

**DECISION ON CTT'S APPLICATION FOR A REVIEW OF THE
UNIVERSAL POSTAL SERVICE PRICING CRITERIA**

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1 Framework

By determination of 11.01.2018, the Board of Directors of Autoridade Nacional de Comunicações (ANACOM) approved the draft decision (DD) on the universal postal service pricing criteria for the 2018-2020 period, which was submitted to: (i) the hearing of consumer organisations, pursuant to article 43 of the Postal Law¹; (ii) the hearing of CTT - Correios de Portugal, S.A. (hereinafter CTT), pursuant to articles 121 *et seq.* of the Administrative Procedure Code (APC); and (iii) the public consultation procedure provided for in article 9 of the Postal Law.

By determination of 12.07.2018², ANACOM's Board of Directors approved the universal postal service pricing criteria for the 2018-2020 period, except for the traffic forecast methodology of the basket of non-reserved postal services for the same three-year period³, which was submitted to: (i) the hearing of CTT, pursuant to articles 121 *et seq.* of APC; (ii) the hearing of consumer organisations, pursuant to article 43 of the Postal Law; and (iii) a public consultation, pursuant to article 9 of the Postal Law.

CTT was notified of this determination on 18.07.2018⁴.

Following the hearing and consultations on the DD on the traffic forecast methodology for the basket of non-reserved postal services for 2018-2020, ANACOM's Board of Directors, by determination of 05.11.2018⁵, approved:

- a) *The methodology for forecasting the traffic of the basket of non-reserved postal services for the 2018-2020 period, (...) and, consequently, with regard to what*

¹ Law No 17/2012, of 26 April, as amended, available at <https://www.anacom.pt/render.jsp?categoryId=346264>.

² In which ANACOM took into account the contributions received in the context of procedures to which the DD approved on 11.01.2018 had been submitted, the analysis of which is set out in the "Report of the public consultation and prior hearing on the draft decision on the universal postal service pricing criteria for the 2018-2020 period", which is an integral part of the decision, and which was also approved in the same determination of 12.07.2018. Decision available at <https://www.anacom.pt/render.jsp?contentId=1457197>.

³ Page 53 of that decision noted that only the maximum price variation applicable to the basket of non-reserved services [for 2019 and 2020] was dependent on the final decision to be taken on the traffic forecast methodology for that basket for the 2018-2020 period.

⁴ Through letter with reference ANACOM-S012015/2018, delivered to CTT, by protocol, on that date.

⁵ In which ANACOM took into account the contributions received in the context of procedures to which the traffic forecast methodology for the basket of non-reserved postal services for the 2018-2020 period had been

depended on it, the maximum annual variation in the prices of the basket of non-reserved postal services in each of the years 2019 and 2020, (...);

b) The publication of the consolidated version of the decision on the establishment of the universal postal service pricing criteria for the 2018-2020 period, as well as of the referred criteria (...), where:

- i. chapter 9 thereof incorporates the amendments (...) approved [by the same determination of 05.11.2018] to the traffic forecast methodology for the basket of non-reserved postal services for the 2018-2020 period (pages 38 to 40 of the consolidated version), and to the calculation of the maximum variation in prices of the basket of non-reserved postal services for 2019 and 2020 (pages 41 and 42 of the consolidated version);*
- ii. article 5, paragraph 1 c) of its Annex, on the definition of the traffic correction factor (TCF), reflects the new forecasts for the variation in traffic for the basket of non-reserved postal services in the 2018-2020 period, which are now -6.43% in 2018, -3.42% in 2019 and -3.90% in 2020, compared with -4.21% in 2018, -3.74% in 2019 and -3.13% in 2020;*
- iii. article 11, paragraph 2) of its Annex, concerning the maximum variation in prices of the basket of non-reserved services in 2019 and 2020, has specified that this is now $CPI + CPICF - 0.25\% + TCF$ instead of $CPI + CPICF - 1.33\% + TCF$ ⁶.*

CTT was notified of this determination on 09.11.2018⁷.

By email dated 30.11.2018, CTT submitted a complaint, pursuant to article 184 *et seq.* of the APC, requesting the amendment of *the consolidated version of the determination of 12.07.2018, with the review of chapter 9 thereof and the review of articles 5, paragraph 1, and 11, paragraph 2, of the respective Annex, relating to the methodology for reviewing the traffic of the postal services basket (hereinafter the “Price Determination”)*, so that:

submitted, the analysis of which is set out in the “Report of the public consultation and prior hearing on the draft decision on the traffic forecast methodology for the basket of non-reserved postal services for 2018-2020”, which is an integral part of the decision, and which was also approved in the same determination of 05.11.2018. Decision available at <https://www.anacom.pt/render.jsp?contentId=1463566>.

⁶ The definitions of CPI (expected inflation for each year), CPICF (inflation correction factor) and TCF (traffic correction factor) are provided in article 5, paragraph 1, of the annex to the consolidated version of the decision.

⁷ Through letter with reference ANACOM-S019204/2018, delivered to CTT, by protocol, on that date.

- a) *The pricing rule applicable to the correspondence, editorial mail and parcel basket of services, including non-priority/normal mail up to 20 grams, is changed to $CPI + CPICF - 0.04\% + TCF$, for the 2019-2020 period; and*
- b) *The pricing rule applicable to reserved services, also for the same 2019-2020 period, is changed to $CPI + CPICF - 4,2\% + TCF$.*

ANACOM issued a determination on this complaint on 15.01.2019⁸ concluding that it was untimely, thereby having decided not to consider the request, under paragraph 2 of article 192 and in the light of paragraph 3 of article 191, both of APC.

It should be noted that this decision took into consideration, inter alia, that any possible complaint regarding inflation variation estimates and the methodology followed to prepare such estimates, to be considered in the context of the establishment of the universal postal service pricing criteria for the 2018-2020 period, would have had to be submitted in reaction to ANACOM's decision which, on 12.07. 2018, defined that value and methodology, having the 15-day deadline to complain about that decision long since passed. It was also pointed out that a constant change of the methodology, or a constant update of estimates or of the values to be considered, would jeopardise the predictability of the applicable rules, which would also be contrary to CTT's own interest.

Bearing in mind also that:

- i. Paragraph 3 of article 15 of the universal postal service pricing criteria for the 2018-2020 period (hereinafter "the US pricing criteria"⁹) provides that, in the event that CTT remains as the universal postal service provider after 31.12.2020, the criteria to be followed in the pricing of postal services that comprise the US in 2019 and 2020 remain in force until the approval by ANACOM of a new decision concerning them, within the scope and for the purposes of paragraph 3 of article 14 of the Postal Law;

⁸ <https://www.anacom.pt/render.jsp?contentId=1467786>.

⁹ Available at <https://www.anacom.pt/render.jsp?contentId=1494693>.

