



Commission for  
**Communications Regulation**

# **Response to Consultation and Decision on Quality of Service Standards for the Universal Postal Service**

**Response to Consultation and  
Decision**

**Reference:** ComReg 15/126 and  
D07/15

**Date:** 30/11/2015

**An Coimisiún um Rialáil Cumarsáide**

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## Additional Information

|                                 |         |
|---------------------------------|---------|
| Consultation Document           | 15/45   |
| Responses to Consultation 15/45 | 15/126s |

## Responses received to Consultation 15/45

|   |                              |
|---|------------------------------|
| 1 | An Post                      |
| 2 | DX Ireland                   |
| 3 | Communications Workers Union |

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# 1 Introduction

1. Section 14 of the Communications Regulation (Postal Services) Act 2011 (“the 2011 Act”) designates the Commission for Communications Regulation (“ComReg”) as the national regulatory authority for postal services in the State for the purposes of Directive 97/67EC.<sup>1</sup> In June 2004, ComReg set the current quality of service (“QoS”) standards for the universal postal service, following public consultation<sup>2</sup>. This was done by issuing a direction<sup>3</sup> to An Post, the designated universal postal service provider. The direction set a delivery standard of 94% for delivery within one working day of posting (“D+1”) and a standard of 99.5% for delivery within three working days of posting (“D+3”). These QoS standards are still in effect and they apply to domestic single piece priority mail.<sup>4</sup>
2. An Post, as the designated universal postal service provider (“USP”), is required to provide a universal postal service in which domestic single piece priority mail that is posted before the published Latest Time of Posting (“LTOP”) is delivered on the next working day. There are, however, certain factors that will affect An Post’s ability to deliver all single piece priority mail on the next working day.
3. Earlier in 2015, ComReg published a consultation paper (“Consultation 15/45”)<sup>5</sup> in which it proposed to review the current QoS standards. This included a review of those factors which are likely to affect An Post’s ability to deliver all single piece priority mail on the next working day and a weighting of those various factors.
4. Consultation 15/45 sought the views of interested parties on the identified factors and their impact and requested interested parties to identify any other factors which could affect An Post’s ability to deliver all single piece priority mail on the next working day. There were three respondents to Consultation 15/45:
  - An Post
  - DX Ireland

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<sup>1</sup> Directive 97/67EC on common rules for development of the internal market of Community postal services and the improvement of quality of service, as amended

<sup>2</sup> ComReg Document No. 04/08

<sup>3</sup> ComReg Document No. 04/56

<sup>4</sup> Single Piece Priority Mail” means an individual postal packet deposited at an access point by a sender for transmission to an addressee on the next working day, where the postage paid by the sender is not subject to any discounts based upon:

(a) the number of postal packets sent;  
(b) the substance, formatting or positioning of the address;  
(c) the use of markings to facilitate sorting by machines;  
(d) pre-sorting into geographical areas for delivery; or  
(e) an obligation to purchase any other postal service.

<sup>5</sup> <http://www.comreg.ie/fileupload/publications/ComReg1545.pdf>

- The Communications Workers Union.
5. Non-confidential versions of the three responses received are published on ComReg's website as ComReg Document 15/126s.
  6. ComReg, having considered all relevant information before it including the responses to Consultation 15/45, has made a decision to maintain a delivery standard of 94% for delivery within one working day of posting ("D+1") and a standard of 99.5% for delivery within three working days of posting ("D+3"). This decision is made pursuant to section 32 of the 2011 Act and the decision instrument is set out in Annex 1 of this Response to Consultation. In addition, and as required by section 32(4) of the 2011 Act, ComReg will notify the EU Commission of its decision.
  7. In consideration of the various factors likely to affect An Post's ability to fully effect next day delivery and their scale, ComReg notes there would appear to be some justification for recalibrating some of these factors due to positive changes in conditions. However, ComReg considers it reasonable, at this time, to maintain the QoS standards which have been in effect since 2004<sup>6</sup> but it will nevertheless keep the matter under observation and review again, if or as required, at a future date.
  8. One of the fundamental objectives of the Postal Directive is to secure improvements in the quality of the universal postal service. Irish postal service users, both residential and commercial, are entitled to an affordable universal postal service that meets their reasonable needs. This includes that there should be quality of service standards relating to – (a) time permitted for delivery of postal packets, (b) the regularity and reliability of the universal postal services. A high quality, reliable and predictable universal postal service which builds and maintains consumer confidence is also vitally important if the significant decline in traditional mail volumes - an ongoing and near-global phenomenon since c.2007 - is to be minimised.

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<sup>6</sup> ComReg notes that An Post's actual performance against the D+1 QoS Standard has improved from 72% in 2004 to 90% in 2014, according to the monitor carried out on behalf of ComReg by Ipsos MRBI, the independent performance-monitoring organisation appointed by ComReg.

9. An Post, most notably in its annual reports, highlights the importance of a high quality universal postal service and in which its CEO has on previous occasions expressed the company's commitment to achieving the 94% next-day delivery standard. Since 2004, An Post has implemented a number of QoS improvement programmes, including €40m capital investment in replacing and upgrading its mails automation equipment, with the stated aim of improving QoS performance. Significantly, An Post has also confirmed a c.30% fall in letter volumes since 2007, though ComReg assumes that its network and resources have been revised to align with the reduced volumes workloads. ComReg also notes, in a 2014 presentation to the Joint Oireachtas Committee on Transport and Communications, An Post officials attested that An Post's next-day delivery performance stood at 98%<sup>7</sup>, according to its own internal and non-statutory measurement.<sup>8</sup>
10. ComReg also notes that the CWU in responding to Consultation 15/45 expressed the view that it is in An Post's commercial interest to provide a high QoS.

## 1.1 Universal Postal Service

11. The Communications Regulation (Postal Services) Act 2011 ("2011 Act") established a new statutory framework for the regulation of postal services in the State and transposed, into Irish law, the harmonised EU framework for the regulation of postal services.<sup>9</sup> Section 14 of the 2011 Act designates ComReg as the national regulatory authority ("NRA") for postal services in the State and section 17 designates An Post as the sole USP for the State.
12. Section 16(1) (a) of the 2011 Act sets the specifications of the universal postal service (which An Post, as USP, must provide) as meaning that on every working day there is at least one clearance and one delivery to the home or premises of every person in the State, except in such circumstances or geographical conditions as ComReg considers to be exceptional.

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<sup>7</sup> An Post Mails Operations Director at the Joint Oireachtas Committee on Transport and Communications – National Postcode System – 19 November 2014:

*"Next day delivery is hugely important for An Post. We have a stretching target of 94% for next day delivery. We are exceeding that figure in the year to date in that we are running at 98%."... "In the context of An Post, delivery performance rates have been running at exceptionally high levels. We do not believe the use of postcodes will lift us beyond the figure of 98%. We are almost in the margin of error as to whether the rate is 100%."*

<sup>8</sup> An Post, for its own purposes, conducts its own monitor and has engaged an external consultant to perform this task on its behalf.

<sup>9</sup> Directive 97/67/EC, adopted in 1997 and later amended in 2002 and 2008

13. Section 32 of the 2011 Act mandates that ComReg following a public consultation process, shall draw up QoS standards for the universal postal service. This shall include QoS standards relating to (a) time permitted for delivery of postal packets and (b) the regularity and reliability of the postal services concerned. Section 32 also requires ComReg, at least once a year, to monitor compliance with the QoS standards and to publish a report on the results of its monitoring.
14. In its response to Consultation 15/45, An Post raises a number of issues (set out in section 2) relating to the QoS Standards but which in fact relate to the specification of the universal postal service. ComReg would note in this regard that An Post can seek to have its universal service obligation amended pursuant to section 16(1)(a) of the 2011 Act. This may be done by making an evidence-based submission that exceptional circumstances and/or geographical conditions exist which ComReg should consider as being so exceptional as to justify easing the obligation to carry out at least one clearance and one delivery to the home or premises of every person in the State, on every working day. Such a decision by ComReg could only be made on foot of a public consultation. The term “derogation”<sup>10</sup> is used in this document to describe any such amendment to the specification of the universal postal service.

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<sup>10</sup> Following a public consultation on receipt of an application from An Post, ComReg granted An Post a derogation from the universal postal service for the following working days: a full derogation for Mondays following a public holiday which falls on a Saturday or Sunday, a full derogation for the first working day after 26 December (St. Stephen’s Day), a derogation for collections only on 24 December and a part derogation for Good Friday (ComReg Document No. 14/135 [D14/14], dated 15 December 2014).

## 2 Respondents' views and ComReg's position

15. This section sets out the key points submitted by each of the three respondents which are within the scope of this consultation<sup>11</sup> and ComReg's position in respect of same.

