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Communications Regulation

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

Submissions to Consultation 15/45

Submissions to Consultation

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An Coimisiún um Rialáil Cumarsáide

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Submissions Received from Respondents

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1: An Post

Review of quality of service standards for the universal postal service

REFERENCE: DOCUMENT 15/45

**An Post Response
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1. Introduction

An Post welcomes ComReg's decision to embark on a public consultation process in order to consider the appropriateness of the current quality of service standards for the universal postal service.

It has been over ten years since the Quality of Service ('QoS') targets were last reviewed¹. In the intervening period the postal industry, technology and user needs have been radically transformed. In addition to this formal public consultation process ComReg should ensure that quality of service standards meet the reasonable needs of postal service users as prescribed in the Communications Regulation (Postal Services) Act 2011 ('the Act'). It is now the appropriate opportunity to undertake the review in light of the profound and wide ranging transformation which the market has undergone since 2004.

This document assesses the context for the current review of the Quality of Service target for domestic single piece letters at this time and responds to the specific consultation questions in ComReg's consultation document.

An Post believes that the current review of quality of service standards for the universal postal service should reflect the following factors:

- The reasonable needs of postal users;
- Postal market changes since the last review in 2004;
- International studies;
- Specific demographic and geographical features of the Irish market; and
- The impact of December/Christmas volumes.

2. Needs of Postal Users

2.1 Absence of reference to "Customers"

It should be noted that Consultation Paper 15/45 makes no reference to the "Customer" or postal user in the context of setting an appropriate QoS target. An Post believes that the customer is a key stakeholder in the provision of the universal postal service and should be considered as part ComReg's analysis and review of the QoS target.

2.2 A changing market

Quality of Service must be viewed in the context of a mails market undergoing a profound and radical transformation. While An Post remains resolute in its commitment to providing a high quality next working day service, it is vital that the service levels and targets are reflective of current market needs.

¹ Quality of Service Target 2004, Single Piece Priority Mail, ComReg Document no. 04/56 of 1 June 2004

On gauging the actual needs of users, a European Commission postal study conducted by WIK Consult (The Role of Regulation in a More Competitive Postal Market, 2009) stated that:

“These needs may evolve over time. If, for example, expanding use of email reduces the need of rapid delivery of letters, then the quality of service standards should be relaxed.”

In their 2013 report to the European Commission (Main Developments in the Postal Sector (2010 – 2013)), WIK Consult recommended that as part of a more flexible USO definition:

“...Member States [be allowed] to adapt parameters such as service quality.....to the needs of users”.

The current An Post Five Year Plan is designed to ensure that an efficient and high quality universal service can be maintained to meet the reasonable needs of all our customers.

2.3 Necessity of a “future proofed” regulatory regime

A discussion document was published in October 2009 by the Department of Communications entitled “Liberalisation of the Irish Postal Market: Options Paper” which outlined the key policy options open to the Government in transposing the Third Postal Directive. The paper, which ultimately shaped the discussion on the framing and enactment of the Communications Regulation (Postal Services) Act 2011 (“the 2011 Act”), recognised a need for regulation to routinely adapt to the needs of customers.

The Department was of the opinion that regulations could not be set in stone and thus risk remaining impervious to changes in the expectations and practical needs of postal users. It observed that:

“There would appear to be a need to have a “future-proofed” regulatory framework flexible enough to accommodate changes in the postal market and changes in consumers’ needs. A recent European Commission report concludes that the USO is not static and must evolve to reflect customers’ changing needs. Of importance in this regard is that secondary legislation is easier to amend and therefore better suited to legislate for matters that may change and evolve over the coming years”.

(Section 1.4 of DCENR’s October 2009 report - Liberalisation of the Irish Postal Market: Options Paper)

2.4 Changes in “technical, economic and social environment”

The rationale for adapting the provisions which shape the Universal Postal Service as ComReg is empowered to do from “time to time” under section 32(1) of the 2011 Act, is set out in Section 16(9) of the 2011 Act:

“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 postal service users, the Commission shall, following a

public consultation process, make regulations specifying the services to be provided by a universal postal service provider relating to the provision of a universal postal service.”

The provisions of Section 16(9), in calling for regulation to adapt to an evolving market, have their origins in the text of the Postal Directive 97/67/EC:

“- it shall evolve in response to the technical, economic and social environment and to the needs of users”.

(Article 5 of Directive 97/67/EC)

Evolution of the environment in Ireland is most evident in the substantial increase in households with an internet connection from 36% in 2004 (ComReg 04/78) to 82% in 2014 (CSO), clearly changing the availability of alternatives to postal communications and the associated impact on consumer needs.

Rand Europe in their 2011 study for the EC (“Study on Appropriate Methodologies to Better Measure Consumer Preferences for Postal Services”) was of the view that it would be:

“.....necessary to account for the possibility that consumers’ needs may be provided by electronic alternatives as well.”

(page 11)

3. Review of Postal Studies Conducted on Behalf of European Commission

Various studies, a sample of which are outlined in Sections 3.1 – 3.3, undertaken on behalf of the European Commission point to the requirement for a review to be undertaken, which must consider changes in alternative methods of communication.

3.1 WIK Report on Main Developments in the Postal Market (2010-2013)

- Any amending directive should refer to a ‘minimum’ QoS routing time for communication that takes into account the availability of other channels of communication. WIK suggested that:
“....[a new] Directive could require all Member States to establish a minimum routing time sufficient to allow citizens to communicate regularly and reliably with another taking into account alternative methods of communication and the cost of maintaining different channels of communications.”
(page 302, WIK report 2013)
- Most NRAs acknowledge the reality that the supply of an acceptable service by a USP in a market dominant position is in its own economic self-interest and therefore does not merit regulatory intervention:
“In most Member States the NRA recognises it is in the commercial self-interest of the USP to supply a basic level of universal service to the vast majority of the country.”
(page 303, WIK 2013)

- NRAs should regulate QoS only where the USP is market dominant but this should be assessed in the context of competition from electronic mail. The consultants in this regard were quite clear, stating on page 304 of the 2013 report:
“We believe that a Member State’s obligation to regulate the prices and service quality of universal services should be limited to services that are provided under conditions of market dominance.”
 Furthermore on page 340 of the same report WIK recommend that:
“In evaluating whether a postal operator is market dominant in the delivery of paper-based communications and/or is reliably guided by market forces, the NRA should take into account competition from electronic communications as well as from other physical delivery services where appropriate.”

3.2 WIK Report on the Role of Regulators (2009)

- The function of the Directive is to provide a ‘floor’ for service quality (i.e. a level which is in practice attainable and meets basic needs). WIK stated in their 2009 Report on “The Role of Regulators in a More Competitive Postal Market” that:
“Where postal markets are open to competition and universal services are ensured in the first instance by the commercial self-interest of postal service providers (‘market forces’), the function of the universal service obligation must be - as provided in the original Postal Directive - to establish a floor for service quality.”
 (page 366, WIK 2009).
- ‘Gold-plated’ definitions of the USO should be avoided:
“ ‘Gold-plated’ definitions of the universal service obligation – which can only be fulfilled by the incumbent public postal operator – must be resisted unless there is clear evidence of a public need for such extensive standards of universal service.”
 (page 367, WIK 2009).
- QoS standards where availability of email reduces the justification for rapid delivery of letters should be relaxed:
“.....The best practice is for Member States to set standards for access, affordability and quality of service at the minimum level that objectively reflects the actual needs of users. These needs may evolve over time. If, for example, expanding use of email reduces the need of rapid delivery of letters, then the quality of service standards should be relaxed.”
 (page 301, WIK 2009).

