ARCEP
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AUTORITÉ DE RÉGULATION
des Communications électroniques
et des Postes

Statistical Observatory on Postal Activities in France – 2007

September 2008

Preamble

The Autorité de régulation des communications electroniques et des postes (ARCEP) is publishing the 2007 findings of the annual survey conducted on the postal activities market.
This survey polled authorised operators at 31 December 2007 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 2007 provided a better picture of authorised operators' activities, making it possible in particular to analyse the export (outward international mail) market in greater detail. For instance, these data permit evaluation of addressed advertising as a proportion of exports in terms of both volume and revenue, as well as of flow destinations by geographical region.

All the authorised operators responded to the survey, thus providing an accurate view of their activities. 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 2007, 20 operators in addition to La Poste were authorised by ARCEP to provide postal services for items of correspondence.

These correspondence-item authorisations, listed by area representation in France and by date, are as follows:

- **Adrexo** in France (authorised on 13/06/2006)
- **Althus** (Aix-les-Bains, Annecy, Chambéry and surrounding area) (authorised on 7/09/2006)
- **Stamper's** (Fox) in the Pau urban area (authorised on 7/09/2006)
- **Solgeco**, an Althus franchise (Valence, Romans-sur-Isère and surrounding area) (authorised on 5/12/06)
- **Alternative Post** in the Ile-de-France region, and the urban areas of Lyon, Toulouse, Nantes, Lille and surrounding areas (authorised on 19/04/2007)
- **JS Activ'** (Activ'Courrier) in the urban area of Perpignan and surrounding area (authorised on 19/04/2007)
- **Press'Tissimo** in Paris and the main communes of the Hauts-de-Seine département (authorised on 31/05/07)
- **Procourrier** in the urban area of Montpellier and surrounding area (authorised on 28/06/07)
- **Courrier Services 03** in Vichy and surrounding area (authorised on 28/06/07)
- **Courrier Plus** in the urban areas of Lille, Roubaix, Tourcoing and Villeneuve d'Ascq, and surrounding areas (authorised on 2/10/07)
- **Let France Routage** in the Alsace and Lorraine regions and for outward cross-border items of correspondence (authorised on 25/10/07)

The following authorisations have been issued for outward cross-border items of correspondence:

- **IMX** (authorised on 22/06/2006)
- **Deutsche Post AG** (authorised on 29/06/2006)
- **Swisspost International France** (authorised on 7/09/2006)
- **La Poste Belge** (authorised on 5/12/06)
- **G3 Worldwide** (Spring) (authorised on 5/12/2006)
- **DHL Global Mail** (authorised on 15/03/2007)
- **Royal Mail group** (authorised on 15/03/2007)
- **Let France Routage** (authorised on 25/10/07)
- **DHL Express** (authorised on 25/10/07)

As of 1 January 2008, Ciblex has been authorised to provide non-reserved services for items of correspondence, including delivery in the Nord and Pas-de-Calais départements.

Executive summary

In 2007, postal activities and related item-delivery markets[1] generated 15.5 billion euros in revenue from 40.3 billion items. Overall revenue thus rose 2.3%, an increase in line with the trend noted in previous years (+1.5% in 2006 and +3.6% in 2005). The volume of items sent grew 2.7% in 2007 after two consecutive years of virtual stagnation (-1.0% in 2006 and -0.3% in 2005).

Items of correspondence accounted for 8.6 billion euros in 2007, i.e. more than half of all revenue. Revenue from these items was up 1.7% in that year, following a decrease of 1.4 % in 2006. This upswing is based on a moderate increase in volumes (+0.5%) as the result of flows generated by the presidential and legislative elections (approximately 200 millions items). In effect, growth was buoyed by non-advertising items of correspondence where revenue rose 2% and volume 1.3%. The addressed advertising market fared less well in 2007 with a 1.6% fall in volume and a slight increase in revenue (+0.6%).
The correspondence-item market segment open to competition – items weighing more than 50 grams – registered higher growth than the sector overall (+3.5% for revenue and +3.3% for volume), representing nearly 27% of revenue and 17% of volume for items of correspondence in 2007.

The parcels market has been growing steadily since 2004 and is the most dynamic in terms of revenue, generating 40% of the additional revenue from all postal activities and related markets in 2007 while accounting for only 25% of total revenue. The e-commerce boom, in tandem with upgrading to products with higher tariffs, boosted 2007 revenue for "ordinary" parcels delivered through the postal circuit by 6.5%, to 1.7 billion euros. Express (light parcels not delivered through postal channels) market revenue also grew but not as much as revenue from ordinary parcels.

In 2007, market volumes for items delivered against signature were up on the previous year (+3.7%, compared with + 1.1%). The increase in revenue was in line with the higher volume, whereas in 2006, higher revenue was due to tariff increases.

The unaddressed advertising market, which accounts for nearly half of items delivered while generating only 4% of revenue, expanded fast in 2007, with volume rising +5.1%.

Revenue from press items delivered via the postal circuit and through non-postal channels stagnated in 2007. The volume of items delivered was very slightly higher in 2007 (+0.5%) in the context of a resilient popular press. As in 2005 and 2006, non-postal channels gained ground, delivering 37% of newspapers and magazines delivered to subscribers in 2007. This increase of 2.3% brought the number of press items delivered through non-postal channels to over one billion.

Export traffic – letters, press items and "ordinary" parcels fell in terms of revenue (-1.9%) and volume (-2.1%).

[1] 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 kilograms, express items and unaddressed advertising. The Observatory's scope exceeds postal items in the strict sense of the term as these exclude express items – which are nevertheless included in the addressed-item market – and, above all, unaddressed advertising. Mail preparation, as an intermediate activity, is not included but is studied separately in Chapter 7.

Items of correspondence represent the lion's share of both export revenue and volume (76% and 93% respectively). In 2007, revenue fell 5% and volume 2.7%, thus dragging down the export market as a whole. However, the decline in this market was less than in 2006 (-15.6% in revenue and -9.2% in volume).

The mail preparation market, which handles bulk mail, transactional mail and direct marketing items, accounted for 34% of items of correspondence delivered in France in 2007, with direct marketing mail making up two thirds of prepared items of correspondence. The total volume of prepared mail was down 1.4% in 2007, following a 9% increase in 2006.

PART I – Overview of markets in 2007

In 2007, **the addressed-items market** represented 14.8 billion euros, i.e. 96% of the revenue generated by postal activities and related delivery markets.

At almost 8.6 billion euros in 2007, domestic delivery of items of correspondence constituted the core of the addressed-item market, showing a moderate increase of 1.7%, compared with a decrease of 0.4% in 2006.

The second-biggest market in terms of revenue in 2007 was parcel delivery in France at 3.8 billion euros, accounting for one quarter of total addressed-item market revenue. The "ordinary" parcel market, which represents about 45% of the overall parcels market, continued to flourish in 2007, with revenue up by nearly 7%. Revenue from express, the other parcels segment, also grew but not as strongly as that of "ordinary" parcels.

At over 1.4 billion euros in 2007, the domestic market in items delivered against signature, covering both letters and parcels, was the third-biggest market as regards revenue, chalking up a significant increase of 3.7% in 2007 though failing to match its 2006 rise (+6.1%).

Revenue from delivery of press items through the postal circuit in 2007 totalled 483 million euros, holding its own (-0.2%) after a 2006 decline (-1.7%).

The export market generated 523 million euros in 2007, down 1.9% for all products taken together but declining much less than in 2006 (-11.4%).
Revenue from items of correspondence, which accounts for three quarters of export market revenue, fell 5% in 2007. Revenue from "ordinary" parcel exports continued to rise sharply (13.2% in 2007) while revenue from press-item exports remained stable.

The delivery of **unaddressed advertising** generated less than 700 million euros despite the substantial volumes delivered (19.5 billion in 2007) because delivering advertising leaflets is a low added-value service, contributing only 4% of total revenue. Such items do not require clearance or daily delivery rounds and are therefore not regarded as postal items.

Postal activities and related delivery markets - Revenue from items

(en millions of euros before taxes)	2005	2006	2007	Change 2006-2007
Delivered in France				
Items of correspondence	8 470	8 435	**8 581**	1,7%
Letters and parcels against signature	1 302	1 382	**1 432**	3,6%
Parcels	3 464	3 698	**3 837**	-
of chich "ordinary" parcels	1 440	1 585	**1 687**	6,5%
of which express light parcels*	2 000	2 100	**2 150**	-
Postal delivery of press items to subscribers**	492	484	**483**	-0,2%
Total addressed items delivered in France	**13 728**	**13 999**	**14 334**	**2,4%**
Delivered for export				
Items of correspondence	496	419	**398**	-5,0%
"Ordinary" parcels	74	85	**96**	13,2%
Press items	31	29	**29**	-0,9%
Total addressed items exported	**601**	**533**	**523**	**-1,9%**
Total addressed-items market	**14 329**	**14 532**	**14 857**	**2,2%**

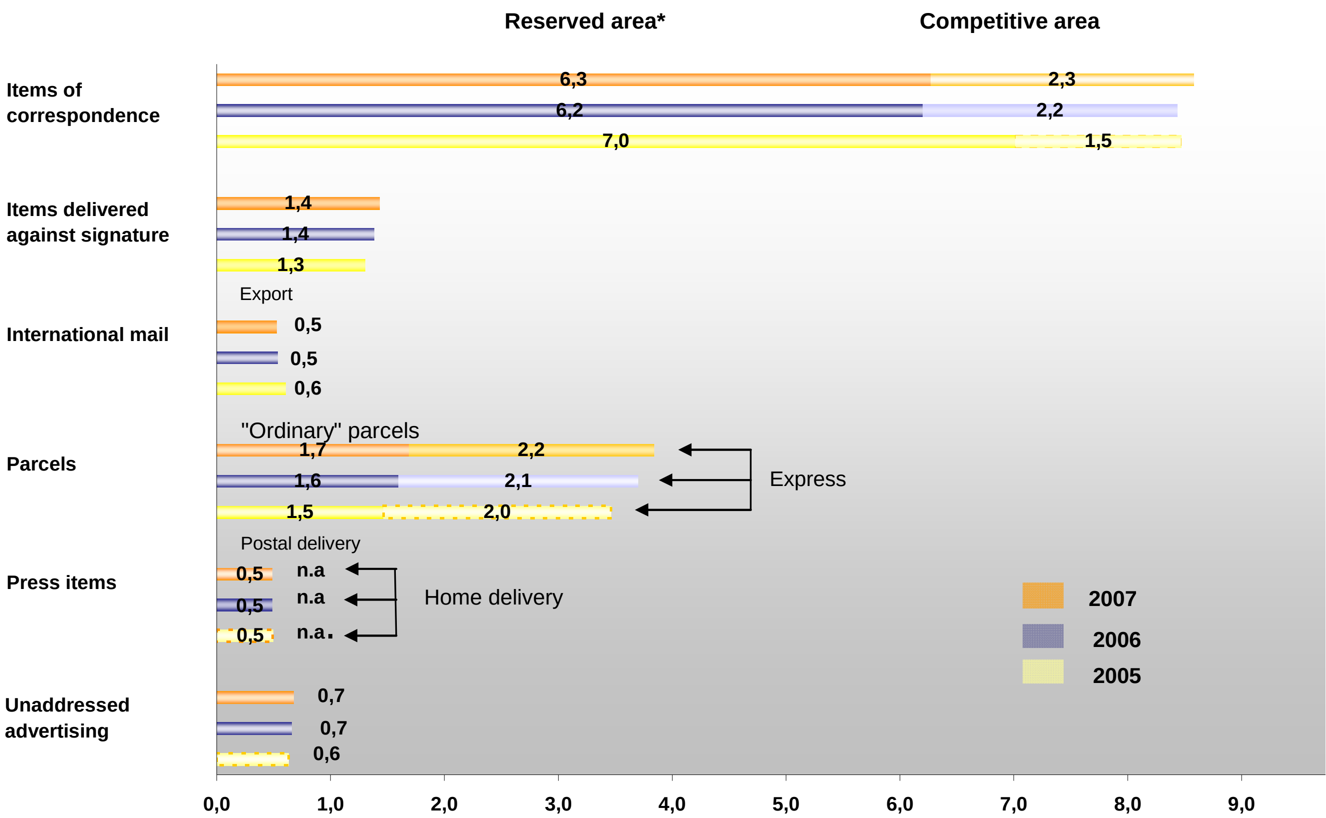
Source: ARCEP, Statistical Observatory on Postal Activities
Imports are included in total items of correspondence, items delivered against signature, parcels, press items and unaddressed advertising delivered in France.
**Estimates, domestic traffic and imports.*
*** Not including revenue from non-postal delivery of press items.*