- ii. As provided for in article 35-W of Decree-Law No 10-A/2020 of 13 February, as amended by Decree-Law No 106-A/2020 of 30 December 2020¹⁰, the US Concession Agreement entered into between the Portuguese State and CTT was extended until 31 December 2021,

the US pricing criteria for 2019 and 2020 remain applicable during 2021.

These criteria state, in paragraph 2 of article 11, that the average weighted variation in the prices of the correspondence, editorial mail and parcel basket of services may not exceed, in nominal terms, the result of the following formula:

$$\text{CPI} + \text{CPICF} - 0.25\% + \text{TCF},$$

where, in general terms:

- CPI represents the inflation expected for each year which is officially forecast by the Government and as such entered in the State Budget Report each year;
- CPICF represents a CPI correction factor, corresponding to the difference between the inflation value forecast in the State Budget Report of a given year for the preceding year, and the inflation value that had been forecast for the preceding year; and
- TCF represents a traffic correction factor, which takes into account the expected traffic variation when defining pricing criteria and the traffic variation which actually was recorded.

The definition of this formula was intended, in particular, to determine a pricing rule that counteracts the forecast evolution of unit costs in the 2018-2020 period, resulting from the forecast evolution of traffic and costs in this period, making it possible (i) to achieve the objective of limiting the overall margin of services covered by the pricing rule, by applying a maximum price variation of services that are part of the basket and (ii) to encourage an efficient provision of the universal service by providing incentives for the operator to

¹⁰ <https://dre.pt/web/guest/home/-/dre/152639821/details/maximized?serie=I&day=2020-12-30&date=2020-12-01>.

minimise its costs¹¹, which may also have positive effects on the affordability of the service. Moreover, the fact that this form of control avoids excessively intrusive regulation was also taken into consideration, in addition to reducing the current costs of the regulatory activity, through the introduction of a simple and objective mechanism for verifying the price cost-orientation obligation.

As such, all the information available at that time was taken into consideration, namely estimates regarding the evolution of inflation and traffic, as well as the cost information produced by CTT's cost accounting system (CAS) available at the date, concerning the results up to 2017, and estimates regarding the future evolution of costs.

As already indicated in ANACOM's decision of 25.03.2021¹², regarding the US price proposal communicated by CTT for 2021, the result of the application of the formula presented, for 2021, is 1.35%.

By communication dated 12.04.2021¹³, CTT submitted to this Authority, under the terms and for the purposes of article 53 of APC, an application to initiate an administrative procedure for a review of the universal postal service pricing criteria, pursuant to article 14, paragraph 3, of the Postal Law, in order to reflect the actual inflation and traffic values recorded in the 2018-2020 period.

According to CTT's request, this review involves amending the formula used to determine the value of the maximum price variation allowed for 2021 for the basket of prices of non-reserved services, i.e. for the basket of prices of correspondence, editorial mail and parcel services (and therefore the value of this variation), whereby, as proposed by CTT, the maximum price variation allowed in 2021 would be calculated according to the $CPI+7.38\%+CPICF+TCF$ formula or, alternatively, according to the $CPI+5.40\%+CPICF+TCF$ formula, depending on the scenario under analysis (as detailed in a specific section of this

¹¹ If the operator succeeds in reducing costs below the levels forecast when setting the maximum price variation, then it can retain the excess profits, while creating incentives for the US provider to continue to implement efficiency measures in the provision of the service.

¹² <https://www.anacom.pt/render.jsp?contentId=1620781>.

¹³ Received by ANACOM on the same date.

document), which would result in a maximum price variation in 2021 of 7.08% or 5.10%, respectively.

It should also be noted that although CTT's application focuses only on the amendment of the formula used to determine the value of the maximum price variation allowed in 2021 for the price basket of correspondence, editorial mail and parcel services, such amendment may still have a specific impact on the prices of standard mail up to 20 gr, insofar as the US pricing criteria establish that the average annual variation of the price of these items, in the national service, paid through stamps and franking at postal establishments, may not exceed the maximum price variation of that basket of services (paragraph 1 of article 12 of the pricing criteria) ¹⁴.

By decision dated 24.06.2021¹⁵, ANACOM approved the draft decision on CTT's application to initiate the procedure for a review of the universal postal service pricing criteria, which was submitted to a prior hearing of CTT for a period of ten working days, under articles 121 and 122 of APC. By communication of 09.07.2021, in due time, CTT submitted its comments to this Authority, which were analysed in the "Report of the prior hearing on the draft decision on CTT's application to initiate the procedure for a review of the universal postal service pricing criteria", which is an integral part of this decision and which was taken into consideration in the analysis thereof.

2 Analysis

2.1 CTT's position

2.1.1 Grounds for reviewing the maximum annual price variation rule

CTT points out that the US pricing criteria aimed to define rules for a three-year period ending at the end of 2020, which would, in itself, justify their review for the following years.

¹⁴ It should also be noted that the amendment of elements supporting the referred formula (inflation and traffic estimates) could also imply amendments to the value of the minimum price reduction for reserved services (postal summonses and notifications), since the US pricing criteria establish that the value of this minimum reduction results from the application of a formula whose definition also implied the calculation of estimates for the evolution of inflation and traffic of these services. Therefore, the conclusion of the present analysis could also have an impact on the application of the rule regarding the minimum price reduction for reserved services.

¹⁵ <https://www.anacom.pt/render.jsp?contentId=1685801>.

CTT further refers that the provisions of article 15, paragraph 3 of the referred criteria (which establishes the extension of their application in case CTT remains as the provider of the US after 31.12. 2020) was intended to address “(...) *a possible transitory situation of absence of pricing criteria in the period between the termination of the Concession Agreement and the approval of a new ANACOM determination on the matter (...)*”, whereby there is no justification for extending the pricing criteria for a period of time corresponding to one third of the original validity.

Furthermore, CTT considers that this extension is contrary to the provisions of article 14 of the Postal Law, which aims to encourage the periodic review of the US pricing criteria, in the context of an efficient and sustainable provision of the US and of the need to ensure the economic and financial sustainability of the US provider, which are fundamental objectives of the Postal Law.

CTT also highlights that the review of the pricing rule is justified in view of the need to take into account the current context. CTT believes that the evolution of the sector in recent years is no longer reflected in the pricing criteria, specifically on account of the substantial reduction in traffic and the effects of the Covid-19 pandemic.

CTT refers that the deviations that exist between the data estimated under the current formula and the actual data effectively recorded while it was in force (namely as regards the inflation and traffic evolution values) prove its “(...) *unsuitability and need for renewal*”. Given that these deviations could not be anticipated when the referred criteria were adopted, in CTT's opinion, these are “(...) *supervening circumstances (...)*” (in relation to the determination which approved the pricing criteria) that “(...) *clearly call into question the assumptions on which such determination was based*”.

