Chapter 7 – Postal Services

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7. Postal Services

This chapter presents the state of postal services at the end of 2006, as well as their evolution during that year.

7.1. Main items of evolution in 2006

- On 1 January 2006, a new stage of the postal sector's liberalization comes into force. On that date, the weight and price limits of the reserved area became: 50 gr. and two and a half times the public tariff for sending a 1st class correspondence of the fastest standardized weight category, respectively.

- In 2006, for the first time since the beginning of the second phase of the liberalization process, postal traffic decreased (-4.9 per cent). The traffic reduction is explained by the duplication of CTT's invoicing period and by the increase of electronic invoicing by other companies, namely electronic communications operators and financial institutions.

- At the end of that year, liberalized traffic increased 23.5 per cent. This evolution, as previously mentioned, is mainly explained by the beginning of the new postal sector's liberalization phase on 1 January 2006. I.e. traffic increase in the liberalized area was caused by the re-categorization of traffic previously considered to be reserved.

  After 3 liberalization phases, reserved traffic still represents 75 per cent of overall traffic.

- Express mail traffic increased 9.7 per cent (traffic of the remaining services decreased 5 per cent). This growth in express services was mainly caused by the providers of postal services operating in competition, namely by their parcels distribution activity.

- Grupo CTT's share is considerably high in the segment of services not framed by the express mail category (99.5 per cent). In the case of express mail, new operators altogether hold a 57 share.

- Since 2002, employment in the postal sector fell 7.9 per cent. In 2006, however, there was a slight 0.5 per cent increase in the amount of postal sector's employees. Grupo CTT companies continue to reduce the number of employees while competition employment increased 21 per cent during the year under analysis.

- The number of network access points[82] continues to decrease, due to the policies followed by Grupo CTT. Postal density and coverage have decreased.

- The prices of the integrated provisions in the universal service have recorded real price decreases and stand bellow the EU15 average.

7.2. Postal services' offer

The postal sector in Portugal includes all entities and activities in connection with the establishment, management and operation of postal services on the national territory, as well as international services with origin or destination on the national territory.

A first segmentation of the sector results from the definition of universal service.

In Portugal, the universal service is the "permanent offer of postal services with a specified quality, provided on all locations of the national territory, at affordable prices

[82] The network includes all operators.

to all users, in order to satisfy the communication's needs of the population and of economic and social activities"[83].

The scope of the universal service includes a postal service of sending correspondence, books, catalogues, newspapers and other periodicals weighting up to 2 Kg, and postal parcels up to 20 kg, as well as a service of registered sendings and a service of declared values, in the national and international scope.

To ensure the economic and financial viability of the universal service provision, there is a set of services – reserved postal services – that are exclusively provided by the universal service operator[83].

All postal services not included in the definition of reserved postal services are operated in competition and may be provided by the entity that provides the universal service or by single or collective legal persons properly entitled for the purpose. An individual licence system applies to the provision of postal services that are non-reserved or not included in the scope of the universal service. The provision of postal services that are non-reserved and not included in the scope of the universal service is subject to a legal authorization, which regime is characterized by being relatively less demanding, both in terms of access to the activity and in the setting of obligations.

7.2.1. Postal services

The following table sums up the reserved postal services, provided exclusively by CTT, and the non-reserved services, which can be provided by any entity entitled for that purpose.

[83] Law no. 102/99 of 26 January 1999.

Table 7-1 – Reserved and non-reserved postal services

Postal services	**Name**	**Provider**
Reserved services	• Postal service of sending correspondence, including addressed publicity, whether or not with express delivery, which price is two and a half times lower than the public tariff for sending a 1st class correspondence of the fastest standardized weight category, as long as it weights less than 50gr; nationally and internationally; • Postal service of sending registered correspondence and declared-value correspondence, including legal notices by mail and penal notice by mail service, within the same price and weight limits mentioned in the previous paragraph, nationally and internationally; • Issuance and sale of stamps and other postal values; • issuance of money orders; • Placing of mail stands and mail boxes for the collection of postal sending in public areas	CTT (CTT (operation under Concession Contract))
Non-reserved services (national and international)	Operation under a licence • Postal service of sending correspondence, including addressed publicity, whether or not with express delivery, which price is two and a half times lower than the public tariff for sending a 1st class correspondence of the fastest standardized weight category, as long as it weights more than 50gr and less than 2kg, nationally and internationally; • Postal service of sending books, catalogues, newspapers and other periodicals, weighing up to 2kg; • Postal parcels service with up to 20kg; • Postal service of sending registered correspondence and declared-value correspondence, including the legal notice by mail and the penal notice by mail service not included within the aforementioned price and weight limits Operation under an authorization • Express mail services (also usually known as courier). This service is characterized by the extra-fast acceptance/collection, handling, transportation and distribution of correspondence and parcels, being different from the corresponding basic services by fulfilling the following characteristics, among others: pre-defined delivery deadline; record of sendings; responsibility guarantee from the authorized provider; tracking of the sendings; • Operation of document exchange centres – places where the users may self-distribute by the mutual exchange of postal sendings, having their own mail boxes; in order to do so, the users must form a group of subscribers, further to subscribing that service. • Other services that fall in the definition of universal service and that are not included in the universal service's range, namely those which provision is made possible by technological evolution and that are different from traditional services.	CTT and other entities entitle to provide postal services (further to a licence or authorization).

Source: ICP-ANACOM

In should be noted that on 1 January 2006 a new postal sector's liberalization phase came into force. Under the terms of no. 3 of article 4 of Decree-Law no. 150/2001 of 7 May, with the corrections introduced by Decree-Law no 116/2003 of 12 June, the reserved area started having the following weight and price limits: 50gr. and two and a half times the public tariff for sending a 1st class correspondence of the fastest standardized weight category, respectively.

In pursuing their activity, the entities providing postal services are based on a set of human and material resources which make up the postal network[84].

7.2.2. The postal service providers

In 2006 there were 45 entities entitled to provide postal services. 38 were entitled to provide express mail services and 8 were entitled to provide services outside the express mail category (CTT is entitled to provide both services simultaneously).

It should be noted that two of 8 the entities authorized to provide express mail services are not active in this segment: CTTexpresso (offering exclusively express mail services) and Lordtrans.

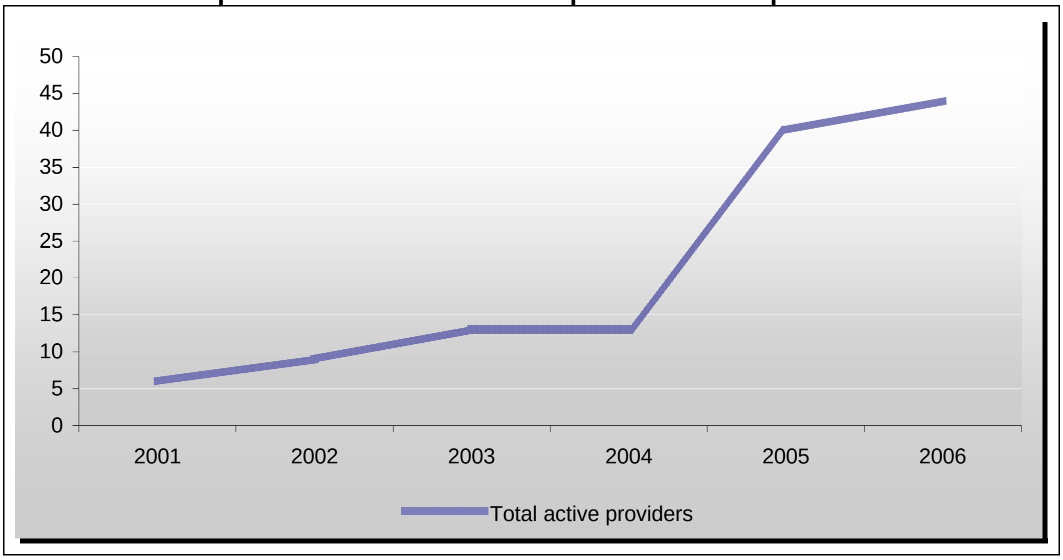
In 2006, 8 entities providing express mail services entered these markets: Ochôa, António Carlos Santos, ASL, Consigo Pelo Mundo, Felcourier, Flash, HMJ and LHSTUR. The last 7 ones are MRW franchises (it should be mentioned that 3 MRW franchises requested the cancellation of their authorization during 2006).

During this year two entities were entitled to provide services outside the express mail category: Iberomail e Lordtrans.

At the end of 2006 there were 44 active postal services providers.

[84] The postal network that is established, managed and operated by the universal service provider is called the public postal network. Entities licensed and authorized to provide non-reserved postal services may also establish, manage and operate their own postal network, as well as having access to the public postal network, according to the conditions agreed with the universal postal service concession holder. Licensed and authorized entities may also sign contracts with third parties that are not postal service providers, to provide the transportation and distribution of postal sendings.

Graph 7-1 – Evolution of active postal services providers



Source: ICP-ANACOM

The following tables show the postal service providers, the title authorizing them and its date of issuance. Some entities mentioned also operate in other markets, namely in the transportation of goods, and have activities complementary to the postal one.

