

Decision

Corrigendum to the decision on pricing criteria for the universal postal service

By determination of 21 November 2014, Autoridade Nacional de Comunicações (ANACOM) approved the pricing criteria for postal services that comprise the universal service provided by CTT - Correios de Portugal, S.A., to be effective for the period 2015 to 2017¹.

Having been identified a material error in the referred decision, a corrigendum to the decision is required, under article 174 of the Administrative Procedure Code.

In fact, the referred decision introduces, in the rule for calculating the maximum variation for the average price of the basket of services that includes correspondence, editorial mail and parcel services², to be applied in 2016 and 2017, as well as in the rule for calculating the maximum variation for the average price of the basket of reserved services³, to be applied also in 2016 and 2017, a traffic correction factor (TCF) that takes into account deviations that take place between forecasted traffic (at the date of the decision, 21 November 2014) and traffic that actually occurs, allowing the value of the referred maximum price variations to be adjusted according to observed deviations.

For each traffic deviation percentage point compared to forecasts, the allowed price variation is corrected by a value corresponding to 0.375 percentage points. The correction value in the pricing rule is, however, limited to a minimum and a maximum value, which correspond to values that apply in situations of traffic deviations of 5 percentage points (positive and negative). As such, the annual TCF value is found within the range [-1.9; 1.9].

The calculation formula $TCF = 0.375\% * (\Delta q_{r_{n-1}} - \Delta q_{i_{n-1}})$, laid down in decision of 21 November 2014 (page 33 and article 2, paragraph 4, of the pricing criteria in Annex to the decision), and the absence, by mistake, of the - (minus) sign, lead to a result which is exactly the opposite of what is intended, according to the reasoning provided, that positive traffic deviations compared to forecasts entail lower prices for consumers, and conversely, in the case of negative deviations.

To correct this obvious clerical mistake, **it is thus necessary to add the minus sign (“-”) before the 0.375 factor, the traffic deviation thus multiplying by -0.375** instead of multiplying by 0.375, as is currently the case.

In addition, this opportunity is taken also to make it clear that $\Delta q_{r_{n-1}}$ (the observed traffic variation) is expressed in percentage points (as with $\Delta q_{i_{n-1}}$).

As it is clear from the TCF calculation formula, in the branch corresponding to traffic deviations in the range between -5 percentage points and +5 percentage points (branch designated as “in remaining situations” in the TCF formula), that ANACOM laid down something quite different than what it actually intended, it is now necessary to correct this obvious slip-up, and to promote the corresponding corrigendum to decision of 21 November 2014, pursuant to article 174 of the Administrative Procedure Code.

¹ [Universal postal service pricing criteria](#).

² *Vide* chapter 9 of the decision and article 8, paragraph 3, of the pricing criteria in Annex to the decision.

³ *Vide* chapter 10 of the decision and article 10, paragraph 3, of the pricing criteria in Annex to the decision.

Therefore, the Management Board of ANACOM, under article 174 of the Administrative Procedure Code, hereby determines to correct the calculation formula for the traffic correction factor (TCF) included in its “**Decision on the universal postal service pricing criteria**”, dated 21 November 2014, as follows:

- For: “ $TCF = 0.375\% * (\Delta q_{r_{n-1}} - \Delta q_{i_{n-1}})$, in remaining situations”

Read: “ $TCF = -0.375\% * (\Delta q_{r_{n-1}} - \Delta q_{i_{n-1}})$, in remaining situations”;

- For “ $\Delta q_{r_{n-1}} = (Q_{n-1} / Q_{n-2}) - 1$ ”

Read “ $\Delta q_{r_{n-1}} = (Q_{n-1} / Q_{n-2}) - 1$, where $\Delta q_{r_{n-1}}$ is expressed in percentage points”.

This corrigendum occurs in page 33 of the decision of 21 November 2014 and in paragraph 4 of article 2 of the pricing criteria in Annex to the referred decision.

