



# POSTAL STRATEGY STATEMENT 2020-2022



Commission for  
**Communications Regulation**  
An Coimisiún um  
**Rialáil Cumarsáide**

The Commission for Communications Regulation (“ComReg”) is the regulatory authority for the postal sector in Ireland. ComReg’s objective is 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 users.

## OUR REMIT

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Our remit to regulate the postal sector comes directly from legislation. Legislation fully opened the Irish postal market to competition in August 2011 and designated An Post as the sole universal postal service provider. As the postal market is fully liberalised, our remit is largely limited to the universal postal service.

A universal postal service is an essential postal service, the provision of which is mandated by the State because the market concerned is not effectively competitive, meaning that there is no guarantee that the market, of itself, will ensure the provision of the service to all persons in the State, at an affordable price and to a sufficient level of quality and while upholding the rights of postal service users. It is a form of protection for postal service users, to ensure universal access by all citizens of Ireland.

The universal postal service protects vulnerable users and those that are digitally disadvantaged. In Ireland, the universal postal service mainly consists of the posting of letters, a large proportion of which are posted by small and medium-sized enterprises (“SMEs”).

As there is no effective competition for the universal postal services, the European Postal Services Directive and the Postal Act require that these universal postal services are regulated in terms of:

### **Price:**

**Ensuring that the prices of such universal postal services are, among other things, cost oriented (reflective of the efficient cost of providing the service) and affordable.**

### **Quality:**

**Ensuring that such universal postal services are provided at a reasonable quality that meet the reasonable needs of postal service users.**

### **Access:**

**Ensuring that such universal postal services can be easily accessed by all across the entire State.**

With this remit in mind, in setting our postal strategy, we identify the principal trends and challenges facing the postal sector.

# TRENDS

We have identified the following **four principal trends** which will continue to shape the postal sector:

1

A continued decline in letter mail volumes



2

A significant risk to letter mail volumes arising from electronic substitution



3

End user needs - changing mix of mail and speed of delivery



4

Continued competition and growth in the packets and parcels sector



1

## **A continued decline in letter mail volumes:**

An Post's mail volumes have more than halved since 2007, largely letter volume declines. There has been increases in parcel volumes.

2

## **A significant risk to letter mail volumes arising from electronic substitution:**

Linked to the letter mail volume decline trend, it is generally accepted that the decline in letter volume is due in part to increasing digitisation and the availability of electronic substitutes.

3

## **End user needs - changing mix of mail and speed of delivery:**

Most letter mail is sent by large mailers availing of deferred delivery bulk mail service, largely deferred delivery within 3 days, which is not a universal postal service. As a result, the majority of letter post is not sent using next day delivery even though the postal network continues to be provisioned for next day delivery with the associated costs.

4

## **Continued competition and growth in the packets and parcels sector:**

The delivery of packets (small parcels) and parcels is a growing competitive sector with e-commerce being the driver of growth. Most packets and parcel volumes originate from a small number of key e-commerce players. Therefore, getting and keeping such large e-commerce players as a customer, once it is profitable to do so, is key for postal and parcel delivery operators.

# CHALLENGES

Given these trends, we have identified the following **seven principal challenges**:



1

## **The continued liquidity challenges for An Post, given its statutory designation as the sole universal postal service provider:**

An Post's liquidity situation has improved largely due to once-off transactions. An Post has a number of ongoing and one-off expenditures over the next few years; these include significant expenditures relating to the planned transformation of An Post to a "nationwide e-commerce delivery service"; these significant expenditures will likely require funding as such significant expenditures are unlikely to be met solely from ongoing cash generation. As An Post is currently the sole designated universal postal service provider to provide the universal postal service, ComReg would be concerned if further declines in cash jeopardise An Post's viability and capability to provide the universal postal service.

2

## **Limited scope for further significant price increases:**

An Post has continued to increase the prices of its postal services, for example, bulk mail which is used by large mailers. ComReg has no price approval role. As the majority of mail is sent by large mailers (utilities, financial services, Government), with significant price increases, these mailers can choose cheaper options, including electronic substitution. Recent research conducted for ComReg has found that of SMEs that use bulk mail services to send a large amount of mail, 2 in 3 of these claim to be dissatisfied with the cost of sending letter post.

