

Part 3

The postal sector

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Part

3

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CHAPTER 1

The legal framework

A. The European framework

1. The new Postal Directive set 2011 as the date for total market liberalisation

Recap

The 1997 and 2002 Postal Directives:

- ◆ instituted a universal postal service (daily delivery of letters, parcels and registered items);
- ◆ gradually reduced the scope of the postal monopoly (restricted to letters weighing less than 350 grams in 2000, 100 grams in 2003 and 50 grams in 2006);
- ◆ enacted several basic postal regulation principles, namely regulatory autonomy, the introduction of tariff and accounting obligations for the incumbent operator and the introduction of authorisations for operators competing with the incumbent operator.

The 2002 Directive provided for total liberalisation of the market from 1 January 2009, subject to confirmation of this date by the European authorities, following a prospective study by the Commission.

Consequently, in October 2006, the European Commission proposed a new Directive, setting 1 January 2009 as the target date for full market opening. However, this date proved controversial, and the compromise arrived at by the members of the European Parliament finally postponed the deadline until 1 January 2011, leaving some Member States the option of a further two years' grace. Moreover, from 31 December 2010, Member States that have fully opened their markets may refuse to grant authorisations to operators that still hold a monopoly in their country of origin (temporary reciprocity clause).

This new text also gives Member States the option of implementing offset mechanisms when universal service obligations constitute an unfair burden for the provider. A new Annex deals with the principles for calculating the net cost of the universal service and with offset methods.

Institutional mechanisms at European level

Ahead of intergovernmental negotiations, the European Commission periodically consults the Member States that sit on the Postal Directive Committee, to which the Ministry of Industry assigns ARCEP. For its part, the Commission participates as an observer in the work of the European ministries and regulators meeting under the aegis of the CEPT's European Committee for Postal Regulation (CERP). The CERP's work focuses on the international mail system, the accounting systems used in the various countries, mechanisms for funding the universal service provided for in Member State legislation and on postal statistics. ARCEP heads the Postal Statistics Working Group.

Organisation	Postal authorities	Their role
European Union	The European Union's Council of Ministers, often in its industry, energy and electronic communications configuration	Votes on proposed Directives submitted by the Commission, within the framework of joint decision-making with the European Parliament
	Postal Directive Committee	Made up of Union Member States, it gives an opinion on issues submitted to it by the Commission
CEPT (European Conference of Postal and Telecommunications Administrations)	CERP European Committee for Postal Regulation	Made up of European countries (currently 46), this body's main activities are liaison and coordination
CEN (European Committee for Standardization)	TC331 The Technical Committee responsible for steering European postal standardisation work	Groups European standardisation institutions (<i>AFNOR</i> , in the case of France). It prepares and adopts European standards. About twenty standards have been published or are currently under study for the postal field, in particular concerning quality of service measurement

2. The new European provisions

2.1 On the universal service

The text is couched in general terms as were the previous Directives, which left it up to each State to define the specific contours of a minimum range of services comprising postal items, parcels, registered and insured items.

The definition of quality of service standards and post-office accessibility rules also remains a national prerogative, while quality standards for intra-European mail are laid down by the European Commission.

The new Postal Directive leaves it to the discretion of States to spread the obligation over one or several operators, and even to subdivide it by region or service component, and does not expressly exclude any universal service funding mechanism.

2.2 On competition

The option of making the provision of postal services subject to declaration or authorisation systems remains, with the clarification that these systems must not represent an obstacle to market entry. In particular, the Directive prohibits ex ante restrictions on the number of service providers.

Like the 2005 French Postal Law, the Directive sets out the principle that a certain number of installations or information held by the universal service provider must be made accessible to its competitors, namely:

- ◆ P.O. boxes in post offices;
- ◆ private letter boxes;
- ◆ item redirection services;
- ◆ the postcode reference system.

On these points, the Directive takes on board the national provisions that already exist in the domestic legislation of several European countries.

2.3 On financing the universal service

Full market liberalisation is based on the findings of a prospective study conducted by the European Commission. This study was based on work by PricewaterhouseCoopers and involved the economist Paul Kleindorfer. It concludes that the basic objective of providing a quality universal service on a long-term basis can be achieved without retaining a reserved area.

The Directive permits the use of external funding resources under certain conditions, namely:

- ◆ if universal service provision represents a net cost for the operator responsible for providing it;
- ◆ if this cost represents an unfair financial burden.

Under these conditions, an offset fund may be set up:

- ◆ based on objective, verifiable principles, particularly as regards the calculation of contributions;
- ◆ under the control of the national authority.

An Annex details the method for calculating the net cost of universal service obligations which must take account of the advantages derived from being the universal service provider, the right to make a reasonable profit and measures to encourage economic efficiency.

3. European jurisprudence

3.1 Recap on application of the Altmark jurisprudence criteria to compensation of the universal service operator

1 - CFIEC, Deutsche Post AG and DHL International v Commission of the European Communities, case T-388/03 of 10 February 2009.

A recent judgment of the Court of First Instance of the European¹ Communities states that calculation of compensation for a universal service operator must satisfy the Altmark jurisprudence criteria, including consideration of an efficiency criterion. Thus, in the case of the Belgian government's assistance to its national postal service, La Poste, the judgment states that *"it is thus appropriate to examine whether the Commission carried out an examination which enabled it to determine whether the level of compensation paid to La Poste was fixed on the basis of an analysis of the costs which a typical undertaking, well run and adequately provided with the necessary means so as to be able to meet the necessary public service requirements, would have incurred in discharging those obligations, taking into account the relevant receipts and a reasonable profit for discharging the obligations (see, to that effect, Altmark, paragraph 45 above, paragraph 93)."*

Moreover, the Court found that it was *"apparent both from the contested decision and from the exchange of letters and the minutes of the meetings between the Commission and the Belgian authorities that the Commission never verified that the services of general interest which La Poste provided were at a cost which would have been borne by a typical undertaking which was well-run, in accordance with the principle laid down by Altmark, paragraph 45 above. The Commission merely relied on the negative balance of all the items of overcompensation and undercompensation in respect of the additional cost of the SGEIs² for its finding that the measures examined did not constitute State aid within the meaning of Article 87(1) EC."*

2 - Services of general economic interest.

3 - CJEC Judgment C-220/06 of 18 December 2007.

3.2 Clarification of the rules for allocating postal markets

The Court of Justice of the European Communities (CJEC)³, in connection with a preliminary ruling by a Spanish court, made it clear that Member States may entrust the provision of postal services reserved for the universal service provider without regard to the rules governing the award of public service contracts. A contrario, for non-reserved postal services, Community law opposed Member State regulations that allow contract-awarding authorities to entrust the provision of non-reserved services to the universal service operator, without regard to the rules governing the award of public service contracts.

Moreover, the CJEC recalled the existence of two specific cases for which the rules governing the award of public service contracts can be waived.

- ◆ The first case concerns the unilateral administrative measure which, in this instance, would be an administrative decision stipulating obligations for the chosen operator that the latter cannot negotiate or from which it cannot free itself.

- ◆ In paragraph 58, the judgment specifies a second case, which constitutes an exception, namely "in-house" services, in application of the CJEC's Teckal judgment⁴. A call for tenders, under the directives relating to public procurement, is not compulsory, even if the universal service operator is an entity legally distinct from the contracting authority, provided that the contracting authority exercises over the operator a control which is similar to that which it exercises over its own departments and provided that the operator carries out the essential part of its activities with the contracting authority.

4 - CJEC Judgment C-107/98 of 18 November 1999.

B. The national framework

The scope of regulation covers postal service activities involving the clearance, sorting, transmission and delivery of postal items in the course of regular rounds. It does not cover the delivery of unaddressed advertising, urban courier services and express conveyance.

La Poste's banking activities and its regional development mission do not come within the purview of postal regulation.

1. Recap of the legislative framework

The Law of 20 May 2005⁵ modernised the rules applicable to postal activities, making them compatible with the European legal framework. In particular, it addresses:

- ◆ the organisation of the postal operations market;
- ◆ the establishment of regulation of this market with the creation of ARCEP: the legislator entrusted the Authority with the mission of supervising the opening and smooth functioning of the postal market as well as the financing and safeguarding of the universal service;
- ◆ revision of the legal framework of La Poste's financial services with the creation of the Banque postale (which is excluded from postal regulation);
- ◆ the regional development mission assigned to the La Poste company and the financing thereof.

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

As well as modernising legislation on postal operations, the Law on regulation of postal activities also reorganised the legal and statutory provisions governing the postal sector, dividing them into two main texts:

- ◆ the Postal and Electronic Communications Code, or CPCE (*Code des postes et des communications électroniques*), which groups the rules applicable to postal services in general and to the universal postal service in particular. It is this text that lays down the provisions on regulation⁶, particularly the role of ARCEP⁷.
- ◆ the 1990 Law on La Poste⁸ that sets out the operating rules for the La Poste company (and does not therefore have a direct bearing on ARCEP's work).

6 - Cf. Chapter II of the CPCE.

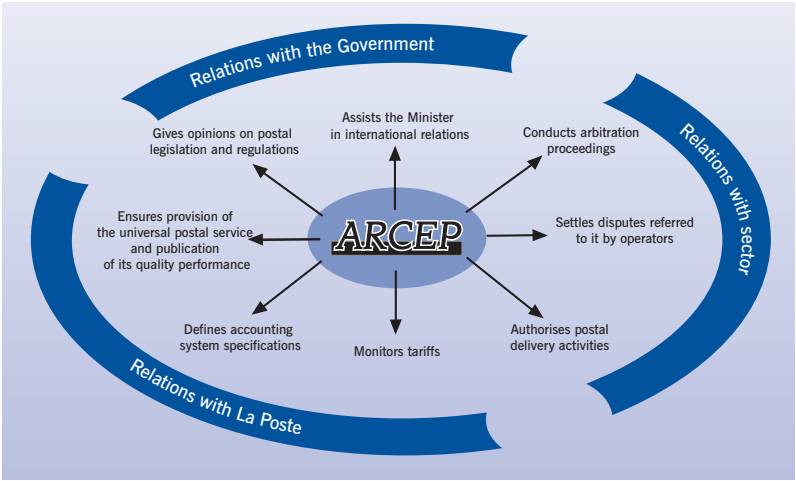
7 - Cf. CPCE, article L.5-2.

8 - Law No. 90-568 of 2 July 1990 concerning the organisation of the postal public service in France and France Telecom, JO of 8 July 1990.

2. Regulator's missions

The Law on regulation of postal activities conferred on ARCEP the mission of supervising the opening and smooth functioning of the postal market, as well as provision of the universal postal service:

- ◆ by issuing authorisations to exercise a postal activity;
- ◆ by defining the multi-year tariff framework for the universal service;
- ◆ by issuing opinions that are subsequently published about tariffs and universal service quality targets;
- ◆ by approving tariffs for the reserved area.



