RÉPUBLIQUE FRANÇAISE

08 March 2010

Statistical observatory on postal activities

Year 2008

ARCEP
www.arcep.fr
Autorité de régulation des communications électroniques et des postes

Preamble

The Autorité de régulation des communications electroniques et des postes (ARCEP) is publishing the findings for 2008 of the annual survey conducted on the postal activities market. This survey polled authorised operators at 31 December 2008 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 2008 helped provide a better picture of authorised operators' activities, making it possible in particular to analyse the import market in greater detail. They also highlighted how items of correspondence had developed in terms of both urgency and weight.

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 2008, 21 operators besides 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** in the urban areas of 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 in the urban areas of 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 Toulouse, Nantes, Lille and surrounding areas (authorised on 19/04/2007), and of Clermont-Ferrand (09/10/2008), Strasbourg (26/03/2009), Saint-Etienne and Saint-Chamond (07/07/2009)
- **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 the urban area of Vichy and surrounding area (authorised on 28/06/07) , and in the urban areas of Clermont-Ferrand and Riom and surrounding areas (authorised on 07/04/2009)
- **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)
- **Ciblex** in the Nord and Pas-de-Calais départements (authorised on 10 June 2008)

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)

Executive summary

In 2008, postal activities and related item-delivery markets[1] generated 14.8 billion euros in revenue for addressed items and 0.7 billion euros for unaddressed advertising. Revenue from the delivery of addressed items rose just 0.2%, registering slower growth compared with previous years (+1.7% in 2007[2], +1.4% in 2006). The volume of addressed items delivered fell 2.4% in 2008, in the wake of the 2007 elections when the number of items had risen 0.5%. However, 2008 volumes were in line with the downward trend observed in 2006 (-1.7%).

Items of correspondence accounted for 8.4 billion euros in 2008, i.e. more than half of all revenue. There was a marked decrease in both revenue and volumes for this category in 2008 (down 2.3% and 2.8% respectively). The moderate recovery noted in 2007 was based on slight volume growth (+0.5%) in connection with the flows generated by the presidential and legislative elections. In 2008, the clear drop in the correspondence-item market was more pronounced than in the years before 2007 (-1.6% in 2006 for volume).
The market segment open to competition – items weighing more than 50 grams which are heavier and therefore more expensive – was hardest hit by falling volumes with a drop of 5.1% in 2008. Since 2006, when the scope of the area reserved for the postal monopoly was reduced, the share of volume in the area open to competition has remained constant between 16.5 and 17.0%.
While “industrial mail” (i.e bulk mail) dipped slightly in 2008 (-0.7%), it was mainly “single-piece items”, i.e. all mail sent by private individuals and small businesses, and non-industrial mail sent by big businesses in general, which experienced a sharp downturn at -5.7%.

Yet again, the parcels market proved more dynamic revenue-wise, generating 45% of the additional revenue from all postal activities and related markets in 2008, although it accounted for only 26% of total revenue. The e-commerce boom continues unabated, and total parcel volumes are growing steadily, with express providers benefiting more than those delivering “ordinary” parcels where volumes rose just 0.6% in 2008, after a 1.8% rise in 2007. Revenue growth for ordinary-parcel traffic was boosted by a tariff increase in 2008.

The addressed advertising market, which accounts for nearly half of items delivered while generating only 5% of revenue, expanded fast for the second year in succession, with volume growing 5.9% in 2008, compared with 5.1% the year before. Higher revenue from good volume performance made this segment (addressed advertising is not regarded as a postal item) the second most dynamic.

In 2008, revenue from items delivered against signature was up 1.8%, growing much more slowly than in previous years. (+3.6% in 2007 and +6.1% in 2006). In terms of volume, items delivered against signature (letters and parcels taken together) fell nearly 5%.

Revenue from export traffic – letters, press items and “ordinary” parcels – increased in 2008, buoyed by revenue from parcel exports where traffic volume showed robust expansion. Items of

[1] In this publication, postal activities and related delivery markets 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 dealt with in a separate chapter.
[2] The data already published for 2007 have been revised.

correspondence and press traffic generated lower export revenue, given the lack of significant volume growth.
Though revenue growth from export traffic was low at 0.7%, it nevertheless constituted an improvement after two years in decline. In particular, correspondence-item exports stabilised thanks to a 6.2% rise in addressed advertising traffic.

Revenue from press items delivered via postal and non-postal channels was down 5.8% in 2008. After a brief respite in election year 2007, the erosion of delivery volumes continued at the rate observed for 2005 and 2006. In this generally unfavourable climate, home-delivery of press items through non-postal channels (which is not a postal activity in the sense of the European Directive) gained further ground, with volume up 1.5%. Thus, 38% of newspapers and magazines were delivered to subscribers through non-postal channels in 2008.

Mail preparation operations, which focus on bulk mail, account for an ever-larger share of transactional and direct marketing mail. In terms of volume, mailing houses processed 35% of items of correspondence delivered in France in 2008, six percent more than in 2005. However, the mail preparation market was not spared by the economic slowdown in 2008 either, recording a 0.6% decrease in that year. The mail preparation market was buoyed by growth of 1.7% for the prepared transactional-mail segment (bills, account statements, administrative correspondence), in contrast to the downturn in prepared advertising mail.

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PART 1 – Overview of markets in 2008

In 2008, **the addressed-items market** represented nearly 15 billion euros, i.e. 95% of the revenue generated by postal activities and related delivery markets.

At almost 8.4 billion euros in 2008, domestic delivery of items of correspondence constituted the core of the addressed-item market. After recovering in 2007 as a result of electoral activity, revenue from items of correspondence took another downturn, sharper than that in 2006 (0.4%).

The second-biggest market in terms of revenue in 2008 was parcel delivery in France at 4 billion euros, accounting for over a quarter of total addressed-item market revenue. The "ordinary" parcel market, which represents about 43% of the parcels market as a whole, continued to flourish in 2008, with revenue growing by 5.7%. Revenue growth from express, the other parcels segment, paralleled that of "ordinary" parcels.

At over 1.5 billion euros in 2008, the domestic market in items delivered against signature, for both letters and parcels, was the third-biggest market as regards revenue, though growth slowed in 2008, rising just 1.8% compared with +3.7% in 2007 and +6.1% in. 2006.

Revenue from delivery of press items through postal channels fell to 464 million euros in 2008, decreasing more sharply than in the previous two years (-3.9%, compared with -0.2% in 2007 and -1.7% in 2006).

The export market (for all products taken together) generated 526 million euros in 2008, shrinking more than in the previous two years (down 3.9%, after decreases of 0.2% and 1.7% in 2007 and 2006 respectively).
Revenue from items of correspondence, which accounts for three quarters of export market revenue, continued to fall in 2008 (-1.6%) but more slowly than in 2007 (-5%). Revenue from "ordinary" parcel exports kept rising sharply (up 12.1%) in 2008, while revenue from press-item exports dropped 5.8%.

The delivery of **unaddressed advertising** generated over 700 million euros in revenue. Because delivering advertising leaflets is a low added-value service, it contributes just 5% of total revenue, despite the substantial volumes delivered (20.7 billion in 2008). 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	2008	Change 2007- 2008
Delivered in France					
Items of correspondence	8 470	8 435	8 581	**8 382**	-2,3%
Letters and parcels against signature	1 302	1 382	1 432	**1 458**	1,8%
Parcels	3 464	3 698	3 760	**3 972**	5,6%
of chich "ordinary" parcels	1 440	1 585	1 610	**1 702**	5,7%
of which express light parcels*	2 000	2 122	2 150	**2 269**	5,6%
Postal delivery of press items to subscribers**	492	484	483	**464**	-3,9%
Total addressed items delivered in France	**13 728**	**13 999**	**14 256**	**14 275**	**0,1%**
Delivered for export					
Items of correspondence	496	419	398	**392**	-1,6%
"Ordinary" parcels	74	85	96	**108**	12,1%
Press items	31	29	29	**27**	-5,8%
Total addressed items exported	**601**	**533**	**523**	**526**	**0,7%**
Total addressed-items market	**14 329**	**14 532**	**14 779**	**14 802**	**0,2%**

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.

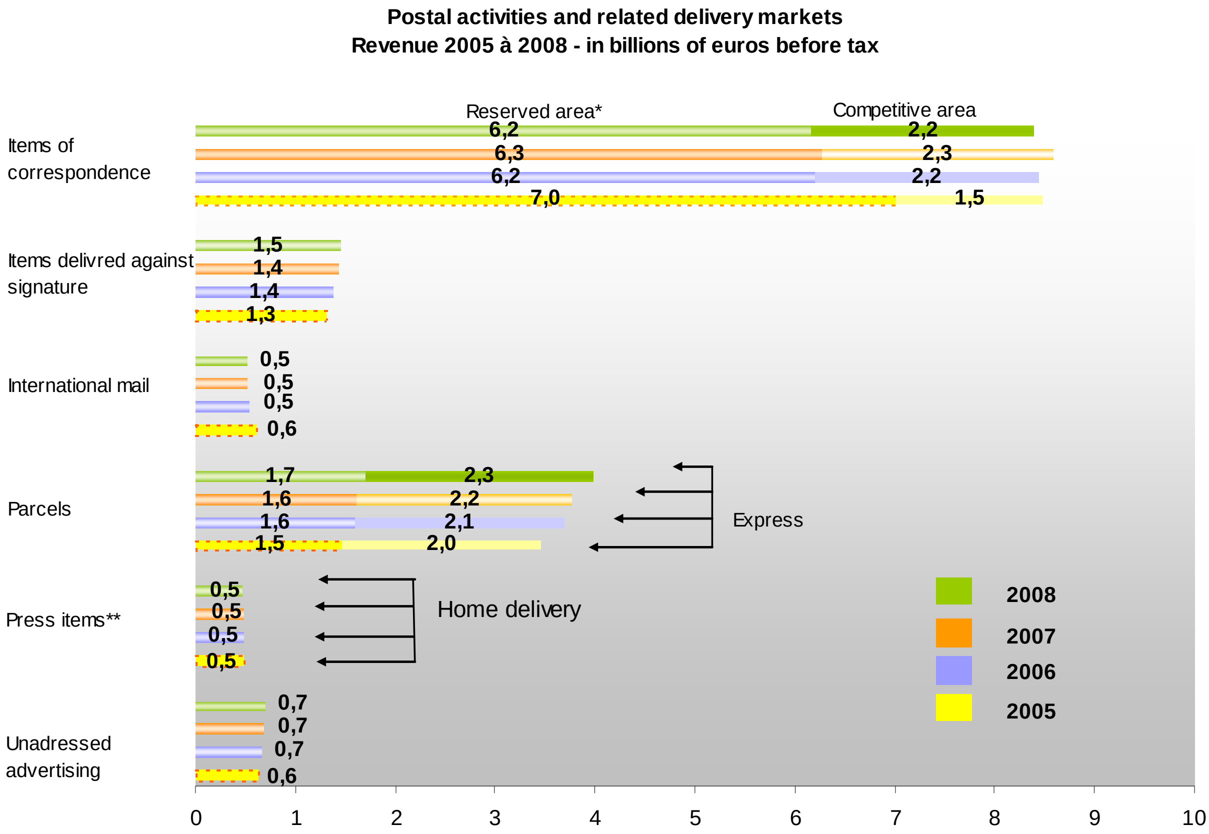
**Estimates, domestic traffic and imports.*

*** 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	2008	Change 2007- 2008
Total unaddressed advertising	**630**	**658**	**676**	**707**	**4,5%**

Source: ARCEP, Statistical Observatory on Postal Activities



Source: ARCEP, Postal Activities Observatory
**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.*
*** Not including revenue generated by press items delivered through non-postal channels.*

In 2008, the **addressed-item market** comprised 20.3 billion items, i.e. half of all items delivered, with traffic volume decreasing 2.4% on the back of a slight increase of 0.5% in 2007.