**PRICING CRITERIA FOR POSTAL SERVICES THAT COMPRISE THE UNIVERSAL SERVICE, IN THE SCOPE
AND FOR THE PURPOSE OF PARAGRAPH 3 OF ARTICLE 14 OF THE POSTAL LAW**

Article 1

Scope

1. Rules in this document apply to services that integrate the universal service, referred to in paragraph 1 of article 12 of the Postal Law and covered by article 14 of the same Law.
2. The following service modalities, or equivalent modalities, are taken into account, in their various formats and weight steps:
 - a) Priority/blue mail, in the national and international outgoing service;
 - b) Non-priority/standard mail, in the national and international outgoing service;
 - c) Easy mail, in the national and international outgoing service;
 - d) Economic international outgoing mail - Special Regime;
 - e) Prime priority international outgoing mail;
 - f) Registered mail and insured mail, in the national and international outgoing service;
 - g) Legal summons and notifications service (reserved services);
 - h) Delivery services for books, newspapers and periodicals, in the national and international outgoing service;
 - i) Postal parcel service, in the standard parcel modality, in the national and international outgoing service.

3. Where postal service modalities are created or altered, its inclusion in the regime herein shall be the subject of a decision by ICP - ANACOM. For this purpose, the creation or alteration of postal service modalities must be communicated in advance by CTT to ICP - ANACOM.

Article 2

Definitions

1. For the purpose of this document, the definitions set out in Law No. 17/2012, of 26 April (Posta Law), as amended by Decree-Law No. 160/2013, of 19 November, and by Law No. 16/2014, of 4 April, shall apply.
2. CPI - inflation expected for each year which is officially forecasted by the Government and as such entered in the State Budget Report in each year, as a rule disclosed in October of the previous year. Where in such document a range is entered, the average point of such range shall be considered. In case of technical difficulties in obtaining this value, namely in the scope of interpretation, it is incumbent on ICP - ANACOM to undertake the corresponding clarification.
3. CPI correction factor (CPICF) - corresponds to the difference between the inflation value forecasted in the State Budget Report of a given year for the preceding year, and the inflation value that had been forecasted for the preceding year under the preceding paragraph, the upper threshold value for this difference being limited to 2.5%. Where the State Budget Report of a given year does not include the value of inflation forecasted for the preceding year, this value shall be replaced by the value, in September of the referred preceding year, of the average variation of the consumer price index of the last twelve months, as published by the *Instituto Nacional de Estatística* (the National Statistics Institute). The value to be considered for the inflation value forecasted in the State Budget Report of a given year for the preceding year shall be zero, where in the referred Report an inflation rate below zero has been forecasted for the preceding year, and cumulatively, the inflation value that had been forecasted for the preceding year under the preceding paragraph is positive.
4. Traffic correction value (TCF):

TCF = -1.9%, if $(\Delta q_{r_{n-1}} - \Delta q_{i_{n-1}}) \geq 5$ percentage points;

TCF = 1.9%, if $(\Delta q_{r_{n-1}} - \Delta q_{i_{n-1}}) \leq -5$ percentage points;

TCF = -0.375% * $(\Delta q_{r_{n-1}} - \Delta q_{i_{n-1}})$, in remaining situations;

Where:

$\Delta q_{i_{n-1}}$ = -4.6% in 2015, -4.1% in 2016 and -3.7% in 2017, for the purpose of article 8;

$\Delta q_{i_{n-1}}$ = -11.5% in 2015, -7.7% in 2016 and -4.0% in 2017, for the purpose of article 10; and

$\Delta q_{r_{n-1}} = (Q_{n-1} / Q_{n-2}) - 1$, where $\Delta q_{r_{n-1}}$ is expressed in percentage points;

Q_{n-1} - traffic of the total of services covered by the price cap in the 12-month period ending in June of year $n-1$;

Q_{n-2} – traffic of the total of services covered by the price cap in the 12-month period ending in June of year $n-2$.

Statistical indicators of postal services reported every quarter by CTT to ICP - ANACOM are used as traffic information source, under ICP - ANACOM's decision of 23.08.2012¹. In case of difficulties in calculating this value, it is incumbent on ICP - ANACOM to undertake the corresponding clarification or to define an alternative source of information deemed to be appropriate.