3. Texts adopted in 2008

Implementing texts adopted in 2008	
Ministerial orders on the characteristics of the universal service provided for in the Decree of 5 January 2007 (Articles R. 1 and R. 1-1-8 of the CPCE)	Ministerial Order of 22 July 2008 in application of Article R. 1-1-8 of the Postal and Electronic Communications Code on the mandatory universal-service quality of service targets set for La Poste in application of Article L. 2 of that same Code.
	Ministerial Order of 31 October 2008 in application of Article R. 1 of the Postal and Electronic Communications Code on bulk items services.
	Ministerial Order of 2 January 2009 in application of Article R. 1 of the Postal and Electronic Communications Code on conditions for the exemption from postage of literature for the blind when sent as ordinary or registered items covered by national and cross-border postal services.

Three Ministerial Orders further clarified the characteristics of the universal service: an order on La Poste's quality of service targets for provision of the universal service, a draft of which was submitted to ARCEP for an opinion early in 2008 (see chapter 3, part A, section 3, for details), an order on the definition of bulk items, stipulating a threshold of 100 items, and an order on literature for the blind (see chapter 3, part A, section 1, for details). These orders were adopted on 22 July 2008, 31 October 2008 and 2 January 2009 respectively.

CHAPTER 2

Postal markets



The purpose of ARCEP's statistical survey is to monitor changes in the postal market within the context of the sector's gradual liberalisation¹.

1 - CPCE, article L.135.

The 2007 survey was conducted among operators authorised at 31 December 2007 and operators in markets not subject to authorisation, such as parcels, express items, unaddressed advertising or prepared mail items. For the annual report, this information is supplemented by provisional 2008 figures for the correspondence market only.

Postal activities

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 cover a wider area and are defined as all clearance, sorting, transport and delivery activities that 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.

2 - 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. This coverage exceeds postal items in the strict sense of the term as these exclude express items – which are nevertheless included in the addressed-item market – and, above all, unaddressed advertising. Mail preparation, as an intermediate activity, is not included but is studied separately in Chapter 2, part D.

A. Overview of markets in 2007

In 2007, postal activities and related item-delivery markets² generated 15.5 billion euros in revenue from 40.3 billion items. Overall revenue thus rose 2.3%, an increase in line with the trend noted in previous years (+1.5% in 2006 and +3.6% in 2005). The volume of items sent grew 2.7% in 2007 after two consecutive years of virtual stagnation (-1.0% in 2006 and -0.3% in 2005).

Items of correspondence accounted for 8.6 billion euros in 2007, i.e. more than half of all revenue. Revenue from these items was up 1.7% in that year, following a decrease of 1.4% in 2006. This upswing is based on a moderate increase in volumes (+0.5%) as the result of flows generated by the presidential and legislative elections (approximately 200 millions items). In effect, growth was buoyed by

non-advertising items of correspondence where revenue rose 2% and volume 1.3%. The addressed advertising market fared less well in 2007 with a 1.6% fall in volume and only a slight increase in revenue (+0.6%).

The correspondence-item market segment open to competition – items weighing more than 50 grams – registered higher growth than the sector overall (+3.5% for revenue and +3.3% for volume), representing nearly 27% of revenue and 17% of volume for items of correspondence in 2007.

The parcels market has been growing steadily since 2004 and is the most dynamic in terms of revenue, generating 40% of the additional revenue from all postal activities and related markets in 2007 while accounting for only 25% of total revenue. The e-commerce boom, in tandem with upgrading to products with higher tariffs, boosted 2007 revenue for "ordinary" parcels delivered through the postal circuit by 6.5%, to 1.7 billion euros.

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

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

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

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

Postal activities and related delivery markets – Revenue from items

(€ million excl. VAT)

Delivered in France	2005	2006	2007	Change 2006-2007
Items of correspondence	8 470	8 435	8 581	1.7 %
Letters and parcels delivered against signature	1 302	1 382	1 432	3.6 %
Parcels	3 464	3 698	3 837	-
of which "ordinary" parcels	1 440	1 585	1 687	6.5 %
of which express light parcels*	2 000	2 100	2 150	-
Postal delivery of press items to subscribers**	492	484	483	-0.2 %
Total addressed items delivered in France	13 728	13 999	14 334	2.4 %
Delivered for export				
Items of correspondence	496	419	398	-5.0 %
"Ordinary" parcels	74	85	96	13.2 %
Press items	31	29	29	-0.9 %
Total addressed items for export	601	533	523	-1.9 %
Total addressed-items market	14 329	14 532	14 857	2.2 %
Unaddressed Items				
Total unaddressed advertising	630	658	676	2.8 %

Source : ARCEP, Statistical Observatory on Postal Activities.

Imports are included in total items of correspondence, items delivered against signature, parcels, press items and unaddressed advertising delivered in France.

* Estimates, domestic traffic and imports. ** Not including revenue from non-postal delivery of press items.

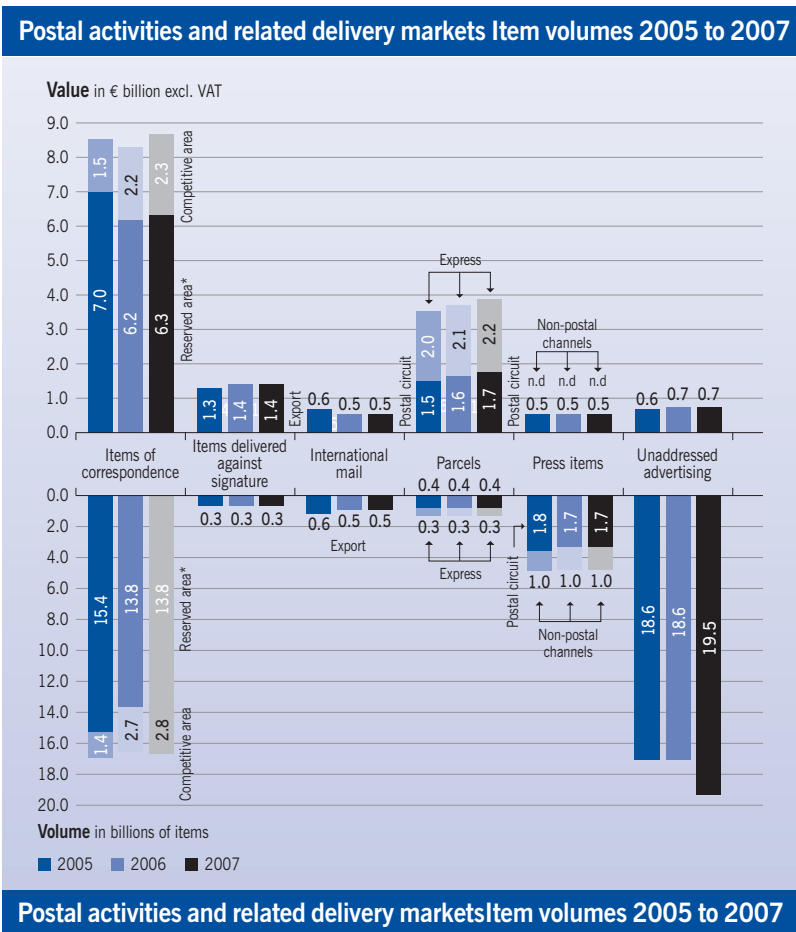
Postal activities and related delivery markets – Volume of items

(millions of items)

Delivered in France	2005	2006	2007	Change 2006-2007
Items of correspondence	16 806	16 540	16 616	0.5 %
Letters and parcels delivered against signature	276	279	289	3.7 %
Parcels	638	665	680	-
of which "ordinary" parcels	346	355	369	3.8 %
of which express light parcels*	280	300	311	-
Postal delivery of press items to subscribers**	2 789	2 710	2 724	0.5 %
Total addressed items delivered in France	20 509	20 194	20 310	0.6 %
Delivered for export				
Items of correspondence	523	475	462	-2.7 %
"Ordinary" parcels	7	8	8	-2.9 %
Press items	28	27	29	6.9 %
Total addressed items for export	558	510	499	-2.1 %
Total addressed-items market	21 067	20 704	20 809	0.5 %
Unaddressed Items				
Total unaddressed advertising	18 570	18 568	19 515	5.1 %

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.



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

B. The market in items of correspondence

1. The French market for delivery of items of correspondence

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

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

Revenue

€ million excl. VAT	2005	2006	2007	Change 2006-2007
Items of correspondence, excluding addressed advertising	6 732	6 788	6 924	2.0 %
Addressed advertising	1 738	1 647	1 657	0.6 %
Total items of correspondence	8 470	8 435	8 581	1.7 %

Source: ARCEP, Statistical Observatory on Postal Activities, 2005, 2006, 2007.

Volumes

millions of items	2005	2006	2007	Change 2006-2007
Items of correspondence, excluding addressed advertising	11 950	11 668	11 821	1.3 %
Addressed advertising	4 856	4 871	4 795	-1.6 %
Total items of correspondence	16 806	16 540	16 616	0.5 %

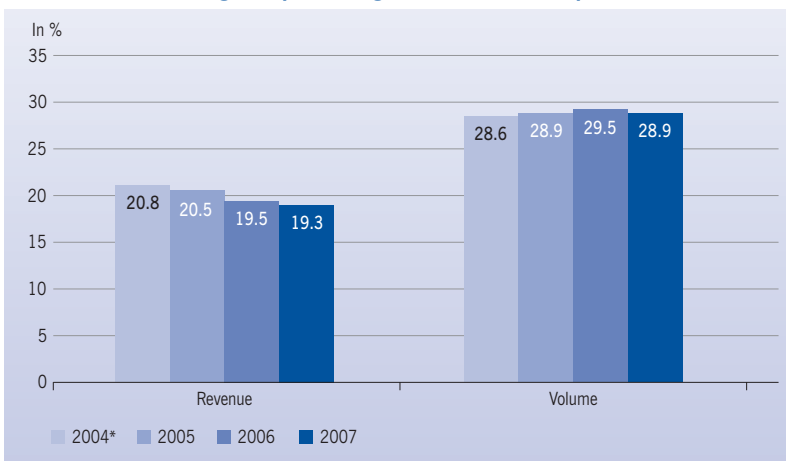
Source: ARCEP, Statistical Observatory on Postal Activities, 2005, 2006, 2007.

Note: According to European Parliament and Council Directive 97/67/EC of 15 December 1997, an item of correspondence is a communication on any kind of physical medium to be conveyed and delivered at the address indicated by the sender on the item itself or on its wrapping. Such an item must not weigh more than two kilograms. Books, catalogues, newspapers and periodicals are not regarded as items of correspondence, while direct marketing (or addressed advertising) items are.

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

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

Addressed advertising as a percentage of items of correspondence



* Estimates

Items of correspondence in 2008

In 2008, the number of items of correspondence delivered in France fell 2.8% after recovering slightly the previous year thanks to the presidential and legislative elections. Revenue for this segment followed the same trend, declining 1.9% in 2008 following a 1.7% increase in 2007.

Revenue

€ million	2007p	2008p	Change 2008-2007
Items of correspondence. excl. direct advertising	6 928	6 735	- 2.8 %
Addressed advertising	1 629	1 662	2.1 %
Total items of correspondence	8 556	8 397	- 1.9 %

Source: ARCEP, Statistical Observatory on Postal Activities, provisional estimates.

