



An Coimisiún um
Rialáil Cumarsáide
Commission for
Communications Regulation

Postal Strategy Statement 2022 - 2024

Submission to Consultation

Submission to Consultation

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An Coimisiún um Rialáil Cumarsáide
Commission for Communications Regulation

1 Lárcheantar na nDugaí, Sráid na nGildeanna, BÁC 1, Éire, D01 E4X0.
One Dockland Central, Guild Street, Dublin 1, Ireland, D01 E4X0.
Teil | Tel +353 1 804 9600 Suíomh | Web www.comreg.ie

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ComReg Consultation on Proposed Postal Strategy Statement 2022-2024
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Introduction

ComReg published its proposed Postal Strategy Statement 2022-2024 (the "Proposed Strategy") on 11 October 2021. An Post welcomes ComReg's vision for postal regulation over the coming years.

An Post responded to ComReg's initial "Call for Inputs" on its postal strategy for 2022-2024 on 20 August 2021. The content of An Post's submission to the Call for Inputs remains relevant for consideration and is appended below.

As the postal landscape shifts considerably in an increasingly digital era, it is essential to protect the sustainability of the universal service for generations to come while continuing to promote the interests of postal service users.

Further to its response to the Call for Inputs, An Post wishes to provide a number of supplementary comments with specific regard to the content of the Proposed Strategy:

1. Review of the Postal Services Directive

As mentioned in the Proposed Strategy, the European Commission is currently assessing the Postal Services Directive which underpins the EU postal regulatory framework.

On 8 November 2021, the European Commission adopted the report on the application of the Postal Services Directive. The timing is close to the deadline for response to this consultation (within a day) and further review and consideration will be required; however, An Post notes that the European Commission has highlighted the value of maintaining a high quality and reliable universal service, albeit with potentially greater flexibility at the national level than before.

An Post assumes ComReg's final strategy statement will be reflective of the objective of the Commission in terms of the development of postal regulation over the coming years.

In particular, it is notable that the European Commission highlights the cost of postal regulation in Ireland. In particular, it represents 0.4% of turnover of universal services, relative to just 0.1% for Royal Mail. It is also three times the *per capita* cost of the equivalent UK cost.¹ An Post therefore urges ComReg to consider how this cost can be reduced while maintaining a universal postal service.

2. Public Consultation on the Universal Service

¹ COMMISSION STAFF WORKING DOCUMENT EVALUATION (8.11.2021) of Directive 97/67/EC on common rules for the development of the internal market of Community postal services and the improvement of quality of service amended by Directives 2002/39/EC and 2008/6/EC, at p. 105.

It appears from the Proposed Strategy² that ComReg plans to commence a public consultation process on the possible addition of new services to the universal postal service. This would be in addition to the required next day delivery of letters.

An Post agrees that this consultation should consider what other changes to the universal postal service are required to meet the reasonable needs of postal service users³. Any change to the USO service should reflect evolving postal user needs and the changing technical, economic and social environment in order to secure the long-term sustainability of the USO. On this basis, the prohibition on “value added features” under Statutory Instrument 280/2012 should be removed in order to enable modern user needs to be more easily met by allowing e.g. tracking and delivery notification features to be added to a next day USO product.

Finally, it should be noted that the design of the postal network, while always reflective of overall universal service obligations, is fundamentally an operational matter for An Post.

3. USP Designation

As stated above, in its report on the application of the Postal Services Directive (on 8 November 2021) the Commission has noted that maintaining some form of universal postal service for all EU citizens is justified, although with an appropriate level of flexibility for Member States to design postal policies at national level.

With reference to ComReg’s consideration⁴ of the universal postal service provider designation ahead of the expiry of An Post’s designation at end-August 2023, An Post urges ComReg to consider the State’s obligations to fulfil mandatory UPU obligations to deliver a universal postal service into the future. An Post is best placed to provide this.

In particular, and as noted by the European Commission findings, for universal service providers, the administrative costs of measuring quality (transit time for postal items) is substantial and should be reduced as far as possible.

4. Sustainability

ComReg acknowledges that postal operators are already responding to the challenge of climate change⁵.

While An Post accepts that ComReg has a limited regulatory remit with respect to environmental sustainability and labour considerations in the parcels market⁶, An Post urges ComReg to use its position at ERGP to further the objectives outlined in An Post’s submission to the Call for Inputs (below) and to recognise the unique contribution pursued by An Post in this regard

An Post further welcomes ComReg’s commitment to recent domestic legislation on climate action.