### 2.1 Quality of Service standard for next day delivery (D+1)

16. In June 2004, ComReg set the following QoS standards for domestic single piece<sup>12</sup> priority mail<sup>13</sup>:

- 94% for next working day delivery ("D+1"), and
- 99.5% for delivery within three days of posting ("D+3")

17. The 2004 QoS standards were arrived at using a "top down" methodology. This methodology is based on the premise that An Post should organise its operations so as to provide 100% next-day delivery, all year round, and then takes account of those factors that would likely prevent An Post from achieving such a perfect delivery performance. Table 1 sets out the factors which were applied in 2004.

18. Consultation 15/45 sought the views of interested parties as to: (a) the appropriateness of the factors applied in 2004 (as set out in Table 1 below); and (b) any other factors likely to impact on An Post's ability to deliver all single piece priority mail on the next working day.

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<sup>11</sup> Points raised which are outside of the consultation's scope are addressed in Annex 2

<sup>12</sup> The direction did not apply to bulk mail or wholesale services

<sup>13</sup> And where the postal packet is posted before the latest time of posting as advertised at the access point



**Table 1 - 2004 Direction: Factors impacting on quality of service**

|    | <b>Factors</b>  | <b>Assumption</b>  | <b>Impact in %</b> |
|----|---|--|--------------------|
| 1. | Geographic limitations & Spatial dispersal of Economic Activity |  | <b>Minimal</b>     |
| 2. | Exceptionally inclement weather                                 | On average deliveries disrupted one day per annum.   | <b>0.40%</b>       |
| 3. | Capacity of Sorting Machines and Alignment of Staff to Work     | 20% of mail not processed on 25 days a year  | <b>2.00%</b>       |
| 4. | Exceptional staff absence                                       | Each delivery route not covered for one day each year  | <b>0.40%</b>       |
| 5. | Unforeseeable variations in volume                              | 5% of mail not processed on 5 days per annum   | <b>0.10%</b>       |
| 6. | Reliability of Sorting Machines etc.                            | On average 25% of machines not available at peak times on one day per annum  | <b>0.10%</b>       |
| 7. | Machine and Human Error   | Sorting equipment installed by An Post should operate with no more than 1% of errors, it may be a reasonable target to allow for human errors at double this level, i.e. 2%) | <b>3.0%</b>        |
| 8. | Christmas Cards   | Separate service provided for non-priority items such as Christmas Cards   | -                  |
|    | <b>Total Factors Affecting Quality Of Service</b>               |  | <b>6.00%</b>       |
|    | <b>Quality Of Service Target</b>                                | <b>100.00% - 6.00%</b>   | <b>94.00%</b>      |

19. Consultation 15/45 asked interested parties the following questions:

**Q. 1 In your view do each of the factors set out above still apply?**

**Q. 2 In respect of each factor that should still apply, do you consider the 2004 percentage allocations, as listed, remain appropriate or require adjustment? Please provide clear supporting reasoning for your views and any percentage allocation amendments.**

**Q. 3 Are there other factors which you believe may impact on next day delivery of single piece priority mail? Please explain any such additional factors and provide clear supporting reasoning for your view, including quantifications of the percentage impact per factor.**

**Please provide detailed reasoning for each of your responses to Q.1 to Q.3 above.**

20. ComReg would note that, in the main, respondents made a number of observations rather than responding directly to ComReg's specific questions. ComReg has endeavoured to link these various observations to the relevant factors in the following section.

21. Respondents also made certain observations regarding comparing the Irish QoS standard against QoS standards in other jurisdictions. As ComReg noted in Consultation 15/45, while comparisons against QoS Standards in other jurisdictions is useful, it is also a complex exercise given the varying sizes of Member States and their distinct geography, demography and the service levels generally available. Further, the key purpose of international benchmarking is to "double-check" any draft answer or decision which has already been arrived at, through the objective consideration of the available evidence, but benchmarking should not become the actual evidence for the answer or decision. For this reason, ComReg is not setting the new QoS standards in this State simply by, for example, taking an average of QoS standards in the other 27 EU Member States. However ComReg, having arrived at its new QoS standards by objective means, has compared those standards against those in comparator countries.

22. ComReg also notes the submission by DX that the factors should be based on precise statistical information rather than assumptions. DX also suggests using improvement targets for each factor. However, An Post, in response to previous requests by ComReg, has stated that it does not possess information of required granularity by which to precisely calculate the factors. Furthermore, measuring improvements for each factor would require monitoring of individual work streams. This could be a disproportionate added expense, given that the methodology employed, though less exact than that proposed by DX, does yield results which are comparable to those found internationally. Therefore, ComReg will apply the top-down methodology in the same manner as set out in Consultation 15/45.

**1. Geographic limitations & spatial dispersal of Economic Activity (2004 allocation = minimal)**

23. In Consultation 15/45, ComReg noted that this factor related to the dispersal of the population, including in regions which are more isolated and which may have poor roads and transport services, thus making it difficult to make daily collections and deliveries. In 2004, ComReg noted that An Post made daily deliveries to all areas of the State except for nine islands off the south and west coast, representing 0.02% of the total population.<sup>14</sup> On the basis that delivery of mail for such isolated areas would be delayed by a day and that volumes of mail for such areas was generally in line with the national average, the maximum permissible impact on the QoS standard in relation to such areas was considered, at that time, to be “minimal” (i.e. less than 0.02%).

24. ComReg also noted that there have been some changes since the 2004 Direction, including an increasing shift in the population from rural to urban areas<sup>15</sup> which arguably makes it easier for An Post to reach a greater percentage of the population on the next-working day. In addition, the State’s road network has substantially improved, which should also assist with achieving delivery on the next working day. The period between 2006 and 2010 saw a rapid expansion of the motorway network<sup>16</sup> and over one-third of national roads were transformed between 2000 and 2010, including both national primary and secondary roads throughout the country.<sup>17</sup>

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<sup>14</sup> Cape Clear, Clare Island, Dursey Island, Hare Island, Inisbofin, Inisturk, Long Island, Tory Island and Whiddy Island

<sup>15</sup> According to the 2011 Census there has been an increase of 10.6% on 2006 with 62% of the population living in urban areas in 2011.

(<http://cso.ie/en/media/csoie/census/documents/census2011pdr/Census,2011,Highlights,Part,1,web,72dpi.pdf>)

<sup>16</sup> NRA Report ‘Impact of Improvements in the Road Network on the Accessibility & Economic Potential of Counties, Urban Areas, Gateways & Hubs (2012), pages 15 - 17

<sup>17</sup> The National Roads Authority – A Decade Of Progress (<http://www.nra.ie/policy-publications/general-publications/A-Decade-of-Progress.pdf>)

25. In terms of the dispersal of economic activity across the State, ComReg noted in Consultation 15/45 that in 2004 most single piece mail was then either posted in or delivered in Dublin, and around half of the remainder was for delivery within the same county of posting with only a smaller proportion of mail requiring cross-country routing at that time. ComReg also noted that An Post's operating plan, at that time, was designed so as to afford next-day delivery of such cross-country mail. The impact of the dispersal of economic activity as a factor in the calculation of the QoS standard, was thus considered to be "minimal."
26. ComReg, in Consultation 15/45, referred to the following statement by the CEO of An Post in the company's 2013 Annual Report: "*Our Mails network has been built to satisfy the obligations inherent in the USO....*" ComReg noted that this statement is consistent with An Post's response to the 2004 QoS standards consultation in which it stated that An Post's domestic mail service is designed so that mail posted in one part of Ireland before the 'latest time of posting'<sup>18</sup> can be delivered elsewhere in Ireland on the next working day.
27. ComReg, in Consultation 15/45, also noted that since 2005 all of An Post's mail is processed at the four An Post Mail Centres, located in Dublin, Athlone, Portlaoise and Cork<sup>19</sup>, and is then transported by road to Delivery Service Units and Delivery Sub Offices around the country for onward delivery. Also, and as noted in Consultation 15/45 and above, Ireland's roads network has substantially improved since 2004 with the main inter-county routes now mostly of dual-carriageway or motorway standard. This improvement should significantly reduce transit times, particularly between the An Post Mail Centres. Furthermore many of the cities and larger towns now have completed ring roads which should reduce traffic congestion and thereby further reduce transit times to the benefit of postal service users.