Table 7-2 – Entitled providers of services not covered by the express mail category

Entity	Licence No.	Issue date	Services provided
CTT Correios de Portugal, S.A.*	The universal postal service concessionary (CTT) can operate non-reserved services and services that are not included in the scope of the universal service, without any need for an additional authorizing title.		Sending of correspondence, including addressed advertising (direct mail), books, catalogues, newspapers and other periodicals. Postal parcels.
CTTexpresso – Serviços Postais e Logística, S.A.**	ICP-01/2001-SP	01-10-2001	Sending of correspondence, including addressed advertising (direct mail), books, catalogues, newspapers and other periodicals. Postal parcels.
SDIM – Sociedade de Distribuição de Imprensa da Madeira, Lda.	ANACOM-01/2002-SP	13-12-2001	Distribution of books, catalogues, newspapers and other periodicals.
Notícias Direct – Distribuição ao Domicílio, Lda.	ANACOM-02/2002-SP	13-12-2001	Distribution of books, catalogues, newspapers and other periodicals.
MEEST Portugal – Unipessoal, Lda.	ICP-01/2005-SP	07-07-2005	Postal parcels.
TEX – Transporte de Encomendas Expresso, Lda.	ICP-02/2005-SP	15-07-2005	Postal parcels.

Entity	Licence No.	Issue date	Services provided
IBEROMAIL – Correio Internacional, Lda.	ICP-01/2006-SP	18-05-2006	Postal parcels.
LORDTRANS – Transportes Urgentes, Lda.	ICP-02/2006-SP	28-12-2006	Distribution of postal sendings and parcels.

Source: ICP-ANACOM

* The universal postal service concessionary (CTT) can operate non-reserved services and services that are not included in the scope of the universal service, without any need for an additional authorizing title.

** On 1 September 2003 ICP-ANACOM authorized the transmission of the licence held by Postexpresso – Correio de Cidade, Lda to Postlog – Serviços Postais e Logística, S.A. which, from the 4th quarter of 2004 was named CTTexpresso – Serviços Postais e Logística, S.A..

Table 7-3 – Entitled express mail services providers

Entity	Authorization no.	Issue date	Services provided
CTTexpresso – Serviços Postais e Logística, S.A.	ICP-01/2001-SP	01-10-2001	Express Mail
DHL – Express Portugal, Lda.	ICP-03/2001-SP	13-12-2001	Express Mail
Chronopost Portugal – Transporte Internacional, S.A.	ICP-04/2001-SP	13-12-2001	Express mail
TNT Express Worldwide (Portugal), S.A.	ICP-05/2001-SP	13-12-2001	Express mail
UPS of Portugal – Transportes Internacionais de Mercadorias, Lda.	ANACOM-01/2002-SP	17-10-2002	Express mail
Rangel Expresso, S.A.	ANACOM-02/2002-SP	19-12-2002	Express mail
Federal Express Corporation – Sucursal em Portugal	ANACOM-01/2003-SP	10-04-2003	Express mail
Ibercourier – Serviço de Transporte Urgente, Lda.	ANACOM-01/2005-SP	09-02-2005	Express mail
Entity	**Authorizatiom no.**	**Issue date**	**Services provided**
Logista – Transportes, Lda.	ANACOM-02/2005-SP	09-05-2005	Express mail
Lisespo – Transportes, Lda.	ANACOM-03/2005-SP	15-07-2005	Express mail
Cavijo – Logística e Marketing, Lda.	ANACOM-05/2005-SP	08-09-2005	Express mail
Transworld Express – Correio Expresso, Lda.	ANACOM-06/2005-SP	08-09-2005	Express mail
Nuno Miguel Alves, Unipessoal, Lda.	ANACOM-07/2005-SP	08-09-2005	Express mail
Globe Logistics – Empresa de Courier, Logística e Transportes	ANACOM-08/2005-SP	08-09-2005	Express mail
Fozpost – Entrega e Recolha de Encomendas, Lda.	ANACOM-09/2005-SP	08-09-2005	Express mail
Mensageiro Azul – Serviços de Courier, Lda.	ANACOM-10/2005-SP	08-09-2005	Express mail
RANEXPRESS – Transportes Rodoviários, Lda.	ANACOM-11/2005-SP	08-09-2005	Express mail
Francisco & Silvina – Transportes de Documentos e Encomendas, Lda.	ANACOM-13/2005-SP	08-09-2005	Express mail
MAILGLOBE – Transporte de Correio Urgente, Lda.	ANACOM-14/2005-SP	08-09-2005	Express mail
EXPRESSODÃO – Transporte de Mercadorias, Lda.	ANACOM-16/2005-SP	08-09-2005	Express mail
FOXIL – Gestão de Transportes, Lda.	ANACOM-17/2005-SP	08-09-2005	Express mail

Entity	Authorization no.	Issue date	Services provided
Transportes António Garcia & César, Lda.	ANACOM-18/2005-SP	08-09-2005	Express mail
P.P.Expresso – Transportes de Mercadorias, Lda.	ANACOM-19/2005-SP	08-09-2005	Express mail
Portipost – Serviço de Transportes Urgentes, Lda.	ANACOM-20/2005-SP	08-09-2005	Express mail
JáEstá – Tráfego e Serviços Logísticos, Lda.	ANACOM-21/2005-SP	08-09-2005	Express mail
Multitagus – Transportes e Serviços, Lda.	ANACOM-22/2005-SP	27-09-2005	Express mail
Iberenvios – Actividades Postais e Transportes, Unipessoal, Lda.	ANACOM-23/2005-SP	27-09-2005	Express mail
Princeps – Comércio por Grosso, Lda.	ICP-ANACOM-24/2005-SP	04-11-2005	Express mail
Portomail – Transporte de Documentos e Encomendas, Lda.	ICP-ANACOM-25/2005-SP	04-11-2005	Express mail
ER – Encomendas Rápidas, Lda.	ICP-ANACOM-26/2005-SP	23-11-2005	Express mail
FELCOURIER – Distribuição de Encomendas Nacional e Internacional, Lda.	ANACOM-02/2006-SP	02-02-2006	Express mail
HMJ – Envio Rápido de Encomendas, Lda.	ANACOM-03/2006-SP	02-02-2006	Express mail
Flash Transportes Unipessoal, Lda.	ANACOM-04/2006-SP	02-02-2006	Express mail
Transportes Ochôa, S.A.	ANACOM-05/2006-SP	02-02-2006	Express mail
LHSTUR – Transportes Urgentes, Estafetagem, Lda.	ANACOM-06/2006-SP	07-02-2006	Express mail
Consigo Pelo Mundo – Transporte e Entrega de Documentos, Unipessoal, Lda.	ANACOM-07/2006-SP	07-02-2006	Express mail
António Carlos Santos – Entregas Rápidas, Unipessoal, Lda.	ANACOM-08/2006-SP	09-03-2006	Express mail
ASL Courier, Lda.	ANACOM-09/2006-SP	08-06-2006	Express mail

Source: ICP-ANACOM

7.3. The postal services usage profile

The main users of postal services are non-residential entities. The main traffic flows are originated by these entities and destined to individuals and companies. Estimates indicate that the flows originated on individual consumers stand for less than 10 per cent of postal traffic.

We following present the postal services' user and residential usage profile.

According to the available data[85], regular mail and priority (blue) mail are the most used postal services. On the other hand, there was an important increase in the number of interviewees that say they use pre-paid (green) mail[86].

The price level of express services should justify this type of mail's low consumption levels.

Postal services are used more intensely by individuals on a working age, with highlight to the 25-30 year old age group.

[85] Cf. ICP-ANACOM, Survey on the Consumption of Postal Services, November 2006. The Universe was made up of individuals over 15 years old, residing in Portugal (Mainland and Autonomous Regions). The sample size was determined in order to assure a +/-3.5% error margin for the main results (for a 95% confidence level). The sample was stratified by NUTS II based on the last General Population Census: 2001 Census. (CATI) telephone interviews were made. The fieldwork took place between 2 and 15 November 2006 and was carried out by Metris GFK. 1000

[86] The service pattern was approved by Regulation no. 1048/2004 of 16 August. *Vide* http://www.anacom.pt/streaming/port1048_04.pdf?categoryId=42989&contentId=224902&field=ATTACHED_FILE.

Table 7-4 – Use of postal services by age group

Age group	Standard mail	Priority mail	Express mail	Pre-paid mail	Parcels
15-24	46.7%	52.7%	1.8%	10.2%	12.0%
25-30	50.0%	61.5%	8.3%	20.8%	19.8%
31-49	41.6%	53.8%	5.5%	13.5%	15.6%
50-64	46.8%	45.4%	5.0%	6.4%	17.9%
65-mais	39.8%	26.9%	2.2%	3.2%	7.0%
Total	43.8%	47.2%	4.4%	10.1%	14.3%

Source: ICP-ANACOM, Survey on the consumption of postal services 2006

The use of postal services is greater among customers with higher education levels.

Table 7-5 – Use of postal services by education level

Education level	Standard mail	Priority mail	Express mail	Pre-paid mail	Parcels
Up to primary	42.0%	38.5%	2.8%	5.6%	7.7%
6th or 9th grade	50.0%	52.6%	5.3%	10.5%	15.8%
12th grade	53.4%	58.9%	5.5%	17.8%	19.2%
Above 12th grade	60.3%	58.7%	3.2%	14.3%	14.3%
Total	43.8%	47.2%	4.4%	10.1%	14.3%

Source: ICP-ANACOM, Survey on the consumption of postal services 2006

The higher income groups are those that use mail more intensely.

Table 7-6 – Use of postal services by social status

Status social	Standard mail	Priority mail	Express mail	Pre-paid mail	Parcels
High (A)	53.2%	66.0%	6.4%	21.3%	17.0%
Medium high (B)	46.8%	69.8%	10.1%	18.7%	20.1%
Medium (C)	49.4%	58.5%	5.1%	17.6%	20.5%
Medium low (D)	41.9%	38.2%	3.2%	6.7%	10.8%
Low (E)	37.8%	35.7%	1.4%	1.4%	9.8%
Total	43.8%	47.2%	4.4%	10.1%	14.3%

Source: ICP-ANACOM, Survey on the consumption of postal services 2006

Lastly, it should be noted that Internet usage does not seem to hinder the consumption of postal services, or to influence the use of parcels services.