Postal activities and related delivery markets - Revenue from items

(en millions of euros before taxes)	2005	2006	2007	Change 2006-2007
Total unaddressed advertising	**630**	**658**	**676**	**2,8%**

Source: ARCEP, Statistical Observatory on Postal Activities

Postal activities and related delivery markets
Revenue 2005 à 2007 - *in billions of euros before tax*



Source: ARCEP, Statistical Observatory on Postal Activities
**In 2005, the reserved area covered items of correspondence weighing 100 grams or less whose price was equal to or less than three times the basic tariff. Since 2006, it covers items of correspondence weighing 50 grams or less whose price is equal to or less than 2.5 times the basic tariff.*

In 2007, the **addressed-item market** accounted for 20.8 billion items, 52% of all items delivered, remaining stable (+0.5%) after a 1.7% decrease in 2006.

Items of correspondence constitute the addressed market with the biggest volume (16.6 billion items delivered in France in 2007, up by just 0.5%). With 2.7 billion items, the volume of press items delivered through the postal circuit and non-postal channels also rose 0.5% in 2007.
The volume of parcels delivered in France continued to rise in 2007, reaching 680 million for "ordinary" and express parcels taken together. "Ordinary" parcel volumes gathered pace, rising from 2.8% in 2006 to 3.8% in 2007.

Export market volumes fell 2.1% in 2007 to approximately 500 million items following an 8.5% drop in 2006.

In 2007, the number of exported items of correspondence which account for the majority of items sent abroad was down 2.7%. Press items – representing less than 6% of export volumes – grew almost 7% in 2007 to 29 million. Finally, the export market in "ordinary" parcels fell nearly 3% in 2007.

With 19.5 billion items, **unaddressed advertising** makes up the biggest flow in postal activities and related delivery markets and was the market segment with the biggest increase in volume in 2007 (up 5.1%).

Postal activities and related delivery markets - Volume of items

(in millions of items)	2005	2006	2007	Change 2006-2007
Delivered in France				
Items of correspondence	16 806	16 540	**16 616**	0,5%
Letters and parcels devired against signature	276	279	**289**	3,7%
Parcels	638	665	**680**	-
of which "ordinary" parcels	346	355	**369**	3,8%
of which express lights parcels*	280	300	**311**	-
Delivery of press items to subscribers**	2 789	2 710	**2 724**	0,5%
Total addressed items delivered in France	**20 509**	**20 194**	**20 310**	**0,6%**
Delivered for export				
Items of correspondence	523	475	**462**	-2,7%
"Ordinary" parcels	7	8	**8**	-2,9%
Press items	28	27	**29**	6,9%
Total addressed items exported	**558**	**510**	**499**	**-2,1%**
Total addressed-items market	**21 067**	**20 704**	**20 809**	**0,5%**

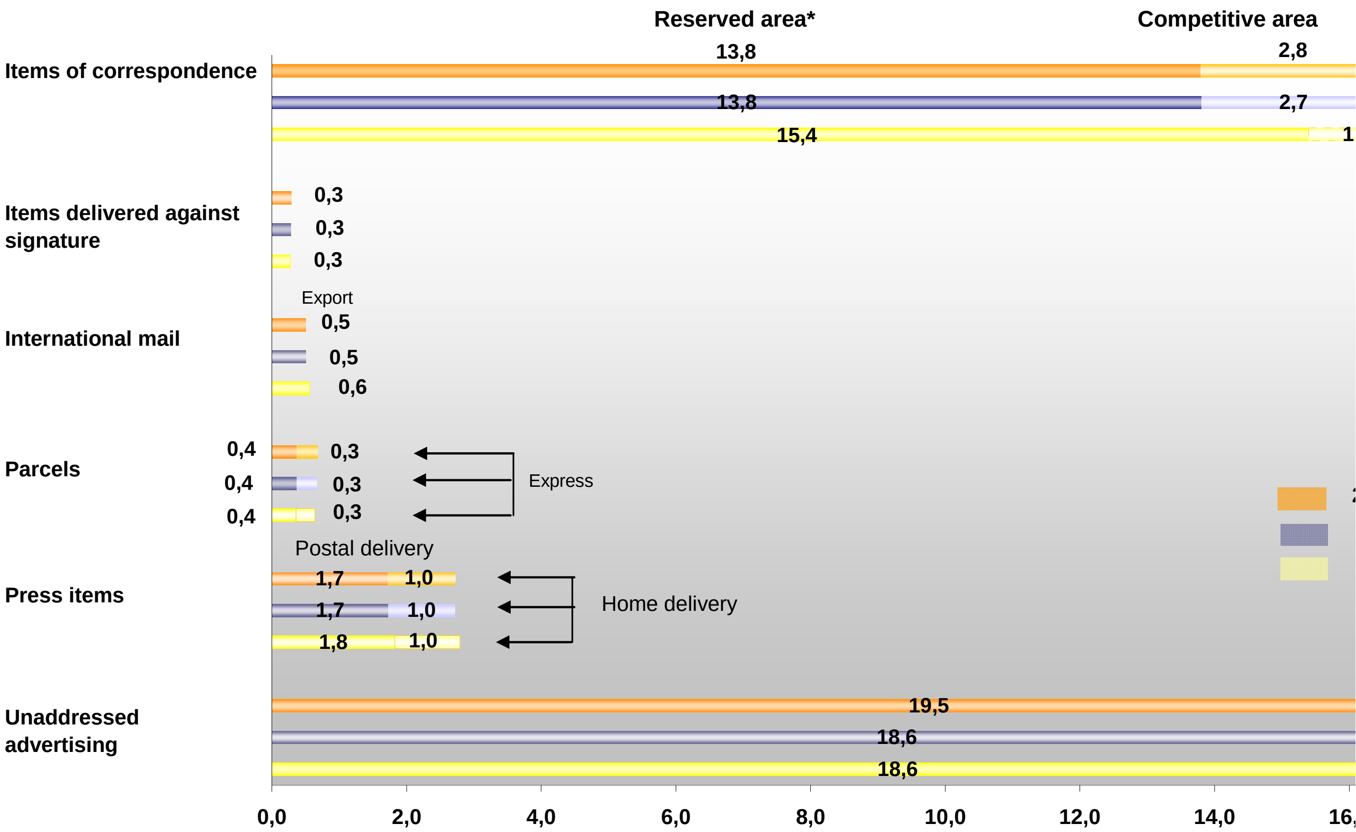
Source: ARCEP, Statistical Observatory on Postal Activities
Imports are included in total items of correspondence, items delivered against signature, parcels, press items and unaddressed advertising.
** Estimates, domestic traffic and imports*
*** Including volumes delivered through non-postal channels (home delivery)*

Postal activities and related delivery markets - Volume of items

(in millions of items)	2005	2006	2007	Change 2006-2007
Total unaddressed advertising	**18 570**	**18 568**	**19 515**	**5,1%**

Source: ARCEP, Statistical Observatory on Postal Activities

Postal activities and related delivery markets - Items of volumes 2005-2007 - *in*



Source: ARCEP, Statistical Observatory on Postal Activities

**In 2005, the reserved area covered items of correspondence weighing 100 grams or less whose price was equal to or less than three times the basic tariff. Since 2006, it covers items of correspondence weighing 50 grams or less whose price is equal to or less than 2.5 times the basic tariff.*

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. Express parcels, press items delivered through non-postal channels and unaddressed advertising are not postal items.

Item of correspondence

An item of correspondence is a postal item not exceeding two kilograms 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.

Reserved area (<50 grams – 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 grams and whose price is less than two-and-a-half times the basic tariff.
Player: La Poste

Domestic and import competitive area (>50 grams – non-monopoly):
All items of domestic or foreign-origin correspondence delivered on French territory which are heavier than 50 grams and whose price is higher than two-and-a-half times the basic tariff.
Players: Adrexo, Alternative Post, Althus, Courrier Services 03, Courrier Plus, JS Activ', La Poste, Let France Routage, Press'Tissimo, ProCourrier, Stamper's

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, Deutsche Post GlobalMail, IMX, La Poste, Let France Routage, 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

"Ordinary" parcels*:

The Observatory covers the delivery to the addressee's home address or to a pick-up point of parcels weighing up to 30 kilograms. 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 kilograms. Parcel services provided to businesses in execution of contracts covering several consignments are not covered.
Players: Coliposte, Distrihome, Kiala, Mondial-Relay, Sogep

Express *:
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 kilograms) 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, Press'Tissimo

Non-postal delivery of newspaper and periodicals:
This is the second distribution channel in parallel with the La Poste 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 or daily delivery rounds.
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 very clear.*

1- Items of correspondence delivered in France

Items of correspondence delivered in France rose by 1.7% in terms of revenue and by 0.5% in terms of volume in 2007, following falls of 0.4% in revenue and 1.6% in volume in 2006.

This growth in correspondence-item volumes is explained by the flows generated by the presidential and legislative elections (approximately 200 million items).

1.1 Reserved area and competitive area

Revenue

In millions of euros before tax	2005	2006	2007	Change 2006-2007
Reserved area	7 013	6 201	**6 269**	1,1%
Competitive area	1 457	2 234	**2 312**	3,5%
TOTAL items of correspondence	**8 470**	**8 435**	**8 581**	**1,7%**

Source: ARCEP, Statistical Observatory on Postal Activities

Volumes

in millions of items	2005	2006	2007	Change 2006-2007
Reserved area	15 429	13 804	**13 789**	-0,1%
Competitive area	1 377	2 736	**2 827**	3,3%
TOTAL items of correspondence	**16 806**	**16 540**	**16 616**	**0,5%**

Source: ARCEP, Statistical Observatory on Postal Activities

La Poste's reserved area, i.e. items of correspondence weighing less than 50 grams priced at less than two-and-a-half times the basic tariff[2], brought in slightly more revenue (+1.1%) in 2007 while volume remained stable (-0.1%). Tariffs for single-piece items of correspondence covered by the reserved area were increased on 1 October 2006[3], with the price for a letter weighing less than 20 grams rising from 0.53 euros to 0.54 euros, an increase of 1.89%.

In 2007, the area open to competition – items of correspondence weighing more than 50 grams priced at more than two-and-a-half times the basic tariff – chalked up higher revenue (2.3 billion euros, +3.5%) and volume (2.8 billion items,+3.3%). La Poste and the other operators authorised to deliver items of correspondence are active in this market.

