter and minimise the cost of regulation, both internally and in our dealings with industry and other stakeholders.

Actions arising from Priority 7.1

Be an effective, independent and innovative organisation with the appropriate systems, structures and skills

ACTIONS:

- 7.1.1 Focus on employee engagement and ensure that we develop skills appropriately and deploy them effectively, supporting the contribution of all of our people in achieving their professional objectives.
- 7.1.2 Comply with corporate governance obligations including, as appropriate, the Code of Practice for Governance of State Bodies.
- 7.1.3 Continue system and process improvement initiatives including ongoing investment in IT as a valuable business enabler and communications tool.
- 7.1.4 Drive policies and initiatives which complement, for example, e-services and simplify doing business with ComReg.

7.2: Priority: Continue to be a centre of excellence providing effective & relevant regulation

ComReg is committed to being innovative, efficient, and effective. We create a work environment that fosters a culture and practice of excellence and high performance. Our people receive continuous professional development and are recognised for their contribution to organisational and industry development.

07: Striving for Organisational Excellence

Our approach to our work is guided by the 'Better Regulation' principles of, necessity, effectiveness, proportionality, transparency, accountability, and consistency, underpinned by strong governance systems. We believe in evidence based regulation and a consultative approach with our stakeholders. By ensuring that interested parties can express their views about a particular proposal, the decision-making process becomes better informed, more rigorous, and more accountable.

ComReg is aware that there may be a wide range of stakeholders on any particular issue, not just those with a direct financial or other interest. Prior to a formal public consultation, preliminary discussions with affected parties or representative groups or associations may take place in an open and transparent manner. Such discussions are not a substitute for public consultation but they may be used by us to inform the formal consultation process or to explain complex issues or proposals to our stakeholders. Where there are a wide range of complex issues and proposals, we may also supplement a public consultation with open workshops.

Normally, the period of time allowed for interested parties to respond to a consultation will be 4 weeks. This may vary in certain cases due to statutory timing requirements, the urgency and complexity of the issues addressed, the stakeholders who might be most likely to respond, other documents or research that may need to be considered and the likely resource mobilisation required.

ComReg is also aware of the regulatory burden associated with engaging in a consultation process, particularly for smaller industry players who do not have the resources or capacity to engage fully. We would encourage stakeholders to contact us if further clarity or time is required and we will endeavour to accommodate any such requests where possible. This issue has been raised by stakeholders in the past. In relation to comments received we have sought to improve the process by publishing the dates of forthcoming consultations in advance on our website to allow stakeholders to plan accordingly.

ComReg's public consultation procedures are available on our website (ComReg 11/34³⁹). In particular it is ComReg's policy to publish all responses to consultation in order to make them available for inspection. Consequently, all responses to consultations should be provided as non-confidential documents, with any information for which confidentiality is claimed (e.g. commercially sensitive information) supplied in a separate annex (ComReg 05/24⁴⁰).

Regulatory Impact Assessment (RIA) is another important part of ComReg's decision-making process. The purpose of RIA is to establish whether regulation is actually necessary and to consider any alternatives. RIA is intended to determine the impact of any new regulatory measure or process, or any proposed changes to (including the withdrawal of) an existing measure or process, on all stakeholders, including consumers. It makes the regulatory process more transparent. By consulting with industry and consumers it ensures that the interests of all stakeholders are considered and the most effective approach to regulation is adopted. Where regulation is necessary, the most effective and least burdensome regulatory option will be chosen. We will also ensure that regulation is proportionate and relevant, by conducting RIAs where appropriate and necessary to ensure that the most effective and least burdensome regulatory option will be chosen.

ComReg has previously issued Guidelines⁴¹ setting out the approach which we will adopt when conducting RIA. We will consider if there is a need to carry out a review of these Guidelines during the timeframe of this Strategy Statement to ensure that they remain appropriate.

Our processes and systems are adapted on an on-going basis to ensure that we continue to deliver on our objectives and provide an effective service.

39 http://www.comreg.ie/_fileupload/publications/ComReg_1134.pdf

40 http://www.comreg.ie/_fileupload/publications/ComReg0524.pdf

41 http://www.comreg.ie/_fileupload/publications/ComReg0756a.pdf

Carrying out market research

ComReg recognises the importance of primary research that focuses on the long-term evolution of the postal sector which informs ComReg and our stakeholders. Where appropriate, ComReg will seek to provide support for such initiatives.