Table 7-7 – Sending in the last 12 months, per Internet use

	Does no use e-mail	Uses e-mail	Average
Standard Mail	9.2%	15.9%	14.3%
Priority Mail	6.9%	9.5%	8.8%
Express Mail	3.3%	1.9%	2.1%
Pre-paid Mail	9.2%	7.9%	8.1%
Parcels	4.0%	5.0%	4.7%

Source: ICP-ANACOM, Survey on the consumption of postal services 2006

7.4. The evolution of postal services in 2006

Below is a set of elements on the evolution of postal services in 2005: penetration, use of postal services, employment, network infrastructures, prices, perception of quality of the postal services from the consumers' viewpoint, and the evolution of competition.

7.4.1. Penetration

Postal coverage is about 21 access points per each 100 km2. The decrease in the universal service operator's access points has not been compensated by the increase of access points from the liberalized area operators.

Table 7-8 – Postal coverage

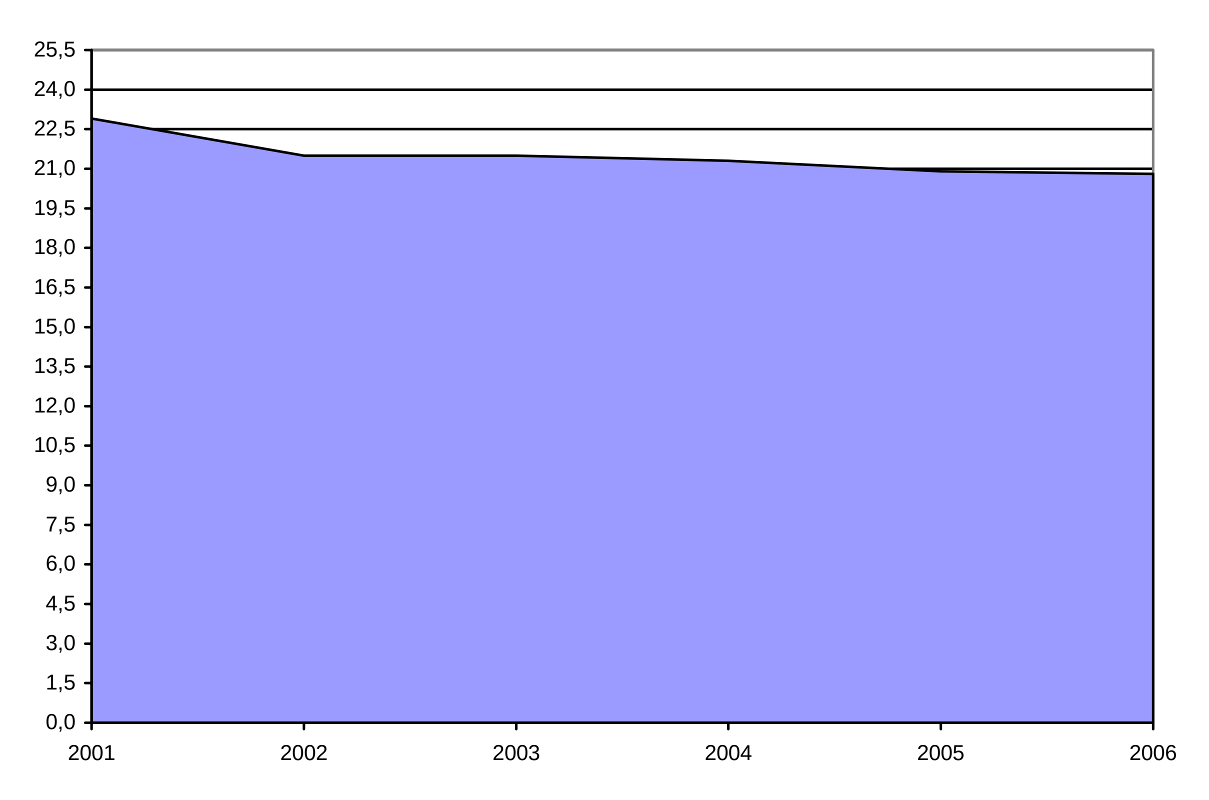
	2005	2006	2005/2006 Var. (%)	2001/2006 Average yearly Var. (%)	2001/2006 Var. (%)
No. of access points per $100km^2$	20.9	20.8	-0.1	-0.4	-2.1

Source: ICP-ANACOM, INE

Unit: 1 access point, %

Note: 2003 INE's Portugal's Statistical Yearbook: Portugal's full area is $91.947km^2$.

Graph 7-2 – Postal Coverage



Source: ICP-ANACOM Unit: No. of access points per $100km^2$

On the other side, postal density also registers a downward trend, with the number of inhabitants per point of access growing since 2001. This evolution is explained by the already mentioned reduction in the number of access points and by the population growth registered during the period under analysis.

Table 7-9 – Postal density

	2005	2006	2005/2006 Var. (%)	2001/2006 Average yearly Var. (%)	2001/2006 Var. (%)
No. of inhabitants by access point	549	555	6	13	64

Source: ICP-ANACOM, INE Unit: No. of inhabitants

Note: INE's population estimate on 31 December 2006: 10,599,095 inhabitants. The 2005 figures were corrected according to the update on population data made by INE.

The penetration rate of postal services measured in terms of postal capitation – postal traffic per inhabitant – decreased 6 per cent in 2006. The traffic evolution that determined this result will be presented in the following section.

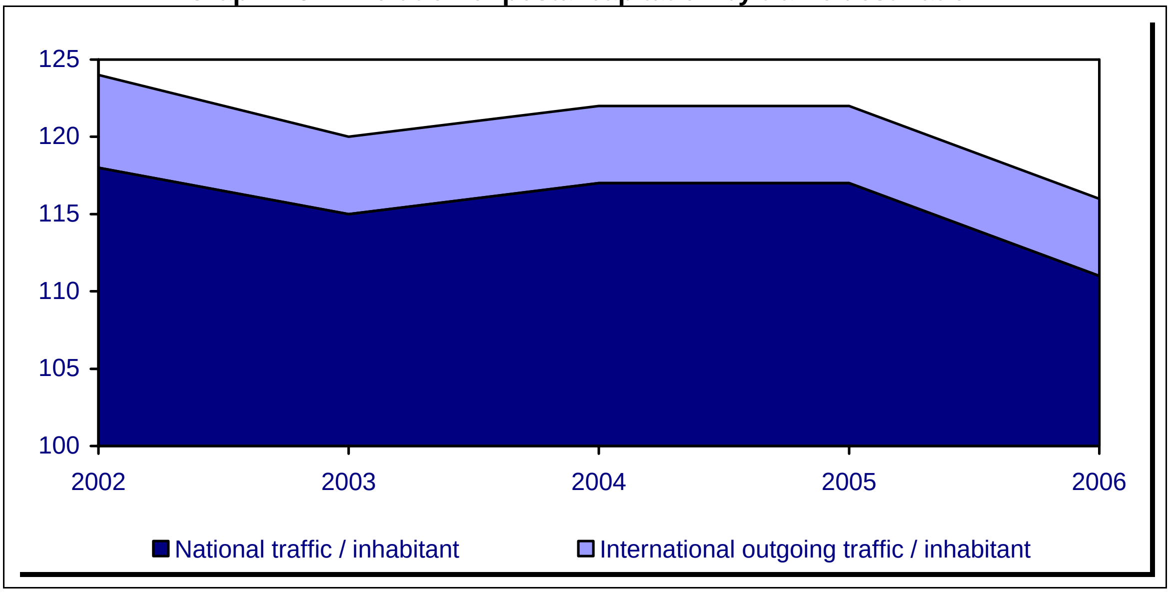
Table 7-10– postal capitation

	2005	2006	2005/2006 Var. (%)	2001/2006 Average yearly Var. (%)	2001/2006 Var. (%)
Postal capitation	**122**	**116**	**-5.1%**	**-1.8%**	**-7.1%**
National traffic	117	111	-5.2%	-1.6%	-6.3%
International outgoing traffic	5	5	-5.1%	-5.9%	-21.5%
International incoming traffic	4	4	-6.3%	-1.3%	-5.1%

Source: ICP-ANACOM, INE Unit: postal traffic per inhabitant

Note: INE's population estimate on 31 December 2006: 10,599,095 inhabitants. The 2005 figures were corrected according to the update on population data made by INE.

Graph 7-3 – Evolution of postal capitation by traffic destination



Source: ICP-ANACOM Unit: postal traffic per inhabitant

7.4.2. Service's usage level

The following section assesses the evolution of overall traffic, liberalized traffic and traffic by destination.

Evolution of overall traffic

In 2006, postal traffic decreased (-4.9 per cent) for the first time since the beginning of the second phase of liberalization.

This traffic reduction was determined by the decrease in the number of invoices and extracts mail by companies providing basic public services (i.e. EDP), electronic communications services, banking services, etc. In the case of EDP, the traffic decrease is explained by the duplication of the invoicing periods (invoices were issued monthly and are now sent every two months). The remaining companies have increasingly invested on electronic invoicing.