**3****Need to reduce costs to reflect decline in letter mail volumes:**

According to An Post, its volumes have fallen by 60% since 2007 (largely letter) and An Post forecasts further letter volume declines. However, An Post's mails costs base is currently not reflecting this letter volume decline. There may be a number of factors here, for example, increased short-term costs for greater parcel volumes and delivery options, including greater workloads with parcel delivery. This may change in the future when longer term cost reductions are evident following An Post's longer term strategic plans taking effect. An Post submits that it cannot reduce its cost base to reflect letter volume declines as An Post must incur the fixed cost associated with the current legislative requirements in respect of delivery frequency.

**4****Need to reduce losses (by negotiating better Terminal Dues agreements) on International Inbound mail:**

An Post's losses in the international inbound segment (mail posted abroad for delivery in Ireland) has increased from €15.6m in 2016 to €29.3m in 2018 and now, according to An Post's Regulatory Accounts, account for all of its total losses in providing the universal postal service. There is already action taken and future action is required to address these losses.

**5****Responding to the changing demand dynamics of the postal sector:**

The postal sector is changing and the postal needs of consumers and businesses are shifting rapidly, in particular with increased e-commerce and increased online communication. As a result, there is a changing demand dynamic, particularly in the mix of services (more parcels and less letters) and on requirements for delivery certainty (less letters needing next day delivery). Postal service providers are responding to this challenge of changing demand dynamics.

**6****Responding to the delivery challenges resulting from "Brexit":**

As An Post has stated, it is highly unlikely that Britain's exit from the European Union ("Brexit") will adversely impact on letter correspondence between Ireland and Britain. However, depending upon the final arrangements in place for Brexit there may be adverse consequences arising in packets and parcels postal services to and from Britain, particularly with regard to customs inspections and charges (including VAT) and customs documentation.

**7****Responding to the delivery challenges resulting from climate change actions:**

It is likely that postal and parcel delivery operators will need to demonstrate their climate action credentials to be a future business partner / supplier with e-commerce players. It is likely that there will be postal and parcel delivery contracts won and lost on climate actions. Postal and parcel delivery providers are responding to the challenges resulting from climate change actions.

# STRATEGIC INTENTIONS

For many of these challenges, ComReg has no role or remit. Where ComReg has a role or remit in addressing certain of these challenges we have considered these in developing our three statements of strategic intent, describing what we hope to achieve over the period of this Postal Strategy Statement.

## STRATEGIC INTENTION 1



Seek to ensure the provision of a universal postal service

ComReg's statutory function includes ensuring the provision of a universal postal service that meets the reasonable needs of postal service users. With regard to this strategic intention, ComReg's strategic goals are to:

- **Goal 1:** Continue to understand the reasonable needs of postal service users
- **Goal 2:** Consider the designation of universal postal service provider(s)
- **Goal 3:** Monitor for compliance with the requirements of providing the universal postal service.

## STRATEGIC INTENTION 2



Promote the interests of postal service users

ComReg's second strategic intention is that postal service users (both senders and receivers) can choose and use postal services with confidence. Our strategy emphasises the role of informed decision-making by postal service users, and has the following strategic goals:

- **Goal 4:** Empower postal service users by ensuring the availability of accurate and appropriate information on postal services and cross border parcel services
- **Goal 5:** Empower postal service users by ensuring the availability of complaints and redress procedures
- **Goal 6:** Protect postal service users by ensuring postal service users, both senders and receivers, derive maximum benefit in terms of choice, price, and quality
- **Goal 7:** Consult and co-operate with the Competition and Consumer Protection Commission
- **Goal 8:** Resolve disputes between postal service users and postal service providers.

## STRATEGIC INTENTION 3



Facilitate the development of competition and innovation

ComReg's third strategic intention is to facilitate the development of competition and innovation in the provision of postal services and has the following strategic goals:

- **Goal 9:** Facilitate the development of the postal sector by delivering on our legal remit
- **Goal 10:** Promote the development of the postal sector by continuing to provide information regarding the provision of postal services in Ireland.



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