Volume

millions of items	2007p	2008p	Change 2008-2007
Items of correspondence. excl. direct advertising	11 831	11 434	- 3.4 %
Addressed advertising	4 797	4 732	- 1.4 %
Total items of correspondence	16 628	16 166	- 2.8 %

Source: ARCEP, Statistical Observatory on Postal Activities, provisional estimates.

For both 2007 and 2008, the data provided are provisional figures available in April of year *n* + 1. To avoid inconsistencies, it was decided to compare provisional data for both years rather than to comment on changes in definitive data for 2007 and provisional data for 2008

The volume of items of correspondence excluding addressed advertising fell sharply in 2008 (-3.4%), partly because there were no electoral flows to boost volume as had happened in 2007, thus emphasizing the drop in 2008. However, declining volumes seem to be confirmed, even setting aside the impact of the 2007 elections. Assuming electoral flows of 200 million items, letter volumes fell around 1.7% in 2008, after remaining stable in 2007.

Revenue from items of correspondence excluding addressed advertising also dropped, down 2.8%.

The volume of addressed advertising items fell 1.4% in 2008, revealing a similar trend to 2007. In contrast, revenue from addressed advertising delivery was up 2.1%, after falling for two consecutive years (+0.6% in 2007, -5.2% in 2006). This was due to an average 2.23% increase in correspondence-item tariffs from 1 March 2008³.

3 - ARCEP Opinion No. 2007-1098 of 6 December 2007 approving tariffs for domestic mail products in the reserved area of the universal postal service, as set out in La Poste's Tariff Dossier of 16 November 2007.

Reserved area and competitive area

Revenue

€ million excl. VAT	2005	2006	2007	Change 2006-2007
Reserved area	7 013	6 201	6 269	1.1 %
Competitive area	1 457	2 234	2 312	3.5 %
TOTAL items of correspondence	8 470	8 435	8 581	1.7 %

Source: ARCEP, Statistical Observatory on Postal Activities.

Volume

millions of items	2005	2006	2007	Change 2006-2007
Reserved area	15 429	13 804	13 789	-0.1 %
Competitive area	1 377	2 736	2 827	3.3 %
TOTAL items of correspondence	16 806	16 540	16 616	0.5 %

Source: ARCEP, Statistical Observatory on Postal Activities.

La Poste's reserved area, i.e. items of correspondence weighing less than 50 grams priced at less than two-and-a-half times the basic tariff⁴, brought in slightly more revenue (+1.1%) in 2007 while volume remained stable (-0.1%). Tariffs for single-piece items of correspondence covered by the reserved area were increased on 1 October 2006⁵, with the price for a letter weighing less than 20 grams rising from 0.53 euros to 0.54 euros, an increase of 1.89%.

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

Reserved area and competitive area in 2008

Revenue from La Poste's reserved area shrank 1.6% in 2008, in tandem with an even more pronounced drop in volume (-2.4%). This difference between revenue and traffic is down to the higher tariffs for single-piece items of correspondence in the reserved area from 1 March 2008. In particular, the price of letters franked with postage stamps and weighing less than 20 grams went up from €0.54 to €0.55, i.e. an increase of 1.85%.

The competitive area fell even further than the reserved area, both in terms of volume (-5.3%) and revenue (-2.8%).

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. 06-0690 of 18 July 2006 on La Poste's decision on tariffs for domestic mail products of 4 July 2006.

Revenue

€ million excl. VAT	2007p	2008p	Change 2008-2007
Reserved area	6 269	6 171	-1.6 %
Competitive area	2 287	2 226	-2.8 %
TOTAL items of correspondence	8 556	8 397	-1.9 %

Source: ARCEP, Statistical Observatory on Postal Activities, provisional estimates.

Volume

millions of items	2007p	2008p	Change 2008-2007
Reserved area	13 789	13 470	- 2.4 %
Competitive area	2 839	2 696	- 5.3 %
TOTAL items of correspondence	16 628	16 166	- 2.9 %

Source: ARCEP, Statistical Observatory on Postal Activities, provisional estimates.

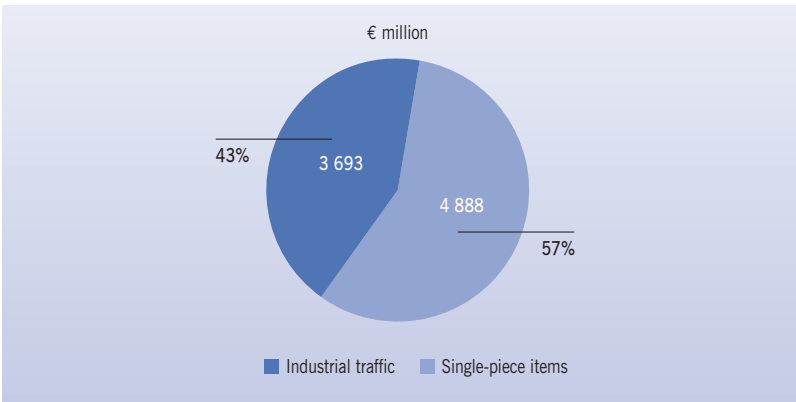
For both 2007 and 2008, the data provided are provisional figures available in April of year $n + 1$. To avoid inconsistencies, it was decided to compare provisional data for both years rather than to comment on changes in definitive data for 2007 and provisional data for 2008.

Consequently, between 2007 and 2008, the percentage of items of correspondence coming under the postal monopoly delivered in France rose from 82.9% to 83.3%, compared with a drop the previous year.

Industrial traffic and single-piece items

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

Distribution of industrial traffic and of single-piece items in 2007



Source: ARCEP, Statistical Observatory on Postal Activities.

2. Correspondence-item exports in 2007

Unlike the domestic market, the export market for items of correspondence is completely open to competition. 2006 was characterised by a sharp drop in the export market compared with the previous year, with revenue down 15.6% and volume 9.2%. In 2007, the export market continued this slide, though more slowly than in 2006, with revenue and volume falling 5% and 2.7% respectively.

Revenue*

€ million	2005	2006	2007	Change 2006-2007
Items of correspondence	496	419	398	-5.0 %
addressed advertising	-	-	74	-
excluding addressed advertising	-	-	325	-

Source: ARCEP, Statistical Observatory on Postal Activities.

* Including ABC traffic.

Volume*

millions of items	2005	2006	2007	Change 2006-2007
Items of correspondence	523	475	462	-2.7 %
addressed advertising	-	-	154	-
excluding addressed advertising	-	-	308	-

Source: ARCEP, Statistical Observatory on Postal Activities.

* Including ABC traffic.

Correspondence-item export trends for 2008

In 2008, the export market in items of correspondence accounted for just under 3% of total correspondence-item volume and around 5% of revenue, i.e. remaining exactly the same as for 2007.

In 2008, this market lost both revenue (-3.2%) and above all volume (-9.1%), with the downward trend noted since 2005 intensifying.

Revenue

€ million	2007p	2008p	Change 2008-2007
Items of correspondence	438	424	-3.2 %

Source: ARCEP, Statistical Observatory on Postal Activities, provisional estimates.

Volume

€ million	2007p	2008p	Change 2008-2007
Items of correspondence	473	430	-9.1 %

Source: ARCEP, Statistical Observatory on Postal Activities, provisional estimates.

For both 2007 and 2008, the data provided are provisional figures available in April of year $n+1$. To avoid inconsistencies, it was decided to compare provisional data for both years rather than to comment on changes in definitive data for 2007 and provisional data for 2008.

C. Other market segments

1. Parcels

In 2007, the "light" parcels market (parcels weighing less than 30 kilograms) accounted for nearly 700 million parcels delivered in France, generating estimated revenue of approximately 3.8 billion euros.

This market comprises two segments: the "ordinary" parcels market and the express light parcels market. The main difference between these two segments lies in the transmission time, which is more than one day for "ordinary" parcels (D+2 to D+5) and one day or less for express items (D+1). Furthermore, the "ordinary" parcels segment mainly concerns business-to-consumer exchanges or those between private individuals, while the express service caters more for business-to-business requirements. The resources deployed to meet the short transmission times and dedicated logistics translate into higher tariffs for express items.

However, the distinction between these two delivery options is becoming less marked, with the products provided by operators in both these markets tending to converge more and more.

1.1 "Ordinary" parcels

In 2007, the "ordinary" parcels market remained the biggest in terms of volume, with 369 million parcels delivered in France, i.e. nearly 4% more than in 2006. This market has been expanding steadily since 2004, increasing by more than 300 million euros between 2004 and 2007 thanks to the strong growth of e-commerce which generates parcel traffic with its merchandise.

Parcel delivery revenue soared with annual growth of 6.5% between 2006 and 2007, the strongest growth of all market segments. This increase can be explained by senders opting for a higher level of service⁶.

In 2007, the remote-retail industry⁷ – i.e. traditional players such as mail-order companies but also "pure players" (wholly Internet-based trading platforms) – generated about 60% of parcels.

According to FEVAD, 89%⁸ of people making purchases on the Internet over the last six months had their purchases delivered to their home address, while 46% used pick-up points. Some buyers used both delivery methods.

Revenue

€ million excl. VAT	2004	2005	2006	2007	Change 2006-2007
"Ordinary" parcels	1 396	1 440	1 585	1 687	6.5%

Source: ARCEP, Statistical Observatory on Postal Activities.

6 - La Poste notes that "All customers have switched to products offering track and trace and 48-hour time-certain delivery (with the exception of Coliéco TS2, a product reserved for mail-order firms, and the Overseas product)." in its 2007 Financial Report, page 11.

7 - Annual figures for 2006 published by the "Fédération des Entreprises de Vente à Distance (FEVAD)", 2007 edition.

8 - Delivery methods chosen by Internet users over the past six months, FEVAD-Médiamétrie Barometer //Net ratings May 2008, in Key figures, remote retailing e-commerce, 2008 edition, "Fédération des Entreprises de Vente à Distance (FEVAD)".

Volumes

millions of items	2004	2005	2006	2007	Change 2006-2007
"Ordinary" parcels	342	346	355	369	3.8%

Source: ARCEP, Statistical Observatory on Postal Activities.

1.2 Express "light" parcels

In 2007, the revenue and number of express light parcels developed similarly at national level (+3.4% in revenue compared with +3.3% en volume).

In 2007, over 310 million⁹ express light parcels were delivered en France, representing a market with an estimated value of more than 2.15 billion euros. Of these, the domestic market accounted for 238 million parcels and imports for 74 million. In all, the express light parcels market was valued at over 3.3 billion euros in 2007.

In 2008, according to the SOeS¹⁰ survey, revenue from express-delivered light parcels rose faster at national level in terms of revenue than volume, up +5.8% and +1.8% respectively), posting the highest revenue growth rate since 2005. Volumes are up, but less so than in previous years.

9 - Express market revenue and volumes are estimates and were not provided as replies to the Observatory's annual survey.

10 - Observation and Statistics Service, Ministry for Ecology, Energy, Sustainable Development and Regional Development.