Items of correspondence constitute the addressed market with the biggest volume (16.2 billion items delivered in France in 2008, a substantial 2.8% drop). At 2.7 billion items, the volume of press items delivered through the postal circuit and non-postal channels also shrank 1.3% in 2008.

The volume of parcels delivered in France continued to rise in 2008, reaching 685 million for "ordinary" and express parcels taken together. However, a look at all parcel-delivery providers shows that express players have recorded significant volume growth, while the number of "ordinary" parcels delivered by postal operators or remote retailers has increased by a mere 0.6% in 2008, after chalking up growth of 1.8% in 2007[3].

Export market volumes fell slightly in 2008 (-0.5%) to approximately 497 million items following sharper drops in 2006 and 2007.

[3] The data previously published for 2007 have been revised downwards.

The number of exported items of correspondence, which account for the majority of items sent abroad, is stabilising (-0.3%), after decreases of 2.6% and 9.2% in 2007 and 2006 respectively. Exported press items – representing less than 5% of export volumes – nosedived 20.4%. Finally, the export market in "ordinary" parcels, which is still fairly limited, rose from 8 to 10 million items between 2007 and 2008, probably due to the expansion of e-commerce.

With 20.3 billion items, **unaddressed advertising** makes up the biggest flow in delivery markets and was the market segment with the biggest increase in volume for the second year running (up 5.9% in 2008).

Postal activities and related delivery markets - Volume of items

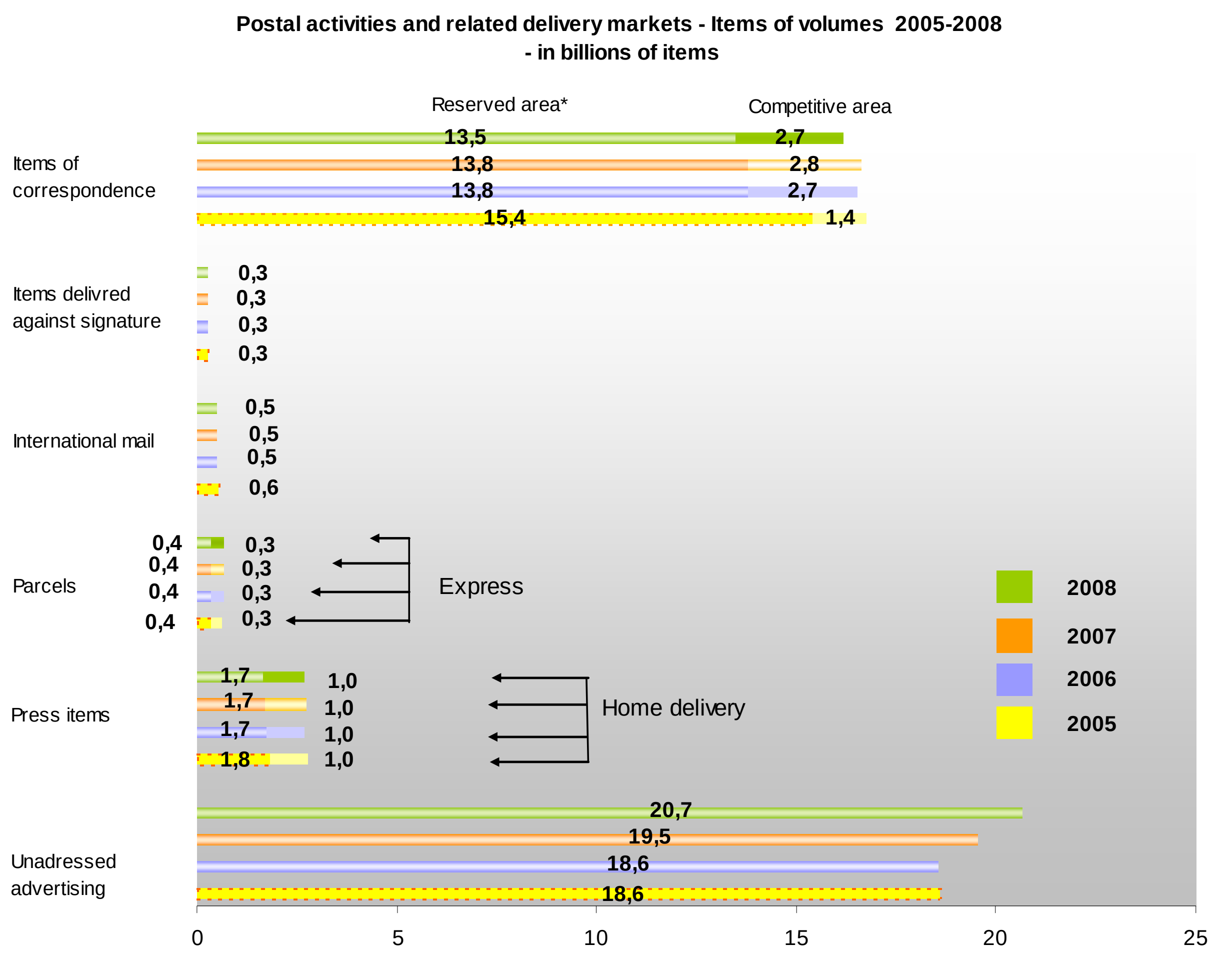
(in millions of items)	2005	2006	2007	2008	Change 2007- 2008
Delivered in France					
Items of correspondence	16 806	16 540	16 616	16 154	-2,8%
Letters and parcels devired against signature	276	279	289	276	-4,6%
Parcels	638	665	673	688	2,3%
of which "ordinary" parcels	346	355	361	363	0,6%
of which express lights parcels*	275	302	314	325	3,6%
Delivery of press items to subscribers**	2 789	2 710	2 724	2 688	-1,3%
Total addressed items delivered in France	**20 509**	**20 194**	**20 302**	**19 806**	**-2,4%**
Delivered for export					
Items of correspondence	523	475	462	464	0,3%
"Ordinary" parcels	7	8	8	10	24,5%
Press items	28	27	29	23	-20,4%
Total addressed items exported	**558**	**510**	**499**	**497**	**-0,5%**
Total addressed-items market	**21 067**	**20 704**	**20 802**	**20 303**	**-2,4%**

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	2008	Change 2007- 2008
Total unaddressed advertising	**18 570**	**18 568**	**19 515**	**20 670**	**5,9%**

Source: ARCEP, Statistical Observatory on Postal Activities



Source: ARCEP, Postal Activities Observatory
**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

Parcels*:

"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 parcels:
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 cut and dried.*

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1- Items of correspondence delivered in France

Items of correspondence delivered in France fell 2.3% in terms of revenue and 2.8% in terms of volume in 2008, following a slight recovery in volume in 2007 triggered by the presidential and legislative elections.
The 2008 decreases were sharper than those observed in 2006 (-1.6% for volume and -0.4% for revenue).

1.1 Reserved area and competitive area

Revenue

In millions of euros before tax	**2005**	**2006**	**2007**	**2008**	**Change 2007- 2008**
Reserved area	7 013	6 201	6 269	**6 170**	-1,6%
Competitive area	1 457	2 234	2 312	**2 211**	-4,4%
TOTAL items of correspondence	**8 470**	**8 435**	**8 581**	**8 382**	**-2,3%**

Source: ARCEP, Statistical Observatory on Postal Activities

Volumes

in millions of items	**2005**	**2006**	**2007**	**2008**	**Change 2007- 2008**
Reserved area	15 429	13 804	13 789	**13 470**	-2,3%
Competitive area	1 377	2 736	2 827	**2 684**	-5,1%
TOTAL items of correspondence	**16 806**	**16 540**	**16 616**	**16 154**	**-2,8%**

Source: ARCEP, Statistical Observatory on Postal Activities

Revenue from 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[4], lost ground in 2008 (down 1.6%), while volume declined 2.3%. The tariff increase for a letter weighing less than 20 grams from 1 March 2008[5] thus cushioned the impact of erosion of reserved-area traffic on revenue.

In 2008, 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 – recorded lower revenue (2.2 billion euros, -4.4%%) and volume (2.7 billion items, -5.1%). La Poste and the other operators authorised to deliver items of correspondence are active in this market.

Distribution of items of correspondence - Revenue (domestic and import)

	2005	**2006**	**2007**	**2008**
Reserved area	82,8%	73,5%	73,1%	**73,6%**
Competitive area	17,2%	26,5%	26,9%	**26,4%**
TOTAL items of correspondence	100%	100%	100%	**100%**

Source: ARCEP, Statistical Observatory on Postal Activities

[4] 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).
[5] ARCEP Decision No. 07-1098 of 6 December 2007 on La Poste's decision on tariffs for domestic mail products of 16 November 2007.

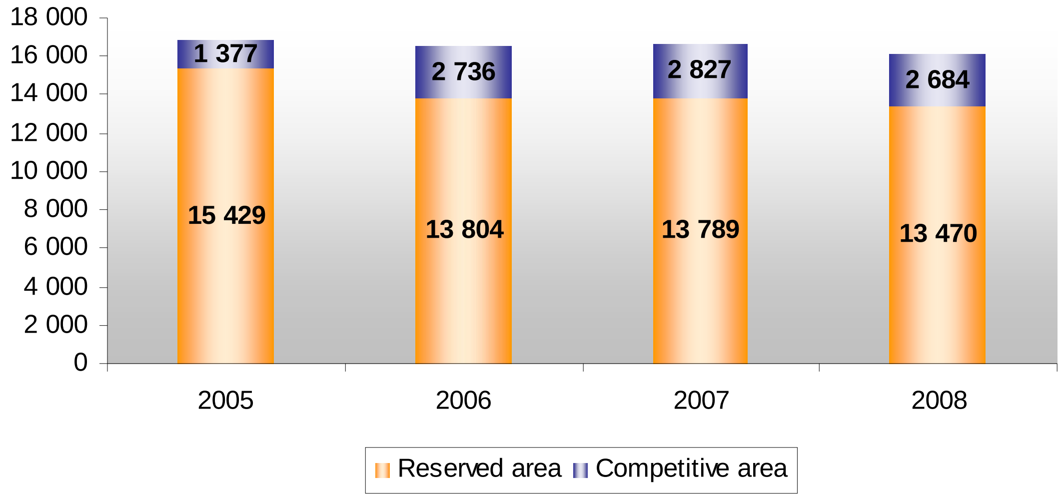
Distribution of items of correspondence - Volume (domestic and import)

	2005	2006	2007	2008
Reserved area	91,8%	83,5%	83,0%	**83,4%**
Competitive area	8,2%	16,5%	17,0%	**16,6%**
TOTAL items of correspondence	100%	100%	100%	**100%**

Source: ARCEP, Statistical Observatory on Postal Activities

Since 2006, the scope of the area reserved for the postal monopoly has been reduced by regulation, with the sector open to competition being expanded to cover items weighing 100 grams or more. Since then, the share of the market open to competition, in which La Poste and the other service providers operate, has remained stable overall at between 16.5 and 17.0% for volume and 26% for revenue. By definition, revenue figures for the share of the market open to competition are higher than volume, because items are heavier than those in the reserved area.

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



Source: ARCEP, Postal Activities Observatory

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.

The new Postal Directive (Directive 2008/6/EC) set 2011 as the date for total liberalisation of postal services. Title II of the Draft Act on the public company La Poste and postal activities was registered with the Senate on 29 July 2009 (No. 599 amended, extraordinary 2008-2009 session) transposes this Directorate into French Law, in particular by abolishing the reserved area.