Based on these reports, it is clear that ComReg’s current review of the QoS standard is timely and that it should take into account the availability of alternatives. It should not be a gold plated standard but should meet the reasonable needs of postal users. This would be in accordance with ComReg’s statement in response to its

consultation on the Postal Regulatory Framework (ComReg 12/81 Section 2.15) which explains that a 'de minimis' USO is consistent with the first Postal Directive.

3.3. Average domestic D+1 targets and performance across Europe

3.3.1. WIK 2009 Report – The Role of Regulators in a More Competitive Postal Market

Figures for QoS standards and performance in respect of 2008 are set out at Annex 1. This shows an average standard of 89.25% for 26 European countries.

The WIK report highlights the differing rationale of NRA's in setting QoS targets with some being set at a level to stimulate better performance and some set well below actual performance to meet the basic needs of the general public, as indicated in the extract from the report shown below:

“Comparing quality of service and actual performance suggests that NRAs may be setting quality of service according to different criteria. Some NRAs set the standard well above actual performance. For example, for Cyprus, for FSC service, the D+1 standard compared to actual performance is 90 percent to 76 percent; in Greece, 87 to 80 percent; in Ireland, 94 to 79 percent; in Latvia, 85 to 77 percent; in Poland, 82 to 66 percent; and in the United Kingdom, 93 to 85. In such cases NRAs appear to be using quality of service standards to stimulate better performance from the USP. In other Member States, the quality of service standard and actual performance are very close. In some cases, the quality of service standard is set well below actual performance as in, for example, Germany, 80 to 96 percent (2007) and Hungary, 85 to 93 percent. Here the quality of service standard appears to reflect the NRA's judgement as the basic needs of the general public.”
(page 87, WIK 2009)

3.3.2. ERGP 2012 Report - Evidence of high heterogeneity of QoS targets

In the 2012 Report on the Quality of Service and the End-User Satisfaction ((12)30), ERGP observed that targets varied considerably across Europe implying the overriding importance of country specific factors in the establishment of objectives. This report noted that:

“There is a high heterogeneity of targets for the measurement of transit time (D+1) among countries participating in research (80% - 97%).”

A reproduction of the ERGP chart contrasting performance against targets is shown at Annex 2. This indicates an average target of 89.15% in 2012.

4. Demographic features of Irish Market

4.1 Population Density

It should be recognised that Ireland has a low population density compared to the European average. This acts as a challenge to An Post in achieving the current next day target. Data shown at **Annex 3** clearly highlights that Ireland is a country with one of the lowest population densities in Europe while its QoS target is one of the highest. Further analysis of the data shows that the average population density for the highest 10 European countries is 358 while the average QoS target for these countries is 92%. However, average population density for the lowest 10 countries, where Ireland is classified, is 53 while the average QoS target is 86%.

It should also be noted that the QoS target included at Annex 2 of Consultation Paper 15/45 fails to highlight that the target for some countries excludes December, e.g. UK.

4.2 Population by urban-rural typology

An even starker picture emerges if the Eurostat threefold classification of 'urban', 'intermediate' and 'rural' areas is adopted. This framework shows Ireland's unique demographic pattern to be quite striking having the highest 'rural' population proportion at 73% among all of the EU27 Member States on 1 January 2011, compared to 42% and 39% for Denmark and Austria respectively² (**Annex 4**).

4.3 Housing by dwelling type

Address points in Ireland are quite distributed in comparison to other European countries. For example, the table shown at **Annex 5** clearly shows that Ireland has one of the lowest levels of population living in "flats", at 3% compared to the EU28 average of 25% (Eurostat report). This is further evidence of the wide distribution of the Irish population and address points and should be considered by ComReg in reviewing the QoS target.

One factor militating against efficient mail delivery is low housing densities in urban areas. In Ireland this is best exemplified by the low proportion of apartment dwellings as a proportion of the total housing stock which stands at 11% according to CSO figures³. In contrast Eurostat research⁴ reveals that the European average is 41.5%.

² Eurostat press release 51/2012 of 30 March 2012 - "The largest shares of the population living in rural areas were registered in Ireland (73%)....."

http://epp.eurostat.ec.europa.eu/portal/page/portal/publications/collections/news_releases

³ Statistics on apartments and other dwelling types as per Table 4 on page 55 of the CSO "The Roof over our Heads" (August 2012)

⁴ Eurostat - Distribution of population by dwelling type - 2011

[http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Distribution_of_population_by_dwelling_type,_2011_\(%25_of_population\).png&filetimestamp=20130522183331](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Distribution_of_population_by_dwelling_type,_2011_(%25_of_population).png&filetimestamp=20130522183331)

The stark contrast in the composition of the housing between Europe and Ireland is exemplified in the table below:

	Detached House	Semi Detached House	Apartment	Other
EU (Eurostat)	34.4%	23.3%	41.5%	0.8%
Ireland (CSO)	43.0%	28.0%	11.0%	18.0%

A detailed analysis of the Eurostat and CSO findings on the housing stock in Europe and Ireland, respectively, or an analysis of Housing by Dwelling Type is reproduced in Annexes 5 and 6.

4.4 Total number of delivery points

The total number of delivery points in Ireland has increased from 1.765m in 2004 to 2.245m in 2014, an increase of almost 30%. This significant increase in delivery points, in the context of the significant decline in mail volumes, must be considered by ComReg as part of the review of the QoS target.

4.5 Low ranking of Ireland in WIK “QoS environment index”

In 2003 the European Commission engaged WIK to conduct a study entitled “Quality of Service Objectives, Performance and Measurement in Relation to Community Universal Postal Service”. This identified a number of countries, including Ireland, which were adversely affected by demographic / geographic factors in their ability to deliver mail against an overnight QoS target. A “QoS environment index” was constructed by WIK to make a correlation between demographic / geographic factors and QoS performance. WIK described the index and what it revealed as follows:

“The index ranges from 0 to 1: The larger the index the better the conditions to provide a D+1 postal service, i.e. high mail volumes per capita, small country, high degree of urbanisation and high population density in relation to the other countries. Each country is characterised by an individual mix of conditions, therefore values near to 0 or 1 are not reached. Greece, Spain, France, Italy, Ireland, Portugal, and Finland are characterised by relatively disadvantageous conditions for the provision of D+1 services, whereas Luxembourg, Belgium and Netherlands achieve relatively high index levels. Therefore, in these countries it would be easier to implement a D+1 postal network. Sweden, Germany, UK, Denmark, and Austria lay in the middle of the field.”

(page 189 of WIK QoS Report).

5. Business environment & availability of alternatives

The level of quality that can be attained in practical terms cannot be assessed based solely on international benchmarks but must take account of the business climate under which An Post currently operates.

The emergence of alternative communications channels has resulted in a radical transformation of the communication market in Ireland and elsewhere. Electronic messaging is increasingly perceived as offering an attractive alternative to physical mail. Some influential commentators abroad have even suggested that this should be reflected in a USO which would embrace both physical and electronic communications. There is no doubt that with its increasing pervasiveness and accessibility it is inevitable that electronic messaging will continue to erode mail volumes thus contributing to the substantial pressure on the Company to reduce its costs and employee numbers.