[2] The basic tariff corresponds to the tariff for a priority letter weighing less than 20 grams (0.54 euros from 1 October 2006 to 1 March 2008, when it was set at 0.55 euros).

[3] ARCEP Decision No. 06-0690 of 18 July 2006 on La Poste's decision on tariffs for domestic mail products of 4 July 2006.

Distribution of items of correspondence (domestic and import)

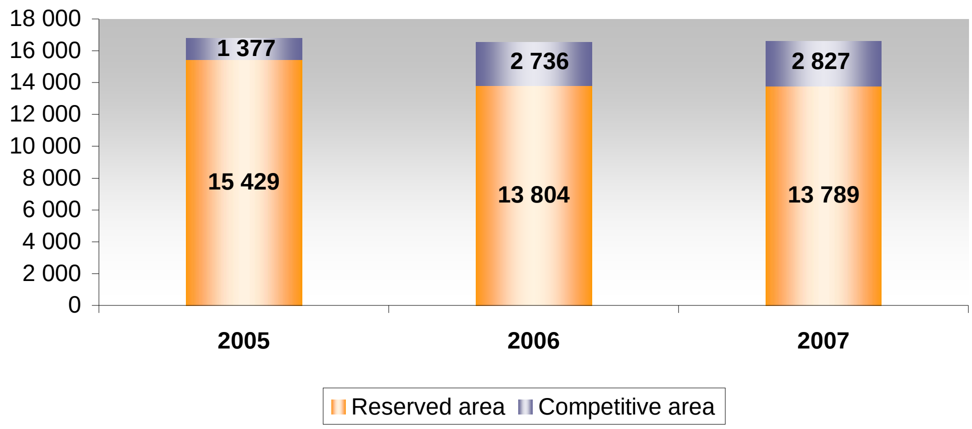
	Volume			Revenue		
	2005	2006	**2007**	2005	2006	**20**
Reserved area	91,8%	83,5%	**83,0%**	82,8%	73,5%	**73**
Competitive area	8,2%	16,5%	**17,0%**	17,2%	26,5%	**26**
TOTAL items of correspondence	**100%**	**100%**	**100%**	**100%**	**100%**	**10**

Source: ARCEP, Statistical Observatory on Postal Activities

The proportion of items delivered in France that fall under the postal monopoly dropped half a percentage point compared with 2006, accounting for 83% of items of correspondence in 2007. In 2005, the reserved area – which was more comprehensive because of the regulations in force at that time (items less than 100 grams) – represented 92% of total items of correspondence.

Seventeen percent of heavier items fell within the competitive area, generating 26.9% of the revenue from items of correspondence as a whole.

Items of correspondence
Reserved area and competitive area
(in millions of items)



Source: ARCEP, Statistical Observatory on Postal Activities

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 grams 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 grams 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 grams and to two-and-a-half times the basic tariff.

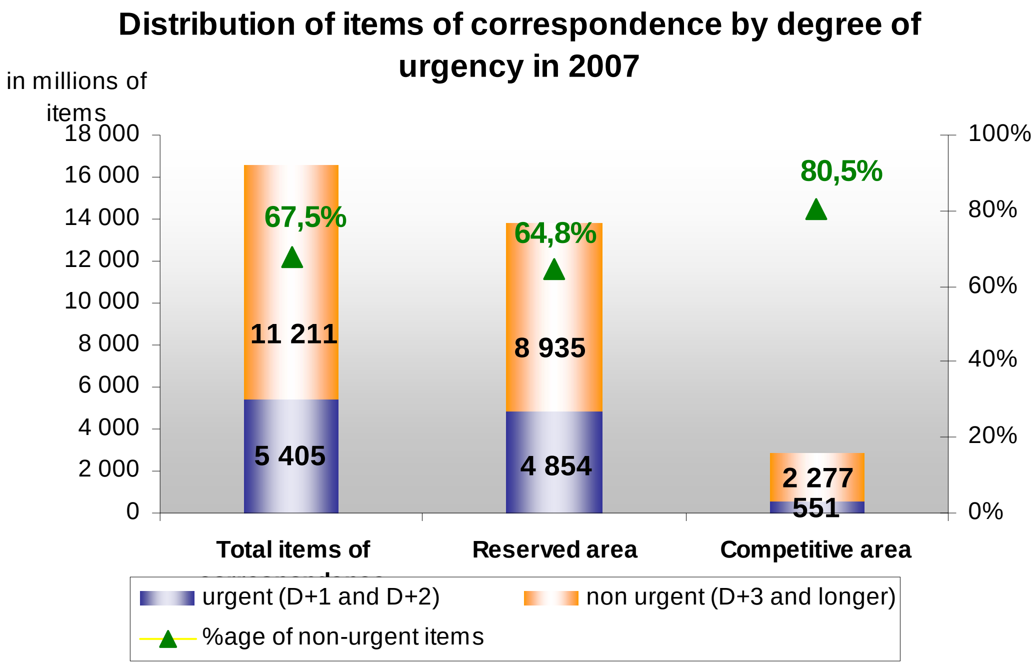
In July 2007, the European Parliament decided to postpone total liberalisation of postal services until January 2011.

1.2 Items of correspondence classified by urgency

Two thirds of items of correspondence were sent at the non-urgent tariff (D+3 and longer) in 2007.

The percentage of non-urgent items was greater in the competitive area than in the reserved area (81% compared with 65%).

Non-urgent items weighing less than 50 grams (8.9 billion items) accounted for more than half of all items of correspondence.



Source: ARCEP, Statistical Observatory on Postal Activities

1.3 Addressed advertising and other items of correspondence

In 2007, correspondence-item volumes, not including addressed advertising, were up 1.3%, after declining 2.4% the previous year. This segment benefited from higher volumes in connection with the 2007 elections. This greater volume, in conjunction with a tariff increase, explains its 2007 revenue growth of 2% compared with 0.8% in 2006.

Over the past two years, addressed advertising flows have been sensitive to tariff movements: in 2006, volumes remained stable with traffic shifting to cheaper services, resulting in 5.2% less revenue.
In 2007, the higher tariffs applied from 1 January (particularly to the Tem'Post MD7 and Postimpact TS3 products) affected addressed advertising flows which fell slightly (-1.6%), though revenue remained stable (+0.6%).

Revenue

in millions of euros before tax	**2005**	**2006**	**2007**	**Change 2006-2007**
Items of correspondence, excluding addressed advertising	6 732	6 788	**6 924**	2,0%
Addressed advertising	1 738	1 647	**1 657**	0,6%
Total items of correspondence	**8 470**	**8 435**	**8 581**	1,7%

Source: ARCEP, Statistical Observatory on Postal Activities

Volumes

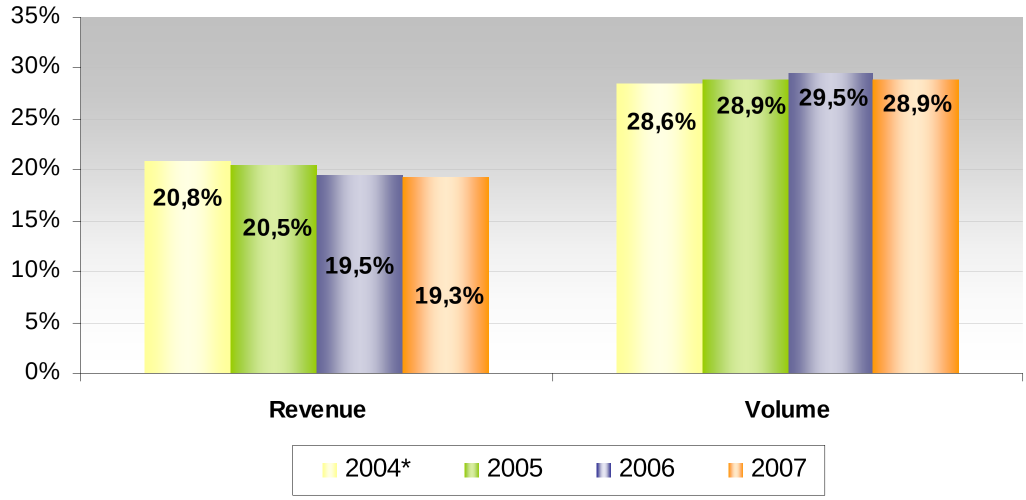
millions of items	**2005**	**2006**	**2007**	**Change 2006-2007**
Items of correspondence, excluding addressed advertising	11 950	11 668	**11 821**	1,3%
Addressed advertising	4 856	4 871	**4 795**	-1,6%
Total items of correspondence	**16 806**	**16 540**	**16 616**	0,5%

Source: ARCEP, Statistical Observatory on Postal Activities

Revenue from addressed advertising as a percentage of correspondence-item revenue fell 1.5 percentage points between 2004 and 2007.

Moreover, though the market share of addressed advertising grew as part of correspondence-item traffic as a whole between 2004 and 2006, it fell 0.6ths of a point in 2007. As a result, the trends noted for correspondence excluding addressed advertising on the one hand and addressed advertising on the other are the reverse of those observed in 2006. Electoral flows boosted items of correspondence excluding addressed advertising, while addressed advertising stagnated.

Addressed advertising as a percentage of items of correspondence



Source: ARCEP, Statistical Observatory on Postal Activities
** Estimates*

Industrial traffic – or bulk mail – covers consignments of over 400 items, and addressed advertising makes up nearly half of this category. In 2007, this percentage was down 1.5 points on 2006 because of a 1.6% drop in addressed advertising volumes, whereas other industrial-type correspondence items grew 4.4%.

Industrial traffic - Volumes

in millions of items	2005	2006	2007	Cha 2006
Industrial traffic	9 873	9 571	**9 701**	1,
of which addressed advertising	4 856	4 871	**4 795**	-1,
of which other items of correspondence	5 017	4 700	**4 905**	4,
Addressed advertising as a percentage of industrial traffic	**49,2%**	**50,9%**	**49,4%**	**-1,5**

Source: ARCEP, Statistical Observatory on Postal Activities

Advertising represented nearly 45% of industrial-mail revenue in 2007, a lower percentage than that of its share of volume, because addressed advertising tariffs are approximately 20%[4] lower than those for other industrial items, particularly transactional mail.

Industrial traffic - Revenue

in millions of euros	**2007**
Industrial traffic	**3 693**
of which addressed advertising	**1 657**
of which other items of correspondence	**2 036**
Addressed advertising as a percentage of industrial traffic	**44,9%**

Source: ARCEP, Statistical Observatory on Postal Activities

[4] Comparison of basic tariffs for machine-processable Tem'Post MD4 and Tem'Post G4 items weighing less than 35 grams sorted by postcode.

1.4 Industrial traffic and single-piece mail

In 2007, industrial-item volume grew 1.4% after declining 3.1% in 2006. The overall increase in the number of items of correspondence was wholly due to industrial items. Single-piece mail volumes declined 0.8% after increasing 0.5% between 2005 and 2006 in a generally downward correspondence-item market (-1.6%).

