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Determination of 13.12.2007

Evaluation of actions implemented by CTT up to the end of October and to be implemented until the end of 2007 in order to compensate users in general for failure to comply with certain indicators of quality of services in the year 2006

I. Background

1. The Universal Postal Service Quality Convention (Quality Convention)¹ between ICP – Autoridade Nacional de Comunicações (ICP-ANACOM) and CTT – Correios de Portugal, S.A. (CTT) was signed on 21 April 2006 pursuant to Clause 12 of the Universal Postal Service Concession Agreement, signed on 1 September 2000² and also pursuant to paragraph 5 of article 8 of Law no. 102/99 of 26 July³. The Quality Convention sets and publishes the parameters and minimum levels of quality of services associated with the provision of the universal postal service, which provision was incumbent on CTT during 2006.
2. In accordance with the provisions of the Quality Convention (art. 10, para.1), ICP-ANACOM monitors the values accomplished by CTT in respect of the evolution of the quality of service indicators (IQS).
3. The Quality Convention sets out (art. 5, paragraph 1) that failure to comply with said levels of quality of service will affect the alterations made to the prices of reserved services as set out in the Universal Postal Service Price Convention (Price Convention)⁴ in accordance with the terms and percentages set out in paragraph 2 of the Annex to the Quality Convention, taking effect solely and exclusively in the year following that in which the non-compliance is deemed to have occurred. Situations of non-compliance shall be monitored by ICP-ANACOM, having heard CTT (art. 5, para.2).
4. In 2006 CTT was deemed to have failed to comply with certain of the IQS to which it was committed, and in view of the need to apply the provisions of the Quality Convention⁵, the Board of Directors of ANACOM, by determination of 5 September⁶, did not oppose the

¹ <http://www.anacom.pt/template12.jsp?categoryId=191422>.

² Made under the terms of and pursuant to Decree Law no 448/99 of 4 November (<http://www.anacom.pt/template20.jsp?categoryId=2011&contentId=185353>, as amended by Decree-Law no 116/2003 of 12 June (<http://www.anacom.pt/template20.jsp?categoryId=5855&contentId=17286>).

³ <http://www.anacom.pt/template20.jsp?categoryId=17566&contentId=121497>, as amended by Decree-Law no 116/2003 of 12 June (<http://www.anacom.pt/template20.jsp?categoryId=17568&contentId=111978>).

⁴ <http://www.anacom.pt/template12.jsp?categoryId=191402>.

⁵ See ICP-ANACOM determination of 18 July 2007, at <http://www.anacom.pt/template31.jsp?categoryId=248362>.

⁶ <http://www.anacom.pt/template31.jsp?categoryId=252302>.

implementation of the deductions proposed by CTT in order to compensate users in general for the shortfall in quality of service seen that year, without prejudice to the implementation of mechanisms for controlling their accomplishment.

5. ICP-ANACOM further determined that in November CTT should submit to this Authority the results of the performed control by the end of October 2007, as well as, in event of failure to fully execute the actions set forth, a proposal for additional measures for implementation up to the end of 2007, with a view to accomplishing full compliance with the objectives which the measures initially proposed by CTT were designed to achieve.
6. Accordingly, CTT submitted this report to ICP-ANACOM by letter no 51133 of 2007, setting out the results of the actions which were implemented up to October 2007 in order to compensate users in general for non-compliance with certain IQS in 2006.

II. Results of the execution of current measures

7. The measures initially proposed by CTT, which envisaged benefits for users to a value of 2,935,000.00 Euros, corresponding to slightly over 1% of the estimated net revenues from reserved services for 2007 (**[Start of Confidential Information]**⁷ **[End of Confidential Information]**⁸), are summarised in **Table 1**.
8. It is shown that:
 - a) For reasons associated with more suitably communicating the Actions and their execution (CTT letter no 50857 of 07/09/2007), Actions 3 and 4 will commence in October (and not in September as initially expected), continuing during the month of November;
 - b) In order to increment the execution of Action 3, in the month of November CTT increased the offer from one to two priority mail (*correio azul*) envelopes (DL format) to occasional customers who travel to any post office and mail at least one postal item on Tuesdays between 10am and 12am or during the first two hours of opening where post offices are closed during that period. (CTT letter no 51039 of 05/11/2007).

