

Liberalization of the Postal Market: European Regulation and National Initiative

John Hearn. Manager Postal Liberalisation (ComReg)

This paper represents the personal views of the author and should not be taken to represent the policy of ComReg, CERP, ERGP or any other organisation

Why invite the Irish NRA?



Some Economic Comparisons

	Greece	Ireland
GDP per capita in PPS (2009)	94	127
Real GDP growth rate (2010)	-4.5%	-1.0%
Income Tax, etc. (% of GDP - 2009)	8.2%	10.7%
Real unit labour cost growth (2010)	-3.5%	-2.4%
Harmonised unemployment (2010/11)	14.1%	14.9%
Government debt (2009)	126.8	65.5
Long term government bond yields (2011)	11.4%	9.1%
Annual average inflation rate (2010 HICP)	4.7%	-1.6%

Some demographic comparisons

	Greece	Ireland
Total population	11,305,118	4,467,854
% of EU27	2.3%	0.9%
Distance from Brussels	2080 km	774 km
Area	131,985 km ²	68,895 km ²
Population density	85.9	65.2
Islands	10%	0.2%
Athens v Dublin	2,664,776	1,045,769
	23.6%	23.4%
Thessaloniki v Cork	773,180	190,384
	6.8%	4.3%
Foreign languages learnt per pupil	2	1

Electronic Communications Comparisons

	Greece	Ireland
Enterprises having access to the Internet (2009)	92%	95%
Enterprises having a broadband connection (2009)	84%	80%
Enterprises having received orders on-line (2009)	6%	21%
E-Commerce via Internet (2007)	0.9%	9.8%
Level of Internet access - households (2010)	46%	72%
Households having a broadband connection (2010)	41%	58%
Individuals having ordered/bought goods or services over the Internet (2010)	9%	28%
Share of individuals using the Internet for interacting with public authorities (2010)	10.9%	22.3%
Mobile phone subscriptions (2009)	180	119
Market share of the leading operator in mobile telecommunication (2009)	48%	40%
Price of 10 min national long distance call (2008)	€0.31	€0.52

Postal Comparisons

	Greece	Ireland
Turnover as % of GDP (EU27 = 0.48%)	0.19%	0.34%
% of total employment (EU27 = 0.50%)	0.24%	0.40%
Letter Post per capita	61	175
On Time Delivery D+1 (2007)	79%	77%
Price of a Domestic Letter	€0.58	€0.55
Price of a Letter within Europe	€0.72	€0.82

The Changing Market is the real challenge

As a form of communication, the postal sector worldwide has evolved. Ninety percent of letter post is now business-related and this has implications for how postal service providers must position themselves.

It requires far greater flexibility and a focus on innovation to meet the evolving needs of users, particularly business users, to maximise the “value added” by post to their customers.

The Changing Market is the real challenge

An Post must look afresh at its relationships with its customers and indeed its competitors and adapt accordingly. It must actively seek to meet the needs of its users, look at ways of harnessing the potential of electronic communications and incorporating them into its product offerings, and grow its business accordingly.

Successfully doing so will be critical in ensuring that An Post remains strong and is the postal delivery company of choice for the foreseeable future.

The Changing Market is the real challenge

Liberalisation and competition will pose challenges for An Post but there are far greater and more immediate threats to An Post and its business model.

The ongoing effect of the recession and the impact of electronic substitution are having a far greater impact on An Post's letter post market than will any market entry by traditional postal competitors.

The migration from post to electronic communications is only going to accelerate and it is essential that An Post adapts to this new reality.

The Changing Market is the real challenge

15 companies generate 30% of all Letters:

3 Banks	12%
1 Credit Card Co	1%
2 Energy Companies	5%
7 Electronic Communications Co	10%
2 Retailers	2%

All are pursuing e-substitution

Government generates 13%

An Post Business Segments

Now ???

USO

64% 30%

Other Mail services

9% 40%

Non-Mail

27% 30%

Parcel and Packets becoming more important

Delivery of things is becoming more important than delivery of Letters. An Post has only 14% market share for Parcel Delivery. All big USPs are present on the Irish market

SEND YOUR PARCELS FROM...



SERVICEPOINT

Sending your parcels within the UK or internationally is easy with DHL SERVICEPOINT available instore now.

