4

The postal sector

The Law on regulation of postal activities of 20 May 2005[1] extended the powers of the telecommunications regulator (ART) to the postal sector, thus creating the Autorité de Régulation des Communications électroniques et des Postes (ARCEP) which was given responsibility for ensuring the opening and smooth functioning of the postal market.

In this capacity, ARCEP's missions are as follows:

- issuing authorisations to operators that process items of correspondence;
- monitoring La Poste's universal service mission (quality, access to the service, affordable tariffs, etc.) and its funding;
- settling disputes and power to impose sanctions in the postal sector.

The Law designated La Poste as the universal service provider[2]. The incumbent operator has a monopoly – the "reserved area" which, with effect from 1 January 2006, was restricted to items of correspondence (addressed household and business mail, both domestic and foreign-origin) weighing less than 50 grams and costing less than two-and-a-half times the basic tariff[3].

In the postal field, salient events in 2006 were the publication of two decrees[4] and an order[5] designed to supplement the French postal and electronic communications code, CPCE (Code des postes et des communications électroniques). Early in 2007, the promulgation of a further decree on universal postal service and La Poste's rights and obligations amended the CPCE[6].

In 2006, ARCEP issued its first postal authorisation and defined La Poste's tariff framework for 2006-2008[7], as well as publishing its first tariff opinions on the changes in postal tariffs[8].

At European level, 2006 marked the completion of another stage in the process of postal market liberalisation, with the Commission proposing total market opening for 2009[9].

1 - *Law No 2005-516 of 20 May 2005 on regulation of postal activities, Journal Officiel (JO) (Official Journal) of 21 May 2005.*

2 - *Op. cit.*

3 - *At 1 March 2007, this basic tariff corresponded to the postage for a letter weighing less than 20 grams at € 0.54.*

4 - *Decree No 2006-507 of 3 May 2006 on the regulation of postal activities, JO of 5 May 2006, and Decree No 2006-1020 of 11 August 2006 on postal service provider liability, JO of 17 August 2006.*

5 - *Order of 3 May 2006, in application of article R. 1-2-6 of the CPCE, specifying the obligations of authorised postal service providers, published in the JO of 5 May 2006.*

6 - *Decree 2007-9 of 5 January 2007 concerning the universal postal service and La Poste's rights and obligations, and amending the CPCE, JO of 7 January 2007.*

7 - *See below.*

8 - *See below.*

9 - *European Commission press release, "Postal services: Commission proposes full market opening by 2009", 18 October 2006.*

PART 4

Postal markets

The Law of 20 May 2005 on regulation of postal activities instructs ARCEP to establish a statistical survey to monitor changes in the postal market in a context of gradual liberalisation of the sector[10].

10 - *CPCE, Article L.135.*

In 2005, ARCEP therefore set up a Postal Activities Observatory, which presented an overview of postal markets in 2004.

In its second publication, which came out at the end of 2006, the Observatory presented figures for the postal market in 2005.

Article L.1 of the CPCE defines postal services as "*the clearance, sorting, transmission and delivery of postal items in the course of regular rounds*". A postal item must have an address and may be a letter, catalogue, newspaper, printed papers or a parcel.

Postal activities in the sense of the Observatory are more extensive, and are defined as all clearance, sorting, transport and delivery activities which enable an item to reach its final destination. Thus, postal activities cover all items of correspondence, catalogues, press items and addressed or unaddressed advertising, irrespective of their method of forwarding.

A. Overview of markets in 2005

1. Revenue up despite lower volumes

In 2005, the volume of items delivered[11] by the various operators and service providers fell in all market segments except parcels. On the other hand, there was an overall increase in revenue for both the regulated and unregulated sector.

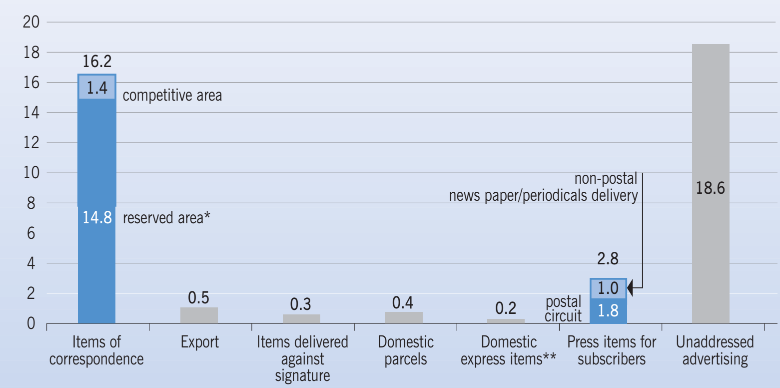
11 - The Observatory analyses the domestic market (traffic originating and delivered in France), imports and exports.

	Volumes (in millions of items)			Revenue (€ million excl. VAT)		
	2004	2005	Change	2004	2005	Change
Correspondence delivered in France	16,302	16,208	-0.6%	7,956	8,257	3.8%
Export	nd	549	nd	nd	591	nd
Items delivered against signature	251	252	0.6%	1,153	1,213	5.2%
Domestic parcels	345	355	2.8%	1,396	1,433	2.6%
Express items delivered in France	260	nd	nd	2,000	nd	nd
Press items	2,950	2,802	-5.0%	nd	nd	nd
Unaddressed advertising	18,590	18,595	0.0%	593	631	6.5%

Source: ARCEP.

a. Volumes topped by unaddressed advertising

Postal market volumes in 2005 (in billions)



** In 2005, the postal monopoly covered items of correspondence < than 100 grams whose price was < than 3 times the basic tariff.*
*** Estimate.*

Source: ARCEP.

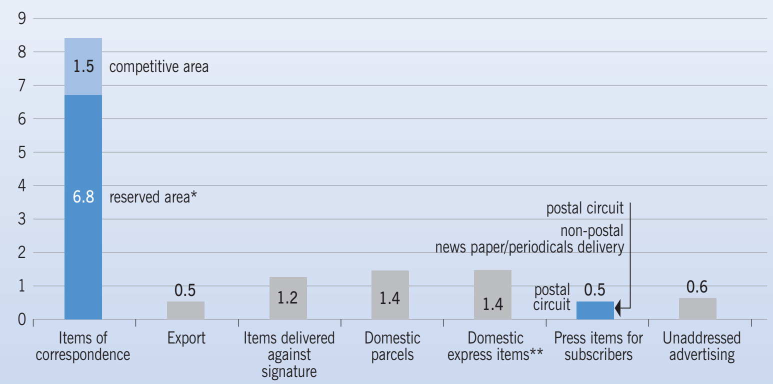
In terms of volume, unaddressed advertising (UAA) is the most significant activity, with 18.6 billion items in 2005, followed by items of correspondence, i.e. postal items weighing not more than two kilograms[12]. Items of correspondence under the monopoly[13] are still in the majority. In the non-monopoly sector, they represent less than 10% of the total volume. Finally, delivery of newspapers and periodicals – covering items delivered to subscribers and those carried by specialised providers – is the third-biggest activity, accounting for 2.8 billion items.

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

13 - At 31 December 2005, the postal monopoly covered items of correspondence weighing less than 100 grams whose price was less than three times the basic tariff. These thresholds were lowered from 1 January 2006 (items of correspondence weighing less than 50 grams whose price is less than two-and-a-half times the basic tariff).

b. €14 billion in revenue in 2005

Value of the postal market in 2005 (€ billion)



** In 2005, the postal monopoly covered items of correspondence < than 100 grams whose price was < than 3 times the basic tariff.*
*** Estimate.*

Source: ARCEP.

The postal market generated more than € 14 billion in revenue in 2005. Based on large volumes, items of correspondence delivered in France – monopoly and non-monopoly items combined – generate slightly over half of revenue at € 8.3 billion. Less than 6% of operator revenue came from exports (€ 499 million).

While it produces the largest item volumes, unaddressed advertising is the segment that generates least revenue (€ 631 million), by the very nature of its lower value-added activities. Revenue from domestic parcels and revenue from domestic express items each represent approximately 10% of total postal market revenue.

c. Strong reserved area, growing competitive area

Part of the correspondence-item market consists of an area reserved for La Poste to compensate for its universal service obligations. Until 2005, this monopoly covered items of correspondence up to 100 grams and a tariff less than three times the basic tariff. From 1 January 2006, these monopoly limits for items of correspondence (letters and addressed advertising) were lowered from 100 to 50 grams (and to two-and-a-half times the basic tariff). This monopoly also includes inward cross-border mail weighing less than 50 grams.