The introduction of a QoS target excluding the December period is the most obvious way to address the existing postal market environment. Introduction of a more onerous target is inappropriate as indeed is an overall yearly target that does not reflect the significant volume increase during December.

6. An Post's Position

The following factors should be given serious consideration by ComReg in reviewing the QoS target:

- Impact of Christmas volumes;
- Rationale of building a network to meet QoS target if applicable for the period of peak volumes during December;
- "Ireland specific" factors such as addressing and high level of non-unique addresses; and
- International experience.

6.1 Christmas volumes

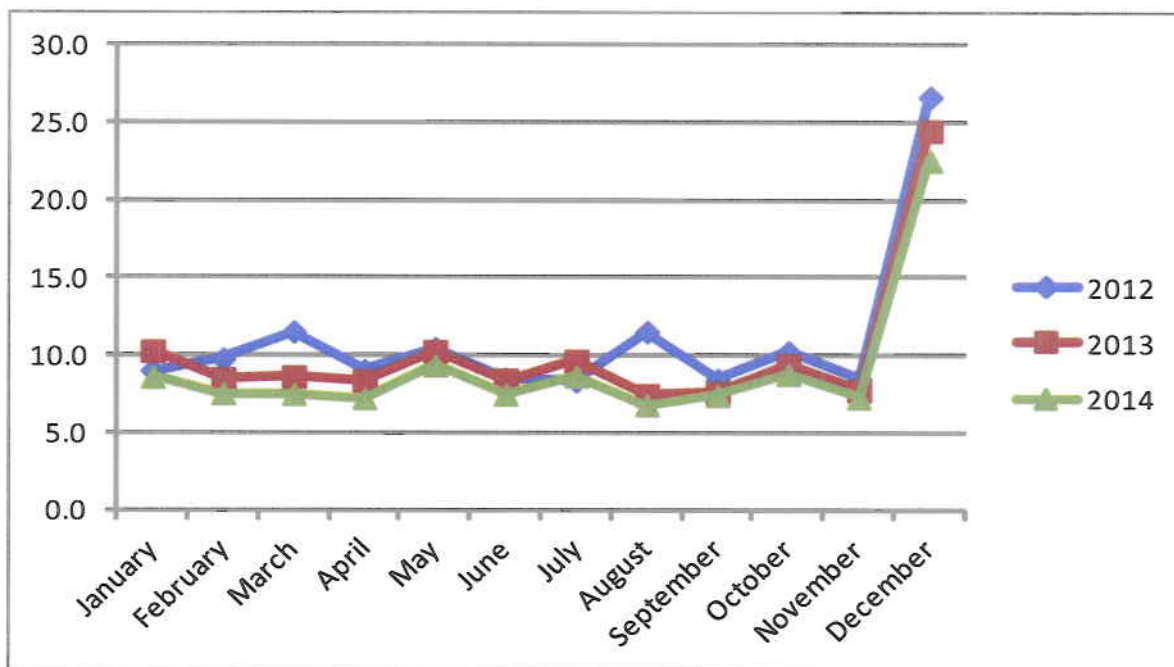
6.1.1. Distortion caused by high Christmas volumes

A pronounced spike in volumes occurs in the month of December. However, the exact days upon which this increase will have its principal effect varies from one year to the next thus rendering it difficult to predict the period with any degree of precision.

The typical mix of mail also undergoes a radical transformation during this period. A dramatic change is clearly manifest in the proportion of mail which is stamped and/or handwritten and/or in colour envelopes increases significantly. There is also a significant increase in international inbound mail, with an associated high proportion of handwritten addresses.

The graph below clearly shows the significant spike in volumes during December. A table setting out a breakdown of the volume increases in the stamped and inbound international letters in December is set out in Annex 7.

Stamped Letter Volumes (m)



To achieve next working day delivery it is necessary for all mail to be processed during the processing window in the mail centres. The normal operating window for processing mail is from 5.30pm in all mail centres and to have this processed mail to all delivery offices between 6.00am and 7.30am the following morning. This operating window does not increase, nor does machine capacity. Essentially, An Post must cope with a near three-fold increase in stamped mail, in the month of December, while having an operating window and capacity for typical volumes and typical mixes of mail. On some days during December the volume of mail is greater than the processing capacity of the mail centres. This means that some mail is inevitably processed outside the processing window and is delayed by a day as a result.

To maximise the amount of mail which can be processed in the processing window in December staff work additional hours and casual staff are employed. However, the increase in volume on some days is so great that it is not possible to raise capacity in the processing window to a sufficient level to process all mail every night.

The change in the mix of mail causes further problems. For example, stamped mail requires additional time and work to process items. Stamped mail, particularly in December, has:

- the lowest machinability;

- the lowest read-rate, this is reduced further in December due to the higher proportion of coloured envelopes;
- the greatest requirement for manual cancellation of postage;
- the greatest requirement for manual sorting; and
- the highest percentage of handwritten addresses.

An Post hires additional casual staff to help video code and manually sort mail during this period. Inevitably however, the level of mis-sorts increases along with a reduction in productivity due to inexperience and general sortation knowledge of casual staff relative to full time staff.

Even if additional sorting machines could be installed in additional buildings adjacent to existing mail centres for use only in December and large numbers of additional staff are taken on, over and above the casual staff An Post presently employs at Christmas, An Post could never attain the same quality of service level it achieves during the rest of the year as casual staff would have a higher mis-sort rate and lower productivity than permanent staff. The additional cost associated would significantly add to the cost of the provision of the universal service and negatively impact the ability of An Post to sustain provision of this important service into the future.

Further to the issues surrounding the December period, being of particular relevance to traditions in Ireland and the UK, An Post notes that Royal Mail's next day delivery performance during December is reported separately from its annual regulatory target. In its Response to Consultation published with the QoS target on 1 June 2004 (Document 04/56), ComReg included a table of derogations setting out how the figure of 6% was calculated to arrive at the QoS target of 94%. One of the items set out was "Christmas Cards" but no percentage derogation was provided on the basis that a:

"Separate service [be] provided for non-priority items such as Christmas Cards".

An Post reviewed this proposal from ComReg and points out that the introduction of such a service would not benefit Quality of Service performance for the following reasons:

- the necessity to establish a new mailstream, including significant associated costs;
- the necessity for An Post to put in place and remove temporary alternative induction/access infrastructure for the month of December, including significant associated costs;
- the requirement for customers to post such mail in an alternative collections network and the likely level of customer non-compliance with this requirement; and

- the continued requirement for increased volumes of mail to be processed during a limited and fixed processing time window if a separate mailstream is put in place or not observed by customers.

In An Post's opinion introducing a separate discounted seasonal service, as proposed by ComReg, would be revenue dilutive, add significant cost and would not be operationally viable for the reasons set out above.

6.1.2 Impact on QoS monitor

An Post estimates that the annualised impact of the December period can be up to 2% on annual QoS performance.

6.1.3 Exclusion of the month of December from QoS measurement

The exclusion of December from QoS measurement is a well established principle in other European countries. ERGP note that three countries factor in the Christmas/holiday pressure period in their QoS measurement systems:

"As regards to the question concerning the suspension of some periods during the year of measurement only 3 countries (Slovakia, Serbia, United Kingdom) deduct particular periods (Christmas, Easter, etc.) from the actual measurement."

