Statistical Observatory on Postal Activities in France – 2006

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ARCEP
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AUTORITÉ DE RÉGULATION des Communications électroniques et des Postes

Preamble

The Autorité de Régulation des Communications Electroniques et des Postes (ARCEP) is publishing the 2006 findings of the annual survey conducted on the postal activities market.
This survey polled authorised operators at 31 December 2006 as well as operators not subject to authorisation requirements in areas such as parcels, express items, unaddressed-advertising and mail-preparation services.

The data collected in 2006 provided a better picture of authorised operators' activities, making it possible in particular to analyse both outward and inward international mail flows. Besides clearly identifying the economic environment in which players in these markets operate, it brought out their specific investment flows and employment data for their postal services.

All the authorised operators responded to the survey, thus providing an accurate view of how their activities have developed. ARCEP takes this opportunity to thank them for contributing to the questionnaire and participating in the survey. Their input furthers the common goal of making this Statistical Observatory a source of top-class information about postal activities that serves as a reference.

At 31 December 2006, nine operators in addition to La Poste were authorised by ARCEP to provide non-reserved postal services for items of correspondence. They are listed below by authorisation date:

- Adrexo, for non-reserved correspondence-item services, including delivery in France (authorised on 13/06/2006)
- IMX, for outward cross-border items of correspondence (authorised on 22/06/2006)
- Deutsche Post AG, for outward cross-border items of correspondence (authorised on 29/06/2006)
- Althus, for non-reserved correspondence-item services, including delivery (Aix-les-Bains, Annecy, Chambéry and surrounding area) (authorised on 7/09/2006).
- Swiss Post International France, for outward cross-border items of correspondence (authorised on 7/09/2006)
- Stamper's (Fox), for non-reserved correspondence-item services, including delivery in the Pau urban area (authorised on 7/09/2006)
- La Poste Belge, for outward cross-border items of correspondence (authorised on 5/12/06)
- G3 Worldwide (Spring), for outward cross-border items of correspondence (authorised on 5/12/2006)
- Solgeco, an Althus franchise, for non-reserved correspondence-item services, including delivery (Valence, Romans-sur-Isère and surrounding area) (authorised on 5/12/06).

With effect from 1 January 2007, Deutsche Post Global Mail and Royal Mail Group PLC have been authorised to handle outward cross-border items of correspondence. The following have also received an authorisation for non-reserved correspondence-item services, including delivery[1]: Alternative Post (Lyon and surrounding area), JS Activ' (Perpignan and surrounding area), Press'tissimo (Paris and the main Hauts-de-Seine municipalities), ProCourrier (Montpellier and surrounding area) and Courrier Services 03 (Vichy and surrounding area).

NB: Among the items it processes, La Poste now counts items from La Banque Postale, which became a subsidiary as of 1 January 2006. The 2005 data taken into account for this publication are pro forma data that apply this counting principle retroactively. The figures published in the Observatory for 2005 did not count flows from La Poste's financial services because at that time, these were regarded as internal flows.
Comparisons with 2004 were possible when the data did not include traffic from financial services.

[1] http://www.arcep.fr/index.php?id=8988

Executive summary

In 2006, postal activities[2] and related item-delivery markets generated 15.2 billion euros in revenue from 39.3 billion items. The segment which produced the highest volume was unaddressed advertising, with 18.6 billion items. However, items of correspondence delivered in France generated the highest revenue. At 8.4 billion euros, this segment accounted for more than half of the revenue from all these markets.

Compared with 2005, the total volume of items delivered was down 0.9% in 2006 but the corresponding revenue continued to grow (+1.8%) due to higher tariffs and a shift in demand towards services with higher value added. In 2005, volume decreased less (-0.3%) and revenue increased more (+3.6%).

Items of correspondence lost ground both in terms of volume (-1.6%) and revenue (-0.4%). The drop in the number of such items already observed in 2005 (-0.6%) gathered momentum in 2006. At the same time, after growing 3.8% in 2005, revenue fell because addressed advertising revenue plummeted (-5.2%) despite a slight increase in segment volume.

In 2006, 81% of items of correspondence came from businesses, the same level as in 2005. Bulk traffic, i.e. consignments containing more than 400 items, accounted for 58% of items of correspondence. Two thirds of the items delivered in France were intended for private individuals.

In 2006, 83.5% of the items of correspondence delivered in France came under the postal monopoly, i.e. items weighing less than 50 grammes. In 2005, the reserved area was broader (items weighing less than 100 grammes), accounting for 92% of total items of correspondence.

With a 2% increase in volume and a 9.1% increase in revenue, the parcels market proved to be one of the most buoyant activities (after rises of 3.8% and 4.9% respectively in 2005). 2006 volumes were boosted by the expansion of e-commerce where the number of transactions grew yet again by over 40% in a single year. The domestic express market in the light parcels segment recorded a 5.7% upturn in volume and a 6.4% increase in revenue.

The market in press items for subscribers, delivered via both postal and non-postal channels, was down 2.8% overall in 2006 after a drop of 1.7% in 2005. Non-postal delivery gained 2% between 2005 and 2006, while the postal circuit lost 5.4% due to the general decrease in press distribution.

Unaddressed advertising represented almost half of the volume of items delivered but generated only 4% of total revenue. This market remained stable in terms of volume in 2006 while the revenue it generated rose by 4.5%. This progression is partly due to higher delivery costs following the introduction of an environment tax with effect from 1 January 2005 and the implementation of a new collective agreement on 1 July 2005.

[2] In this publication, postal activities and related delivery markets (postal and related activities) cover items of correspondence, including those for export, items delivered against signature, press items and ordinary home-delivered parcels weighing less than 30 kilogrammes, express items and unaddressed advertising. The Observatory's scope exceeds postal items in the strict sense of the term as these exclude express items and unaddressed advertising. Mail preparation, as an intermediate activity, is not included but is studied separately in Chapter 7.

Export traffic accounted for 536 million euros in revenue from 516 million items, down 11.4% and 7.5% respectively. This market represented more than 4% of the postal market (items of correspondence, items delivered against signature, press items and ordinary parcels, excluding express and unaddressed advertising items) in terms of revenue and nearly 3% in terms of volume. Items of correspondence accounted for 93% of export flows and 79% of export revenue, with the remainder being made up of exported parcels and press items.

In terms of volume, the mail-preparation market for administrative mail and direct marketing represented 35% of the items of correspondence delivered in France in 2006. The volume of items of correspondence processed by mailing houses rose by 9% compared with 2005.

Authorised postal operators invested just under 391 million euros in their postal activities (not including investments of their subsidiaries). At the end of 2006, operators' postal activities translated into nearly 270,000 jobs.

The 2006 survey was the third published since ARCEP's institution of the Observatory on Postal Activities within the framework of the Law on regulation of postal activities of 20 May 2005.

PART I – Overview of markets in 2006

Nearly 39.3 billion items were delivered in 2006, i.e. 0.9% fewer than in 2005. Domestic items of correspondence and unaddressed advertising represented the two biggest flows of items. Volumes of domestic correspondence items were down 1.6%, while those for unaddressed advertising held steady.

In contrast, parcel markets continued to expand with an annual growth in volume of nearly 2% in the ordinary parcels segment and of 5.7% for domestic express light parcels.

In 2006, import traffic accounted for 2% of items delivered in France, not counting express items and unaddressed advertising.

Volume-wise, unaddressed advertising was the major activity with nearly 18.6 billion items in 2006, followed by items of correspondence, i.e. postal items not exceeding two kilogrammes[3]. In this segment, items of correspondence that come under the monopoly[4] were the biggest component (83.5%). Despite falling 2.8%, the delivery of paid publications was the third-largest market with 2.7 billion newspapers and magazines delivered through postal and non-postal channels.