Table 1 – Measures to be implemented by CTT

Action 1: Offer of postage costs in the acquisition of custom made stamps (“ <i>meuselo</i> ”) for use in mailing normal national mail with a weight not exceeding 20g. This offer will be applied following the publication of the notice which governs this offer (already approved by the Assistant Secretary of State for Public Works and Communications) and until the end of 2007.
Action 2.1: Offer of stamps and cards to the <i>Comissão de Acompanhamento do Plano Nacional de Leitura</i> (National Reading Plan Supervision Committee) for use/distribution in specific measures (to be defined by the Committee) which fall within the scope of academic records; Communication to be made in October on World Post Day
Action 2.2: Offer of part of the school stamp issue of 2007, as well as the entire unsold 2006 issue, to CAPNL for use/distribution in specific measures (to be defined by the Committee) which fall within the scope of academic records. Communication to be made in October on World Post Day. Stamps to be used for items of normal national mail not exceeding 20g in weight.
Action 3: - Offer of priority mail pre-stamped envelopes (DL format) to occasional customers who travel to any post office and mail at least one postal item on all Tuesdays in October and November

⁷ Hereinafter [SCI].

⁸ Hereinafter [ECI].

between 10am and 12am (or during the first two hours of opening where post offices are closed during that period). Offer of 1 envelope in October and 2 envelopes from the beginning of November.

Action 4: Granting of an additional discount of 5% (to add to the discount tables) in reserved services of normal national mail, national priority mail (*correio azul*) and national Direct Mail, to contractual customers who during the months of September and October register an increase in monthly traffic over the same period in the previous year.

9. The analysis of the control report submitted by CTT allows it to be verified that, up to the end of October 2007, the measures implemented by CTT correspond to a benefit to users to a value of 834,342.00 Euros (see **Table 2**), which is the equivalent of around 28% of the total benefit for users forecast in respect of the measured proposed by CTT (2,935,000.00 Euros).
10. This level of accomplishment results from:
 - a) slippages in a month of Action 4 in respect of the discounts to be granted to contractual customers;
 - b) the fact that it was forecast that Action 2 be implemented in December, whereas, according to CTT, the process of preparing the sending out of the stamps and postcards is currently underway and will be distributed by schools at the start of December.
 - c) lower take-up of Action 1 and 3 directed at the remaining types of customers.

Table 2 – Impact of actions underway

Actions		Financial impact estimated by CTT (initial)	Accomplishment in October		Forecast of execution up end of 2007		
N.º	Designation		Value	% of forecast	Value	% of forecast	
Initial Actions	1	"meuselo"	[SCI] [ECI]	[SCI] [ECI]	2.5%	[SCI] [ECI]	47.3%
	2.1	National Reading Priority mail postcards Plan	225 000.00 €	0.00 €	0.0%	225 000,00 €	100.0%
	2.2	School issue stamps	123 000.00 €	0.00 €	0.0%	123 000,00 €	100.0%
	3	"Happy Hour"	[SCI] [ECI]	[SCI] [ECI]	8.6%	[SCI] [ECI]	22.4%
	4	Discounts to contractual customers	[SCI] [ECI]	[SCI] [ECI]	42.7%	[SCI] [ECI]	85.5%
Total actions		2 935 000.00 €	834 342.00 €	28.4%	2 177 150.00 €	74.2%	
Actions directed at contractual customers		Value	[SCI] [ECI]	[SCI] [ECI]	42.7%	[SCI] [ECI]	85.5%
		%	[SCI] [ECI]	[SCI] [ECI]	n.a.	[SCI] [ECI]	n.a.
Other actions		Value	[SCI] [ECI]	[SCI] [ECI]	4.0%	[SCI] [ECI]	54.9%
		%	[SCI] [ECI]	[SCI] [ECI]	n.a.	[SCI] [ECI]	n.a.

Source: CTT data.

11. Note that CTT considered the inclusion of the postage costs incurred by mailing of cards and stamps to schools, as set out in Action 2, as a benefit for consumers.
12. ICP-ANACOM does not accept consideration of this cost, given that it is treated as a cost incurred by CTT in the implementation of Action 2 and does not correspond to a benefit for users, seen as a reduction in costs for users in the mailing of postal objects.
13. This cost, corresponding to 6,080.00 euros, is therefore not included in **Table 2**.
14. Therefore in view of and considering the reduced accomplishment in the month of October 2007 as well as the estimates of CTT for the execution of the measures underway until the

end of 2007, it is estimated that the overall financial impact of the measures underway totals 2,177,150.00, corresponding to around [SCI] [ECI] of the objective. This impact is under 95% of the value corresponding to 1% of the revenues from reserved services (object of the Price Convention) to be derived in 2007 without application of the deduction.