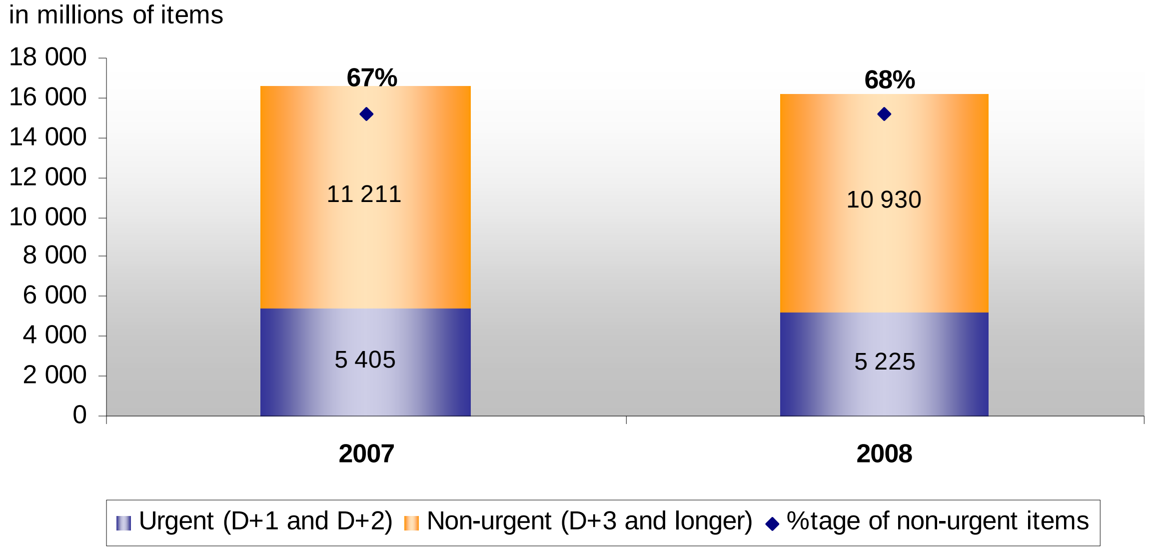
1.2 Items of correspondence classified by urgency

Items of correspondence sent at the urgent tariff (D+1 and D+2) have been hardest hit by dwindling volumes, down 3.3%, while the number of non-urgent items (D+3 and longer) dropped 2.5%. The latter represent two thirds of items delivered in France, up one percentage point on 2007.
Thus, 2008 was characterized by longer average item transmission times, a development which can perhaps be explained by the fact that mail-sender choices are increasingly based on price.

The percentage of non-urgent items was greater in the competitive area than in the reserved area (82.8%, compared with 64.6%). While 2008 brought a substantial drop in total volume in the competitive area (-5.1%), the proportion of non-urgent items was up 2.3 percent because of the sharp fall in urgent item volumes (from 551 to 461 million items, down 16.3%).

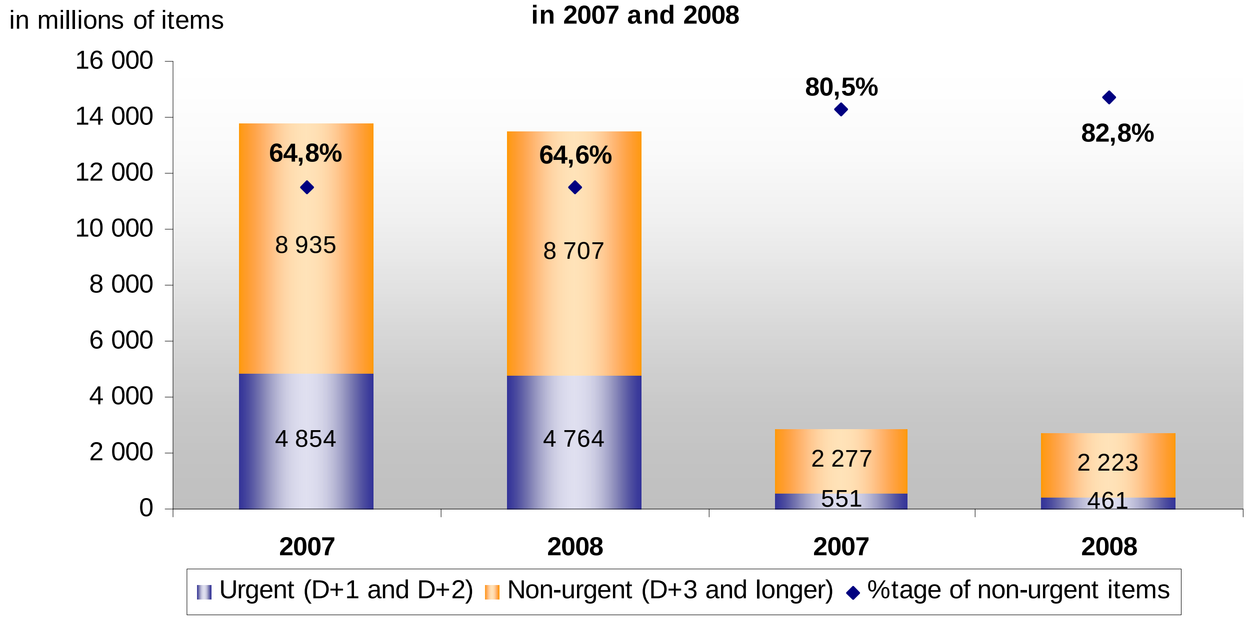
As in 2007, non-urgent items weighing less than 50 grams (8.7 billion items) accounted for more than half of all items of correspondence.

Distribution of items of correspondence by degree of urgency in 2007 and 2008



Source: ARCEP, Postal Activities Observatory

Distribution of items of correspondence by reserved area against competitive area and by degree of urgency in 2007 and 2008



Source: ARCEP, Postal Activities Observatory

1.3 Addressed advertising and other items of correspondence

In 2008, addressed-advertising volumes fell 1.3%, following a similar trend to 2007. However, revenue from these flows remained stable in 2008, as it had in 2007 (+0.3%, compared with +0.6%). Changes to the direct-marketing product range in 2008 probably supported this stabilisation of revenue, despite declining volume.

The overall drop in items of correspondence impacted more on other items of correspondence, not including addressed advertising where volumes fell more sharply (-3.4%), partly due to the absence of the electoral flows that had buoyed volumes in 2007, thus further emphasising the decline in 2008. However, even setting aside the impact of the 2007 elections, there was confirmation of a downward volume trend. Assuming that electoral flows accounted for 200 million items, a decrease of roughly 1.7% can be concluded for other items of correspondence in 2008, after they had held their ground in 2007.

Revenue from such items of correspondence also fell 3.0% ,compared with an increase of 2.0% in 2007.

Revenue

in millions of euros before tax	2005	2006	2007	2008	Change 2007- 2008
Addressed advertising	1 738	1 647	1 657	**1 662**	0,3%
Items of correspondence, excluding addressed advertising	6 732	6 788	6 924	**6 719**	-3,0%
Total items of correspondence	**8 470**	**8 435**	**8 581**	**8 382**	**-2,3%**

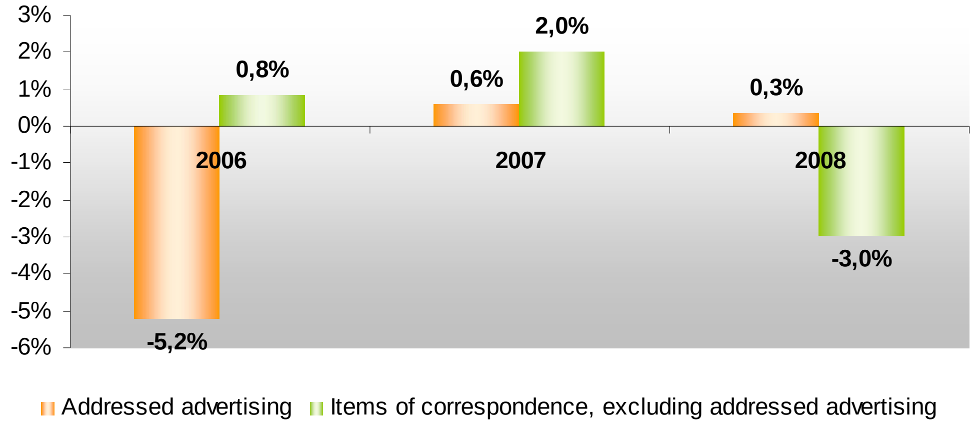
Source: ARCEP, Statistical Observatory on Postal Activities

Volumes

millions of items	2005	2006	2007	2008	Change 2007- 2008
Addressed advertising	4 856	4 871	4 795	**4 732**	-1,3%
Items of correspondence, excluding addressed advertising	11 950	11 668	11 821	**11 422**	-3,4%
Total items of correspondence	**16 806**	**16 540**	**16 616**	**16 154**	**-2,8%**

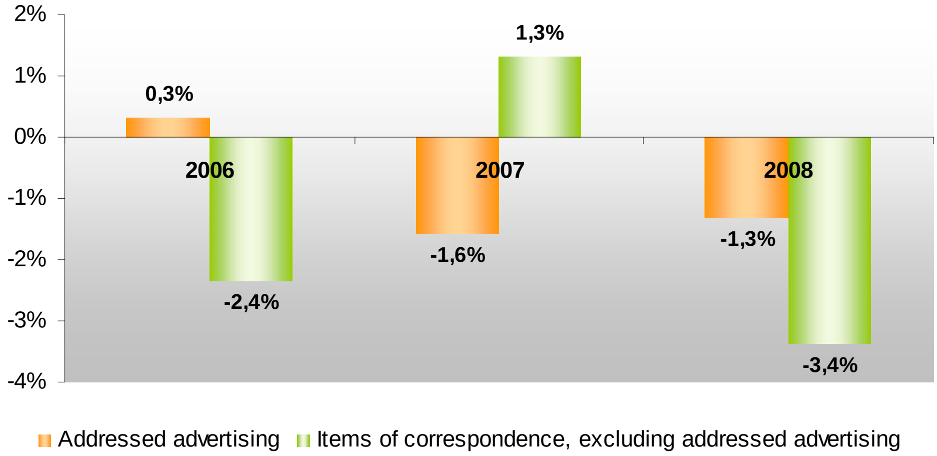
Source: ARCEP, Statistical Observatory on Postal Activities

Changes in items of correspondence since 2005
Revenue



Source: ARCEP, Postal Activities Observatory

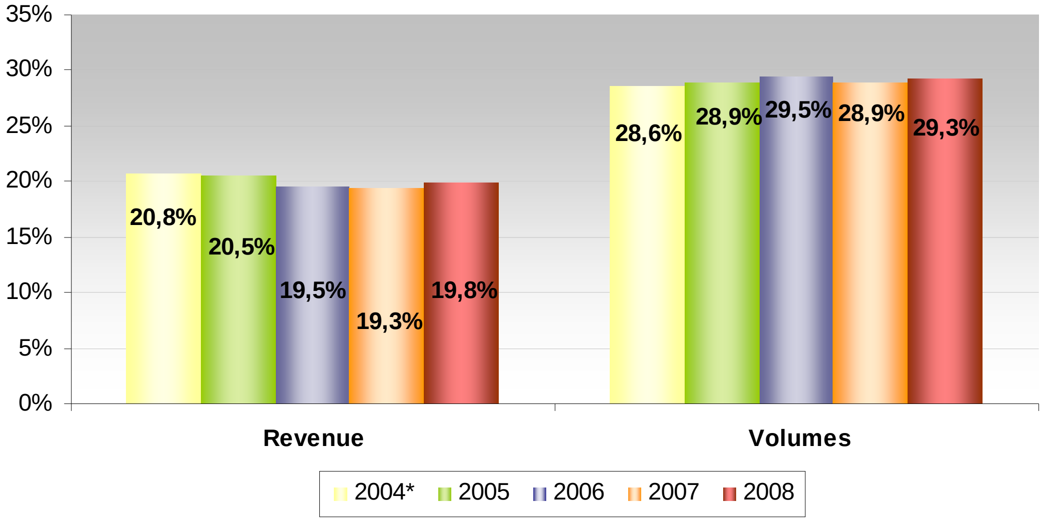
Changes in items of correspondence since 2005
Volumes



Source: ARCEP, Postal Activities Observatory

In terms of volume, addressed advertising was up slightly in 2008, accounting for 29.3% of all correspondence-item traffic, an increase of 0.4 percent compared with 2007. The lack of electoral flows in 2008 partly explains the drop in other items of correspondence, not including addressed advertising.
Addressed advertising revenue was up 0.5 percent, bucking the negative trend since 2004.