Volume

Millions	2004	2005	Change
Reserved area	15,007	14,847	-1.1%
Competitive area	1,295	1,361	5.1%
Total items of correspondence	16,302	16,208	-0.6%

Source: ARCEP.

Revenue

€ million excl.VAT	2004	2005	Change
Reserved area	6,595	6,804	3.2%
Competitive area	1,362	1,453	6.7%
Total items of correspondence	7,956	8,257	3.8%

Source: ARCEP.

In 2005, over 90% of the items of correspondence delivered in France came under the postal monopoly. However, this percentage is falling (down 0.5% on 2004) whereas the volume of items delivered in the competitive area has risen 5.1%. The annual growth rate of liberalised sector revenue (+6.7%) is twice that of the reserved area (+3.2%).

Distribution of items of correspondence in 2005

Domestic and imports	Volume	Revenue
Reserved area	91.6%	82.4%
Competitive area	8.4%	17.6%
Total items of correspondence	100 %	100 %

Source: ARCEP.

The marked increase in tariffs for single-piece items in 2005 explains the difference between revenue and volume movements, especially for the reserved area.

2. Letter boxes and La Poste's public contact points

Under the terms of a decree[14], La Poste must make universal service products accessible to users, in particular by providing the public with sufficient contact points, under conditions defined in terms of population coverage.

This obligation satisfies regional development objectives and does not fall within ARCEP's purview.

Nevertheless, ARCEP monitors movements in the number of letter boxes and La Poste contact points, for information purposes. The data published were taken from La Poste's annual report.

The figures given concern La Poste only. For the other postal service providers (10 authorised by ARCEP in 2006), only the registered office currently constitutes an access point or contact point office, with the exception of Adrexo which has several drop-off points across France.

14 - Decree No 2007-29 of 5 January 2007 concerning the universal postal service and La Poste's rights and obligations, and amending the CPCE, JO of 7 January 2007.

The access points, commonly known as "letter boxes", are physical installations, i.e. collecting boxes available to the public, where postal items can be posted by users for postal-service processing. These boxes are located either on public highways or on the premises of postal service providers. At the end of 2005, La Poste had 140,500 such boxes.

Contact points are establishments where mail can be handed in. Overall, their number rose a little (+ 1.7%) between 2004 and 2005. While the number of post offices has fallen slightly, the number of postal agencies or Relais Poste retail outlets has risen by just over 300 – to 3,566 – in the course of the year.

Change in the number of contact points between 2004 and 2005

units	2004	2005	Change
Post offices (establishments open to the public)	13,722	13,442	-2.0%
Other contact points for mail hand-over	3,225	3,566	10.6%
including postal and communal agencies	2,759	2,805	1.7%
relais poste retail outlets	466	761	63.3%
Total number of contact points	**16,947**	**17,008**	**1.7%**

Source: Sustainable Development Report 2005, La Poste Group

The number of sales points for postage stamps or prepaid envelopes rose from 33,800 to 36,280 in just one year.

Definitions of the various market segments

To provide a fuller picture and a better understanding of postal markets, the Observatory's field of study includes not just activities subject to authorisation but also certain activities which are not subject to authorisation, such as parcels, express items, unaddressed advertising and mail-preparation services.

The players mentioned are the operators engaged in the corresponding markets at the end of 2005.

Item of correspondence

An item of correspondence is a postal item not exceeding two kilograms in weight. It comprises a written communication and must be conveyed and delivered to the address indicated by the sender on the item itself or on its wrapping. Books, catalogues, newspapers and periodicals are excluded from this category. Direct mail items (addressed advertising or direct marketing) are items of correspondence.

- ***La Poste's reserved area (<100 grams – monopoly):***

Items of correspondence of domestic or foreign origin delivered on French territory, including expedited mail items, whose weight does not exceed 100 grams and whose price is less than three times the basic tariff.

Player: La Poste

- ***Domestic and import competitive area (>100 grams – non-monopoly):***

All items of domestic or foreign-origin correspondence delivered on French territory which are heavier than 100 grams and whose price is higher than three times the basic tariff.

Players: Adrexo, La Poste

◆ ***Export***

The outward international mail segment (items of correspondence) is open to competition for all weight categories. Most of the operators have close links with the long-established European Posts.
Players: Belgian Post, Deutsche Post Global Mail, IMX France, La Poste, Royal Mail, Spring, Swiss Post

Items delivered against signature*:

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

Domestic parcels*:

The Observatory covers the delivery to the addressee's home address or to a pick-up point of parcels weighing up to 30 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.
Players: Alveol, Coliposte, Distrihome, Kiala, Mondial-Relay, Sogep

Domestic express service*:

The express market is totally open to competition and provides door-to-door, time-certain delivery services for articles and letters. The market observed is that of light parcels (up to 30 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

◆ ***Non-postal delivery of newspaper and periodicals***

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

Unaddressed advertising:

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

**The dividing line between items delivered against signature and express items has not been sharply defined 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 hard and fast.*

B. The correspondence market

1. Items of correspondence: domestic and import market

a. Revenue up, stable volumes

In 2005, revenue from the correspondence-item market rose 3.8% compared with 2004, buoyed in particular by a 4.1% increase in revenue, not including addressed advertising. The March 2005 increase in tariffs for single-piece items[15] (items posted singly or in small quantities) – 6.5% for letters and 7.4% for "Ecopli" items (economy-tariff items of correspondence) – explains this growth.

15 - Cf. ARCEP Decision No 2006-0690 of 18 July 2006.

Revenue from addressed advertising traffic is growing too, but not as strongly (+2.4%). This increase is due to customers switching to higher-priced products and to the increase in average weight.

Setting aside addressed advertising, the volume of items of correspondence decreased 1.1% compared with 2004. This drop is not totally compensated for by growth of 0.6% in addressed advertising. Overall, correspondence-item volumes fell by nearly 100 million to 16.2 billion items in 2005.

Volume

Millions	2004	2005	Change
Correspondence, excluding addressed advertising	11,514	11,390	-1.1%
Addressed advertising	4,788	4,818	0.6%
Total items of correspondence	16,302	16,208	-0.6%

Note: the volume of items of correspondence excluding addressed advertising is measured by sampling and is not the result of systematic counting of flows. The accuracy of this measurement depends on the sample

Source: ARCEP.

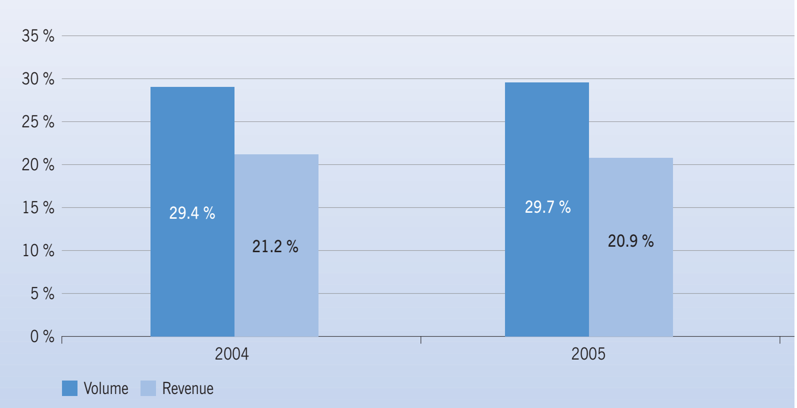
Revenue

€ million excl. VAT	2004	2005	Change
Correspondence, excluding addressed advertising	6,270	6,529	4.1%
Addressed advertising	1,687	1,727	2.4%
Total items of correspondence	7,956	8,257	3.8%

Source: ARCEP.

The share of addressed advertising is bigger in terms of volume than of revenue, representing 29.7% of correspondence-item volume compared with just 20.9% of revenue.