As such, CTT “(...) *consider it essential to readjust the pricing criteria in force to reality and to adapt it to the last year of validity of the current Concession Agreement, failing which, during the latter, CTT will remain forced to provide the UPS on the basis of unreasonable pricing criteria, resulting from maintaining estimation errors that do not reflect in the least the expected traffic and inflation evolutions for 2021, therefore not corresponding to reality, nor offering adequate sustainability guarantees to the current scenario of the sector, thus worsening the conditions of the provision of the US.*”

CTT stresses, however, that it does not intend, by this means and at this moment, a substantial amendment to the determination that set the US pricing criteria, nor to the methodology that underlies it. It seeks an “(...) *adjustment of only a part of estimates underlying the pricing criteria currently in force, in order to reflect the values achieved in the 2018-2020 period, in particular as regards the inflation and traffic evolution values (...)*”, so as to make the determination that set the US pricing criteria “(...) *compatible in some degree with the context that the postal sector is facing, and will face, in 2021*”.

This adjustment involves, according to CTT, updating the inflation and traffic estimates that constitute the assumptions of the formulas for the maximum price variation allowed for non-reserved services set for 2018-2020, the effects of which will only be reflected in the US provision in 2021.

CTT further notes that although article 14, paragraph 3 of the Postal Law establishes a three-year term as the minimum period of validity of the criteria approved by ANACOM, in CTT’s understanding this rule was “(...) *designed under the assumption of a period of constant legal and economic normality, and that the Concession Agreement would be in force until 31.12.2020 (article 57, paragraph 1 of the Postal Law)*” and that “*Considering the extension of the Concession Agreement until 31.12.2021, unilaterally decided by the State, naturally article 14, paragraph 3, of the Postal Law cannot be an obstacle to CTT’s claim, whereby priority must be given to the US provision sustainability objectives arising from the Postal Law (cf. article 2)*”.

2.1.1.1 Inflation estimation

CTT refers that, in the 2019-2020 period, there is a very significant difference between the forecast annual inflation and the actual inflation, with a reduction in the CPI value in each year, as shown in the following table, which summarises the information presented by CTT.

Table 1. CPI values in the 2018-2020 period

Year	Forecast CPI	Actual CPI	Deviation
2018	1.34%	1%	-0.34 p.p.
2019	1.68%	0.3%	-1.38 p.p.
2020	1.65%	0%	-1.65 p.p.
2019-2020 average	1.66%	0.15%	-1.51 p.p.

Source: CTT.

According to CTT, the determination that set the US pricing criteria forecast an average annual variation of unit revenues in the 2019-2020 period to maintain the margin of 1.41%,

corresponding to a price variation (CPI-X) in this period of CPI-0.25% (1.66% - 0.25% = 1.41%, whereby the average CPI value estimated for the 2019-2020 period was 1.66%).

In this context, CTT proposes the update of the inflation value considered in the definition of the formula, by applying the value of 0.15%, which corresponds to the average value of the actual CPI in the 2019-2020 period. The update of this value would thus imply changing the formula to CPI+1.26% (corresponding to 0.15% + 1.26% = 1.41%) (assuming as unchanged the traffic and cost variations considered under the US pricing criteria).

2.1.1.2 Traffic estimation

CTT notes that the formula of maximum price variation uses an estimate of the evolution of postal services traffic, applying a traffic correction factor (“TCF”) with partial reference to the recorded value, insofar as limits are defined as to the total possible correction (maximum of 1.9%). CTT concludes that “(...) *this aspect has led to highly detrimental situations for CTT, as the estimates of the drop in traffic are underestimated in relation to the actual drop in traffic in each year*”.

In particular, CTT notes that the average annual traffic decline verified in the 2018-2020 period ([BCI]¹⁶ [ECI]¹⁷%) was higher than the estimate considered for this period (-4.6%), and that even taking only into account the pre-pandemic period in 2020 (months of January and February), the average annual traffic decline in 2018-2020 ([BCI] [ECI]%) was higher than the estimate considered for this period. CTT thus understands that the recorded values of traffic evolution represent “(...) *a significant deviation in relation to the estimates included in the pricing criteria, namely as of 2019, where the drop in traffic was more than double the estimated value*”. The following table summarises the information presented by CTT.

Table 2. Non-reserved US traffic figures in the 2018-2020 period, considering a 12-month period ending in June, except for the last line, where only the months of January and February are considered in 2020, for the recorded drop in traffic [BCI]

Year	Expected drop in traffic	Recorded drop in traffic	Deviation
2018	-6.43%		
2019	-3.42%		
2020	-3.90%		
2020 (only January and February)	-3.90%		

¹⁶ Beginning of confidential information.

¹⁷ End of confidential information.

Source: CTT.

[ECI]

In this context, CTT proposes that for 2021 the actual traffic values between 2018 and 2020 are considered in the definition of the formula for the maximum annual price variation, thereby eliminating the need to apply a correction factor. The company also suggests the possibility of not considering, for 2020, the months in which the impact of the Covid-19 pandemic is more evident, that is, the months from and including March 2020.

Thus, the update of this element of the formula, in combination with CTT's proposed update of the inflation value, would result in the update of the formula for the maximum price variation as follows:

- **Scenario 1:** Assuming traffic variation over a 12-month period (from June to June between 2018 and 2020): $\text{CPI} + 7.38\% + \text{CPICF} + \text{TCF}$.

In this scenario, the maximum price variation in 2021 would be 7.08%, bearing in mind that:

- $\text{CPI} = 0.7\%$, which corresponds to expected inflation for 2021 officially forecast by the Government and as such included in the State Budget Report for 2021 (SBR2021), as defined in the US pricing criteria.
- $\text{CPICF} = -1.0\%$, which corresponds to the difference between the value of inflation forecast in the State Budget Report for 2021 (SBR2021) for 2020 (-0.10%) and the value of inflation that had been forecast for 2020 in the State Budget Report for 2020 (SBR2020), which was 1.0%. However, according to the definition of CPI in the US pricing criteria, the value to consider for the forecast inflation for 2020 is zero if in the State Budget Report 2020 inflation is forecast to be less than zero and, cumulatively, the inflation forecast for 2020 is positive. Given that the above condition is met, the CPICF is equal to $-1.0\% [= 0.0\% - 1.0\%]$.
- $\text{TCF} = 0.0\%$, as proposed by CTT in this application.
- **Scenario 2:** Assuming traffic variation over a 12-month period (from June to June for 2018 and 2019) but considering, in 2020, only the months of January and February (pre-pandemic months): $\text{CPI} + 5.40\% + \text{CPICF} + \text{TCF}$.

In this scenario, the maximum price variation in 2021 would be 5.10%, bearing in mind that, as above:

- CPI = 0.7%;
- CPICF = -1.0%;
- TCF = 0.0%.