Growth rates for express light parcels*

	Revenu				Volumes			
	2005	2006	2007	2008	2005	2006	2007	2008
National express	3.8%	3.2%	3.4%	5.8%	5.5%	6.8%	3.3%	1.8%
Express import	22.2%	13.4%	-3.6%	5.0%	15.2%	18.9%	5.3%	8.7%
Express export	-0.5%	5.6%	5.2%	2.9%	4.8%	5.3%	2.6%	3.2%

Source: Courier Services Survey, SOeS, Ministry for Ecology, Energy, Sustainable Development and Regional Development, annual averages.

2. Delivery of press items to subscribers

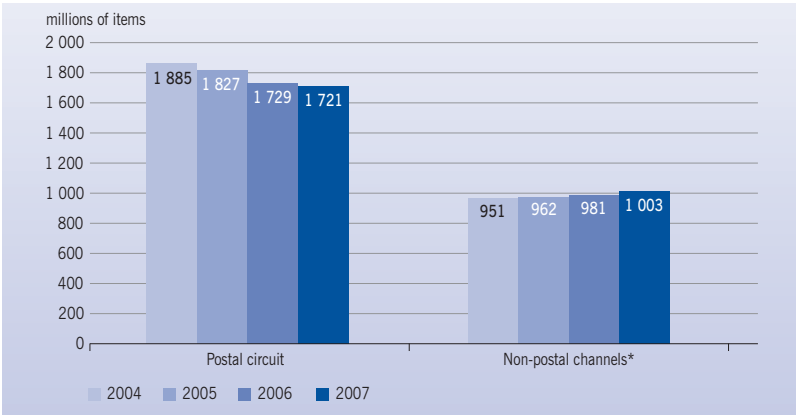
There was a very slight increase in press items delivered through the postal circuit and non-postal channels¹¹ in 2007, up 0.5% on 2006. Press items delivered through these two channels had registered lower volumes since 2004, falling 1.7% in 2005 and 2.8% in 2006.

2007 trends for press items delivered through the postal circuit and non-postal channels reflect the resilience of the popular press which, according to the *Office de justification de la diffusion (OJD)*¹², fell just 0.3% compared with a decrease of 2.2% between 2005 and 2006. The popular press accounts for almost 98% of press items against payment in France.

11 - 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.

12 - "18^e Observatoire de la Presse", OJD, 2008. The OJD is the French association which certifies the distribution, delivery and counting of newspapers, periodicals, websites and all other advertising media.

Press subscription distribution



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

The drop in volumes of press items distributed through the postal circuit went hand in hand with a very slight fall of 0.2% in associated revenue. The impact on revenue of increased press distribution tariffs is slight.

The State subsidy, which is controlled by the multi-year Agreements between the Government, Press and la Poste, stood at 242 million euros in 2007, corresponding to the contractual remuneration paid by the Government to La Poste to make up for the tariff benefits granted to Press bodies (cf. box on the Schwartz Agreements).

Revenue

€ million excl. VAT	2004	2005	2006	2007	Change 2006-2007
"Press" turnover	468	492	484	483	-0.2 %
Government subsidy	290	242	242	242	0.0 %
Total	758	734	726	725	-0.1 %

Source: ARCEP, Statistical Observatory on Postal Activities.

The Schwartz Agreements

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

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

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

3. Unaddressed advertising

Revenue

€ million excl. VAT	2004	2005	2006	2007	Change 2006-2007
Unaddressed advertising	593	630	658	676	2.8 %

Source: ARCEP, Statistical Observatory on Postal Activities.

Volume

millions of items	2004	2005	2006	2007	Change 2006-2007
Unaddressed advertising	18 590	18 570	18 568	19 515	5.1 %

Source: ARCEP, Statistical Observatory on Postal Activities.

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

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

D. The mail preparation market, upstream of delivery

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 or 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 houses¹³ act as interfaces between senders and delivery services and constitute a very mixed group of some 200 businesses.

¹³ - i.e. businesses classified under 74.8G according to the French Nomenclature of Activities.

1. Market with over seven billion items

The mail preparation market for addressed items accounted for just over seven billion items in 2007. Items of correspondence, with 5.7 billion prepared items (79% of processed flows), and press items, with nearly 1.4 billion items (19% of processed flows), made up almost the entire addressed-mail preparation market. Parcels and items for export represented less than 3% of all prepared flows.

The volume of unaddressed advertising processed by mailing houses is estimated at a further one billion items.

Thirty-four percent of items of correspondence were prepared, though mail preparation concerned only industrial items, 58% of which were prepared.

The majority of press items under subscription were prepared, accounting for more than 80% of volumes.

millions of items	2004	2005	2006	Change 2005-2006
Prepared items of correspondence – total	5 275	5 751	5 672	- 1.4 %
of which transactional mail	1 516	1 926	1 917	- 0.5 %
of which direct marketing mail	3 759	3 825	3 755	- 1.8 %

Source: ARCEP, Statistical Observatory on Postal Activities.

2. Mail preparation – Addressed advertising

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

3. Mail preparation – Transactional mail

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

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

E. Investments and employment

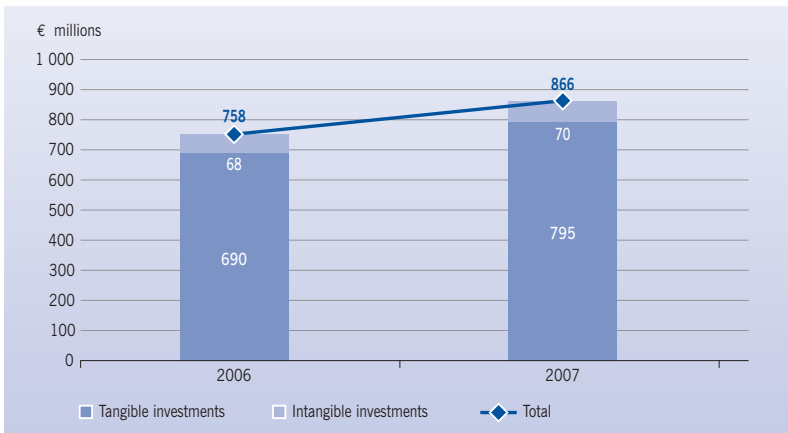
1. Investments

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

Tangible investments accounted for nearly 92% in 2007, around the same level as in 2006. These investments in infrastructure – equipment, sorting machines and premises – are essential for postal operations.

Intangible investments concerned services such as computerisation of operator information systems.

Authorised operators' investments in their postal activities



Source: ARCEP, Statistical Observatory on Postal Activities.

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

Investments by subsidiaries

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

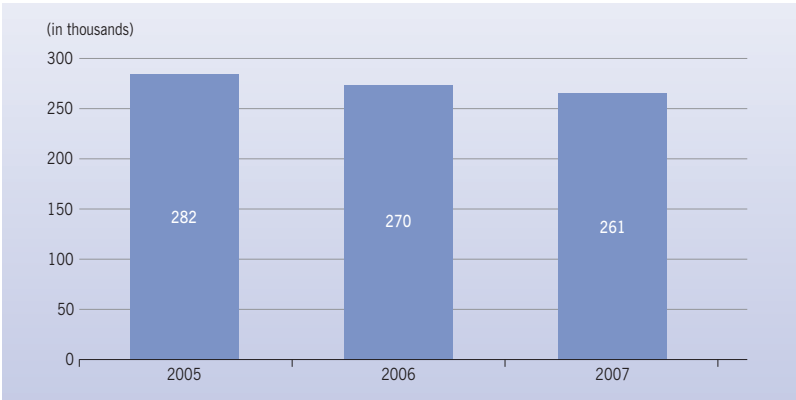
In particular, these investments support the plan to modernise La Poste's production apparatus, entitled "Cap Qualité Courrier", which provides for investments totalling 3.4 billion euros between 2004 and 2012 with the creation of 42 industrial mail platforms to process 87.8% of traffic. At the beginning of 2008, six of these facilities were operational.¹⁴

¹⁴ - La Poste's 2007 Financial Report, page 4.

2. Jobs

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

Jobs linked to authorised operators' activities



Source: ARCEP, Statistical Observatory on Postal Activities.

Note: The jobs mentioned here concern people employed by ARCEP-authorised operators at the end of the year in respect of their postal activities. Thus, they concern only jobs related to postal services in the strict sense of the term and exclude those related to express items, unaddressed advertising and mail preparation.

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

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

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

Counter staff: postal as well as banking services

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

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

CHAPTER 3

Provision of the universal postal service

Part

3

A. Developments in 2008

The main developments in connection with the universal service concern the list of services – the content proper of the universal service – and quality of service:

- ◆ as regards universal service products, forwarding conditions for literature for the blind – items intended for the blind or partially sighted – were specified in compliance with the law, and ARCEP pursued its discussions with La Poste about conditions for posting small items at the “letter” tariff;
- ◆ as regards quality of service, a Ministerial Order defined the quality targets which are binding on La Poste in respect of the universal service.

1. Specification of posting conditions for literature for the blind

Universal service regulations governing the posting conditions for literature for the blind were specified in a Ministerial Order dated 2 January 2009¹

On 21 November 2008, ARCEP was approached by the Secretary of State for Industry and Consumption about a draft ministerial order, to be enacted in application of the CPCE² concerning conditions for exempting literature for the blind from postal charges when sent as ordinary or registered items in national and cross-border postal services.

The Universal Postal Union’s Multilingual Vocabulary of the International Postal Service defines literature for the blind as “a letter-post item containing writing used by the blind, sound recordings and/or special paper intended solely for the use of the blind, admitted under the conditions set out in the Acts”.

Such items, which are exempt from postal charges, must comply with admission conditions. In particular, their content must be checkable. The principle of postage-free literature for the blind is laid down in the Universal Postal Union (UPU) Convention.

1 - Ministerial Order of 2 January 2009 concerning conditions for the free postage of literature for the blind as ordinary or registered items included in national and cross-border postal services, JO of 16 January 2009.

2 - Art. R.1 of the CPCE.



The Ministerial Order of 2 January 2009 defines the conditions for using services for literature for the blind, which may be exchanged free of charge between authorised institutions and associations and blind and partially sighted persons.

Literature for the blind may comprise the following items:

- ◆ items written or printed in Braille;
- ◆ items containing special paper intended for printing for use by the blind;
- ◆ sound or digital recordings, including magnetic tapes, cassettes, CD-ROMs, recorded audio DVDs, USB sticks, etc.

Postal services for literature for the blind apply to items up to 5 kg in the national and related services, and up to 7 kg in the international service. Literature for the blind must be packaged so as to ensure the contents are adequately protected. The packaging and means of closure of these items must, however, permit easy checking of their contents.

Such items must feature a special sticker. In addition, authorised associations or institutes must use a procedure which allows counting of the literature for the blind they receive and dispatch, and they must indicate either “cécogramme” (literature for the blind) or “enregistrement sonore” (sound recording) on the actual items. Items containing literature for the blind may be sent registered at the lowest registered rate in the domestic service. In the international service, literature for the blind is exempt from postage in the Economy stream, but the airmail surcharge is payable to send such items Priority.

In France, the group of partially sighted persons numbers 70 000 blind and 1 130 000 persons with poor vision. Progress in computer technology and exchanges of documents in audio formats have triggered a sharp drop in person-to-person exchanges of Braille documents. In France, it is estimated that approximately 6 000 people use Braille regularly, generally sending fewer than ten Braille letters each per year to other blind correspondents.