Addressed advertising as a percentage of items of correspondence (volume and revenue)



Source: ARCEP.

b. Towards industrialisation of mail

The term "bulk mail" is applied to mail that is computer generated in large quantities – at least 400 letters per dispatch – such as bills, bank statements, addressed advertising and periodicals. In fact, bulk mail is mail that is prepared, pre-sorted and sent by a comparatively small number of large mailers to a high number of households.

Depending on the country, bulk mail represents between 50 and 70% of correspondence-item traffic. In France in 2005, it accounted for 58% of correspondence-item volume. Between 2004 and 2005, bulk mail volume increased at the expense of single-piece items where volumes dropped 5.4% in a single year compared with a 3.2% increase in bulk mail.

Cheaper bulk-mail services are attracting more and more companies. Thus, in the course of the year, single-piece business mail volumes fell by 6.9%.

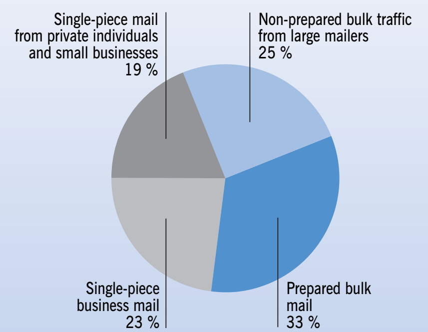
Distribution of items of correspondence (domestic and import)

Volume (millions)	2004	2005	Change
Bulk traffic (consignments > 400 items):	9,112	9,407	3.2%
Non-prepared bulk traffic	–	4,132	–
Prepared bulk traffic	–	5,275	–
Single-piece traffic posted with delivery operator:	7,190	6,801	-5.4%
Single-piece business mail	3,946	3,673	-6.9%
Private/small business single-piece mail	3,244	3,128	-3.6%
Total items of correspondence delivered in France	16,302	16,208	-0.6%

Source : ARCEP.

Single-piece mail from private individuals, small businesses but also large mailers does not undergo any special preparation but is posted in letter boxes in public places, near sorting centres or at La Poste contact points. In 2005, single-piece mail accounted for 42% of items of correspondence (compared with 44% in 2004).

Répartition des envois de correspondance en 2005 (domestique et import)



Source: ARCEP.

These large mailers can choose to prepare their bulk items themselves or contract them out to mailing houses. Consequently, more than half of bulk mail is prepared[16].

16 *- See below.*

When it comes to correspondence, the great majority of addressed advertising is prepared. In 2005, over 78% of addressed advertising items were prepared, while only 13% of correspondence excluding addressed advertising went through mailing houses, some of them specialising in laser-personalised production of transactional mail.

Volume

In millions of items	2005	%
Correspondence, excl. addressed advertising	11,390	100 %
Non-prepared	9,874	87 %
Prepared	1,516	13 %
Addressed advertising	4,818	100 %
Non-prepared	1,059	22 %
Prepared	3,759	78 %
Total correspondence	16,208	

Source: ARCEP.

2. Mail preparation services

Although mail preparation does not come within the scope of postal regulation, this activity is a crucial link in the postal operations chain.

ARCEP therefore takes an interest in the mail-preparation market and collects guideline information to enable it to refine its knowledge of the postal sector.

a. Definition

Mail preparation occurs upstream of delivery, with mailing houses normally carrying out three major types of pre-posting work – packaging, sorting and postal prepayment – on bulk mail before it is handed over to a postal operator for delivery.

Packaging includes collating, folding, addressing, enveloping or polywrapping and packing, while sorting covers the batching in bundles and in mailbags, by destination, of printed matter, newspapers, advertising circulars or brochures handed over to a postal operator.

The mailing house is often responsible for postal prepayment, i.e. affixing the operator's value imprint according to the product and tariff category. However, some mailing houses do not manage enough items to benefit directly from La Poste discount rates so hand over their volumes to an aggregator who acts as an intermediary between small mailing houses and the postal operator for the prepayment stage.

b. The mail preparation market

Mailing houses have to make substantial investments to adapt to changing technologies and tend to focus on specific segments. A small number of operators share most of the market which breaks down into three main activities according to the type of products sent: preparation of transactional mail, preparation of addressed advertising (also called direct marketing) and preparation of press items.

In 2005, nearly 5.3 billion items of correspondence were processed by mailing houses (excluding press items), i.e. 56% of bulk mail. With similar traffic volumes, roughly 80% of addressed advertising is prepared compared with just one third of transactional mail, while addressed advertising accounts for 71% of correspondence-item preparation.

Distribution of prepared items of correspondence in 2005

Volume	million items	%
Prepared items of correspondence	5,275	100 %
of which transactional mail	1,516	29 %
of which addressed advertising	3,759	71 %

Source: ARCEP.

Administrative mail

Among other things, the preparation of administrative or transactional mail comprises the folding, enveloping and addressing of printed matter from banks, as well as mail from insurance companies and government offices (pension funds, taxes, etc.). About fifteen players share most of this market and differ from other mailing houses by the nature of the items they process, i.e. confidential items which are often urgent and require guaranteed transmission. Furthermore, this sector handles much lower volumes than those for addressed advertising[17].

In 2005, the revenue of these service providers totalled around 265 million (excluding postal prepayment), with the bulk of this revenue (81%) coming from the computerised processing, publishing, printing and enveloping of documents. The remaining 19% stemmed from digitisation, electronic document storage and *e-business*.

Addressed advertising

The preparation of addressed advertising covers the packaging and sorting of messages, catalogues, business offers, canvassing letters or packets. Addressed advertising or direct marketing mailing houses are diversifying more and more in their search for new profit sources.

Upstream, their activities now include address-processing and personalised envelope printing, and downstream, remote-retail logistic services and fulfilment (preparing orders, handling complaints and returned goods, and even call-centre services).

In 2005, 63.9% of addressed-advertising mailing house revenue was derived from preparation activities proper, 13.4% from the massification of flows, managed by aggregators, 12.3% from activities such as business, supply of envelopes, etc. and 10.5% from list management or item personalisation.

Newspapers and periodicals

Newspaper and periodical preparation, which is characterised by very short delivery times, is thought to account for some 30% of overall press distribution in France[18]. The Observatory does not have more specific information about this market segment at present.

17 *- See above.*

18 *- Xerfi, "Routage", Analyse de marché - Prévisions 2006 - Forces en Présence, January 2006.*

C. Other markets

1. Items delivered against signature

In 2005, volumes of items delivered against signature remained stable while revenue increased 5.2%, mainly as the result of a tariff increase in 2005. The knock-on effect of the March 2005 increase in the single-piece letter tariff was a *de facto* rise in the price of registered letters, because the price of the single-piece letter is one of the three components that make up the registered letter tariff[19].

19 - The other two are: the registration fee and the advice of delivery charge, where appropriate.

These findings also underline a structural effect: parcels account for a small percentage of items delivered against signature (one fifth) but generate a larger share of revenue. Between 2004 and 2005, parcel traffic increased more than 10% both in volume and value. As parcel prices are higher than letter prices, total revenue from items delivered against signature increased faster than volume.

Revenue

€ millions excl. VAT	2004	2005	Change
Letters and parcels delivered against signature	1,153	1,213	5.2 %

Volume

Millions	2004	2005	Change
Letters and parcels delivered against signature	251	252	0.6 %

Source: ARCEP.

2. Export

The export segment is open to competition for all weight categories. Most of the operators have close links with the incumbent European postal services (Belgian Post, Deutsche Post Global Mail, IMX France, Royal Mail, Spring and Swiss Post).

In 2005, this market represented more than 550 million items. Between 2004 and 2005, the volume of items of correspondence for export fell by 2%.

Export traffic including ABC volumes* (with France as country B)

Volume (Millions)	2004	2005	Change
Correspondence (letters and addressed advertising)	533	523	-2.0 %
Press**	–	19	–
Parcels**	–	7	–
Total export	–	549	–

Source: ARCEP.

** ABC traffic originates in country A, is posted in country B – in this case, in France - and delivered in country C. The postage is paid in country B.*

***While the measurement of items of correspondence is exhaustive, newspaper/periodicals and parcel volumes reflect only the activities of the operators surveyed. With effect from 2006, these operators are authorised on the strength of their cross-border mail activities.*

Operator revenue for export traffic stood at €591 million in 2005 and was distributed as follows:

- €499 million for items of correspondence;
- €17 million for press items;
- €74 million for parcels.