2.1.2 Compliance with tariff principles

As regards compliance with tariff principles, CTT refers that its proposal “(...) *complies and respects the tariff principles arising from the Postal Law, specified in the Price Determination* (...), which set the US pricing criteria.

CTT points out, specifically, as follows:

- As regards the general principle of affordability to all users, CTT stresses that:
 - With regard to the weight of postal service expenditure in household budgets, the Price Determination (p. 23) states that “According to available data relating to the Statistics Portugal (*Instituto Nacional de Estatística* - INE) 2015/2016 Survey on Household Expenditure, postal services have a negligible weight in the shopping basket of Portuguese households (an average of EUR 3 for a total of EUR 23 635 per year, that is, they represent, on average, 0.013% of total expenditure in the year)”;
 - ANACOM refers, in the referred determination (page 13), that “according to a study on the needs of consumers of postal services, dated May 2017 and conducted by the Marketing Research Institute (IMR) for ANACOM, the average perception of the price of various types of mail is greater than the actual value, except for registered mail. According to the same study, this supports the hypothesis arising from the qualitative research undertaken that customers do not consider the price of shipping mail to be expensive. This finding is also supported by the high proportions obtained from respondents who indicated that they did not know the price charged for each type of correspondence.” According to the same study, the price is the third most

valued criterion, after security (59.9%) and the guarantee of delivery to the recipient (57.1%), from among 9 aspects concerning the delivery of postal mail;

- According to the conclusions of a 2020 Deutsche Post report, which compares the prices of priority mail¹⁸ in 31 European countries, Portugal was the 5th country that least increased the price of this product, in the last five years, and the price of this product in Portugal is significantly below the European average. CTT further notes, based on information published on increases for 2021 by postal operators of European countries, and given the average value of the increase of priority and non-priority¹⁹ tariffs of national mail up to 20gr, where they it exists, that there are foreseen increases between 5.5% and 20.6%. CTT thus considers that prices in Portugal have evolved below the European average, being currently among the lowest in Europe, concluding that the proposal presented does not call into question the principle of affordability.
- As regards the principle of cost-orientation of prices, CTT highlights that “(...) *the formula defined for the annual variation of prices intended to reflect the average annual variation of costs and unit revenues in order to maintain the margin (principle and idea that results from the Price Determination itself, which considers that a scenario of margin stability must be taken into account when determining the variation of the maximum price ceiling on an annual basis)*”.

However, according to CTT, taking into account the results of its CAS for the first half of 2020, the margin estimated for 2020 shows a drop compared to the previous year, a drop that will increase in 2021 given the continued application of the pricing criteria in force. Therefore, CTT estimates a significant drop in the margin of non-reserved services (CTT estimates a margin of [BCI] [ECI]% in 2021).

The company also notes that even applying the update of the formula for the maximum price variation according to the proposal presented, under analysis in this document, there will be a margin decrease compared to the base year of 2017, thus considering that its proposal “(...) *is in line with the principle of cost orientation, since*

¹⁸ National priority mail corresponds, in CTT tariffs, to *correio azul nacional*.

¹⁹ National non-priority mail corresponds, in CTT tariffs, to *correio normal nacional*.

the new formula does not imply an increase in CTT's margin compared to that verified in the previous year".

According to CTT, if its proposal (specifically Scenario 1 presented above) is implemented, a margin in 2021 of [BCI] [ECI]% is estimated, which compares with a margin of [BCI] [ECI]% in 2017. CTT adds that, between 2018 and 2020, the margins have always remained between [BCI] [ECI]% and [BCI] [ECI]%, values substantially higher than the [BCI] [ECI]% mentioned herein). Likewise, if only the months of January and February are considered in 2020 (i.e., Scenario 2 presented above), a [BCI] [ECI]% margin is estimated for 2021, which is even lower when compared to the [BCI] [ECI]% margin verified in 2017.

- As regards the general principles of transparency and non-discrimination, CTT states that it does not anticipate in what way the proposal in question could call into question the principles of transparency and non-discrimination, the rules set out in the resolution of 12.07.2018 on this matter remaining entirely unchanged.

2.1.3 Proposal and application

In short, CTT believes that the US pricing criteria should be "*readjusted from time to time*", under the terms referred to above, and an administrative procedure should be opened for that purpose, under the general terms of article 14, paragraph 3, of the Postal Law.

While maintaining the essential structure of the maximum price variation formula, $CPI + CPICF - X + TCF$, CTT only proposes to adjust the estimates that serve as a basis for the calculation of "X", under the terms set out above, with effect for the future, i.e., the loss with deviations of estimates in previous years is not intended to be accounted for.

Accordingly, CTT proposes:

- (i) Taking into account the variation in traffic over a 12-month period (from June to June between 2018 and 2020):
 - $CPI = 0.7\%$,
 - $CPICF^{20} = -1.0\%$

²⁰ CPICF is not intended to correct the estimate with reference to the actual value in each year, but only the difference between the value of inflation forecast in the State Budget Report of a given year for the previous

- $X = 7.38\%$
- $TCF = 0.0\%$,

the formula is adjusted as follows: $CPI + 7.38\% + CPICF + TCF$.

- (ii) Taking into account the variation in traffic for a 12-month period (from June to June for 2018 and 2019) but considering, in 2020, only the months of January and February (pre-pandemic months):

- $CPI = 0.7\%$,
- $CPICF = -1.0\%$
- $X = 5.40\%$
- $TCF = 0.0\%$,

the formula is adjusted as follows: $CPI + 5.40\% + CPICF + TCF$.

Therefore, according to CTT, a maximum price variation of 7.08% or 5.10% would be obtained for 2021, depending on the scenario under analysis, for the price basket of non-reserved services, while the minimum reduction applicable to reserved services would remain unchanged.

In view of all the above, CTT applies to ANACOM to initiate of a procedure, pursuant to article 14, paragraph 3 of the Postal Law, to review the US pricing criteria, reflecting the actual values of inflation and traffic verified in the 2018-2020 period, so that the maximum variation in prices allowed in 2021 is calculated according to the formula $CPI + 7.38\% + CPICF + TCF$ or, alternatively, according to the formula $CPI + 5.40\% + CPICF + TCF$, as detailed above.

In view of the expiry of the Concession Agreement (31.12.2021), following its “*unilaterally imposed*” extension, and the deadlines provided for in the Postal Law for the adjustment to the US pricing criteria, CTT requests the utmost urgency in the assessment of its application, so as to ensure that the (new) price proposal to be submitted based on the adjusted criteria may have useful effects.

year (in this case, from 2021 to 2020) and the value of inflation that had been forecast in the State Budget Report for the previous year (2020).

2.2 ANACOM's position

2.2.1 On the extension of the validity of the US pricing criteria

Paragraph 3 of article 14 of the Postal Law sets out that it is ANACOM's responsibility to establish, for a multiannual period of at least 3 years, the criteria to be observed in the pricing of postal services that comprise the US, which should be preceded by a (mandatory) hearing of consumer organisations, as provided for in article 43 of the said Law.