Distribution of items of correspondence (domestic and import)

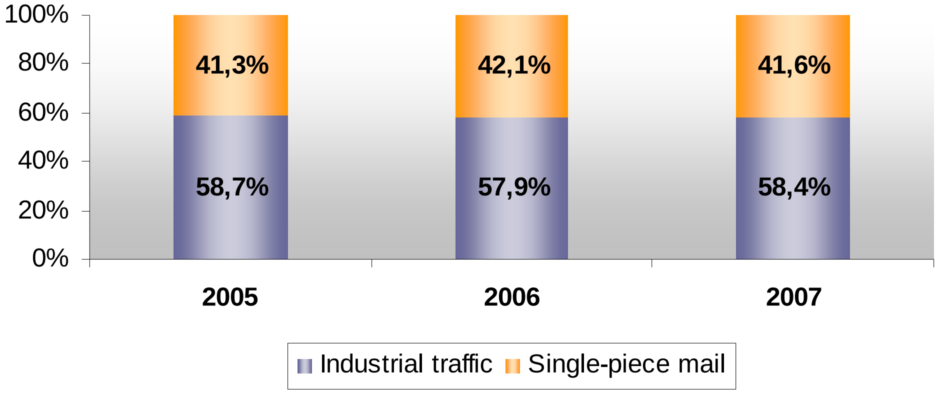
in millions	2005*	2006	2007	Change 2006-2007
Industrial traffic (bulk mail>400 items)	**9 873**	**9 571**	**9 701**	**1,4%**
Unprepared industrial traffic from large mailers	4 598	3 820	**4 029**	**5,5%**
Prepared industrial traffic	5 275	5 751	**5 672**	**-1,4%**
Single-piece posted with the delivery operator	**6 933**	**6 968**	**6 916**	**-0,8%**
Single-piece big-business mail	3 673	3 824	**3 883**	**1,5%**
Single-piece private-customer and small-business mail	3 260	3 144	**3 033**	**-3,5%**
Total items of correspondence delivered in France	**16 806**	**16 540**	**16 616**	**0,5%**

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

Source: ARCEP, Statistical Observatory on Postal Activities

In 2007, bulk mail accounted for 58.4% of items of correspondence. This share has changed little over the past three years.

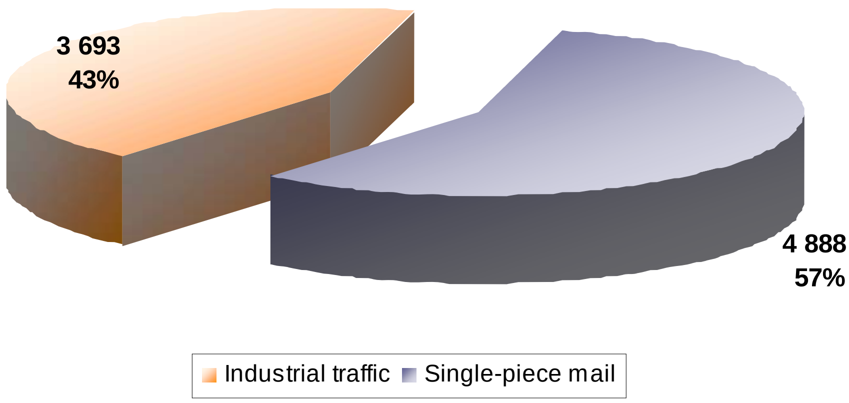
Distribution of volumes of industrial traffic and single-piece mail



Source: ARCEP, Statistical Observatory on Postal Activities

While it represented 58% in terms of volume, industrial traffic accounted for only 43% of the revenue generated by the correspondence-item market because tariffs for this category are lower than those for single-piece items.

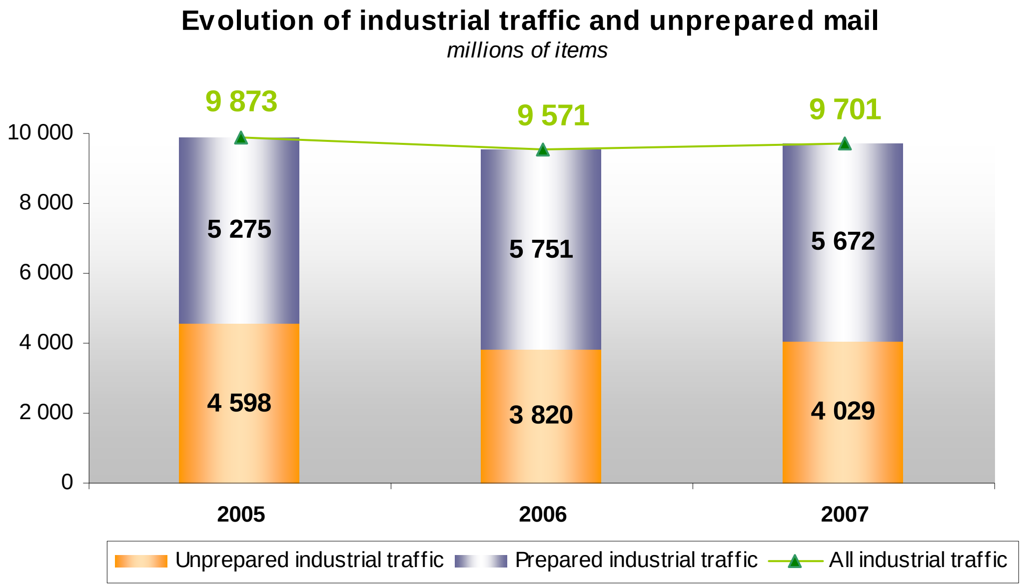
Distribution of revenue from industrial traffic and single-piece mail in 2007
in millions of euros



Source: ARCEP, Statistical Observatory on Postal Activities

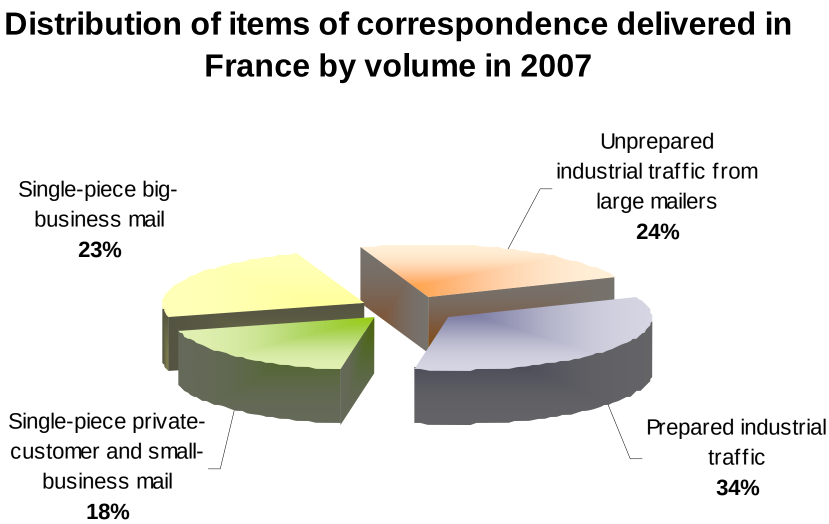
Single-piece mail trends in 2007 continued on 2006 lines, with an upswing (+1.5%) for correspondence generated by big business, compared with a further decrease (-3.5%) in correspondence from private customers and small businesses. However, big-business mail grew less than in 2006 (+1.5%, compared with +4.1%).

After a sharp downturn of nearly 17% in 2006, unprepared industrial traffic from large mailers took off again (+5.5%) in 2007, largely due to the flows generated by the presidential and legislative elections which fell into the industrial category.
Mailing-house volumes fell by nearly 80 million items of correspondence (-1.4%) between 2006 and 2007, compared with a 9% increase (nearly 480 million processed items) between 2005 and 2006.



Source: ARCEP, Statistical Observatory on Postal Activities

The 2007 drop in correspondence-item volumes processed by mailing houses was, however, slight compared with the previous year's sharp increase (+476 million items between 2005 and 2006).



Source: ARCEP, Statistical Observatory on Postal Activities

Taken overall, there was little change in the origins of either industrial or single-piece mail in 2007, with prepared industrial traffic losing very little ground (-0.6ths of a point) to unprepared industrial traffic.
The distribution of single-piece mail from private customers, small businesses and big business, remained stable.

2- Items delivered against signature

Revenue

in millions of euros before tax	2005	2006	2007	Change 2006-2007
Letters and parcels delivered against signature	1 302	1 382	**1 432**	3,6%

Source: ARCEP, Statistical Observatory on Postal Activities

Volumes

in millions of items	2005	2006	2007	Change 2006-2007
Letters and parcels delivered against signature	276	279	**289**	3,7%

Source: ARCEP, Statistical Observatory on Postal Activities

In 2007, the market in items delivered against signature registered higher volumes than the previous year (+3.7%, compared with + 1.1%). The increase in revenue was in line with that in volume, whereas in 2006, tariff increases had boosted stronger revenue growth.

Letters accounted for the highest volumes of items delivered against signature, and trends in this sub-segment followed those for the segment as a whole, showing a net growth of 3.8% in volume and 3.7% in revenue. In 2006, volumes in this market had headed down (-1.4%).

The market in parcels against signature grew in 2007 with both volume and revenue up 2.6% and 3.5% respectively, though failing to match the robust 2006 growth rates (10% and 19% respectively).

3- International mail: export and import

In 2007, international mail revenue for import and export combined fell 1.3%, while flows held steady at the 2006 levels. This market comprises correspondence and press items, as well as non-express inward and outward parcels.

This drop in international mail revenue was due to a shrinking export market which fell nearly 2% in 2007. Import revenue held steady between 2006 and 2007.

The international mail flow was stable in 2007, with the fall in export item volumes being offset by the increase in import items.

Revenue

in millions of euros	2005	2006	2007	Change 2006-2007
Export	601	533	523	
Import	-	251	251	0,1%
Total international traffic*		784	774	-1,3%

Source: ARCEP, Statistical Observatory on Postal Activities
Covers items of correspondence, items delivered against signature, press items and "ordinary" parcels, including ABC traffic

Volumes

in millions of items	2005	2006	2007	Change 2006-2007
Export	558	510	499	
Import	-	390	401	2,9%
Total international traffic*		900	901	0,1%

Source: ARCEP, Statistical Observatory on Postal Activities
Covers items of correspondence, items delivered against signature, press items and "ordinary parcels, including ABC traffic

NB: Export revenues and volumes for 2006 were revised downwards on the basis of updated operator data.

The outward international mail segment for items of correspondence is open to competition for all weight categories. An ARCEP authorisation is necessary to operate in this market, and most of the operators are subsidiaries of European Posts (Belgian Post, Deutsche Post Global Mail, Royal Mail, Spring and Swiss Post). IMX and Let Services were the only two independent French-financed international-traffic operators at the end of 2007.

3.1 Exports

2006 was characterised by a substantial drop in the export market compared with the previous year (-11.4% in revenue, -8.5% in volume). In 2007, exports continued to decline but less sharply than in 2006, down 1.9% in revenue and 2.1% in volume.