Postal Activities and Related item-delivery Markets - Volumes

million

Addressed items delivered in France	2005	2006	Change
Items of correspondence	16 806	16 540	-1,6%
Registered Letters and Parcels	276	279	1,1%
Parcels	638	665	-
of which "ordinary" parcels	358	365	2,0%
of which express light parcels	280	300	-
Paid press delivery**	2 789	2 710	-2,8%
Total addressed items delivered in France	**20 509**	**20 194**	**-1,5%**
Export			
Items of correspondence	523	480	-8,1%
"ordinary" parcels	7	8	18,0%
Press	28	27	-2,8%
Total addressed items exported	**558**	**516**	**-7,5%**

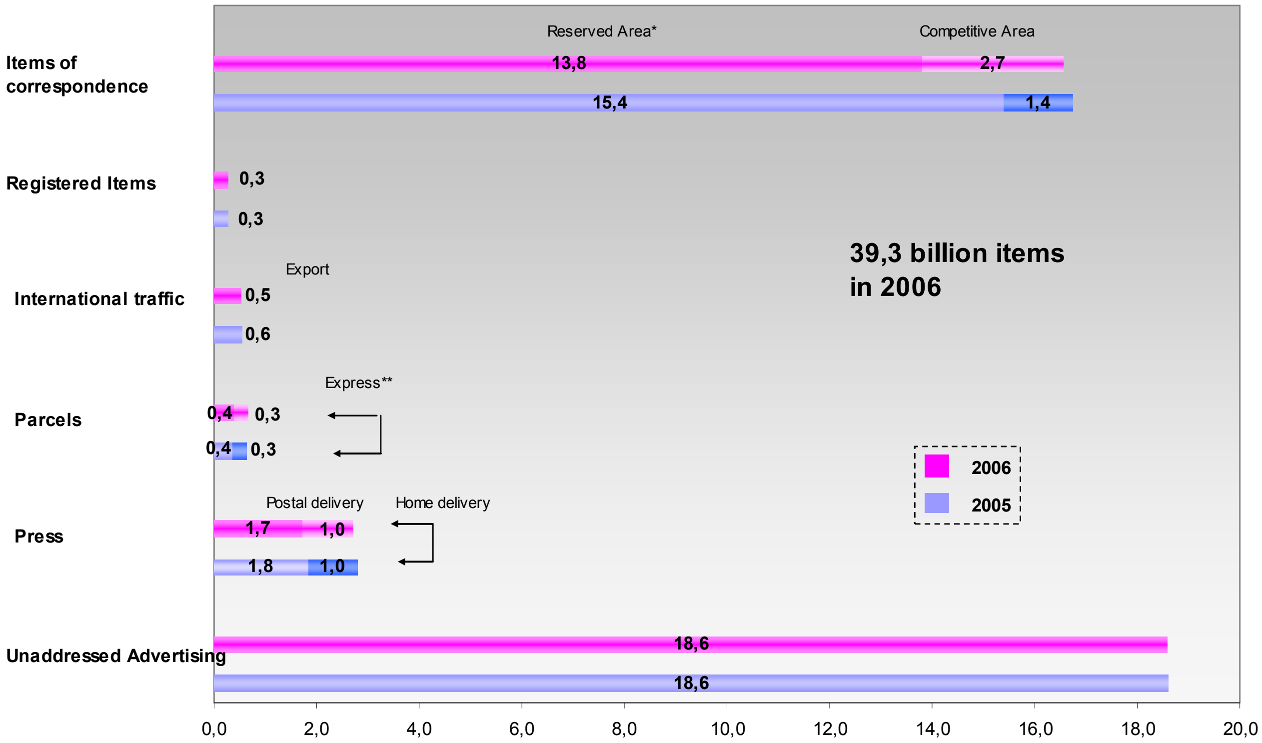
Unaddressed items	2005	2006	Change
Total unaddressed advertising	**18 570**	**18 568**	**0,0%**

Source: ARCEP, Statistical Observatory on Postal Activities, 2004, 2005 and 2006 annual surveys
Imports are included in the overall figure for items of correspondence, registered items, parcels, press items and unaddressed advertising.
**Estimates, domestic traffic and imports*
*** Includes non-postal delivery of press items*

3 An item of correspondence comprises a written communication on a physical medium. It must be forwarded and delivered to the address indicated by the sender on the item itself or on its wrapping. Books, catalogues, newspapers and periodicals are excluded from this category.

4 From 1 January 2006, the weight/price limit for the postal monopoly was lowered to 50 grammes and to two-and-a-half times the basic tariff.

Total Postal Market in volume 2006-2005
in billion



Source: ARCEP, Statistical Observatory on Postal Activities, 2006 annual survey
**In 2006, the postal monopoly covered items of correspondence weighing less than 50g and priced at 2.5 times the basic tariff*
*** Estimate*

Despite declining traffic, postal-market operator revenue from all business segments totalled 15.2 billion euros in 2006, up 1.8% on 2005.

The correspondence-item market generated most revenue (8.4 billion euros), i.e. over half of all revenue.

Like volume, revenue from items of correspondence was lower but not by as much (-0.4%, compared with -1.6% for volume).

Despite accounting for nearly half of all items, unaddressed advertising generated only 4% of total revenue as delivering advertising leaflets is a service with less value added. Unaddressed advertising revenue increased 4.5% between 2005 and 2006 while volume remained stable.

Conversely, parcel market revenue – for both ordinary and express parcels – accounted for 24% of all revenue from just 2% of volume, achieving higher annual revenue growth than any other product. The revenue generated by ordinary parcels rose more than that of express parcels (+9.1%, compared with +6.4%).
Export revenue fell 11.4% in 2006. Here, correspondence-item revenue – which constituted 79% of all export revenue – fell most sharply (-15.5%), followed by export revenue from press items (-6.2%). The opposite was the case for ordinary parcels where revenue was up 14.6%.

These trends mirrored those of volumes, with exported items of correspondence falling 8.1% and press items 2.8%, while exported parcels rose by 18%.

Postal Activities and Related item-delivery Markets - Incomes

in million euros VAT excluded

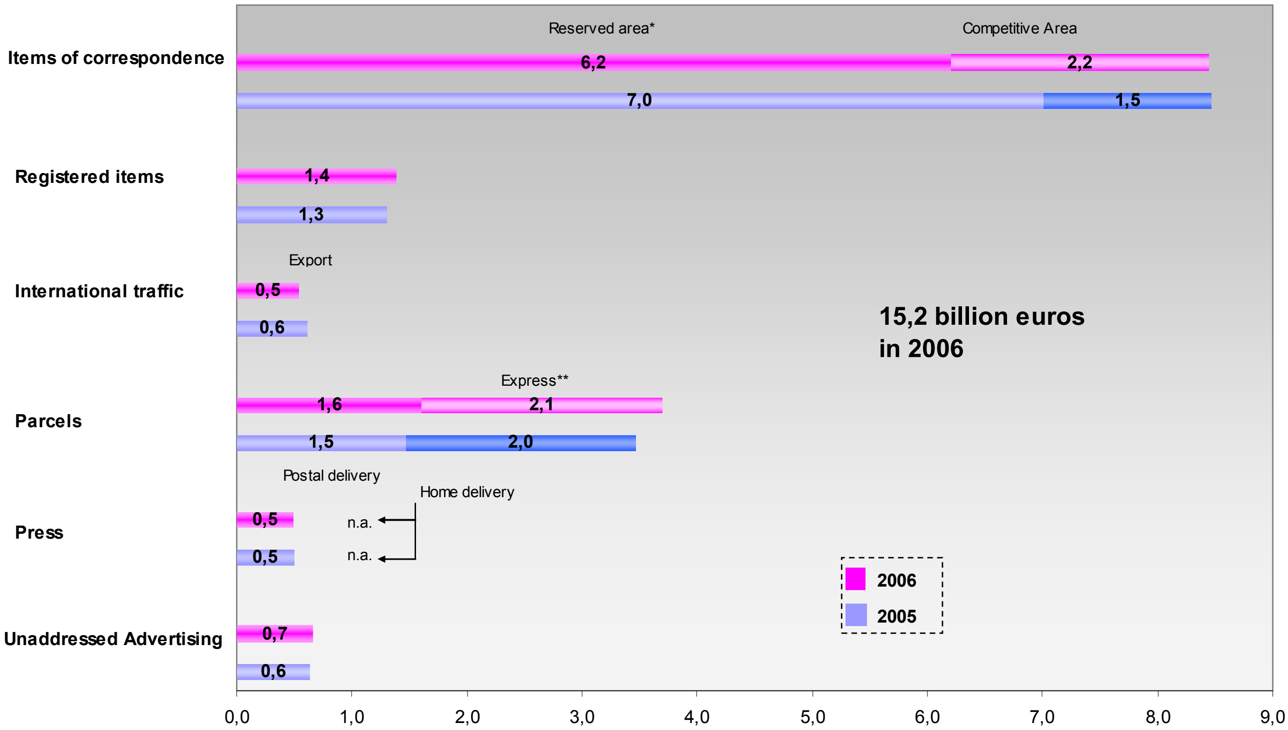
Addressed items	2005	2006	Change
delivered in France			
Items of correspondence	8 470	8 435	-0,4%
Registered Letters and Parcels	1 302	1 382	6,1%
Parcels	3 464	3 698	-
of which "ordinary" parcels	1 464	1 598	9,1%
of which express light parcels	2 000	2 100	-
Paid press delivery**	492	484	-1,7%
Total addressed items delivered in France	**13 728**	**13 999**	**2,0%**
Export			
Items of correspondence	**500**	**422**	**-15,5%**
"ordinary" parcels	74	85	14,6%
Press	31	29	-6,2%
Total addressed items exported	605	536	-11,4%

Unaddressed items	2005	2006	Change
Total unaddressed advertising	**630**	**658**	**4,5%**

Source: ARCEP, Statistical Observatory on Postal Activities, 2004, 2005 and 2006 annual surveys
Imports are included in the overall figure for items of correspondence, registered items, parcels, press items and unaddressed advertising.
**Estimates, domestic traffic and imports*
*** Does not include revenue from non-postal delivery of press items*

Total Postal Market in value 2006-2005

in billion euros



Source: ARCEP, Statistical Observatory on Postal Activities, 2006 annual survey
**In 2006, the postal monopoly covered items of correspondence weighing less than 50g and priced at 2.5 times the basic tariff*
*** Estimate*

Definitions of the various market segments

Postal item

Any item for delivery to the address indicated by the sender on the item itself or on its wrapping and presented in its final forwarding form is a postal item. Besides items of correspondence, books, newspapers and postal parcels containing goods with or without commercial value are regarded as postal items. Unaddressed advertising does not constitute a postal item.

