



**Chambers
Ireland**
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Chambers Ireland submission to the Commission for Communications Regulation on its Postal Regulation Strategy

August 2021

Chambers Ireland is the State's largest business representative network. We are an all-island organisation with a unique geographical reach; our members are the Chambers of commerce in the cities and towns throughout the country – active in every constituency. Each of our member Chambers is central to their local business community and all seek to promote thriving local economies that can support sustainable cities and communities.

For context, in September 2019 our Network pledged support for the Sustainable Development Goals. In doing so, we use the Goals as a framework to identify policy priorities and communicate our recommendations, with a particular focus on five of the goals – decent work and economic growth, sustainable cities and communities, advancements in gender equality, investment in industry, innovation and infrastructure, and climate action.¹ Given the importance of local economies to our members, and member businesses, Chambers Ireland's perspective is unique within the Irish business community – we seek to support thriving local economies and recognise the diversity of business environments that exist across the cities and regions of the country. The postal service contributes enormously to the life and soul of our communities, delivers essential public services, and provides vital infrastructure that helps businesses prosper.

Chambers Ireland is pleased to contribute to the Commission for Communications Regulation's consultation regarding the Postal Regulation Strategy 2022-2024, and we welcome the steps taken to gather the views of the business community. This is an important area of policy for our Network of Chambers as our business members rely on an effective postal service that fulfils their operational and commercial needs throughout the year. We look forward to continued engagements with the Commission for Communications Regulation (ComReg) to highlight challenges and potential opportunities for An Post and the wider business community.

¹ Chambers Ireland (2019), [Chambers to lead the way on SDGs](#)

Contents

Executive Summary	3
Chambers Ireland’s Perspective on the Irish Postal Sector	3
Questions for consideration	6
Question 1: Do you consider that ComReg’s forthcoming postal strategy should be limited to the period to 2024?	6
Question 2: What are the considerations (in the next two years and beyond) in shaping the postal sector and ComReg’s forthcoming postal strategy?	6
Question 3: What is your view on the seven initial considerations for the forthcoming strategy?	7
What is the future of next day delivery letters and what could this mean for the universal postal service?	7
What actions are required to respond to environmental sustainability challenges?	8
How should International inbound universal postal service losses be addressed?	11
What regulation is needed in the postal sector?	12
Question 6: What Trends, Challenges, ComReg’s Strategic Intentions, and ComReg’s goals set out in ComReg’s last Postal Strategy Statement 2020 – 2022 remain relevant?	13

Executive Summary

- ComReg should consider the outcome of the European Commission's review of the Postal Services Directive for the forthcoming Postal Regulation Strategy
- The next postal strategy should be limited to the period 2022-2024, consistent with the statutory requirement until the European Commission's review has concluded
- A medium-term strategy would better for the 2024-2026 Postal Strategy Statement, as opposed to the forthcoming Strategy, as there may be more clarity on the future postal sector and its regulation by 2024, following the European Commission's evaluation and assessment consultation
- The continued decline in letter mail volumes arising from electronic substitution, changes in customer needs, and the continued competition within the packets/parcels sector are relevant to the forthcoming strategy, with Covid-19 highlighting their increasing importance
- Consideration should be given to allowing An Post to provide customers with a wider, and perhaps more cost effective range of offerings for post which is not time sensitive
- The increase in smaller individual final delivery units, leading to an overall increase in the number of units to be delivered, is another novel challenge to An Post's logistical systems
- Regulatory arbitrage, largely regarding environmental and employment regulations, from competitors must be addressed
- Our members welcome An Post's customer-needs focused approach to new product development which will allow greater service choice and more cost efficiencies
- Chambers Ireland supports the maintenance of the Universal Service Offering and the principle that equivalent delivery services should be available to all customers regardless of their location
- Emissions from postal delivery vehicles needs to be urgently tackled through options such as increased green electric fleets, and measures for 'last mile' infrastructure such as cargo bicycles and parcel lockers
- The European Regulators Group for Postal Services' (ERGP) upcoming report on the postal sector's impact on the environment should guide future Postal Regulation Strategies
- ComReg should work with its EU counterparts through the ERGP to drive change at the international level in the UPU Congress to correct the imbalance of remuneration of terminal dues
- New terminal dues multi-lateral agreements, and improved rates for current bi-lateral agreements should be expanded
- The postal regulatory environment needs to reflect changing user needs and how the universal service offering can adapt to these needs
- The introduction of a regulatory scheme that allows greater flexibility in An Post's service provision must be strongly considered, putting the needs of consumers to the forefront of ComReg's strategy and enabling greater innovation.