5. Customs

ComReg acknowledges the operational challenges caused to delivery operators by Brexit and the new customs rules⁷. An Post urges ComReg to give closer consideration to the unique position of the universal service provider, An Post, in this regard. ComReg should support the simplification of the customs framework for USO services which would enhance the postal user experience,

² Chapter 5.17 of the Proposed Strategy

³ Chapter 5.19 of the Proposed Strategy

⁴ Chapter 5.22 of the Proposed Strategy

⁵ Chapters 3.32 and 3.39 of the Proposed Strategy

⁶ Chapter 7 of the Proposed Strategy

⁷ Chapter 3.22 of the Proposed Strategy

reduce An Post's costs and contribute to the continuity of the mandatory inbound international universal postal service in Ireland.

6. Trends

Due to the exceptional nature of the recent and ongoing pandemic, care must be taken in drawing conclusions from apparent 2019-2021 trends.

For example, COVID-19 is likely to have produced once-off or anomalous results which may not continue in the longer term.

Further, the apparent rise in USO letters from 2018-2019 owing to a reclassification of the bulk product as USO is not necessarily evidence of a slowdown in structural decline. In fact, non-bulk USO fell in the period 2018-2019. Any figures relating to USO and non-USO bulk products should be considered in this context.

While the growth of e-commerce has led to a significant increase in parcel delivery services, the European Commission has noted that, with few exceptions, the market share of universal service providers in the parcel segment remains relatively small and there is vibrant competition in the parcel and express sector.

While An Post, as universal service provider, always seeks ways to improve customer-oriented solutions and diversify, the fixed cost of the required structure remains high.

7. UPU Rates and Terminal Dues

As mentioned on previous occasions, An Post would welcome support from ComReg in addressing the losses incurred in delivering international inbound letters and large envelopes. While ComReg continues to emphasise the need for effective multilateral arrangements, it is important to note that An Post is legally bound by UPU rates. The rates paid to An Post for delivering this mail are approximately 20% less than the comparable rates paid by postal operators which are within the EU. International inbound packet exchanges are either settled at self-declared rates or are already subject to competitive pressures.

While all postal operators in the EU are bound by the postal directive, the impact on each operator differs according to, for example, market share of the universal service provider, whether it owns or operates as a non-USO competitor in other Member States and on the symmetry of traffic. The needs of a relatively smaller postal operator which is a net recipient of international mail differ to those of a larger postal operator with non-USO subsidiaries or which is a net sender of post. Accordingly, the fact that An Post is bound by multilateral agreements within the EU, and UPU outside of the EU, limits the ability to achieve rates which cover fully allocated costs.

8. The Accounting Direction

An Post notes that ComReg intends to consider whether an updated Accounting Direction is required⁸.

In this regard, An Post highlights the need to reduce (and not increase) regulatory costs as well as the active and vibrant competition already present in the parcel and express market, in each case, as noted by the European Commission.

An Post expects any revised direction to ensure a proportionate regulatory burden with regard to ComReg's analysis in the context of a declining letters market and gradual changes in the parcels market.

9. USO Net Cost Funding

⁸ Chapter 5.35 of the Proposed Strategy

ComReg notes that An Post has not made any claim with regard to the net cost of universal postal service provision⁹. However, the mechanism for this purpose relies on apportioning the net cost among providers of postal services within the scope of the universal postal service and that such providers make a contribution. In this jurisdiction, express service providers are carved out of the scope of the universal postal service and, as such, An Post is the main provider affected.

Provision for direct public funding as contemplated by the Postal Directive to mitigate the financial burden of the USO is therefore not currently available.

10. Vulnerable and Digitally Disadvantaged

As the postal sector becomes increasingly digitised and overall consumer preferences shift, it is crucial to protect vulnerable and digitally disadvantaged consumers who continue to rely on traditional postal services.

Despite ComReg's stated strategic intent to "promote the interests of postal users" and to address "the postal needs of specific social groups"¹⁰, along with submissions from various representative groups including An Post, the Proposed Strategy does not appear to engage with An Post's recommendation in relation to vulnerable and digitally disadvantaged postal users in any comprehensive or meaningful way.