Item of correspondence
An item of correspondence is a postal item not exceeding two kilogrammes in weight. Addressed postal items such as books, catalogues, newspapers and periodicals are excluded from this category. Direct mail items (addressed advertising or direct marketing) are items of correspondence.

La Poste's reserved area (<50 grammes – monopoly):
As of 1 January 2006, the reserved area covers items of correspondence of domestic or foreign origin delivered on French territory, including expedited mail items, whose weight does not exceed 50 grammes and whose price is less than two-and-a-half times the basic tariff.
Player: La Poste

Domestic and import competitive area (>50 grammes – non-monopoly):
All items of domestic or foreign-origin correspondence delivered on French territory which are heavier than 50 grammes and whose price is higher than two-and-a-half times the basic tariff.
Players: Adrexo, Althus, Fox, La Poste

Export:
The outward international mail segment (items of correspondence) is open to competition for all weight categories. Most of the operators are subsidiaries of other European Posts.
Players: Belgian Post, DHL, IMX, La Poste, Royal Mail, Spring, Swiss Post

Items delivered against signature*:
These may be registered or insured items. The registered service provides an all-in guarantee against the risks of loss, theft or damage. Proof of posting of items and/or of their delivery to the addressee may be provided to senders, if they so wish. The insured item service insures the postal item up to the value declared by the sender in the event of loss, theft or damage.
Players: La Poste and other operators

Domestic parcels*:
The Observatory covers the delivery to the addressee's home address or to a pick-up point of parcels weighing up to 30 kilogrammes. This market is characterised by longer transmission times than express items. It is totally open to competition but is partially regulated: the universal service guarantees nationwide availability of a service for parcels up to 20 kilogrammes. Parcel services provided to businesses in execution of contracts covering several consignments are not covered.
Players: Alveol, Coliposte, Distrihome, Kiala, Mondial-Relay, Sogep

Domestic express service*:
The express market is totally open to competition and provides door-to-door, time-certain delivery services for articles and letters. The market observed is that of light parcels (up to 30 kilogrammes) originating and delivered on French territory.
Players: Chronopost International, Exapaq, GLS France, TNT Express

Delivery of newspapers and periodicals to subscribers
Postal circuit:
The printed press covers all daily newspapers and periodicals providing general, legal or technical information which are registered with the *Commission paritaire des papiers de presse*. La Poste ensures delivery under the head of the “public press transport and delivery service”. Delivery of free newspapers and periodicals is not included in the survey which takes account only of press items against payment distributed to subscribers.
Player: La Poste

Non-postal delivery of newspaper and periodicals:
This is the second distribution channel in parallel with the postal circuit. Some publishers have created their own delivery network based on subscriber lists. Distribution of free newspapers and periodicals does not come within the Observatory's purview.
Players: 250 non-postal delivery services

Unaddressed advertising:
This market, which has been fully opened to competition, corresponds to the delivery of messages with no personal reference, address or name. Such items do not require clearance, sorting or daily delivery rounds. Within the meaning of the law, **unaddressed advertising is not a postal item.**
Players: Adrexo, Mediapost, local operators

**The dividing line between items delivered against signature and express items is not absolutely clear and could well evolve because both these value-added services involve delivery against signature and benefit from special handling. Similarly, the criteria for distinguishing between the express and parcels markets – weight limits, time-certain delivery, etc. – are not always transparent.*

1 The market in items of correspondence delivered in France

In 2006, delivered items of correspondence – i.e. postal items weighing less than two kilogrammes but not including press items, catalogues or books – fell in terms of volume (-1.6%) and value (-0.4%), following on from a 3.8% increase in revenue between 2004 and 2005 due to a substantial hike in single-item tariffs in 2005. Moreover, volumes had dropped less markedly (-0.6%) from 2004 to 2005[5].

1.1 Reserved area and competitive area

Income

€million VAT excluded	**2005**	**2006**	**Change**
Reserved Area	7 013	6 201	n.s.
Competitive Area	1 457	2 234	n.s.
TOTAL Items of correspondence	**8 470**	**8 435**	**-0,4%**

Source: ARCEP, Statistical Observatory on Postal Activities, 2006 annual survey

Volume

million	**2005**	**2006**	**Change**
Reserved Area	15 429	13 804	n.s.
Competitive Area	1 377	2 736	n.s.
TOTAL Items of correspondence	**16 806**	**16 540**	**-1,6%**

Source: ARCEP, Statistical Observatory on Postal Activities, 2006 annual survey

In 2006, 83.5% of the items of correspondence delivered in France came under the postal monopoly – in other words, items weighing less than 50 grammes. In 2005, the reserved area, which then covered items weighing less than 100 grammes, accounted for 92% of the total number of such items.

Reserved-area revenue represented 73.5% of revenue from items of correspondence delivered in France in 2006, compared with nearly 83% one year earlier, when the reserved area was broader.

Items of correspondence breakdown in 2006 (domestic and import)

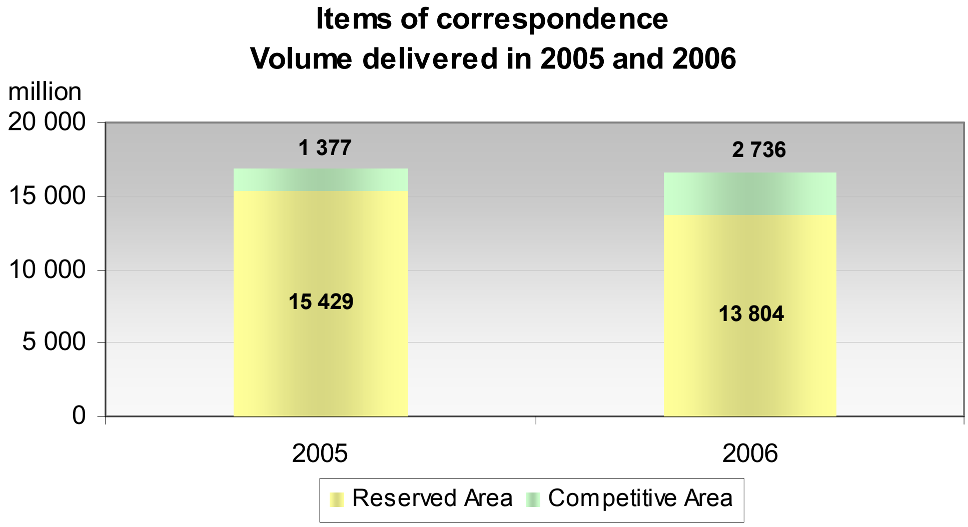
	Volume		**Income**	
	2005	**2006**	**2005**	**2006**
Reserved Area	91,8%	83,5%	82,8%	89,8%
Competitive Area	8,2%	16,5%	17,2%	277,6%
Total Items of correspondence	**100,0%**	**100,0%**	**100,0%**	**367,4%**

Source: ARCEP, Statistical Observatory on Postal Activities, 2006 annual survey
**In 2005, the reserved area covered items weighing less than 100 grammes, and in 2006, those weighing less than 50 grammes.*

In terms of both revenue and volume, items weighing from 0 to 50 grammes (corresponding to the reserved area in 2006) fell slightly in 2005-2006, though this decrease is lower than for items of correspondence weighing more than 50 grammes.

[5] In 2005, La Poste included in its count correspondence from La Banque Postale, which became a Group subsidiary from 1 January 2006. Thus, volume and revenue figures are not directly comparable with those for 2004.

Revenue from items of correspondence between 0 and 50 grammes – the reserved area in 2006 - also declined between 2005 and 2006. The impact of falling volumes on items weighing more than 50 grammes was less significant because of this category's higher tariffs.



Source: ARCEP, Statistical Observatory on Postal Activities, 2006 annual survey

The reserved area: evolving thresholds

Two European Directives explain how the thresholds delineating the area covered by reserved postal services were set, namely **Directive 97/67/EC** of 15 December 1997 on common rules for the development of the internal market of Community postal services and the improvement of quality of services, and **Directive 2002/39/EC** of 10 June 2002 which specified the stages in liberalisation of the postal sector.

Transposed into French Law, these Directives brought down the reserved-area threshold in three stages:

* **29 June 1999**, the reserved area was confined to national and cross-border services for items of correspondence sent by ordinary or expedited mail – including direct mail – weighing less than 350 grammes and whose price was less than five times the tariff applicable to an item of correspondence in the first weight step of the fastest standardised category (basic tariff).

* **1 January 2003**, the reserved area was confined to items of correspondence (addressed domestic or foreign-origin mail from households or businesses) weighing less than 100 grammes and whose price was less than three times the basic tariff, with a ceiling of one euro.

* **1 January 2006**, the weight/price limit for the postal monopoly was reduced to 50 grammes and to two-and-a-half times the basic tariff.

