



COMMUNICATIONS WORKERS' UNION

ITEM 5 MAILS & PARCELS - Chapter 14

11TH BIENNIAL CONFERENCE 2022, ATHLONE



Impact of COVID-19 on the Business

- Fast tracked decline of mail by 2-3 years
- Mail volume decline between 15-30% full year 1, negative impact on revenue of c.€50m
- Parcel volume has more than doubled, with a positive impact of c.€20m
- This change in revenue mix has had a drastic impact on profitability as:
 - Parcels are costly to service
 - For every €1 in letters revenue decline, the Company needs €2 in parcel revenue
- PPE costs of over €6m for 2020
- The net impact on the Company's finance was nearly €50m during 2020



Company's 2022 Objectives

Planning underway for the introduction of an Eco model in 2023

Future redesigns will use the Target Operating Model

Finalising the design of a new publicity post service

Negotiating a new Amazon contract

Processes needed for dealing with new Customs regulations that have arisen since Brexit

Plans to expand into new supply chains nationally and globally

What are the internal & external challenges for An Post? (Slide 1/2)

The postal world has changed:

- In 2015, An Post delivered 515m letters and 36m parcels annually
- In 2021, An Post delivered 328m letters and 67m parcels annually
- It is forecasting that in 2030 it will deliver 207m letters and 145m parcels
- An Post is still set up as a letter company that delivers the odd parcel; the shift in the business will require large structural change
- An Post currently has 114 DSUs and 78 DSOs; through consolidations, the Company intends to significantly reduce these figures
- The Company has changed its plans based on the TOM model - the new redesign model will commence shortly with some pilot Test and Learn offices



What are the internal & external challenges for An Post? (Slide 2/2)

- It has very low automated sorting depth in parcels, which it needs to address
- It has low automated capacity to deal with peaks
- The Company also has to deal with international and national competitors in the market, many of which have 7-day delivery operations and operate subcontracted/ lower paid models
- Amazon, which once provided 35% of An Post's parcel business, is now its biggest competitor and the biggest threat to the Company's future
- Data is a critical enabler for success
- Parcels are far more labour intensive and will need to see major growth to mitigate the loss in income from letter decline

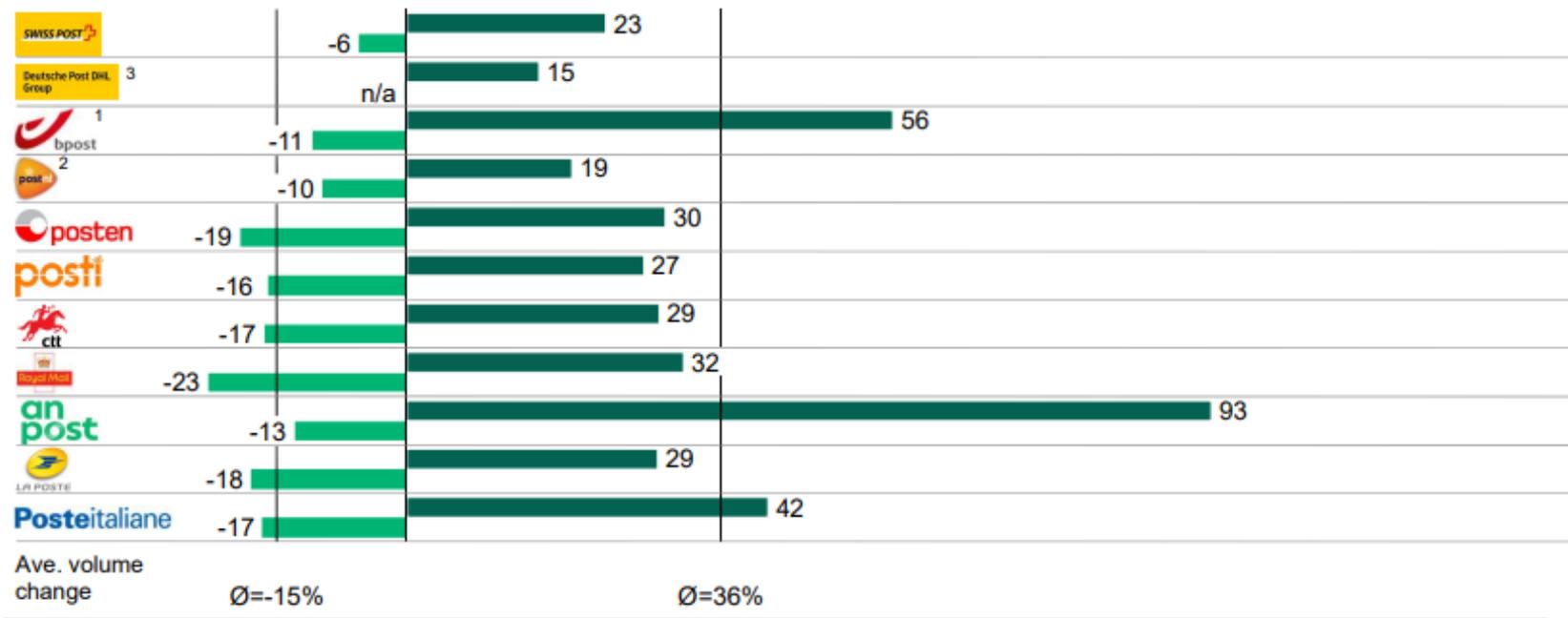




All incumbents face same challenges (imploding mail and exploding parcels) – successful ones have a longer term view