Addressed advertising as a percentage of items of correspondence



Source: ARCEP, Postal Activities Observatory

Industrial traffic – or bulk mail – covers consignments of over 400 items. Volume in this category fell 0.7% in 2008, after rising 1.4% in 2007. Addressed advertising made up almost half of bulk mail, whereas other industrial-type correspondence remained stable, following growth of 4.4% in 2007. Consequently, addressed advertising's share of industrial traffic declined slightly in 2008 but, on the whole, this share has remained stable around 50% since 2005.

Industrial traffic - Volumes

in millions of items	2005	2006	2007	2008	Change 2007- 2008
Industrial traffic	9 873	9 571	9 701	**9 631**	-0,7%
of which addressed advertising	4 856	4 871	4 795	**4 732**	-1,3%
of which other items of correspondence	5 017	4 700	4 905	**4 899**	-0,1%
Addressed advertising as a percentage of industrial traffic	**49,2%**	**50,9%**	**49,4%**	**49,1%**	**-0,3 point**

Source: ARCEP, Statistical Observatory on Postal Activities

Addressed advertising's share of industrial-mail revenue rose to 45.4% (+0.5%) between 2007 and 2008 – still less than its share of volume, because addressed advertising tariffs are lower than those for other industrial items, particularly transactional mail.

Industrial traffic - Revenue

in millions of euros	2007	2008	Change 2007- 2008
Industrial traffic	3 693	**3 665**	-0,8%
of which addressed advertising	1 657	**1 662**	0,3%
of which other items of correspondence	2 036	**2 002**	-1,7%
Addressed advertising as a percentage of industrial traffic	**44,9%**	**45,4%**	**+ 0,5 point**

Source: ARCEP, Statistical Observatory on Postal Activities

1.4 Industrial traffic and single-piece mail

In 2008, single-piece mail volume shrank the most, down 5.7%, after declining 0.8% the previous year. Industrial traffic fell 0.7% on the back of a 1.4% increase in 2007.

Distribution of items of correspondence (domestic and import)

in millions	2005*	2006	2007	2008	Change 2007- 2008
Industrial traffic (bulk mail>400 items)	**9 873**	**9 571**	**9 701**	**9 631**	**-0,7%**
Unprepared industrial traffic from large mailers	4 598	3 820	4 029	**3 991**	**-0,9%**
Prepared industrial traffic	5 275	5 751	5 672	**5 640**	**-0,6%**
Single-piece posted with the delivery operator	**6 933**	**6 968**	**6 916**	**6 524**	**-5,7%**
Single-piece big-business mail	3 673	3 824	3 883	**3 645**	**-6,1%**
Single-piece private-customer and small-business mail	3 260	3 144	3 033	**2 879**	**-5,1%**
Total items of correspondence delivered in France	**16 806**	**16 540**	**16 616**	**16 154**	**-2,8%**

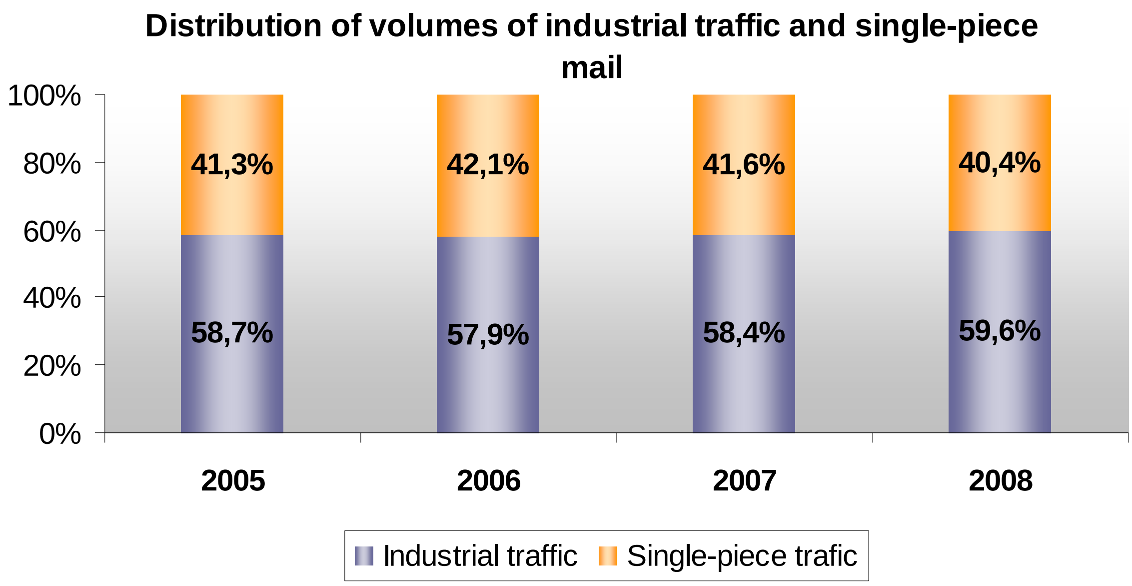
**2005 pro forma traffic including items from La Poste's financial services*

Source: ARCEP, Statistical Observatory on Postal Activities

The contained decline in industrial traffic in 2008 (-0.7% in terms of volume) applied to items processed by mailing houses and those posted direct with delivery operators by large mailers. In 2007, unprepared industrial traffic volumes were boosted by electoral flows.

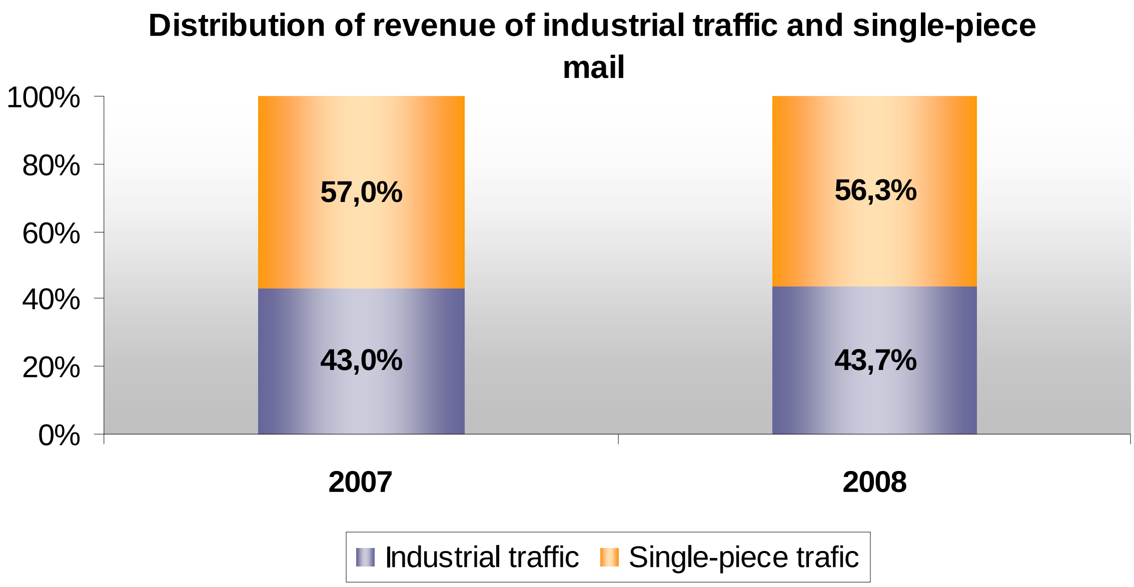
Single-piece mail volumes dropped sharply in 2008 (-5.7%). Items from private customers and small businesses have been declining for several years (down 3.5% in 2006 and 2007), a trend which became more pronounced in 2008 (-5.1%). The economic downturn seems to be making itself felt on single-piece mail traffic for big business, where volumes plummeted 6.1% after increasing in the previous two years.

In 2008, industrial traffic accounted for 59.6% of items of correspondence, reaching its highest level since 2005, as a result of the strong contraction in single-piece items in 2008.

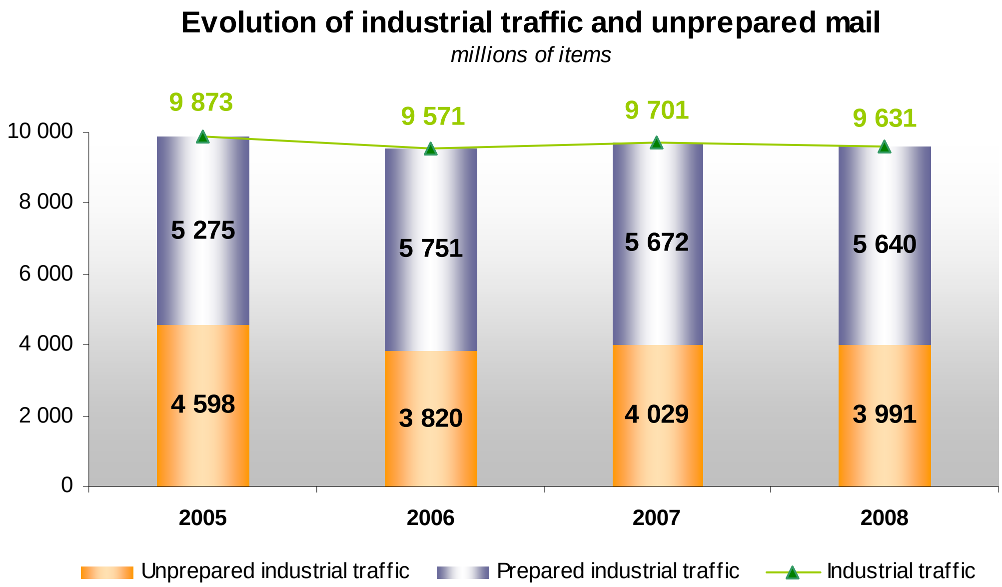


Source: ARCEP, Postal Activities Observatory

While it represented nearly 60% in terms of volume, industrial traffic accounted for only 44% of the revenue generated by the correspondence-item market because tariffs for this category are lower than those for single-piece mail.

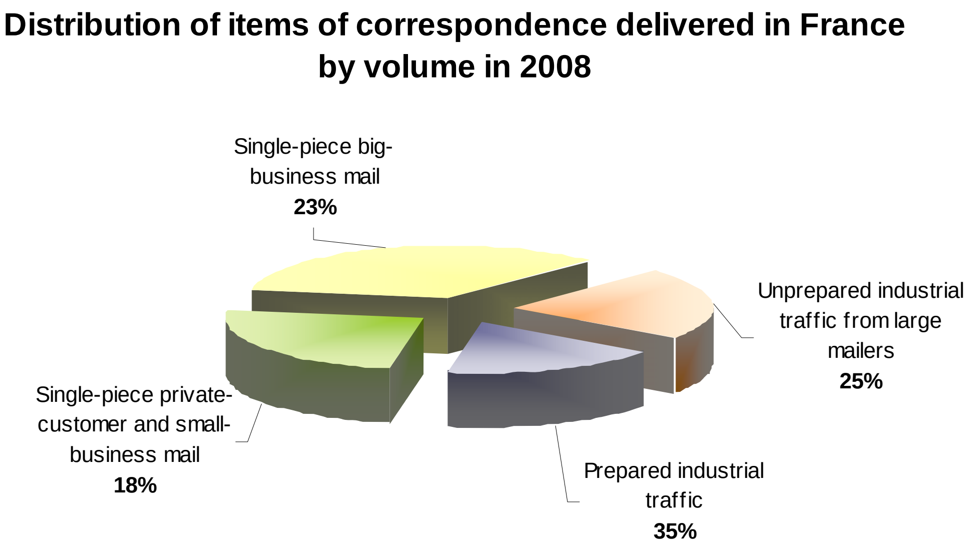


Source: ARCEP, Postal Activities Observatory



Source: ARCEP, Postal Activities Observatory

Taken overall, there was little change in the distribution of items of correspondence according to senders and their level of industrialisation. The percentage of single-piece mail sent by private customers and small businesses remained stable compared with 2007 at 18% and 23% respectively, as did the percentage of industrial traffic overall.