In July 2007, the European Parliament decided to postpone total liberalisation of postal services until January 2011.

1.2 Industrial traffic and single-piece mail

In 2006, almost 58% of items of correspondence delivered in France fell into the bulk-mail category, i.e. dispatches of more than 400 items, irrespective of whether they originate with large mailers or come from mailing-house sorting centres. Bulk mail's market share fell one percent compared with 2005 to the benefit of single-piece items.

Items of correspondence Breakdown (domestic and import)

in million	**2005***	**2006**	**Change**
Industrial Traffic (bulk >400 items)	**9 873**	**9 571**	**-3,1%**
Unprepared industrial traffic from bulk customers	4 598	3 820	**-16,9%**
Prepared industrial trafic	5 275	5 751	**9,0%**
Single piece traffic dropped of at the distribution operators	**6 933**	**6 968**	**0,5%**
Single piece business mail	3 673	3 824	4,1%
Single piece residential and small business mail	3 260	3 144	-3,6%
Total items of correspondence delivered in France	**16 806**	**16 540**	**-1,6%**

** 2005 pro forma traffic including financial services items from La Poste*

Source: ARCEP, Statistical Observatory on Postal Activities, 2006 annual survey

Between 2005 and 2006, the number of bulk mail items was down 3.1% while single-piece items were up 0.5%, a reversal of the trends observed over the previous period. Between 2004 and 2005, bulk mail had gained 3.2% while single-piece mail lost 5.4%.

The source of bulk mail changed substantially in 2006 over and against 2005, with a 9% increase (corresponding to 476 million more items) in prepared volumes. In contrast, non-prepared bulk-mail volumes shrank by nearly 17%, with large mailers cutting back on their volumes and preferring to use mailing-house services. Thus in 2006, 60% of bulk traffic went to a mailing house before being posted with a delivery operator, compared with 53% in 2005.

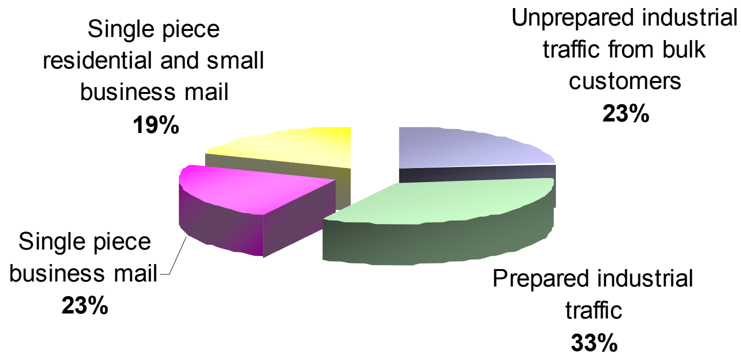
With a growth rate of 4.1% in 2006, single-piece business items boosted the single-piece segment, while single-piece items from private individuals and small businesses dropped 3.6%.

In all, 81% of items of correspondence came from businesses in 2006, showing no change over 2005.

Two thirds of mail items were intended for private individuals and the remaining third for businesses. Correspondence between private individuals accounted for just 3% of mail exchanges[6].

[6] Le Courrier en chiffres – Données 2006, La Poste Group, page 4

Items of correspondence breakdown in volume in 2006 (domestic and Import)



Source: ARCEP, Statistical Observatory on Postal Activities, 2006 annual survey

1.3 Items of correspondence and addressed advertising items

Revenue from items of correspondence (excluding addressed advertising) rose slightly in 2005-2006, despite a 2.4% decrease in volumes. This is explained by higher tariffs for such items.

Addressed advertising volumes were slightly up in 2006 while revenue from this market fell 5.2%. After a 2.4% increase between 2004 and 2005, this downturn can be partly attributed to a traffic shift towards cheaper bulk-mail services.

Revenus

€million VAT excluded	2005	2006	Change
Items of correspondence, addressed advertising excluded	6 732	6 788	0,8%
Addressed advertising	1 738	1 647	-5,2%
Total items of correspondence	**8 470**	**8 435**	**-0,4%**

Source: ARCEP, Statistical Observatory on Postal Activities, 2006 annual survey

Volume

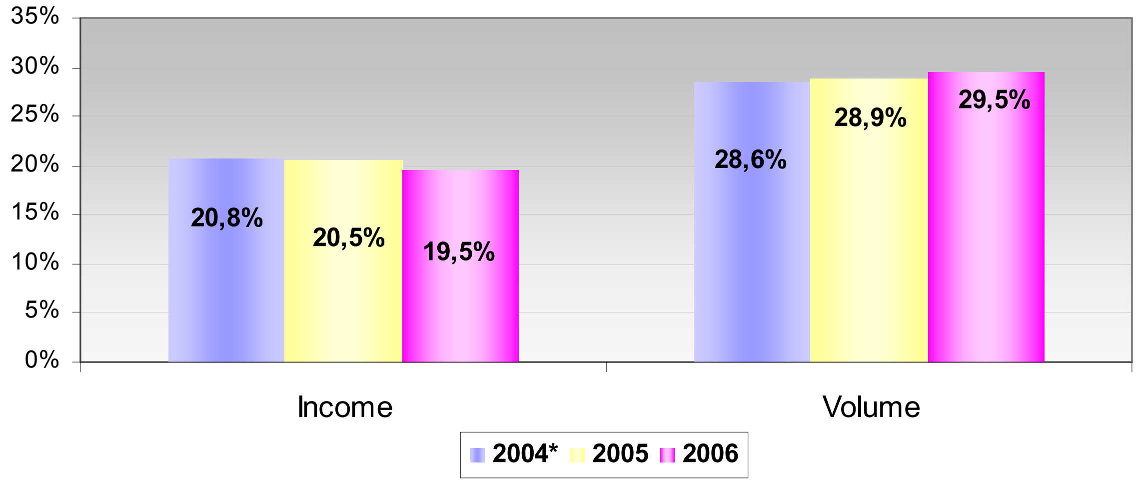
million	2005	2006	Change
Items of correspondence, addressed advertising excluded	11 950	11 668	-2,4%
Addressed advertising	4 856	4 871	0,3%
Total items of correspondence	**16 806**	**16 540**	**-1,6%**

Source: ARCEP, Statistical Observatory on Postal Activities, 2006 annual survey

Addressed advertising represented 29.5% of items of correspondence delivered in France in 2006, i.e. 0.6% more than in 2005, in line with the growth observed between 2004 and 2005.

On the other hand, addressed advertising revenue was one percent down on 2005, with items of correspondence (not including addressed advertising) accounting for a growing share of the market. This decline started in 2004, with addressed advertising revenue losing 0.3% between 2004 and 2005.

Share of addressed advertising in items of correspondence (income and volume)



Source: ARCEP, Statistical Observatory on Postal Activities, 2006 annual survey
** Estimates*

Industrial traffic and Addressed Advertising

million	2005	2006	Change
Industrial traffic	9 873	9 571	-3,1%
Addressed advertising	4 856	4 871	0,3%
Share of addressed advertising in industrial traffic	**49,2%**	**50,9%**	**1,7 point**

Addressed advertising now represents slightly over half of bulk mail traffic. Its share rose 1.7% in 2006, because of a 300-million drop in bulk-mail volumes over and against a slight increase in those for addressed advertising.

2 Registered Items

En 2006, 279 million letters and parcels were delivered against signature in France, i.e. 1.1% more than in 2005. These higher volumes went hand in hand with even higher revenue growth (6.1%).

Registered items comprise letters and parcels. Parcels showed strong growth between 2005 and 2006 (with volume up 10% per year and revenue up nearly 19%), making for buoyant expansion in this segment.
Total revenue from items delivered against signature is rising faster than related volumes for three main reasons. First, registered parcels are more expensive than registered letters. Second, tariffs for such parcels increased overall in 2006. And third – though to a lesser extent – the March 2005 and October 2006 increases in single-letter tariffs resulted in a de facto increase in registered-letter prices.

Income

€million VAT excluded	2005	2006	Change
Registered letters and parcels	1 302	1 382	6,1%

Source: ARCEP, Statistical Observatory on Postal Activities, 2006 annual survey

Volume

million	2005	2006	Change
Registered letters and parcels	276	279	1,1%

Source: ARCEP, Statistical Observatory on Postal Activities, 2006 annual survey

3 Mail and other international flows: export and import

In 2006, over 900 million items of correspondence, press items or parcels (excluding express) transited France's borders through ARCEP-authorised operators. These items brought in revenue of just under 790 million euros, i.e. roughly 8% of the world market estimated at 10 billion euros[7].

The export flows processed by these operators represent more substantial volumes and revenue than those generated by import traffic.

The outward international mail segment (items of correspondence) is open to competition for all weight categories and is subject to ARCEP authorisation. Most of the operators are subsidiaries of other European Posts (Belgian Post, Deutsche Post Global Mail, Royal Mail, Spring and Swiss Post). IMX was the only independent French-financed international-traffic operator at the end of 2006.