5. Occasional segment - segment of users covering any natural or legal person, that uses or requests of CTT the provision of a postal service on a case-by-case basis, without entering into a written contract with CTT for the purpose.

Article 3

¹ [Decision of 23.08.2012](#).

Tariff principles

1. Tariffs of postal services that integrate the universal service provision, covered by this decision, shall comply with the following principles:
 - a) Affordability to all users;
 - b) Cost-orientation of prices, so as to encourage an efficient provision of the universal service;
 - c) Transparency and non-discrimination.
2. Prices of items of correspondence in the national service weighting less than 50 g, sent by users in the occasional segment, shall comply with the uniform tariff principle, a single price being applied throughout the national territory.
3. For the purpose of the application of the uniform tariff principle laid down in the preceding paragraph, the following service modalities covered by paragraph 1 of article 12 of the Postal Law are taken into account, in their various formats and weight steps:
 - a) Priority/blue mail;
 - b) Non-priority/standard mail;
 - c) Easy mail;
 - d) Registered mail and insured mail;
 - e) Legal summons and notifications service (reserved services).

Article 4

Disclosure and publication

1. CTT shall publish in an appropriate manner and regularly supply users and postal service providers with accurate and up-to-date information on prices, discounts and conditions associated to services that integrate the universal service provision covered by this decision.

2. The language used in the referred publication shall be clear, allowing any user to understand and calculate the price to be paid, irrespective of the service and available mail modalities.
3. The disclosure and publication shall be made, at least, at a specific address at CTT's website, and it must also be available at any location where services are provided (including post stations and post offices).
4. CTT shall notify ICP - ANACOM of the specific Internet address where universal service prices and associated conditions are published.
5. ICP - ANACOM is entitled to create at its website a direct electronic link to that address.
6. It is incumbent on CTT to keep the referred page permanently up to date.
7. Any alterations to prices, discounts and respective conditions shall be disclosed by CTT to users prior to their entry into force.
8. ICP - ANACOM is entitled, in the scope of its decisions issued under paragraphs 5 and 6 of article 14 of the Postal Law, to determine a minimum period of advance notice of any price alterations, as well as the terms for such disclosure.

Article 5

Application of prices

1. In compliance with paragraph 4 of article 14 of the Postal Law, CTT shall notify ICP-ANACOM on an annual basis of prices to be applied for postal services integrating the universal service provision, including any alteration thereto, at least 30 days ahead of the date on which such prices take effect.
2. Together with the notification referred to in the preceding paragraph, CTT shall also send ICP - ANACOM a document attesting that tariff principles and pricing criteria defined in this determination are complied with.

3. The document referred to in the preceding paragraph shall include provisional information on costs and traffic for (the) year(s) during which CTT intend notified prices to be in force, with an appropriate level of breakdown so as to allow the verification of the application of pricing principles and criteria, which must however include at least provisional information according to service modality, in the various destinations (national and international) and, where appropriate, according to segments (occasional, contractual) and to geographic areas.
4. In the case of services for which negative margins are estimated, CTT shall present, in separate, information on costs arising from the service provision, specifying:
 - Specific incremental costs arising from the service provision, that is, costs that result exclusively from the provision of that service;
 - The part of common costs required for the provision of the service concerned and for the provision of other services, which has been allocated to the provision of the service concerned;
 - The part of common costs which are not associated to the provision of any specific service or services (common costs not “attributable” to services, that is, costs which are not directly related to any specific activity or service), which has been allocated to the service concerned;
 - The part of capital costs allocated to the service concerned.
5. All forecasts and estimates must be duly substantiated.
6. In compliance with paragraph 5 of article 14 of the Postal Law, where by the referred 30-day deadline, ICP-ANACOM deems that prices presented fail to comply with principles and criteria referred to in this determination, it shall notify CTT of this fact, based on a substantiated decision, so that company may revise such prices within 15 days.
7. Where the referred document attesting compliance with pricing principles and criteria is not attached to the price communication, or where ICP - ANACOM considers that the document

presented by CTT does not contain sufficient information, ICP - ANACOM shall request missing information of CTT within 10 working days from the date of reception of the price notification or of the defective document. In this situation, the referred deadline for assessing prices notified by CTT shall be suspended until an attesting document without shortcomings is received.