Source: ARCEP, Postal Activities Observatory

2- Items delivered against signature

Revenue

in millions of euros before tax	2005	2006	2007	2008	Change 2007- 2008
Letters and parcels delivered against signature	1 302	1 382	1 432	**1 458**	1,8%

Source: ARCEP, Statistical Observatory on Postal Activities

Volumes

in millions of items	2005	2006	2007	2008	Change 2007- 2008
Letters and parcels delivered against signature	276	279	289	**276**	-4,6%

Source: ARCEP, Statistical Observatory on Postal Activities

In 2008, the market in items delivered against signature registered volumes that were down nearly 5%, back to their 2005 level after two years of growth. However, higher tariffs for both parcels and letters delivered against signature boosted revenue by almost 2%.

Letters account for the highest volumes of items delivered against signature, and shrinkage in this sub-segment in 2008 was greater than that for other items of correspondence, with volume down 6% and revenue down 1%.

The market in parcels delivered against signature grew in 2008, with both volume up 1% and revenue up 8%. While volume rose less than in 2007 at 2.6%, the increase in revenue was more pronounced (+3.5% in 2007). The average tariff increase of 2.3%[6] for the "Colissimo Recommandé" product from 1 March 2008 partly explains the strong revenue growth generated by parcels delivered against signature.

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[6] ARCEP Opinion No. 2008-0002 of 5 February 2008.

3- International mail: exports and imports

In 2008, international-mail revenue and volume were up slightly, at 3.0% and 1.0% respectively. This market comprises correspondence and press items, as well as non-express inward and outward parcels.

These results are better than those for 2007, when revenue fell 1.3% and import-export traffic remained stable at +0.1%.

For the second year running, imports expanded faster than exports, with volume increasing 2.9% in 2008, i.e. at the same rate as for 2007.
Export volumes were down 0.5%. This can be seen as a stabilisation after more pronounced decreases in 2007 (-2.1%) and, more particularly, in 2006 (-8.5%).

Revenue

in millions of euros	2005	2006	2007	2008	Change 2007- 2008
Export	601	533	523	526	0,7%
Import	-	251	251	271	7,9%
Total international traffic*		784	774	797	3,0%

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	2008	Change 2007- 2008
Export	558	510	499	497	-0,5%
Import	-	390	401	413	2,9%
Total international traffic*		900	901	910	1,0%

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

The outward international mail segment for items of correspondence is open to competition for all weight categories. An ARCEP authorisation is required in order 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 2008.

3.1 Exports

After declining for two years in succession, the export market stabilised in 2008 in the wake of substantial shrinkage in 2006 (-11.4% in terms of revenue and -8.5% in terms of volume)– a decline which slowed down somewhat in 2007 (-1.9% for revenue and -2.1% for volume).

Revenue

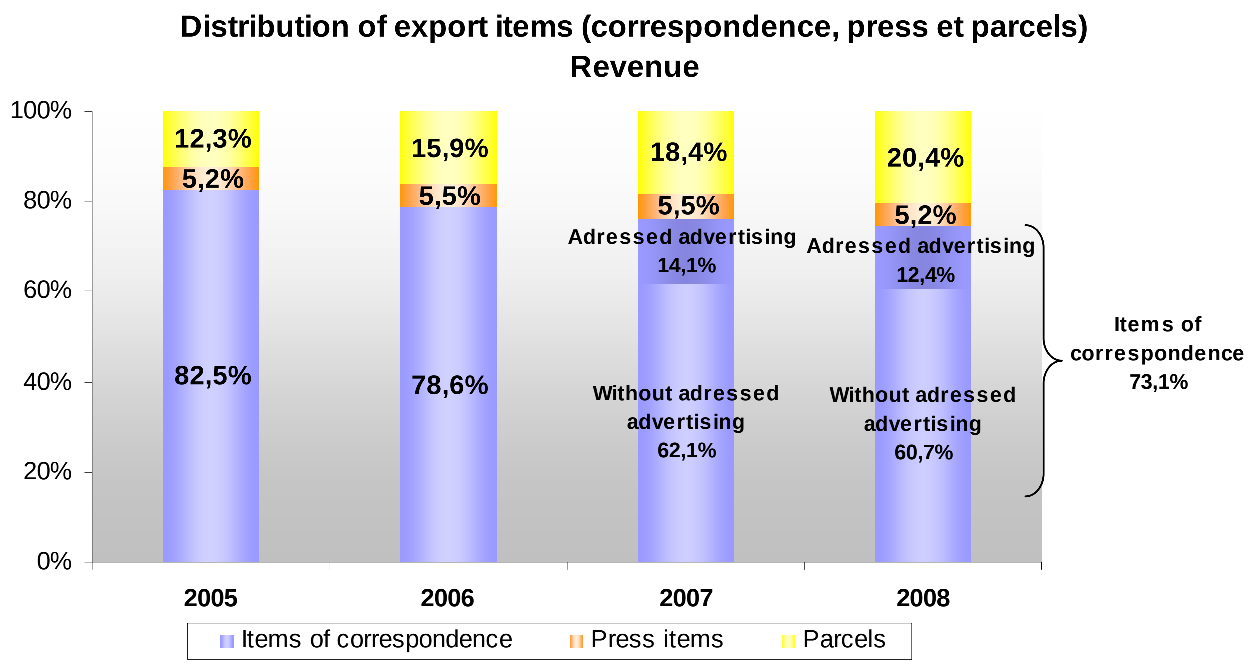
in millions of euros	2005	2006	2007	2008	Change 2007- 2008
Items of correspondence	496	419	398	**392**	-1,6%
addressed advertising	-	-	74	**72**	-2,2%
without addressed advertising	-	-	325	**320**	-1,5%
Press items	31	29	29	**27**	-5,8%
Parcels	74	85	96	**108**	12,1%
Total Export*	**601**	**533**	**523**	**526**	**0,7%**

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

Volumes

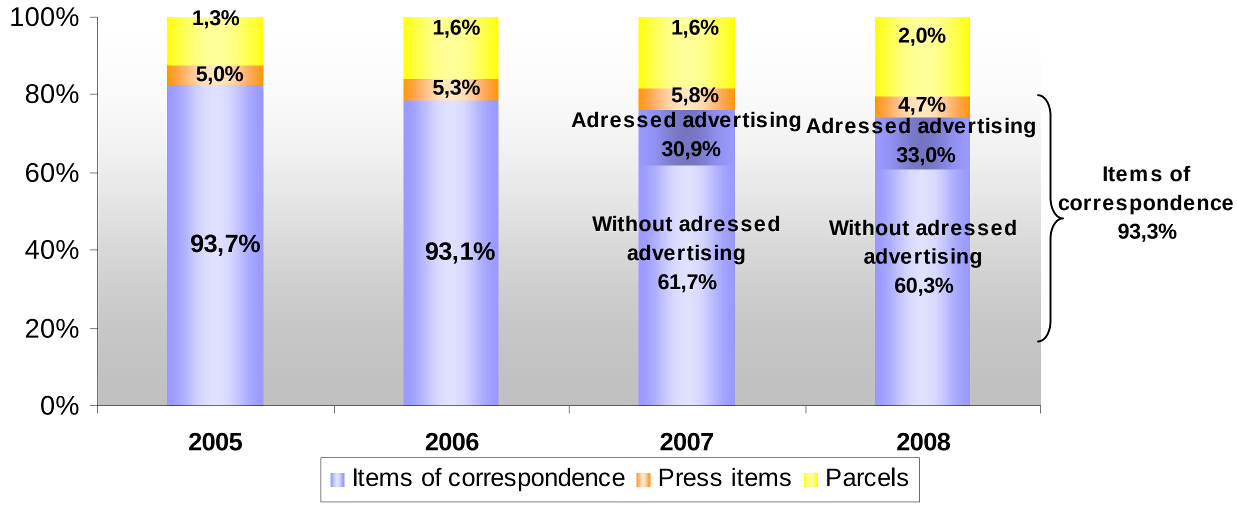
in millions of items	2005	2006	2007	2008	Change 2007- 2008
Items of correspondence	523	475	462	**464**	0,3%
addressed advertising	-	-	154	**164**	6,2%
without addressed advertising	-	-	308	**300**	-2,6%
Press items	28	27	29	**23**	-20,4%
Parcels	7	8	8	**10**	24,5%
Total Export*	**558**	**510**	**499**	**497**	**-0,5%**

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



Source: ARCEP, Postal Activities Observatory

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



Source: ARCEP, Postal Activities Observatory

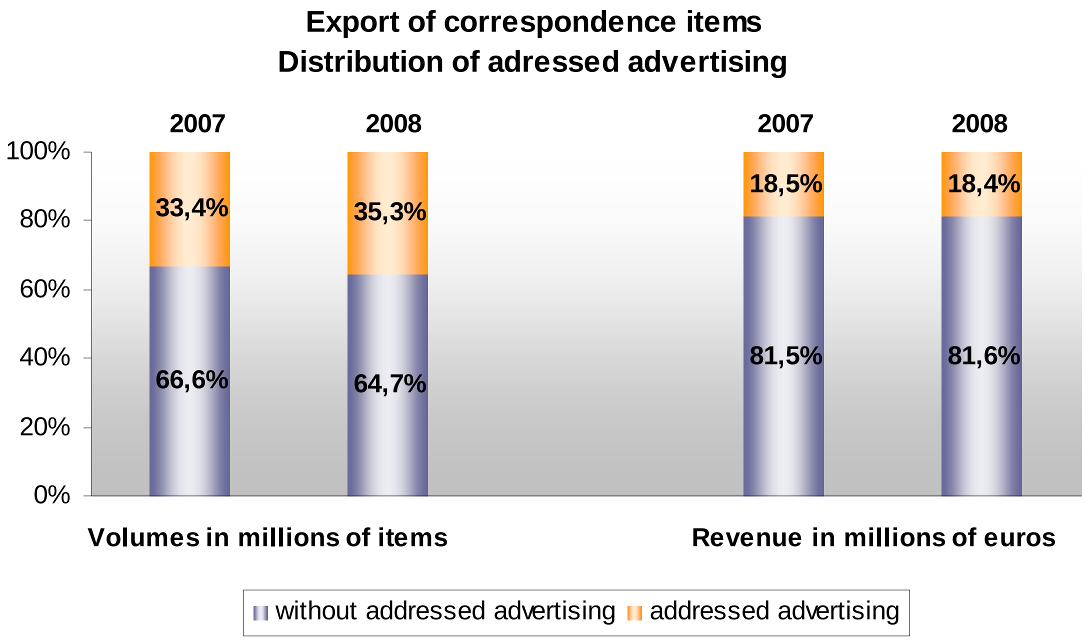
Volumes for items of correspondence for export recorded growth again in 2008, thanks to a 6.2% increase in addressed-advertising traffic, thus reducing loss of revenue in this segment (-1.6% for all items of correspondence, following a 5.0% decline en 2007).
Movements in the revenue and volumes of items of correspondence for export determine those of export items as a whole: 73% of export revenue and 93% of export volumes were generated by items of correspondence in 2008. These shares are even higher than in 2007, with a one percent increase in volume.

Parcels represent 20.4% of exports in terms of revenue and 2.0% in terms of volume. The revenue generated by parcel exports rose in 2008, with annual growth since 2006 passing the 10% mark. The number of parcels sent abroad rocketed in 2008, registering an increase of 24.5% compared with 2007.