### Views of respondents

28. By way of general response **An Post** claims that the demographic factors listed below impact on its rate of delivery, though An Post has not quantified their impact in percentage terms. An Post asserts that Ireland, compared to other EU Member States:
- has a low population density (An Post also argues that lower density populated countries generally have lower QoS standards);
  - has a high rural population or low degree of urbanisation (An Post refers to Eurostat figures which present Ireland as the highest "rural" population among Member States);

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<sup>18</sup> As displayed at each access point

<sup>19</sup> As confirmed by An Post in its 2005 Annual Report, page 18

- has a greater distribution of address points (low population living in flats or apartments, etc.);
  - has low housing densities in urban areas;
  - has experienced an increase of c. 30% in delivery points in Ireland since 2004; and
  - has a high vacancy rate among rural dwellings.
29. The **CWU** similarly submits that Ireland’s relatively high rural population and dispersal should be taken into account. The CWU notes ComReg’s observation that there has been a population shift from rural to urban since 2004, but considers that this 10.6% change is only a slight one. Regarding improvements in the road network since 2004, the CWU accepts that this makes journeys somewhat faster though it also notes that the distance to be covered has not changed.
30. **DX**, in its view, considers the current allocation of “minimal” for this factor to be unrealistic. DX submits that the achieved level of service is dependent on An Post’s network and its relationship to national mail flows. Because the network is structured on four regional mail centres, it is based on regions and not counties. Therefore, it is very often irrelevant that a postal packet is posted in the same county in which it will be delivered, as the packet will still have to be transferred to a mail centre in another county, where it will be processed and returned, for delivery, to its county of origin.

### ComReg’s position

31. An Post has an obligation to deliver all domestic single piece priority mail on the next working day and An Post has confirmed that its network is designed to meet this obligation, including any population density issues. With the exception of some low-populated islands, there are no locations in the State that are so geographically remote or inaccessible that they cannot be accessed daily. In addition, there has been no significant change in these conditions or in population densities since the 2004 QoS direction. Indeed in terms of An Post’s ability to deliver mail it would appear that such conditions have, if anything, improved.<sup>20</sup>
32. With regard to An Post’s reference to the increased number of delivery points since 2004, ComReg notes An Post’s recent confirmation in its 2013 Annual Report that its network is designed to meet its universal postal service obligations and ComReg assumes the provision of this network is regularly reviewed. In addition, if An Post is unable to provide services to these locations it has the option of seeking a derogation.

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<sup>20</sup> The points raised by An Post relate to the universal postal service specifications which An Post can at any point make an application for a derogation if it so wishes.

33. ComReg notes that data from the Central Statistics Office (“CSO”)<sup>21</sup> shows 38% of the population living in rural areas as opposed to the Eurostat figure of 73% presented by An Post.<sup>22</sup> ComReg considers the CSO data on Irish urban/rural population to be more representative than the Eurostat data, noting that the latter classifies towns such as Fermoy, Carrick-on-Shannon, Trim, Listowel, Clara, Ballybunion, Gorey, Mountmellick and Abbeyleix as rural areas. Furthermore, ComReg also notes that [X]% of single piece priority mail is delivered to urban addresses, with [X]% of this mail posted in urban areas for delivery in urban areas<sup>23</sup>.
34. Regarding the submission by DX that QoS depends on the structure of An Post’s network and its relation to the national flows of mail and that the network appears to be built around regions rather than counties, ComReg would again note that An Post has previously stated that its network is built to satisfy its universal postal service obligations, which includes efficiency. ComReg understands in this regard that An Post positioned its four mail centres (in Dublin, Cork, Portlaoise and Athlone) in what it considers to be the most appropriate locations with regard to workloads and trunking distances, in order to ensure efficient provision of the universal postal service. ComReg also notes that Ireland is a small country with a maximum driving time of approximately four hours from its centre to any of its coastal extremities.<sup>24</sup> Unlike larger EU Member States such as the UK, France and Germany, there is no requirement in Ireland to transport mail by a combination of methods – i.e. road, rail, and/or air. Indeed, since 1994 An Post has transported all of its domestic mail by road.
35. With regard to An Post’s submission that there is a high vacancy rate among rural dwellings, ComReg can only note that vacant dwellings tend not to receive mail.

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<sup>21</sup> Differences are due to the definitions used by Eurostat and the CSO. The Eurostat definition is; “The urban–rural typology is based on a classification of grid cells of 1 km<sup>2</sup> as either urban or rural. To be considered as urban, grid cells should fulfill two conditions: a population density of at least 300 inhabitants per km<sup>2</sup> and a minimum population of 5 000 inhabitants in contiguous cells above the density threshold.”. However the CSO definition is; “The term Aggregate Town Area refers to towns (including environs of legal towns) with a total population of 1,500 or more. The term Aggregate Rural Area refers to the population outside Aggregate Town areas and includes the population of towns with a population of less than 1,500 persons.”

<sup>22</sup><http://www.cso.ie/en/census/census2011reports/census2011populationclassifiedbyareaformerlyvolu meone/>

<sup>23</sup> Source: An Post 2014 Continuous Real Mail Studies

<sup>24</sup> AA Route Planner at <http://www.theaa.ie/routes>: Athlone to Buncrana (3hr 35mins), Athlone to Cahirciveen (3hr 58 mins), Athlone to Clifden ( 2hr 12 mins), Athlone to Dublin (1hr 23 mins)

36. Having considered the views of respondents and the fact that no material change has occurred since this factor was previously considered in 2004, ComReg has decided that this factor and its impact allocation should continue to be treated as 'minimal' for the purposes of the QoS standard.

## **2. Exceptionally inclement weather (2004 allocation = 0.4%)**

37. ComReg, in Consultation 15/45, set out that the 2004 consultation had considered that exceptional weather conditions, such as extreme snow or ice or heavy rain leading to widespread flooding, can impair the provision of postal services though it also noted that extreme weather tends to be relatively infrequent in Ireland and when it does occur it can often be confined to specific parts of the country. An allocation of 0.4% was provided in the QoS Standard. This allocation was based on mail deliveries not being provided in total for one day in each year, on average, throughout the country, due to exceptionally inclement weather.

### **Views of respondents**

38. **An Post** submits that in cases of "exceptionally inclement weather", the impact on QoS should not only take into account the impact on the delivery element of the postal pipeline but also the collections element.
39. Although not responding to this specific factor, **DX** raises a point regarding road transport disruption issues. Given that An Post's network is fully road based, DX queries why there is currently no factor in the QoS standard which explicitly allows for road transport issues such as congestion and breakdowns.

### **ComReg's position**

40. In response to An Post, the 0.4% impact is based on an assumption that all postal deliveries will fail on one day in each year or one day's mail being delayed throughout the country in a year due to exceptional weather conditions, regardless of whether the delay occurs in deliveries or collections. The assumption is therefore not limited to the delivery element of the postal pipeline but includes the collections element.
41. Regarding the observation by DX, ComReg considers that exceptionally disruptive events - such as road traffic accidents which completely block traffic for many hours - are rare over the course of any year and have relatively little impact on An Post's ability to deliver mail. As to normal daily traffic congestion, this is already factored into An Post's operational timeframes<sup>25</sup>. Furthermore, to date An Post has never advised or indicated that disruptive traffic events have any significant impact on QoS.
42. Having taken into account the views of respondents, this factor will cater for:

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<sup>25</sup> An Post also has a support reserve fleet to cater for vehicle breakdowns in its own fleet.

- all exceptional inclement weather events, and
- all exceptional road transport disruptions.

43. The 0.4% allocation in 2004 for exceptionally inclement weather was based on an assumption that all delivery routes would fail in any year. This equates to one day nationwide on which mail is not delivered on the next working day. In addition, and with regard to exceptional road transport disruptions, ComReg assumes that a quarter of all deliveries will fail on one day per year. This assumption equates to an impact of 0.1% on delivery performance in any year. This allocation also encapsulates any inter mail centre transport disruptions as may occur and which would affect greater volumes of mail where recovery measures failed. In summary, taking the exceptionally inclement weather allocation of 0.4% and the exceptional road traffic disruptions allocation of 0.1%, the total allocation provided for these combined factors is 0.5%.



### **3. Capacity of Sorting Machines and Alignment of Staff to Work (2004 allocation = 2.0%)**

44. The 2004 QoS consultation noted that An Post must deploy its resources carefully in order to manage observed significant variations in mail volume patterns, across days of the week, weeks in the month, and months in the year, as failure to properly deploy resources could have a severe impact on QoS. ComReg factored 2% into the QoS standard for days on which the volume of single piece priority mail exceeds the capacity of the sorting equipment and other infrastructure (where volume has not been inflated by the inclusion of non-priority mail items). The 2% allocation was based on an assumption that 20% of mail is affected on 25 days of the year.
45. In terms of changes since 2004, Consultation 15/45 noted that, according to An Post, letter volumes have declined by c.30% since 2007 and that this decline is forecast to continue at a rate of c.4% per annum over the next five years.<sup>26</sup> An Post has also completed a programme for upgrading its automation machinery at its four Mail Centres, at a total cost of c. €40m. This increased automation has reduced manual sortation requirements at Mail Centres and Delivery Service Units<sup>27</sup>. The amount of standard letter mail that can now be automatically sorted to delivery route level can exceed [X]%. Automated sorting to delivery office level can exceed [X]% for standard letters and [X]% for larger letters. An Post has also upgraded its mails processing facilities in its Delivery Service Units and has improved its postal address database to assist with more accurate and faster automated sortation.