(page 23, ERGP (12) 30)

The significant increase in volumes experienced by An Post during the Christmas period is in line with that experienced by Royal Mail and ComReg should take this opportunity to address this issue as part of the QoS target review being carried out.

6.1.4 Separate reporting of Christmas

An Post believes that separate reporting of the Christmas period (i.e. mail inducted during the month of December) will provide users of the service with a much clearer understanding of the underlying performance being achieved. The longstanding practice of publishing Last Day of Posting (LDOP) dates in December observed by An Post and other international postal operators is further evidence that customers are notified of and expect longer delivery times during December.

6.2 Comparison of QoS target with that of other EU Member States

An Post does not accept that it is appropriate to compare the QoS target for Ireland with that of other European countries. An Post notes that average D+1 quality of service standards in 2014 for European countries, shown at Annex 2 of ComReg document 15/45 is in fact 89.6% but this is also somewhat misleading as it does not indicate if countries have a second class or non-priority service in addition to the D+1 service shown. It also fails to indicate if the QoS target relates to the full year or if December is excluded, as is the case for the United Kingdom.

It is also not appropriate to propose a QoS target for Ireland which is in line with that of Denmark and Austria as *"Austria and Denmark have similar QoS standards to*

Ireland and have broadly similar national characteristics to Ireland". ComReg itself accepts that "comparing international QoS is a complex exercise, due to the varying sizes of Member States and their distinct geography, demography and the service levels generally available" and should therefore not rely on QoS targets set for the small number of countries, with a high QoS target shown at Table 1 of ComReg document 15/45 to make this point. A more comprehensive summary of European QoS standards is shown at Annex 3 of this response. This is an adjustment of Annex 2 (ComReg Consultation Document 15/45) and includes an additional field showing countries ranked by population densities. See section 4.1 of this response document for further details.

Any comparison between Ireland and other countries should also consider pricing in these countries. The example of Denmark put forward by ComReg fails to highlight the fact that Denmark has the highest level of postal rates in Europe with a standard letter rate of €1.34, compared to a rate of €0.68 in Ireland, almost half the Danish rate, (as per the Deutsche Post, Letter Prices in Europe report issued in May 2015).

Also, Ireland cannot be compared directly to Austria and Denmark without first acknowledging the more relaxed delivery rules in those countries – specifically in relation to roadside delivery:

Example 1 - Austria (Source: Section 10 of 2009 Postal Market Act)

"(1) The universal service provider shall be obligated to deliver letter mail items and parcel items to be conveyed in the scope of the universal service as a rule on five working days per week, excluding Saturday, to the indicated residential or business address as long as no other agreement has been made with the addressee. Daily newspapers shall also be delivered on Saturday.

(2) Delivery via rural letterboxes shall be permitted. An extension of delivery via rural delivery boxes in sparsely settled residential areas beyond the scope in existence at the time this Act entered into force shall only be permitted in agreement with the addressees concerned.

(3) If the addressee's residential or business address is only accessible with unusual difficulty, if an easily accessible installation for delivery of letter mail items is not available, or if delivery is unusually difficult or involves danger for the deliverer, the addressee may be excluded from delivery. The addressee shall be informed of this in advance and provided the opportunity to fulfil the lacking prerequisites for delivery. If the universal service provider retains undeliverable postal items in a postal service point for the addressee to collect, the operator shall be entitled to charge a reasonable tariff for their retention."

Example 2 - Denmark (Source: IPC Postal Regulatory Database – Country Directory February 2015, page 50)

"For other buildings, letter boxes must be made available at the entrance to the individual lot of the building (detached or semi detached) house with one

or several households or business addresses. For properties in rural areas, the letter box must be installed by the natural property line of the property's buildings. The letter box may not be more than 50m away from the property's dwelling or farmhouse.

Letter boxes must be set up at the entrance to individual lot of recreational dwellings developed according to planning permission issued after 1 January 1973, clustered delivery boxes must be set up at a central location

The responsibility for setting up a letter box/clustered delivery box lies with the owner of the property."

6.3 Basis of "top down" methodology

An Post believes that the "top down" methodology applied by ComReg is a flawed approach and would prefer to see an approach reflecting customer needs. The main issue with this methodology is the premise that the initial QoS target is 100% performance. A target of 100% is unreasonable as it fails to consider the expectations of the postal user and it places an unrealistic financial burden on An Post in putting valuable resources in place to meet such a target. In addition, An Post wish to point out that the methodology applied by ComReg in 2004 fails to include the effect of QoS deductions in each part of the collection, processing and delivery pipelines, where appropriate. Some deductions e.g. "Exceptionally inclement weather" in the delivery pipeline must also be reflected in other parts of the pipeline, i.e. collections. The existing methodology does not clearly apply the deductions listed at Table 2 of document 15/45 to all the relative parts of the pipeline.

6.4 Relaxation of standards in other EU Member States

ComReg's review should also consider the fact that QoS standards have been relaxed in a number of European counties over the past number of years, e.g.

- Denmark: 95% reduced to 93% (2006)
- Finland: 85% reduced to 80% [monitored by NRA where Priority Service is offered] (2011)

6.5 Impact of poor addressing and level of non-unique addresses

The significant level of non-unique addresses in Ireland should be considered in setting the QoS target. Ireland is unique in this respect with 40% of addresses being non-unique and, although Eircodes will be introduced later this year it is likely to take many years for this initiative to have any impact on addressing due to anticipated poor levels of compliance with Eircode's requirements, until the new postcode system has properly bedded in over time.

7. Response to consultation questions

Q. 1 In your view do each of the factors set out in Table 2 of document 15/45 still apply?

An Post believes that this is a flawed approach and would prefer to see an approach driven by actual customer needs, see section 6.3 above.

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.

An Post believes that this is a flawed approach and would prefer to see an approach driven by actual customer needs, see section 6.3 above.

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.

An Post believes that the following factors impact on next day delivery of single piece priority mail:

Demographics:

- Population density
- Degree of urbanisation
- Level of postal pricing relative to QoS target
- High vacancy rate among rural dwellings in Ireland
- Proportion of apartments found in Ireland significantly below the European average

(See section 4 of this document for further details)

Q. 4 Is the QoS standard for delivery within three days of posting still appropriate?

Yes, An Post believes the standard for delivery within three days of posting is still appropriate.

8. Conclusion

The QoS target review currently being carried out by ComReg should consider the important points highlighted in this response from An Post. In particular, consideration should be given to introducing a QoS target which excludes the December period and An Post proposes that this period should be reported separately. Alternatively, a lower target could be set for the month of December and again the December period should be reported separately. We believe that the introduction of a more onerous target or one that does not reflect the significant volume increase during December will ultimately increase the cost of providing the USO and threaten its sustainability.

The QoS target set by ComReg should reflect the reasonable needs of postal users and the characteristics specific to the Irish market in order to balance the QoS target with the costs of achieving such a target. Specific characteristics of the Irish market include, but are not limited to, the following important areas:

- Significant peak in volumes during the December period, a near three-fold increase compared to other months of the year;
- Changes in the mix of volumes during the December period, with significantly higher volumes of stamped and inbound international mail;
- Changes in the technical, economic and social environment, including a significant increase in availability of alternatives of postal communications, via the internet in particular;
- Irish demographics
 - Population density in Ireland and the relative QoS targets in other countries with low population density, as highlighted in Annex 3
 - High proportions of Irish population living in “Rural” areas, as highlighted in Annex 4
 - Significantly low levels of population living in “flats”, as highlighted in Annex 5;
- The high level of non-unique addresses in Ireland and the associated processing costs and QoS impact; and
- Low postal tariffs relative to other European operators, the most recent Deutsche Post “Letter prices in Europe” report shows postage rates in Ireland at €0.68, or €0.70 after 1 July 2015⁵, are well below the European average.