Revenue

in millions of euros	**2005**	**2006**	**2007**	**Change 2006-2007**
Items of correspondence	496	419	**398**	
addressed advertising	-	-	**74**	-
without addressed advertising	-	-	**325**	-
Press items	31	29	**29**	-0,9%
Parcels	74	85	**96**	13,2%
Total Export*	**601**	**533**	**523**	**-1,9%**

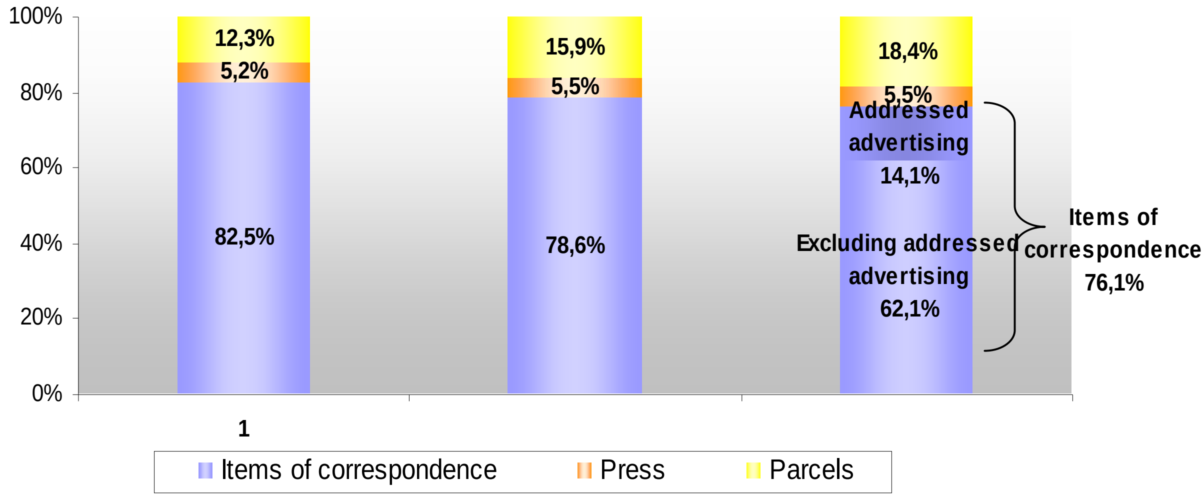
Source: ARCEP, Statistical Observatory on Postal Activities
** - Including ABC traffic*

Volumes

in millions of items	**2005**	**2006**	**2007**	**Change 2006-2007**
Items of correspondence	523	475	**462**	
addressed advertising	-	-	**154**	-
without addressed advertising	-	-	**308**	-
Press items	28	27	**29**	6,9%
Parcels	7	8	**8**	-2,9%
Total Export*	**558**	**510**	**499**	**-2,1%**

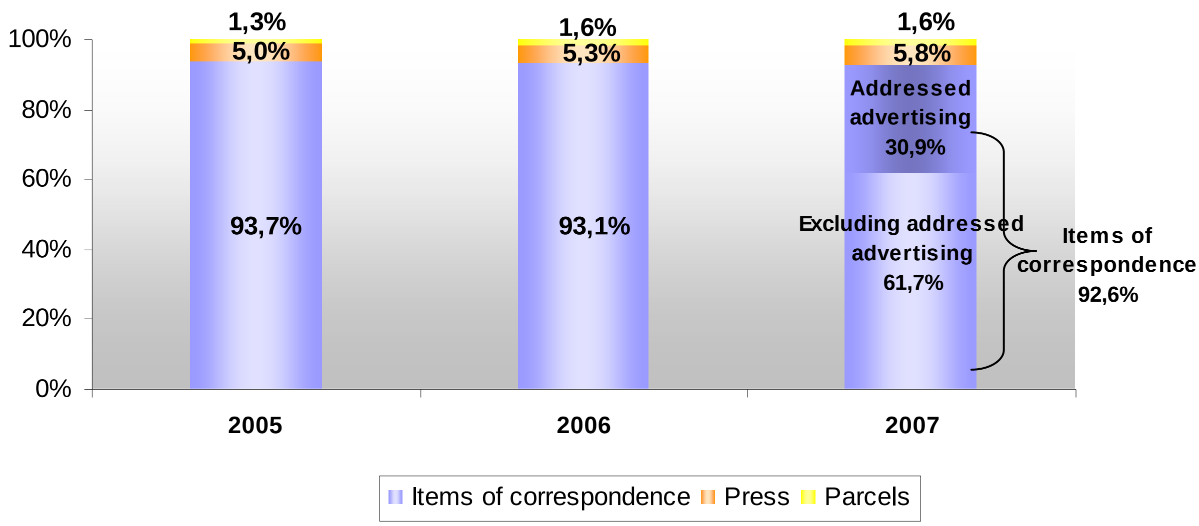
Source: ARCEP, Statistical Observatory on Postal Activities
** - Including ABC traffic*
NB: Export revenues and volumes for 2005 and 2006 were revised downwards on the basis of updated operator data.

Distribution of export items (correspondence, press and parcels) Revenue



Source: ARCEP, Statistical Observatory on Postal Activities

Distribution of export items (correspondence, press and parcels) Volumes



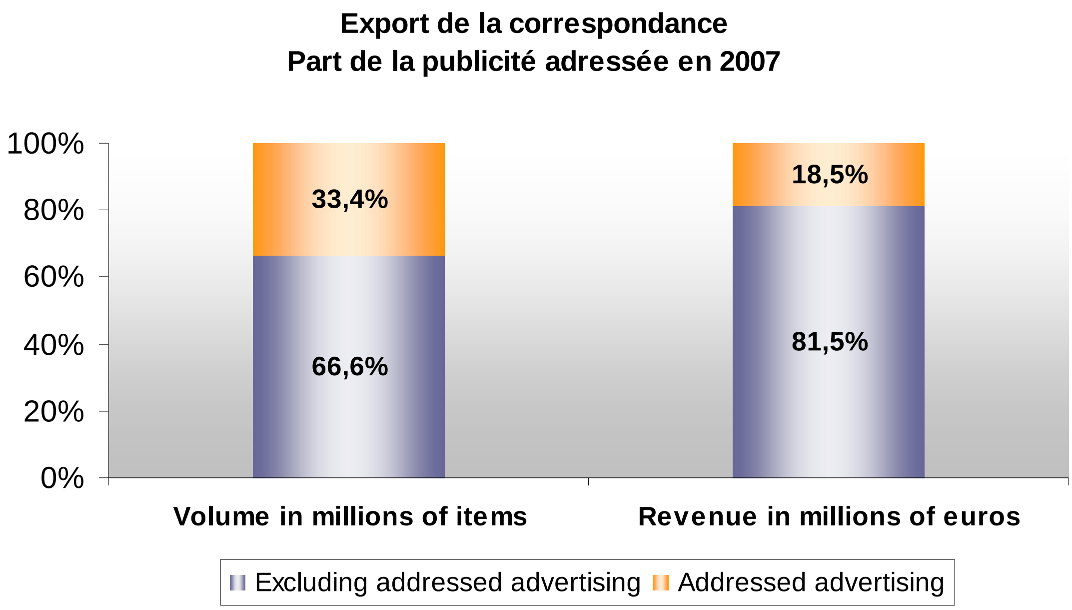
Source: ARCEP, Statistical Observatory on Postal Activities

Changes in the revenue and volume of items of correspondence for export affected export revenue and volumes as a whole, as such items accounted for 76% of export revenue and 93% of export volumes in 2007. Thus, export revenue was hit hard by falling revenue from items of correspondence for export in 2007. Similarly, the decline in export volumes was due to declining correspondence-item volumes.

Changes in the export parcels market impacted less on the overall export market than items of correspondence. Parcels accounted for 18% of export revenue and less than 2% of its volume.
The revenue generated by parcel exports has been rising steadily since 2005, topping 10% in both 2007 and 2006. However, outward international parcel volumes fell almost 3% in 2007.

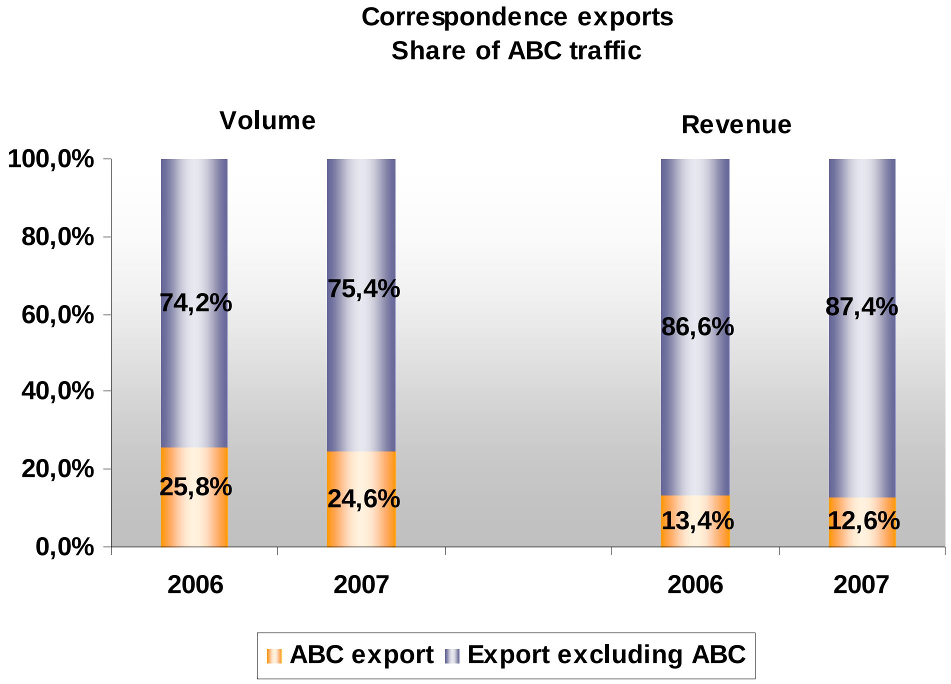
3.1.1 Correspondence exports: addressed advertising and ABC traffic

Though they represent 33.4% of items of correspondence for export, addressed advertising items for export generate just 18.5% of revenue. As for the domestic delivery market, addressed-advertising items are less profitable than items of correspondence excluding addressed advertising.



Source: ARCEP, Statistical Observatory on Postal Activities

In 2007, revenue from ABC correspondence-item traffic stood at over 50 million euros, i.e. nearly 13% of the revenue generated by items of correspondence for export. In terms of volume, this traffic represented 114 million items, i.e. almost 25% of correspondence exports.



Source: ARCEP, Statistical Observatory on Postal Activities

Note:
ABC traffic corresponds to a flow which originates in country A, transits through country B – France, in this instance – and is delivered in country C. Here, postage is paid at the tariffs set by country B. The originator in country A hands over the items to postal operator B, which is remunerated through this postage and then forwards the traffic to country C. Terminal dues are paid to the operator performing delivery in country C.

In 2007, the ABC market in items of correspondence shrank considerably in terms of revenue and volume, down 10.7% and 7.1% respectively. This drop in the course of one year should be interpreted with caution and should not be regarded as a trend in this particularly volatile market.

Revenue

in millions of euros	**2007**	**Change 2006-2007**
Items of correspondence export	**398**	-5,0%
of which ABC traffic	**50**	-10,7%

Source: ARCEP, Statistical Observatory on Postal Activities

Volumes

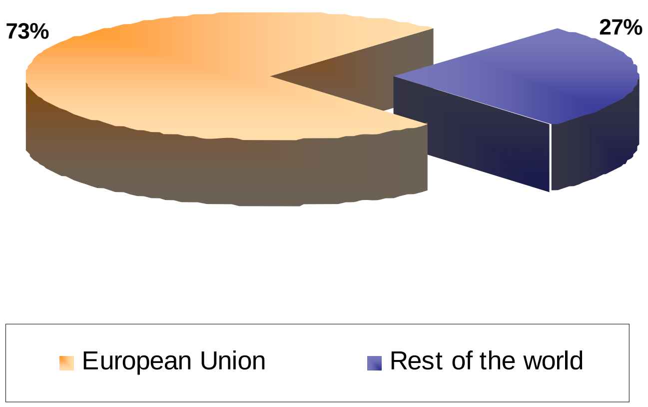
in millions of items	**2007**	**Change 2006-2007**
Items of correspondence export	**462**	-2,7%
of which ABC traffic	**114**	-7,1%

Source: ARCEP, Statistical Observatory on Postal Activities

3.1.2 Destination of export flows

In 2007, the majority of export flows (73%) went to countries of the European Union and consisted of correspondence, parcels and press items.