8. Under paragraph 6 above, where prices submitted by CTT are subject to a revision, ICP - ANACOM shall assess new prices included in the new notification within 15 days at the most from the date of reception thereof (article 14, paragraph 6 of the Postal Law). The new price notification must attach additional information demonstrating that pricing principles and criteria are complied with.
9. Where ICP-ANACOM remains silent by the deadline set out in paragraph **Error! Reference source not found.** or in paragraph 8, CTT is entitled to practise notified prices (article 14, paragraph 7, of the Postal Law).
10. Without prejudice to the above, in case ICP - ANACOM requests clarifications or additional elements of CTT, the time limits referred to in paragraphs 6 and 8 shall be suspended on the date CTT receives the request of clarifications or additional elements, and shall only be resumed on the day following the reception of CTT's reply.

Article 6

General principle of cost orientation of prices

In the application and verification of the general principle of cost orientation, and without prejudice to the application of pricing rules provided for in articles 8, 9 and 10:

- a) The basket of services that integrate the universal service provision, covered by the pricing proposal, is considered as a whole, and each service is taken into account individually (for example: national standard mail), without prejudice to the overall cost orientation of the universal service covered by these rules;

- b) Where the margin of the basket/service modality covered by the pricing proposal is positive, a price proposal is in principle in compliance with the principle of cost orientation of prices, in case the price proposal leads to a margin decrease, or, ultimately, does not lead to a margin increase of the basket/ service modality;
- c) Where the margin of the basket/service modality covered by the pricing proposal is negative, a price proposal is in principle in compliance with the principle of cost orientation of prices, in case the price proposal leads to a margin improvement or, ultimately, does not lead to a margin deterioration of the basket/ service modality;
- d) The margin to be considered is the relative margin (in percentage) compared to revenues;
- e) ICP - ANACOM shall take into consideration whether there are any non-recurring effects that may have a significant impact on the analysis of the compliance with the principle of cost-orientation of prices, removing such effects from the analysis where deemed appropriate;
- f) Moreover, in an analysis according to service modality, in case there are services for which a positive margin increase or a negative margin deterioration is estimated, this Authority shall take into account, specifically:
 - The price variation proposal presented by CTT for the service;
 - Whether the margin of the service is close to zero;
 - Whether the margin estimated for the year of application of new prices is very close to the margin for the ongoing year;
 - Forecasts of traffic evolution (for example, whether there are forecasts for significant traffic variations which, for the service concerned, may induce significant unit costs and margin variations).
- g) The price proposal of each service modality, in their various formats and weight steps, must reflect only the service modality's underlying costs, calculated and reported by CTT's cost accounting system, according to cost allocation rules which flow from the Postal Law and

accepted at any given time by ICP - ANACOM, and as such prices of each service modality must cover, save where a different rule is defined by ICP - ANACOM under articles 15 and 16 of the Postal Law: (i) costs directly allocated to the service; (ii) a part of common costs arising from the service provision, which includes a part of the so-called joint costs; and (iii) a reasonable remuneration (thus covering a part of capital cost allocated to the service modality).

Article 7

General principle of affordability to all users

In the application and verification of the general principle of affordability to all users, and without prejudice to the application of pricing rules provided for in articles 8, 9 and 10, ICP - ANACOM will take into account, specifically:

- a) Family expenditure with postal services;
- b) Information collected by ICP - ANACOM in the scope of postal service consumption and satisfaction surveys (for example residential and business customers);
- c) Price increases that, while required in the scope of the application of the principle of cost-orientation of prices, may put at risk the commercial viability of users (companies) of the service, in case the service is a critical input to their activity and service expenses play a relevant role to their financial position;
- d) The need to prevent price increases from entailing sharp traffic falls, namely due to the elasticity of demand and/or its transfer to electronic communications means, with a subsequent increase of unit costs, which could lead to a spiral process jeopardizing the economic and financial viability of the universal service provision.