Chambers Ireland's Perspective on the Irish Postal Sector

The steep decline of letter mail volumes has disrupted the market for postal and courier services. This decline is, to a large extent, caused by the increasing digitisation of society and more efficient, instant and direct communication alternatives. Digitisation provides possibilities for efficient processing and delivery of postal items, it creates the potential for the postal service to build additional added value services onto universal service offerings, while the digital economy has given an impressive boost to the emergence of e-commerce and a subsequent growth in the volume of packets and parcels (in particular postal packages²).

This presents a threat to the continued provision of a universal postal service, however. Throughout developed nations this decline in the volume of letters has created challenges for the postal sector and continues to drive the need for the efficient delivery of declining quantities of letters. We wish to underline the importance of this service in Ireland and that it must be maintained, especially for the many thousands of businesses that rely on this method of communication daily.

A study for the European Commission³ estimates that the business-to-consumer (B2C) e-commerce markets of both goods and services in the EU Member States and EEA member countries increased revenues from €200bn in 2013 to €490bn in 2017, and this has only continued to increase over the pandemic. The report also found that along with the Benelux countries, Germany, Austria and France, Ireland was one of the top markets for parcel deliveries with more than 16 parcels delivered per capita/year. This creates new opportunities and demands for increased parcel delivery requirements for the postal sector to respond to, especially given changes to consumer preferences for postal delivery.

Chambers Ireland has welcomed An Post's work on Climate Action (SDG 13) in transitioning their fleet to electric vehicles, their provision of charging sites,⁴ and enabling Dublin to become the first capital city with zero emissions postal delivery.⁵ However, the increase in parcels and packets deliveries has drawn increasing attention to the environmental impact of delivery services, given our Network's concerns regarding climate change, and our commitment to sustainable cities and communities (SDG 11).

To ensure the sustained viability of the postal sector, An Post will need to innovate if its services are to be able to continue meeting changing customer needs in this dynamic environment. Critical to this will be the introduction of a regulatory scheme that provides greater flexibility in An Post's service provision. The pace of change in primary and secondary legislation is, by design, slow; there is a risk that by over-specifying the regulatory requirements imposed upon An Post through legislation, rather than guidelines, the Commission may inadvertently undermine the sustainability of services such as the Universal Postal Offering.

² The European Regulators Group for Postal Services (2019), [Developments in the postal sector and implications for regulation](#)

³ Kalevi Dieke et al., (2019) [Development of cross-border e-commerce through parcel delivery. Final Report](#)

⁴ An Post (2021), [An Post joins global EV100 to accelerate next generation electric vehicles](#)

⁵ An Post (2020), [Dublin becomes first Capital City globally with zero emissions postal delivery](#)

The Covid-19 pandemic has demonstrated the need to have a secure, reliable, and effective postal sector. In contrast to postal services like Australia Post⁶ – where within-state regular letter services can still be expected to take up to four days – An Post’s distribution service was capable of maintaining its same day/next day delivery throughout the pandemic, alongside its retail section. Early in the coronavirus crisis An Post was quick to provide additional services to the community such as wellness checks which were especially important to those who are digitally disadvantaged.

For the business community, An Post’s capacity to adapt its services to allow for the increased volume of packages that were needed to maintain operations (and despite the impact of Brexit) helped many of our vulnerable members to trade through the worst parts of the lockdowns. E-commerce will continue to be an increasing part of our economy and so the postal sector will be critical to securing the gains from governmental and EU stimulus programmes.⁷

It may also be useful and cost effective for businesses if they had greater choice of options regarding delivery options where individual postal items are less sensitive to the timeliness of deliveries. This will undoubtedly help in optimising An Post’s delivery strategies within the confines of environmental and carbon emission constraints.