Within this framework, ANACOM defined, by decision of 12.07.2018, complemented by decision of 05.11.2018, the US pricing criteria to be in force in the 2018-2020 period. Such criteria clearly establish, in article 15, the possibility of their validity being extended should CTT remain as the US provider after 31.12.2020, which came to be the case.

It should be noted, in particular, that the process of definition of the US pricing criteria included the necessary procedures for the prior hearing of CTT, under article 121 *et seq.* of the APC, for the hearing of consumer organisations, under article 43 of the Postal Law, and for public consultation, under article 9 of the Postal Law, given that it is a measure with a significant impact on the market. ANACOM, when adopting the decision of 12.07.2018, had already taken into consideration CTT's position as regards the expected continued validity of the pricing criteria after 31.12.2020.

In this context, it is noted that the provision in question, which allows the extension of the referred US pricing criteria after 31.12.2020, was deemed necessary in order to prevent a time gap during which no US pricing criteria, to be observed by CTT, as the provider of the US, would be in force, which could have a negative impact for users, whose communication needs are sought to be ensured, as well as for CTT itself, which would be left in a situation of unpredictability as to the pricing rules to be adopted for the setting of prices.

Moreover, it should be noted that paragraph 3 of article 15 only provides for the continued application of pricing criteria should CTT remain as USP after 31.12.2020, with no reference to the termination of the Concession Agreement. In this sense, it is worth highlighting that the regime established addressed the situation of extension of the concession and ensured, as mentioned, preventing a possible negative impact for users, should the pricing rules to be adopted for price setting not be clear.

It should also be noted, as regards the reference by CTT that the extension of the pricing criteria in 2021 means the extension for a period of time corresponding to one third of its validity, which, in the opinion of CTT, is not justified, that it is in accordance with paragraph 3 of article 15 of the pricing criteria, which does not provide for a maximum period during which the extension could be in force.

It is also relevant to note that the provision in question, which provides for the extension of the referred US pricing criteria, was deemed necessary to bind CTT to comply with the principles arising from the Postal Law and with the rules the definition of which the Postal Law entrusts to ANACOM, with a view to preventing any disruptions at the level of services provided and prices charged, which could have a negative impact on users whose communication needs are sought to be ensured and which arise from the Postal Law itself. It should be noted, in this regard, that this provision did not provide for a maximum period during which the extension could be in force.

2.2.2 On the review of the maximum annual price variation rule

As regards CTT's claim, namely the fact that the failure to update the formula for the maximum annual price variation "*(...) has led to results that are particularly inadequate and damaging for CTT (...)*", it is noted that ANACOM's decision that established the formula for the basket's maximum price variation was intended, namely, to counteract the forecast evolution of unit costs in the 2018-2020 period, resulting from the forecast evolution of traffic and costs in this period, while creating incentives for the US provider to continue to implement efficiency measures in the provision of the service.

In this sense, all the information available at that time was taken into consideration in order to ensure that options taken were adequately substantiated, namely all estimates available regarding the elements with relevance to the matter in question, to the extent that it was the only possible approach given the need to establish rules for a future period.

It is natural, however, that deviations should arise between estimates made in relation to a certain factor and the value actually recorded. Notwithstanding, the fact that these deviations have taken place does not in itself justify the review of elements taken into consideration in the definition of the formula for the maximum annual price variation of the basket of services in question. It should be noted that the decision setting the US pricing

criteria itself explicitly states that “...*the determination of the maximum allowed price variation will constrain the margin (and financial resources) to be obtained by CTT in each year that the price control mechanism is in force, which is also dependent on other constraints, such as the trend in demand and operating costs of the service*”²¹ (emphasis added) as well as that “*although it is not possible to accurately forecast how traffic and costs will develop in the 2018-2020 period, estimates of these parameters are presented below to serve as a basis for establishing the formula and the value of the annual price variation*”²².

In this regard, it should be noted that there have been several decisions of this Authority which have necessarily taken into consideration estimates regarding the most varied matters, given that it is not possible, at each moment, to have detailed and completely clear knowledge as to the effective future evolution. This includes the very decisions regarding the tariff proposals presented by CTT each year, in the context of which ANACOM takes into consideration estimates presented by CTT regarding, in particular, the evolution of costs and revenues for the period during which such tariffs are expected to be applied, which ultimately do not correspond to those that actually occur²³.

In this context, emphasis should be given to the position previously communicated by this Authority in the context of ANACOM’s decision of 15.01.2019²⁴, regarding the complaint filed by CTT regarding that decision, which set the US pricing criteria. In this respect, and with specific regard to the possible update of the formula for the maximum annual price variation, it was specifically observed that “(...) *the decision under consideration set pricing criteria for a multiannual period, on the basis of estimates (in this specific case, future evolution estimates for inflation, traffic and costs), which, precisely on account of being estimates, are likely to be updated. However, such updates do not dictate the amendment of decisions adopted on the basis of the referred estimates, in which case it would hardly be possible to reach a timely final decision in this context, which would also be to the detriment of CTT itself, as the company would not be able to be aware in good time of pricing criteria to be applied, thereby also putting at risk the regulatory predictability the*

²¹ Vide the second last paragraph of chapter 7.3 of the US pricing criteria.

²² Cf. the second last paragraph on page 35 of the US pricing criteria.

²³ As a rule, the actual margin in each year is significantly higher than the margin estimated by CTT.

²⁴ <https://www.anacom.pt/render.jsp?contentId=1467786>.

company itself supports”²⁵. It was also noted, in particular, that while updates of the estimates used in that context, or data for other indicators (such as new cost data) may be available, it would not be appropriate to “(...) constantly “reopen” [the decision] (...) in order to take them all into consideration, otherwise it would hardly be possible to reach a final decision in good time. Moreover, by complaining against the use of new inflation data and not of other indicators, CTT is not being consistent”²⁶.

In this sense, ANACOM concluded that *“A constant change in the methodology, or a constant update of estimates or figures to be considered, would call into question the predictability of applicable rules, which is also contrary to CTT’s own interests”²⁷.*

However, should it be concluded that the failure to update the assumptions underlying the decisions taken could jeopardise the objectives pursued by the Postal Law, namely that of ensuring the efficient and sustainable provision of the universal service, and/or the tariff principles to which the universal service prices should be subject, this Authority would act, within the scope of its duties and powers.

In this context, the following points should be stressed.