#### **Views of respondents**

46. ComReg received no direct responses or indirect observations related to this factor.

#### **ComReg's position**

47. An Post has confirmed that its recently upgraded automated machinery can sort much greater volumes of mail to the level of the delivery route or the delivery sequence route. If An Post confirms that this sortation is extended (based on verifiable information it provides) it might then raise some capacity issues on some days. As such, there may still be some lack of capacity to achieve certain cut-off processing time windows. ComReg will review this allocation again, if required, in particular with regard to any increased automation of the outward and/or inward mail sortation processes.

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<sup>26</sup> See Figure 5 in ComReg Document No. 14/59 "Response to Consultation and Decision on price cap control for universal postal services" (<http://www.comreg.ie/fileupload/publications/ComReg1459.pdf>)

<sup>27</sup> Postal Technology International September 2014 - An Post Interview, page 72

48. Regarding the alignment of An Post staff to workload, ComReg agrees with An Post's comment in its response to Consultation 15/45 that its current 5-Year Plan should be designed to ensure that *"an efficient and high quality universal services can be maintained to meet the reasonable needs of [users]"*. ComReg assumes that this plan<sup>28</sup> includes regular reviews to ensure that staff resources continue to align with mail volumes<sup>29</sup>.
49. While there clearly has been an increase in An Post's ability to automatically sort its letter mail, given its investment in new sorting machinery and the significant decline in traditional letter mail volumes, there is still some possible constraint on its ability to achieve full clearance on every working day. On the assumption that resources are aligned to workloads, ComReg will slightly adjust the 2% allocation for this factor which is based on 20% of mail being affected on 25 days of the year. ComReg will now assume that 20% of mail is affected on 24 days of the year, which results in an impact allocation of 1.9%.

#### **4. Exceptional staff absence (2004 allocation = 0.40%)**

50. With regard to normal staff absences, ComReg noted in its 2004 QoS consultation that An Post's annual staff absence rate should fall within the national average and that An Post should provide for sufficient coverage through its leave reserve force.
51. 0.4% was factored into the 2004 consultation, relating to exceptional staff absences arising from epidemics, whether local or national, of such severity that it would be difficult for An Post management to cover such absences by normal means, such as using reserve staff, redeploying staff, hiring casual staff, or through overtime. The 0.4% allocation was based on each delivery route not being covered for one day in each year.

### **Views of respondents**

52. ComReg received no direct responses or indirect observations concerning this factor.

### **ComReg's position**

53. ComReg has decided to retain the impact allocation of 0.4% for 'Exceptional staff absence' in the QoS standard.

#### **5. Unforeseeable variations in volume (2004 allocation = 0.1%)**

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<sup>28</sup> There is also a legal requirement on An Post to provide an efficient universal postal service under section 30(3)(b) and section 35(5)(a)(ii) of the 2011 Act.

<sup>29</sup> An Post's CEO stated in An Post's 2014 Annual Report (page 17); *"There is no doubt that mail volume decline is now well established, albeit at a slower rate and we will continue to align our headcount with the business reality."*

54. In 2004, this allocation allowed for the possibility of an unexpectedly large volume of mail being posted on a particular day, such that An Post is unable to process some amount of that mail in time for next-day delivery. The allocation of 0.1% was based on 5% of mail not being processed on the same day as it was posted, on five days in each year.
55. ComReg noted in Consultation 15/45 that such unexpectedly large volumes of mail such that An Post is unable to process some amount of that mail in time for next-day delivery, would seem less likely to be a factor today. This is because there has been a significant decline in letter volumes while An Post has also invested heavily in updating its automated sorting machinery.<sup>30</sup>

### **Views of respondents**

56. ComReg received no direct responses or indirect observations related to this factor.

### **ComReg's position**

57. Notwithstanding the significant and ongoing fall in traditional mail volumes and the increased capacity of An Post's sorting machinery, ComReg will retain the allocation of 0.1% as this figure is minimal and there may be some future instances of unexpectedly large volume of mail being posted on a particular day, such that An Post is unable to process some amount of that mail in time for next-day delivery.

### **6. Reliability of Sorting Machines (2004 allocation = 0.1%)**

58. In 2004, this factor of 0.1% covered the possibility of automated sorting machines not being operational for some period of time, even with a proper maintenance system in place in order to prevent any break-downs. The 0.1% allocation was based on a scenario in which 25% of machines may not be available at peak times, on one day in any given year.
59. In reviewing this factor, ComReg noted An Post has extensively upgraded its automated sortation machinery for which ComReg expects a maintenance plan is in place to minimise downtime.

### **Views of respondents**

60. ComReg received no direct responses or indirect observations related to this factor.

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<sup>30</sup> Furthermore, in Ireland approximately 80% of postal transactions are business-related and the top 30 large postal service users (e.g. banks, utilities, government) account for the vast majority of mail sent. As such ComReg would expect that customer relationship would give advance warning to An Post so as to allow management of possible volume peaks.

## ComReg's position

61. Notwithstanding An Post's investment in extensively upgrading its automated sortation machinery, ComReg will retain the allocation of 0.1% as this figure is minimal and there may be some future instances of automated sorting machines not being operational for some period of time, despite the fact that a proper maintenance system should prevent any break-downs.

### **7. Machine and Human Error (2004 allocation = 3.0%)**

62. ComReg noted in Consultation 15/45 that, in 2004, machine and human error was seen as significantly impacting on the QoS. The QoS Standard therefore included an allocation of 1% for machine error and 2% for human error, resulting in a total allocation of 3%.
63. ComReg noted in Consultation 15/45 that An Post's €40m upgrade of its automated sorting machinery should improve sorting capability and reduce machine error. ComReg also noted that a further development since 2004 is that An Post now has a complete, up-to-date database of its postal addresses, which is maintained and sold commercially as 'GeoDirectory'<sup>31</sup>. ComReg considers that proper utilisation of the GeoDirectory database should further improve automated sorting and the accuracy of sorting decisions, resulting in improved QoS. ComReg also noted that the Government announced the introduction of the new national postcode system, 'Eircode', in mid-2015<sup>32</sup>. Although the use of *Eircodes* is not mandatory for postal service providers or postal service users, the introduction of the new system may assist An Post in achieving a higher QoS.

## Views of respondents

64. ComReg received no direct responses related to this factor. However, **An Post** and **CWU** both submit that there is a significant amount of non-unique addresses in Ireland and that their impact on QoS should be considered, in setting the QoS Standard. Also, with regard to Eircodes, An Post states:

*"...it is likely to take many years for this initiative to have any impact on addressing due to anticipated poor levels of compliance with Eircodes's requirements, until the new postcode system has properly bedded in over time."*

## ComReg's position

65. In Consultation 15/45 ComReg set out its comments on the upgrading of automation machinery by An Post and the resulting expected improvements in sorting capability and reduction in machine error. ComReg notes that An Post in its response did not provide any quantifications on the benefits achieved from its upgraded automation.

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<sup>31</sup> GeoDirectory is updated on a quarterly basis – see: <https://www.geodirectory.ie/What-is-Geodirectory/FAQ.aspx>

<sup>32</sup> See <http://www.dcenr.gov.ie/Communications/Postal/Postcodes.htm>

66. In response to An Post and CWU's claims regarding non-unique addressing, ComReg notes that in July 2015 Eircodes were officially launched<sup>33</sup> in Ireland, providing a unique location code for every postal address in the country. At the launch, the Director of Eircode stated; *"35% of addresses in Ireland are shared ("non-unique"), which makes them difficult to identify accurately. From today, the addition of an Eircode to these addresses solves this challenge by giving each premises its own unique code. This is expected to resolve many existing problems in the delivery of goods and services."*<sup>33</sup>
67. Although Eircodes are not mandatory, it is expected that a significant volume of mail, particularly that emanating from government sources<sup>34</sup> and large database produced mail, will soon contain the relevant Eircode. This should assist An Post in achieving a higher QoS and reducing the number of mis-delivered mail items. ComReg also notes that An Post informed the Joint Oireachtas Committee on Transport and Communications<sup>35</sup> its QoS performance at that time was *"... running at 98%."* An Post further stated: *"We do not believe the use of postcodes will lift us beyond the figure of 98%. We are almost in the margin of error as to whether the rate is 100%"*. ComReg will also ensure that, in measuring An Post's QoS, all test mail items will include the applicable Eircode and associated postal address.
68. Notwithstanding that there should be an improvement in this factor, as a result of An Post having upgraded its automated sorting machinery and the introduction of Eircodes, ComReg will retain the 3% allocation at this time, in order to allow for the uptake and bedding in of Eircodes in An Post's automated and manual sorting systems.

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<sup>33</sup> See the DCENR press release, dated 13 July 2015:

<http://www.dcenr.gov.ie/Press+Releases/2015/Eircodes+are+on+the+way+to+all+addresses+in+Ireland.htm>

<sup>34</sup> The DCENR press release dated 13 July 2015 states that key government and utility databases have already been updated to include Eircodes.