Press exports, which represent 5.2% of export-market revenue and 4.7% of its volume, nosedived in terms of volume (-20.4%) and revenue (-5.8%).

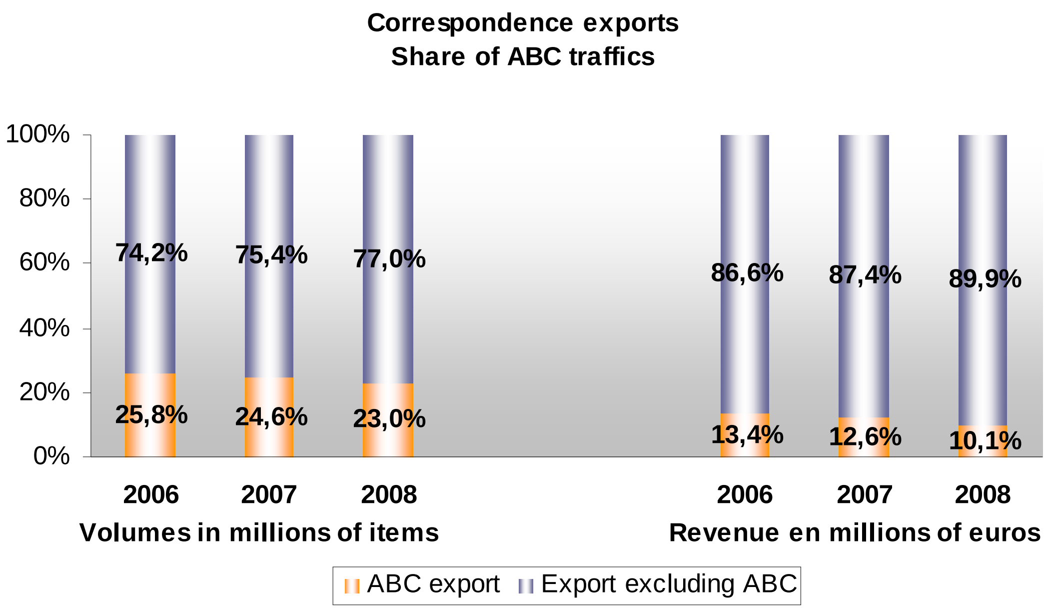
3.1.1 Correspondence exports: addressed advertising and ABC traffic

In 2008, the volume of addressed advertising for export was substantially up on the previous year (+6.2%), while the volume of other items of correspondence fell by 2.6%. Thus, addressed advertising's share of items of correspondence as a whole rose nearly two percent.
Addressed advertising's revenue share for items of correspondence for export remained virtually stable. As for the domestic delivery market, this category of items is less profitable than items of correspondence not including addressed advertising.



Source: ARCEP, Postal Activities Observatory

In 2008, ABC correspondence-item traffic volumes experienced further severe shrinkage (down 6.1%, after a 7.1% decrease in 2007), with ABC traffic accounting for just 23.0% of correspondence-item export volume, compared with 25.8% two years earlier. The revenue generated by this traffic dwindled even more sharply than its volume (-21.5%), representing only 10.1% of correspondence-item revenue.



Source: ARCEP, Postal Activities Observatory

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.

Revenue

in millions of euros	2006	2007	2008	Change 2007- 2008
Items of correspondence export	419	398	**392**	-1,6%
of which ABC traffic	56	50	**39**	-21,5%

Source: ARCEP, Statistical Observatory on Postal Activities

Volumes

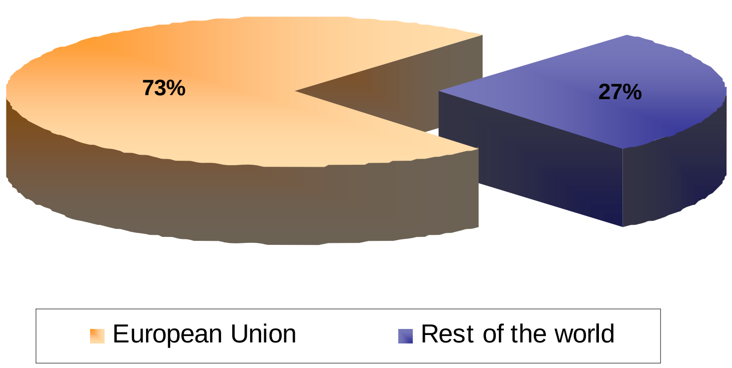
in millions of items	2006	2007	2008	Change 2007- 2008
Items of correspondence export	475	462	**464**	0,3%
of which ABC traffic	122	114	**107**	-6,1%

Source: ARCEP, Statistical Observatory on Postal Activities

3.1.2 Destination of export flows

In 2008, as 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 et press items)
Volume by destination in 2008



Source: ARCEP, Postal Activities Observatory

3.1.3 Weight of export traffic

The weight of items sent abroad was up 6.4% for items of correspondence and down 17.8% for press items.

On average, items of correspondence were heavier in 2008, in particular items not including addressed advertising.

Weight of export traffic

in tonnes	2007	2008	Change 2007- 2008
Items of correspondence	28 465	**30 296**	**6,4%**
Excluding addressed advertising	11 376	12 530	10,1%
Addressed advertising	17 089	17 767	4,0%
Press items	5 629	**4 629**	**-17,8%**

Source: ARCEP, Statistical Observatory on Postal Activities

Source: ARCEP, Postal Activities Observatory

3.2 Imports

The number of items imported (correspondence, parcels and press items taken together) rose 2.9%, at the same rate as in 2007. Terminal dues[7] revenue from import traffic totalled 271 million euros in 2008, up almost 8% after stagnating in 2007 (+0.1%). This fairly substantial growth in traffic revenue derives from heavier traffic, increased tariffs and a billing time-lag between 2007 and 2008.
Import volumes as a percentage of total addressed items delivered increased slightly from 2.0% to 2.1%.

Revenue

in millions of euros	2006	2007	2008	Change 2007- 2008
Import	251	251	**271**	**7,9%**

Source: ARCEP, Statistical Observatory on Postal Activities

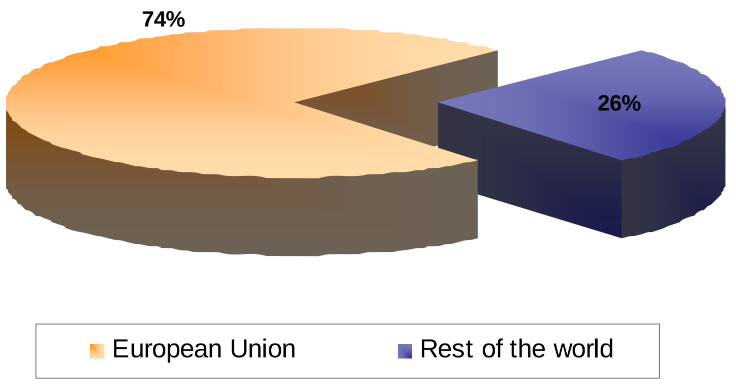
Volumes

in millions of items	2006	2007	2008	Change 2007- 2008
Import	390	401	**413**	**2,9%**

Source: ARCEP, Statistical Observatory on Postal Activities

In 2008, most imported flows came from countries of the European Union (74%).

Total import (correspondence, parcels et press items)
Volume by destination in 2008



Source: ARCEP, Postal Activities Observatory

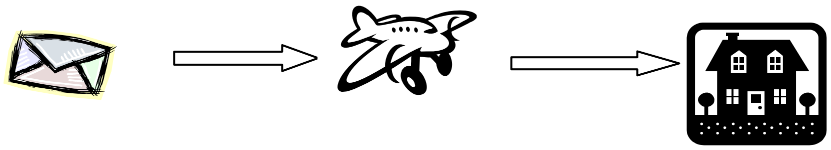
[7] Terminal dues, i.e. the remuneration collected by operators for delivering foreign-origin mail in France, are paid by the operator of the country of origin.

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

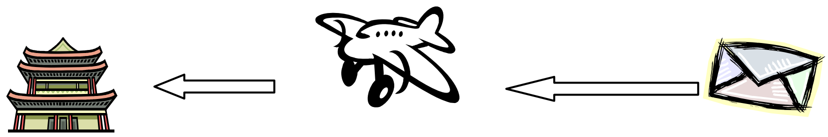
COUNTRY A **COUNTRY B** **COUNTRY C**



Financial flows **Postage** **Post A** **Terminal dues** **Post B**

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

* EXPORT

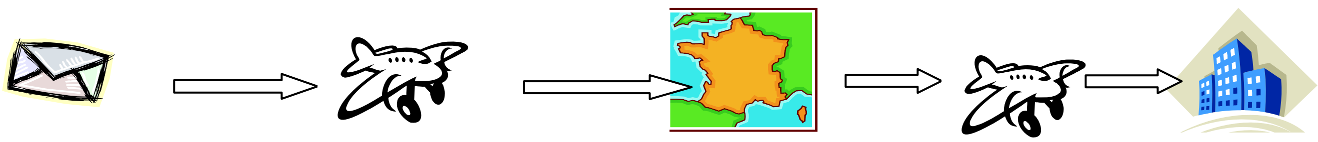


Financial flows

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- Parcels

The "light" parcels market for items weighing less than 30 kilograms generated income of nearly 4 billion euros in 2008, based on 685 million items.

This market comprises two segments: "ordinary" parcels and express parcels. The main difference between them lies in their transmission 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, it is becoming increasingly difficult to distinguish between these two segments as the products offered by operators are increasingly similar.

In 2008, the parcels market remained the main postal growth driver, both for ordinary and express parcels. Revenue from these activities rose significantly yet again, by 5.7% and 6.0% respectively. This revenue growth was bolstered in 2008 by increased tariffs. Parcel volumes too continued to rise but more slowly than in previous years (+0.6%, compared with +1.8% for ordinary parcels, and +3.4%, compared with +3.8% for express parcels).

4.1 “Ordinary” parcels

In terms of revenue, the “ordinary” parcels market represents almost 12% of the addressed-items market, generating 1.7 billion euros in 2008, i.e. 5.7% more than in 2007[8]. Since 2004, it has been driving postal activity growth and, in 2008, revenue once again rose more strongly than volume (+0.6%), mainly because of the higher Colissimo tariff introduced in March 2008[9] and of range upgrading in both the business-to-consumer and consumer-to-consumer markets[10].

This strong market growth was driven by the e-commerce boom where sales – which cover not just postal prepayment but also insurance of the purchases – rocketed yet again to 20 billion euros in 2008, i.e. four billion euros more than in 2007[11], with the average price of an on-line transaction remaining stable at around 90 euros, inclusive of tax.

In 2008, 250 million parcels were generated by remote retailing[12] and e-commerce. Besides the parcels sent by “traditional remote retailers” such as La Redoute or Les 3 suisses, this figure includes parcels sent by "pure players", i.e. trading platforms that are solely Internet-based. Remote retailing and e-commerce accounted for nearly 70% of the “ordinary” parcels delivered in France.
This estimate does not, however, cover items sent direct between private individuals (“C-to-C”) which are also encouraged by the development of advertising websites like eBay.

[8] The data previously published for 2007 have been revised downwards.
[9] See ARCEP Opinion No. 2008-0002 of 5 February 2008.
[10] La Poste notes that “in addition to the impact of tariff increases of around 2%, the share of products with greater added value is on the increase and offsets the decline noted for volumes”, *in* its 2008 Financial Report, page 12.
[11] Key figures, remote retailing e-commerce, 2009 edition, Fédération des Entreprises de Vente à Distance (FEVAD).
[12] 2008 FEVAD figures.

According to FEVAD, 88%[13] of people making purchases on the Internet over the last six months had their purchases delivered to their home address, while 43% used pick-up points. Some buyers used both delivery methods.