Import is not subject to authorisation, so intermediate operators that fetch traffic abroad for handover to the final-delivery operator are classified as mailing houses. However, the operator performing final delivery of imported mail must be ARCEP-authorised.

	Volume in million		Income in million euros	
	2005	2006	2005	2006
Export	558	**516**	605	**536**
Import		**390**		**251**
Total International traffic*		**906**		**787**

Source: ARCEP, Statistical Observatory on Postal Activities, 2006 annual survey
**Includes items of correspondence, items delivered against signature, press items and parcels*

3.1 Export

In 2006, the French export market was valued at 536 million euros, with a volume of 516 million items. This market accounted for over 4% of domestic-market revenue and almost 3% of its volume (excluding express items and unaddressed advertising).

France's total outward traffic volume fell 7.5% and revenue 11.4% between 2005 and 2006. This decline follows the 2% decrease in 2004–2005 correspondence exports already observed in 2005.

Among these items, outward correspondence generated lower revenue and volumes in 2006 than in 2005 (-15.5% for revenue and -8.1% for volume).

Revenue fell 6.2% for press items destined for abroad while volume was down 2.8% in line with the general decrease in the distribution of press items against payment in 2006.

[7] 2006 Annual Report, Deutsche Post (page 28) and UPU Annual Report 2005

On the other hand, parcel dispatches to other countries showed dynamic growth, both in terms of volume (+18%) and revenue (+14.6%).

In 2006, ABC traffic, with France as country B, accounted for almost 11% of correspondence-item export traffic revenue (including addressed advertising, parcels and press items) and 16% of volume. ABC correspondence-item flows were up six percent on 2005.

Income

€million	**2005**	**2006**	**Change**
Items of correspondence	500	422	-15,5%
Press	31	29	-6,2%
Parcels	74	85	14,9%
Total Export	**605**	**536**	**-11,4%**

Source: ARCEP, Statistical Observatory on Postal Activities, 2006 annual survey

Volume

million	**2005**	**2006**	**Change**
Items of correspondence	523	480	-8,1%
Press	28	27	-2,8%
Parcels	7	8	18,0%
Total Export	**558**	**516**	**-7,5%**

Source: ARCEP, Statistical Observatory on Postal Activities, 2006 annual survey

3.2 Import

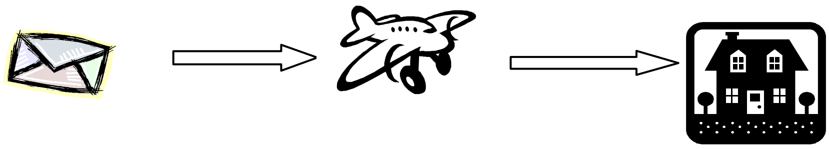
Import traffic in the shape of 390 million items delivered in France in the course of 2006 generated 251 million euros in revenue and represented 2% of the domestic market. The Observatory's scope covers items of correspondence, items delivered against signature, press items and ordinary parcels, and excludes unaddressed advertising and express items. Import revenue is made up of terminal dues, i.e. the remuneration collected by operators for delivering foreign-origin mail in France.

The three main international-mail exchange models

The payment received by postal operators involved in mail forwarding and delivery depends on the role they play between the dispatch and receipt of items. The delivery operator is remunerated through the **terminal dues** paid by the operator in the country of dispatch, whereas the operator in that country is remunerated through the **postage** paid by the sender of the item.

* IMPORT

COUNTRY A **COUNTRY B** **COUNTRY C**



Financial flows

Postage **Post A**

Terminal dues **Post B**

Remuneration of the national Post takes the form of terminal dues.

* EXPORT

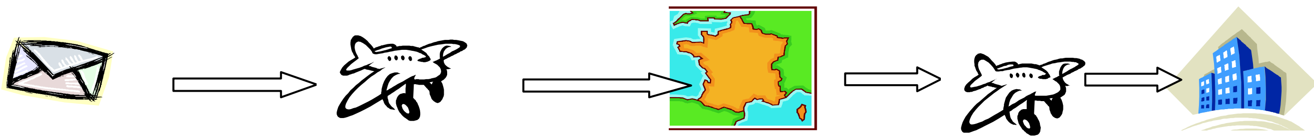
Financial flows

Terminal dues **Post A**

Postage **Post B**

The postal operator of country B, the origin of the flows, is remunerated through postage. The operator of country A where the mail is delivered receives the terminal dues corresponding to its delivery work.

* ABC REMAILING



Financial flows

Postage **Post B**

Terminal dues **Post C**

Country B – in this case France – serves as a transit country for mail from country A intended for country C. Here, postage is paid in country B. The sender in country A hands over the items to postal operator B which is remunerated through the postage. It then forwards the traffic to country C. The terminal dues will be paid to the operator performing delivery in country C.

There are several other international exchange models, but these account for low levels of volume and revenue. In particular, intermediate players may be involved in mail forwarding.

4 The parcels market

In 2006, the "light" parcels market for items weighing less than 30 kilogrammes accounted for nearly 700 million parcels delivered in France, generating revenue estimated at some 3.7 billion euros.

This market comprises two segments: the ordinary parcels market and the express light parcels market. The main difference between them lies in their forwarding times, with ordinary parcels taking more than one day (D+2 to D+5) and express parcels taking one day or less (D+1). Moreover, the ordinary parcels segment mainly concerns business-to-consumer exchanges or those between private individuals, while the express service is more suited to business-to-business needs. The resources and logistics needed to meet short transmission deadlines translate into higher tariffs for express items.

However, the dividing line between these two forms of delivery is becoming increasingly blurred as the products offered by operators in these two markets steadily converge.

4.1 Ordinary parcels

In 2006, the ordinary parcels market recorded higher volumes with 365 million items delivered in France, i.e. 2% more than in 2005. Even though this postal activity slowed down in 2006 (annual volume growth had been +3.8% between 2004 and 2005), it remained one of the most dynamic segments, supported by the double-figure expansion of e-commerce with, in particular, an 8.2% increase in parcel flows between private individuals[8].

Parcel delivery revenue was very buoyant with 9.1% annual growth between 2005 and 2006, compared with 4.9% between 2004 and 2005. This increase was down to product upgrading on the part of senders.[9]

In 2006, 240 million parcels were generated by remote retailing[10], i.e. by traditional mail-order players but also by so-called "pure players", trading platforms that are solely Internet-based. Thus, remote retailing was at the root of nearly 66% of the ordinary parcels delivered in France.

While 90%[11] of parcels generated by e-commerce are home-delivered, this applies to only 70% of those originating from traditional remote-retailing players which have developed networks of pick-up points that enable them to deliver to businesses close to the addressee (cf. "Pick-up points" box, page 25)

[8] 2006 Annual Report, La Poste, page 11.
[9] La Poste, which operates in this market through its ColiPoste division, states in its 2006 Annual Report (page 40) that 75% of parcels were tracked and traced in 2006, compared with 60% in 2005. This type of item allows the sender and the addressee to follow transmission of an item from dispatch to delivery. With effect from 1 March 2006, the Colieco parcel service offered by La Poste over the counter was discontinued, leaving the Colissimo service where parcels are more expensive but which provides time-certain delivery.
[10] 2006 figures of the Fédération des Entreprises de Vente à Distance (FEVAD), 2007 edition.
[11] Between 75% and 80% of parcels ordered via the Internet are home-delivered according to *Logistiques Magazines* No. 219, July-August 2007, page 60.

Income

€million VAT excluded	2004	2005	2006	Change 2005-2006
"Ordinary" parcels	1 396	1 464	1 598	9,1%

Source: ARCEP, Statistical Observatory on Postal Activities, 2006 annual survey

Volume

million	2004	2005	2006	Change 2005-2006
"Ordinary" parcels	345	358	365	2,0%

Source: ARCEP, Statistical Observatory on Postal Activities, 2006 annual survey

4.2 Express light parcels

In 2006, national express light parcels, i.e. those sent and delivered in France, were also on the up, more so in terms of the number of items processed (+6.8%, in raw data) than of turnover (+3.2%), because of a 3.6% decrease in the average price per item (6.96 euros, in raw data)[12], according to the survey on courier services conducted by the Ministry of Transport.

International express items continued to grow in 2006, with imports being more dynamic than exports. Between 2005 and 2006, foreign-origin express parcels rose by 18.9% (volume) and 13.4% (revenue) respectively. Volume growth was up 3.7 percentage points on the figure observed for 2004-2005, while revenue growth was down 8.8 points. The SESP survey explains these trends with the 8% fall in the average price per item (10.83 euros, in raw data).

There was a clear rise in export turnover after a downturn between 2004 and 2005. Volumes were up by just half a percentage point over the previous period, while the average per-item price rose 1.1% (36.21 euros, in raw data).

Light Parcels Express* growth rate

	Income		Volume	
	2005	2006	2005	2006
National Express	3,8%	3,2%	5,5%	6,8%
Import Express	22,2%	13,4%	15,2%	18,9%
Export Express	-0,5%	5,6%	4,8%	5,3%

** annual slip and raw data*

Source: Courier Services Survey, SESP, Ministry of Transport, four quarters 2006 and 2005

In 2006, some 300 million express parcels were delivered in France, representing a market with an estimated value of more than 2 billion euros. Of these, the domestic market accounted for 230 million parcels and imports for 70 million. In all, the express light parcel market was valued at over 3 billion euros in 2006.