Article 8

Maximum price variation of the correspondence, editorial mail and parcel basket of services

1. Prices of the correspondence, editorial mail and parcel basket of services shall be applied a maximum annual price variation.
2. The average weighted variation of prices of these services shall not exceed, in 2015, CPI + 1.6%, in average nominal terms.
3. The average weighted variation of prices of these services shall not exceed, in each of the following years, CPI + CPICF + 1.6% + TCF, in average nominal terms.
4. The average weighted variation is obtained by using as variation weight of prices for each service, in their various formats and weight steps, the proportion of the gross invoicing associated to each format and weight step, in the gross invoicing total of services covered by this basket of services, both concerning the second civil year preceding the one for which the variation is being determined.
5. Without prejudice to the compliance with the maximum annual price variation specified in paragraphs 2 and 3 of this article, in case of service modalities that present a negative margin, prices notified by CTT must result in an increase of the margin or, ultimately, the maintenance of the margin of the service modality.
6. For the purpose of the application of pricing rules defined in this article, the following service modalities are taken into account, in their various formats and weight steps:
 - a) Priority/blue mail, in the national and international outgoing service;
 - b) Non-priority/standard mail, in the national and international outgoing service;
 - c) Easy mail, in the national and international outgoing service;
 - f) Registered mail and insured mail, in the national and international outgoing service;
 - h) Delivery services for books, newspapers and periodicals, in the national and international outgoing service;

- i) Postal parcel service, in the standard parcel modality, in the national and international outgoing service.
7. Where postal service modalities integrating the provision of the universal service are created or altered, its inclusion in the regime herein shall be the subject of a decision by ICP - ANACOM. For this purpose, the creation or alteration of postal service modalities must be communicated by CTT to ICP - ANACOM in advance.

Article 9

Maximum price variation of non-priority/standard mail up to 20g

Without prejudice to the maximum price variation defined in article 8, the average annual price variation of non-priority/standard mail up to 20g, in the national service, paid with stamps and postage stamps at postal establishments, shall not exceed 7.5%, in each of the years 2015, 2016 and 2017, in nominal terms.

Article 10

Maximum price variation of reserved services

1. Prices of the basket of reserved services shall be applied a maximum annual price variation.
2. The average weighted variation of prices of reserved services shall not exceed, in 2015, $CPI + CPICF - 3.5\%$, in average nominal terms.
3. The average weighted variation of prices of reserved services shall not exceed, in each of the following years, $CPI + CPICF - 3.5\% + TCF$, in average nominal terms.
4. The average weighted variation is obtained by using as variation weight of prices for each service, in their various formats and weight steps, the proportion of the gross invoicing associated to each format and weight step, in the gross invoicing total of services covered by this basket of services, both concerning the second civil year preceding the one for which the variation is being determined.

5. Reserved services to which rules defined in this article apply are the legal summons and notifications service, in their various modalities, formats and weight steps.
6. Where postal service modalities integrating the provision of the universal service are created or altered, its inclusion in the regime herein shall be the subject of a decision by ICP - ANACOM. For this purpose, the creation or alteration of postal service modalities must be communicated by CTT to ICP - ANACOM in advance.

Article 11

Failure to comply with levels of quality of service

1. Variation of prices defined in article 8 depends on compliance with performance objectives associated to the provision of the universal service, defined by ICP - ANACOM under paragraph 1 of article 13 of the Postal Law.
2. In case of failure to comply with performance objectives referred in the preceding paragraph, the compensation mechanism defined in ICP - ANACOM's determination referred in the preceding paragraph shall apply.

Artigo 12º

Duration

1. Pricing criteria set out in this determination shall apply between 1 January 2015 and 31 December 2017.
2. The compensation mechanism referred in article 11 that concerns non-compliance occurred in 2017, may be applied as from 2018 inclusively.
3. These rules shall remain in force until the approval by ICP - ANACOM of a new decision on pricing criteria for postal services that comprise the universal service, in the scope and for the purpose of paragraph 3 of article 14 of the Postal Law.

Criteria approved by ANACOM decision of 24.11.2014, corrected by decision of 25.06.2015

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