In 2005, ABC traffic (with France as country B) represented about 10% of correspondence-item export traffic.

3. Parcels

The parcels segment is defined as a service for single parcels weighing less than 30 kilograms.

At present, the main activity involves business-to-consumer exchanges (BtoC), but the boom in websites for sales between private individuals, such as e-Bay, is opening up development prospects for consumer-to-consumer exchanges (CtoC). The main players in this market are Coliposte, a division of La Poste, and mail-order companies. Coliposte is different in that it has an obligation to provide nationwide service because La Poste is the universal service provider[20]. Mail-order companies are both Coliposte's main customers and its main competitors in that some of them have also developed their own parcel home-delivery networks (Distrihome, Mondial Relay) or drop-off points (Alvéol, Kiala or Sogep).

2005 saw parcel-sector growth, with revenue up 2.6% and volume up 2.8%. The increase in the number of parcels is mainly explained by the expansion of e-commerce. According to the figures published by the Fédération des entreprises de vente à distance (FEVAD)[21] and the Association pour le commerce et les services en ligne (ACSEL)[22], parcel dispatches from online shopping websites have doubled in just two years. Between December 2004 and December 2005, they increased by 40%.

20 - Its obligation is confined to parcels weighing less than 20 kilograms presented at counters.

21 - FEVAD, Chiffres clefs: vente à distance et e-commerce, 2006, Internet: http://www.fevad.com/library/documents/337.pdf.

22 - ACSEL, Baromètre e-commerce de l'ACSEL : 4ème trimestre 2005 et bilan annuel, 12 January 2006, Internet : http://acsel.asso.fr/fichiers/BAROT4-05.pdf.

Revenue

€ million excl. VAT	2004	2005	Change
Parcels	1,396	1,433	2.6%

Volume

Millions	2004	2005	Change
Parcels	345	355	2.8 %

Source: ARCEP.

4. Express items

The express market offers two kinds of services: for letters and "light" parcels weighing less than 30 kilograms and for all weights. The express courier services considered here handle only urgent letters or "light" parcels (up to 30 kilograms) for delivery in less than 24 hours in Europe and the United States, and in between 48 and 72 hours for the rest of the world.

This is a very high value-added segment, providing companies with a turnkey solution for parcel and urgent letter transport worldwide. The express service has become a tool for boosting corporate competitiveness: customers benefit from computerised track and trace and proof of delivery for their items.

The value-added services on offer in the parcels segment (such as parcel track and trace) sometimes blur the distinction between it and the express light parcels market (less than 30 kilograms). The latter features time-certain, door-to-door delivery by the operator. Its tariffs are higher.

The courier services survey[23] conducted by the Ministry of Transport provides the main indicators for monitoring the courier and express market. For instance, in 2005, express-letter and light-parcel operations on the domestic market were up 4.7% on 2004, both in terms of items and turnover. This market is estimated at € 1.4 billion for just under 200 million parcels. The main players on the domestic express-letter and light-parcel market are Chronopost International, Exapaq, GLS (General Logistics Systems) and TNT Express. Carriers such as Ciblex, DHL Express, Fedex or UPS, whose focus is mainly international (import and export), are also active in this market.

23 - *Ministère des Transports, de l'Équipement, du Tourisme et de la Mer, Enquête Messagerie, http://www.statistiques.equipement.gouv.fr/article.php3?id_article=156.*

5. Delivery of press items

In France, newspapers and periodicals against payment are delivered through three channels: the postal circuit, non-postal home delivery services and the news-stand network via the *Nouvelles messageries de la presse parisienne* (NMPP) and the Messageries lyonnaises de presse (MLP). The Observatory's annual survey deals only with the delivery of press items against payment direct to the readers' letter boxes, through postal delivery channels or non-postal home-delivery services, and excludes news-stand distribution.

a. In terms of volume

In 2005, the number of newspapers and periodicals delivered through the postal circuit fell by 3.1%, whereas – according to *Observatoire de la Presse*[24] data – there was a 2.5% increase in non-postal home-delivery services.

24 - *Office de Justification de la Diffusion, L'observatoire de la Presse, 16th issue, 2006.*

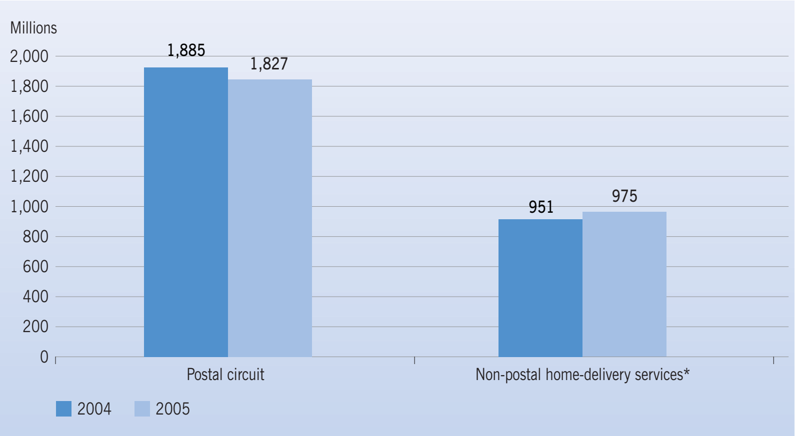
Non-postal home-delivery services are used to distribute local press items (nine out of ten dailies in this category are local papers) rather than the national press. On average, 35% of local information newspapers use non-postal home-delivery services, with peaks at 84% for certain titles in eastern France, such as *Les Dernières Nouvelles d'Alsace*, according to the *Direction du développement des médias*.

Volumes

Millions	2004	2005	Change
Postal circuit	1,885	1,827	-3.1 %
Non-postal home-delivery services*	951	975	2.5 %
Distribution of newspapers and periodicals to subscribers	2,836	2,802	-1.2 %

Source : Observatoire de la presse.

Press distribution (excluding news-stands)



Source: Observatoire de la presse.

b. In terms of revenue

In 2005, revenue from La Poste's delivery of newspapers and periodicals amounted to €734 million, including €242 million from state subsidies.

In contrast, revenue from non-postal newspaper and periodical home-delivery services is difficult to evaluate because publishers do this work themselves or assign it to subsidiaries. In 2005, the home-delivery subsidy fund allocated to publishers by the government totalled €8.3 million[25], as it had since 2003.

25 - Direction du développement des médias, Tableaux statistiques de la Presse, 2006 version.

6. The unaddressed advertising or unaddressed printed papers market

The unaddressed advertising (or unaddressed printed papers) market covers messages with no personal reference, address or name. It is completely open to competition. Within the meaning of the law, UAA is not a postal item. Unlike addressed mail, this category does not require clearance, sorting or daily delivery rounds.

However, unaddressed advertising operators may rely on the delivery of unaddressed printed papers in order to develop addressed delivery services.

The unaddressed advertising market is dominated by two major operators: Mediapost, a La Poste subsidiary, and Adrexo, which is part of the Spir Communication Group (Ouest France Group). This market has over a hundred smaller local operators, and the sector was consolidated in February 2006 with the merger between Adrexo and Kicible (S3G Group). A new body called “Adrexo Sud-Ouest” now groups 36 Adrexo and 29 Kicible centres in south-western France.

In 2005, market volume remained stable (18.6 billion items delivered). In contrast, operator revenue grew strongly at 6.5% per annum, a trend which is explained by higher tariffs.

Volume

Millions	2004	2005	Change
Unaddressed advertising	18,590	18,595	0.0%

Source : ARCEP.

Revenus

€ million excl. VAT	2004	2005	Change
Unaddressed advertising	593	631	6.5%

Source: ARCEP.

The first postal authorisations

A. The authorisation system in effect

1. Legal basis

The authorisation system provided for in articles L.3 and L.5-1 of the French postal and electronic communications code, CPCE, (*Code des postes et des communications électroniques*) was supplemented in 2006 by a decree[26] and an order[27].

2. Principles

The sphere of activity for which an administrative authorisation is compulsory is much more limited in France than in some other European countries, such as Germany, because it is mainly confined to delivery operations (thus excluding mail preparation and collection/delivery services). It did not seem expedient to extend this system beyond mail operations proper. In France, a regulatory framework has never been established for sectors such as parcel delivery or unaddressed advertising.