ComReg should ensure that the regulatory framework incentivises and rewards An Post's efforts in protecting vulnerable and digitally disadvantaged consumers, for example, where value-added services for such consumers are no longer financially viable, there may be merit in public funding to finance these services.

⁹ Chapter 5.4 of the Proposed Strategy

¹⁰ Chapter 6 of the Proposed Strategy

Appendix

An Post Submission to ComReg's Call for Inputs - Postal Regulation Strategy- Document 21/67

Executive Summary

An Post welcomes the opportunity to respond to the Commission for Communication Regulation ("ComReg") Document 21/67 Call for Inputs - Postal Regulation Strategy ("Call for Inputs").

In summary, the future regulatory framework for the postal sector should:

- 1) Broaden and secure the future long-term sustainability of the Universal Service Obligation ("USO");
- 2) Ensure customers' needs and preferences are at the core of the postal regulatory framework;
- 3) Protect vulnerable customers, in particular those reliant on USO services;
- 4) Require improved environmental performance from all postal/delivery operators;
- 5) Aim to reduce disproportionate regulatory costs in a declining letter market; and
- 6) Engage in the development of EU legislation for the digital market and associated services to protect customer needs.

An Post's Key Recommendations for ComReg's Postal Regulatory Strategy for Ireland

Recommendation 1: ComReg should move to include features for the next day USO service which reflect evolving postal user needs and the changing technical, economic and social environment and in parallel introduce an environmentally-friendly USO service which delivers at lower frequency.

Recommendation 2: ComReg should modify the prohibition on "value added features" under Statutory Instrument 280/2012 to enable user needs to be more easily met by allowing e.g. tracking and delivery notification features to be added to a next day USO product.

Recommendation 3: ComReg should modify the USO's regulatory framework in order to incentivise and reward efforts to protect vulnerable and digitally disadvantaged consumers.

Recommendation 4: ComReg should modify the general authorisation framework to ensure that all postal/delivery operators are required to improve their environmental performance, for example through the introduction of environmental performance targets for all postal/delivery operators operating in Ireland.

Recommendation 5: ComReg should commit to reducing disproportionate regulatory costs in a declining letter market.

Recommendation 6: ComReg should continue to advocate for the needs of postal users in the development of EU legislation in terms of the impact of online platforms.

Recommendation 7: ComReg should ensure that the future postal regulatory framework supports the right to a decent job with good terms and conditions, in line with the UN Sustainable Development Goal of Decent Work and Economic Growth. An Post will continue to fight against the excesses of the gig economy, and in contrast promote the dignity and respect of the postal profession, both for the sake of employees and customers.

Background

The postal landscape is transforming and postal stakeholders must keep pace with changing consumer needs in order to guard the sustainability of the USO. As a matter of strategic importance, postal regulation must put customers' needs front and centre.

The COVID-19 pandemic has confirmed key trends previously evident in the postal sector, including strong growth in packets and parcels volumes driven by the growth of e-commerce and e-substitution. As a result, all USO providers, including An Post, are increasingly reliant on revenues earned from the highly competitive packets and parcels delivery as traditional sources of revenue from letter delivery are substituted.

Despite the increased demand for packet and parcel delivery services throughout the pandemic, An Post ensured that its networks remained fully open, connecting citizens and communities and highlighting the key role of postal operators in supporting our economy and society.

The pandemic also highlighted the important role postal operators play in support of both the economy and society. During the pandemic, An Post played a key role in keeping local communities connected as well as supporting the economy by ensuring that vital goods were delivered across Ireland. Despite the significant increase in demand for packets and parcels delivery services during this time, An Post maintained a high quality of service, demonstrating the resilience of An Post's postal network.

Key Submissions

Five central themes emerge from ComReg's Call for Inputs which should form a focus for the future postal strategy:

1. Sustainability of the USO and consumer needs must be central to future postal regulation

In order to secure the long-term sustainability of the USO, the Irish postal regulatory framework must respond to changing consumer needs by broadening the scope of the USO to include both next day delivery with enhanced service features preferred by consumers such as text notification and tracking and an environmentally-friendly service which delivers at lower frequency and cost.

Many customers use postal services that have a lower cost, are more environmentally friendly with a lower frequency delivery, which is why 20 out of 27 EU Member States now have a less frequent than next-day service.¹¹

A similar USO strategy for Ireland would be welcome, to secure the long term sustainability of the USO, while delivering cost savings and environmental benefits through the introduction a lower frequency service, in addition to maintaining a next day service for customers who want or need it.