ARCEP was pleased at the progress made possible by the draft ministerial order compared with the description given in the list of La Poste services under the universal postal service dated 1 March 2008.

To reflect technological developments, the text of the draft order extended the list of postage-free items to audio and digital recordings.

The text submitted to ARCEP for its opinion also provided for the introduction of a procedure for approval, by the Minister responsible for Posts, of a list of associations and institutions proposed by the National Committee for the Social Promotion of Blind and Partially Sighted People, or CNPSAA (*Comité national pour la promotion sociale des aveugles et amblyopes*).

In its opinion, ARCEP emphasised the importance of being able to post suitably sized ordinary literature for the blind in letter boxes located in public places. This posting option is an essential characteristic for ordinary services under the universal service, and is even more essential for the handicapped, because it obviates the need for systematic visits to post offices.

ARCEP also stressed that, under the universal service, single-piece items containing literature for the blind must be easily accessible. Consequently, the special stickers required for sending literature for the blind need to be available from all contact points (which was not always the case in the past).

Lastly, ARCEP suggested that liability regulations for ordinary items containing literature for the blind should be clearly defined and should be those most favourable to users, i.e. parcel service liability regulations.

2. Launch of the “Mini Max” service for small items

In 2009, La Poste is launching a “Mini Max” service for small items, with prices close to the letter tariff. ARCEP issued its opinion on this new product in September 2008³.

“Mini Max” was created in response to a request made by ARCEP in its Opinion dated 5 February 2008 concerning parcel tariffs⁴. There, it had argued that the level and future development of universal service parcel tariffs were conceivable only if a complementary product were available – one with a tariff equal or similar to the “letter” tariff for standard-sized items suitable for posting in and delivery to letter boxes, which could be deployed for a broad enough range of items whose value did not justify using the “Colissimo” service.

*3 - ARCEP Opinion
No. 08-1070 of 18
September 2008,
JO of 9 November 2008.*

*4 - ARCEP Opinion
No. 08-0002
of 5 February 2008.*

In the light of the characteristics of the “Mini Max” service submitted to it by La Poste, ARCEP felt that this new product catered satisfactorily for the needs of consumers wanting a new universal service product for posting small items at affordable tariffs.

Originally, “Mini Max” was to be introduced in October 2008, but ultimately its marketing was postponed until 15 December 2008.

Background

ARCEP had been drawing La Poste’s attention since June 2006 to complaints from customers who were being refused the option of sending small items at the “letter” tariff and being referred to services that were considerably more expensive, such as “Colissimo”. Lack of information about the rules applicable and the resultant confusion also gave rise to complaints. Moreover, the European Commission reported receiving similar complaints from French users.

In October 2007, La Poste prohibited inserts in items sent at the “letter” tariff in its General Terms and Conditions, even though the Postal and Electronic Communications Code expressly allows articles weighing up to 2 kg. Posting small items at the “letter” tariff cost customers around two euros for books, CDs or DVDs, whereas the parcel tariff was over five euros.

Thus, consumers no longer had an affordable tariff option for small items such as CDs, DVDs and books weighing more than 50 grams.

Moreover, the ban on inserts created a situation unparalleled elsewhere in Europe. In other European countries, small articles such as CDs and DVDs are sent at the “letter” tariff, and in several countries, a tariff system based on size criteria promotes automated postal processing of these items, thus keeping costs down. Users in Germany can, for instance, send small items weighing up to 500 grams for 1.45 euros. These are delivered next day, but users can only claim the compensation

specified for letters and not for parcels. As is expressly stated in the sales documentation of postal operators in these countries, this alternative to the parcels service is designed primarily for sending books, CDs and DVDs.

The “Mini Max” service

The characteristics of the new service offered by La Poste are similar to those of its “letter” service, namely:

- transmission time of D + 1 ;
- payment of postage using stamps or stamp labels;
- the item must feature a self-adhesive “Mini Max” sticker which is available free of charge from all post offices;
- goods must not weigh more than 1 kg, and parcels must not be more than 2 cm thick (NB: this size is compatible with that of boxed CDs, DVDs, paperbacks, etc);
- the tariff is close to the Priority letter tariff. As the following comparison shows, tariffs lie between the “Letter” and the “Colissimo” tariffs (tariffs for Metropolitan France).

For an item weighing	Priority letter tariff	“Colissimo guichet” (Colissimo Counter) tariff	“Mini Max” tariff
100 g	€ 1.33	€ 5.30	€ 1.50
200 g	€ 2.18	€ 5.30	€ 2.50
500 g	€ 2.97	€ 5.30	€ 3.50
750 g	€ 3.85	€ 6.50	€ 4.50
1 kg	€ 3.85	€ 6.50	€ 4.50

“Mini Max” service tariffs can be found on La Poste’s website: www.laposte.fr under “Envoyez et recevez du courrier/Toutes les offres/envois courants”.

ARCEP nevertheless noted that, between September 2008 and January 2009, La Poste had not informed the general public about the creation of this product. This lack of information, both to its network and to consumers, meant that customers still tended to be directed towards more expensive products, like “Colissimo” and “Lettre Max”.

5 - ARCEP Opinion No. 09-0115 of 12 February 2009. ARCEP therefore issued an opinion which opposed a fresh increase in “Colissimo” tariffs in 2009⁵, recalling the terms of its February 2008 opinion⁶.

6 - ARCEP Opinion No. 08-0002 of 5 February 2009. What is more, in its Opinion of 3 February 2009 on international mail tariffs⁷, ARCEP emphasised that the distinction between items containing goods and items of correspondence should be made only if it was indispensable for meeting universal postal service obligations. In that case, users should still have an affordable service that matched the characteristics of their items. In particular, ARCEP felt it appropriate for the international mail service to have a tariff similar to that for light items of correspondence (weighing less than 100 grams), in parallel with domestic items.

7 - ARCEP Opinion No. 09-0026 of 3 February 2009.

3. The quality of service targets set by the Ministerial Order of 22 July 2008

For the first time, the Minister responsible for Posts set out La Poste's quality of service targets for the universal service in a Ministerial Order dated 22 July 2008. These targets were not laid down for a specific period so remain valid unless amended by a subsequent ministerial order.

The targets for reliability, transmission times and complaint handling times are as follows:

Product	Target	Measuring methodology
Priority letter	83% of items in D+ 1 95% of items in D+ 2	European Standard EN 13850
Cross-border Community mail	85% of items in D+ 3 95% of items in D+ 3	European Standard EN 13850
"Colissimo guichet"	85% of items in D+ 2 95% of items in D+ 3	Computerised, explicit and auditable method
Handling of complaints	90% response rate to complaints about domestic mail within 21 days	European Standard EN 14012
Loss of registered letters	Measurement of losses	European Standard EN 14137

Moreover, Article 4 of the Ministerial Order of 22 July 2008 requires annual reporting on complaint handling that includes the number of complaints about letters and parcels, as well as the methodology used. The measurement method must comply with the principles advocated in European Standard 14012.

ARCEP's policy on quality of service was set out in its opinion on the draft ministerial order concerning universal service quality targets⁸, where it emphasised the following in particular:

- ◆ that the targets play a structuring role for the operator because, based as they are on society's requirements, they form part of the definition of La Poste's universal service mission, especially in respect of forwarding times for urgent domestic letters (D+1 rate);
- ◆ that setting quality benchmarks presupposes analysis, not just of the factors determining La Poste's quality of service, but also of the cost of this quality (in particular, the impact of geography);
- ◆ that the benchmarks are not likely to fluctuate in the medium term;
- ◆ that it would not be appropriate to set comparatively indeterminate average annual transmission-time targets that let the operator leave a significant share of traffic without deadlines; in this case, it would be preferable to set sub-targets which – though perhaps less ambitious – are more precise, for instance with respect to geographical areas or traffic flows.

⁸ - ARCEP Opinion
No. 08-0216
of 11 March 2008.

On 4 March 2009, the Minister for the Economy, Industry and Employment and the Secretary of State for Industry and Consumption submitted a new draft ministerial order about the quality of service targets set for La Poste for 2009.

While recognising the progressive approach embodied in the public service contract between La Poste and the Government, ARCEP recalled the proposals put forward in its Opinion of 11 March 2008⁹ about targets that are expedient for postal service users.

Furthermore, ARCEP continues to urge La Poste to widely publicise its actual quality levels, while pursuing joint work on a set of universal postal service performance indicators. Dissemination of this information helps to promote universal service transparency and improve La Poste's performance.

9 - ARCEP Opinion
No. 08-0216
of 11 March 2008.

B. ARCEP’s action on quality of the universal postal service

1. Transparency of universal service quality: latest performance-indicator developments

At ARCEP’s request, La Poste has been publishing information every year since 2006 about the quality of the universal postal service¹⁰ in the form of universal service performance indicators¹¹.

ARCEP attaches great importance to transparent universal service quality, because information about quality of service standards enables users to make an informed choice among the products at their disposal and also prompts La Poste to provide services that meet their expectations.

The relevance of the chosen indicators and expedient changes to them are regularly discussed with consumers’ representatives within the framework of the postal consumer committee. In fine, the type of performance-indicator information published for the universal service is constantly evolving and being adapted to user needs. Indicators are retained provided they can be reliably measured at reasonable cost.

The list of performance indicators published for the universal service is expanding year by year and now covers most user information requirements.

10 - In conformity with
Article R. 1-1-8
of the CPCE.

11 - See www.laposte.fr/IMG/pdf/Les_resultats_de_la_qualite_du_service_universel_postal_31-03-2008_.pdf?espace=groupe.

Mail transmission times

Transmission times	2005	2006	2007	2008
% of single-piece priority letters delivered in D + 1	79.1	81.2	82.5	83.9
% of single-piece priority letters delivered in D + 2	4.6	3.8	3.7	3.2
% of cross-border mail (imported) delivered in D + 3	95	95.9	95.5	97
% of cross-border mail (imported) delivered in D + 3	93	94	94.8	95.4
% of cross-border mail (imported) delivered in D + 5	99.1	99.3	99.1	99.5
% of cross-border mail (imported) delivered in D + 5	98.5	98.7	98.8	99

The quality of domestic priority letters delivered in D+1 has been gradually improving since 2005 and stood at 83.9% in 2008. However, these encouraging results still lag behind those of other major European Posts, most of which have rates of over 90%. Certain factors peculiar to France, especially geographical ones, may explain this difference.

To be surer of timely delivery of their items, users have to allow an extra day beyond the theoretical period of D+1. In 2008, 96.8% of priority letters reached their destination the day after, or two days after, posting.

Les délais d'acheminement et la fiabilité des Colissimo

Transmission times	2005	2006	2007	2008
% of "Colissimo guichet" parcels delivered in D+2	83.8	84.1	85.8	85.0
% of "Colissimo guichet" parcels delivered in D+3	92.2	95.5	95.9	96.3
% of "Colissimo guichet" parcels delivered in D+4	-	98.5	98.6	98.7
% of "Colissimo guichet" parcels delivered in D+7	-	-	-	99.8

The quality of the "Colissimo guichet" service improved steadily until 2007, with 85.84% of parcels being delivered in D+2, before slipping back in 2008 (85% in D+2).