[12] Courier Services Survey, No. 313, March 2007, Ministry of Transport, Infrastructure, Tourism and Maritime Affairs – The SESP (Ministry of Transport) survey is conducted in conjunction with the Fédération des entreprises de Transport et Logistique de France (TLF) and based on data provided by the networks themselves.

Parcel market players

Ordinary parcels
In addition to La Poste, which is distinguished by its obligation to provide a universal service throughout the national territory[13], other players such as Distrihome, an Adrexo subsidiary, or delivery subsidiaries of remote-retail groups (Sogep, Mondial Relay) have established their presence on the ordinary parcels market and provide home delivery. Their main customers are remote retailers.

Express light parcels
Two categories of players compete in the various segments of the express light parcels market: postal company subsidiaries, both French (Chronopost, Exapaq) and foreign, like TNT express (a subsidiary of TNT, the Netherlands Post), DHL (a subsidiary of Deutsche Post, the German Post), GLS (a subsidiary of Royal Mail, the British Post) and integrators (FedEx, UPS).

Other companies which began as road freight businesses – like Calberson and France Express of the Géodis Group, Ciblex, Sernam, Tatex (formerly TAT Express) – are also present, but express items of all weights and, more generally, courier services constitute their core market.

[13] Its obligation covers services for single-piece parcels weighing a maximum of 20 kg, as ordinary or registered items, provided to the public, excluding services provided to businesses in execution of contracts covering several consignments as set out in decree No. 2007-29 of 5 January 2007 on the universal postal service and La Poste's rights and obligations, amending the Code des postes et des communications electroniques (Postal and Electronic Communications Code).

Pick-up points

In the Nineties, the 3Suisses and La Redoute Groups opened their first pick-up points with the aim of no longer being entirely dependent on La Poste for delivery of their parcels. Now, these two giant mail-order companies have more than 7,500 pick-up points in small neighbourhood businesses – laundries, bakeries, grocery and flower shops, etc. – and have opened up their network to brands outside their Group. Sogep, La Redoute's transport subsidiary, claims that in 2005 more than 85% of French people lived within five kilometres of a pick-up point[14]. The number of such points has mushroomed by about 25% since 2000.

In 2006, 15% of parcels dispatched by remote retailers were delivered via pick-up points or in brand-name outlets, i.e. approximately 35 million parcels. Sogep, Mondial Relay, the 3Suisses subsidiary, and Kiala are the three main operators on the market. The latter entered the French market in 2003 and bases itself on the Mondial Relay network. Since their agreement, some fifty companies, including Yves Rocher and the Rueducommerce and Pixmania Internet websites, have joined them.
Faced by erosion of their revenue, traditional remote retailers are looking for new, growth-generating substitutes, especially in e-commerce. In 2006, Mondial Relay shared the Logistical Innovation Prize for e-commerce with the 2xMoinsCher website.

Express operators are also embarking on delivery to pick-up points as a way of diversifying their services. As of 2003, TNT Express France signed an agreement with Redcats (part of the Pinault-Printemps-La Redoute Group which covers 17 Group brands) about expanding its range of services on the business-to-business market. At the beginning of 2006, the agreement with Redcats was extended to the business-to-consumer market and in April, TNT Express France launched a service designed for private individuals.
In 2006, the Altadis Group opened up its network of tobacconists' shops to express operators and signed agreements with Chronopost, DHL Express France and Ciblex. As a result, 3,000 such outlets have become pick-up points.

Furthermore, from the end of 2005, La Poste started introducing areas where service subscribers can collect their parcels round the clock, seven days a week. Known as Cytissimo, they are modelled on left-luggage facilities.

[14] "Parcels: more and more customers prefer pick-up points to La Poste", AFP report dated 27 October 2006

5 Press items

The decline in the distribution of press items to subscribers gathered momentum in 2006, with volumes falling 2.8%[15], compared with 1.7% in 2005. This is part of the wider context of lower volumes for press items against payment.

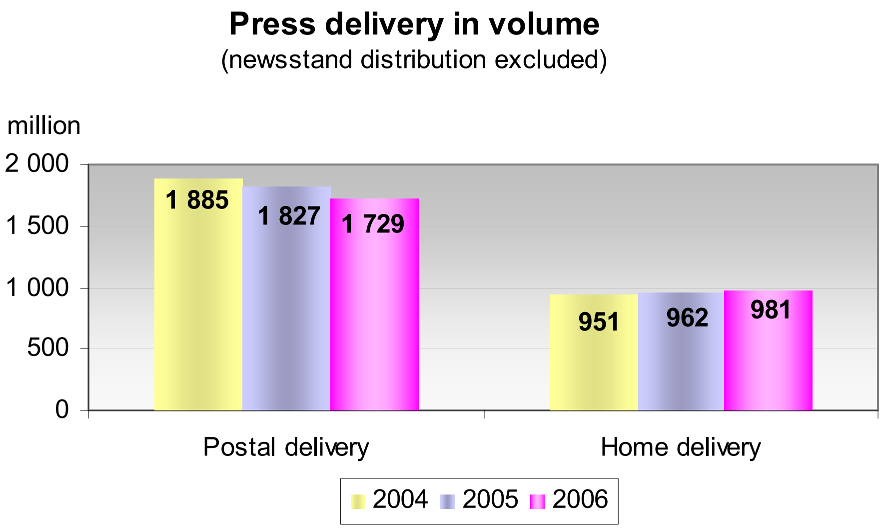
However, subscription distribution fell less sharply than press distribution via newspaper stands which has declined 16% in ten years. Because of this, the share of press-item distribution to subscribers was up almost three percentage points on 2004, according to Office de Justification de la Diffusion (OJD) figures[16].

Non-postal home delivery before 8 am is gaining ground, increasing 2.0% since 2005. In contrast, delivery through the postal circuit has dropped sharply (-5.4% compared with -3.1% from 2004 to 2005).

Volume

million	2004	2005	2006	Change 2005-2006
Postal delivery	1 885	1 827	1 729	-5,4%
Home delivery	951	962	981	2,0%
Paid Press delivery	2 836	2 789	2 710	-2,8%

Source: ARCEP, Statistical Observatory on Postal Activities, 2006 annual survey
** Source: OJD, Observatoires de la presse 2004, 2005, 2006 – Portage de la presse payante grand public*



Source: ARCEP, Statistical Observatory on Postal Activities, 2006 annual survey

[15] In its 17th Observatoire de la Presse, the OJD states that distribution of press items against payment to the general public in France has fallen 2.26%. This is 0.6% lower than the Observatory figures, a difference that is due to the differing observation perimeters used by the OJD and La Poste.
[16] 17ème Observatoire de la Presse, OJD, 2007. The OJD is the French association which certifies the distribution, delivery and counting of newspapers, periodicals, web sites and all other advertising media.

5.1 Postal delivery

The decline in the volume of press items delivered through postal channels, in particular by La Poste, triggered a 1.1% drop in revenue, despite a 1.25% tariff increase for economy press items (D+7) and urgent press items (D and D+1) in 2006.

The Paul Agreements, multi-year agreements between Government, Press and Post, set the Government's contribution to the cost of postal conveyance of press items at 242 million euros[17] per year for the period 2005-2008. This contribution corresponds to the contractual remuneration paid by the Government to La Poste to offset the preferential tariffs granted to Press organisations.

Income

€million VAT excluded	2004	2005	2006	Change 2005-2006
"Press" turnover	468	492	484	-1,6%
Public contribution	290	242	242	0,0%
Total	758	734	726	-1,1%

Source: ARCEP, Statistical Observatory on Postal Activities, 2006 annual survey

5.2 Non-postal delivery

According to the OJD, non-postal delivery of press items climbed in 2006, accounting for 43% of regional daily press volumes, followed by both national and regional Sunday newspapers (26%) and – lagging much further behind – national dailies (8%).
According to the OJD's 17th Observatoire de la Presse, the daily press has increasingly opted for non-postal delivery since 2001 in its attempts to develop reader loyalty and stem falling distribution figures. Over five years, this has triggered a 25-point increase in the volume of items delivered (base 100 in 2001). This distribution method is particularly suitable for cities and areas near the printing works where it is cheaper.

Non-postal delivery operators are often subsidiaries of newspaper publishers and are physically integrated into the parent company's premises. Subscription – and more specifically delivery – costs are estimated at around 20 centimes in densely populated areas with a high degree of penetration and at about 1 euro in more sparsely populated rural areas, according to the Media Development Department (MDD).
Publishers received state subsidies to the tune of 8.25 million euros under the head of non-postal delivery of press items in 2006. This amount is calculated on the basis of the volumes delivered[18].