This will allow ComReg to fulfil its objectives under the Communications Regulation Act 2002 to promote the development of the postal sector and, in particular, the availability of a universal postal service within, to and from the State for the benefit of all postal service users and to promote the interests of postal service users.

In order to meet the needs of the modern consumer, ComReg should modify the prohibition on "value added features" under Statutory Instrument 280/2012 to enable user needs to be more easily met and consider new definitions of service features, which reflect the changing social and technical environment and the evolving postal user needs, e.g. by allowing tracking and delivery notification features to be added to a next day USO product.

This prohibition reflects the early days of postal regulation when a reserved area was differentiated and defined by reference to price and additional service features. As user needs and perceptions have changed and consumers are prepared to pay for enhanced service features such as receiving a text and/or tracking

¹¹ European Parliament report "[Postal Services in the EU](#)", at p. 17.

information as standard, the existing domestic service risks falling behind the norms and expectations of international services.

Affording An Post the flexibility to innovate in response to changing customer preferences will ensure their specific needs are met and help to secure the long-term financial sustainability of the USO.

2. Greater focus is needed to protect vulnerable and digitally disadvantaged consumers

An Post is committed to protecting vulnerable and digitally disadvantaged consumers through the provision of omnichannel services. By this we mean that customers can interact and do business with An Post at their choice of time, place and medium. Throughout the pandemic, An Post has put the needs of these customers at the core of its consumer-oriented response through the provision of free delivery to care homes, free newspaper delivery to the elderly and check-ins on elderly citizens. In addition, An Post has provided delivery discounts for SMEs during the pandemic.

As the postal sector continues to develop and consumer preferences continue to change, it will be important to protect vulnerable and digitally disadvantaged consumers who will continue to rely on more traditional mail services.

There is a role for ComReg to ensure that the regulatory framework incentivises and rewards An Post's efforts in protecting these consumers. Where value-added services for such consumers are no longer financially viable, there may also be merit in public funding to finance these services.

3. Environmental sustainability is a critical issue for the postal sector

An Post is expressly committed to environmental sustainability, including delivering on the five UN Sustainable Development Goals which are core to the postal industry, as underscored by the EU Green Deal. Corporate environmental and social responsibility is recognised by An Post (and indeed by Government) as a key priority.

For 'sustainability' read 'quality of life'; where you see 'carbon footprint' think 'a healthy island'; and for 'climate action' believe in the joy of future generations. That is how we view sustainability in An Post. Being human is at the core of An Post, and our horizon is stated in our purpose 'to act for the common good: now, and for generations to come.

All of An Post's Dublin City Centre vehicles are electric and An Post aims to reduce carbon emissions by 50% by 2025 from a 2009 baseline.

An Post also supports the minimisation of packaging materials and that is why it is planning on the introduction of size (volume in litres) based charging, which will incentivise the use of less packaging.

We have committed to having a Post Office in every community (defined as over 500 population) so that regardless of where someone lives they have a world class delivery service.

Our [Sustainability Report 2020](#) details our track record to date and ambition for the future.

There is a role for ComReg in supporting the transition of the sector to a more sustainable footing. The European Regulators Group for Postal Services has prioritised sustainability in its forward work programme and has specifically asked for input on what regulators can do to assist sustainability in the postal sector.

The Call for Inputs references providing access to last mile infrastructure to promote sustainable delivery. This would only have a positive impact on sustainability if An Post's packets and parcels delivery vehicles were not operating at capacity. However, An Post's packets and parcels delivery vehicles already operate using best practice methodology to ensure optimised management of route capacity.

Further, it is not clear that there would be demand for access to An Post's last mile network. Packets and parcels delivery operators need to be able to control and keep track of all their deliveries so are unlikely to want to lose operational control of the final stage of delivery. This is demonstrated by the relative lack of take-up of An Post's existing downstream access. A reduction in the delivery frequency of certain USO

products would have a greater impact on reducing An Post's environmental footprint than providing access to last mile delivery.

Allowing consumers and SMEs to select a sustainable delivery service of choice or an alternative delivery option (such as delivery to lockers) may have greater impact in terms of sustainable delivery than mandating access by other service providers to the An Post network.