Actions arising from Priority 7.2

Continue to be a centre of excellence providing effective & relevant regulation

ACTIONS:

- 7.2.1 Ensure effective, evidence-based and transparent regulation by conducting Regulatory Impact Assessments (RIAs) as appropriate, engaging with stakeholders on an equal and non-discriminatory basis and consulting on policy decisions, where necessary.
- 7.2.2 Consider further use of complementary stakeholder engagement methods (e.g. workshops, briefings etc) where appropriate.
- 7.2.3 Continue to consider relevant factors when setting the time allocated to interested parties to respond to ComReg consultations on a case-by-case basis (e.g. longer periods for complex issues) in accordance with our Consultation Procedures (ComReg 11/34).
- 7.2.4 Gather reliable and relevant data from Industry and conduct research that focuses on the long-term evolution of the sector and that also informs ComReg and our stakeholders.
- 7.2.5 Utilise resources to achieve economies and efficiencies while continuing to deliver high quality outputs.
- 7.2.6 Provide continuous professional development to enable our people to fulfil their goals.

7.3: Priority: Engage with other regulatory agencies and key stakeholders, nationally and internationally, to enable ComReg to achieve its goals

Appropriate engagement with our stakeholders is central to effective regulation and to supporting the economy. We will engage with other regulatory agencies and key stakeholders, nationally and internationally, to promote the continued development of the postal sector. In particular, we will continue to participate in fora to inform and influence the development and implementation of national and international regulatory policies (e.g. through ERGP, CERP, European Commission Postal Directive Committee among others).

ComReg has always operated within a framework of transparency and accountability, and hence, already meets much of what is envisaged in the Government Statement on Economic Regulation. Since 2010, we have published our Annual Output Statement. This allows for a more structured dialogue between regulators and policymakers on plans and outcomes, while at the same time ensuring that the independence of regulators in their decision-making and operational management continues to be fully respected.

Actions arising from Priority 7.3

Engage with other regulatory agencies and key stakeholders, nationally and internationally, to enable ComReg to achieve its goals

ACTIONS:

- 7.3.1 Optimise ComReg's stakeholder relationships for the benefit of consumers.
- 7.3.2 Actively participate in fora to inform and influence the development and implementation of national and international regulatory policies.
- 7.3.3 In compliance with the Government Statement on Economic Regulation continue to publish an Annual Output Statement.
- 7.3.4 Ensure transparent planning through the publication of a work plan on an annual basis derived from the Strategy Statement.
- 7.3.5 Continue to represent Ireland's position and to influence European legal and regulatory developments.

7.4: Priority: Ensure that ComReg's regulatory decisions are based on reliable market data and its performance is benchmarked against international standards

Ensuring that the decisions we make are effective, impartial, and transparent is central to our core values. We use benchmarking data in many ways: to measure our effectiveness and impact as a regulator, to identify areas on which we must place additional focus, to recognise potential obstacles to the healthy development of the postal sector and to ensure evidence based thinking and decision making.

Understanding the performance of the Irish postal sector against other European postal sectors is important, which means that benchmark data and evidence is a support to our decision-making process.

We will continue to support international efforts by ERGP, CERP, and the European Commission to provide a fair, objective, and robust means of internationally benchmarking our postal sector and our regulatory performance.

Unfettered and timely access to accurate and reliable information and data is vital to support our decisions. To this end, we will collect a wide range of data from postal service providers, using our statutory powers for this purpose whenever appropriate, and supplement this with targeted consumer research such as surveys. We depend upon the close cooperation of postal service providers in response to our data directions and requests for information. As an economic regulator we also draw on economic research, be it research commissioned by ComReg or third parties.

We will continue to ensure that our regulatory deliberations and decisions are based on robust and accurate evidence derived through the analysis of a wide range of data and research, as well as consultation with key stakeholders.