Chambers Ireland are pleased to contribute to this consultation on the forthcoming Postal Strategy Statement and urges the Commission to ensure that the regulatory framework for the postal service is built around satisfying customer needs.

If we are to ensure that appropriate and adaptive services for customers remain available, it is critical that the regulations which An Post operates under should have the goal of satisfying explicit customer needs, and should have KPIs that can test the regulation’s efficaciousness in securing that goal while ensuring their proportionality. Ultimately, it is the customer that bears the cost of regulatory oversight and there should be a clear link between the outcomes of such oversight and the impact on the customer.

⁶ [AusPost Update 26/7/21 Captured 12/8/21](#)

⁷ European Regulators Group for Postal Services (2021), [ERGP Work Programme 2021 Public Consultation Draft](#)

Questions for consideration

Question 1: Do you consider that ComReg’s forthcoming postal strategy should be limited to the period to 2024?

The European Commission is in the process of evaluating and assessing whether the Postal Services Directive, which sets a minimum scope for postal regulation, is still fit for purpose and achieves its original aim of ensuring that everyone in the EU receives minimum postal service at an affordable price. The last revision of the Postal Services Directive was in 2008.⁸ Since then, the postal sector has undergone major changes due to digitalisation and e-commerce. This review will be essential in determining whether the Directive is still fit for purpose and achieves its original aims.

It will be necessary for ComReg to consider the outcome of this evaluation for the forthcoming Postal Regulation Strategy, as it is likely that there will be strategies and programmes included in the European Commission’s outcomes that ComReg should too incorporate. Chambers Ireland agrees with ComReg’s proposal in the consultation outline⁹ that the next postal strategy should be limited to the period 2022-2024, consistent with the statutory requirement until the European Commission’s review has concluded.

In addition, the previous Irish Postal Strategy Statement 2020-2022¹⁰ contained a medium-term 5-year postal strategy. Chambers Ireland agrees that a medium-term strategy would better for the 2024-2026 Postal Strategy Statement, as opposed to the forthcoming Strategy, as there may be more clarity on the future postal sector and its regulation by 2024, following the European Commission’s evaluation and assessment consultation.

Question 2: What are the considerations (in the next two years and beyond) in shaping the postal sector and ComReg’s forthcoming postal strategy?

The considerations in shaping the forthcoming postal strategy largely mirror those of the previous 2020-2022 statement.¹¹ The continued decline in letter mail volumes arising from electronic substitution, a change in end user needs, and the continued competition and growth in the packets and parcels sector are all still very relevant, if not even more so post-Covid-19, for the forthcoming strategy.

Further considerations to be taken into account include an increase in smaller individual final delivery units, leading to an overall increase in the number of units to be delivered. This has knock-on effects on delivery times and the capacity of postal vehicles to carry loads. Increasing customer preferences for more sustainable postal delivery methods are also on the rise and so sustainable development (be that economic, environmental, or social and societal) is an essential consideration that must be at the core of the next postal strategy. The Universal Postal Union highlights that sustainable

⁸ The EU [Postal Services Directive](#) was adopted in December 1997 as the culmination of a process that was initiated with the [Green Paper](#) in 1992. [Amendments](#) to the PSD in 2002 and 2008 did not alter its basic concept, which reflects a situation of almost 30 years ago

⁹ Commission for Communications Regulation (2021), [Call for Inputs – Postal Regulation Strategy](#)

¹⁰ Commission for Communications Regulation (2019), [Postal Strategy Statement 2020-2022](#)

¹¹ Commission for Communications Regulation (2019), [Postal Strategy Statement 2020-2022](#)

development “contributes to improved business efficiency and resilience, strengthened customer relationships, and the development of new markets”.¹² In addition, responsible operations allow postal operators to build trust with local communities in which they operate, adding to the benefit of many SMEs that have begun to rely on sustainable supply chains to attract and retain a loyal customer base.