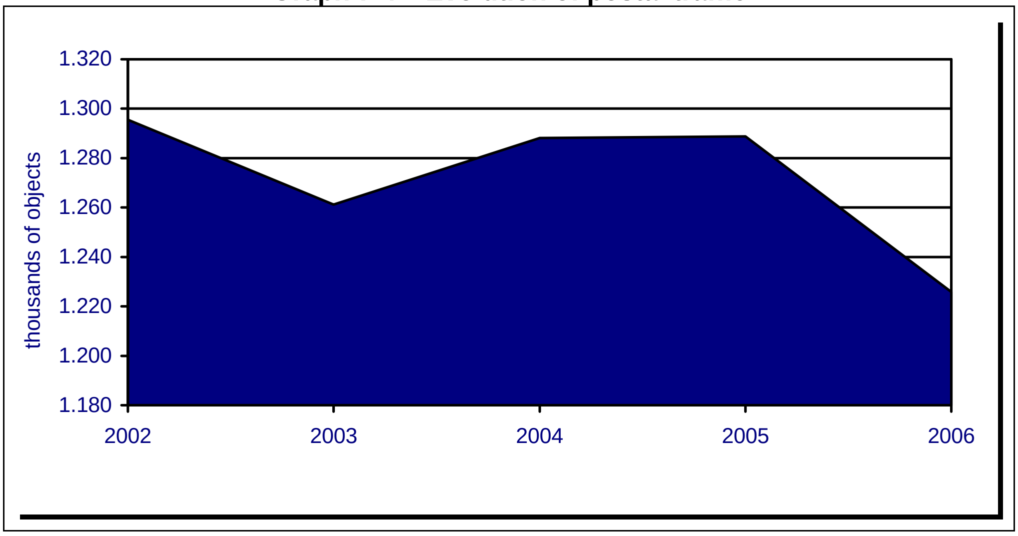
Table 7-11 – Postal traffic

	2005	2006	2005/2006 Var. (%)	2001/2006 Average yearly Var. (%)	2001/2006 Var. (%)
Tráfego postal	**1.288.836**	**1.225.891**	**-4,9%**	**-1,4%**	**-5,4%**

Source: ICP-ANACOM Unit: Thousands of objects

Note: 2005 figures were corrected following the data update sent by some operators after the publication of the 2005 State of Communications.

Graph 7-4 – Evolution of postal traffic



Source: ICP-ANACOM

Traffic composition: reserved area/liberalized area

The liberalized traffic's weight regarding overall traffic increased 5.7 per cent in 2006. However, after 3 liberalization phases, reserved traffic still stands for 75 per cent of the global amount.

Table 7-12 – Postal traffic: Reserved area/Liberalized area

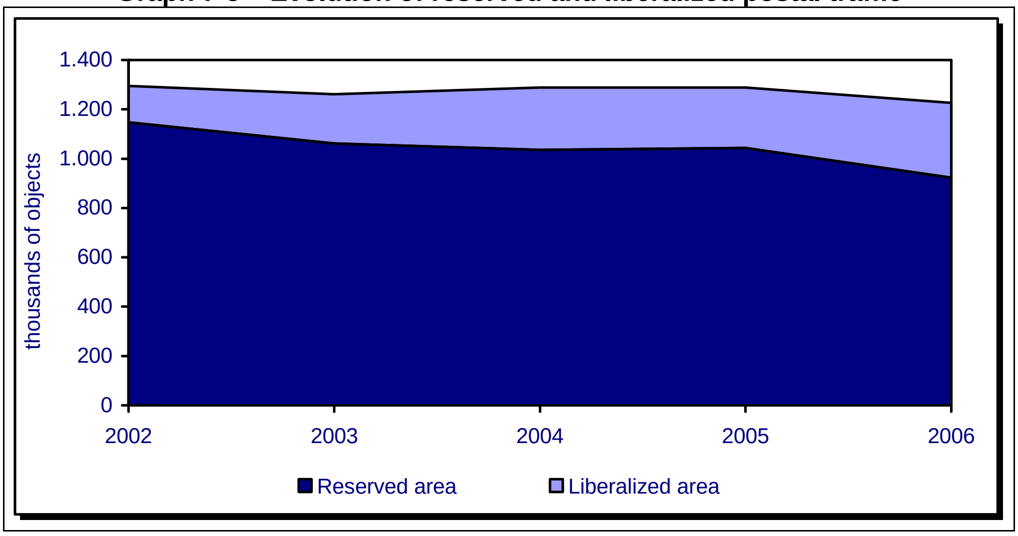
	2005	2006	2005/2006 Var. (%)	2001/2006 Average yearly Var. (%)	2001/2006 Var. (%)
Reserved area	1,043,116	922,327	-11.6%	-5.3%	-19.6%
Liberalized area	245,720	303,564	23.5%	19.6%	104.5%

Source: ICP-ANACOM Unit: thousands of objects

Note: 2005 figures were corrected following the data update sent by some operators after the publication of the 2005 State of Communications

The considerable changes occurred in the traffic's composition (reserved area/liberalized area) are mainly explained by the beginning of the postal sector's new liberalization phase on 1 January 2006, as previously mentioned. On that date, the reserved area started having the following weight and price limits: 50gr. and two and a half times the public tariff for sending a 1st class correspondence of the fastest standardized weight category, respectively.

Graph 7-5 – Evolution of reserved and liberalized postal traffic



Source: ICP-ANACOM

This artificial traffic increase in the liberalized area also occurred in 2003 and in 2004: In 2003, traffic of the liberalized postal area grew around 34.8 per cent. Later, this effect had impact on the 2004 traffic and partly justifies the 26 per cent increase registered on the liberalized area traffic during that year.

I.e. traffic increase in the liberalized area has been mainly caused by the re-categorization of traffic previously classified as reserved.

Liberalized area traffic by type of objects: correspondence and parcels

Liberalized traffic is mostly made up of correspondence (93 per cent).

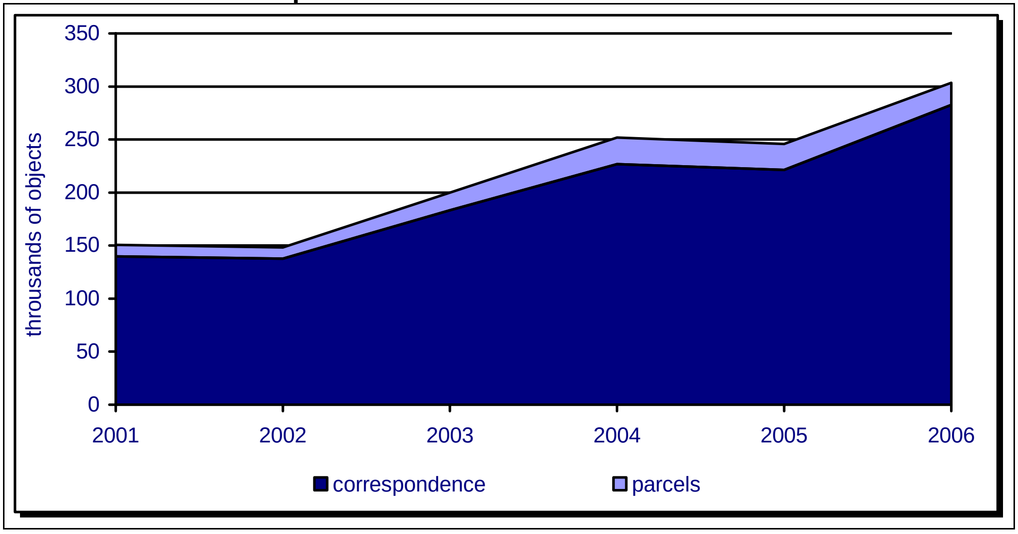
Table 7-13 – Postal traffic in the liberalized are

	2005	2006	2005/2006 Var. (%)	2001/2006 Average yearly Var. (%)	2001/2006 Var. (%)
Liberalized area	**245,720**	**303,564**	**23.5%**	**15.0%**	**101.3%**
Correspondence	221,268	282,770	27.8%	15.1%	102.4%
Parcels	24,452	20,794	-15.0%	13.4%	87.7%

Source: ICP-ANACOM Unit: Thousands of objects

Note: 2005 figures were corrected following the data update sent by the incumbent operator after the publication of the 2005 State of Communications, and the correction of traffic data regarding other providers.

Graph 7-6 – Evolution in liberalized traffic



Source: ICP-ANACOM

Evolution of traffic by destination: national/international

Analysing the behaviour of postal traffic by traffic destination, one registers that both national and international traffic suffered a decrease of about 5 per cent.

Table 7-14 – Postal traffic by traffic destination

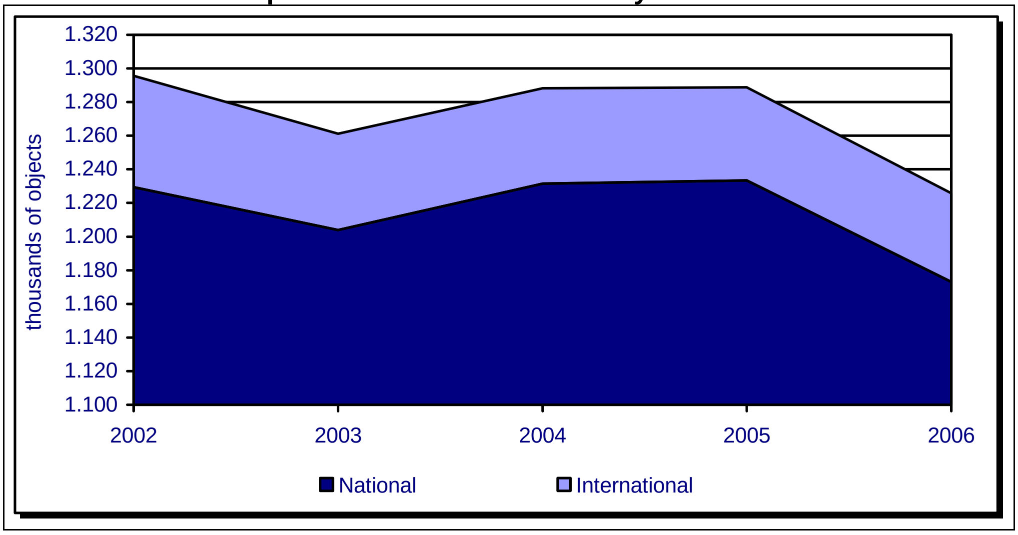
	2005	2006	2005/2006 Var. (%)	2001/2006 Average yearly Var. (%)	2001/2006 Var. (%)
Postal traffic	**1,288,836**	**1,225,891**	**-4.9%**	**-1.4%**	**-5.4%**
National	1,233,342	1,173,057	-4.9%	-1.2%	-4.6%
International	55,494	52,834	-4.8%	-5.4%	-20.1%
International incoming	47,434	44,560	-6.1%	-0.8%	-3.4%

Source: ICP-ANACOM Unit: Thousands of objects

Note: 2005 figures were corrected following the data update sent by the incumbent operator after the publication of the 2005 State of Communications.