Revenue

in million of euros before tax	2004	2005	2006	2007	2008	Change 2007- 2008
"Ordinary" parcels	1 396	1 440	1 585	1 610	**1 702**	5,7%

Source: ARCEP, Statistical Observatory on Postal Activities
The data previously published for 2007 have been revised.

Volumes

in millions of items	2004	2005	2006	2007	2008	Change 2007- 2008
"Ordinary" parcels	342	346	355	361	**363**	0,6%

Source: ARCEP, Statistical Observatory on Postal Activities
The data previously published for 2007 have been revised.

4.2 Express parcels

In 2008, the domestic express light parcel recorded a 5.8% increase in revenue and volume growth of 1.8%, with revenue progressing faster than in 2007. On the other hand, volume, had grown about twice as fast (+3.3%) the previous year.

The average price per item rose nearly 5% (7.5 euros in the fourth quarter of 2008, compared with 7.16 euros in the fourth quarter of 2007), accentuating the 3% increase in 2007, according to the survey on courier services conducted by the Ministry for Ecology, Energy, Sustainable Development and Spatial Planning[14].

The international express market registered an upswing for both imports and exports.
After falling in 2007, revenue from imported parcels increased 5.0% in 2008. The matching volumes showed strong growth (+8.7%) which far exceeds that observed for 2007 (+5.3%).

Export revenue continued to rise, though at a slower pace (+2.9% in 2008 compared with +5.2% in 2007), while chalking up higher volumes (+3.2% in 2008 against +2.6% in 2007). By way of comparison, and as for 2007, imported-item volumes rose more than those for exported items in 2008 (+8.7% for imports compared, with +3.2% for exports).

[13] Delivery methods chosen by Internet users over the past six months, FEVAD-Médiamétrie Barometer //Net ratings May 2009 *in* Key figures, remote retailing e-commerce, 2009 edition, Fédération des Entreprises de Vente à Distance (FEVAD).
[14] Ministry for Ecology, Energy, Sustainable Development and Spatial Planning. General Committee on Sustainable Development:Courier services in the fourth quarter of 2008, Figures and Statistics No.15, March 2009. 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

	2005	2006	2007	2008
Express domestic	4,6%	3,2%	3,4%	**5,8%**
Express imports	22,2%	13,4%	-3,6%	**5,0%**
Express exports	3,4%	5,6%	5,2%	**2,9%**

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

Growth rates for express light parcels* - Volumes

	2005	2006	2007	2008
Express domestic	5,0%	6,8%	3,3%	**1,8%**
Express imports	9,0%	18,9%	5,3%	**8,7%**
Express exports	4,3%	5,3%	2,6%	**3,2%**

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

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[15], 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.

[15] Its obligation covers services for 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

Following a brief respite in 2007, the decline in press items delivered through the postal circuit and non-postal channels[16] resumed in 2008 (-1.3%). This trend is in line with the erosion of press-item volumes noted in 2005 and 2006 (decreases of 1.7% and 2.8% respectively).

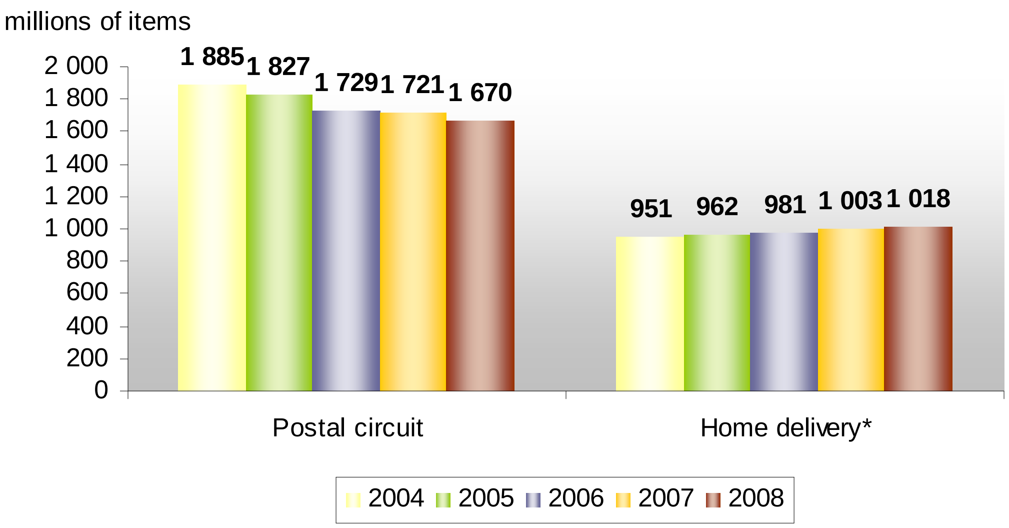
As in 2006, 2008 trends for the delivery of press items to subscribers reflected the general downward movement (-2.2%) for press items against payment in France, as established by the Office de Justification de la Diffusion (OJD)[17].

Volumes

in millions of items	**2004**	**2005**	**2006**	**2007**	**2008**	**Change 2007- 2008**
Postal circuit	1 885	1 827	1 729	1 721	**1 670**	-3,0%
Home delivery*	951	962	981	1 003	**1 018**	1,5%
Total delivery of press items to subscribers	2 836	2 789	2 710	2 724	**2 688**	-1,3%

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

Distribution of press-item traffic by service level



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

The volume of press items delivered through the postal circuit fell 3% in 2008, compared with 0.5% in 2007, marking a return to the trend noted in previous years (-5.4% in 2006 and -3.1% in 2005).

[16] In contrast 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.

[17] 19ème Observatoire de la Presse, OJD, 2009. The OJD is the French association which certifies the distribution, delivery and counting of newspapers, periodicals, websites and all other advertising media.

In contrast, non-postal home delivery before 8 am continued to gain ground. Since 2004, non-postal distributors have delivered 1% to 2% more newspapers or magazines every year to subscribers, in a general context of falling delivery of press items to subscribers. However, expansion of this form of delivery slowed in 2008 compared with 2007 (an increase of 1.5% against +2.3%).

In line with the general trend for press items against payment between 2007 and 2008, the OJD recorded a 3.6% fall in news-stand sales in 2008. Such items grew 0.7% in 2007 after falling 4.7% in 2006. According to the OJD, these sales accounted for approximately 54% of volumes of press items against payment in France, where news-stands constitute the main press distribution channel.

5.1 Postal delivery

5.1.1- Revenue from postal delivery

Revenue

in million of euros before tax	2004	2005	2006	2007	2008	Change 2007- 2008
"Press" sales	468	492	484	483	**464**	-3,9%
Government contribution	290	242	242	242	**242**	0,0%
Total	758	734	726	725	**706**	-2,6%

Source: ARCEP, Statistical Observatory on Postal Activities

Revenue from delivery of press items against payment through the postal circuit declined more than traffic (-3.9%, compared with -3.0%), despite an increase in delivery tariffs for these items[18], a difference which is explained by a shift in traffic towards cheaper products with longer transmission times.

The French Government's contribution – set out in the multi-year agreements between Government, Press and Post – totalled 242 million euros in 2008, 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).

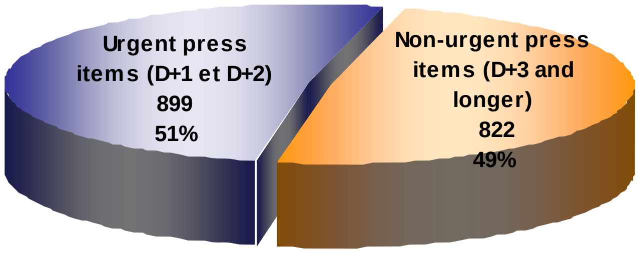
5.1.2- Distribution of press subscriptions by degree of urgency

In 2008, as 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. However, this percentage was one percent down, showing a tendency to transfer traffic to slower, lower-priced products.

[18] ARCEP Opinion No. 05-1065 of 13 December 2005 – The following increases were scheduled for 2008: 6% for the urgent tariff, 3% for the non-urgent tariff and 1.5% for the economy tariff.

Press items delivered through the postal circuit by degree of urgency in 2008

in millions of items



Source: ARCEP, Postal Activities Observatory

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.

This agreement provided for a gradual increase in delivery tariffs spread over seven years. Between 2009 and 2015, this increase is slightly less than 25% for press items providing political and general information, and around 34% for other press items over the same period. However, this increase was postponed by one year because of the deterioration in the general economic situation in the second half of 2008 and as part of emergency measures for the benefit of the Press. Implementation of the agreement was nevertheless confirmed, with the French Government compensating La Poste for its entire earnings shortfall.

The previous agreements signed in 2004 – the Paul Agreements – expired on 31 December 2008. The new fund was put in place for three years, from 2009 to 2011.

5.2 Non-postal delivery

According to the OJD, 23% of all press items against payment in France were delivered through non-postal channels in 2008, a one-percent increase on the previous year.

At 45%, daily departmental and regional press items made up the majority of these non-postal volumes, gaining almost five percentage points since 2004. Sunday newspapers rank second (28%) 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 10% and 9% respectively – percentages which have changed little since 2004.

As in 2007, press publishers received government subsidies to the tune of 8.25 million euros in 2008 under the head of non-postal delivery of press items. This assistance fund, which is confined to dailies disseminating political and general information, aims to support the development of a delivery method particularly suited to press items requiring regular, early-morning delivery.

6- Unaddressed advertising

Revenue from the delivery of unaddressed advertising totalled over 700 million euros in 2008, a rise of 4.5%. This more robust increase (compared with +2.8% in 2007) is close to the growth levels recorded for 2005 and 2006.

Unaddressed advertising volumes grew 5.9% in 2008, in line with the 2007 increase (+5.1%).

Revenue

in million of euros before tax	**2004**	**2005**	**2006**	**2007**	**2008**	**Change 2007- 2008**
Unaddressed advertising	593	630	658	676	**707**	4,5%

Source: ARCEP, Statistical Observatory on Postal Activities

Volumes

in millions of items	**2004**	**2005**	**2006**	**2007**	**2008**	**Change 2007- 2008**
Unaddressed advertising	18 590	18 570	18 568	19 515	**20 670**	5,9%

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[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 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 text messages.

7.1 Overview of the bulk market

The mail preparation market for addressed items accounted for around 7 billion items. Items of correspondence, with 5.6 billion prepared items, and press items, with nearly 1.4 billion items, 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-five percent of items of correspondence were prepared, though mail preparation concerned only industrial items, 59% of which were prepared. These percentages for items of correspondence processed by mailing houses were up one percent on 2007 due to the sharp drop in single-piece mail volumes.

The majority of press items under the head of subscriptions were prepared, accounting for more than 80% of volume.

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

Volume					
in millions of items	**2005**	**2006**	**2007**	**2008**	**Change 2007- 2008**
Prepared items of correspondence - total	**5 275**	**5 751**	5 672	**5 640**	-0,6%
of which transactional mail	3 759	3 825	3 755	**3 691**	-1,7%
of which direct marketing mail	1 516	1 926	1 917	**1 949**	1,7%

Source: ARCEP, Statistical Observatory on Postal Activities

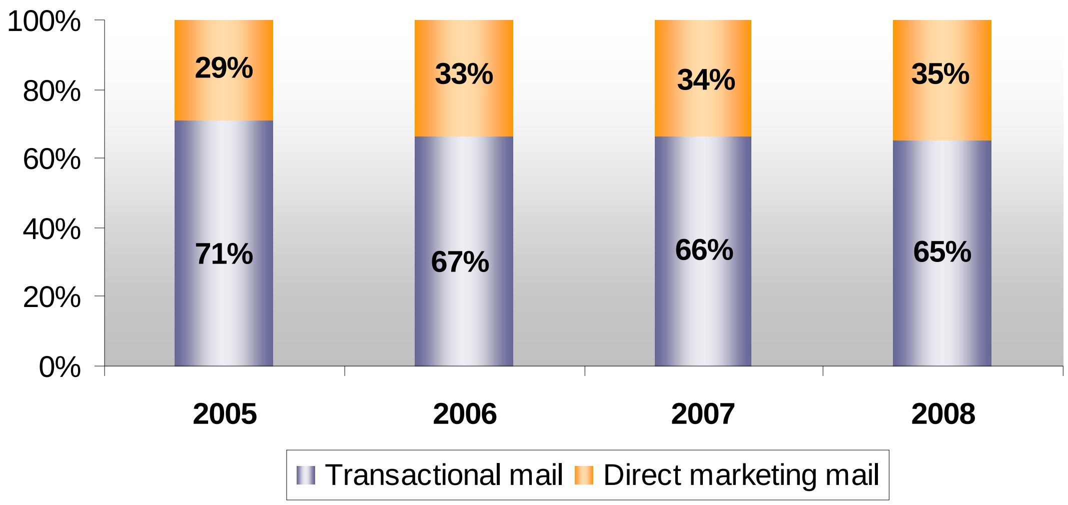
Prepared flows accounted for fewer than 5.7 billion items of correspondence in 2008, down 0.6% – but less than the 2007 decrease (-1.4%) – while correspondence-item traffic remained stable.