Lastly, the increase the e-commerce volumes continues to attract new entrants into the parcel segment, making it a very competitive environment which is reflected in the lower share of parcel deliveries of postal operator incumbents across the EU.¹³ Aside from the business competition, new players that enter the parcel segment often use new business models, such as new technologies and different employment contracts.¹⁴ Amazon and Fastway Couriers are two business examples that offer competitive user rates and contracts but are not regulated to the same extent.¹⁵ This leads to largescale regulatory arbitrage, whereby these firms take advantage of the rules and regulations in order to overcome competition – in this case, An Post. It often takes such a long time for regulation to catch up to these businesses meaning that competing businesses can allow operators to cherry-pick certain favourable elements of the package/parcel business while not having to stick to the USO regulations.

In upholding decent work and economic growth (SDG 8), ComReg should consider how the gig economy is impacting the postal delivery sector. Unlike Amazon and other providers who depend on the gig economy for the low-cost delivery of its services, An Post is firmly against the excesses of the gig economy. It is committed to providing all employees with fulfilling, secure careers with opportunities for professional development and have maintained its commitment to no zero-hour contracts.¹⁶ This needs to be supported by ComReg, with ways to enhance the overall employment options for the national postal provider that does not put them at a competitive disadvantage to other providers who engage in this form of regulatory arbitrage.

Question 3: What is your view on the seven initial considerations for the forthcoming strategy?

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

Chambers Ireland welcomes the proposal from An Post to introduce postal services which would allow customers to choose the prioritisation of their mail. Such a shift would afford customers access to more cost-effective postal options which can better meet their needs, particularly where the delivery

¹² Universal Postal Union (2021), [Sustainable Development](#)

¹³ Copenhagen Economics (2019), [Postal Services in the EU](#)

¹⁴ Different types of employment contracts offered include part time employment, temporary employment, performance-related pay contracts, flexible employment, self-employed contracts, and subcontracted workers.

¹⁵ Amazon is a good example of this whereby it has been continuously improving its its warehouse and delivery operations using innovative solutions and alternative employment contracts. In its warehouses, Amazon uses robots to carry and group items needed for a specific order, reducing the time spent by manual labour for this operation. In last-mile delivery, Amazon uses self-employed carriers and small subcontractors, coordinated through a delivery platform. This means that it only takes having a vehicle, a smartphone and being available for shifts ranging between one and four hours to become a self-employed carrier.

Copenhagen Economics (2019), [Postal Services in the EU](#)

¹⁶ An Post (2020), [Sustainability Report 2020](#)

of mail is not time sensitive. There may be savings, for both business customers and An Post, if both parties were able to optimise their delivery decisions using a matrix of delivery and price options.

This customer needs-focused approach is a useful mechanism for encouraging efficiencies within the postal service while also ensuring that the same standard of service is available across the country. As an organisation which has a broad geographical footprint, and with members that are deeply embedded in their local economies, the Chamber Network understands the importance of the Universal Service Offering. Indeed, certain sectors of the economy have built their services around the expectation of next day delivery which needs to remain available as an option for such businesses. As a result, Chambers Ireland strongly supports the continued obligation on An Post to have such a Universal Service Offering, and recognises that there are benefits for both the customers and An Post if these deliveries can be streamed efficiently.

Chambers Ireland welcomes An Post's proposals as they ensure that the same standard of delivery service will remain available to all of our member businesses regardless of their location. With the rise of remote, hybrid, and flexible work practices, the importance of being able to rely on a similar standard of service regardless of location has risen in recent years.

With a unique geographical outlook and a strong focus on place, our member Chambers strongly support this level playing field approach as it protects against a postal system which prioritises along urban/rural or regional lines. As discussed under Question 5 regarding the losses from international inbound mail, Irish businesses are already at a competitive disadvantage when it comes to the cost of sending goods to Irish customers, versus those sent by foreign businesses. A postal delivery system that protects against further internal geographical challenges is to be welcomed.