While national traffic decreased about 1.2 per cent per year, in average, between 2002 and 2006, international traffic recorded an average 5.4 per cent decrease during that period.

Graph 7-7 – Evolution of traffic by destination



Source: ICP-ANACOM

National traffic stands for about 96 per cent of postal traffic.

Evolution of traffic by type of service

Regarding traffic evolution by type of service, the growth registered in the express mail services segment (9.7 per cent in 2006) stands out. This evolution is explained by the greater scope of the reserved area, and by the granting of titles to new entities for the provision of this type of services. Furthermore, this express mail service growth was mostly due to the new providers of postal services operated in competition and, namely, to their activity of distribution of addressed correspondence.

Table 7-15 – Postal traffic by type of service

	2005	2006	2005/2006 Var. (%)	2001/2006 Average yearly Var. (%)	2001/2006 Var. (%)
Postal traffic	**1,288,836**	**1,225,891**	**-4.9%**	**-1.4%**	**-5.4%**
Express	15,671	17,194	9.7%	9.4%	43.0%
Not within the express category	1,273,164	1,208,697	-5.1%	-1.5%	-5.8%

Source: ICP-ANACOM Unit: Thousands of objects

Note: 2005 figures were corrected following the data update sent by the incumbent operator after the publication of the 2005 State of Communications.

7.4.3. Employment in postal services

Employment in postal services has shown a slightly downward trend. In 2006, there was slight increase of 0.5 per cent in the number of employees of the postal sector, explained by the new operators. The companies of Grupo CTT continue to reduce its work force while employment at the competition increased 21 per cent during that year.

Notwithstanding, since 2002, employment in the postal sector fell 7.9 per cent.

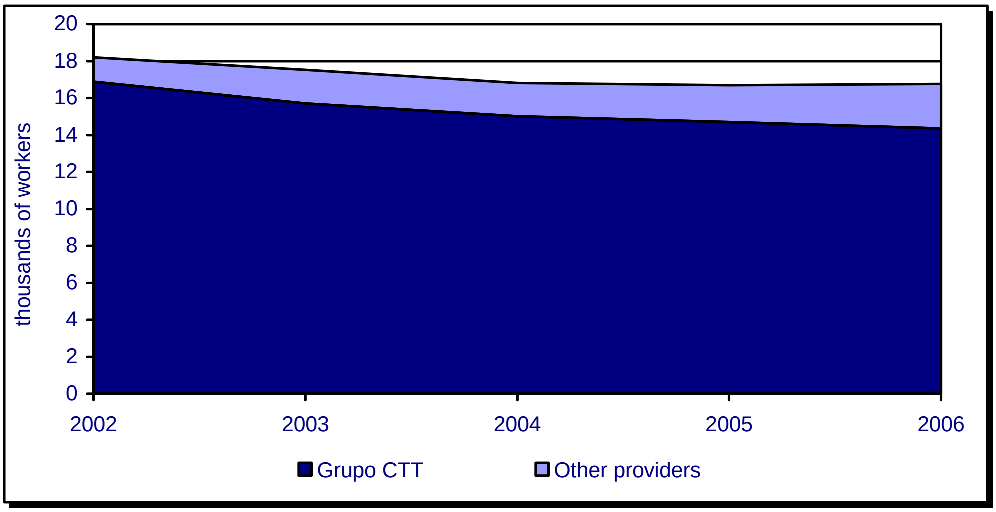
Table 7-16 – Employment in postal services

	2005	2006	2005/2006 Var. (%)	2001/2006 Average yearly Var. (%)	2001/2006 Var. (%)
No. Of employees	**16,686**	**16,769**	**0.5%**	**-2.0%**	**-7.9%**
Grupo CTT	14,695	14,355	-2.3%	-4.0%	-14.9%
Other providers	1,991	2,414	21.2%	16.1%	81.8%

Source: ICP-ANACOM Unit: 1 employee, %

Note: 2005 figures were corrected following the data update sent by one operator after the publication of the 2005 State of Communications

Graph 7-8 – Evolution of employment in postal services



Source: ICP-ANACOM

7.4.4. The postal network

The evolution of the material resources of the global postal network held by the universal service provider and by the entities entitled for the provision of postal services operated in competition is shown on the following table.

Table 7-17 – Material resources of the postal network

	2005	2006	2005/2006 Var. (%)	2001/2006 Average yearly Var. (%)	2001/2006 Var. (%)
No. of access points	**19,257**	**19,111**	**-0.8%**	**-0.9%**	**-3.4%**
Grupo CTT	19,202	19,032	-0.9%	-0.9%	-3.6%
Other operators	55	79	43.6%	26.3%	154.8%
No. of distribution centres	**446**	**442**	**-0.9%**	**-1.0%**	**-3.9%**
Grupo CTT	391	381	-2.6%	-3.0%	-11.6%
Other operators	55	61	10.9%	20.4%	110.3%
Vehicles	**5,807**	**5,592**	**-3.7%**	**2.1%**	**8.8%**
Grupo CTT	4,479	4,261	-4.9%	-0.8%	-3.3%
Other operators	1,328	1,331	0.2%	16.1%	81.6%

Source: ICP-ANACOM

In 2006, three postal network indicators registered a decrease. In the case of access points and of the distribution centres, this decrease was about 1 per cent. The fleet of vehicles decreased 4 per cent regarding the previous year.

Has shown, the companies of Grupo CTT are responsible for the negative evolution registered in each one of these postal network indicators, since the same indicator increases when providers under competition are handled independently.

7.4.5. Price level of the universal service

The rules for the setting of prices of the postal services that make up the universal service[87] are subject to an Agreement (Universal Postal Service Prices Agreement) established between the regulator (ICP-ANACOM) and the universal service provider (CTT).

On 21 April 2006 CTT and ICP-ANACOM signed the Universal Postal Service Prices Agreement[88], valid from 01/01/2006 to 31/12/2006.

Form what is stated in the Prices Agreements, one should point out the fact that the weighted average variation of the prices of the reserved postal services cannot be above CPI-0.3 per cent, in nominal terms. For this purpose, the Consumer Price Index (CPI) is the figure officially forecasted by the Government and used in the State Budget for that year. Since the value registered by the State Budget for 2006 was 2.3 per cent, the average variation of the prices of the reserved postal services allowed for 2006 was 2 per cent.

In 2006, the price of the standard mails' basic tariff (tariff of a 20gr national letter) decreased, in real terms, 3 per cent regarding 2005. Regarding 2003[89] there is a real reduction of 7.7 per cent.

In real terms, the national priority (blue) mail's basic tariff decreased 3 per cent regarding 2005 and 19.7 per cent between 1993 and 2006.

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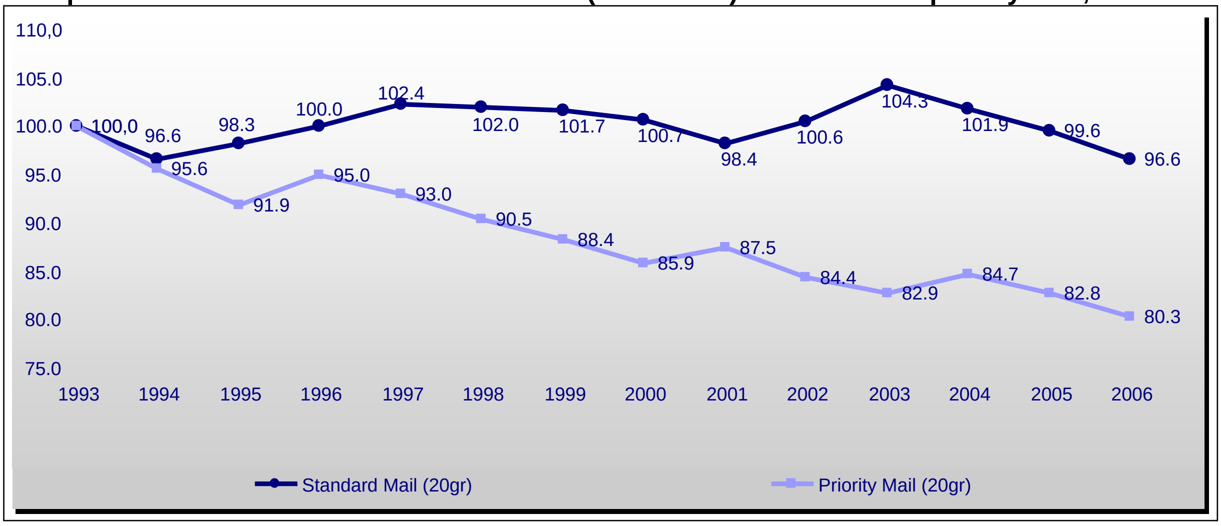
[87] The Prices Agreement defines the rules for the formation of the universal service's prices, which comprises a service of sending correspondence, books, catalogues, newspaper and other periodicals weighting up to 2kg, and of parcels up to 20kg, as well as a service of registered sendings and a money order service, both for the national and international services (nos. 1 and 2 of article 6 of the Basic Law).