2.2.2.1 Inflation estimation

When setting the formula for the maximum price variation, ANACOM took into account the inflation estimates for the period in question made by various entities (namely Banco de Portugal - the Portuguese Central Bank -, EC, OECD and IMF), having used the estimates available at the time, up to the July 2018 decision, and having used, within the scope of the calculations made, the average of the various estimates available for each year, considering that the average value of these estimates would allow the various perspectives on this element to be taken into consideration and the possibility of bias to be minimised. As such, the average inflation for 2019 and 2020, to be taken into account in calculating the maximum price variation for 2019 and 2020, was assumed to be 1.66%.

²⁵ Vide page 20 of the decision taken on 15.01.2019.

²⁶ Cf. page 23 of the decision taken on 15.01.2019.

²⁷ Cf. page 27 of the decision taken on 15.01.2019.

As CTT indicates, however, there have been deviations between the estimated and real values, a situation which is not new, having also occurred, for example, during the validity of the price criteria set for 2015-2017.

As previously mentioned, the possibility that these deviations could occur was known and has already been duly considered by this Authority at the time of the definition of the US pricing criteria, whereby the position already taken at the time is worth highlighting once more, that the updating of estimates considered at a given moment by ANACOM is not compatible with the necessary regulatory stability and, consequently, the stability of market conditions to which not only the service providers but also the service users are subject.

Within this scope, it should be noted that although it has been concluded that the estimates considered were above the inflation rate, the position expressed above would not be different if the opposite situation had occurred, that is, if the estimates considered were below the actual inflation rate, a situation that, in this case, would benefit CTT.

In addition to the above, it should also be noted that the maximum price variation formula also incorporates other elements, in addition to the value of inflation (and traffic, analysed below), so it does not seem appropriate to consider this factor alone, whereby an assessment of the need to readjust specific elements of the price variation rule must necessarily take into account all the elements included in it, which is dealt with in a later section of this document.

2.2.2.2 Traffic estimation

When establishing the formula for the maximum price variation, ANACOM estimated that in the 2018-2020 period there would be an overall continued reduction in traffic of the non-reserved postal services that comprise the US. Accordingly, based on the estimated model, it was predicted that traffic²⁸ would continue to decrease by an average of 4.59% per year in the 2018-2020 period.

²⁸ The total outgoing domestic and international non-reserved US traffic, including bulk mail traffic, having been considered.

As is the case with inflation figures, it was found that the actual figures associated to traffic evolution represent deviations from estimates that had been taken into account, a situation that is not new, having already occurred in the past, confirming the values presented by CTT as shown in

Table 2.

It should be emphasised in this respect that the deviations from traffic and inflation estimates considered occur both for estimates produced by ANACOM, as in the case of traffic estimates, and for estimates produced by other official bodies, as in the case of inflation estimates.

It is also relevant to note, as already mentioned regarding the estimation of inflation, that the fact that there are deviations between the estimates considered when establishing the pricing rule and the reality that came to be observed cannot, by itself, justify recurrent changes to the methodology, or a constant updating of estimates or values to be considered.

However, as far as the traffic estimate is concerned, it should also be noted, given the degree of uncertainty as to the evolution of traffic during the period of application of the pricing rule, that the maximum variation formula was designed with a traffic correction factor (TCF) that would allow for the correction of part of the deviations that might occur²⁹.

In this context, this element was also introduced in each year of application of the rule, with the values shown in the following table, and which should also be taken into consideration within the overall assessment of the rule defined, together with the other elements of the formula in question, as follows.

Table 3. TCF values in the 2019-2021 period

	2019	2020	2021
TCF (due to the deviation which occurred in the previous year)	-0.20%	1.66%	1.90%

Source: ANACOM.

²⁹ It was admitted that a 1% variation in traffic causes a 0.25% variation in (total) costs, and in order not to transfer the full risk of the deviation to users, it was considered appropriate to consider only half of that deviation and thus to share that risk equally between CTT and users. As such, in the event of a higher or lower than expected traffic reduction, it would be possible to correct the variation allowed for prices in a value equal to half of 0.75, that is, in 0.375, for each deviation of 1 percentage point of traffic. In parallel, and in line with what was in force until that date, it was considered appropriate to limit the value of the price rule correction to a minimum and a maximum value, corresponding to the value applicable in situations of deviations from traffic of 5 percentage points (positive and negative). Thus, the annual value of the TCF was set in the interval [-1.9%; 1.9%].

2.2.2.3 Overall assessment of the rule defined in the pricing criteria and compliance with tariff principles

Since there are several elements that contribute to the definition of the maximum annual price variation, it is important to take into account, in addition to the specific estimates of inflation and traffic already mentioned, a global analysis of the results of the defined formula and its assumptions.

In this context, and bearing in mind all the elements that make up the maximum annual price variation rule, the value on which this rule was based, in each year, was that shown in the table below.

Table 4. Maximum price variation allowed each year for the basket of correspondence, editorial mail and parcel services, according to the US pricing criteria

	2019	2020	2021
Maximum price variation allowed	1.15%	1.41%	1.35%

Source: ANACOM.

It should be noted that the definition of the rule for the maximum annual price variation of the basket, in addition to the inflation and traffic estimates on which CTT's application is focused, also took into consideration cost evolution estimates, whereby, for the sake of consistency, this element should also be considered within the scope of the present analysis.

As such, the definition of the rule took into account the cost (and revenue) figures of CTT's CAS available at the time, which referred to data up to and including 2017.

Taking into account the available cost³⁰ (and revenue) values, as well as the traffic, inflation and cost evolution estimates made at the time, ANACOM designed the maximum price variation rule so that, should the assumptions considered be met, at the end of the period of application of that rule it would be possible to obtain results that represent, as far as possible, the maintenance of the margin verified when that rule was initially set. The table below shows the values considered within the scope of ANACOM's decision establishing the maximum price variation rule for the basket of correspondence, editorial mail and parcel services.

³⁰ Costs including cost of capital, i.e., remuneration of invested capital.

Table 5. Estimated revenues, costs and margins, for the 2018-2020 period, considered in the definition of the maximum price variation rule [BCI]

	2017	2018	2019	2020
Revenues [R]				
Costs [C]				
Margin				
Margin (%) [(R-C)/R]				

Values in euros and %.

Source: 2017: CAS 2017; 2018-2020: ANACOM estimates. [ECI]

It may be concluded from the information presented that ANACOM aimed, given the information available at the time, to determine a pricing rule that would counteract the forecast evolution of unit costs in the 2018-2020 period, resulting from the forecast evolution of traffic and costs in this period, while creating incentives for the US provider to pursue the implementation of efficiency measures in its provision.

Thus, and in summary, a maximum price variation rule was established that, should the assumptions considered be fulfilled, would allow the US provider to maintain a positive margin throughout the period of application of the pricing rule (with an average margin value, in relation to revenues, of around [BCI] [ECI]%).