⁵ Source: Nominal prices for EU28 as are per Deutsche Post, Letter Prices in Europe, April 2015. Purchasing Power Parity Adjusters are per ComReg Document 15/27, Quarterly Key Data Explanatory Memorandum

Annexes

Annex 1: QoS standards and performance in respect of 2008

Annex 2: ERGP Chart

Annex 3: ComReg Annex 2 adjusted for population density

Annex 4: Eurostat classification of 'urban', 'intermediate' and 'rural' areas

Annex 5: Eurostat – proportion of population living in 'flats'

Annex 6: CSO - Analysis of Housing by Dwelling Type

Annex 7: An Post Volume Data – **please treat as Confidential**

Annex 1

WIK Consult "Role of Regulators in a More Competitive Postal Market" Chapter 3: Implementation of the Second Postal Directive (page 86)

Table 3-22 Quality of service standards and performance, 2008

	D+1 standard (% FSC)	D+1 actual (% FSC)	D+2 standard (% FSC)	D+2 actual (% FSC)	D+3 standard (% FSC)	D+3 actual (% FSC)	D+4 standard (% FSC)	D+4 actual (% FSC)
AT								
BE	95	93.8	97					
BG	80		95					
CY	90	76.3			97	98.5		
CZ	90	90.64						
DE	80		95					
DK	93	93.7	93	98.5	93		93	
EE	90	91.5						
EL	87	79.9			98	98.2		
ES					92	90.4		
FI								
FR	83	83.9	95					
HU	85	92.69			97	99.73		
IE	94	79			99.5	97.5		
IT	89				99			
LT	85	77		95	97	99		100
LU	95	98.06	99	99.98				
LV	97	96.1			97	99.5	100	100
MT	92	93.29	97	99	99	99.7		
NL	95	96.2						
PL	82	66.3	90	88.45	94	94.04		
PT	94.5	95.0		99.2		99.8		99.9
RO	85		97					
SE	85	94.9			97	99.9		
SI	95	91.80	99.5	98.60				
SK	96.0	96.1		99.81		100.0		100.0
UK	93	85.2				95.7		
IS	85	88			97	99		
NO	85	87.1			97			

Note: "D+1 (% FSC)" refers to the percent of mail in the "fastest standard category" that is delivered on the first business day after posting. "D+2" refers to the second business day after posting. Etc.

Annex 2

ERGP (13) 31: Report on QoS end user satisfaction

Table 4 - Results (D+1) in 31 European countries (2008 – 2012) and targets of 2012

	2008	2009	2010	2011	2012	2012 Target
AT	n.a.	96.96%	confidential	96.96%	96.02%	95.00%
BE	93.80%	93.20%	93.30%	92%	93.90%	90.00%
BG	68.80%	84.20%	83.60%	88.10%	48.90%	80.00%
HR	72.10%	62.82%	78%	79.60%	78.00%	85.00%
CY	n.a.	86.40%	89.40%	87.40%	90.90%	90.00%
CZ	90.64%	92.09%	93.19%	92.15%	93.09%	95.00%
DK	93.70%	95.70%	93.70%	94%	93.50%	93.00%
EE	91.50%	93.80%	92.70%	87.20%	88.80%	90.00%
FI	n.a.	n.a.	n.a.	n.a.	90.40%	80.00%
FR	83.90%	84.70%	83.40%	87.30%	87.90%	85.00%
DE	>95%	94%	92.80%	93.70%	92.30%	80.00%
EL	79.90%	81.50%	87.70%	87.30%	91.70%	87.00%
HU	92.69%	93.05%	93.68%	93%	93.00%	85.00%
IS						
IE	79%	84%	85%	83%		94.00%
IT	n.a.	n.a.	n.a.	94%	92.90%	89.00%
LV	96.10%	n.a.	90%	86.90%	90.10%	90.00%
LT	76.00%	77%	64.95%	81.26%	85.86%	85.00%
LU	98.10%	97.93%	97.99%	97.38%	98.43%	95.00%
MT	93.29%	95.13%	95.09%	96.73%	95.58%	94.00%
NL	n.a.	95.20%	92.90%	96.10%	93.90%	95.00%
NO	87.10%	88.30%	83.50%	85.30%	85.30%	85.00%
PL	76.49%	52.70%	53.40%	63.40%	68.50%	82.00%
PT	95.00%	95.20%	94.70%	94.70%	94.90%	94.50%
FY	n.a.	n.a.	n.a.	57.20%	60.52%	85.00%
RO	19.50%	46.20%	56.20%	40.60%		85.00%
RS	44.14%	70.11%	70.49%	78.16%	79.93%	
SK	96.08%	96.10%	96.82%	96.28%	96.01%	96.00%
SI	92.00%	93.90%	95.50%	96.20%	97.30%	95.00%
SE	94.90%	95.70%	93.70%	94.50%	94.80%	85.00%
CH	95.90%	97.70%	97.20%	97.50%	97.90%	97.00%
UK	85.20%	87.90%	91.40%	92.70%	92.20%	93.00%

http://ec.europa.eu/growth/sectors/postal-services/ergp/index_en.htm

(Click on "ERGP Documents" at the foot of the page)

Annex 3

Adjustment of Annex 2 in ComReg Consultation Document 15/45 “Domestic QoS standards in EU Member States” to rank countries according to population density

Country	Pop. density per Sq Km 2013	Density Rank	D+1 QoS Standard	QoS Std. Rank
Malta	1,339.8	1	95.0%	2
The Netherlands	498.4	2	95.0%	2
Belgium	368.8	3	93.0%	9
United Kingdom	262.7	4	93.0%	9
Germany	230.0	5	80.0%	26
Luxembourg	210.1	6	95.0%	2
Switzerland	205.0	7	97.0%	1
Italy	199.4	8	89.0%	18
Czech Republic	136.1	9	92.0%	13
Denmark	130.8	10	93.0%	9
Poland	121.7	11	82.0%	25
Portugal	113.4	12	95.0%	2
Slovakia	110.4	13	93.0%	9
Hungary	106.4	14	90.0%	14
France	103.8	15	85.0%	20
Austria	102.9	16	95.0%	2
Slovenia	102.3	17	95.0%	2
Cyprus	93.5	18	90.0%	14
Romania	86.9	19	85.0%	20
Greece	84.0	20	87.0%	19
Croatia	75.2	21	85.0%	20
Ireland	67.2	22	94.0%	8
Bulgaria	66.7	23	80.0%	26
Lithuania	47.2	24	85.0%	20
Latvia	32.4	25	90.0%	14
Estonia	30.3	26	90.0%	14
Finland	17.9	27	80.0%	26
Norway	16.7	28	85.0%	20
Average	177.1		89.6%	

Top/Bottom 10 Average	
Pop. density per Sq Km 2013	QoS Target
358.1	92%

52.5	86%
------	-----

Annex 4

EUROSTAT news release 51/2012 of 30 March 2012 showing proportions of population classified as living in 'urban', 'intermediate' and 'rural' areas.