In their replies to the public consultation conducted in 2007 on the information needed about the quality of the universal postal service, users felt that information about "Colissimo" service reliability should be published, especially because of the value of the goods transported. This need is important given the development of person-to-person exchanges through Internet sites such as eBay.

A new indicator for delivery in D+7 to reflect service reliability was therefore added to the 2008 performance report. For 2008, this indicator showed that 0.2% of "Colissimo guichet" parcels were delivered after D+7.

Transmission times for press items

Transmission times	2006	2007	2008
% of urgent daily newspaper items delivered in D/D+1	96.9	96.6	97
% of urgent magazine items delivered in D+1	88.6	86.7	91.5
% of urgent magazine items delivered in D+4	97.9	96.6	97.7
% of urgent magazine items delivered in D+7	89.2	97.5	98.1

Information about transmission times for press items, especially urgent ones, is important for users because it is a basis for choosing whether or not to use La Poste as their delivery channel, as opposed to buying such items at news-stands. The figures provided by La Poste reveal satisfactory results, particularly for daily press items.

Transmission times for and reliability of registered items

Transmission times	2008
% of registered items delivered in D+ 2	90.9
% of registered items delivered after D+ 7	0.4

Two indicators for registered items have been added to the 2009 performance report (indicating quality for 2008). Users contacting ARCEP had high expectations of information about transmission times and reliability. The registered service is perceived as a premium product, which is frequently used to guarantee the security of important consignments, and users demand quality standards to match.

These figures show that users have to allow for transmission times of two days or more to ensure safe arrival of their item. In fact, 9.1% of registered letters had not reached their destination two days after posting.

The percentage of registered letters delivered after D+ 7 provides additional information about reliability. In 2008, approximately one in 250 registered letters was delivered very late, thus falling into this category.

Number of letter boxes

	2007	2008
Number of letter boxes	147 343	149 793

La Poste has been reporting the number of letter boxes from which it collects mail since 2007. This figure is rising, but the measurement scope has changed slightly, following an improved survey of boxes in 2008, compared with 2007 (gradual updating of the national MUSIC reference system, in particular better reliability and inclusion of letter boxes installed in the overseas *départements* (DOM).

Distribution of letter boxes in terms of latest posting times

			2007	2008
Letter boxes with latest posting times:	before 13.00	Number	120 837	119 788
		Percentage	82.01 %	79.95 %
	before 16.00	Number	143 635	142 267
		Percentage	97.48 %	94.96 %

Latest posting times impact directly on mail transmission times: improved transmission times in conjunction with unchanged latest posting times can be seen as a real improvement, but this is not the case if latest posting times are brought forward.

The information published in 2007 and 2008 for the number of letter boxes and latest posting times shows that it is best to post items in the morning to ensure same-day processing. However, the differences observed between 2007 and 2008 indicate that mail is being collected from letter boxes less and less early.

Statistics for complaint handling

Letters	2005	2006	2007	2008
Number of complaints	533 123	591 252	417 237	446 751
Complaints in terms of total traffic	0.003 %	0.003 %	0.002 %	0.002 %
Replies within 21 days	87 %	90 %	97 %	97.7 %
Replies within 30 days	93 %	94 %	98.7 %	99 %
Parcels	2005	2006	2007	2008
Number of complaints	385 567	468 819	479 757	479 497
Complaints in terms of total traffic	1.38 %	1.18 %	1.08 %	0.98 %
Replies within 21 days	92.5 %	93.6 %	93.3 %	94.68 %

The figures published by La Poste for universal-service performance show a marked improvement in the speed with which complaints are handled, especially for letters.

0.98 % of the “Colissimo guichet” parcels processed by La Poste gave rise to complaints. Although this figure is falling, it may appear high. This could be due to the fact that users consider La Poste’s complaint handling to be efficient and that La Poste guarantees a transmission time of D+2.

2. Measuring quality of service for universal-service parcels and for complaints

2.1 Study context and objectives

In 2008, ARCEP launched a study designed to describe and analyse:

- ◆ the system for measuring quality of service for “Colissimo guichet” items;
- ◆ La Poste’s system for measuring and handling complaints to ensure the figures published are reliable.

The purpose of the study, conducted by ETDE LS Consultants during the second half of 2008, was to monitor the reliability of the quality of service figures for parcels and complaints published by La Poste in its universal-service performance report.

This study is part of a progressive process of checking the reliability of the information provided by La Poste in its universal-service performance report and thus ensures continuation of the priority-letter quality of service audit carried out by Ernst & Young in 2006.

In the context of measuring quality of service for “Colissimo” products, ARCEP focused mainly on the area covered by the measurement. The performance information reported by La Poste for 2008 specified that transmission-time recording was not exhaustive because it concerned only “perfect” parcels, i.e. 92.5 % of all parcels.

When it comes to complaints, ARCEP would like to have an accurate understanding of the statistical-count methodology used for the various complaint-handling indicators published by La Poste (for instance, the number of complaints about letters), as well as the information flows that underpin them.

ARCEP received the definitive study findings in January 2009. They show that, on the whole, the reliability of measurement of Colissimo transmission times and complaint-handling times is satisfactory. However, a number of avenues of improvement were identified on which La Poste will take action.

2.2 Findings on the reliability of quality of service measurements for Colissimo products

The quality of service indicators for “Colissimo” products are all derived from counts of physical flows handled by the La Poste network. The performance of each parcel sent via this network is measured by scanning a barcode.

This measurement is not comprehensive because it excludes roughly 10% of universal-service parcels for at least one of the following reasons:

- ◆ the time elapsing between posting and return from delivery cannot be calculated (absence of one or more scanning points);
- ◆ no scanning point at “delivery arrival”;
- ◆ lack of information (technical incidents).

However, the firm of ETDE Consultants sees no reason to conclude that the indicators are not representative (broad study coverage and no conclusive evidence of bias).

2.3 Results of the study on the reliability of complaint measurement

Even though certain aspects can still be improved, La Poste is equipped with an efficient complaint management policy that complies with ISO 9001 certification requirements for ongoing improvement of processes, as structured around Standard EN 14012.

It may be thought that complaints – essentially local ones – are not systematically recorded, thus concealing a significant proportion of this activity. In fact, when complaints are settled quickly and favourably, staff have little incentive to input local complaints into information systems.

La Poste’s customers lack information about the means at their disposal for lodging complaints. Even though the option of lodging complaints on line has been developed¹², 80% of complaints are still lodged at post offices, making it hard for users to lodge complaints about customer relations and for staff – for whom there may be conflicts of interest – to record the incidents.

La Poste is currently implementing a complaint-management improvement plan, and the answers this plan provides should be built into the indicators as it becomes operational, in the course of 2009.

¹² - See www.laposte.fr/reclamations_courrier.php.

C. Universal service monitoring system defined by ARCEP

1. Monitoring of universal service obligations introduced by ARCEP

Within the framework of its decision of 19 February 2008¹³, in conformity with the CPCE¹⁴, ARCEP has defined the information to be communicated to it by La Poste to enable the regulator to monitor compliance with the legislative and regulatory obligations relating to provision of the universal service.

This information must also permit ARCEP to monitor product use to verify that the range on offer under the universal service is in line with user requirements.

Defining the information La Poste must provide to ARCEP necessitated definition of the indicators that are relevant in respect of universal service obligations, on the one hand, and bilateral work with La Poste to ascertain the availability or feasibility of the indicators sought, on the other.

There are two categories of information: (1) information requested just once to provide an initial snapshot of the universal service products provided and their use, and (2) information on which La Poste submits annual reports to ARCEP:

(1) This is structural information that a priori is not liable to change. It concerns the provision and use of the universal service, as well as the methodology for measuring universal service accessibility via the network of contact points. This information was requested just once and provided in 2008;

(2) Information that needs to be updated every year is more liable to change so requires regular monitoring. This information concerns service usage that is likely to evolve, monitoring of performance of universal service obligations and the reasons for complaints lodged by users.

13 - ARCEP Decision No. 08-0180 of 19 February 2008 concerning information submitted by La Poste, in application of Article R.1-1-16 of the Postal and Electronic Communications Code (CPCE).

14 - Art. L. 5-2, para.1 of the CPCE.

(1) Structural information : snapshot of universal service ¹⁵	(2) Information to be monitored annually ¹⁶
Service usage (significant trends) - Average and standard deviation of the weight of postal items - Types of users - Matrix of overseas flow and France-Europe flow	Changes in use and available products traffic and turnover of "related services"
Methodology for measuring contact-point accessibility - How does La Poste measure contact-point accessibility? According to national criteria, criteria at département level, and for communes with a population of over 10 000	Monitoring of performance of universal service obligations - Collection: number of letter boxes per départements - Delivery: exceptions to delivery (R.1-1-1) + Rounds not performed, NATAs and pending items Complaints about delivery, losses and redirection

15 - 2006-2007 data.

16 - Point of departure: 2007 data.

This information was communicated to ARCEP by La Poste for the first time on 30 April 2008.

2. Special system to be put in place so that ARCEP can ensure compliance with quality of service targets

17 - Art. L.5-2 4 Under the terms of the CPCE¹⁷, ARCEP supervises compliance with the quality of service targets set by the Minister.
of the CPCE.

Above and beyond the quality of service results proper, which reflect implementation of the targets provided for in the Ministerial Order of 22 July 2008, the information to be notified to ARCEP must enable it to check compliance with the universal service's inherent characteristics.

Admittedly, the annual and national quality of service results sum up situations that may be very different. However, the universal service must by definition be provided to all users without discrimination because it contributes to social cohesion and balanced national development. It is to be provided in compliance with the principles of equality, continuity and flexibility, striving for maximum economic and social efficacy¹⁸. This was the principle adopted in the Ministerial Order of 22 July 2008 that lays down continuous targets over time without mentioning a particular annual or other frequency for observing quality.

To obtain a proper grasp of the service provided, ARCEP will analyse quality of service deviations in terms of geographical areas and times of the year. While total standardisation of quality levels throughout the territory and for different times of the year is not possible, the national average must not cover up situations with unjustifiable discrepancies.

The Ministerial Order of 22 July 2008 also provides for the use of European standards for measuring priority letter transmission times, the number of complaints, registered letter losses and a computerised, explicit and auditable method for measuring "Colissimo guichet" transmission times.

ARCEP will therefore continue its work on reliability and compliance with the standardised framework, as well as its requests for information about measurement methodologies.

CHAPTER 4

Financing of the universal postal service

A. Les tarifs postaux

The multi-year tariff framework

ARCEP was given responsibility by law¹ 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 through increases in productivity 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 at the same time 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 and 2008.

For instance, the price of a postage stamp² rose from € 0.55 to € 0.56 on 2 March 2009.

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

2 - Tariff applicable to letters weighing less than 20 grams.