Notwithstanding, and as CTT is aware, following the adoption of the decision under analysis, the results of CTT's CAS for 2017, on the basis of which the abovementioned decision and estimates presented in the table above were prepared, and which served as a basis for the definition of the maximum annual price variation, were revised, namely following the decision of this Authority of 18.06.2019³¹, in the scope of which the recasting of the results of CTT's CAS for 2016 and 2017 was determined, so as to allow the proper segregation of postal, banking and/or other activities. It is recalled that, following the audit of the 2016 and 2017 results of CTT's CAS, ANACOM considered that the allocation of expenses between CTT's postal and banking activities was inadequate, and ordered CTT to recast the referred CAS results.

Following the recast of CTT's CAS results for 2016 and 2017, the correction of the allocation of costs between the postal activity and the banking activity resulted in an impact on a comparable basis of around €6 million on the provision of the US (i.e., a reduction of US costs by that amount).

³¹ <https://www.anacom.pt/render.jsp?contentId=1475584>.

This revision, according to information presented by CTT itself in the annex to its application, represented variations in total costs, with an impact on the actual margin, as indicated in the table below³².

Table 6. Deviation between the 2017 income, cost and margin figures used under the maximum price variation rule and the recast figures [BCI]

	2017 – used in the scope of the rule	2017 – recast CAS results	Deviation of recast values from those used in the rule	
			Absolute value	%
Revenues				
Costs				
Margin				
Margin (%) [(R-C)/R]				

Values in euros and %.

Source: ANACOM and CTT.

[BCI]

As shown in the table above, the recast of the CAS in 2017 led to a significant deviation from the assumptions considered in the decision that led to the definition of the maximum annual price variation rule, particularly with regard to the value of costs and the margin considered - that is, although ANACOM had considered that the value of the margin in the period in question would be around [BCI] [ECI]%, the recast of CAS resulted in an increase in the margin earned of around [BCI] [ECI] p.p., and, in absolute terms, an increase of EUR [BCI] [ECI] million, i.e. almost double the amount initially considered.

It should be noted that the results of CTT's CAS for 2018 have already been produced taking into account the recast determined by ANACOM for the 2016 and 2017 financial years.

In this scope, it is important to take into consideration the actual values for the results of the basket of correspondence, editorial mail and parcel services, comparing them with the values estimated when the maximum price variation rule was defined.

The following table presents the values for revenues, costs and margins as reported by CTT (with respect to the 2018-2020 period, as results from CTT's CAS and, for 2021, assuming

³² Before the recast of CAS results determined by ANACOM, CTT had already submitted to this Authority a corrected version of the CAS 2017, in which some elements were updated, namely the value of total revenues. The recast 2017 CAS figures presented in the table therefore reflect not only the recast results determined by ANACOM, but also other corrections made by CTT. The recast results have already been audited, having auditors concluded that results were compliant.

CTT's forecasts arising from the application of the rule currently in force). It should be noted, however, that these results also incorporate a change with an impact on the allocation of costs to products and services, given that CTT changed an element with significant influence on the allocation of costs³³, so they are not directly comparable with the results of previous years and represent an increase of approximately EUR [BCI] [ECI] million in the overall costs associated with the US.

Table 7. Revenue, cost and margin values for the 2018-2021 period [BCI]

	2018	2019	2020	2021 (CTT forecasts)
Revenues				
Costs				
Margin				
Margin (%) [(R-C)/R]				

Values in euros.

Source: ANACOM and CTT. 2018, 2019 and 2020: CAS; 2021: CTT forecasts. Audit of 2019 CAS results underway. 2020 results not yet audited.

[ECI]

Given these data, it is possible to calculate the deviations between the actual values in the 2018-2020 period compared to the values estimated at the time the pricing criteria was established, which are illustrated in the following table.

Table 8. Difference between the actual values of revenues, costs and margins in the 2018-2020 period and the estimated values for the same period [BCI]

	2018		2019		2020		2018-2020 Total	
	Absolute value	%	Absolute value	%	Absolute value	%	Absolute value	%
Revenues								
Costs								
Margin								
Variation in actual margin compared to estimate (p.p.)								

Values resulting from tables 5 and 7 hereof.

Source: ANACOM and CTT (CAS and estimates). Audit of the 2019 CAS results underway. 2020 results not yet audited.

[ECI]

³³ The average performance times of the Customer Service/Over-the-counter delivery activities carried out at post offices and postal agencies were reviewed, with an impact on costs allocated to products and services, an alteration which, having now been implemented by CTT in the 2020 results, and received by ANACOM at the end of June 2021, has not yet been audited.

As shown in the table above, the estimates considered in the decision that led to the definition of the maximum annual price variation rule were overestimated with regard to the value of costs and undervalued with regard to the overall income for 2018 and 2019, thus representing an undervaluation of the margin estimated for these years compared to what actually occurred, and thus for the entire 2018-2020 period, given that in 2020 the estimates are more in line with the actual situation that took place³⁴.

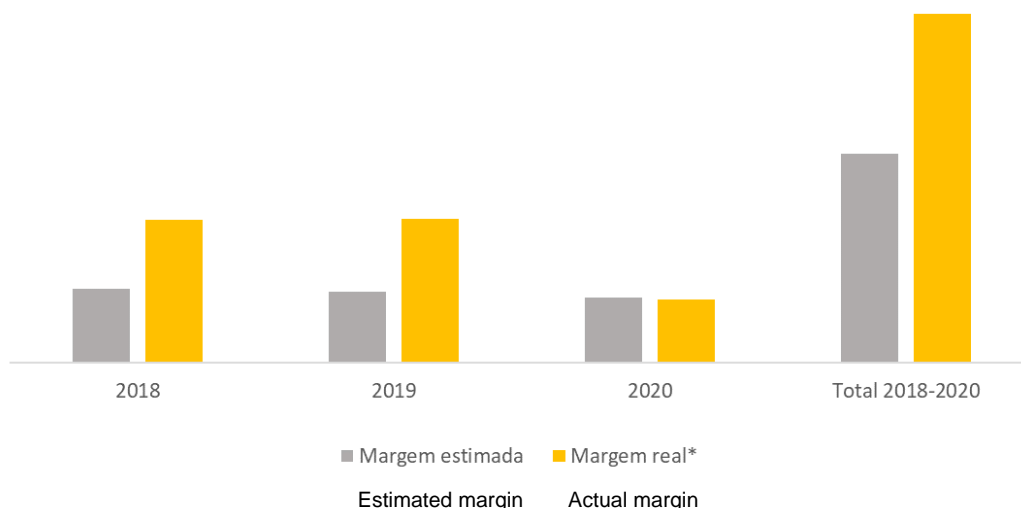
Overall, it is estimated that in the 2018-2020 period the margin earned by CTT, for the basket of correspondence, editorial mail and parcel services, will be higher than estimated by around [BCI] [ECI] p.p., and, in absolute terms, by around EUR [BCI] [ECI] million, i.e., on average around EUR [BCI] [ECI] million higher than estimated in each year of the 2018-2020 period.