Total export (correspondence, parcels and press items)
Volume by destination in 2007



Source: ARCEP, Statistical Observatory on Postal Activities

3.1.3 Weight of export traffic

28,500 tonnes of correspondence were sent abroad in 2007, with press items for export accounting for over 5,600 tonnes.

Weight of export traffic

in tonnes	**2007**
Items of correspondence	**28 465**
Excluding addressed advertising	17 089
Addressed advertising	11 376
Press items	**5 629**

Source: ARCEP, Statistical Observatory on Postal Activities

3.2 Imports

Import traffic revenue, consisting of terminal dues[5], totalled 251 million euros in 2007, up just 0.1% between 2006 and 2007. In contrast, volumes rose almost 3% over the same period, from 390 to 401 million items.
However, import's share of the total addressed-item market remained stable, both in terms of revenue (1.7%) and volume (1.9%).

Import is not subject to authorisation, and intermediate operators that fetch traffic from abroad and hand it over to the final delivery operator are placed in the same category as mailing houses. However, the operator performing final delivery of the imported mail must be one authorised by ARCEP.

Revenue

in millions of euros	2006	2007	Change 2006-2007
Import	251	251	0,1%

Source : Arcep, Observatoire statistique des activités postales

Volumes

in millions of items	2006	2007	Change 2006-2007
Import	390	401	2,9%

Source : Arcep, Observatoire statistique des activités postales

Note:
The Observatory's scope covers correspondence; items delivered against signature, press items and "ordinary" parcels but excludes express items and unaddressed advertising.

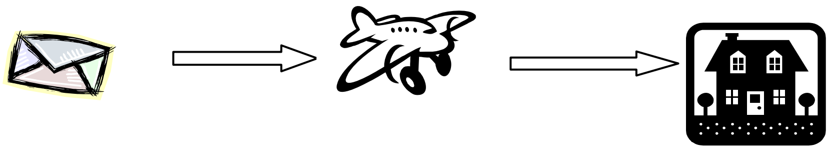
[5] Terminal dues, i.e. the remuneration collected by operators for delivering foreign-origin mail in France, are paid by the operator of the country of origin.

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**

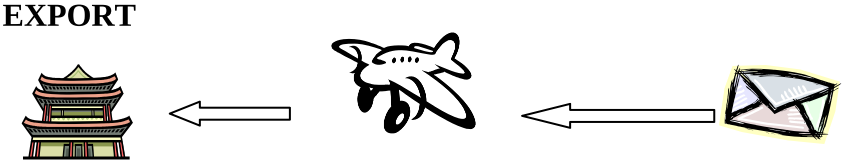
COUNTRY A | **COUNTRY B** | **COUNTRY C**



<u>Financial flows</u> | **Postage Post A** | **Terminal dues Post B**

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

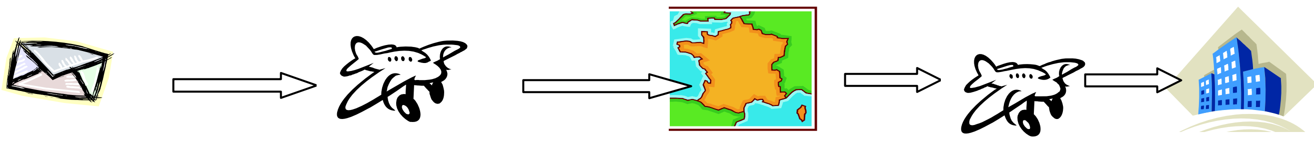
*** EXPORT**



<u>Financial flows</u>
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**



<u>Financial flows</u> | **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- Parcels

The "light" parcels market for items weighing less than 30 kilograms accounted for nearly 700 million items, generating income of 3.8 billion euros in 2007.

This market comprises two segments: "ordinary" parcels and express parcels. The main difference between them lies in their forwarding times, with ordinary parcels generally taking more than one day (D+2 to D+5) and express parcels one day or less (D+1). The second difference concerns identification of parcel senders and addressees. Moreover, "ordinary" parcels mainly concern business-to-consumer exchanges or those between private individuals, while the express service is more suited to business-to-business needs (short transmission times, appropriate logistics).

However, the dividing line between these two segments is becoming increasingly blurred as the products offered by operators steadily converge.

4.1 "Ordinary" parcels

The "ordinary" parcels market is driving postal activity growth, generating revenue of 1.7 billion euros (almost 12% of the addressed items market) in 2007, i.e. up 6.5% on 2006. This market has expanded constantly since 2004 and grew nearly 300 million euros between 2004 and 2007. In 2007, revenue increased more than volumes (+3.8%) because of product upgrading in both the business-to-consumer market and that between private individuals[6].

This market trend was driven by the e-commerce boom where sales – which cover not just postal prepayment but also insurance of the purchases – shot up 34.5% in 2007 to 16 billion euros[7], with the average price of an on-line transaction remaining stable at around 90 euros, inclusive of tax.

In 2007, just under 230 million parcels were generated by remote retailing[8] and e-commerce. This figure includes parcels sent by "pure players", trading platforms that are solely Internet-based. Remote retailing and e-commerce accounted for over 60% of the ordinary parcels delivered in France.

According to FEVAD, 89%[9] of people making purchases on the Internet over the last six months had their purchases delivered to their home address, while 46% used pick-up points. Some buyers used both delivery methods.

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[6] La Poste notes that "*All customers have switched to products offering track and trace and 48-hour time-certain delivery (with the exception of Coliéco TS2, a product reserved for mail-order firms, and the Overseas product).*" *in* 2007 Financial Report, page 11.
[7] Key figures, remote retailing e-commerce, 2008 edition, Fédération des Entreprises de Vente à Distance (FEVAD).
[8] 2007 FEVAD figures. The data for previous years were revised downwards by this Federation.
[9] Delivery methods chosen by Internet users over the past six months, FEVAD-Médiamétrie Barometer //Net ratings May 2008 *in* Key figures, remote retailing e-commerce, 2008 edition, Fédération des Entreprises de Vente à Distance (FEVAD).

Revenue

in million of euros before tax	2004	2005	2006	2007	Change 2006-2007
"Ordinary" parcels	1 396	1 440	1 585	**1 687**	6,5%

Source: ARCEP, Statistical Observatory on Postal Activities

Volumes

in millions of items	2004	2005	2006	2007	Change 2006-2007
"Ordinary" parcels	342	346	355	**369**	3,8%

Source: ARCEP, Statistical Observatory on Postal Activities

NB: All revenue and volumes for the "ordinary" parcels market were revised downwards on the basis of a correction to remote-retailing parcel data.

4.2 Express parcels

In 2007, domestic express light parcel revenue and volume registered similar growth (+3.4% in revenue and +3.3% in volume), with revenue progressing at the same pace as in 2006 unlike volume which had grown about twice as fast (+6.8%) the previous year.

The average price per item rose nearly 3% (7.16 euros in the fourth quarter of 2007 compared with 6.96 euros in the fourth quarter of 2006), after falling 3.6% in 2006, according to the survey on courier services conducted by the Ministry for Ecology, Energy, Sustainable Development and Spatial Planning[10].

The international express service revealed contrasting trends in 2007: revenue from imports shrank 3.6%, compared with a 13.4% increase in 2006, and growth in the number of imported items slowed (+5.3%, compared with +18.9% in 2006). Export revenue, however, continued to expand, up 5.2% in 2007 compared with a 5.6% increase in 2006, though volume growth slackened (+2.6% in 2007 compared with +5.3% in 2006). By way of comparison, between 2006 and 2007, the number of imported items nevertheless increased more than exported ones (+5.3% for imports, compared with +2.6% for exports).

Changes in average prices explain these trends: while the average price of an export item rose 5.6% in one year to 38.2 euros that of an import item fell 8.8%, to 9.9 euros.

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[10] Courier service survey No. 342, April 2008, Ministry for Ecology, Energy, Sustainable Development and Spatial Planning. The SESP survey is conducted in conjunction with TLF, the *Fédération des Entreprises de Transport et de Logistique de France*, and based on data provided by the networks themselves.

Growth rates for express light parcels*

	Revenue			Volumes		
	2005	2006	2007	2005	2006	2007
Express domestic	3,8%	3,2%	**3,4%**	5,5%	6,8%	**3,3%**
Express imports	22,2%	13,4%	**-3,6%**	15,2%	18,9%	**5,3%**
Express exports	-0,5%	5,6%	**5,2%**	4,8%	5,3%	**2,6%**

Source: Courier services survey, SESP, Ministry for Ecology, Energy, Sustainable Development and Spatial Planning, annual averages

In 2007, more than 310 million[10] express light parcels were delivered in France, constituting a market with an estimated value of 2.15 billion euros. Of these, the domestic market accounted for 238 million parcels and imports for 74 million. In all, the express light parcel market was valued at over 3.3 billion euros in 2007.

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[11], 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.

[10] Express market revenue and volumes are based on estimates and not on replies to the Observatory's annual survey.

[11] 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 Telecommunications Code).

5- Press items

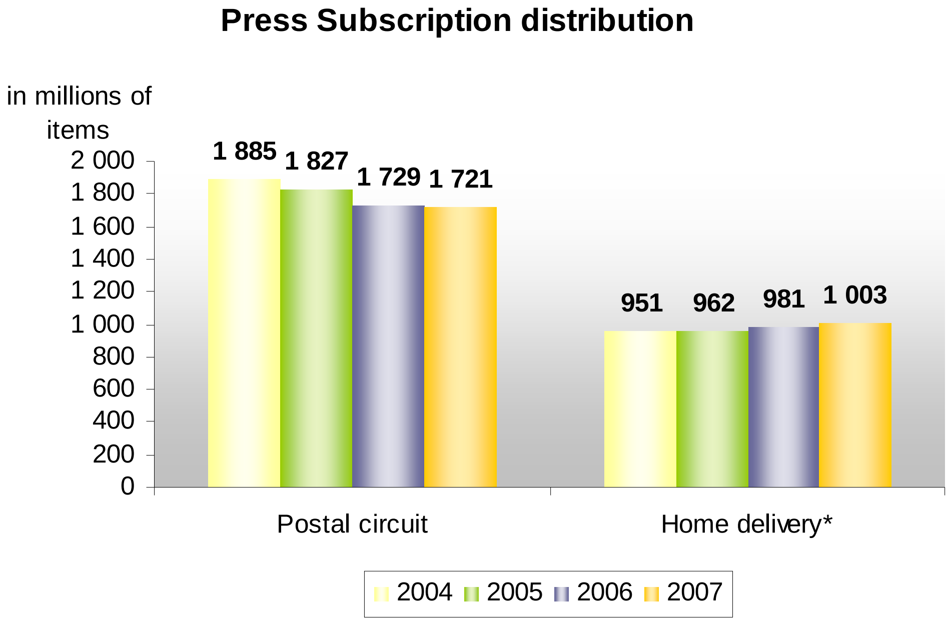
There was a very slight increase in press items delivered through the postal circuit and non-postal channels[13] in 2007, up 0.5% on 2006. Press items delivered through these two channels had registered lower volumes since 2004, falling 1.7% in 2005 and 2.8% in 2006.

2007 trends for press items delivered through the postal circuit and non-postal channels reflect the resilience of the popular press which, according to the *Office de Justification de la Diffusion* (OJD)[14], fell just 0.3% compared with a decrease of 2.2% between 2005 and 2006. The popular press accounts for almost 98% of press items against payment in France.