What actions are required to respond to environmental sustainability challenges?

The postal sector is an important stakeholder in driving carbon efficiency and achieving relative carbon reductions across all aspects of the supply chain. We already know the major role that outdated and insufficient transport infrastructure plays in increasing our national greenhouse gas emissions. We too know the large scale of change required to tackle this and meet our emissions goals, not least in the transport sector. At the core of An Post's decarbonisation strategy is the transition to a sustainable transport fleet and renewable energy. An Post operates one of Ireland's largest vehicle fleets and has over two million square feet under management in its property portfolio. It's fleet of electric vehicles, electric trucks and e-bicycles for more efficient and environmentally sustainable deliveries is already having a positive impact on emissions reductions with a 23% reduction since 2009.¹⁷ Rather than making commitments and creating plans, An Post is delivering climate actions now, and are on track to halve its total carbon emissions by 2025.¹⁸

However, changes in the product mix (from letters to parcels) have important implications for postal operators' environmental footprint because parcel delivery requires significantly more logistical and transportation capacity than letters, creating a challenge for postal operators to reduce their environmental footprint. In 2020, An Post reported that they had a slight increase in emissions with

¹⁷ An Post (2020), [Sustainability Report 2020](#)

¹⁸ An Post (2020), [Sustainability Report 2020](#)

3,300 tonnes of carbon specifically related the increase in parcel deliveries as bricks and mortar retail networks were closed. Although An Post has increased its number of EVs, diesel vehicles still make up a sizeable portion of its fleet with the associated carbon emissions.¹⁹ This will need to be urgently tackled if the national provider is to stay on track with its decarbonisation strategy.

Unregulated postal providers should also be held to the same environmental regulatory standards as the national postal operator. As previously highlighted, the opportunity for regulatory arbitrage (and the delay in regulations catching up to perpetrators) could shift our national carbon load in the wrong direction if these distribution networks continue to avoid environmental regulations.

Chambers Ireland is committed to climate action (SDG 13) and the development of and sustainable cities and communities (SDG 11). By upgrading our urban, intra-urban, and inter-urban transport networks so that public transport can become an emissions reduction tool, and active transport can become the primary mode of travel for our daily needs, this too will increase the opportunity for next day delivery. We strongly urge ComReg to consider the need for efficient distribution services as part of this wider transition to active travel and public transport infrastructure upgrades.

Also, if An Post was able to segregate time sensitive postal items from time insensitive options (with the customers' consent), it may allow for a reduction the total number of journeys needed to deliver the same volume of post.

While the postal service has a significant environmental impact, it is also part of the solution. The sector has the most advanced transport network in the world, and in most cases, postal operators are also the owners of the biggest vehicle fleets nationally.²⁰ As such, the sector is a powerful agent for change. ComReg should consider the following recommendations in the next Postal Regulation Strategy to respond to these challenges faced by the sector:

1. Green Electric Fleets

Although fleet electrification in the 'last mile'²¹ is well underway across Ireland,²² the main challenge is greening long-distance transport which will ultimately require zero emissions trucks. Though it must be noted that An Post deployed its first ever 7.5 tonne electric trucks to its electric fleet in 2020, benefitting the health and air quality of people living and working in Dublin city, this needs to be radically expanded in the coming years for people living and working in cities, towns and villages all across Ireland.

2. 'Last mile' Infrastructure

The pandemic has dramatically changed consumer habits, as the lockdown restrictions made shopping in-store largely unavailable leading consumers to turn to online shopping. This sudden change in market conditions served as a propellant for e-commerce and it has exponentially escalated unlike ever before. At the end of 2020, postal and courier services faced massive parcel volumes that proved difficult to sort and deliver on time. Moreover, it increased the number of

¹⁹ An Post (2020), [Sustainability Report 2020](#)

²⁰ Universal Postal Union (2021), [Environmental Sustainability](#)

²¹ The 'last mile' in logistics is defined as the movement of goods from a transport hub to the final delivery destination.