Transactional mail items, i.e. bills, account statements or any other items of administrative correspondence, grew in 2008 after falling 0.5% in 2007.

Direct marketing (also known as addressed advertising) volumes continued to decline in 2008, at the same pace as in 2007 (-1.7% in 2008 and -1.8% in 2007), a decrease in line with that for addressed advertising items as a whole (-1.3%).

Lastly, direct marketing's share of all prepared items of correspondence is dwindling steadily, down from 71% in 2005 to 65% in 2008.

Distribution of prepared items of correspondence

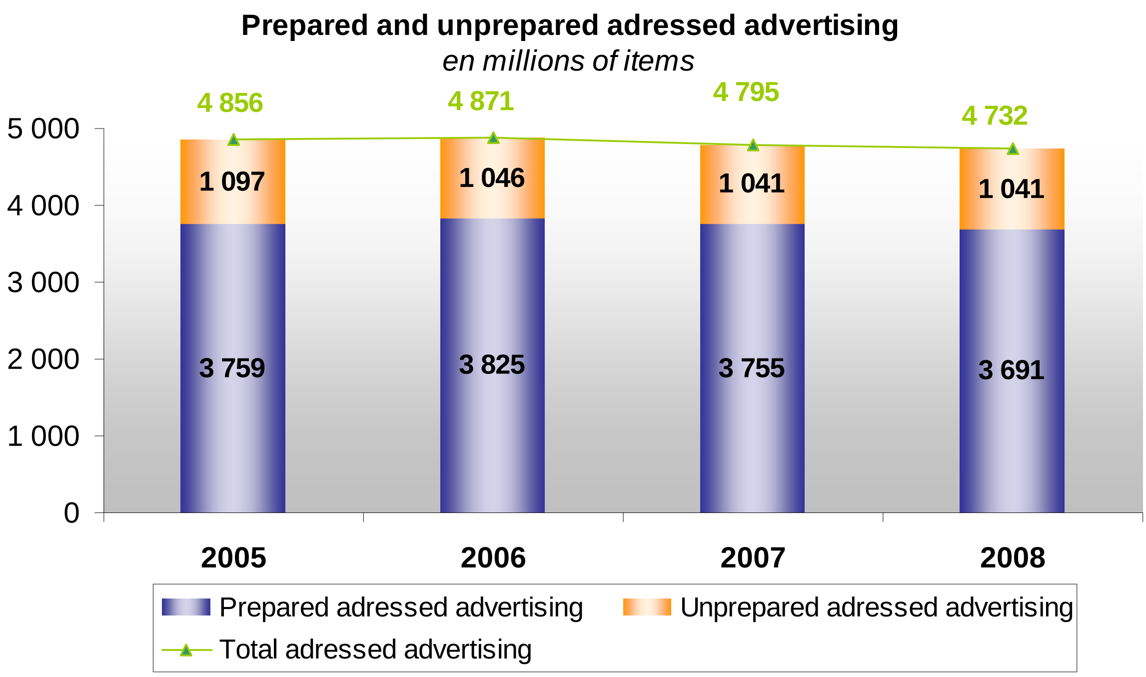


Source: ARCEP, Postal Activities Observatory

7.2 Mail preparation – Addressed advertising

Though prepared addressed advertising volumes were down 1.7% in 2008, unprepared addressed advertising remained stable during the same period.

Taken overall, the proportion of prepared addressed advertising (around 78%) has changed little over the past three years, with large mailers basing the decision of whether or not to outsource mail preparation on operators' offers.



Source: ARCEP, Postal Activities Observatory

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 2008, 95% of prepared direct-marketing items[20] were deposited direct with an ARCEP-authorised postal delivery operator, while the remaining 5% were grouped with aggregators[21] to obtain more favourable tariffs from postal operators. This percentage has not changed compared with 2007.

7.3 Mail preparation – Transactional mail

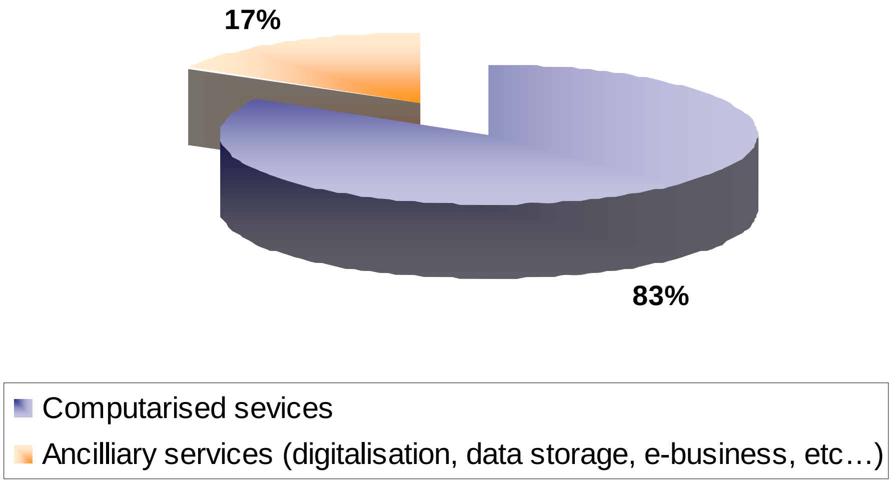
Prepared transactional mail was up 1.7% in 2008, confirming better mailing-house performance in this segment than that of addressed advertising. In 2008, transactional mail accounted for 35% of the flows processed by mailing houses, compared with 29% three years earlier.

The good performance of prepared transactional-mail volumes can be situated in a generally unfavourable context of downward trends for such items, with large mailers (banks, utilities, telecom operators) increasingly offering their customers electronic bills or statements. However, when such items are posted, mailers frequently use preparation services.

[20] Based on replies to the current survey.

[21] 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 2008



Source: ARCEP, Postal Activities Observatory

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

The percentage of flows deposited 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 their 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[22], 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.

The main mail-preparation-market event of 2008 was the merger of Inforsud éditique and Defitech, which have been operating since 1 January under the name of Edokial.

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

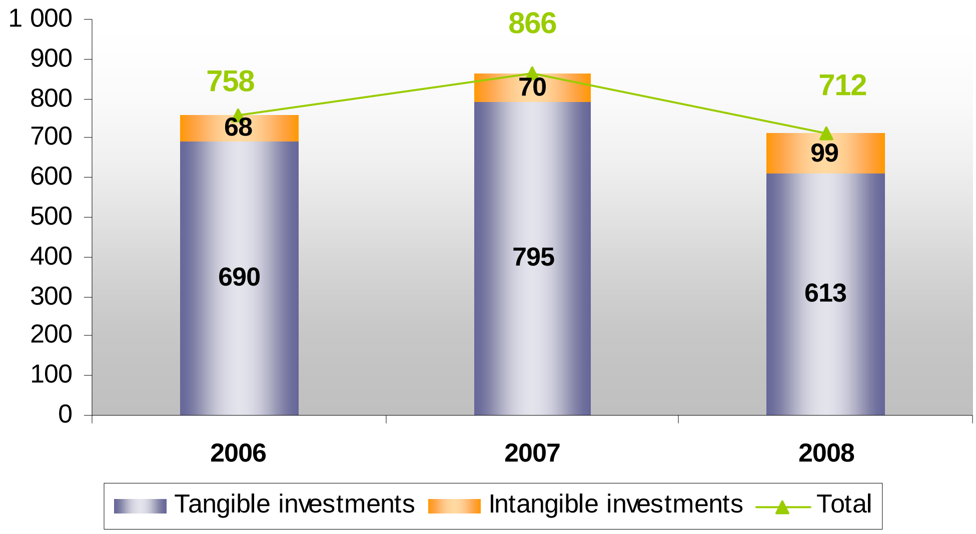
Part II – Investments and jobs in postal activities

1- Investments

In 2008, operators invested 712 million euros in postal activities, including investments made through their subsidiaries, 17.7% less than in 2007 when investments rose 14.2%.

Tangible investments (i.e. investments essential to postal activities in infrastructure, equipment, sorting machines and premises) accounted for 86% of total investment in 2008, six percent down on 2007.
Intangible investments concerning services such as computerisation of operator information systems grew more strongly in 2008 than in 2007.

Authorised-operator in investments in postal activities
(in millions of euros)



Source: ARCEP, Postal Activities Observatory

Note:
The information about investments given here is confined to operators authorised by ARCEP at the end of 2008 and to their subsidiaries in France that invest in postal activities (see box). Thus, they cover only postal-service activities 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 88% of traffic. At the beginning of 2009, nine of these facilities were operational and 18 others were to be commissioned in 2009[23].

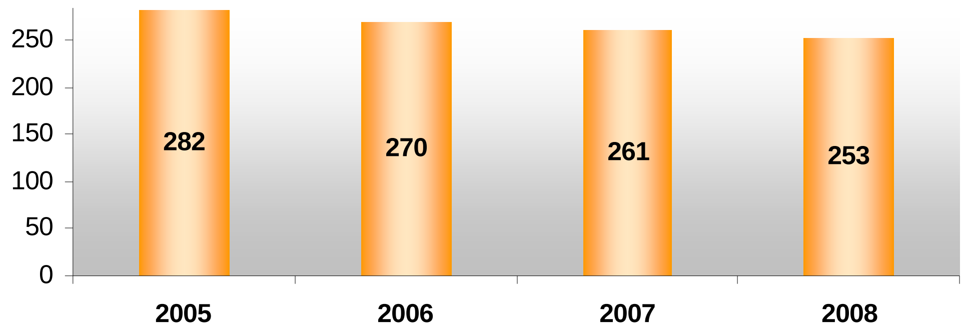
[23] 2008 Financial Report, La Poste, page 9.

2- Jobs

At 31 December 2008, the number of jobs linked to ARCEP-authorised operators' postal activities stood at 253,000, with staff numbers falling slightly less than in 2007.

Jobs linked to authorised operators' postal activities

(in thousand)



Source: ARCEP, Postal Activities Observatory

The number of jobs considered corresponds to the number of individuals employed by authorised operators, not including subsidiaries, to perform postal services, i.e. excluding activities in relation to express items, unaddressed advertising and mail preparation.

- 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, are not included.
- The staff of agencies or partner pick-up points to which authorised operators delegate certain services are not included either. Jobs in postal or communal agencies and pick-up points are not counted, even though the number of such facilities increased 10% in 2008 following a 13% increase 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 provides only an approximate picture of jobs related to postal services.

Counter staff: postal plus banking services

The work of La Poste counter staff is divided 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 2008 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: 2008 Annual Report
- Ministry for Ecology, Energy, Sustainable Development and Spatial Planning: courier services and express market
- Office de Justification de la Diffusion (OJD): press distribution
- Study on mail preparation activities in France, conducted by Basic Consultants for ARCEP, 2008