<sup>35</sup> Joint Oireachtas Committee on Transport and Communications – National Postcode System: (Resumed) Discussion – 19 November 2014

## **8. Christmas Cards (2004 allocation = none)**

69. No allowance was made in 2004 for the impact of high volumes of Christmas mail on QoS because An Post is required to provide a universal postal service of the specified quality for all periods of the year, without any exceptional periods. Although ComReg acknowledged (and continues to acknowledge) that the Christmas period presents a challenge for postal operators, ComReg also noted that the charge to postal service users for Christmas cards is essentially the same as for other single piece priority mail, even taking into account An Post's Christmas promotions,<sup>36</sup> while a significant volume of business mail is also posted during the Christmas period. ComReg also noted that increased mail volumes in the Christmas period are predictable and have been there for many years and are successfully managed worldwide.
70. Consultation 15/45 further explained that, in 2004, ComReg had noted that in order to overcome any capacity problems in the Christmas period, An Post had the option of offering a special discounted, non-universal postal service to its customers. Such a service would enable Christmas cards to be processed separately and at a lower quality of service in terms of speed of delivery. This would seem appropriate in the case of Christmas cards, which are social in nature and may not require delivery on the next working day. ComReg considered that such a service would enable An Post to take sufficient measures by which to handle the increased Christmas mail volumes, without there being any negative impact on the QoS which is measured on a calendar year basis.

### **Views of respondents**

71. **An Post** and the **CWU** both submit that the Christmas period should be treated as "exceptional" and be removed from the QoS standard. In addition, both suggest that the month of December should be removed from the QoS monitoring system. The reasons put forward are that mail volumes double during this period, with stamped mail in particular increasing, and there is also an increase in the amount of coloured mail items and handwritten addresses, all of which makes automated sortation more difficult thereby increasing the need for manual sortation. An Post also submits that QoS for the month of December should be reported separately, in order to inform postal service users of the underlying performance being achieved.

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<sup>36</sup> An Post Christmas promotions refers to the Christmas stamp booklet which provides a free stamp. In 2014 this booklet included 26 stamps – 25 stamps x €0.68 domestic stamp (the prevailing price at that time), plus one free €0.68 stamp.

72. **An Post** further submits that although its staff are required to work additional hours and casual staff are hired to deal with an additional workload during December, not all mail is processed within the standard processing timeframes and, as a result, QoS is negatively impacted. The **CWU** submits that maintaining the same QoS Standards for December is not in the best interest of the postal users, due to the extra level of effort required for one month in twelve.
73. With regard to the suggestion that it could provide a discounted, non-priority, non-universal postal service to its customers, An Post considers that this would not improve its QoS as it would require setting up temporary separate mail streams which would carry significant additional costs. An Post also points to what it describes as the *“likely level of customer non-compliance”* with posting at required specific access points and submits that such a service offering would *“be revenue dilutive”* and *“would not be operationally viable”*. The CWU also submits that this would not be the right solution as it states: *“It could be seen as the first step to the introduction of a second class service and that would be a fundamental shift in the market which is an extreme solution to a problem that could be so easily solved in another way i.e. exclude December from the measurement period.”*

### ComReg’s position

74. An Post has a statutory obligation to deliver all domestic single piece priority mail, which falls within the universal postal service, on the next working day following the day of delivery. This obligation encapsulates all periods of the calendar year, without exception. ComReg notes, in this regard, that the busy Christmas period is foreseeable and predictable and that An Post, to date, has provided a priority service during this period. It is for An Post to decide how best to meet its obligations as the universal postal service provider during the Christmas period. ComReg also notes that if it was to decide that exceptional circumstances existed in respect of any date or dates during the Christmas period, this could only be done following an application for a derogation made by An Post in accordance with section 16 of the 2011 Act, and following a public consultation on the proposed derogation.
75. If An Post applies the same charges for delivering Christmas Cards in December as it does for delivering equivalent single piece priority mail items during the other eleven months of the year, then postal service users are entitled to the same QoS for Christmas Cards delivered in December. They should not be required to accept some lesser standard, but for the same price. ComReg also disagrees with the CWU’s comment that achieving the set QoS standards during the Christmas period is not in the best interest of postal service users, again noting that users pay a full postage charge and not a reduced charge.

76. In 2004, ComReg noted that An Post has options available to it and one example provided was that An Post could offer a discounted, non-universal postal service which would enable it to process Christmas cards separately and at a lower quality of service in terms of speed of delivery. This would be similar to other services where an agreed discount is applied based on deferred delivery. ComReg notes An Post's comments regarding this suggestion, but considers that this option, along with other options, remains available to An Post.
77. In response to An Post and the CWU's suggestion that the month of December be removed from the QoS monitor, ComReg would note that the applicable CEN Standard for monitoring QoS performance does not permit the removal of Christmas or any other period from the QoS monitor but requires that the monitor cover all twelve months of the year. ComReg further notes that An Post achieved a next-day delivery rate of 90% in the fourth quarter of 2014, which is on a par with the performance achieved in the other three quarters.<sup>37</sup>
78. ComReg has thus decided that the month of December must continue to be included in the QoS standard. However, in the interest of postal service users ComReg will report the month of December separately when publishing the annual results of the QoS monitor, in addition to reporting the year in full.

### **ComReg's overall position**

79. Other than minimal changes to factors 2 & 3 as shown in Table 2 below, ComReg will maintain the 94% D+1 QOS standard which has been in effect since June 2004. While it may be justified to reduce some of the percentage allocations due to improvements since the 2004 consultation and direction, ComReg considers that the percentage allocations generally remain appropriate while also noting that no significant new factors were presented by any of the respondents. ComReg will however keep factors 3 (Capacity of Sorting Machines and Alignment of Staff to Work) and 7 (Machine & Human Error), under observation and review again if or as required.

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<sup>37</sup> Quality of Service Monitor 2014 Annual Report - ComReg Document 15/65



**Table 2: Revised factors and percentage allocations impacting on quality of service following review in 2015**

| <b>Factors</b>   | <b>Assumption</b>  | <b>2004 Impact %</b> | <b>Revised Impact %</b> |
|--|--|----------------------|-------------------------|
| <b>Geographic limitations &amp; Spatial dispersal of Economic Activity</b>             |  | Minimal              | <b>Minimal</b>          |
| <b>Exceptional inclement weather, and exceptional road transport disruptive events</b> | <i>On average deliveries disrupted one day per annum due to exceptionally inclement weather (0.4%), and a quarter of all deliveries disrupted on one day per annum due to exceptional road transport disruptions (0.1%)</i>  | 0.40%                | <b>0.50%</b>            |
| <b>Capacity of Sorting Machines and Alignment of Staff to Work</b>                     | <i>20% of mail not processed on 24 days a year</i>   | 2.00%                | <b>1.90%</b>            |
| <b>Exceptional staff absence</b>   | <i>Each delivery route not covered for one day each year</i>   | 0.40%                | <b>0.40%</b>            |
| <b>Unforeseeable variations in volume</b>  | <i>5% of mail not processed on 5 days per annum</i>  | 0.10%                | <b>0.10%</b>            |
| <b>Reliability of Sorting Machines etc.</b>  | <i>On average 25% of machines not available at peak times on one day per annum</i>   | 0.10%                | <b>0.10%</b>            |
| <b>Machine and Human Error</b>   | <i>Sorting equipment installed by An Post should operate with no more than 1% of errors, it may be a reasonable target to allow for human errors at double this level, i.e. 2%</i>   | 3.0%                 | <b>3.0%</b>             |
| <b>Christmas period</b>  | <i>An Post has an obligation to provide a universal postal service for all periods of the year. The Christmas period is foreseeable and predictable for An Post to manage its services. There is a range of potential options available to An Post should it require relief from the Christmas period, including derogations, providing a rebated deferred service, etc.</i> | -                    | -                       |
| <b>Total Factors Affecting QoS</b>   |  | 6.00%                | <b>6.00%</b>            |
| <b>QoS Standard</b>  | <b>100.00% - 6.00%</b>   | <b>94.00%</b>        | <b>94.00%</b>           |

## 2.2 Quality of Service standard for delivery within three working days of posting (D+3)

81. In 2004, ComReg also set a standard of 99.5% for delivery of domestic single piece priority mail within three days of posting. This applies to mail which is not delivered on the next working day by An Post and thus relates to the reliability of the service. Any such mail which failed next day delivery service because of the factors outlined above should be delivered by the third working day. However, there may be some further minor factors which could constrain this. ComReg made an allowance of 0.5%, meaning that 99.5% of domestic single piece priority mail should be delivered by the third working day.
82. ComReg sought the views of interested parties on this QoS standard:

***Q.4 Is the QoS standard for delivery within three days of posting still appropriate? Please provide detailed reasoning for your response.***

### Views of respondents

83. **An Post** is of the view that the D+3 standard is still appropriate. The **CWU** did not give a view on this. **DX** did not answer the question as it stated to do so it would require information on An Post's performance and information on international practice.