Volumes

in millions of items	2004	2005	2006	2007	Change 2006-2007
Postal circuit	1 885	1 827	1 729	**3 882**	124,5%
Home delivery*	951	962	981	**0**	-100,0%
Total delivery of press items to subscribers	2 836	2 789	2 710	**3 882**	43,2%

Source: ARCEP, Statistical Observatory on Postal Activities
** Source: OJD, Observatoire de la presse – Delivery of popular press items against payment through non-postal channels*



Source: ARCEP, Statistical Observatory on Postal Activities
** Source: OJD, Observatoire de la presse – Non-postal delivery of popular press items against payment*

[13] In constrast to postal delivery when an address is printed on the newspaper which is delivered like addressed mail, non-postal delivery is based on a list of addressees and an unmarked pile of newspapers. Consequently, delivery through non-postal channels is not a postal activity in the sense of Directive E97/67/EC which presupposes the delivery of addressed items.
[14] 18ème Observatoire de la Presse, OJD, 2008. The OJD is the French association which certifies the distribution, delivery and counting of newspapers, periodicals, websites and all other advertising media.

The volume of press items delivered through the postal circuit fell 0.5% in 2007, less than the decreases registered between 2005 and 2006 (-5.4%) and between 2004 and 2005 (-3.1%).
In contrast, non-postal home delivery before 8 am has been gaining ground since 2004 and, in 2007, more than one billion newspapers and magazines were delivered to subscribers through non-postal channels, with volume increasing 2.3% between 2006 and 2007. The annual growth of press-item volumes delivered through such channels has speeded up from 1.1% in 2005 and 2.0% in 2006.

In line with the general trend for press items against payment over this period, news-stand sales rose 0.7% between 2006 and 2007, according to the OJD, whereas these same sales had fallen 4.7% between 2005 and 2006. The OJD also reported that these sales represented approximately 50% of volumes of press items against payment in France, with news-stands constituting the main press distribution channel in France.

5.1 Postal delivery

5.1.1- Revenue from postal delivery

Revenue

in million of euros before tax	**2004**	**2005**	**2006**	**2007**	**Change 2006-200**
"Press" sales	468	492	484	**0**	-100,0%
Government contribution	290	242	242	**242**	0,0%
Total	758	734	726	**242**	-66,7%

Source: ARCEP, Statistical Observatory on Postal Activities

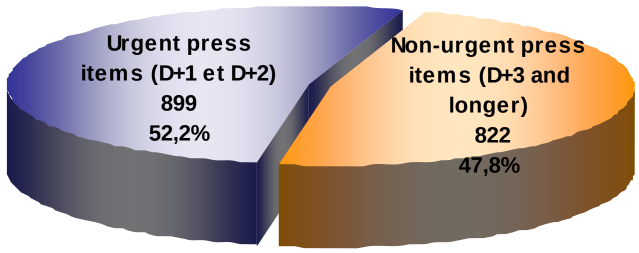
The decline in the volume of press items delivered through the postal circuit resulted in a very slight decrease in revenue (-0.2%). The impact of higher press delivery tariffs on revenue was negligible.

The French Government's contribution – set out in the multi-year agreements between Government, Press and Post – totalled 242 million euros in 2007, corresponding to the contractual remuneration paid by the Government to La Poste to offset the preferential tariffs granted to press organisations (cf. box on the Schwartz Agreements).

5.1.2- Distribution of press subscriptions by degree of urgency

In 2007, more than half the press-items distributed through the postal circuit were delivered at the urgent tariff, i.e. in D+1 or D+2.

Press items delivered through the postal circuit by degree of urgency in 2007
in millions of items

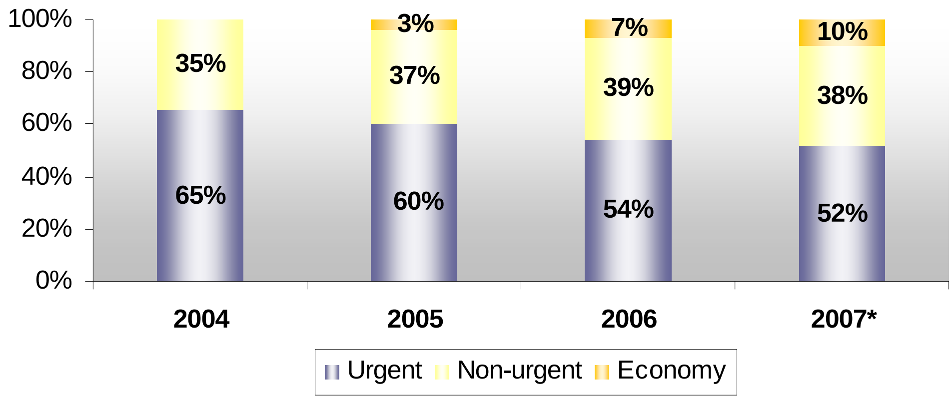


Source: ARCEP, Statistical Observatory on Postal Activities

Distribution of La Poste's press traffic

As a major press-item home-delivery player, La Poste has been offering three types of tariff – each linked to a delivery deadline – for this type of item since 2004: urgent (D+1), non-urgent (D+4) and economy (D+7). The introduction of the economy tariff in 2004 impacted on traffic structure from 2005, with urgent items losing thirteen percentage points to non-urgent and economy items, which gained three and ten points respectively.

Distribution of La Poste's press-item traffic by service level



Source: La Poste in *Mission de réflexion et de proposition sur l'acheminement des abonnements de presse, Rapport d'étape: le diagnostic, May 2008, Marc Schwartz, page 24.*
**Estimates*

5.2 Non-postal delivery

According to the OJD, 22% of all press items against payment in France were delivered through non-postal channels. At 44%, daily departmental and regional press items account for the majority of these volumes, gaining almost four percentage points since 2004. Sunday newspapers rank second (27%) in non-postal delivery statistics, accounting for stable percentage volumes since 2004. Magazines and national dailies bring up the rear for use of non-postal delivery channels, with 9% and 8% respectively – percentages which have changed little since 2004.

Press publishers received government subsidies to the tune of 8.25 million euros in 2007 under the head of non-postal delivery of press items. This assistance, which is confined to dailies disseminating political and general information, tends to support the development of a delivery method particularly suited to press items requiring regular, early-morning delivery.

The Schwartz Agreements

On 23 July 2008, the French Government, La Poste and representatives of the Press signed an agreement, running from 2009 to 2015, on the conveyance of press items by La Poste.

Under this agreement, the Government will continue to subsidise La Poste for its conveyance of press items as follows: 242 million euros until 2011, 232 million euros in 2012, decreasing to 180 million euros in 2015.

The gradual increase in delivery tariffs will be spread over seven years. Between 2009 and 2015, this increase will be slightly less than 25% for press items providing political and general information, and around 34% for other press items.

The previous agreements signed in 2004 – the Paul Agreements – expire on 31 December 2008.

Home delivery of press items through non-postal channels will be studied within the framework of an autumn 2008 Press Convention.

6- Unaddressed advertising

Revenue from the delivery of unaddressed advertising amounted to just under 676 million euros in 2007, a rise of 2.8% but less than the 2006 increase of 4.5%. The tariff increases in response to the introduction of an environmental tax, and the application of a new collective agreement in 2005, no longer impacted on revenue.

Unaddressed advertising volumes grew 5.1% in 2007 after marking time in previous years.

Revenue

in million of euros before tax	2004	2005	2006	2007	Change 2006-2007
Unaddressed advertising	593	630	658	**676**	2,8%

Source: ARCEP, Statistical Observatory on Postal Activities

Volumes

in millions of items	2004	2005	2006	2007	Change 2006-2007
Unaddressed advertising	18 590	18 570	18 568	**19 515**	5,1%

Source: ARCEP, Statistical Observatory on Postal Activities

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[15] 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 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 bulk market

The mail preparation market for addressed items accounted for just over 7 billion items. Items of correspondence, with 5.7 billion prepared items (79% of processed flows), and press items, with nearly 1.4 billion items (19% of processed flows), made up almost the entire addressed-mail preparation market. Parcels and items for export represented less than 3% of all prepared flows.
The volume of unaddressed advertising processed by mailing houses is estimated at a further one billion items.

Thirty-four percent of items of correspondence were prepared, though mail preparation concerned only industrial items, 58% of which were prepared. The majority of press items under subscriptions were prepared, accounting for more than 80% of volumes.

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

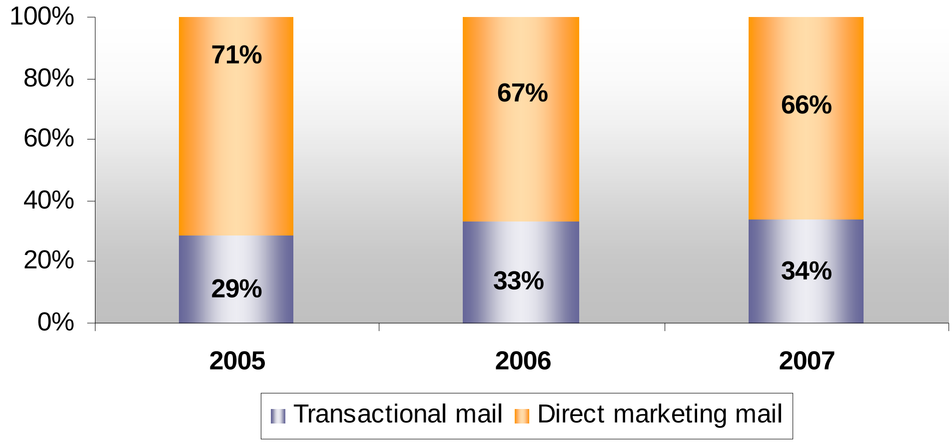
Volume				
in millions of items	2005	2006	2007	Change 2006-2007
Prepared items of correspondence - total	**5 275**	**5 751**	**5 672**	-1,4%
of which transactional mail	1 516	1 926	**1 917**	-0,5%
of which direct marketing mail	3 759	3 825	**3 755**	-1,8%

Source: ARCEP, Statistical Observatory on Postal Activities

Prepared flows accounted for over 5.7 billion items of correspondence in 2007, down 1.4% after a 9.0% rise in 2006.

Transactional mail items, i.e. bills, account statements or any other items of administrative correspondence, registered the biggest expansion between 2005 and 2007 (400 million more items), while direct marketing items, i.e. addressed advertising, remained at their 2005 level. Lastly, direct marketing items as a percentage of all prepared items of correspondence fell from 71% to 66% between 2005 and 2007.

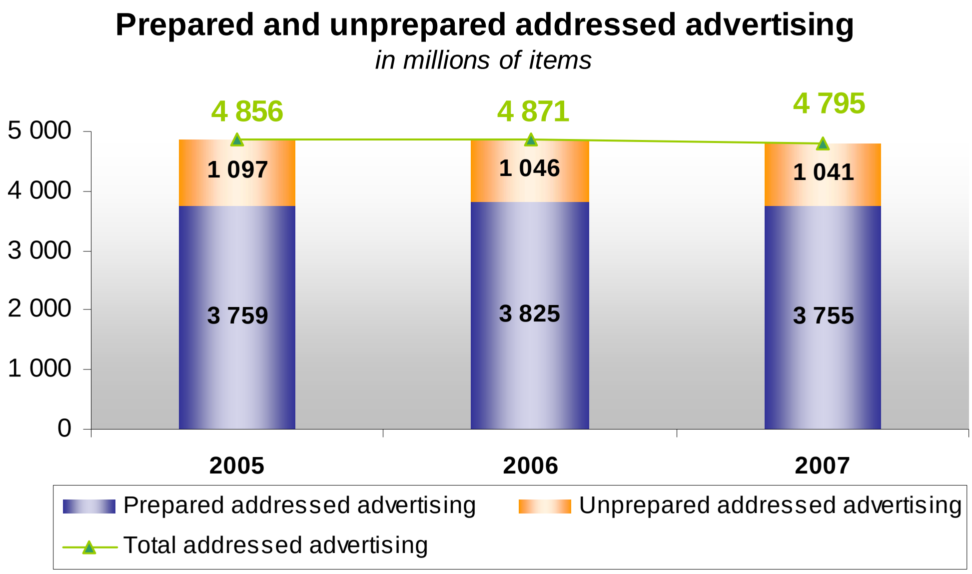
Distribution of prepared items of correspondence



Source: ARCEP, Statistical Observatory on Postal Activities

7.2 Mail preparation – Addressed advertising

Addressed advertising handled by mailing houses dropped in 2007, in parallel with a declining market for delivered addressed advertising (-1.8% compared with -1.6%). Thus, around 80% of direct marketing mail was prepared, with large mailers deciding whether or not to outsource mail preparation depending on operators' offers.