On the other hand, now that liberalisation of addressed mail (correspondence and advertising) delivery is progressing, it is important to monitor developments in this market and to clearly define the obligations incumbent on authorised operators, to ensure the reliability of the latter.

The authorisation system must not constitute a barrier to market entry. Thus, the number of authorised operators is not limited from the outset.

3. Obligations

An authorisation is issued for a ten-year period from the signature date and is renewable. It is tied to the holder so cannot be transferred to a third party.

The decision to grant an authorisation is made conditional on compliance with the legal and regulatory conditions set out in an appendix which constitutes the operators' terms of reference, listing all the rights and obligations authorisation entails as well as

26 - *Decree No 2006-507 of 3 May 2006 on the regulation of postal activities, JO of 5 May 2006.*

27 - *Order of 3 May 2006, in application of article R. 1-2-6 of the CPCE specifying the obligations of authorised postal service providers, published in the JO of 5 May 2006.*

the technical characteristics of the authorised service. The system set out in the legal and regulatory provisions constitutes a balanced framework of rights and obligations for authorised operators.

Authorisation holders have access to private letter boxes and to the resources of La Poste, the incumbent operator, which are essential for carrying out their postal activities (for instance, redirection of their customers' items in the event of change of address). In return, these rights are accompanied by obligations[28] designed to preserve user confidence in mail operations that are henceforth open to competition.

28 - See below.

ARCEP sees that these obligations are met, monitoring them through the information sources at its disposal. It also has the right to impose sanctions and, in the event of default, may withdraw an operator's authorisation after sanction proceedings.

Examples of the obligations described in authorisation decision appendices

Delivery staff must carry a company ID card and a distinctive emblem identifying the postal operator to provide reassurance when accessing private premises.

Operational procedures must guarantee item confidentiality, safeguard their contents, protect personal data and respect the privacy of postal service users.

The services on offer feature a malfunction correction procedure, and the service provider can be identified by marking of letters.

Postal operators provide their customers with information about their business services as well as with a simple, transparent, free complaints procedure.

B. Authorisation types

In 2006, two types of authorisation decision were issued at the request of postal operators.

1. Domestic mail delivery authorisations

a. National operators

Apart from La Poste, the operator vested with the universal service mission, Adrexo was the only operator with a nationwide authorisation in 2006. It positions itself as a private postal alternative, providing a geographical coverage approximating to that of La Poste. It now offers regular "postal messenger" rounds in major, high-density urban areas.

Adrexo

Adrexo has been present on the addressed mail market for several years now with its "Combimail" product which uses the unaddressed printed papers logistical network. 2006 marked a turning point in its addressed mail delivery operations: in June 2006, ARCEP issued the first correspondence-item delivery authorisation to Adrexo. In September 2006, the company chose the Hauts-de-Seine *département* to launch “AdrexoMail”, its new addressed mail delivery service, based on a new delivery network totally dedicated to addressed correspondence and separate from the unaddressed printed papers network.

b. Local operators

Some operators submitted requests for services confined to a local area. They differ from La Poste in that they provide value-added services such as negotiated delivery times. Some, like Fox Messenger, are courier services wishing to expand their operations to mail processing while others, like Althus and Solgeco 26, act as courier services for SMEs, delivering some of the items themselves and handing over the rest to La Poste.

Local operators

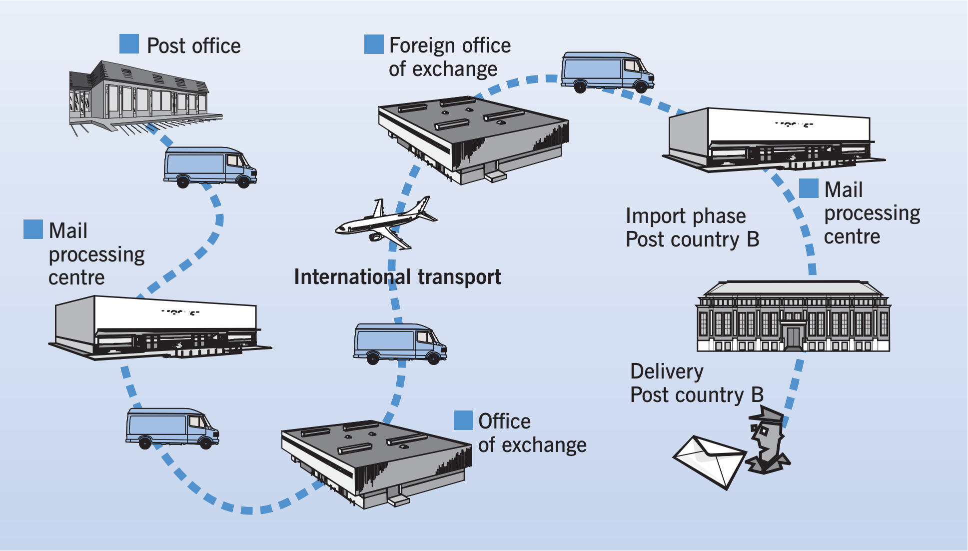
Domestic correspondence-item delivery service providers operating in a limited geographical area respond to differing requirements.

Althus, which originally offered businesses solutions for minimising their overheads, identified a need for mail-service outsourcing and developed specific services for companies and professionals. Established in October 2000 in Chambéry, this company has expanded significantly, setting up in Annecy in January 2005 and opening a franchise (Solgeco 26) in Valence in October 2006.

Fox Messenger also identified unmet requirements among certain customers in the Pau urban area (professional people, SMEs, SMIs, branches of banks) and offers them services such as mail collection, clearance of P.O. boxes, mail delivery and city courier runs.

2. Authorisations for cross-border correspondence

Routing of cross-border correspondence



Source: ARCEP.

ARCEP applies the same licensing system to postal service operators in the non-reserved outward cross-border correspondence sector as to domestic postal service operators.

Nevertheless, in this case, ARCEP takes an interest in the international aspects of the activities which the authorisation applicant wishes to conduct.

Through their subsidiaries or their parent company, several Posts of neighbouring countries (Belgium, Netherlands, Germany, Switzerland), as well as IMX France and La Poste, applied for authorisations.

IMX France, for instance, forwards postal items all over the world, choosing the best tariffs and the best transport and delivery conditions. It manages three formats of postal items (small, large and bulky), with three levels of service (priority, standard, economy). Its services break down into four business products:

- a cross-border newspaper and periodicals dispatch service;
- a dedicated international direct marketing items service;
- a transactional mail dispatch service;
- a service for aggregators and consolidators.

IMX is also the extra-territorial office of exchange for the Belgian and German Posts.

The services provided by La Poste and the subsidiaries of the German, Swiss, Dutch and English Posts operated by G3worldwide Mail NV also focus on the dispatch of different flows which these companies process using their operational structures. In general, they offer value-added services, such as mail preparation, list management, subscription management, warehousing, registered items, insured items, management of undeliverable and returned items. They usually try to capture upstream mail flows intended for their own countries, but also provide services for the rest of the world.

The Belgian Post also operates in France from its national territory base, without having a subsidiary in France. It collects, sorts and hands over to the delivery operator outward international items (letters, parcels, optional registration) for Belgium and the rest of the world, using its domestic and international network.

C. Postal authorisations issued by ARCEP in 2006

Name	Authorisation	Authorised activity	Brand / logo
Domestic mail service providers (outside the reserved area)			
Adrexo	13 June 2006	Existing – Alternative national provider	ADREXO
Althus	7 September 2006	Existing – Local (Savoie)	ALTHUS Solutions pour la Gestion du Courrier
Stamper's	7 September 2006	Newly created – Local (Pau)	LE PRÊT À DISTRIBUER FOX MESSENGER
La Poste	26 October 2006	Items of correspondence not included in the reserved area	LA POSTE
Solgeco26	5 December 2006	Newly created – Local (Valence)	ALTHUS Solutions pour la Gestion du Courrier
International service providers			
IMX France	21 June 2006	Transmission of addressed items of correspondence worldwide	IMX INTERNATIONAL MAIL EXPRESS
Deutsche Post	29 June 2006		Deutsche Post
Swiss Post	1 September 2006		SWISS POST
La Poste – Courrier International	26 October 2006		LA POSTE
G3 Worldwide (France)	5 December 2006		Spring
De Post – La Poste	5 December 2006		

Source: ARCEP.