Actions arising from Priority 7.4

Ensure that ComReg's regulatory decisions are based on reliable market data and its performance is benchmarked against international standards

ACTIONS:

- 7.4.1 Benchmark ComReg, where possible, against international standards to measure performance, identify gaps and pursue best practice.
- 7.4.2 Ensure our data collection, analysis, and internal decision-making processes result in effective, robust and transparent decisions.
- 7.4.3 Ensure that our decisions are robust and informed by progressive thinking by commissioning relevant economic research analysis where appropriate.



08: Indicative timing of actions

As set out in the course of this Postal Strategy Statement, there are a number of actions that ComReg plans to complete over the next two years. For the most part, these actions arise from the introduction of the 2011 Act.

Given the appreciable workload, it is not possible however to introduce these wholesale changes to the regulatory structure simultaneously. Accordingly, ComReg has set out below an indicative timeframe to undertake the actions of this Postal Strategy Statement. Necessarily this can only be an indicative timeframe, which may need to be varied, to reflect for example, resource constraints, market developments, or shifts in organisational priorities. Subject to these caveats, we intend to adhere reasonably closely to the indicative timeframe.

8.1: Indicative timeframe to undertake actions

The following sets out ComReg's indicative timeframe for the actions identified in this Postal Strategy Statement. The table on the next page does not include the Organisational Excellence actions as they are actions applicable to ComReg as an organisation and are not specific to the postal sector and its stakeholders.

The first action, setting the Postal Regulatory Framework, is already complete. This Regulatory Framework was required in order to enable the completion of the following actions as it laid the foundation as to the understanding of what is a postal service, guidelines on postal services within the scope of universal service, and the specification of universal postal services.

| Timeframe reference | Action Reference | Action | Planned Completion ⁴² |
|---------------------|----------------------------------|---|--|
| 1. | 6.1.1 4.3.1 6.2.3 6.3.1 | Set Regulatory Framework | Completed 26 July 2012. See 12/81 (D08/12). |
| 2. | 6.2.4 | Set dispute procedures for access by postal service provider to postal network of universal postal service provider | Completed 12 October 2012. See 12/11. |
| 3. | 4.1.1 5.1.1 5.2.1 5.3.1 | Approve or amend terms and conditions for universal postal service | Q4, 2012 |
| 4. | 4.1.2 5.3.2 | Monitor pricing of universal postal service for compliance | Ongoing |
| 5. | 4.1.3 6.2.1 | Monitor compliance of universal service provider with Accounting Direction | Ongoing |
| 6. | 4.1.4 5.3.3 | Monitor compliance of universal service provider with Quality of Service Direction | Ongoing |
| 7. | 4.1.5 4.1.6 | Monitor compliance of universal service provider with access to infrastructure, access points and points of contact | Ongoing |
| 8. | 5.3.6 6.2.2 | Co-operate with the National Consumer Agency and The Competition Authority | Ongoing |
| 9. | 5.1.2 5.2.2 5.3.4 | Review postal service provider's Codes of Practice | Q1, 2013 and ongoing |
| 10. | 5.1.3 5.2.3 5.3.5 | Set dispute resolution procedures for postal service users | Q1, 2013 and ongoing |
| 11. | 6.1.2 | Consult and set Postal Levy | Q1, 2013 |
| 12. | 4.2.2 4.3.2 | Methodology for net cost calculation | Q2, 2013 |
| 13. | 4.2.1 | Price cap on universal service provider for postal services within the scope of universal service | Q4, 2013 |
| 14. | 4.3.3 | Methodology for net cost sharing if unfair burden | Q4, 2013 |
| 15. | 6.3.2 | Business and residential surveys | Ongoing |
| 16. | 6.3.3 | Ad-hoc reports | Ongoing |

08: Indicative timing of actions

As can be seen, ComReg has a comprehensive work programme to achieve over the next two years. In particular, for certain actions above, it will require significant engagement with the universal postal service provider and interested parties generally.

Further high level detail on the required work is provided for certain of the action points below.

Timeframe reference 2: Set dispute procedures for access by postal service provider to postal network of universal postal service provider

In October 2012, ComReg established dispute procedures for access by postal service provider to the postal network of the universal postal service provider⁴³.