In other words, were the assumptions considered when defining the maximum price variation to have been verified, it was estimated that CTT would earn, in the 2018-2020 period, a total margin of EUR [BCI] [ECI] million.

On the basis of the actual values for 2018, 2019 and 2020, as presented by CTT's CAS results, it is estimated that in the same period CTT will earn a global margin of EUR [BCI] [ECI] million. The following chart illustrates the values at stake.

³⁴ It is noted that the data considered for 2020 represent an increase in the costs allocated to the US arising from a change implemented by CTT, not yet audited.

Figure 1. Difference between estimated and actual values* of margins in the 2018-2020 period



* For 2018, 2019 and 2020 the values arising from CTT's CAS results have been considered. Audit of the 2019 CAS results underway. 2020 results not yet audited.

In order to take also into consideration the results expected for 2021, assuming the margin forecast by CTT for this year³⁵ (which, being estimates, may or may not be actually observed), of EUR [BCI] [ECI] million, it is concluded that taking into consideration the entire 2018-2021 period, the application of the current maximum annual variation rule of the basket prices still leads to a positive overall result, with an average annual margin in the period in question of approximately [BCI] [ECI]%, representing on average EUR [BCI] [ECI] million per year, associated with a global margin for the entire 2018-2021 period of EUR [BCI] [ECI] million.

As such, it is not clear how CTT can argue that pricing criteria are unreasonable and that they do not ensure adequate guarantees of sustainability in view of the current scenario of the sector, thus worsening the conditions of the provision of the US. As described above, the positive results that have been observed in each year (even as regards forecasts for 2021 drafted by CTT itself, without prejudice to the reduction of margins) and which are

³⁵ It should be noted, in this regard, that these estimates were presented by CTT at the beginning of 2021 (on 17.02.2021), with the price proposal communicated by CTT for 2021, and that, until now, the margin estimates presented by CTT when communicating the price proposals have proved to be undervalued compared to the value that has actually occurred.

expected to represent, for the total of the period in question, positive results, which benefit CTT and are even higher than those expected when the pricing criteria was established, should be highlighted.

In this context, it should be noted that the change of the maximum price variation rule as proposed by CTT would also mean, all other things being equal, an increase in the margins earned by CTT in the 2018-2021 period, due to the increase in the maximum annual price variation allowed. The following table presents the values estimated by CTT for the scenarios presented, under the assumption that costs and revenues estimated by CTT are recorded in 2021.

Table 9. Values of revenues, costs and margins in 2021, according to rule change scenarios [BCI]

	Scenario 1 - 5.10% increase	Scenario 2 - 7.08% increase
Revenues		
Costs		
Margin		
Margin (%) $[(R-C)/R]$		

Values in euros.

Source: CTT.

[ECI]

It may be observed that any of the scenarios proposed by CTT would represent an increase in the margin forecast for 2021, compared to what CTT estimates for the same year without the change in the maximum price variation rule.

Thus, and taking into consideration the results of previous years already presented, it is concluded that any of the scenarios proposed by CTT would lead, when assessing the overall results of the period in question, to a significant increase in the positive results already expected from the application of the formula currently in force, and it is not clear how this increase would be compatible with the principle of cost orientation of prices.

As regards this aspect, it should be noted that, specifically as regards the results for 2021, according to CTT's forecasts, the application of the rule currently in force does not involve, in any case, negative values, allowing for the compensation of costs incurred with the provision of services at stake.

Within this framework, and without prejudice to acknowledging, as stated above, that there were differences between the estimates of inflation and traffic evolution considered when

the maximum price variation rule was adopted and what actually occurred, it should also be taken into account that there was also a deviation of costs and revenues considered when the said rule was defined.

In conclusion, it is noted that the overall results during the period of application of the rule currently in force are positive and higher than those estimated when the rule was defined, allowing CTT to earn between 2018 and 2021 a margin, both in percentage and absolute terms, that is positive and higher than what ANACOM expected when the rule in question was defined, which does not call into question the economic and financial sustainability of the provision of the US, and even the results estimated for 2021, although representing a reduction of the margin earned, remain positive.

As regards the reference by CTT to the evolution of prices in Portugal compared to other European countries, it should be noted that the information presented by CTT, based on the Deutsche Post study, does not allow for a comprehensive view and the drawing of conclusions on the evolution of overall prices of the services that make up the US - in fact, although there are prices that compare favourably with the European average, there are also others that are above the EU average³⁶. At the same time, it should also be noted that the evolution of prices in each country will depend on several factors, namely the cost structure of each operator, affected by the characteristics of the country in which it operates. Therefore, it is not possible to draw immediate conclusions on whether or not certain price variations are appropriate by making simple comparisons that do not take into consideration the various factors that contribute to such variations, whereby ANACOM takes the view that it is not appropriate to take this information, by itself, as an indicator of whether the annual maximum price variations that have been implemented by CTT are adequate.

It should also be noted, as regards the reference made by CTT to the results of the 2015/2016 INE Survey on Household Expenditure, which states that the weight of postal services in the Portuguese households' basket of purchases is not significant, that the conclusions of that survey may no longer be appropriate to the current reality, insofar as

³⁶ For example, the price of a (domestic and international) parcel up to 2kg (8% and 44% higher for the domestic and international service, respectively), as follows from the data in the "ERGP Report on postal core indicators for monitoring the European postal market", for 2019, available at

<https://ec.europa.eu/docsroom/documents/44305/attachments/1/translations/en/renditions/native>.

they do not reflect, namely, the development of e-commerce and the resulting increase in parcel consumption.

At the same time, references to the study on the needs of consumers of postal services conducted by IMR (the Marketing Research Institute) for ANACOM also require further context. Thus, although the conclusions obtained therefrom, particularly with regard to the average perception of prices of the various types of mail, reflect information collected at a given moment and remain valid if that specific moment is analysed, having been one of the sources of information considered by this Authority when setting the pricing rule, it should be noted that such study dates back to 2017, and therefore those conclusions reflect that moment in time.

In view of the above, it is concluded that there is no justification for a review of the US pricing criteria as requested by CTT.

3 Decision

Taking into consideration the analysis of CTT's application presented in the previous section, ANACOM's Board of Directors, in pursuit of powers set out in paragraph 1 h) and i) of article 8 of ANACOM's Statutes, approved by Decree-Law No 39/2015, of 16 March, bearing in mind the regime set out in article 14 of Law No 17/2012, of 26 April, as amended, and in the exercise of the powers conferred upon it by paragraph 1 b) of article 26 of ANACOM's Statutes, hereby determines:

1. To approve the "Report of the prior hearing on the draft decision on CTT's application for a review of the universal postal service pricing criteria";
2. To reject the application to initiate the procedure for a review of the universal postal service pricing criteria, as it is considered that there are no grounds for doing so.