²² An Post (2021), [An Post joins global EV100 to accelerate next generation electric vehicles](#)

postal delivery vehicles on the roads, adding to the emissions problem the sector continues to face.

The green transformation represents a significant challenge for postal services, because at the same time the parcel business is growing and the number of deliveries is constantly increasing. Studies show that ‘last mile’ delivery significantly increases CO₂ emissions and urban traffic congestion.²³ The ‘last mile’ will be a key battleground in the future to manage both environmental sustainability problems and new entrants in the parcel delivery area in direct competition with An Post.

To overcome and prevent future backlogs in the postal and delivery systems, especially at busier periods in the winter, to tackle the growing emissions problems, and to enable contactless delivery,²⁴ parcel lockers should be considered in future postal services planning. These lockers offer an ideal channel with sufficient capacity, simplicity and availability and are more suited to today’s pace of life.²⁵ The increase in remote working also makes this a dynamic environment. As more and more people continue to relocate, either on a permanent or temporary basis,²⁶ there is an increasing need (and opportunity) for rerouting deliveries – an additional Universal Service Offering which An Post could provide.²⁷

Automated parcel lockers can also improve the first attempt delivery rate, and delivery vehicles will have to make fewer ‘rounds’, thereby further reducing emissions. Examples of this working in action include France’s La Poste which has deployed pick-up stations with parcel lockers at post offices and in high traffic areas.²⁸ As well as that, different operators collaborate to improve efficiency in the value chain. For instance, Dutch PostNL combines logistics flows from other companies to reduce the volume of traffic in city centres.²⁹

Aside from parcel lockers, other options for ‘last mile’ infrastructure to reduce the environmental burden include e-bicycles for local town and city deliveries, where practical. These vehicles, usually an extended-frame bike with room for cargo in the front, can move nimbly through city streets using bike and bus lanes, take shortcuts, and park close to their destinations with loads up to 300 kg.³⁰ Furthermore, studies of electric cargo bikes in London found that they made deliveries 60% faster than traditional vans, and with 90% less emissions compared to diesel-powered vans and 33% less emissions than electric-powered vans.³¹ While cargo e-bikes are

²³ European Environment Agency (2019), [The first and last mile – the key to sustainable urban transport: Transport and environment report 2019](#)

Marta Viu-Roig and Eduard J. Alvarez-Palau (2020), [The impact of E-Commerce-Related Last-Mile Logistics on Cities: A Systematic Literature Review](#)

²⁴ This is highly convenient at the time of global pandemic when social distancing and avoiding crowds remains the main strategy in preventing the spread of the virus.

²⁵ Universal Postal Union (2021), [Parcel lockers can contribute to the fight for a sustainable future](#)

²⁶ The Irish Times (2021), [The new WFH: How to work from holiday](#)

²⁷ An Post could also increase its USO if it were allowed to provide **same-day delivery** for retail businesses; **holding deliveries for a fixed charge**, thereby increasing the value of the local post office to communities all across the country; and **virtual addresses** (such as a P.O. Box) that could re-route to a dynamic address. For example, for people having to move addresses quickly, those who use digital hubs, or those who have to relocate for certain periods of time throughout the year, such as medical interns, but do not want to continuously re-route post.

²⁸ Copenhagen Economics (2019), [Postal Services in the EU](#)

²⁹ Copenhagen Economics (2018), [Main Developments in the Postal Sector \(2013-2016\)](#)

³⁰ Camille Squires (2021), [Electric cargo bikes will deliver your next package—if US cities embrace them](#)

³¹ Collignon et al., (2021), [The Promise of Low-Carbon Freight: Benefits of cargo bikes in London](#)

unable to handle every delivery, especially in more rural areas, replacing just 10% of the delivery miles currently covered by vans would save an estimated 133,300 tonnes of CO₂ per year in London.³² We would likely see similar results in towns and cities across Ireland if cargo e-bikes were introduced here.