51/2012 - 30 March 2012

Urban-intermediate-rural regions

Around 40% of the EU27 population live in urban regions...

...and almost a quarter in rural regions

On 1 January 2011, 41% of the population of the EU27 lived in urban regions, 35% in intermediate regions and 23% in rural regions. These figures, published by Eurostat, the statistical office of the European Union, are based on a new urban/rural typology¹ developed by the European Commission. This classification is carried out on NUTS 3 regions². The regions are classified as rural, intermediate or urban based on an analysis of population density and total population. A second dataset provides detailed statistics on the EU's main metropolitan areas³, also based on NUTS 3 regions.

Largest share of the population living in rural regions in Ireland, Slovakia and Estonia

On 1 January 2011, the largest proportion of the population lived in urban regions in nine Member States, in intermediate regions in seven and in rural regions in ten. In France, the share of the population living in urban and intermediate regions was equal.

The largest shares of the population living in urban regions were recorded in Malta (100% of the population), the Netherlands and the United Kingdom (both 71%) and Belgium (68%). Luxembourg and Cyprus are each considered as one NUTS 3 region and were classified as intermediate. With the exception of these two Member States, the largest proportions of the population living in intermediate regions were observed in Sweden (56%), Estonia (52%) and Bulgaria (45%). The largest shares of the population living in rural areas were registered in Ireland (73%), Slovakia (50%), Estonia (48%) and Hungary (47%).

Fastest urban population growth in Sweden and Denmark in 2010

In the EU27 in 2010, the population of urban regions grew by 5.2 per 1000 inhabitants and intermediate regions by 2.2‰, while rural regions decreased by 0.8‰. In nearly all Member States, it was in urban regions that the population grew most rapidly. Ireland was an exception with growth in its rural population, while the urban population declined. The highest population growth in urban regions in 2010 was observed in Sweden (+17.3 per 1000 inhabitants), Denmark (+15.0‰), the Czech Republic (+10.2‰) and Finland (+10.0‰). Lithuania⁴ (-13.6‰), Ireland (-5.7‰) and Latvia (-5.4‰) recorded a decrease in their urban populations.

The rural population rose in ten Member states and fell in fourteen. The largest increases were registered in Belgium (+7.3‰ in 2009), Ireland (+6.1‰) and France (+5.1‰ in 2009), and the largest decreases in Lithuania⁴ (-31.6‰), Bulgaria (-13.2‰) and Latvia (-11.6‰).

Population by urban-rural typology, 1 January 2011

	In thousands			% of total population		
	Urban	Intermediate	Rural	Urban	Intermediate	Rural
EU27*	206 683	177 293	117 464	41	35	23
Belgium**	7 322	2 581	938	68	24	9
Bulgaria	1 259	3 371	2 875	17	45	38
Czech Republic	2 522	4 536	3 475	24	43	33
Denmark	1 210	2 002	2 349	22	36	42
Germany	35 006	32 750	13 998	43	40	17
Estonia	-	666	644	-	52	48
Ireland	1 201	-	3 280	27	-	73
Greece	5 281	1 198	4 831	47	11	43
Spain**	22 305	17 618	6 069	49	38	13
France**	23 022	23 099	18 573	36	36	29
Italy	21 573	26 694	12 359	36	44	20
Cyprus***	-	804	-	-	100	-
Latvia	1 090	297	843	49	13	38
Lithuania	839	1 015	1 391	28	31	43
Luxembourg***	-	512	-	-	100	-
Hungary	1 734	3 587	4 665	17	36	47
Malta	418	-	-	100	-	-
Netherlands	11 885	4 665	107	71	28	1
Austria	2 908	2 228	3 269	35	27	39
Poland	10 814	12 965	14 421	28	34	38
Portugal	5 188	1 622	3 827	49	15	36
Romania	2 287	9 387	9 759	11	44	46
Slovenia	533	637	880	26	31	43
Slovakia	629	2 077	2 729	12	38	50
Finland	1 436	1 646	2 294	27	31	43
Sweden	2 054	5 278	2 083	22	56	22
United Kingdom**	44 187	16 032	1 808	71	26	3

- No NUTS 3 region classified within this type

* EU27 aggregates refer to available data and are estimates

** Data for 1 January 2010

*** Cyprus and Luxembourg are each considered as one NUTS 3 region

Population change* per 1000 inhabitants by urban-rural typology, 2010

	Urban regions	Intermediate regions	Rural regions
EU27**	5.2	2.2	-0.8
Belgium***	8.5	7.1	7.3
Bulgaria	7.7	-8.9	-13.2
Czech Republic	10.2	-0.1	0.2
Denmark	18.0	4.8	-0.8
Germany	2.0	-1.7	-4.7
Estonia	-	1.2	-1.2
Ireland	-5.7	-	6.1
Greece	1.3	1.2	-0.7
Spain***	4.3	3.5	0.7
France***	5.9	4.9	5.1
Italy	5.9	5.1	2.0
Cyprus****	-	1.6	-
Latvia	-5.4	-10.0	-11.6
Lithuania ⁴	-13.6	-27.6	-31.6
Luxembourg****	-	19.3	-
Hungary	7.0	-1.9	-7.3
Malta	7.8	-	-
Netherlands	6.0	2.3	-2.9
Austria	7.9	3.5	-0.6
Poland	1.6	2.0	-0.7
Portugal	2.0	0.4	-3.0
Romania	2.5	-2.0	-3.6
Slovenia	6.7	1.0	-1.1
Slovakia	9.6	1.1	0.8
Finland	10.0	3.9	1.3
Sweden	17.3	7.1	1.2
United Kingdom***	7.7	5.5	2.7

- No NUTS 3 region classified within this type

* The ratio of the total population change during the year to the average population

** EU27 aggregates refer to available data and are estimates

*** 2009 data

**** Cyprus and Luxembourg are each considered as one NUTS 3 region

- The urban-rural typology is based on a classification of grid cells of 1 km² 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 km² and a minimum population of 5 000 inhabitants in contiguous cells above the density threshold. The other cells are considered as rural. NUTS 3 regions have been classified into three groups based on the classification of these grid cells:
 - predominantly urban region: population in grid cells classified as urban make up more than 80% of the total population;
 - intermediate region: population in grid cells classified as urban make up between 50% and 80% of the total population (population in rural cells between 20% and 50%);
 - predominantly rural region: population in grid cells classified as rural make up 50% or more of the total population.
 For further information: http://epp.eurostat.ec.europa.eu/portal/page/portal/rural_development/introduction and http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Regional_typologies_overview
- For further information about the NUTS classification: http://epp.eurostat.ec.europa.eu/portal/page/portal/nuts_nomenclature/introduction
- For further information: http://epp.eurostat.ec.europa.eu/portal/page/portal/region_cities/metropolitan_regions
- Due to administrative reasons emigration recorded in Lithuania in 2010 may include emigration that took place over the previous years. For comparison, the growth rate in 2009 for urban regions was +0.6%, for intermediate regions -5.7% and for rural regions -10.7%.