Initial feedback from authorised operators shows that holding an authorisation is a major asset in the eyes of their customers, especially as proof of operator reliability. The authorisation is also essential for asserting their right of access to private letter boxes with building administrators. ARCEP is working on practical procedures for implementing this right[29] to alleviate the problems encountered by operators in the field, especially because of the development of building-entry security systems.

29 - *Cf. Part 4, Chapter 4.*

Lastly, in international mail where competition has been an established fact for several years, all major operators working in this sector have been, or are in the process of being, authorised.

In Sweden, Germany and the United Kingdom, issue of the first licences aroused the interest of many new operators.

This experience has prompted ARCEP to believe that, in the near future, it could receive a growing number of authorisation applications for the domestic delivery market, which was opened to competition more recently.

The universal postal service

La Poste was designated by law[30] as the universal postal service provider.

Definition of the universal postal service

In France, the universal postal service comprises a set of obligations for La Poste[31], designed to guarantee the provision for all customers of a certain number of services whose financial equilibrium is monitored by ARCEP.

The characteristics of the universal postal service were laid down in the eponymous decree of 5 January 2007[32]. In particular, this service covers the following domestic and cross-border mail services:

- items of correspondence up to a maximum weight of 2 kilograms (single-piece or bulk items and registered items with or without advice of delivery);
- newspapers and periodicals up to a maximum weight of 2 kilograms;
- catalogues and other printed papers up to a maximum weight of 2 kilograms;
- parcels up to a maximum weight of 20 kilograms;
- insured items up to a certain amount.

La Poste's reserved area ("monopoly") – confined to items of correspondence weighing less than 50 grams whose price is less than two-and-a-half times the basic tariff (i.e. € 1.35 from 1 January 2007) – is therefore part of the universal service.

ARCEP ensures that La Poste carries out its universal service missions properly, especially in terms of quality of service[33], and supervises their financing. In this capacity, it monitors La Poste's universal service tariffs, in particular defining the incumbent operator's multi-annual tariff framework[34].

30 - Article L.2 of Law No 2005-516 of 20 May 2005 on regulation of postal activities.

31 - Article L.2 of the CPCE: "La Poste est le prestataire du service universel".

32 - 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 (CPCE), JO of 7 January 2007.

33 - See below.

34 - See below.

A. Monitoring universal postal service quality

Under the terms of the French postal and electronic communications code, CPCE (*Code des postes et des communications électroniques*[35]), ARCEP ensures that La Poste – the universal service provider designated by law – carries out periodic quality of service measurements and notifies the regulator and the general public of the results.

35 - *Cf. article R.1.1.8. of the CPCE.*

1. Broader-based information

Prior to 2005, information about universal service quality was available but only for domestic single-piece priority letters for which the indicator for a given year could vary from publication to publication. Furthermore, the information was hard to access because it was scattered over documents on different topics. ARCEP's role in this context is to see that the information is available and easy to interpret, and that the same publication format is consistently used.

In France, findings on universal service quality and complaints handling for 2004 and 2005 were published in 2006. This information dealt mainly with letter and parcel transmission times, as well as with complaints lodged with La Poste.

After investigating what additional data could be useful for postal customers, ARCEP and La Poste decided to provide broader-based information when publishing the 2006 figures. A number of studies and surveys cast light on what postal service user expectations might be:

- the ARCEP/TNS-SOFRES study on user behaviour and expectations (January 2006)[36];
- the European Commission's public consultation (June 2006)[37];
- the reports of the La Poste Group and the universal postal service ombudsmen[38];
- the La Poste/BVA study on information mail (May 2006)[39];
- the UFC consumer survey Que Choisir (April 2006)[40].

Besides the criterion of speed, these studies highlight the need for universal service accessibility and reliability. However, at present, there is no public information about these domains although measurement tools are sometimes available. La Poste therefore plans to include the percentage of post offices with access for the disabled among the indicators for monitoring universal postal service quality in 2006.

All the data collected, including new indicators for 2006, will be incorporated into a universal service quality management plan to be published by La Poste in the course of 2007[41].

ARCEP will ensure that La Poste publishes comprehensive information about universal service quality and accessibility every year.

36 - *Cf. ARCEP's website: www.arcep.fr.*

37 - *Cf. the European Commission's website: ec.europa.eu.*

38 - *The annual reports of the La Poste Group ombudsman are available on the La Poste website: www.laposte.fr/mediateurdugroupe.*

39 - *Cf. La Poste's website: http://www.laposte.fr/lettreprioritaire/docs/laposte_etude_bva.pdf.*

40 - Que Choisir, No 436, April 2006.

41 - *Cf. La Poste's website: www.laposte.fr.*

Monitoring of universal service quality in various European countries

As provided for in the Postal Directive, most European countries have for several years been publishing their quality of service results in a special document or in their annual report. As the Postal Directive gives member countries a free hand, there is a wide range of indicators and publication formats. Countries publish transmission times for one or more universal service products or, in some cases, other indicators which are considered important for users, such as accessibility or waiting times in post offices.

Types of universal service products featured in the transmission time surveys published in various European countries

	UK	Germany	Ireland	Belgium	Spain	Portugal
Priority letters	X	X	X	X	X	X
Non-priority letters	X			X		X
Parcels	X			X	X	X
Newspapers and periodicals	X			X		X
Registered items					X	
Inward international mail					X	X
Outward international mail		X			X	
Bulk mail	X					

Service quality for domestic single-piece priority letters is systematically published as a percentage of letters delivered in D+n days for the whole of the territory.

2. Quality of service audit of domestic single-piece priority letters

Measuring universal service quality, the number of complaints and how they have been handled calls for reliable methods and supervision of their correct application. The performance plan indicators will have to be made more and more auditable. Initially, ARCEP commissioned a quality of service audit of ordinary letters from the consultancy firm of Ernst & Young.

The purpose of this audit was to check whether La Poste's measurement complies with standard EN 13850 which was made mandatory under European and national regulations[42].

This standard provides for an end-to-end measurement system encompassing all postal operator responsibilities, starting from the point where the item is collected or accepted up to its final delivery. Quality of service is evaluated using the findings of a survey based on test letters exchanged between panellists.

The auditor identified the need for a number of improvements to ensure better compliance with standard EN 13850, and ARCEP and La Poste are working on implementing these recommendations.

42 - Use of standard EN 13850 was made mandatory by the Postal Directive Committee in January 2004. In France, the Contrat de plan 2003-2007 provides for measurement in line with standard EN 13850 with effect from 2004. Recently, Decree No 2007-29 of 5 January 2007 on the universal postal service and La Poste's rights and obligations specified that the universal service provider must carry out periodical quality of service measurements using the methods that are standard at European or national level. EN 13850 also provides for a measurement system audit by an independent body at least once a year (Annex C).

3. Current and future work

The actions taken represent just one stage in the process. ARCEP has already begun work on continuing and improving universal service transparency, adopting a two-pronged approach:

- A public consultation of mail users

In 2007, ARCEP wants to progress universal service transparency by involving the various stakeholders in this work, in particular postal service users who will be consulted about their needs and expectations as regards information about universal postal service quality. The points covered will include:

- areas about which it would be important to publish information;
- the appropriate indicators for this purpose;
- publication mode and frequency.

- Continuation of work on reliable measurement

ARCEP intends to continue monitoring measurement of universal postal service quality.

In particular, it will remain involved in measuring quality of service in respect of domestic single-piece priority letters for which it could suggest new avenues for improvement, if it sees fit.

At the same time, other universal service products will be investigated.

B. Universal postal service quality control

As specified in the Law, ARCEP ensures that the universal service provider – La Poste – abides by its quality of service targets.

In France, universal postal service obligations cover a broad area

According to the WIK consultancy firm, France is among the Member States with the broadest range of universal service obligations.

This study also shows that, between 2002 and 2006, setting a high quality of service target for letters at D+1 coincided with improved performance for the various member countries.