### ComReg's position

84. In response to DX, ComReg would note that it publishes reports of An Post's QoS performance on its website which include results for the D+1 and D+3 performance.<sup>38</sup>
85. Having considered the views of the respondents ComReg has decided not to make any change to the QoS standard of 99.5% for delivery of domestic single piece priority mail within three working days of posting.

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<sup>38</sup> ComReg publishes annual reports of QoS performance on its website – see [http://www.comreg.ie/postal/regulation\\_of\\_quality.521.970.html](http://www.comreg.ie/postal/regulation_of_quality.521.970.html)

## 3 Regulatory Impact Assessment (RIA)

86. In Consultation 15/45, ComReg indicated that it would consider, following development of the consultation process, whether a Regulatory Impact Assessment (RIA) would be required given that ComReg is acting pursuant to its statutory mandate and powers under section 32 of the 2011 Act. ComReg has decided that a RIA is appropriate, in the circumstances. This section sets out a RIA on QoS standards for domestic single piece priority mail for delivery within one working day (D+1) and within three days (D+3).
87. ComReg acknowledges that the inclusion of a RIA at this stage might arguably involve a second round of consultation. However, given that the decision emerging from this consultation and RIA is, in effect, to maintain the status quo - by re-imposing the same QoS standards which have been in place since June 2004 - ComReg considers that it is sufficient to conduct a RIA at this point without having to conduct a second round of consultation.

### 3.1 RIA Framework

88. This RIA has been prepared in accordance with ComReg's published RIA Guidelines (Doc 07/56a) and having regard to the RIA Guidelines issued by the Department of An Taoiseach in June 2009 ("the Department's RIA Guidelines").
89. ComReg's RIA Guidelines set out, amongst other things, the circumstances in which ComReg considers that a RIA might be appropriate. In summary, ComReg will generally conduct a RIA in any process that might result in the imposition of a regulatory obligation (or the amendment of an existing regulatory obligation to a significant degree), or which might otherwise significantly impact on any relevant market or on any stakeholders or consumers. A RIA should help identify the most effective and least burdensome regulatory option and should seek to establish whether a proposed regulation or regulatory change is likely to achieve the desired objectives, having considered relevant alternatives and the impacts on stakeholders. In conducting a RIA, the aim is to ensure that all proposed measures are appropriate, effective, proportionate and justified.
90. As set out in ComReg's RIA Guidelines, there are five steps to a RIA which are as follows:
- Step 1: Identify the policy issue and identify the objectives;
  - Step 2: Identify and describe the regulatory options;
  - Step 3: Determine the impacts on stakeholders;
  - Step 4: Determine the impacts on competition; and

- Step 5: Assess the impacts and choose the best option.

## Step 1: Describe the policy issue and identify the objectives

91. Under section 17 of the 2011 Act, An Post is the sole designated universal postal service provider (USP) in the State. An Post, as USP, has an obligation under section 16(1)(a) of the 2011 Act to provide, on every working day, at least one clearance and one delivery to the home or premises of every person in the State, except in such circumstances or geographical conditions as ComReg considers to be exceptional.
92. Section 32 of the 2011 Act requires that ComReg, *“following a public consultation process, shall draw up, and may from time to time revise, quality of service standards in relation to the universal postal service provision by universal postal service providers ... other than intra-Community cross-border services”, to include standards relating to (a) time permitted for delivery of postal packets and (b) the regularity and reliability of the postal services concerned.”*
93. In exercising its statutory powers, ComReg must also have regard to its functions as set out in section 10 of the Communications Regulation Act 2002 – 2011 (which include ensuring *“the provision of a universal postal service that meets the reasonable needs of postal service users”*) and to its related objectives set out at 12(1) (which include that it shall *“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”*).
94. Therefore, the objective of this public consultation is to draw up QoS standards relating to the time permitted for An Post to deliver its domestic single piece priority mail which falls within the universal postal service, pursuant to section 32 of the 2011 Act and having regard to its related functions and objectives, and to the views expressed by interested parties who responded to the consultation.

## Step 2: Identify and describe the regulatory options

95. In Consultation 15/45, ComReg revisited the current QoS standards which it set in 2004. Having decided that it would, on this occasion, apply the same “top-down methodology” as it applied in 2004, ComReg, in Consultation 15/45, considered the appropriateness of those various factors which were identified in 2004 as constraining An Post from achieving 100% delivery on the next working day, for all domestic single piece priority mail which falls within the universal postal service. ComReg also invited interested parties to submit any additional factors which they think ought to be included, if any.

96. ComReg, having considered the appropriateness of the various identified factors while taking into account the views of respondents, has drawn up two QoS standards pursuant to section 32 of the 2011 Act:

- (i). 94% of domestic single piece priority mail which falls within the universal postal service shall be delivered on the next working day immediately following the day of posting (“D+1”); and
- (ii). 99.5% of domestic single piece priority mail which falls within the universal postal service shall be delivered within three working days following the day of posting (“D+3”).

97. ComReg notes that section 32 of the 2011 Act expressly mandates that it shall draw up QoS standards in relation to the universal postal services, meaning that “doing nothing” (i.e. not drawing up any QoS standards) is not a viable option.

98. Therefore, ComReg considers that the options available to it are as follows:

- **Option 1** – Adopt a QoS standard of 100% for next day delivery of single piece priority mail : or
- **Option 2** – Draw up D+1 and D+3 delivery standards of 94% and 99.5%, respectively.

## **Steps 3 and 4: Assess the impacts on stakeholders and competition**

99. Steps 3 and 4 assess the impacts of the proposed options on stakeholders and on competition. The affected stakeholders fall into two main categories:

- (i). “postal service users” which include residential consumers, SMEs, large businesses, Government departments and other public bodies, non-Governmental organisations including charities, and e-fulfillment service providers; and
- (ii). An Post, both as the designated USP and as an authorised postal service provider, and other postal service providers.<sup>39</sup>

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<sup>39</sup> Other authorised postal service providers would include DX Ireland, Eirpost (Division of Nightline Logistics Group), CityPOST, Fastway Couriers (Ireland), Lettershop Postal, TICo Mail Works, RR Donnelley Document Solutions (Ireland), and Sooner Than Later Solutions.

100. **Option 1:** Option 1 would benefit postal service users as they could receive a highly reliable and predictable next-day delivery service for all single piece priority mail. There should also be a benefit to An Post under this option in that having a very high quality of service should contribute towards retaining customers, in the face of competition, particularly from e-substitution. However, ComReg has identified various factors as set out in Section 2 which would be likely to constrain An Post from achieving 100% next-day delivery, and it would seem that surmounting these factors would likely require considerable further effort from An Post. Therefore, achieving a perfect 100% next-day delivery standard does not appear realistic. In terms of the impact on competition, ComReg considers that increasing the QoS standard to 100% next-day delivery would be unlikely to change the dynamic of the market place to any great extent.
101. **Option 2:** Drawing up D+1 and D+3 delivery standards of 94% and 99.5%, respectively, should benefit all postal service users in the State who are entitled to an affordable universal postal service which meets their reasonable needs. If such QoS standards are met then postal service users would receive a regular and reliable service in which 94% of all single piece priority mail would be delivered on the next working day, with 99.5% delivered within three working days. ComReg also considers that there is a benefit to An Post under this option, in that setting a high QoS standard should hopefully play a part in enabling An Post to retain as much of its existing business as possible, in light of strong competition in the broader communications sector (particularly in the form of e-substitution) which has mainly resulted in a fall of c.30% in traditional mail volumes in the State since 2007. ComReg has also identified those factors which would likely constrain An Post from achieving a perfect 100% next-day delivery and ComReg considers that for An Post to surmount these various factors, and thereby make up the remaining 6%, could require a degree of effort on the part of An Post which could be disproportionate. In terms of the likely impact of Option 1 on competition, ComReg considers that maintaining the next-day delivery standards which have been in place since 2004 will not change the current market dynamics.

## RIA Conclusion

102. The conclusion of this RIA is that setting QoS standards of 94% for next day delivery and 99.5% for delivery within three working days is the best option as this appears to be a proportionate and appropriate measure as it allows for those identified factors which are likely to impact on An Post's ability to achieve 100% next-day delivery for all mail and it should not require any effort by An Post than would otherwise be required. ComReg notes, in this regard, that An Post does not object to these current standards, that postal service users appear generally satisfied with these current standards, and that these current standards are broadly in line with equivalent standards in other EU Member States.