■ Parcels ■ Letters

Volume change 2020 vs. 2019, %

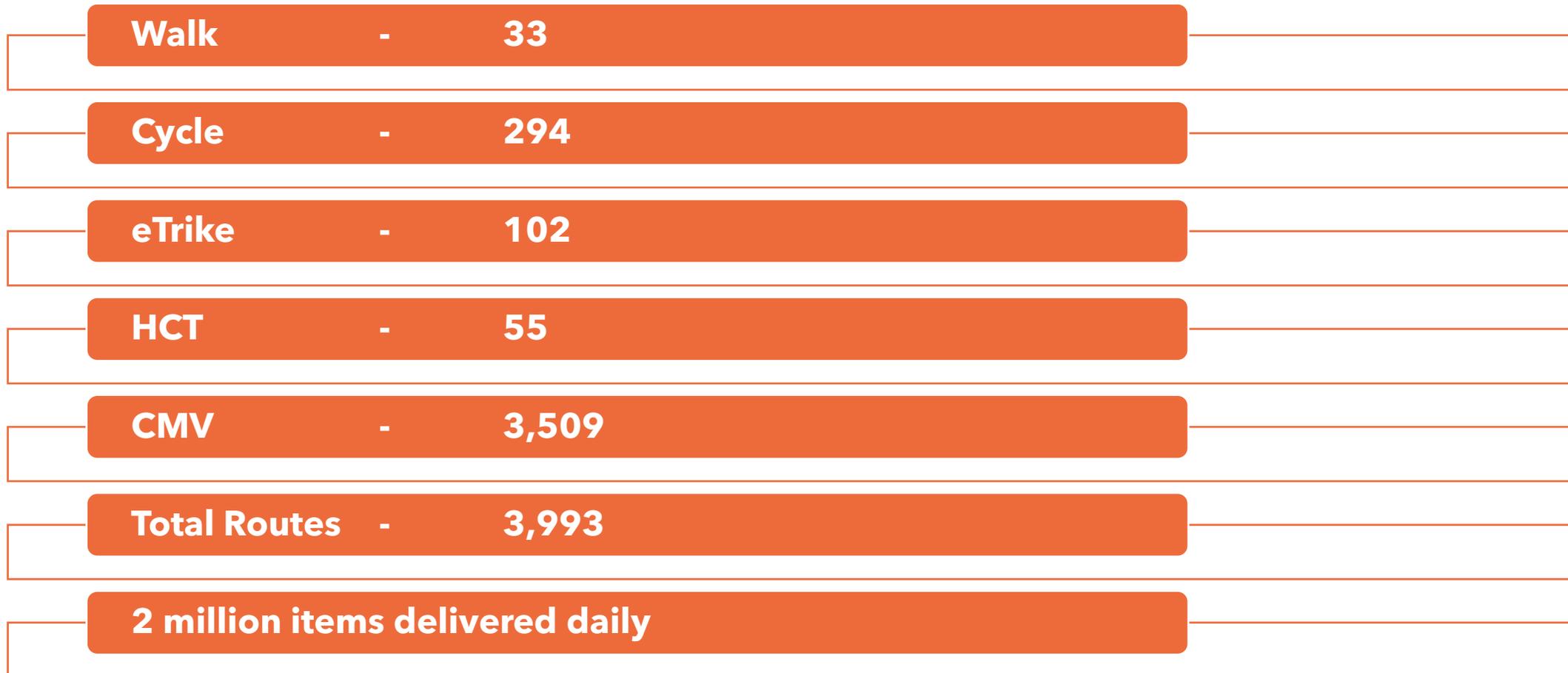


2019-20 volume shift not sustainable. Typically one off changes of ~5-10% for parcels and -2-7% for letters is observed due to COVID-19. Growth rates of 9% p.a. for P&P and -5% p.a. for letters is projected for An Post 2021-30

1. B2X parcel volume growth, TM vs. DM mail volume decline | 2. Mail volume increase overall due to integration of Sandd (30% volume addition): adjusted: 17.9% | 3. Parcel Germany, German mail communication vs. direct marketing volumes | 4. Excludes Spanish parcels operation | 5. Reported summary results to March 2020 and March 2021



Route Structure



Challenges for CWU

- Conclude an agreement to replace outdated C&D Agreement
- The impact of any new redesign process
- The impact of increased automation, including some sequence sorting
- The impact of the continuing decline in letter volume and the major revenue loss that brings
- The impact of a changing market and the likely changes that will bring in attendance times
- Over 6,000 of our members work in Delivery Offices or in Mail Centers that service them; the changing profile of and continuing decline in mail will have a significant impact on these numbers





Christmas Arrangements

Christmas Arrangements

- From 2012 to 2019, Christmas arrangements have operated on a **“no less than last year”** model, with the odd exception depending on the day of the week Christmas fell
- On a number of occasions, agreement was only reached with the assistance of the Monitoring Group
- Since 2019, the Union has had to factor in a large spike in parcels and a continuing decline in letter mail
- Since 2020, the Union has had to factor in realigned offices, where routes have moved from bicycle to van





Christmas Arrangements

- Christmas 2020 saw the heaviest and earliest spike in parcels & packages, which resulted in the highest amount of overtime across the country
- The Company has, for the last number of years, attempted to move from agreed hours to operating off a late finish; we have resisted this so far
- The Monitoring Group Determination on Christmas 2021 concluded with the following paragraph:

“The Monitoring Group is mindful that the agreement of Peak Hours in a timely manner continues to be a challenge for both parties. We have shared our views previously with you in relation to this. We note the changing nature of the business and urge both parties to engage early in 2022 with a view to establishing a new approach that reflects the evolving landscapes and meets the needs of both parties in that context.”

- The Company has committed to engaging with the Union in June on Christmas arrangements for 2022



**Go raibh
maith
agaibh**

11th Biennial Conference

Sheraton Hotel, Athlone

Thursday 5th May 2022