[88] http://www.anacom.pt/template12.jsp?categoryId=190245.

[89] Year when the fist Prices Agreement, signed between ICP-ANACOM, CTT and the former Directorate-General for Commerce and Competition, came into force.

Graph 7-9 – Real evolution of the basic tariff (1993 = 100): standard and priority mail, national



Source: ICP-ANACOM

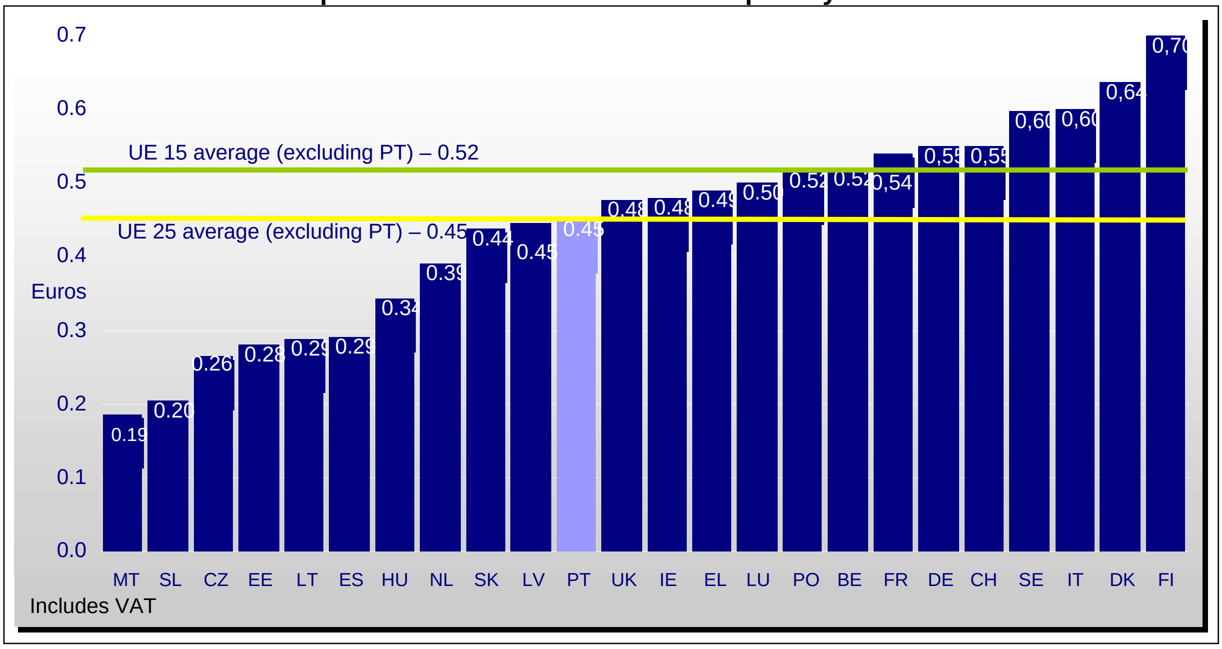
These prices stand favourably when compared with EU's average in 2006[90]:

- The price of the 20g national priority mail (blue mail in Portugal) is 13.2 per cent bellow the EU15[91] average and equal to the EU24[92] average (not including Cyprus);

- The price of sending a 20g non priority national mail (standard mail) letter is 30 per cent bellow the average of the EU countries that provide an equivalent service[93].

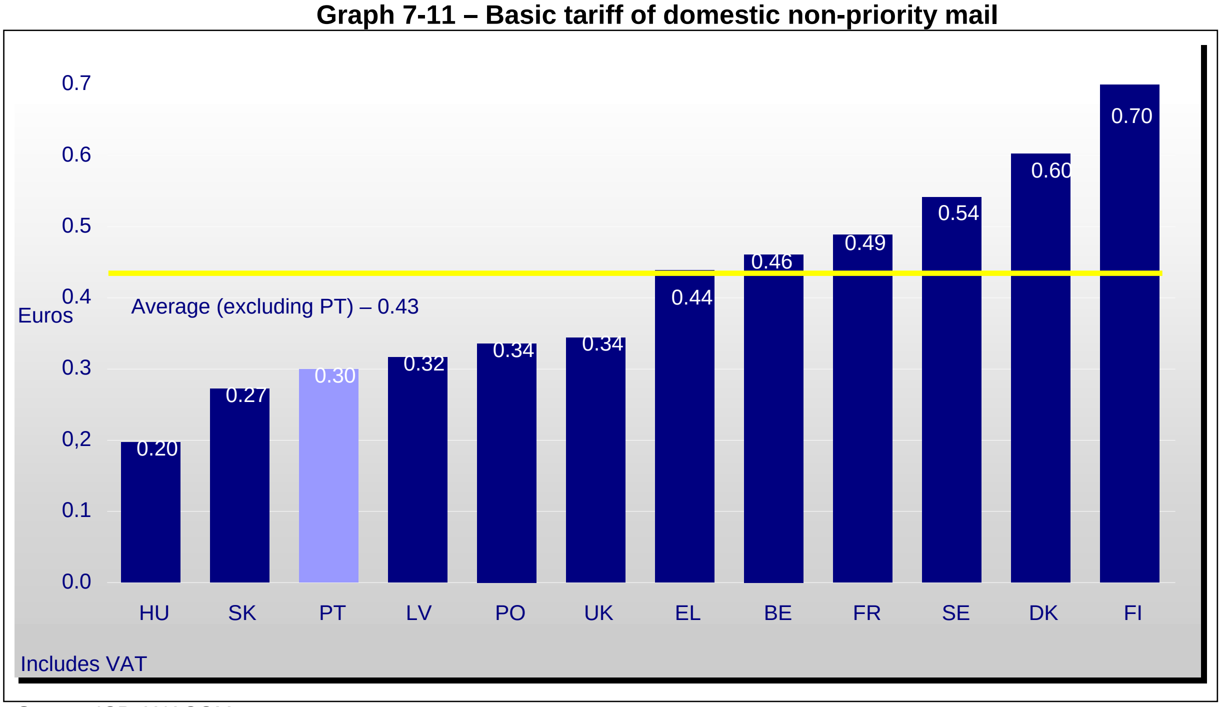
[90] According to the collection of prices made by ICP-ANACOM, directly from the universal postal service operators' Internet sites.
[91] Average excluding Portugal.
[92] Average excluding Portugal.
[93] Average excluding Portugal.

Graph 7-10 – Basic tariff of domestic priority mail



Source: ICP-ANACOM

Graph 7-11 – Basic tariff of domestic non-priority mail



Source: ICP-ANACOM

7.4.6. The quality of the universal service

When the Prices Agreement was signed (21 April 2006), the Universal Service Quality Convention[94] was also established, to be in force from 1 January 2006 to 31 December 2006. It sets the parameters and minimum quality of service levels associated to the provision of the universal postal service, which CTT is obliged to comply with.

The Quality Convention defines the quality of service indicators (QSI) for i) delays in delivery if standard mail, priority mail, newspapers and periodicals, intercommunity mail and parcels, ii) loss of standard and priority mail, and for ii) waiting time at postal establishments. For each of QSI there is a minimum and target level of quality of service defined. The target level is the one that CTT is expected to achieve, each year, however, the minimum level corresponds to the minimum quality that CTT must ensure.

The 2006 Quality Convention established, in regards to 2005[95], higher quality levels for the universal postal service, in all defined parameters, except for intercommunity mail (QSI7 and QSI8), which maintain the levels in force in 2005.

[94] http://www.anacom.pt/template12.jsp?categoryId=190302.
[95] http://www.anacom.pt/template12.jsp?categoryId=90481.

Table 7-18 – Comparison of QSI defined in the 2006 Quality Convention and in the 2004-2005 Quality Convention

Quality of service indicators		2004-2005 Convention IR (%)	2004-2005 Convention Minimum	2004-2005 Convention Target	2006 Convention IR (%)	2006 Convention Minimum	2006 Convention Target	Evolution Minimum	Evolution Target
IQS1	Transit time for Non-Priority Mail (D+3)	46,0	95,2	96,0	45,0	95,5	96,3	0,3	0,3
IQS2	Transit time for Priority Mail – Mainland (D+1)	15,0	93,0	94,0	15,0	93,5	94,5	0,5	0,5
IQS3	Transit time for Priority Mail – CAM (D+2)	4,0	82,0	85,0	4,0	84,0	87,0	2,0	2,0
IQS4	Non-priority mail not delivered within 15 working days (per one thousand letters)	5,0	2,5	1,5	5,0	2,3	1,4	0,2	0,1
IQS5	Priority mail not delivered within 10 working days (per one thousand letters)	3,0	2,6	1,6	3,0	2,5	1,5	0,1	0,1
IQS6	Transit time for Newspapers and Periodicals	15,0	95,0	96,0	11,0	95,5	96,3	0,5	0,3
IQS7	Transit time for Intra-community Cross-border	3,5	85,0	88,0	3,5	85,0	88,0	=	=
IQS8	Transit time for Intra-community Cross-border Mail	3,5	95,0	97,0	3,5	95,0	97,0	=	=
IQS9	Transit time for Non-priority Parcels (D+3)	3,0	90,0	91,7	5,0	90,5	92,0	0,5	0,3
IQS10	Waiting time at Post Establishments (% of events < 10min)	2,0	70,0	80,0	5,0	75,0	85,0	5,0	5,0

Source: Universal Postal Service Quality Convention, of 21/04/2006 and 20/01/2004

The Quality Convention also sets a Global Quality of Service Indicator (GI)[96], which is reckoned depending on the quality of service levels reached by CTT for the previously mentioned QSI.