Source: ARCEP, Statistical Observatory on Postal Activities

Mail preparation activities proper including packaging, sorting and franking, generated about two thirds of direct-marketing mail preparation revenue. File management and item-personalisation work (i.e. upstream activities like geomarketing or even message-content design) constituted the second source of revenue, while ancillary activities (business, supply of envelopes, etc.) generated less revenue.

In 2007, 95% of prepared direct-marketing items[16] were deposited direct with an ARCEP-authorised postal delivery operator, while the remaining 5% were grouped with aggregators[13] to obtain more favourable tariffs from postal operators.

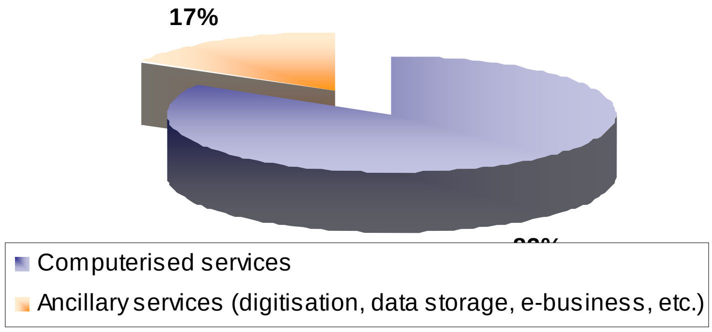
7.3 Mail preparation – Transactional mail

Prepared transactional mail dipped 0.5% in 2007 – less than the drop in direct marketing – keeping pace with the changes in both prepared and unprepared transactional mail and addressed advertising in 2007.

The general trend for transactional-mail volumes points downward, with large mailers (banks, utilities, telecom operators) increasingly offering their customers electronic bills or statements.

[16] Based on replies to the 2007 annual survey conducted by ARCEP's Statistical Observatory on Postal Activities.
[13] Certain volume thresholds have to be reached to qualify for discounted tariffs. When mailing houses do not have enough items, they pass them on to an aggregator which combines the small consignments to obtain the required volumes.

Breakdown of computerised-services provider revenue in 2007*



Source: ARCEP, Statistical Observatory on Postal Activities
** Based on survey replies, cf. sources.*

Mailing houses processing transactional mail derived the bulk of their revenue (83%) from computerised services such as item personalisation, a figure which has remained stable since 2005. The remaining 17% came from ancillary services such as digitisation or data storage.

The percentage of flows posted with an ARCEP-authorised delivery operator was the same as in 2006 (over 99%). Mailing houses that deal in transactional mail do not use flow aggregation much as the consignments are large enough to qualify for postal operator discounts.

Mail preparation: Five strategic profiles

A segmentation of strategic profiles based on the financial and social data of mailing houses between 2001 and 2005, analysed by Basic Consultants[14], produced the following categories:

- Subsidiaries of postal operators,
- Independent companies,
- SMEs,
- Integrated communications service providers,
- Subsidiaries of large mailers.

This typology highlights the very different lines of thrust followed by mailing houses, with postal operators' subsidiaries playing a crucial role in sector structuring. Independent companies achieved good economic results, and some of them were taken over by postal operators breaking into the French market.
The results achieved by the other groups of companies were less homogeneous, with some SMEs running into serious economic problems.

The acquisition by Pitney Bowes, the US franking-machine market leader, of Astérion, one of France's biggest transactional-mail processors hitherto owned by the Belgian Post, was a salient feature of the mailing house market in 2007.
In December 2007, Inforsud, a subsidiary of the Caisse Régionale de Crédit Agricole Nord-Midi Pyrénées, and the Defitech Group, a subsidiary of the Caisses Régionales de Crédit Agricole Loire, Haute-Loire and Sud Rhône Alpes, announced the signature of an agreement to merge their computerised-services and transactional-mail subsidiaries.

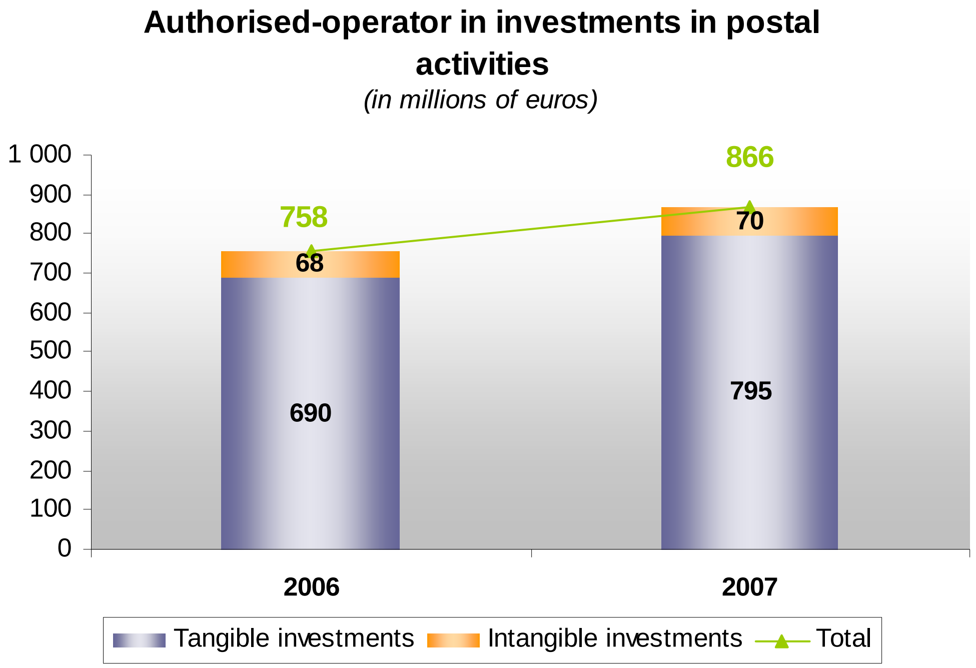
[14] Study on mail preparation in France, conducted by Basic Consultants for ARCEP, 2008

Part II – Investments made and jobs created in postal activities

1- Investments

In 2007, operators invested 866 million euros in postal activities, including investments made through their subsidiaries, 14.2% more than in 2006.

Tangible investments accounted for nearly 92% in 2007, around the same level as in 2006. These investments are in essential postal-activity infrastructure – equipment, sorting machines and premises.
Intangible investments concerned services such as computerisation of operator information systems.



Source: ARCEP, Statistical Observatory on Postal Activities

Note:
The information about investments given here is confined to operators authorised by ARCEP at the end of 2007 and to their subsidiaries in France that invest in postal activities (see box on next page). Thus, they cover only postal services in the strict sense of the term and exclude express items, unaddressed advertising and mail preparation.

Investments by subsidiaries

A large proportion of the La Poste Group's investments in postal activities in France were made through Poste Immo, a 100% subsidiary created on 1 April 2005. Since then, Poste Immo has been managing its parent company's investments in infrastructure (upgrading of sorting centres and renovation of post offices) and its real estate.

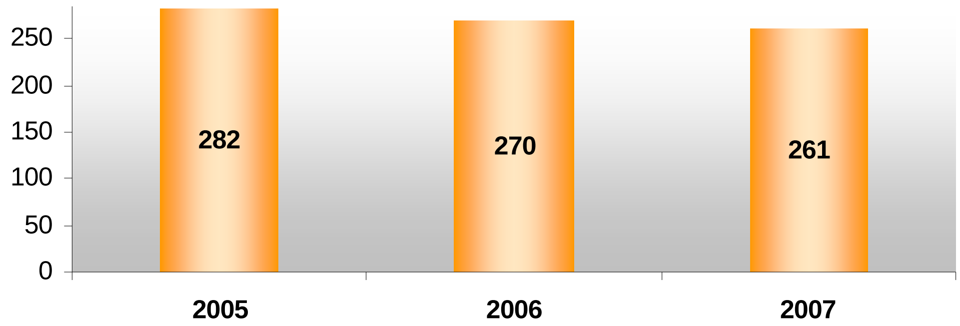
In particular, these investments support the plan to modernize La Poste's production apparatus, entitled "Cap Qualité Courrier", which provides for investments totalling 3.4 billion euros between 2004 and 2012 with the creation of 42 industrial mail platforms to process 87.8% of traffic. At the beginning of 2008, six of these facilities were operational.[15]

[15] 2007 Financial Report, La Poste, page 4.

2- Jobs

At 31 December 2007, the number of jobs linked to ARCEP-authorised operators' postal activities stood at 261,000, down 3.2% (compared with a 4.1% decrease in 2006).

Jobs linked to authorised operators' postal activities
(in thousand)



Source: ARCEP, Statistical Observatory on Postal Activities

Note:
The jobs mentioned here concern people employed by ARCEP-authorised operators at the end of 2007 for their postal activities. Thus, they concern only jobs related to postal services in the strict sense of the term and not those related to express items, unaddressed advertising and mail preparation.

The number of jobs given here corresponds to the number of individuals employed by authorised operators to perform postal services, excluding subsidiaries.

- It excludes employees of the Banque Postale, a La Poste subsidiary, as well as financial services staff working for the La Poste parent company, whose jobs are not linked to postal services.
- It also excludes the staff of agencies or partner pick-up points to which authorised operators delegate certain services. Jobs in postal or communal agencies and pick-up points are not counted even though the number of such facilities increased 13% in 2007.
- Employees – especially counter staff – whose work is only partially connected to postal services, are counted as full-time staff, instead of calculating the percentage of their time spent on postal activities.

This indicator is therefore not a totally accurate reflection of jobs related to postal services.

Counter staff: postal plus banking services

La Poste counter staff divide their work between postal services, such as the prepayment of items of correspondence or "ordinary" parcels, and other services on behalf of subsidiaries (La Banque Postale, Chronopost).

For each of these subsidiaries, an agreement on billing counter-staff work is signed with the parent company, and these agreements are renegotiated every year on the basis of either the time spent on this work or on sales commissions.

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 Telecommunications 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 2007 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, Basic, SELCED).

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

- Syndicat des Entreprises de Logistique de Communication Ecrite Directe (SELCED): mail-preparation market
- Fédération des Entreprises de Vente A Distance (FEVAD): parcels market

Other public sources used by the Observatory:

- La Poste : 2007 Annual Report
- Ministry for Ecology, Energy, Sustainable Development and Spatial Planning: courier services and express market
- Office de Justification de la Diffusion (OJD): press delivery
- Mission de réflexion et de proposition sur l'acheminement des abonnements de presse, Rapport d'étape : Le Diagnostic, May 2008, Marc Schwartz
- Study on mail preparation activities in France, conducted by Basic Consultants for ARCEP, 2008