1. The price cap in effect for 2006 to 2008

The price cap system is much more appropriate for the way a public enterprise works than “case-by-case” approval of its tariffs. First, it enables La Poste to make budget forecasts based on the room for tariff manoeuvre granted to it, while knowing from the outset the limits that must not be exceeded. Next, it allows La Poste to adopt a tariff strategy: by complying with the margins set by the price cap, the company can alter its tariffs so as to build a coherent structure that sends appropriate economic signals because it reflects costs.

3 - ARCEP Decision No. 06-0576 of 1 June 2006 on the characteristics of the multi-year tariff framework for universal postal services.

4 - The figure adopted for changes in expenditure is based on two calculations which produce the same result. The first is derived from La Poste's forecasts concerning the universal service scope, the second on an ARCEP simulation of the changes in the public establishment's 2004 expenditure. Both calculations arrived at the same result, pointing to an average annual increase of 1.65% for 2006-2008 (in terms of full costs).

5 - Volume development was based on letter volumes. La Poste expects these volumes to fall 0.65% per year. This traffic trend is explained by the emergence of new, paperless communication methods which have replaced postal items, and by rationalisation measures on the part of large mailers. However, at present, there is no way of assessing the scale, or even the direction, of short-term fluctuations with any reasonable degree of accuracy. ARCEP therefore prefers to use a historic approach and has chosen the moving average of developments for 2003-2005, i.e. an assumed average decrease in business volume of 0.35% per year for the three years covered by the multi-year framework.

In 2006, ARCEP set the ceiling for postal tariff increases for the period from 1 January 2006 to 31 December 2008 at 2.1% per year³, thus taking account of Consumer Price Index movement evaluated at 1.8% per year, La Poste expenditure of 1.65%⁴ and a 0.35% annual decrease in volume⁵.

Bearing in mind the short-term inflexibility of expenditure, it appeared essential to ensure that the volume-estimate risk is fairly divided between operator and users. Consequently, an adjustment mechanism provides for relaxation of the price cap should volumes fall further than the trend estimated for a given year, to allow La Poste to adjust its revenue. On the other hand, if the trend observed is more favourable, the price cap has to be tightened to ensure the automatic efficiency gain is passed on to the consumer.

2. Review of application three years on

Even though the final figures for 2008 will not be known until July, initial stock can already be taken.

First of all, La Poste did not use the whole margin assigned to it under the price cap, so on average prices rose just 1.7% a year, compared with the original ceiling of 2.1%.

Volume shrank slightly more sharply than forecast, down by an average of 1.2% per year over the period 2006-2007. Given the worsening conditions in 2008, the decrease for 2006-2008 could average at least 1.6% per year, compared with the forecast 0.35% per year.

The price environment was accurately gauged, with actual inflation averaging around 2%, in line with the assumptions made in the price cap (1.8%).

Lastly, La Poste's operating costs showed limited growth (0.5 % per year) that was below the threshold set in the price cap (+ 1.65%). This result is mainly linked to the beneficial impact of pension reforms.

3. The price cap for 2009 to 2011

In 2008, ARCEP in conjunction with La Poste defined the characteristics of the future tariff framework for the period 2009 to 2011, retaining the principles of the previous system.

It is based on assumed inflation of 2% per year, and an estimated decline in volume of 1.3% per year. The latter point emerged as a key factor in tariff movements, especially in the light of falling traffic in other European countries. To this was added an assumed increase in La Poste's expenditure of 0.9% per year, which means that La Poste has to keep a tight rein on its expenditure.

Adjustment of the tariff ceiling in terms of volume was retained, with the same correcting factor as hitherto; the possibility of correcting sizeable differences between forecast and actual inflation (if the difference is greater than 25%) was introduced.

On this basis, the framework allows an overall average annual increase of 2.3% for products over the period in question.

A “sub-stipulation” citing an average annual increase of 2% is applied to single-piece machine-franked products, which are mainly used by SME customers, because ARCEP has observed the inflating impact on profit margins of successive tariff increases for such products.

B. Prospective studies

ARCEP and La Poste have carried out preparatory work on methods for evaluating the cost of the universal service. This is the type of analysis that would have to be carried out after 2011, in order to establish whether universal service obligations incur losses for La Poste. According to the studies conducted on behalf of the European Commission in preparation for the 2008 Postal Directive, this should not be the case for operators that have achieved a high degree of efficiency.

If the calculations were to show additional expenditure, European legislation (2008 Postal Directive) and domestic legislation⁶ provide for the possibility of instituting offset measures, for instance through a fund maintained by the ARCEP-authorised operators (including La Poste, the universal service provider).

6 - Art. L2-2 of the CPCE.

It is extremely important for the method chosen to identify and quantify any net cost of a public service mission to comply with a certain number of criteria – otherwise the basis of the offset system is unsound and open to question.

1. The “net avoided cost” method

1.1 A method based on differential analysis

What is “net avoided cost”? Without universal service obligations, the same operator would make higher profits than it does by shouldering these obligations.

In the case of an efficient operator, the difference in profit between the two scenarios (with or without universal service obligation) can be wholly ascribed to the cost of its universal service obligations (USOs). Thus, insofar as identifying or creating an efficient operator benchmark in each of the two scenarios (with and without USOs) is feasible, this “net avoided cost” method makes it possible to obtain the most relevant yardstick of universal service cost for a given postal market.

$$\begin{aligned}
 &\text{Cost of the universal service} \\
 &= \\
 &(\text{Operator profits with USO}) - (\text{Operator profits without USO}) \\
 &= \\
 &(\text{Revenue with USOs} - \text{Costs with USOs}) \\
 &- (\text{Revenue without USOs} - \text{Costs without USOs})
 \end{aligned}$$

This approach produces an evaluation of universal service cost that incorporates all the effects of the USOs, and only their effects. That is why this method was chosen in preference to other methods that do not allow the true price of universal service obligations to be determined.

1.2 Implementation of this method

Offsetting must satisfy a principle of efficiency. The method traditionally used is the so-called “bottom-up” approach, which consists of taking an operator’s economic situation and rebuilding its activity on the basis of the best procedures available and international comparisons. Thus, taking the accounts produced by the providing operator as a starting point, this method may result in the exclusion of costs that are not relevant, for instance because they derive from past choices that are now technically superseded.

The providing operator’s revenue reflects the current situation of its tariffs. The operator responsible for providing the universal service has to offer “affordable” tariffs for activities conducted under the head of the universal service, whereas operators with no such obligations can set their tariffs at will. However, the operator is also bound by the obligation to provide cost-based tariffs: obligations can only clash in certain specific cases, such as literature for the blind.

2. The study conducted in Denmark

Studies on these lines have been conducted in Norway, Denmark and the United Kingdom. The study carried out by “Copenhagen Economics” on the cost of Post Danmark’s universal service obligation is an excellent example of this type of work.

2.1 Findings

Calculations show that the universal service costs around 1.5% of turnover (150 million Danish kroner, or 20 million euros), a figure which was deemed to be “not unfair” in view of the advantages derived from the status of universal service provider. The origin of this cost is basically the obligation to deliver items on six days out of seven, as well as free conveyance of literature for the blind.

2.2 Study data

Universal service constraint	Cost: Yes or no	Reasoning
Universal delivery	no	No additional cost in connection with this obligation, because: <ul style="list-style-type: none"> - there is solvent demand on the part of large mailers for universal delivery; - cost savings due to partial service would not be substantial - the company could de-standardise its tariffs to contain losses in rural areas
Six days out of seven (rather than five)	yes	<ul style="list-style-type: none"> • Limited savings, but also loss of business; in particular, reduced competitiveness of postal services for periodicals and loss of customer share to the competition. • € 130 million as a basic assumption
D+1 at 93%	no	<ul style="list-style-type: none"> • The operator performs better (94%) than the level specified, as do other Scandinavian operators, which brings out the business advantage of providing a quality service • Competition (conveyance of press items) prospers better without regulatory obligations
Literature for the blind	yes	€ 18 million
Product range obligations	no	If tariffs reflect costs, and if the range of universal service products reflects user requirements, there is no additional cost
Equalisation of tariffs for single-piece items	no	De facto monopoly; besides not being feasible, de-standardisation would also be harmful (it would discourage demand) and inexpedient (no competition for this type of customer)
Post offices	no	<ul style="list-style-type: none"> • The obligation is flexible (at least one post office in towns with a population of more than 5 000 inhabitants, within a radius of 5 km) • Service outlets may be contracted out, and there are no mandatory minimum opening hours • Service outlets generate sales • They are important for parcel delivery (loss of business without them)
Accounting obligations, regulatory procedures	no	These would exist in any case, simply because of the incumbent operator's dominant market position (because of Competition Authority requirements)

CHAPTER 5

Preparations for market liberalisation on 1 January 2011

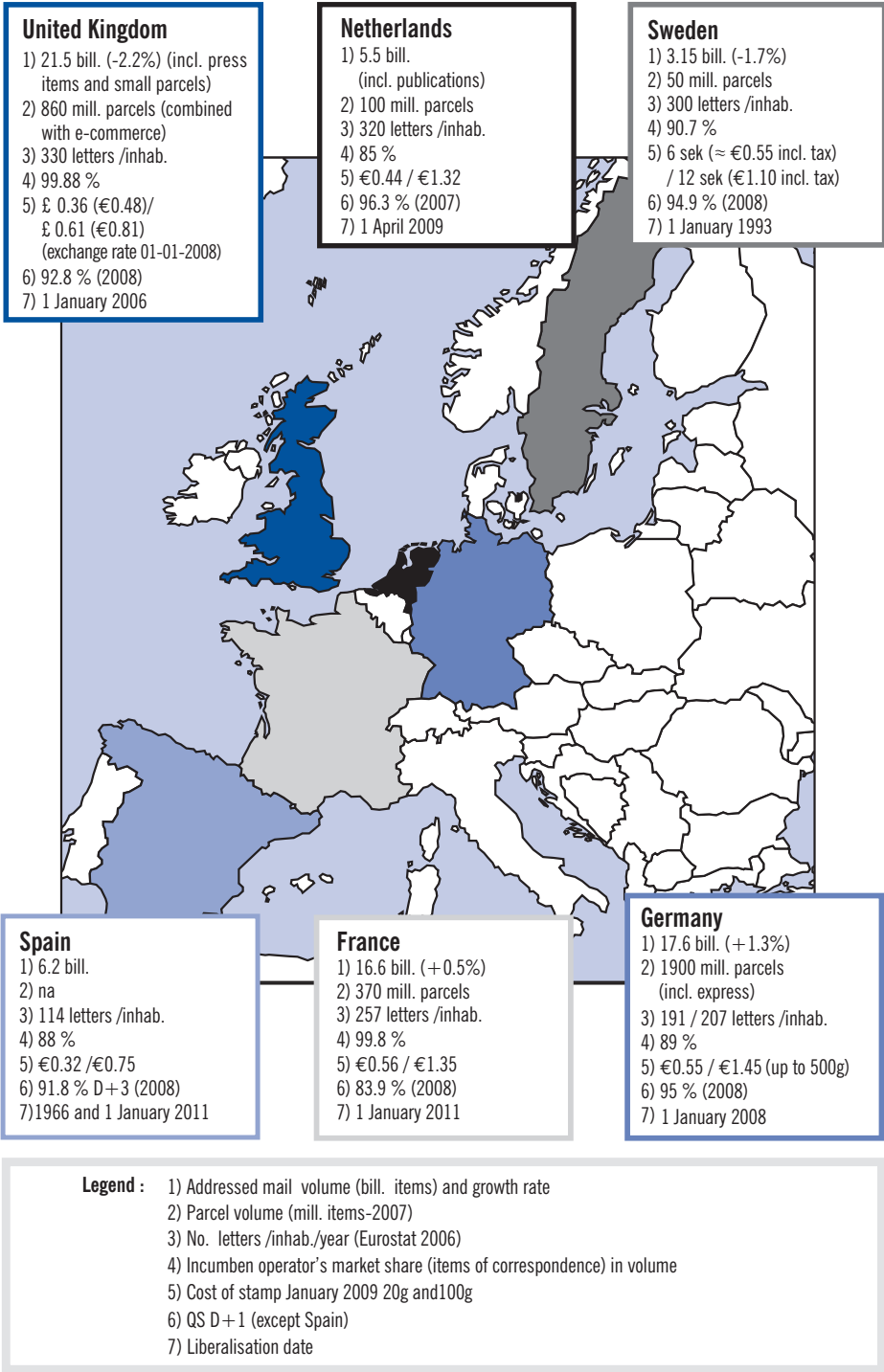
A. International business intelligence

Several countries have either opened their markets before the 2011 deadline or taken partial measures, such as liberalising addressed advertising.