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Annex 5

Eurostat – proportion of population in living in ‘flats’

Distribution of population by degree of urbanisation, dwelling type and income group (source: SILC)

Last update: 02.06.15

Source of data: Eurostat

[ilc_lvho01]

INCGRP: Total BUILDING: Flat DEG_URB: Densely-populated area

	TIME	2012	2013	2014
GEO				
European Union (28 countries)		25.3	25.2	:
European Union (27 countries)		25.4	25.3	:
Euro area (19 countries)		28.4	28.3	:
Euro area (18 countries)		28.3	28.2	:
Belgium		17.1 ^(b)	17.6	:
Bulgaria		32.6 ^(a)	33.2	:
Czech Republic		25.1 ^(b)	24.6	:
Denmark		19.5 ^(b)	19.4	:
Germany (until 1990 former territory of the FRG)		26.7 ^(b)	26.7	:
Estonia		36.1 ^(b)	35.8	:
Ireland		3.1 ^(b)	3.2	:
Greece		39.7 ^(b)	34.1	:
Spain		43.0 ^(b)	42.9	:
France		26.7 ^(b)	24.9	:
Croatia		13.8 ^(b)	13.5	:
Italy		30.4 ^(b)	30.8	:
Cyprus		18.2 ^(b)	18.4	:
Latvia		37.6 ^(b)	36.7	38.0
Lithuania		35.7 ^(b)	35.9	:
Luxembourg		9.9 ^(b)	9.3	:
Hungary		19.0 ^(b)	19.7	20.0
Malta		47.0 ^(b)	46.8	:
Netherlands		13.9 ^(b)	14.0	:
Austria		25.2	25.1	25.1 ^(a)
Poland		26.7 ^(b)	25.8	:
Portugal		27.7 ^(b)	29.1	:
Romania		26.0 ^(b)	22.9	:
Slovenia		10.9 ^(b)	11.3	:
Slovakia		20.2 ^(b)	20.8	19.7
Finland		16.6 ^(b)	21.2	20.5
Sweden		14.1 ^(b)	24.2	:
United Kingdom		10.9 ^(b)	10.6	:
Iceland		36.8 ^(b)	36.8	36.9
Norway		10.5 ^(b)	12.1	:
Switzerland		21.4 ^(b)	22.1	:
Former Yugoslav Republic of Macedonia, the		:	:	:

Available tags:

b break in time series

e estimated

n not significant

s Eurostat estimate (phased out)

c confidential

f forecast

p provisional

u low reliability

d definition differs, see metadata

i see metadata (phased out)

r revised

z not applicable

Special value:

: not available

Annex 6

CSO Analysis of Housing by Dwelling Type

Census 2011 – The Roof over our Heads								
Table 4 Number of private households in permanent housing units, classified by type of accommodation, period in which built, nature of occupancy and number of rooms occupied								
Household characteristics	Total	Type of accommodation						
		Detached house	Semi-detached house	Terraced house	Flat or apartment in a purpose-built block	Flat or apartment in a converted house or commercial building	Bed-sit	Not stated
Total	1,849,408	699,869	456,651	281,825	149,921	27,666	5,685	27,781
Period in which built								
Before 1919	149,939	80,020	16,176	37,923	2,975	9,977	1,818	1,050
1919 to 1970	357,016	134,504	108,669	85,768	10,383	5,813	1,562	2,089
1971 to 1990	386,610	168,695	119,336	61,707	14,046	2,241	486	2,067
1991 to 2000	236,724	111,816	79,107	19,021	25,626	1,962	293	1,097
2001 to 2005	266,110	103,994	77,125	33,883	47,196	2,081	280	1,571
2006 or later	171,397	69,846	39,852	21,032	37,783	1,588	210	1,306
Not stated	79,610	13,392	18,166	12,471	11,932	4,004	1,094	18,561
Nature of occupancy								
Own with mortgage or loan	583,148	275,810	194,275	89,670	30,218	1,313	59	1,803
Own outright	566,776	332,671	135,140	86,571	7,783	1,462	93	3,078
Renting	474,788	65,757	134,789	104,003	111,083	24,656	5,448	9,070
Renting from								
Private landlord or voluntary housing body								
Total	320,319	56,114	87,790	54,375	89,993	21,884	4,579	5,584
Average weekly rent (Euro)	166.61	157.94	165.33	169.62	180.60	142.69	109.36	156.64
Local authority								
Total	129,033	15,519	42,346	46,178	19,578	1,507	728	3,177
Average weekly rent (Euro)	59.01	60.90	57.98	56.28	63.70	81.34	60.34	63.40
Live here rent free from								
Private landlord								
Total	9,298	5,673	1,479	1,035	480	484	51	98
Local authority								
Total	614	276	91	94	113	24	7	7
Voluntary housing body								
Total	904	498	146	127	85	52	5	11
Landlord not stated								
Total	14,820	7,675	2,937	2,194	834	707	76	195
Not stated	24,696	5,631	2,447	1,561	877	233	95	13,832
Number of rooms occupied								
1 room	23,056	2,656	2,304	2,568	7,261	3,951	3,720	580
2 rooms	78,373	9,345	9,533	10,927	36,224	9,197	1,425	1,722
3 rooms	156,731	28,944	35,813	28,722	55,299	7,517	-	2,836
4 rooms	174,296	51,046	37,945	47,542	31,909	3,735	-	2,059
5 rooms	380,115	105,554	145,452	113,062	11,888	1,244	-	3,067
6 rooms	299,646	142,410	105,147	47,096	3,084	504	-	1,435
7 rooms	223,635	143,142	64,108	15,712	2	232	-	639
8 rooms	140,480	102,846	28,888	8,328	-	134	-	264
9 rooms	60,707	51,297	9,260	-	-	52	-	108
10 or more rooms	45,859	41,352	4,320	-	-	48	-	139
Not stated	66,328	21,277	14,091	9,650	4,396	1,052	550	15,112
Average rooms per household	5.3	6.3	5.4	4.7	3.0	2.6	1.2	1.9

Annex 7 – Confidential

2: DX Ireland



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Commission for Communications Regulation
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08 June 2015

Re: Review of Quality of Service Standards for the Universal Postal Service

Dear Ms Keegan,

Thank you for the opportunity to comment on your review. DX would like you to consider the following observations about this matter.

General Comments

An Post is currently subject to a D+1 delivery standard of 94.0% and a D+3 standard of 99.5%. These standards have applied since 2004 and yet An Post has never met them.

Table 1 of ComReg 15/45 Consultation paper ranks the D+1 standard for Ireland against those for a small selection of other Member States. It implies that Ireland's QoS standard is below average. A better comparison is provided in Annex 2, which shows that Ireland's QoS standard is only marginally outside the top quartile. In particular, the QoS standard for Ireland is considerably higher than that for countries such as Germany (80%) and France (85%).

Also of relevance is the QoS that is actually attained in each Member State. ComReg has not provided an overview of this statistic but we believe that in some Member States (e.g. Germany) the universal service operator voluntarily exceeds the mandated service level by a considerable margin. This suggests that commercial issues can also drive higher levels of service.

The communications market (of which post is a part) has changed substantially since 2004 and DX queries whether a QoS standard that was set in 2004 continues to be relevant now, even if it was relevant back then. The increased prevalence of email and the internet, and increased competition in the postal sector, mean that users have a choice of alternatives for urgent communications and are therefore not as reliant on the universal postal service.

In any case, even though ComReg has not presented any data related to costs and quality, the provision of increasing quality levels must come at a cost to An Post, which must be offset by higher prices. The determination of the optimum combination of price and QoS is a complicated matter, one which is central to the management of any business and properly left to An Post's managers rather than mandated by a regulator.