However, to promote this and other technological and infrastructural innovations there must be room for greater regulatory proportionality that does not adversely impact the implementation of such innovations and advancements. This too will support the development of industry, innovation and industry (SDG 9). As the main postal operator in the country, An Post must be able to compete with incumbents in this area and not in a less advantageous position to innovate with 'last mile' solutions. Chambers Ireland recommends that this be considered in the next Postal Strategy Statement to enable the speedier implementation of future postal service innovations allowing the sector to respond to approaching and unexpected challenges, as was witnessed throughout the pandemic.

Finally, the European Regulators Group for Postal Services (ERGP) has highlighted³³ the importance of the European Green Deal and the need to align its future strategies and work programmes with the Deal's objectives to achieve emissions reductions. In doing so, the ERGP has commissioned a report this year on the impacts of the postal sector on the environment and measures of postal operators to reduce this.³⁴ The report will also focus on an analysis of where the Green Deal measures interfere with the economic regulation of the postal sector. In light of this, ComReg should use this study, due to be published later this year, as a benchmark for actions that they can take to respond to environmental sustainability challenges.

How should International inbound universal postal service losses be addressed?

International inbound mail (specifically parcels and packets) is the major loss-making component of the universal postal service and the losses on this mail have been significant each year, resulting mainly from increased Rest of World (Asia) inbound mail.³⁵ Where the terminal dues³⁶ do not cover the cost of delivery in Ireland, there is likely a distortive effect on trade and e-commerce. This means that overseas traders sending goods to Ireland are paying lower rates to reach their Irish customers than traders here in Ireland are paying.

This is as a result of the current two-tiered UPU system for terminal dues in which countries are divided into six groups belonging to two different systems called the *transitional* system and the *target* system.³⁷ The *transitional* system mainly applies to exchanges of international letter mail to, from, or between designated operators in countries traditionally considered 'developing'. Whereas the *target* system mainly governs the exchange of letter post items between designated operators in countries and territories previously thought of as 'industrialised'. In 2010, countries and territories classified as

³² Ibid

³³ European Regulators Group for Postal Services (2021), [ERGP Work Programme 2021 Public Consultation Draft](#)

³⁴ European Regulators Group for Postal Services (2021), [ERGP Report on Green Deal and the postal sector](#)

³⁵ An Post (2020), [Summary Regulatory Financial Statements 2019](#)

³⁶ The payments between postal operators

³⁷ Copenhagen Economics (2019), [Postal Services in the EU](#)

'developing' started to join the target system. In 2016, China joined the target system, but it has maintained the terminal dues rates applicable to the transitional system.³⁸

Terminal dues rates are based on the UPU regulation set out in the 26th UPU Congress for the period of 2017-2020 and adjusted during the Third Extraordinary Congress that took place in Geneva in September 2019. The rates are different for the transitional system and the target system and are designed so that operators in the transitional system (i.e. postal operators from developing countries, such as African countries), do not pay a price that would be prohibitive for them when delivering mail to countries in the target system. This system has created distortions,³⁹ which have placed Irish businesses at a competitive disadvantage as it is more expensive for an Irish business to send a parcel to its Irish customers than it is for a foreign business to do the same.

ComReg's role in international inbound mail is limited by legislation to a compliance role, requiring An Post, as the current universal postal provider, to cover its costs in processing and delivering international inbound mail within the universal postal service from other EU Member States only.⁴⁰ Nonetheless, Chambers Ireland recommends that ComReg work with its EU counterparts through the ERGP to drive change at the international level in the UPU Congress (specifically through the Integrated Remuneration Plan⁴¹) to correct this imbalance of remuneration of terminal dues for An Post and the many SMEs that depend on its services for the cost efficient delivery of their services.

Despite the pandemic anomaly that the losses incurred by An Post from international inbound mail in 2020 were less severe than expected or predicted based off previous years,⁴² Chambers Ireland recommends that new terminal dues multi-lateral agreements, and improved rates for the bi-lateral agreements that An Post have already entered into, be expanded. The suggested actions in ComReg's 2020-2022 Postal Strategy Statement⁴³ provide a good starting point for this.

What regulation is needed in the postal sector?