Markets already liberalised	Sweden (1993), United Kingdom (2006), Germany (1 January 2008)
Partial liberalisation in the run-up to the deadline of 1 January 2011	Spain, Netherlands and Italy (addressed advertising and, for Spain, intra-urban mail)

Analysis of these markets is invaluable for gleaning experience of how a postal market such as the one awaiting France in 2011 operates.

Postal markets in five countries and in France: a few statistics



ARCEP's contacts with foreign regulators highlight the following factors:

- ◆ it takes time and practical experience for end-to-end competition to develop on the postal market: putting a dedicated addressed-mail delivery network in place requires investment and specific expertise:
 - CityMail had initial problems in Sweden.
 - competition took time to become organised in Germany.
 - Sandd and Selekt Mail had to wait several years after the liberalisation of addressed advertising in the Netherlands before making a significant impact on the domestic market.
 - Adrexo's recent experience is paralleled by that of other foreign operators in the past.
- ◆ The incumbent operator has reaction capability (productivity, de-standardisation).
- ◆ The acquisition of market shares by alternative operators in end-to-end competition is limited by technical and economic factors (economies of scale, access to letter boxes and address data).
- ◆ Two particular issues emerged in several countries: the social welfare and salary system of companies in the branch (minimum wage, collective agreement) and unification of the VAT system applicable to the incumbent operator and its competitors (problem of VAT exemption applied to postal public services in application of the 1977 Directive).

	Type of market entry	Liberalisation	Alternative operator	Capital	Volume and market share (2007)
Sweden	Delivery of industrial mail Twice weekly Coverage 45%	1993 Total	CityMail Profitable in 2001	Norway Post subsidiary	300 million (9.3%)
Netherlands	Delivery of industrial mail Twice weekly Coverage 100%	1 April 2009 Total	Sandd Selekt Mail	Looking for additional shareholders DPAG subsidiary	390 million (7.1%) 410 million (7.5%)
Spain	Local D+1 delivery (local ops.) of B2B mail and delivery of industrial mail Coverage 70%	1966 Intra-urban and addressed advertising	Unipost	DPAG subsidiary	600 million (10%)
Germany	Local or regional D+1 delivery Coverage 90%	2008 Total	TNTPost DE Losses 50 million 2008 PIN Ag (bankruptcy 2008)	TNT Axel Springer and other publishers	100 to 200 million 0.5 to 1 % 1 000 million (5%)
United Kingdom	Very limited end- to-end competition "Access Mail"	2006 Total	UK Mail TNT Post UK	 TNT	1 743 million (8.5%) Not available

Sources: Annual reports and ARCEP estimates.

B. The situation in France

1. Authorisation requests tailing off

Since 2006, ARCEP has been issuing authorisations to companies which now provide local or national postal services that are not part of the area still covered by the monopoly.

Type of authorisations issued by ARCEP between 2006 and 2008

	Authorisations for the cross-border items segment*	Authorisations for local-area delivery	Authorisations for nationwide delivery**
2006	6	3	2
2007	4	7	0
2008	0	2	0

* Subsidiaries of foreign Posts + one independent company. + La Poste.

** Including La Poste and excluding overseas départements.

2008 saw a tailing off of authorisation requests, with only two new operators being authorised.

Moreover, Adrexo (a Spir Communication Group subsidiary), La Poste’s main competitor which had undertaken to set up a dedicated alternative national delivery network for addressed items, announced a halt to its expansion in February 2008. It is continuing its addressed items operations on the basis of its national printed-papers delivery network. What is more, one provider with a local-area authorisation went into compulsory liquidation in 2008.

2. Work on public markets

On several occasions, public buyers and authorised operators have approached ARCEP with questions about the consequences as far as buyers’ obligations are concerned, of liberalisation of the market for items of correspondence weighing more than 50 grams and in particular:

- ◆ the practical conditions for instituting competition;
- ◆ the actual access of authorised operators to calls for tender.

1 - ECJ (court of first instance), 18 December 2007, Case C-220/06, Asociación Profesional de Empresas de Reparto y Manipulado de Correspondencia c/Administración General del Estado.

At the level of principles, a verdict by the European Court of Justice of 18 December 2007¹, following the submission of a case to the Court by the Supreme Court of Spain (Audiencia Nacional), stated that, outside the reserved area, the procedure of calling for tenders is mandatory.

ARCEP’s services held two meetings bringing together public buyers and alternative operators. Besides sharing experiences, the aim was to put players with no or few previous contacts in touch with each other.

These same services also gave a presentation on current postal regulation and the expected consequences of opening up to competition in 2011 to the Agence Centrale des Achats (which manages procurement for the financial ministries) and an inter-ministerial working party on public procurement. The current context, with the Agence des achats de l’Etat (State Procurement Agency) becoming a Service des achats de l’Etat (State Procurement Service), and the resultant inter-ministerial meetings emphasise the special relevance of these topics.

3. Relations between authorised operators and La Poste



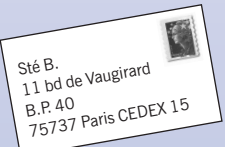
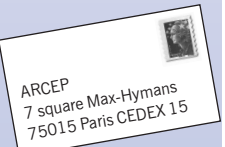
On 10 June 2008, Stamper's, an operator authorised by ARCEP on 7 September 2006, complained to the Competition Council that La Poste was applying practices that distorted competition. It claimed that La Poste had put pressure on addressees in an attempt to dissuade them from changing their collection/delivery provider by linking the collection/delivery service to the obligation to change their address, thus preventing the competition from breaking into the special early-delivery market. ARCEP was approached for its opinion by the Competition Council on 21 October 2008 and provided it on 6 November 2008.

The special early-delivery service is of interest to addressees wishing to receive their mail first thing in the morning, long before the normal delivery round.

This service is totally open to competition and is not regulated. Besides La Poste, most ARCEP-authorised providers offer it, including Stamper's (company name: Fox Messenger) in the Pau urban area. It is often combined with mail collection late in the afternoon.

Mail for addressees receiving large volumes can be delivered in three ways:

- ◆ the so-called "large user" delivery round performed by a motorised mail carrier as part of his round. Mail is delivered free in the second half of the morning;
- ◆ a special early delivery for which the addressee pays;
- ◆ by means of a P.O. Box (annual fee) which enables the addressee to go and collect his mail from the post office as soon as it opens.

Private customers, professionals		Companies and government departments	
General case: mail carrier round	"Large user" round (in certain delivery post offices)	P.O. Box	Special early delivery
Delivery as part of round (late morning)	Motorised delivery as part of round (late morning)	Early availability (~ 8.00 to 9.00)	Early delivery (8.00 to 9.00 or earlier)
Universal service	Universal service	Cost: approx €50/year Volume: if greater than P.O. Box capacity, delivery at P.O. Box counter	Cost: €1 000 to €6 000/year Minimum volume: 50 items/day
Postcode	- Individual CEDEX code - Collective CEDEX code	Collective CEDEX code (dedicated P.O. Box) with "P.O. Box" indication	- Individual CEDEX code - Collective CEDEX code Often with the indication "CS"
			
			

In order to manage these different delivery methods, La Poste has created a structure based on specific postcodes – CEDEX codes. A customer requesting special early delivery or a P.O. Box is assigned a CEDEX code and a P.O. Box or special early-delivery number. In theory, any transfer from one delivery method to another would imply a change of postcode/CEDEX code and P.O. Box or special early delivery number, and thus a different postal address.

*2 - ARCEP Opinion
No. 08-1210
of 6 November 2008.*

In practice, changing from one delivery method to another is possible without a change of postal address. In its opinion², ARCEP pointed out that special early-delivery rounds had often been developed without a change of postal address for customers who already had a P.O. Box.

In conclusion, ARCEP emphasised that the CEDEX code is a specific postcode, which is an integral part of the address.

ARCEP's analysis reveals that solutions exist for changing delivery method without changing postal address and that these can also be applied when a special early-delivery contract with La Poste is terminated. ARCEP therefore considered that La Poste should not impose a change of address unilaterally.

In its opinion, ARCEP observed that conditions for assigning CEDEX codes and changes to these conditions may derive from local practices, leaving open the possibility for differential treatment – the root of the friction between La Poste and alternative operators. It therefore felt that clear rules needed to be circulated about the allocation of, and possible changes to, postal addresses.

*3 - Competition Council
Decision No. 09-D-09
of 26 February 2009.*

This recommendation was adopted by the Competition Council which, in its decision³, noted that, in the wake of ARCEP's opinion, it would in future be desirable for La Poste to set out clear, precise rules which are accessible to all customers wishing to approach one of its competitors to sign a contract for delivery against payment. It also pointed out that this would require intervention by the postal regulator.

4. Taking account of consumer interests

In 2008, ARCEP instituted a postal consumer committee to promote dialogue and coordination with consumer associations on topics coming within ARCEP's purview. In particular, the aim is to give ARCEP a better grasp of consumers' points of view and to explain its activities on their behalf.

Two meetings were held, on 31 March and 29 September 2008. Eleven consumer associations as well as the DGE (General Directorate for Enterprises), the INC (National Consumers Institute) and the DGCCRF (General Directorate for Competition Policy, Consumer Affairs and Fraud Control) accepted ARCEP's invitation.

Consumers would like to pursue their discussions with ARCEP about several topics that were addressed at these very constructive meetings, namely:

- ◆ La Poste's general terms of business;
- ◆ addressee rights (in the past, it was customary for addressees to be able to lodge complaints, but now La Poste wants the sender to initiate action);
- ◆ quality issues about the redirection service and lost parcels;
- ◆ sending small items at the "letter" tariff;
- ◆ access to letter boxes in buildings equipped with access-control systems;
- ◆ monitoring of universal service quality: presentation of reporting on universal service performance.