DX suggests that ComReg should concern itself with determining a baseline for the QoS standard that is substantially lower than the current level and should allow An Post's management to determine the level it needs to provide commercially. ComReg should do this by investigating the basic *user needs* that the universal service should meet, something that its "top-down" methodology neglects.

Specific Questions

Q1. In your view do each of the factors set out above still apply?

In order to answer this question it would be helpful to have some statistical information about the extent to which these assumed factors have played a role in determining the actual level of QoS.

Q2. In respect of each factor that should still apply, do you consider the 2004 percentage allocations, as listed, remain appropriate or require adjustment?

Please see Q1.

The assessment that geographic limitations and spatial dispersal have a minimal impact on quality of service seems unrealistic. The QoS depends on the structure of An Post's network and its relation to the national flows of mail. The network is structured around four mail centres which suggest that it is often irrelevant whether mail is for delivery within the same county of posting because it needs to go to a mail centre in another county for sorting before being returned for delivery. The network therefore appears to be built around regions rather than counties.

The allocation for each factor needs to be based on measurements (of staff absence, machine reliability, human error, etc.) rather than the somewhat arbitrary method that appears to have been used thus far. It would then be reasonable to agree meaningful targets for improvements to each factor.

Q3. Are there other factors which you believe may impact on next day delivery of single piece priority mail?

An Post operates a road-based logistics system and it seems strange that there is no factor that explicitly allows for road transport issues such as congestion and breakdowns.

Q4. Is the QoS standard for delivery within three days of posting still appropriate?

In order to answer this question it would be helpful to have statistical information about An Post's performance and about practices in other Member States.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Kevin Galligan'.

Kevin Galligan

Regional Director - Ireland

3: The Communications Workers Union

SUBMISSION RE:

ComReg 15/45

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submitted by

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Communications Workers' Union Submission:
ComReg 15/45

Introduction

The Communications Workers' Union (hereinafter referred to as "CWU" or the "Union") represents approximately 16,000 workers employed in the communications sector in the Republic of Ireland, of which over half are employed in the Postal & Courier Sectors. The CWU represents staff working in the following postal and courier companies:

- An Post
- UPS
- DPD
- PrintPost
- Data Ireland
- IO Systems

As the trade union representing a significant number of workers in the postal & courier markets, the CWU welcomes this opportunity to respond to the Consultation 15/45 (hereinafter referred to as the "Consultation") issued by the Commission for Communications Regulation (hereinafter referred to as "ComReg" or the "Regulator").

In considering the review of the quality of service standards for the universal postal service, the CWU wishes to make a number of observations:

Suitable Comparator Countries

In section 7 ComReg notes that:

‘Although comparing international QoS is a complex exercise, due to the varying sizes of Member States and their distinct geography, demography and the service level generally, it is nevertheless noteworthy that Austria and Denmark have similar QoS standards to Ireland and have broadly similar national characteristics.’

The CWU does accept that Austria and Denmark have similar characteristics, or rather, those similarities which might exist are fundamentally undermined by a much more suitable metric which should be considered when comparing QoS standards, namely population density.

Looking at this metric we see that Austria has a population density of 102.9 per square kilometre and Denmark has a population density of almost 131 per square kilometre. Ireland, in contrast, has a density of 67.2 per square kilometre. This is unsurprising given that Ireland’s population is around 40% rural.

The countries with population densities closest to Ireland are Croatia (75.2/sq km) and Bulgaria (67.2/sq km).

It is interesting to note that when one compares the D+1 QoS standards in these countries with Ireland they are substantially lower at 85% (Croatia) and 80% (Bulgaria). At 94%, Ireland’s QoS target for D+1 is very much an outlier when compared to other countries with similar or lower population densities. The CWU is of the view that population density is a more accurate and fairer metric to use when comparing countries and with such a dispersed and rural population Ireland is still a very challenging country in which to deliver mail to such a high standard.

ComReg notes the shift in population (from rural to urban) and the improved road network. The shift in population has seen an increase of 10.6% in urban population from 2006 to 2011, however 38% of the population is still considered rural and that represents only a slight change. It is true that the road network has significantly improved in that period however that does not change the fact that much of the delivery network covers rural Ireland where population dispersal is the challenge more so than the connecting roads. Improved roads might make journeys a little safer and quicker but it does not shorten the distance. That is the challenge on the delivery side where much of the QoS attention is placed. One could just as easily argue that An Post was achieving a high standard of delivery in spite of the road network before it was improved.

Added to the relatively high level of rural dwellings in Ireland is the high number of non-unique addresses. It is noted that the introduction of post codes may help resolve this issue but this cannot be relied upon as a solution in the short to medium term given that the codes have not yet been introduced and it is impossible to ascertain what the take up will be when they are available.

It is worth noting that Germany, with a population density that is almost four times that of Ireland, has a QoS target of just 80%. The approach taken here appears to be one where the regulator has set a minimum floor for the QoS but that the postal operator, subject to natural commercial pressures and incentives, exceeds well over this target. Clearly An Post has a commercial interest in providing the highest standard of service in delivery and in circumstances where it is now reaching and exceeding the very high benchmark of 94%, the target should be left as it is or reduced in line with similar comparator countries as identified above.

Exception for the month of December

The CWU is of the firm view that December should be excluded from the QoS standards. In postal terms it is very much atypical with over three times the normal volumes being processed and delivered in December. Despite this there was no allocation made for December in 2004 and this should be rectified on this occasion. Excluding December is not without precedent as evidenced by the fact that items posted from December 2nd to December 31st are excluded from the full year measurement for quality of service for Royal Mail.

On balance this makes a lot of sense. Given the huge increase in volumes, December cannot be considered as just another month. Aside from the increased volumes there is the challenge of dealing with the different mix of mail which is put in to the system at this time of the year, much of which does not lend itself to sortation by machine. The Christmas cards that make up so much of the increased volumes require a more interventionist sort than the so called 'cleaner' mail that is typical of other months.

ComReg has accepted there are capacity problems in December but still maintains that the operator should have to *'meet a high QoS for all periods of the year, without exception.'* This is not in the best interest of the postal users. Going to the trouble and expense of building and maintaining a system to meet a standard that only occurs in one month in twelve makes no sense and this is the sensible view that has been adopted by the regulator in the UK, Ofcom.

The suggestion that An Post could introduce *'a special discounted non-universal service to ordinary customers enabling Christmas cards...to be processed separately and to a lower quality of service'* is not a solution. 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 . This would be an extreme solution to a problem that could be so easily solved in another way i.e. exclude December from the measurement period.

Conclusion

The CWU welcomes the fact that this review is taking place and believes that the target of 94% should either remain unchanged or be reduced.

The suggested comparator countries of Austria and Denmark are not appropriate and Ireland is already achieving a very high standard at 94% already. The service levels being delivered by An Post are well above the accepted standards in other countries with similar population densities.

As has been done in the UK, the regulator should make an exception for December in the measurement system. To include it is to skew the results and therefore undermine the integrity of the system as a whole. Including December drives the result down for the rest of the year and this is not representative of the standard that is otherwise achieved.

We have seen in the past, with the threat from ComReg of exorbitant fines against An Post, that not achieving the QoS standard can have very real implications for the financial stability of the company and its ability to provide the Universal Service Obligation (USO). It is in the best interest of the Irish postal market and all postal users that the QoS standards are fair and reasonable and accurately reflect the realities and challenges of the Irish postal network.