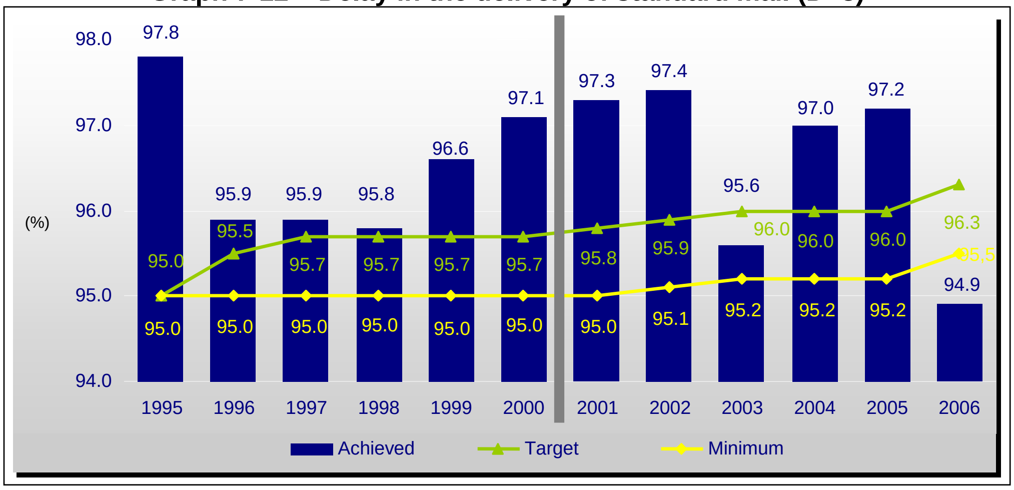
In 2006, the values of some indicators did not reach the minimum levels and/or the targets set.

[96] The OQSI is reckoned the following way: **Firstly**, each QSI defined in the Quality Agreement is given a classification in accordance with the following methodology: i) given the value set for each QSI, the target value is given the value 100 ii) non-fulfilment of the minimum value = 0; iii) proportional value from 0 to 100 for values situated in the interval between the target and the minimum; iv) for values above the target, the classification will also be above 100, in proportion to the positive variation regarding the target. **Secondly**, sum of the classifications given to each QSI, weighted by their corresponding relative importance. **Thirdly**, should de GI be: i) 100 or above 100, there is no application of the subtraction associated to the GI; ii) bellow 90, one fully applies the maximum deduction foreseen, of 1 per cent; iii) between 90 and 100, one applies the subtraction proportionally, The subtraction corresponds to deducting up to 1 per cent to the price variation of the reserved services allowed for the year following the year of the non-fulfilment.

CTT did not reach the minimum values of the following QSI:

- Delay in the delivery of standard mail (D+3).

Graph 7-12 – Delay in the delivery of standard mail (D+3)

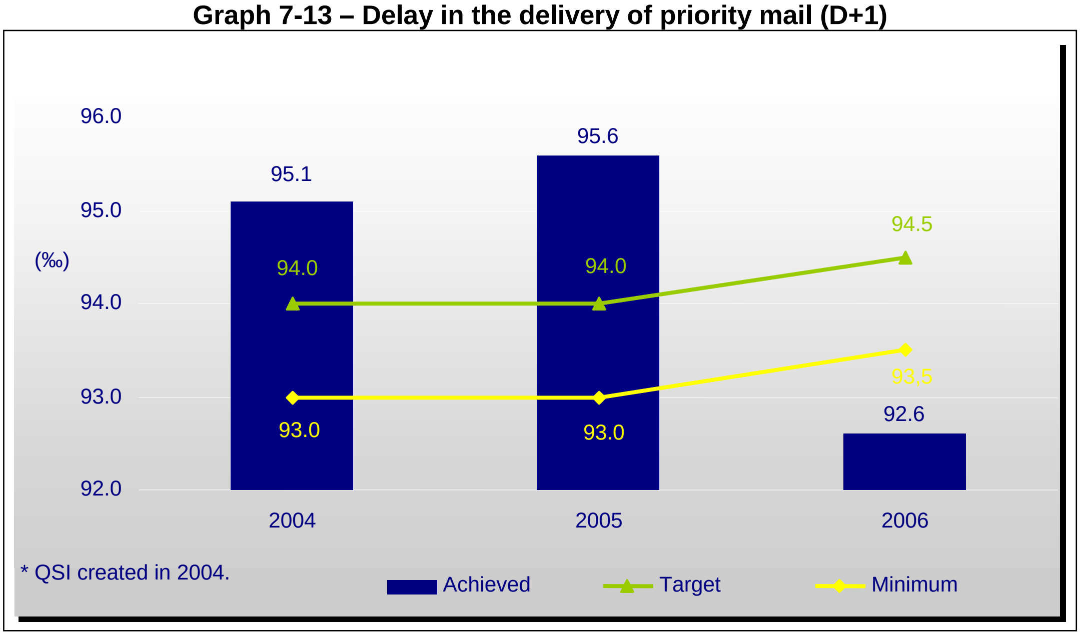


Source: CTT

Regarding the delay in delivering of standard mail (D+3), it has always stood above the target value except for the years 2003 and 2006.

- Delay in the delivery of priority mail – Mainland (D+1);

Graph 7-13 – Delay in the delivery of priority mail (D+1)

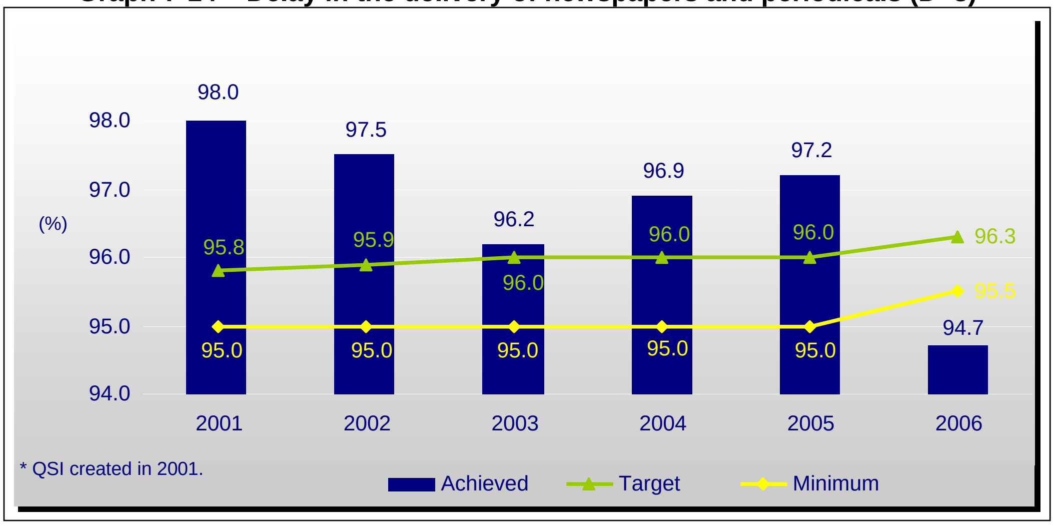


Source: CTT

Regarding the delay in delivering priority mail in the Mainland (D+4) there is a negative evolution in 2006, regarding 2004 and 2005;

- Delay in the delivery of newspapers and periodicals (D+3).

Graph 7-14 – Delay in the delivery of newspapers and periodicals (D+3)



Source: CTT

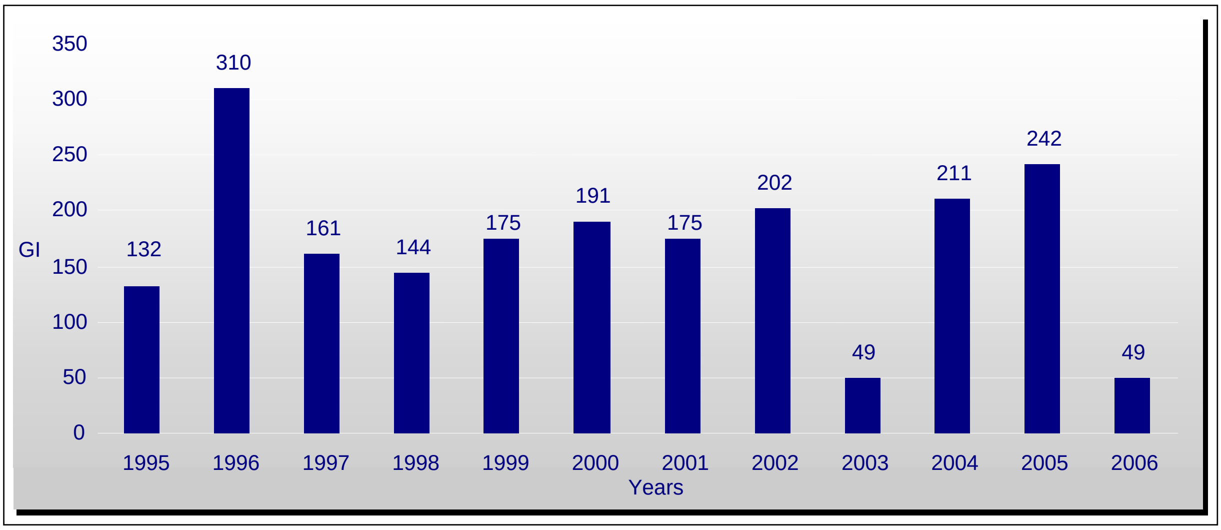
In 2006 there was an interruption in the positive evolution registered since 2003 concerning the delay in the delivery of Newspapers and Periodicals (D+3)

On the other hand, although reaching the minimum value, CTT did not reach the target value for “priority mail not delivered within 10 working days”.