The postal regulatory framework should account for the costs and challenges of improving environmental performance. ComReg should reward postal operators for investing in this area. Any additional environmental regulations introduced in the postal sector should also ensure that all stakeholders (including other delivery operators, as well as users) are encouraged to reduce their carbon footprint.

An Post recommends the introduction of environmental targets for all delivery operators and suggests that ComReg consider whether the general authorisation framework could be modified to ensure that all postal and delivery operators are required to improve their environmental performance.

In addition, ComReg should support the UN Sustainable Development Goal of Decent Work and Economic Growth. The right to a decent job with good terms and conditions is fundamental to a sustainable society. An Post will continue to fight against the excesses of the gig economy, and in contrast promote the dignity and respect of the postal profession, both for the sake of employees and customers.

4. Blurring of sector boundaries is occurring, and it is possible different regulatory frameworks will interact

An Post acknowledges that the boundaries between traditional postal services, delivery, transport and platforms/digital sources have become increasingly blurred in recent years. As these trends are likely to continue to reduce demand for letters in the future, ComReg is right to examine the impact this may have on the USO.

So far, the growth of Big Tech and digital platforms has been exponential. Further, integration of these companies' retail and delivery services has also been crucial to their expansion in Ireland. These trends have mainly impacted An Post's packets and parcels delivery business. A recent Frontier Economics report¹², commissioned by ComReg found that:

- the market share of the top four packets and parcels delivery providers in Ireland has decreased between 2013 and 2019;
- the price per parcel has been static or even declining in the last five years;
- new operators have entered the space; and
- customers have reported high levels of customer satisfaction.

These findings demonstrate that the Irish packets and parcel delivery sector is growing and well-functioning. Moreover, the existence of market failures for delivery services has neither been identified nor proven in this competitive sector. Hence, it is not clear there is a need for regulation of the parcels and packets sector. However, ComReg should continue to monitor sector developments using its existing information gathering powers to enable it to act in a timely manner, if appropriate.

National postal operators operate in a fragile ecosystem given the ongoing e-substitution. In our view, with fully competitive markets confirmed in the packets and parcels sector, policymakers and regulators should prioritise the sustainability of the USO to meet consumers' needs.

As outlined in the ComReg Call for Inputs, the blurring of sector boundaries is increasingly likely to lead to the interaction of different regulatory frameworks, in particular, the interaction between the postal regulatory framework with the proposed Digital Markets Act and the Digital Services Act. ComReg, in collaboration with other Irish regulatory agencies such as the Competition and Consumer Protection Commission, has an important role to play in the development of this key European legislation. Given the

¹² Frontier Economics "[E-COMMERCE PARCEL DELIVERY IN IRELAND](#)" report which was prepared for ComReg.

blurring of sector boundaries, and the enduring importance of a postal USO despite declining mail volumes, it is essential that a strong postal voice is heard and helps to shape the future legislative environment.

We look forward to collaborating with ComReg on this issue and inputting into relevant public consultations at EU and domestic levels.

5. The regulatory burden should be proportionate and reduced in a declining market

As the financial viability of universal service providers in the EU continues to come under pressure, EU postal regulators have become more focused on the sustainability of the USO.¹³ While pricing freedom has allowed An Post to protect the viability of the USO, An Post believes ComReg's next postal strategy should continue its focus on protecting the sustainability of the USO for all consumers and ensure that regulation does not unnecessarily add to the cost of its provision, for example:

- **Changes to the RMS sampling criteria:** The RMS was originally developed for Quality of Service ("QoS") measurement purposes to comply with the requirements of the first Postal Directive.¹⁴ It has evolved to become a costly, disproportionate and outdated exercise. The sampling criteria also means that An Post will be penalised for introducing new products in the USO. An Post has implemented an alternative methodology which meets all legal standards and requirements and will continue to monitor ways of improving the cost efficiency of this process.
- **Reduction in volume and frequency of information requests:** An Post recognises the need for ComReg to collect data and information for the purposes of its regulatory functions in the postal sector. However, ComReg must consider the regulatory burden that information requests impose on An Post. There is merit in ComReg and An Post jointly developing an information reporting framework that reflects the applicable general legal principles and appropriate corporate reporting for an entity like An Post. This would allow ComReg to access the information it needs to regulate the USO, give An Post certainty on the types of information it should provide and reduce the need for *ad hoc* requests. ComReg should commit to reducing excessive regulatory costs in a declining letter market.
- **Re-evaluation of the Accounting Direction and its appropriateness in the current landscape.**

¹³ European Parliament report "[Postal Services in the EU](#)", at p. 35

¹⁴ European Parliament "[Directive 97/67](#)" Article 16.