[17] When La Poste became an independent company on 1 January 1991, a draft agreement signed on 25 March 1992 between the operator, the Fédération nationale de la presse française and the Ministry of Posts and Telecommunications provided that the Press would pay 33 % of the cost of postal conveyance of its publications, with the balance being split between the Government (37 %) and La Poste (30 %). Under this draft agreement, the Government thus paid La Poste a subsidy which was set at 950 million francs in 1991 (145 million euros), increased to 1,930 million francs (294 million euros) in 1992, lowered first to 290 million euros and then to 242 million euros in 2005.

[18] http://www.legifrance.gouv.fr/WAspad/UnTexteDeJorf?numjo=MCCT9800706D

6 The unaddressed advertising market

Unaddressed advertising items are not postal items because they do not contain personal references (e.g. names or addresses). Their delivery is nevertheless targeted by geographical region.

In terms of volume, unaddressed advertising (a direct marketing technique also known as Imprimés Sans Adresse (ISAs) or unaddressed printed matter) remained stable in 2006. Moreover, the number of items has increased only very slightly since 2004.

In contrast, operator revenue showed strong growth in 2006 (+4.5%).

The operators passed on the increase in ISA delivery costs by raising their service prices. This increase is partly due to the introduction of an environment tax with effect from 1 January 2005 and the application of a new agreement as of 1 July 2005.

Income

€million VAT excluded	2004	2005	2006	Change 2005-2006
Unaddressed advertising	593	630	658	4,5%

Source: ARCEP, Statistical Observatory on Postal Activities, 2006 annual survey

Volume

million	2004	2005	2006	Change 2005-2006
Unaddressed advertising	18 590	18 570	18 568	0,0%

Source: ARCEP, Statistical Observatory on Postal Activities, 2006 annual survey

ISAs are the main direct communication medium used in mass marketing, especially by food hypermarkets.

7 Mail preparation

This area covers all bulk-mail preparation activities prior to hand-over to a postal operator for delivery. Mailing houses normally carry out three major operations: packaging, sorting and postal prepayment.

Packaging includes collating, cutting and folding, addressing, enveloping, polywrapping and parcelling. Sorting, the second big mailing-house activity, involves bundling or bagging printed matter, newspapers, advertising circulars or brochures by destination for the postal operator. And lastly, mail preparation frequently covers postal prepayment (franking).

Mailing houses[19] act as interfaces between senders and delivery services and constitute a very mixed group of some 200 businesses.

Basically, mailing houses handle direct marketing mail (addressed advertising), transactional and general business mail (invoices, bank statements and other documents linked to contractual operations) and press subscriptions. In a more marginal capacity, they handle bulk parcels or unaddressed advertising.

While some mailing houses specialise in processing a single category of mail, they tend to diversify their traffic as part of the quest for new profit centres and to make their business less seasonal.

Expanding the services offered to mail originators – for instance, upstream direct-marketing campaign concepts (message design, geomarketing, etc.) – is also part of this business diversification. In addition, more and more mailing houses are integrating new communication technologies and offering mail-shot campaigns in tandem with e-mails or SMS.

7.1 Overview of the mail preparation market

Over 7 billion items were prepared in France in 2006, including 3.8 direct-mail items and 1.9 billion business mail items. These two categories accounted for more than 80% of the bulk-mail preparation market, and numbers rose steeply in 2006 (+9%). In 2006, 1.3 billion press items were prepared by mailing houses which also handled a share of parcels and unaddressed advertising traffic.

Less than 3% of all prepared items were intended for export.

In terms of volume, prepared mail represented over 38% of the items of correspondence, ordinary parcels and press items delivered in France.

[19] i.e. businesses classified under 74.8G in accordance with the French Nomenclature of Activities.

Volume

in million	2005	2006	Change
Total	**5 275**	**5 751**	**9,0%**
of which business mail	1 516	1 926	27,0%
of which direct marketing mail	3 759	3 825	1,8%

Source: ARCEP, Statistical Observatory on Postal Activities, 2006 annual survey

7.2 Mail preparation – Direct marketing

Traffic handled by direct-marketing mailing houses – in other words, addressed advertising – rose by 1.8% in 2006 to 3.8 billion items, an increase slightly higher than that for the addressed advertising market overall (+0.3%). Thus, around 80% of direct marketing mail was prepared.

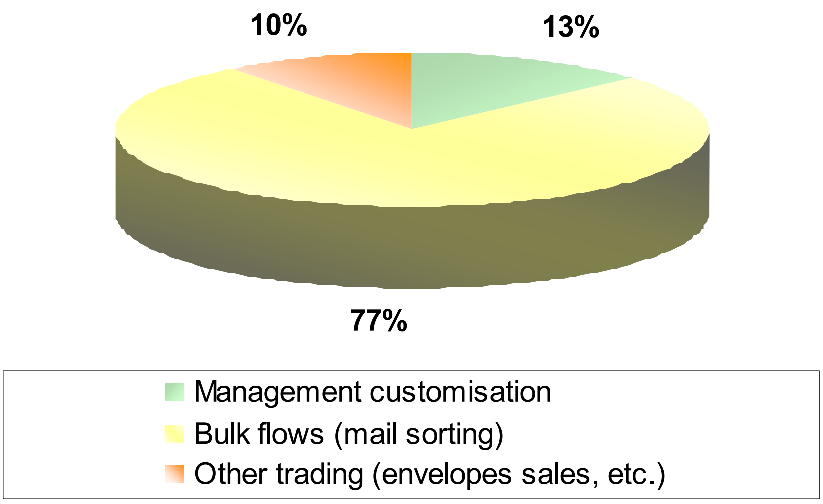
Forty percent[20] of prepared direct-marketing items came from mail-order companies (via the groups' own or external mailing houses), 13.5% from press and PR companies, 13% from industry, 10% from services and 8% from banks and insurances.
While 60% of PR expenditure still goes on conventional direct marketing linked to hard-copy activities (mail shots, catalogues and ISAs), digital marketing commands a steadily growing share of direct marketing expenditure.

Packaging, sorting and franking activities constitute 77% of revenue from the preparation of direct-marketing mail. File management and item personalisation work (i.e. upstream activities such as geomarketing or actual designing of the messages sent) generated 13% of revenue, while ancillary activities (business, supply of envelopes, etc.) accounted for the remaining 10%.

Above and beyond mail preparation, mailing houses are expanding their skills and offering all-in direct-marketing solutions, including order management or "fulfilment". i.e. invoicing, warehousing, dispatch, management of returned goods and even of payment collection.

[20] Study on mail preparation in France, Basic, 2007. Study commissioned by ARCEP and conducted in 2007.

Mailing house income breakdown for addressed advertising mail* in 2006



**Based on survey responses*

In 2006, 94% of prepared direct-marketing items[21] were posted with an ARCEP-authorised postal delivery operator, while the remaining 6% were grouped with aggregators[22] to obtain more favourable tariffs from postal operators.

7.3 Mail preparation – Business mail

In 2006, over 1.9 billion transactional and business-mail items were processed by companies providing computerised processing, publishing, printing and enveloping services, 27% more than in 2005. This volume corresponds to roughly one third of general business mail, with the remaining two thirds being deposited direct by mailers with postal delivery services. This sharp increase is explained by a massive transfer of business mail items to the "*tem'post Gestion*" tariff which calls for more preparatory work and therefore prompts more customers to use mailing houses.

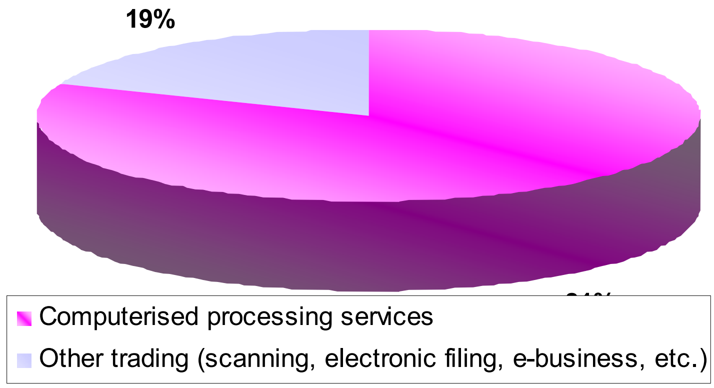
However, the general trend for business mail volumes – both prepared and not prepared – points downward, with the traditional large customers (banks, utilities) cooperating with mailers specialised in new technologies or new electronic communication services to digitize the large flows of information intended for their customers and subscribers.

[21] Based on replies to the annual 2006 survey conducted by ARCEP's Statistical Observatory on Postal Activities.
[22] A certain number of items is required to benefit from discounted tariffs. When mailing houses do not have enough items, they pass them on to an aggregator which combines the small consignments to obtain big enough volumes.

Revenue from these activities was estimated at around 270 million euros in 2006. Most of the turnover came from computerised processing services (81%), i.e. item personalisation, the same percentage as in the 2005 annual survey sample.

Almost all prepared business mail items are handed over to ARCEP-authorised postal delivery services. Less than 1% of items are posted with aggregators, as senders prefer to entrust items containing personal data to a single intermediary. Moreover, consignments of such items are usually big enough to qualify for discounts.