1. Quality of service targets

The Postal Directive[43] leaves it to the discretion of Member States to decide the nature of their quality of service targets and whether or not they are binding. They can thus focus on the transmission times for universal service products such as domestic single-piece priority letters or registered items but may also include other characteristics such as clearance times or access to post offices.

Setting the "right level" of quality of service target to be reached by the operator is open to controversy: levels that are too low (not taking account of the operator's full potential for improvement) or too high (and therefore unachievable) do not give the operator an incentive to perform better.

In France, ARCEP expects the Minister responsible for postal services to issue an order, in accordance with the provisions of the CPCE[44], establishing the quality targets applicable to universal service performance in 2007.

These targets focus on service speed and reliability. The methods used to measure them must be based on European or national standards.

The Minister responsible for postal services will request ARCEP's opinion on the draft order setting out the targets.

In previous years, La Poste's universal service transmission-time targets were set out in the "Contrat de plan Etat-La Poste 2003-2007", with La Poste undertaking, among other things, to attain a quality of service target for domestic single-piece priority letters of 85% for D+1 in 2007.

43 - Directive 97/67/EC of the European Parliament and the Council of 15 December 1997 on common rules for the development of the internal market of Community postal services and the improvement of quality of service.

44 - See article R.1-1-8 of the CPCE.

PART 4

2. Monitoring quality of service

No explicit quality of service target was set for 2005 and 2006 so, for the time being, ARCEP action has not involved checking compliance of La Poste's quality of service results with its statutory targets.

From 2007, once the targets have been set by the Minister responsible for postal services, ARCEP will ensure the universal service provider adheres to them.

Monitoring universal service quality: European examples

It can happen that the universal service provider fails to meet the quality of service targets set for it. The Postal Directive does not, however, specify the appropriate response in such cases. The following are some of the approaches adopted in Europe.

In the United Kingdom, the sector regulator (Postcomm) can impose a financial penalty on Royal Mail if it defaults on its universal service obligations and, in particular, if it does not meet its quality of service standards. Several types of penalty are possible:

- an adjustment of up to 0.9% of total Royal Mail turnover on revenue from the single-piece mail segment if quality of service results do not meet the target;
- a fine if the regulator thinks the percentage of damaged, stolen or lost mail is excessive;

- compensation for large mailers in the form of one percent of their postage bill for each quality of service point that is not met;
- possibility of an additional fine if Postcomm considers that Royal Mail has failed to meet its quality of service targets through negligence.

In Portugal, the regulator (Anacom) can impose sanctions on CTT, the universal service provider, if the overall quality of all universal service products is considered inadequate. For this purpose, Anacom compiles a global indicator for universal service performance taking account of each of the products and weighting their respective importance. If overall universal service quality does not meet the set targets, the regulator can reduce service prices.

C. Multi-year tariff framework for the universal postal service (2006-2008)

ARCEP was given responsibility by law[45] for regulating universal postal service tariffs.

The multi-year tariff framework (or "price cap") is a contract between the regulator (ARCEP) and the regulated company (La Poste). It controls the tariff changes for all or part of the products in the regulated sector (the postal sector), so as to keep company profit margins stable thanks to its productivity efforts over a specific period (three years).

In the case in point, the tariff framework concerns price changes for postal products that are part of the universal service. In France, La Poste is the universal postal service provider.

The multi-year tariff framework is common practice among European regulators and is designed to allow the operator to change prices in line with inflation while providing for an adjustment mechanism.

In 2006, it was decided that La Poste could increase universal service tariffs within an overall range of 2.1% each year for 2006, 2007 et 2008.

For instance, the price of a postage stamp[46] rose from €0.53 to €0.54 on 1 October 2006.

45 - *Law No 2005-516 of 20 May 2005 on regulation of postal activities.*

46 - *This is the tariff applicable to letters weighing less than 20 grams.*

1. Introduction of a tariff framework

On 1 June 2006, ARCEP set the first price cap for universal service postal tariffs, following preparatory work in conjunction with La Poste.

It was thus decided that the overall increase in universal service product prices could not exceed 2.1% on average per year[47], though this tariff may be modified under certain special conditions[48].

The price cap runs for a three-year period, from 1 January 2006 to 31 December 2008.

If, for a given year, tariff movements are on average lower (or higher) than 2.1%, the difference can be carried over to the next year and added (or subtracted) from the 2.1% initially provided for.

This decision takes account of foreseeable developments on the French postal market (volumes, flexibility), of inflation and of La Poste's productivity gains.

47 - ARCEP Decision No 06-0576 of 1 June 2006 setting out the specifications of the multi-year tariff framework for universal postal service products.

48 - See below.

a. Objectives

The CPCE stipulates that the detailed specifications of the multi-year tariff framework for universal service products are laid down by ARCEP which ensures compliance with them[49].

49 - Article L.5-2 3° of the CPCE, inserted by the Law of 20 May 2005 (Article 5) on regulation of postal activities, introducing tariff regulation for the universal service in France.

During the first quarter of 2006, ARCEP and La Poste reached agreement on the tariff framework objectives. They analysed the systems in effect in the other countries and conducted studies on each of the main parameters to be taken into account in establishing a tariff-framework outline that meets the following requirements:

- makes it possible to maintain the operator's profit margin provided the latter achieves the efficiency gains which are feasible under current market conditions and guarantees that part of these gains benefits users;
- gives the operator a multi-year overview of its possible price movements, enabling it to develop its tariff structure in line with universal service tariff principles;
- provides the operator with an incentive by allowing it to retain in full any efficiency gains that exceed what is strictly necessary in respect of the price cap;
- takes account of the mail market environment which is characterised by stagnating volumes of addressed items and the prospect of lower figures which are as yet hard to quantify;
- takes into consideration investments and the changes in industrial production equipment made by the operator since 2003;
- ensures the volume-related risk is fairly divided between the operator and users, given the impact of volume movements on the operator's economic equation.

b. Parameters

The tariff framework must allow La Poste to protect its profit margin (and increase it, if it improves its productivity). However, this objective implies that cost movements (which depend on productivity and on business volume) must be the same as revenue movements (which are linked to volume and price movements).

This contract is therefore based on expected annual inflation and the productivity (or efficiency) factor. The latter takes account of the growth expected from productivity (total universal service costs must grow slower than inflation) and of the context of stagnation – or even slight decline – in the postal market.

After analysing the determinants of postal costs and postal tariff movements in the recent past, ARCEP chose the consumer price index as the inflation benchmark – the option generally adopted in the price-cap policies of the other European countries. In 2006, the consumer price index was estimated at 1.8% per year and will be updated annually on the basis of the forecast in the initial finance bill.

The assumptions adopted by ARCEP in setting a figure for tariff increases resulted in an estimated increase of 1.65% per year[50] in La Poste's costs and a fall of 0.35% per year[51] in volume for 2006-2008. In 2006, these data reflect a situation in which La Poste's average costs are growing faster than inflation because of its falling business volume. However, its modernisation efforts should enable the Group to compensate for this trend in the medium term.

These were the parameters used by ARCEP to set the multi-year price cap at an average of 2.1% for 2006 to 2008[52].

The price cap is likely to be adjusted if the forecasts on which it is based change over the set period such that the expected economic equilibrium is jeopardised. Consequently, the tariff framework's terms and execution procedures may be reconsidered and adapted on the proposal of La Poste or automatically by ARCEP. To this end, La Poste and ARCEP take regular stock of prices and volumes at least twice a year.

2. Market segments covered by the tariff framework

The multi-year tariff framework covers the basic universal postal service products in the following segments: letters (excluding election papers), Ecopli, direct marketing, registered and insured letters, outward international mail and universal service parcels. It also applies to products in the "*Mobilité*" range: redirection, mail holding and "*Mobilité*" subscriptions.

Under article L.5-2 of the CPCE[53], La Poste has to submit to ARCEP the tariff changes it plans to introduce for this basket of products. As appropriate, ARCEP:

- approves the tariffs for services in the reserved area;
- is informed of the tariffs for products that are part of the non-reserved universal service and has the right to pronounce and publish an opinion.