DHL

SIZE & PRICE GUIDE

Size	Max Weight
Envelope (275 x 350mm) e.g. CD's/photos	0.2kg
UK	1-2 Working Days £5.95
EU	1-3 Working Days £19.95
USA / Canada	1-3 Working Days £24.95
Rest of World	1-6 Working Days £29.95
Small (245 x 185 x 70mm) e.g. Digital camera or paperback books	1kg
UK	1-2 Working Days £8.95
EU	1-3 Working Days £22.95
USA / Canada	1-3 Working Days £27.95
Rest of World	1-6 Working Days £38.95
Medium (330 x 310 x 95mm) e.g. A4 diaries or A4 paper	2kg
UK	1-2 Working Days £10.95
EU	1-3 Working Days £24.95
USA / Canada	1-3 Working Days £29.95
Rest of World	1-6 Working Days £46.95
Large (330 x 310 x 175mm) e.g. A4 ring binders or toner cartridges	5kg
UK	1-2 Working Days £12.95
EU	1-3 Working Days £34.95
USA / Canada	1-3 Working Days £44.95
Rest of World	1-6 Working Days £68.95
X Large (420 x 345 x 280mm) e.g. Box files or DVD player	10kg
UK	1-2 Working Days £14.95
EU	1-3 Working Days £57.95
USA / Canada	1-3 Working Days £84.95
Rest of World	1-6 Working Days £125.95
XX Large (420 x 480 x 310mm) e.g. Small printer or fax machine	25kg
UK	1-2 Working Days £19.95
EU	1-3 Working Days £97.95
USA / Canada	1-3 Working Days £114.95
Rest of World	1-6 Working Days £197.95

Prices include VAT. Transit times are a guide only and not guaranteed. Collections are not made at weekends or on Bank Holidays. Please note some items may be prohibited or subject to restrictions. Shipments may also be subject to inspections. Please contact DHL Customer Services for further information on 08701 100 300.

Conflict of Interest?

A regulator, independent of postal service providers, is an explicit requirement of the Directive and, where Member States retain ownership or control of postal service providers, effective structural separation of regulatory functions from activities associated with ownership or control is also required.

Most Governments are conflicted:

- Own the incumbent operator
- Are major customers of the Post
- Need to ensure that Economy is competitive
- Need to maintain employment levels, especially in economically disadvantaged areas

Protection not the solution

An Post's situation however is not unique and postal service providers worldwide are having to reinvent themselves. A reliance on legal protections that shield An Post from competition will not ensure it is in a position to face other challenges. In fact, ignoring or turning a blind eye to liberalisation only delays the acceptance of the reality of where the postal market is at, and as trends accelerate, will only leave An Post in a weakened position to compete.

Incumbents have significant market strengths

An Post has many genuine strengths such as its dedicated workforce, its trusted brand and its strong visible presence in every community in Ireland on every working day of the year - a presence that very few, if any, competitors will be in a position to replicate.

The Government is committed to a strong and vibrant An Post. Currently An Post wins a significant amount of business from Government departments – both for postal services and financial services delivered through the post office network. However, while Government will continue to strongly support An Post, a reliance on Government contracts in the future is not a valid or robust strategy for An Post to take in order to address the challenges that it faces.

Objectives of the New Irish Legislation

To strike a balance between

- safeguarding the universal service,
- protecting consumers' interests and
- putting in place a framework for the development of a competitive postal sector providing high quality postal services.

The aim is for the individual consumer, the business sector and the wider economy to benefit from increased competition and a broader range of services.

At its heart the Bill recognises the fundamental difference between An Post and other postal service providers. As the incumbent and the most significant operator, it is appropriate that An Post will be subject to the greatest amount of regulation.

The Cost of Universal Service Provision

An Post has to date met the costs of providing the universal service from its own resources. “It is my strong expectation that An Post will continue to meet this from its commercial revenues.”

The Dutch solution (Article 15 of 2009 Law):

1. On the basis of a transparent selection procedure, Our Minister shall appoint a Postal Conveyance Company to operate the Universal Postal Service or part thereof for an indefinite period of time.
2. Our Minister may withdraw such appointment, either wholly or partly, if:
 - a. the proper provision of the Universal Postal Service, or part thereof, is no longer guaranteed;
 - b. a Universal Postal Service Provider has indicated pursuant to Article 30(1) that the provision of that service will involve net costs;
 - c. the appointed Postal Conveyance Company so requests;
 - d. another Postal Conveyance Company has indicated that it wishes to operate the Universal Postal Service.

Delaying the legislation does not stop liberalisation

The postal services market has been fully open to competition since the 1st of January 2011 under the Third Postal Services Directive, and competitors to An Post are now free to enter the letter post market.

DIRECT EFFECT!



Commission for
Communications Regulation

John Hearn

Manager, Postal Liberalisation

Abbey Court, Irish Life Centre

Lower Abbey Street, Dublin 1, Ireland

Telephone +353 1 804 9742

Email john.hearn@comreg.ie