## 4 Information to be published by An Post on quality of service

103. In accordance with section 32(5) of the 2011 Act ComReg monitors An Post's QoS performance against the QoS Standards on a continuous basis in accordance with CEN Standard EN13850<sup>40</sup>.
104. Section 32(7) of the 2011 Act provides that, to ensure that the reasonable needs of users are met, ComReg may give a direction to An Post requiring it to publish information, in such form and manner and at such intervals as ComReg may direct, about the extent to which it is providing a universal postal service in accordance with the QoS standards.
105. Currently An Post is required<sup>41</sup> to make the following information regarding QoS performance available and in the following manner;
- a) The QoS standards and the achievement against the standards for single piece priority mail calculated in accordance with European Standard EN13850 should be published for the latest quarter and the latest calendar year for quarterly and for annual results by way of notice displayed prominently in all Company owned post offices and on the Internet.
  - b) The latest annual QoS standards together with performance achieved against the annual standards should also be displayed prominently at all posting points.
  - c) A booklet setting out the QoS standards should also be available for subsequent reference at home or business premises from larger post offices, or on request by post.
106. From here on and for the benefit of postal service users, information on the QoS standards and performance against those standards, as independently monitored and reported by ComReg for the overall national D+1 and D+3 annual results, should be published by An Post, including a reference to the relevant ComReg publication and to the CEN Standard<sup>40</sup>, and in the format and detail required by ComReg;
- in An Post's annual reports; and

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<sup>40</sup> EN 13850:2012 – Postal Services - *Quality of Service- Measurement of the transit time of end-to-end services for single piece priority mail and first class mail*

<sup>41</sup> Direction 6 of ComReg Document 03/50 'Postal Services: Universal Service Obligation, Tariff Principles and miscellaneous issues'



- on An Post's website in a prominent position with a clear link to them from the An Post 'home page'.

107. In addition, the QoS standards and a reference to where postal users can find the latest performance results against the standards (as referred to above) should be;

- provided in An Post's universal postal service terms and conditions;
- provided in all related universal postal service information booklets; and
- displayed prominently on the notice plates at all An Post access points.

108. While previously quarterly and year to date performance results were published, ComReg considers that it is now sufficient to publish performance results on an annual basis in line with the statutory requirement.

# Annex: 1 Decision on universal postal service QoS Standards for domestic single piece priority mail

## PART I – DEFINITIONS AND INTERPRETATION

All terms herein which are defined in the Communications Regulation (Postal Services) Act 2011 (the “**Act of 2011**”) shall have the same meanings as in section 6(1) of the Act of 2011.

In addition, in this decision -

“**day of posting**” means the specific day of the week on which a postal packet is deposited at an access point by a sender for transmission by post;

“**Single Piece Priority Mail**” means an individual postal packet deposited at an access point by a sender for transmission to an addressee on the next working day, where the postage paid by the sender is not subject to any discounts based upon:

- (a) the number of postal packets sent;
- (b) the substance, formatting or positioning of the address;
- (c) the use of markings to facilitate sorting by machines;
- (d) pre-sorting into geographical areas for delivery; or
- (e) an obligation to purchase any other postal service;

“**working day**” means a day which is not a Saturday, Sunday or public holiday.

## PART II – STATUTORY POWERS AND RATIONALE

The Commission, having had regard to its statutory functions and objectives in relation to postal services and the reasonable measures which it shall take aimed at achieving those objectives, as set out in sections 10 and 12 of the Act of 2002, respectively, and in accordance with the relevant provisions in section 32 of the Act of 2011, and having conducted a public consultation, has decided:

- to draw up quality of service standards in relation to the universal postal service provided by An Post, the sole universal postal service provider in the State, relating to (a) the time permitted for delivery of postal packets, and (b) the regularity and reliability of the universal postal service; and
- to give a direction to An Post requiring it to publish information about the extent to which it is providing a universal postal service in accordance with the quality of service standards.

The above are together described herein as “the Decision”.

The details of which are set out in Part III below while the rationale for the Decision is set out in Consultation Document No. 15/45 and in Response to Consultation Document No. 15/126, both of which are published by the Commission on its website, [www.comreg.ie](http://www.comreg.ie).

### **PART III – THE DECISION**

The Commission, pursuant to sub-sections 32(1) and (3) of the Act of 2011, hereby draws up quality of service standards in relation to universal postal service provision by An Post relating to the time permitted for An Post to deliver domestic Single Piece Priority Mail and the regularity and reliability of the universal postal service provided by An Post. The quality of service standards are expressed in percentage terms as follows:

- (i). 94% of all Single Piece Priority Mail, posted in the State for delivery in the State, shall be delivered by An Post on the working day which immediately follows the day of posting; and
- (ii). 99.5% of all Single Piece Priority Mail, posted in the State for delivery in the State, shall be delivered by An Post within three working days immediately following the day of posting.

The quality of service standards relate to the transmission by An Post of any postal packet which is domestic Single Piece Priority Mail, from the time of its being deposited at one of An Post's access points to the time of its being delivered. The quality of service standards are based on postal packets deposited at access points *before* the published Latest Time of Posting at the access point. Postal packets that are deposited at access points *after* the published Latest Time of Posting shall be deemed to have been posted on the next working day.

The quality of service standards shall be compatible with those laid down for intra-Community cross-border services in Annex II to 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, as amended.

In addition, the Commission, pursuant to sub-section 32(7) of the Act of 2011, hereby directs An Post:

- (a) to publish information about the extent to which it is providing a universal postal service in accordance with the quality of service standards created hereunder, as independently monitored and audited and reported by ComReg, in a prominent position on its website ([www.anpost.ie](http://www.anpost.ie)) and in each of its published annual reports; and
- (b) to include, in the published terms and conditions of its universal postal service and in any other published information booklets relating to the universal postal service and on the notice plates at all of its access points, details of the quality of service standards created hereunder and details as to where postal service users may obtain the information described in (a).

The Decision is binding on An Post in its capacity as the current sole universal postal service provider in the State, designated as such under section 17 of the Act of 2011.

#### **PART IV – OPERATION**

The Commission, pursuant to section 32(5)(a) of the Act of 2011, shall monitor compliance by An Post with the above quality of service standards, on an annual basis and in accordance with technical standard EN13850:2012<sup>42</sup>, and the Commission shall publish an annual report on the results of its monitoring exercise, pursuant to section 32(5)(b) of the Act of 2011.

Nothing in the Decision shall limit the Commission in the exercise of any of its statutory functions or powers, including that the Commission fully reserves the right to take any future enforcement measures in relation to the Decision, as it may consider to be justified and necessary.

If any part of the Decision is found to be invalid or unlawful then that part shall be severed from the Decision and rendered ineffective to the required extent without, insofar as possible, modifying the remainder of the Decision or otherwise affecting the validity or enforceability of the Decision.

#### **PART V. EFFECTIVE DATE**

The quality of service standards drawn up by the Commission under the Decision shall come into effect on **1<sup>st</sup> January 2016** and shall remain in force until further notice by the Commission or until An Post should cease to be a universal postal service provider. The current quality of service standards shall be revoked and shall cease to have effect as and from that same date.<sup>43</sup>

Jeremy Godfrey

**CHAIRPERSON**

**THE COMMISSION FOR COMMUNICATIONS REGULATION**

**THE 30 DAY OF NOVEMBER 2015**

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<sup>42</sup> EN13850:2012 'Postal Services - Quality of Services - Measurement of the transit time of end-to-end services for single piece priority mail and first class mail'

<sup>43</sup> The current quality of service standards are those created under Response to Consultation and Decision paper - *Quality of Service Target 2004 Single Piece Priority Mail* (ComReg Document No. 04/56, published 1<sup>st</sup> June 2004)

## **Annex: 2 Matters outside the scope of the consultation**

109. A number of respondents requested ComReg to consider matters that fall outside the scope of this consultation, as set out below.

### **A review of postal service users' needs**

110. As noted above, ComReg used a “top-down” methodology which identifies the factors that are likely to constrain An Post from delivering all of its domestic single piece priority mail on the next working day. The various factors and their weightings are set out in Chapter 2. An Post and DX do not agree with the top-down methodology and submit that reviewing the needs of postal service users' would be a more appropriate way of determining QoS standards.

111. However, ComReg considers that the “top-down” methodology best reflects the objective of having an affordable universal postal service in place that meets the reasonable needs of all postal service users in the State, including that there must be at least one clearance and one delivery to the home or premises of every person in the State on every working day (save for exceptional circumstances or geographic conditions) and that there must be quality of service standards in place relating to the time permitted for delivery of postal packets and the regularity and reliability of the universal postal services.