Annex 1: Response to Specific Questions

Q1. Should we consider the blurring of sector boundaries and the interaction of different regulatory frameworks?

See Section 4 under Key Submissions above.

Q2. Should we consider other developments that may be impacting the postal sector?

The implications for the postal service arising out of recent VAT and customs law changes are generally acknowledged as extremely significant.¹⁵ Customs clearance of all inbound items and collection of amounts due on all such inbound items is mandatory and this is reflective of the EU's customs and VAT policy for non-EEA imports.

The revised customs framework is not generally accommodating of the USO postal structure. Addressees may not be aware in advance of items being sent to them that the new legal requirements mean that payment by customers of import charges is mandatory although USO operators must still endeavour to ensure delivery as promptly as possible. The delivery model of USO operators is not the same as that employed by the express carriers.¹⁶

The EU Customs 2020 framework does not appear to reflect the standardisation associated with Universal Postal Union ("UPU") designated operator systems and the achievement of the USO in respect of inbound international postal items. The Irish context is particularly acute due to Brexit and the traditional and long trading relationships with the UK.

ComReg should have a role in supporting the simplification and standardisation of the EU Customs 2020 framework as far as possible for USO services, which would enhance the postal user experience, reduce An Post's costs and contribute to the continuity of the inbound internal universal service in Ireland.

It appears from the recently published ERGP draft Work Programme for 2022 that the EU postal regulators are proposing to review this area generally and to pursue a simplification of processes for the benefit of the inbound postal traffic. Given the large-scale changes to the customs and VAT system, An Post recommends engagement between An Post and ComReg to allow such simplification to be pursued to the fullest possible degree.

Q3. What is the future of next day delivery letters and what could this mean for the universal postal service?

See Section 1 under Key Submissions above.

Q4 What actions are required to respond to environmental sustainability challenges?

See Section 3 under Key Submissions above.

Q5. How should International inbound universal postal service losses be addressed?

¹⁵ See the most up to date Strategic Plan of DG TAXUD for 2020-2024 which refers to the dramatic increase in items requiring customs declarations ([end p. 17](#)).

¹⁶ Express consignments have been defined in the EU customs legislation as meaning an individual item carried via an integrated service of expedited/time-definite collection, transport, customs clearance and delivery of parcels whilst tracking the location of, and maintaining control over, such items throughout the supply of the service.

An Post would welcome support from ComReg in addressing the losses that it incurs in delivering inbound letters and large envelopes from international postal operators, which settle mail exchanges at the rates set by the Universal Postal Union ("UPU"). The rates paid to An Post for delivering this mail are approximately 20% less than the comparable rates paid by postal operators which are within the EU. Such items, even if declining in volume, remain part-mandatory services specified within the international legal framework.

Support from ComReg in this regard might include engaging with other EU Regulators to seek substantial increases in UPU rates for letters and large envelopes. Achieving change in UPU rates is very difficult but not impossible as was proven in 2019 when the UPU voted to adopt self-declared rates for the delivery of packets.

An Post does not see any benefit in ComReg becoming involved in the rates payable for inbound international packets as these packet exchanges are either settled at self-declared rates or are already subject to competitive pressures.

Q6. What regulation is needed in the postal sector?

In the context of the European Commission's ongoing evaluation of the Postal Services Directive, An Post does not believe that a new postal regulatory framework ("greenfield approach") is required. National postal operators operate in a fragile ecosystem given ongoing e-substitution. In our view, with fully competitive markets confirmed in the packets and parcels sector, policymakers and regulators should prioritise the sustainability of the USO to meet consumers' needs.

Q7. How should ComReg's role evolve?

The postal market in Ireland and across the EU is rapidly evolving. As e-substitution continues, designated postal operators are increasingly reliant on revenues from highly competitive packets and parcels markets. A flexible approach to the regulation of the Irish postal market is needed in order to ensure the long term sustainability of the USO. At the same time, ComReg has an increasingly important role in supporting vulnerable and digitally disadvantaged consumers and facilitating the transition of the postal sector to a more environmentally sustainable footing.