The remaining QSI surpassed the target values.

The GI shows a positive evolution since 1997, with interruptions in 2003 and 2006.

Graph 7-15 – Global Quality of Service Indicator (GI)

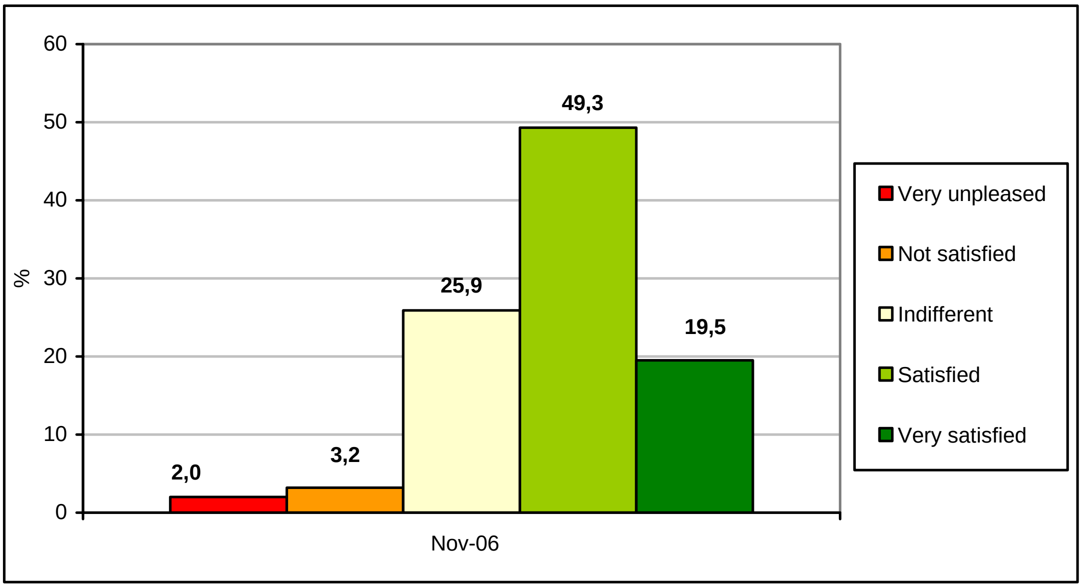


Source: ICP-ANACOM

7.4.7. Users' evaluation

According to the Survey on the consumption of postal services promoted by ICP-ANACOM in 2006, 68.8 per cent of users are "satisfied" or "very satisfied" with the evolution in the quality of posts during the last 12 months.

Graph 7-16 – Perception of the evolution of the quality of posts in the last 12 months



Source: ICP-ANACOM, Survey on the consumption of postal services 2006

About 8 per cent of those interviewed had already placed a complaint at the post office. "Delay in delivery" continues to be one of the main reasons for complaints for 33.3 per cent of those complaining.

Table 7-19 – Reasons for complaint

	Nov-06
Complained:	**8.0%**
Reasons:	
Delivery at wrong address	17.5%
Delay in delivery	33.3%
Loss of object	15.9%
Misunderstanding with the mail person	9.5%
Deterioration of the object	0.0%
Mail person does not ring to deliver a registered letter	7.8%
Publicity in the mail box	6.3%
Other	19.0%
NA	1.6%

Source: ICP-ANACOM, Survey on the consumption of postal services 2006

The average time for answering to a complaint is 15 days. However, 50 per cent of those presenting complaints saw their complaint solved within 2 days or less.

Table 7-20 – Average waiting time for the reply to a complaint (days)

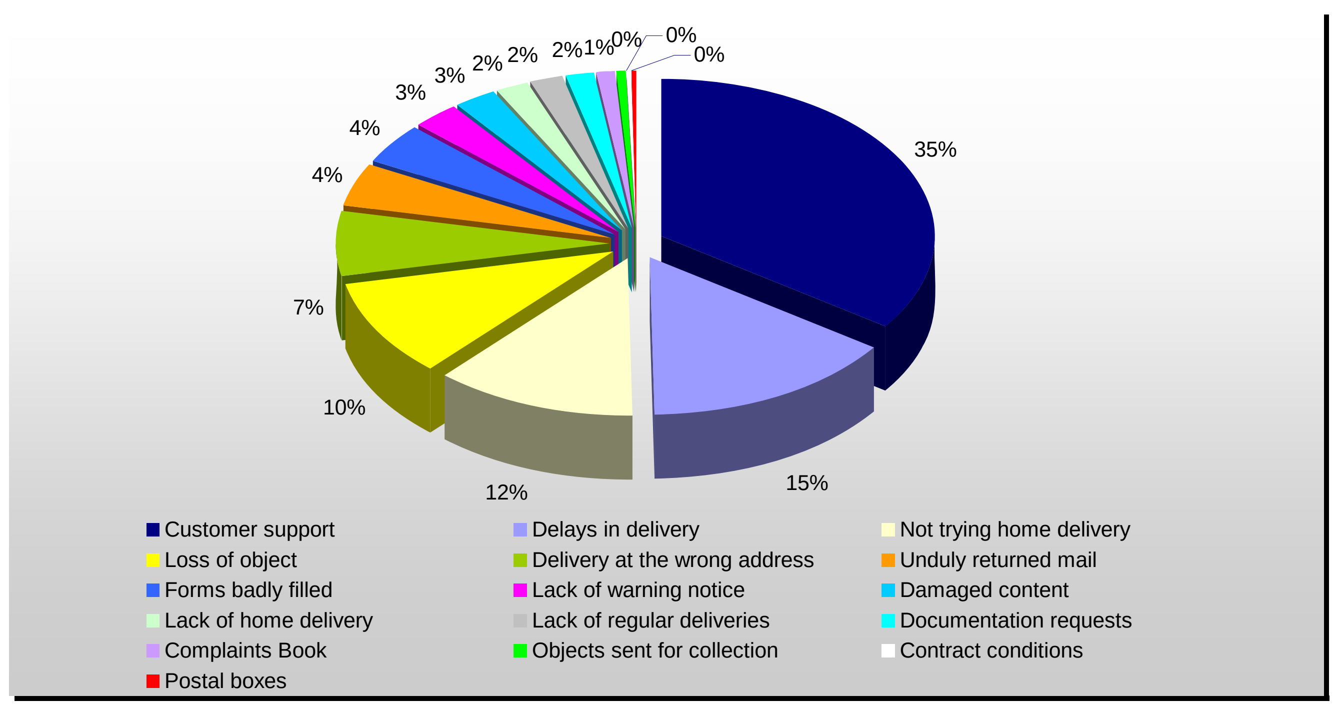
	Nov-06
Time (days):	15
Percentile 50	2
Percentile 75	21

Source: ICP-ANACOM, Survey on the consumption of postal services 2006

Regarding complaints, during 2006 ICP-ANACOM received 4,285 complaints and information requests concerning postal services and their operators.

According to the following graph, 35 per cent of those requests relate to matters regarding customer attendance (while in 2005, objects gone astray were the main reasons for postal services consumers to go to the regulator). Issues concerning the delay in the delivery of mail still come in second on the list of motives for complaint.

Graph 7-17 – Complaints and information requests on postal services – 2006



Source: ICP-ANACOM

7.4.8. Evolution of the offers' structure

Analysing the market shares in each traffic destination segment, Grupo CTT's share hasn't practically changed, reaching around 99 per cent in the case of nation traffic, and 96 per cent in the case of international traffic.

Table 7-21 – Postal traffic shares by destination

	2002		2003		2004		2005		2006	
	CTT*	Other	CTT*	Other	CTT*	Other	CTT*	Other	CTT*	Other
National	99.2%	0.8%	98.9%	1.1%	98.9%	1.1%	99.0%	1.0%	98.9%	1.1%
International	99.0%	1.0%	97.9%	2.1%	97.8%	2.2%	96.8%	3.2%	96.2%	3.8%
Int. incoming	99.2%	0.8%	96.8%	3.2%	95.8%	4.2%	91.8%	8.2%	92.6%	7.4%

Source: ICP-ANACOM
* Includes CTT and CTTexpresso

Disaggregating this type of service enables us to see that Grupo CTT's share is quite high in the services outside the express mail category (99.5 per cent). In the case of express mail, new operators altogether hold a 57 per cent share.

Table 7-22 – Postal traffic shares by type of service

	2002		2003		2004		2005		2006	
	CTT*	**Other**	**CTT***	**Other**	**CTT***	**Other**	**CTT***	**Other**	**CTT***	**Other**
Express serv.	60.7%	39.3%	52.2%	47.8%	47.5%	52.5%	43.3%	56.7%	43.4%	56.6%
Serv. outside express cat.	99.5%	0.5%	99.4%	0.6%	99.4%	0.6%	99.6%	0.4%	99.5%	0.5%

Source: ICP-ANACOM.

* Includes CTT and CTTexpresso