### **The increased alternative means of communication and the related decline in mail volumes**

112. An Post and DX both maintain that increased alternative means of communication means that there is now less reliance on the universal postal service, and that ComReg should take this into account in setting the QoS standards. ComReg considers that to reduce the QoS in the face of increased competing electronic communications, and in the face of significant declines in traditional mail volumes, could be detrimental to postal services. It may accelerate the use of e-communications and thereby further exacerbating the decline in mail volumes, and it could also damage An Post's competitive position in the packets and parcels market, which is not in decline but is actually a growth area.<sup>44</sup> In this regard, according to An Post, letter volumes have declined by c.30% since 2007<sup>45</sup> and the decline is forecasted to continue over the coming years<sup>46</sup>.
113. In support of its submission regarding alternative means of communication, An Post refers to the need for a "future-proofed" regulatory framework to accommodate changes in the postal market and relies on a 2009 policy document published by the Department for Communications, Energy and Natural Resources ("DCENR").<sup>47</sup>
114. ComReg would note that the 2009 policy document predates the 2011 Act and that it relates to the universal postal service and not to QoS standards. To explain, section 16(9) of the 2011 Act provides for ComReg to make regulations specifying the actual services to be included in the universal postal service, for the purposes of ensuring that the universal postal service develops in response to the technical, economic and social environment and to the reasonable needs of users. These services were set down by ComReg in regulations in July 2012, following public consultation<sup>48</sup>. ComReg agrees with An Post, as noted in its response to Consultation 15/45, that ComReg has set a "de minimis" set of universal postal services. In addition, ComReg would note that one of the DCENR's stated objectives is to *"ensure Irish customers, both business and residential, enjoy high-quality, competitively-priced postal services that satisfy the highest EU quality standards."*<sup>49</sup>

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<sup>44</sup> A recent ComReg study shows that An Post has the highest share of the packets and parcels market, handling about one in three of the packets and parcels delivered in Ireland. The same study estimated that growth across sector will be 2-4% per annum over the three years after 2013, while growth in the B2C segment will be more pronounced (6-8%) (ComReg Document No. 15/47).

<http://www.comreg.ie/fileupload/publications/ComReg1547.pdf>

<sup>45</sup> An Post Annual Report 2014, page 16

<sup>46</sup> See Figure 4 of ComReg Document No. 14/59

<http://www.comreg.ie/fileupload/publications/ComReg1459.pdf>

<sup>47</sup> "Liberalisation of the Irish Postal Market: Options Paper" dated October, 2009

<sup>48</sup> Communications Regulation (Universal Postal Service) Regulations 2012 (S.I. 280/2012)

<sup>49</sup> See [http://www.dcenr.gov.ie/ga-ie/about-us/Pages/Communications-\(in-about-usThe-Department\).aspx](http://www.dcenr.gov.ie/ga-ie/about-us/Pages/Communications-(in-about-usThe-Department).aspx)

115. Similarly, An Post provides quotes from a consultant's report to the European Commission with regard to its submission that there is an increased availability of alternative means of communications. ComReg would note that such reports are, in general, for the purpose of assisting the European Commission to consider possible future amendments which it may make to the European Postal Directive, including any amendments reflecting a change in policy. If any further amendments are made to the Postal Directive, these will be transposed into Irish law in due course and implemented by ComReg. However, for the time being, the universal postal service shall continue to consist of at least one clearance and one delivery to the home or premises of every person in the State on every working day (save for exceptional circumstances or geographic conditions) with quality of service standards in place relating to the time permitted for delivery of postal packets and the regularity and reliability of the universal postal services. If An Post should wish ComReg to consider whether any such exceptional circumstances or geographic conditions do exist, such that the requirement to clear and deliver mail to every home or premises on every working day ought to be amended, in all of the State or in parts of State, then An Post must make a submission to ComReg in that regard, to include all supporting evidence.

#### **The costs of providing the universal postal service and the level of postal tariffs relative to the QoS standard**

116. An Post submits ComReg should balance the universal postal service domestic single piece priority mail QoS standard with the costs of achieving such a standard. An Post also submits that it has low postal tariffs relative to other European operators.

117. Again in line with paragraph 14, if An Post wishes to seek amendment to the universal postal service specifications it can avail of the provisions for a derogation application as set out in section 16 of the 2011 Act. Notwithstanding this, in June 2014<sup>50</sup> ComReg put in place a price cap mechanism which means that An Post, in meeting certain efficiency levels, has discretion to set its own price levels within certain controls, so that the provision of the universal postal service covers its cost. Since the setting of the price cap An Post has implemented price increases in July 2014<sup>51</sup> and July 2015<sup>52</sup>.

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<sup>50</sup> ComReg Document No. 14/59

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<http://www.anpost.ie/AnPost/MainContent/About+An+Post/Media+Centre/Press+Releases/2014/Rates+2014.htm>

<sup>52</sup>

<http://www.anpost.ie/AnPost/MainContent/About+An+Post/Media+Centre/Press+Releases/2015/Rates+2015.htm>

## Annex: 3 Summary of Legal basis

A 3.1 The European regulatory framework for the postal sector as established by the European Postal Directive 97/67/EC, adopted in 1997 and later amended in 2002 and 2008<sup>53</sup> (the "Postal Directive") has set a minimum "universal postal service" which must be provided to all postal service users by every member state.

A 3.2 The Communications Regulation (Postal Services) Act 2011 ("2011 Act") became law on 2nd August 2011 and established a new framework for the regulation of postal services in the State. The 2011 Act replaced and revoked the previous legislation in place, the European Communities (Postal Services) Regulation 2002 (S.I. No. 616 of 2002), and also gave effect in Irish law to the Postal Directive.

### National Regulatory Authority

A 3.3 ComReg is the designated national regulatory authority for postal services in the State under section 14 of the 2011 Act. The 2011 Act sets out the statutory framework for the regulation of the Irish postal sector by ComReg, including regulation of the "universal postal service" provided by An Post as USP.

A 3.4 Section 10(1) of the Communications Regulation Acts 2002 – 2011 sets out ComReg's two *functions* in relation to postal services:

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

A 3.5 Section 12(1)(c) of the Communications Regulation Acts 2002 – 2011 sets out ComReg's *objectives*, in exercising the above functions:

*–in relation to the provision of postal services:*

*(i) 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,*

*(ii) to promote the interests of postal service users within the Community, and*

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<sup>53</sup> Directives 2002/39/EC and 2008/6/EC



*(iii) subject to subparagraph (i), to facilitate the development of competition and innovation in the market for postal service provision.*

A 3.6 The following summarises ComReg's obligations under the 2011 Act in relation to domestic QoS:

- Section 32(1) to section 32(4) requires ComReg, following public consultation, to set and publish and it may from time to time revise QoS standards in relation to the universal service, relating to the transit time permitted for delivery of postal packets in the State and the regularity and reliability of the postal services concerned. These QoS standards should be compatible with the Postal Directive intra-Community cross-border standards<sup>54</sup> which are also set out in Schedule 3 of the 2011 Act. ComReg must notify the European Commission of the QoS standards which it may set under section 32(1) of the 2011 Act.
- Section 32(5) requires it to monitor compliance with the QoS standards it has set and to publish an annual report of the results of the monitoring exercise. There is a European and National Standard which is mandatory for measuring the end-to-end performance of single piece priority mail – EN13850:2012<sup>55</sup>.
- Section 32(6) provides that it may issue a direction to the universal postal service provider to take corrective action where it is of the opinion that the QoS standards have not been met. The method by which ComReg should issue and enforce compliance with any direction it has issued is set out at section 51 of the 2011 Act.
- Section 32 (7) provides that ComReg may give a direction to An Post requiring it to publish information about the extent to which it is providing a universal postal service in accordance with QoS standards.

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<sup>54</sup> The quality standards for intra-Community cross-border mail in relation to the time limit for routing measured from end-to-end for postal items of the fastest standard category according to the formula **D + n**, where **D** represents the date of deposit and **n** the number of working days which elapse between that date and that delivery to the addressee. These quality standards are 85% of postal items are to be delivered within D+3 and 97% to be delivered within D+5.

<sup>55</sup> EN13850:2012 '*Postal Services - Quality of Services - Measurement of the transit time of end-to-end services for single piece priority mail and first class mail*'

## Universal Postal Service Provider

A 3.7 Under section 17 of the 2011 Act An Post is the sole designated “universal postal service provider” (“USP”) for the State for the period 2 August 2011 – 1 August 2023. An Post is required to provide a postal service of a minimum standard to all persons in the State.

## Universal Postal Service

A 3.8 Section 16(1) (a) of the 2011 Act defines the scope of the “universal postal service” as meaning that on every working day, except in such circumstances or geographical conditions as ComReg considers to be exceptional, there is at least one clearance and one delivery to the home or premises of every person in the State or to appropriate installations as ComReg considers appropriate.

A 3.9 Section 16(1)(b) of the 2011 Act specifies certain universal postal services to be provided, including the clearance, sorting, transport and distribution of postal letters, packets and parcels up to 20kg, a registered items service, an insured service, and postal services free of charge to blind and partially-sighted persons. In addition, Section 16(9) of the 2011 Act required ComReg, following public consultation, to make regulations specifying the services to be provided by the USP and ComReg made such regulations in July 2012 (the Communications Regulation (Universal Postal Service) Regulations 2012 (S.I. 280 of 2012) - see ComReg Document No. 12/81).