The postal sector is continuing to evolve at a very fast pace and challenges to letter and parcel delivery must be carefully handled in a way that protects the customer and the national postal operator. As such, the changing user needs must be constantly at the forefront of ComReg's future strategies. In addition, the proportionality of ComReg's regulation of the national postal operator must be regularly evaluated, with feedback from the operator and customers encouraged.

Changing user needs

Rapid volume declines in letter mail and a substantial growth of parcels delivery are an expression of underlying, deep-seated developments in technological advancement, digitisation of society and

³⁸ Copenhagen Economics (2017) [Terminal Dues. Impact on financial transfers among designated postal operators of the Universal Postal Union 2018-2021 cycle agreement](#)

³⁹ When a postal operator in a developing country, like Chinese Post, pays a price for final delivery in a developed country that is below cost, the USP in the developed country performing the final delivery loses money on those shipments.

Copenhagen Economics (2019), [Postal Services in the EU](#)

⁴⁰ Commission for Communications Regulation (2017), [Postal Strategy Statement 2018–2020](#)

⁴¹ UPU (2021), [Remuneration development](#)

⁴² An Post (2021), [Summary Regulatory Financial Statements 2020](#)

⁴³ Commission for Communications Regulation (2019), [Postal Strategy Statement 2020-2022](#)

changes in consumer behaviour and preferences of end users of postal services. While many postal service users are moving away from letters and using digital forms of communication instead, other social developments such as increased urbanisation and an ageing population increase the role of the USO, demanding a basic postal service level for vulnerable users in less-populated rural areas, or elderly persons that may not have access to digital alternatives of communication. Such changes and developments manifest themselves in a fundamental shift of interpersonal communication, new businesses and business strategies (e-commerce, innovative delivery services, e-substitution). The postal regulatory environment needs to reflect that.

It must also reflect the fact that the service must provide for the needs of all users via the medium that they choose, be that digital or otherwise. Chambers Ireland believes that ComReg must place a greater emphasis on users' needs by firstly determining what exactly these needs are and secondly, precisely determining how the USO can adapt to these changing user needs, ensuring that financing from the state is used to provide services at a high quality and for good value.

Regulatory proportionality

To ensure the sustained viability of the postal sector, An Post will need to innovate if its services are to be able to continue meeting changing customer needs in this dynamic environment. Critical to this will be the introduction of a regulatory scheme that provides greater flexibility in An Post's service provision. Regulation must be proportionate. Reducing certain time-consuming and costly regulations⁴⁴ will have a positive effect on the innovation of the business while also putting the needs of consumers to the forefront of its strategy.

Furthermore, the pace of change in primary and secondary legislation is, by design, slow; there is a risk that by over-specifying the regulatory requirements imposed upon An Post through legislation, rather than guidelines, the Commission may inadvertently undermine the sustainability of services such as the Universal Postal Offering.

Question 6: What Trends, Challenges, ComReg's Strategic Intentions, and ComReg's goals set out in ComReg's last Postal Strategy Statement 2020 – 2022 remain relevant?

Chambers Ireland acknowledge that the four principal trends (a continued decline in letter mail; a significant risk to letter mail volumes arising from electronic substitution; end user needs – changing mix of mail and speed delivery; and the continued competition and growth in the packets and parcels sector) still remain relevant and should be included in the forthcoming Strategy Statement.

With regard to the seven principal challenges contained in the 2020-2022 Strategy Statement, it is the view of Chambers Ireland that all but one of these still remain relevant. The challenge of "*responding to the delivery challenges resulting from Brexit*" is less of a challenge now that Brexit has taken place however the 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

⁴⁴ Commission for Communications Regulation (2012), [Postal Regulatory Framework Implementation of the Communications Regulation \(Postal Services\) Act 2011](#)

documentation should be more broadly considered under “*responding to the changing demand dynamics of the postal sector*” overall.

Chambers Ireland agrees that the three Strategic Intentions (and the corresponding ten Goals) set out by ComReg are also relevant but should more widely incorporate environmental sustainability.