50 - *The figure adopted for expenditure movements is based on two calculations which converge on the same result. The first is derived from La Poste forecasts about the universal service domain, the second on an ARCEP simulation of the distortion in the public establishment's 2004 expenditure structure. They arrived at the same result, pointing to an average annual increase of 1.65% in expenditure (in terms of full costs) for 2006-2008.*

51 - *La Poste expects mail volume to fall at a rate of 0.65% per year. However, at present there is no way of assessing this movement with any reasonable degree of accuracy so, on the basis of movements for 2003-2005, ARCEP assumed a decrease of 0.35% in the average annual movement of business volume for the three years covered by the tariff framework.*

52 - *For details of the method used, see Decision No 06-0576 of 1 June 2006 setting out the specifications of the multi-year tariff framework for universal postal service products.*

53 - *Inserted by the Law of 20 May 2005 on regulation of postal activities, establishing tariff regulation for universal service products in France, article 5.*

In 2006, La Poste submitted to ARCEP price changes for products in certain domestic mail product ranges[54] and for its international mail range[55] (priority letters, economy letters and registered letters).

ARCEP noted that all the price changes made or confirmed by La Poste at 31 December 2006 were compatible with the tariff framework for universal postal service products. In practice, they correspond to an increase in universal service prices of 1.38% in 2006 and 2.5% en 2007. Consequently, La Poste can contemplate a further increase in 2007 or carry over at least 0.3% to 2008.

54 - ARCEP Decision No 06-0690 of 18 July 2006 on La Poste's tariff decision of 4 July 2006 concerning domestic mail products.

55 - ARCEP Opinion No 2006-0693 of 18 July 2006 on La Poste's tariff decision of 7 July 2006 concerning changes to international mail tariffs.

Main tariff changes in 2006

Domestic mail

Single-piece range

At 1 October 2006, for all weight categories, the average increase was 3.33% for letters, 4.22% for the Ecopli service and 1.01% for registered items.

Semi-bulk range

The Ecopli bulk rate went up 6.99% on 1 October 2006.

On 1 January 2007, the tariffs for Postimpact TS1 and Postimpact TS2 rose 3.42% and 3.67% respectively[56].

Bulk range

La Poste increased prices in the Tem'post G2 range by an average of 2.22% for all weight categories and those in the Tem'post G4 range by 2.59% as of 1 January 2007.

Direct marketing too saw a rise of 2.43% for the Tem'post MD7 range and of 2.66% for Postimpact TS3 with effect from the same date.

Insured item range

The increase in insured item tariffs[57] decided by La Poste with effect from 1 October 2006 translates into an average increase of 10.27% across the range.

"Mobilité" range

As per 10 February 2006, La Poste decided to raise its "*Mobilité*" range[58] tariffs by approximately 46.5% (weighted average).

Exports

The overall impact of this tariff movement is an average price increase (based on 2004 prices) of 2%, which breaks down as follows:

- simplifying tariff scales by combining and subdividing adjacent weight categories lowered prices by an average of 1.10%;
- taken overall, reducing the number of tariff zones by eliminating zone C cut prices by an average of 5.71%;
- increasing individual tariffs raised prices by an average of 8.81%.

56 - "Postimpact" products cover non-priority advertising, promotional or communication items.

57 - ARCEP Opinion No 06-0694 of 18 July 2006 on La Poste's tariff decision of 4 July 2006 concerning changes to insured item tariffs.

58 - ARCEP Opinion No 06-0264 of 23 March 2006 concerning La Poste's decision of 10 February 2006 on development of the "Mobilité" range.

The issue of letter-box access

Article L.5-10 of the CPCE[59] provides that postal operators authorised by ARCEP have access to private letter boxes on the same terms as La Poste. Moreover, all these operators are subject to certain obligations, namely identification of staff, traceability of delivery rounds and being potentially liable to ARCEP sanctions.

59 - Inserted by Law No 2005-516 of 20 May 2005 on regulation of postal activities.

Despite the guarantee conferred by the ARCEP authorisation in dealings with joint-property managers and building managers, La Poste's competitors encounter many operational problems, particularly because of the access-control measures taken by joint-property or building managers.

A. Problems raised by the spread of building access-control systems

Three concrete examples

Rolling out **Adrexo** in Haut de Seine required several months' work by about one hundred people in order to analyse all the buildings in this *département*. Their task involved surveying each building's access system (press-button door entry, key, Vigik, etc.) and identifying the respective property managers to be contacted for letter-box access authorisation.

In many cases, technical measures were required, and these were carried out at the operator's expense.

According to **Distrihome**, the parcel delivery service, the average cost of technical measures to make a building equipped with Vigik accessible range from €40 to €50 per entrance.

In Ile-de-France, **Le Parisien** estimates that 20% of its subscribers have a letter box that is hard to access. Handling these problems represents a full-time job for three people.

Key and code systems have been around for many years, and generally a “PTT key” lets La Poste access private letter boxes. This system has several shortcomings:

- the keys are easy to copy and their distribution is hard to control. There is a real risk of making the access-control systems pointless;
- these keys are reserved for La Poste, and this distorts the competition situation for the other operators.

Since 1999, the existing access-control system (press-button door entry, intercom or other) has been joined by another security device (“Vigik”), developed by La Poste, which makes it possible to screen admission of third parties (delivery firms or service providers like EDF or France Télécom) to buildings by means of a swipe card. This card is programmed for a limited period (one day) to allow the delivery agent to pass the control system, provided access has been authorised beforehand by the joint-property owners or manager.

Progression in the number of buildings fitted with the "Vigik" system

Date	Buildings fitted with Vigik
1999	1,000
2000	5,000
2001	15,000
2002	30,000
2002	30,000
2003	50,000
Dec. 2005	88,400
Dec. 2006	100,000
By way of comparison, France has more than one million apartment buildings.	

Source: La Poste & CNMIS.

The “Vigik” system therefore means that the delivery agent:

- must be known in advance to the building manager so that the latter can authorise admission;
- must be equipped with a device that allows programming of admission to the building.

However, while providers such as La Poste, EDF or France Télécom are clearly identified and are already equipped with the appropriate devices, other operators that have emerged more recently encounter certain problems. Apart from the expense of purchasing appropriate equipment, they also have to take (often time-consuming) action to identify the property manager and brief him on their business in order to gain access. In every case, this process involves expense, and system installation takes a certain amount of time. In addition, the impact on business and the probable complaints have to be handled.

B. The operators concerned

These are operators that deliver to private letter boxes:

- operators authorised by ARCEP; these companies have an obligation to make their delivery operations traceable, precisely because of the nature of their activity which necessitates access to private letter boxes.
- non-postal newspaper and periodical delivery services: these morning home-delivery services for newspapers and periodicals were developed mainly by the regional, departmental and – to a lesser extent – national daily press. Access for these delivery services to private letter boxes is mentioned in article L.111-6-3 of the *Code de la construction et de l'habitation*[60].
- general delivery services: these are organised on the basis of the items they process, ranging from unaddressed advertising (Mediapost, Adrexo) to parcels (Distrihome), at prices ranging from a few centimes per copy to several euros.
- express courier operators may also be concerned (Chronopost, UPS, DHL, FEDEX, TNT)[61].

Newspaper and periodical delivery companies or other delivery services that are not mentioned in the law regulating postal activities (for instance, parcel delivery) do not hold ARCEP authorisations so cannot benefit from them in dealings with joint-property agents and property managers although they face the same problems as authorised postal operators.

60 - Article L.111-6-3 of the Code de la construction et de l'habitation inserted by Law No 2005-516 of 20 May 2005 on regulation of postal activities, article 5 III.

61 - In general, an express item must be delivered to the addressee in person, but if the addressee is not there, the delivery agent leaves an attempted delivery advice in the letter box.

C. Practical solutions

ARCEP's attention was drawn to these problems on several occasions, so it organised a task force with property manager participation charged with fast-tracking action on the ground to facilitate implementation of this right of access.

Work was begun along several lines:

- providing each joint-property with information about operators in its local area so it can take an informed decision on whether or not to grant them access;
- as regards non-postal newspaper and periodical delivery services and other delivery services that do not hold ARCEP authorisations, providing reliability guarantees that meet residents' expectations;
- ensuring that the technological development of security systems takes account of the growing number of delivery services which may request access to private letter boxes.

A decree, which is currently being prepared, should establish letter-box access procedures for all the operators involved.