Business mailing houses revenue breakdown in 2006*



**Based on survey responses*

The bulk of the business mail processing market is shared among about fifteen players.

7.4 Mail preparation – Press items

The mail preparation market for press items was calculated at roughly 1.3 billion items in 2006, i.e. 76% of press items against payment distributed through the postal circuit.

Prepared press-item volumes were down on 2005, in line with the general decline in press-item traffic distributed through postal channels.

In the Observatory context, press-item preparation describes the activities of specialised mailing houses that serve publishers. This analysis does not take account of in-house preparation by printers-cum-publishers prior to forwarding newspapers or magazines to the postal delivery operator and their distribution via non-postal channels or via single-issue sales.

7.5 Other prepared items: unaddressed advertising and parcels

Mailing houses may also process ISA or parcel flows. ISAs represent less then 10% of prepared-item volumes and less then 2% of revenue[23]. Preparing unaddressed advertising offers lower value added than administrative mail or direct marketing. In preparing ISAs, the operator has to sort items by delivery zone and not by address, making the work less costly.

In contrast, parcel preparation – which represents less than 1% of mail-preparation market volumes and 5% of its revenue – has a higher price tag for customers because it involves a considerable amount of handling.
Seventy-two percent of parcels[24] are entrusted to a deliverer of ordinary parcels, 21% to courier or express services, and 7% to aggregators.

Mail-preparation market players in 2006

Though mailing houses are tending to expand their specialised bases and diversify their activities, the mail-preparation scene in France is structured around the following segments:

Direct-marketing preparation
A large number of mailing houses derive the bulk of their income from direct marketing, (nearly 90% of mailing-house businesses). The market is not highly concentrated, with the five leading companies taking about 20% of the revenue from direct-marketing preparation.

Administrative-mail preparation
About fifteen players hold the lion's share of the administrative-mail preparation market. Several mailing houses have changed hands in recent months. In July 2006, Orsid, a mailing house specialising in administrative items and computerised services, was bought by Sofipost, the holding company in charge of La Poste Group subsidiaries in the mail and new information technologies field. La Poste now owns three important players on the computerised-services market: Asphéria, Maileva and Orsid. In September 2007, Pitney Bowes, the franking-machine market leader, completed its acquisition of Astérion (previously owned by the Belgian Post), one of the biggest providers of computerised services.

Press-item preparation
Five companies share more than 80% of press-item flows: BHR, France Routage, Interval, Maury and Brio[25]. Most of the items they process are handed over to STP, a La Poste Group subsidiary specialised in processing and forwarding press items. Press-item mailing houses are totally dependent on about ten press groups which tend to centralise mail preparation markets for all their publications. In 2003, mailing houses responded to calls for tenders from the three groups Prisma, Bayard and Hachette, which represent over 60% of the market.

[23] Based on replies to the annual 2006 survey conducted by ARCEP's Statistical Observatory on Postal Activities.
[24] Based on replies to the annual 2006 survey conducted by ARCEP's Statistical Observatory on Postal Activities.
[25] Study on mail preparation in France, Basic, 2007. Study commissioned by ARCEP and conducted in 2007.

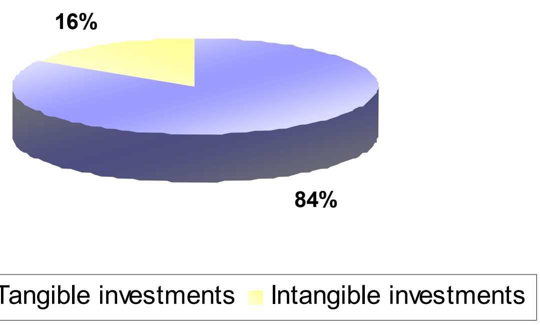
PART II Investments and employment of authorised operators

N.B: Information about investments and jobs in this chapter is confined to authorised postal operators as per 31 December 2006 and to postal activities in the strict sense of the term. Therefore, it does not cover investments and jobs of the subsidiaries of express, unaddressed-advertising and mail-preparation operators.

1 Investments made by authorised operators

In 2006, operators authorised by ARCEP as per 31 December 2006 had invested nearly 391 million euros, 84% of tangible investment. Basically, these are investments in infrastructure, specifically in equipment, sorting machines, etc. The remaining 16% are intangible investments in services such as computerisation of operator information systems.

Investments linked to authorised operators' postal activities



Source: ARCEP, Statistical Observatory on Postal Activities, 2006 annual survey

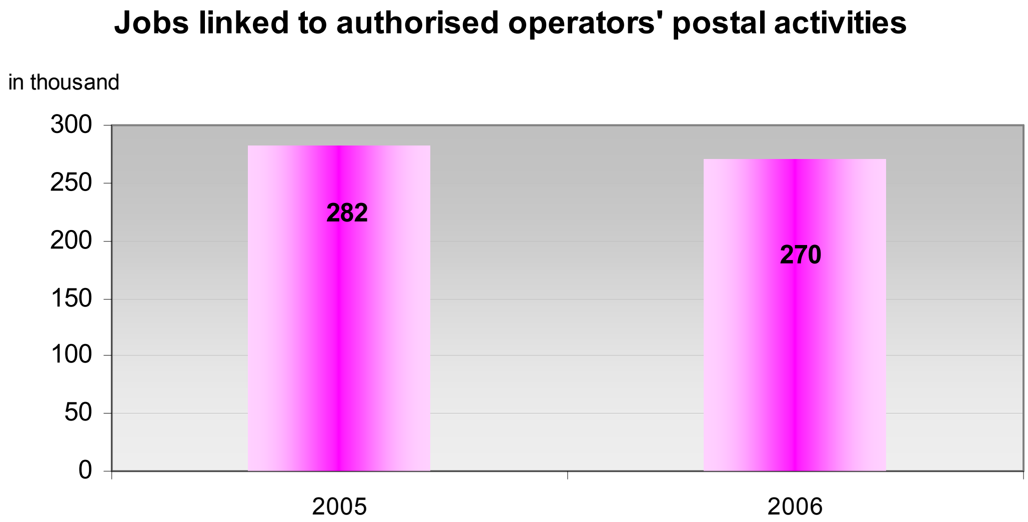
La Poste and Adrexo: examples of investments in delivery

*Investments by the La Poste parent company come under the La Poste Group which announced record investments of 1.1 billion euros (excluding acquisitions) in 2006.
In 2004, the La Poste Group launched a plan to modernize its mail production apparatus entitled “Cap Qualité courrier”, supported in particular by its Poste Immo subsidiary. This plan provides for investments totalling 3.4 billion euros over the period 2004-2012. At the end of 2006, four new-generation “Mail” industrial platforms were operational and 20 more are being rolled out.

*Investments by alternative operators mainly focus on building up delivery networks and modernising sorting platforms. For instance, in 2006, Adrexo extended its delivery network in Hauts de Seine (92). These investments are to continue in 2007, the declared aim being to cover 18% of France’s mail boxes by the end of the year.

2 Authorised operators employment

At the end of 2006, authorised operators were providing 270,000 jobs in connection with their postal activities, a decrease of 4.1% compared with 2005.



Source: ARCEP, Statistical Observatory on Postal Activities, 2006 annual survey
Note: field constant for two years: authorised operators at 31 December 2006.

NB: The number of jobs corresponds to the number of individuals employed by authorised operators to perform postal services, excluding subsidiaries. Thus, this field excludes not only employees of the Banque Postale, a La Poste Group subsidiary, but also financial services staff working for the La Poste parent company whose jobs are not linked to postal services proper. In contrast, full account is taken of employees – especially counter staff – whose work has at least a partial connection to postal services.

SOURCES

ARCEP Observatory

- Correspondence-item market:

The data are derived from ARCEP's statistical survey of postal service operators that is mandatory for all authorised operators, in compliance with article L.135 of the Postal and Electronic Communications Code which provides that the Autorité de régulation des communications électroniques (ARCEP) may collect data and conduct all information activities concerning the postal sector. To this end, operators authorised in accordance with article L.3 and the postal universal service provider have an obligation to provide ARCEP with statistical information about the use and coverage of their services as well as access to them.

- Mail-preparation market:

The data are taken from ARCEP's statistical survey of mailing houses. The 2006 questionnaire was sent to just over 150 companies.
The survey responses were used to break down mail-preparation revenue into the various flows and distribution of items according to the final deliverer. Total revenue and volumes were estimated using several sources (La Poste, Selced, Basic, Xerfi).

List of professional organisations contacted in the context of the 2005 survey:

- Syndicat des Entreprises de Logistique de Communication Ecrite Directe (SELCED): mail-preparation market
- Association des Prestataires de services en Editions Multi-Média (APEM): mail-preparation market
- Fédération des Entreprises de Vente A Distance (FEVAD): parcels market

Other public sources used by the Observatory:

- La Poste : Annual Reports, Sustainable Development Report 2005 and Le Courrier en chiffres, 2006 data
- Ministry of Transport, Infrastructure, Tourism and Maritime Affairs: courier and express market
- Office de Justification de la Diffusion (OJD) : press distribution