Timeframe reference 3: Approval or amendment of the universal postal service terms and conditions

Now that ComReg has specified⁴⁴ the universal postal services to be provided by An Post, as universal postal service provider, An Post is reviewing its terms and conditions to reflect the amended universal postal services. In approving or amending any terms and conditions for the universal postal services, ComReg will consider whether the terms and conditions meet the requirements of the 2011 Act. Following a public consultation, ComReg can give a direction to the universal postal service provider requiring it to modify its terms and conditions. ComReg plans to consult on An Post's proposed terms and conditions for its universal postal services in November 2012 (subject to timely receipt from An Post) with a final decision due late Quarter 4, 2012.

Timeframe reference 9: Review postal service provider's Codes of Practice

As a result of the 2011 Act, ComReg may give a direction to a postal service provider in relation to the following:

- a. the form and manner in which a code of practice should be published
- b. making of such alterations and additions to its code of practice as ComReg considers appropriate.

Consequently, ComReg will review each authorised postal service provider's code of practice and ComReg may direct alterations and additions if considered appropriate. ComReg previously provided guidelines⁴⁵ on complaints and dispute handling and these will form the basis for review where appropriate. ComReg plans to complete these reviews by Quarter 1, 2013.

Timeframe reference 10: Set dispute resolution procedures for postal service users

As a result of the 2011 Act, ComReg, or a person appointed by ComReg, may, in accordance with procedures established and maintained by ComReg, resolve disputes between postal service users and postal service providers which remain unresolved after due completion of all the procedures in the postal service provider's code of practice. Consequently, in order to establish dispute procedures to resolve any disputes between postal service users and postal service providers, ComReg will consult on draft procedures before finalising them. ComReg plans to consult on its draft procedures in late Quarter 4, 2012 and finalise by Quarter 1, 2013.

Timeframe reference 11: Consult on and set Postal Levy

As a result of the 2002 Act, for the purpose of meeting expenses properly incurred by ComReg in the discharge of its functions in relation to postal services, ComReg may make an order imposing a levy on providers of postal services. As a result of the 2011 Act, an authorisation to

42 In the table above, where ComReg refers to Quarters ("Q"), they refer to calendar quarters e.g. Q4 is October – December

43 ComReg Document No 12/111 dated 12 October 2012

44 SI 280 of 2012 dated 26 July 2012 which will come into operation on 1 November 2012

45 ComReg document 07/105 dated 17 December 2007

provide a postal service within the scope of the universal postal service is subject to payment of a levy to ComReg. In Quarter 1, 2013, ComReg plans to consult on a draft Postal Levy Order and having considered responses to the consultation issue the Postal Levy Order Regulation later in Quarter 1, 2013 so as to minimise any delay to meet the expenses incurred by ComReg in discharge of its functions in relation to postal services.

Timeframe reference 12: Methodology for net cost calculation

Arising from the 2011 Act, the universal service provider can submit a request for funding for the net costs of providing a universal postal service after the end of the first financial year following its designation as universal service provider. Consequently, from 1 January 2013, An Post can make a claim for funding of the net costs (if any) of providing a universal postal service for the financial period ending 31 December 2012. However, given that any such first claim for net cost must be audited, it is likely that any such claim for 2012 could not be made before June 2013 after An Post's 2012 financial and regulatory accounts have completed their external audit.

According to the 2011 Act, any such request for funding of the net costs must be made in such form and manner as ComReg determines and accompanied by any such information as may be reasonably required by ComReg.

Consequently, ComReg will first consult on and then, following consultation, determine the form and manner that any request must be made. ComReg will also consult to determine the methodology to be used to calculate the net costs including any intangible and market benefits. Furthermore, as required by the 2011 Act and the Postal Directive, the calculation for net costs must incentivise for cost efficiency.

Therefore, ComReg plans to consult in Quarter 1, 2013 on all these aspects and subject to the views of respondents and other relevant evidence to make a final determination in Quarter 2, 2013 on the methodology of any net cost submission.

Timeframe reference 13: Set price cap for postal services within the scope of the universal postal service provided by the universal postal service provider

Arising from the 2011 Act, the universal service provider is subject to regulation on its pricing as follows:

- The tariffs for each postal service or part of a postal service in the provision of a universal postal service must comply with the tariff requirements of the 2011 Act
- Subject to certain conditions, any postal service or group of such services within the scope of the universal postal service must comply with a price cap when a price cap is established.

In order to set a price cap, ComReg must be of the opinion that there is no effective competition in the market for the supply of the postal services concerned. Where ComReg has a preliminary opinion on the certain postal services that have no effective competition, it will consult to seek the views of interested parties on the preliminary opinion. ComReg envisages that this would form part of the wider consultation on the structure of the proposed price cap.

As a result of the 2011 Act, ComReg must, as soon as practicable, publish a price cap decision. The 2011 Act is prescriptive in this regard and states that the price cap must be of the form "change in CPI – X%", where "-X%" is the adjustment specified by ComReg to provide incentives for the efficient provision of the services concerned. According to the 2011 Act, the price cap must apply for a period for 5 years but ComReg can review the price cap after 3 years.

08: Indicative timing of actions

Consequently, to implement a price cap, will require significant amount of work, both within ComReg and the universal postal service provider, in order to establish:

- The postal services within the scope of universal postal service that will be subject to the price cap
- The grouping of such postal services within the scope of the universal postal service into “baskets”
- The “-X” efficiency adjustment to provide incentives for the efficient provision of the services concerned. This aspect will be resource intensive and will require a significant amount of detail on the universal postal service provider’s costs (e.g. staff costs) in order to ascertain the efficiency adjustment required. ComReg plans to engage expert consultants to investigate the scope of efficiencies with this task commencing later this year.

This project will involve a considerable amount of work before being in a position to consult on any proposed price cap. As a result, ComReg plans to commence the project this year but ComReg expects the consultation on any proposed price cap will be in Quarter 3, 2013 with a subsequent final decision, following consideration of responses to the consultation and other relevant evidence, in Quarter 4, 2013 (subject to limited further work being required after receiving the responses to consultation).

Timeframe reference 14: Methodology for net cost sharing if unfair burden

As a result of the 2011 Act, where ComReg makes a determination that the net cost of provision of a universal postal service represents an unfair burden on the universal postal service provider it will apportion the net cost among providers of postal services within the scope of the universal postal service. According to the 2011 Act, the assessment, apportionment, collection and distribution to the universal postal service provider of these contributions will be carried out in accordance with a mechanism provided for in regulations made by ComReg.

Consequently, ComReg will consult on the proposed regulations that set out the assessment, apportionment, collection, and distribution of the net costs if it represents an unfair burden.

ComReg envisages that such consultation will occur following ComReg’s decision being made on the methodology of the net cost calculation. Consequently, ComReg plans to issue the consultation in Quarter 3, 2013 with a final decision planned to be made in Quarter 4, 2013.

Conclusion on the indicative timeframe to undertake actions

As can be seen, arising from the 2011 Act, there is a significant amount of work required. This will involve consultation and engagement with interested parties. Therefore, to achieve the actions required it will require available resources and timely responses by ComReg, the universal postal service provider, and other interested parties.



09: Conclusion

In this Postal Strategy Statement ComReg has set out its strategic priorities for the period 2012-2014. This Postal Strategy Statement comes at a time of significant change in the postal sector. For ComReg, achieving the appropriate level of regulation to ensure the sustainable provision of a universal postal service, while providing all postal service users with the choice, quality, and innovation offered by a liberalised market will be a challenging task. Doing so during the current period of national economic stress and with the necessarily limited resources available to us will also be a challenge. In such an environment ComReg considers that the need for good communications with stakeholders is paramount. Consequently, ComReg looks forward to working with all its postal stakeholders to implement this strategy.

Annex 01:

Acronyms &

Abbreviations

1. C&AG – Comptroller and Auditor General
2. CERP – European Committee for Postal Regulation
3. CEPT – Conference of European Postal and Telecommunications Administrations
4. CPD – Continuous Professional Development
5. CPI – Consumer Price Index
6. CSO – Central Statistics Office
7. DCENR – Department of Communications, Energy and Natural Resources
8. EC – European Commission
9. ERGP – European Regulators Group for Postal Services
10. ESRI – Economic and Social Research Institute
11. EU – European Union
12. GDP/GNP – Gross Domestic Product / Gross National Product
13. IMF – International Monetary Fund
14. NCA – National Consumer Agency
15. NRA – National Regulatory Authority
16. RIA – Regulatory Impact Assessment
17. SME – Small and medium enterprise



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