15. Therefore, CTT presented additional measures to accomplish this objective by the end of 2007.

III. Complimentary measures proposed by CTT

16. CTT proposed the complimentary actions indicated in **Table 3**.

Table 3 – Complimentary measures proposed by CTT for implementation up to end of 2007

Action A: General offer of a Christmas card (normal post) to be distributed in the letter boxes of private customers.
Action B: Offer of illustrated cards to the students of the schools of the Azores and Madeira. Distribution is undertaken by the Regional Directorates of CTT in cooperation with the Regional Educational Directorate of each Autonomous Region.
Action C: Offer of priority mail (<i>correio azul</i>) cards in hospitals, prisons and Institutions of Social Solidarity (<i>Instituições de Solidariedade Social</i>) in cooperation with the government bodies which oversee such entities.
Action D: Granting of a further 5% discount (in addition to the discount table), calculated on the consumption of normal national mail, priority mail and national Direct Mail made during the months of October and November, to be applied in the top-ups to be made in December..

17. The complimentary measures proposed by CTT allow, in view of the premises considered by CTT, to further compensate users in general to a value of 799,000.00 Euros.
18. It is forecast that the measures initially proposed by CTT in conjunction with the complimentary measures here presented would imply benefits for users to a value corresponding to 2,976,150.00 euros. This is acceptable in that it is slightly above the previously defined objective (see **Table 4**).

Table 4 – Estimated impact of the measures to be implemented by CTT

	Action		Financial impact estimated by CTT (initial)	Execution in October		Final execution forecast	
	No	Designation		Value	% of forecast	Value	% of forecast
Initial Actions	1	"meuselo"	[SCI] [ECI]	[SCI] [ECI]	2.5%	[SCI] [ECI]	47.3%
	2.1	National Reading Plan	225 000.00 €	0.00 €	0,0%	225 000.00 €	100.0%
	2.2	School issue stamps	123 000.00 €	0.00 €	0,0%	123 000.00 €	100.0%
	3	"Happy Hour"	[SCI] [ECI]	[SCI] [ECI]	8.6%	[SCI] [ECI]	22.4%
	4	Discounts to contractual customers	[SCI] [ECI]	[SCI] [ECI]	42.7%	[SCI] [ECI]	85.5%
Complimentary Actions	1	BP Natal	n.a.	n.a.	n.a.	600 000.00	n.a.
	B	BPI Schools Azores / Madeira	n.a.	n.a.	n.a.	[SCI] [ECI]	n.a.
	C	BP Hospitals, Prisons and ISS	n.a.	n.a.	n.a.	112 500.00	n.a.
	D	Discount MF and CC (pre-act.)	n.a.	n.a.	n.a.	[SCI] [ECI]	n.a.
Total actions			2 935 000.00 €	834 342.00 €	28.4%	2 976 150.00 €	101.4%
Actions directed at contractual customers			Value [SCI] [ECI]	[SCI] [ECI]	42.7%	[SCI] [ECI]	88.1%
			% [SCI] [ECI]	[SCI] [ECI]	n.a.	[SCI] [ECI]	n.a.
Other actions			Value [SCI] [ECI]	[SCI] [ECI]	4.0%	[SCI] [ECI]	124.2%
			% [SCI] [ECI]	[SCI] [ECI]	n.a.	[SCI] [ECI]	n.a.

Source: CTT data.

19. As a consequence of the forecast actions and the forecast of their accomplishment up to the end of 2007 as presented by CTT, the weight of benefits to contractual customers will be [SCI] [ECI] of the total, which does not correspond to the relative importance underlying the initial measures ([SCI] [ECI]), an aspect with CTT should address in view of that set out in the determination of 5 September 2007.

IV. Decision

20. In view of the analysis made, the Board of Directors of ICP-ANACOM, in the exercise of the remit conferred upon it by points b), d), h) and n) of paragraph 1 of article 6, under the terms of article 10 and of point b) of article 26, all of its Statutes, approved by Decree-Law no 309/2001 of 7 December, pursuant to the provisions of article 5 and of paragraph 2 of the Annex to the Universal Postal Service Quality Convention, and of article 8 and 10 of the Universal Postal Service Price Convention, both made between ICP-ANACOM and CTT on 21 April 2006, determines:

- not to oppose the proposal for complimentary measures to be implemented by CTT up to the end of 2007, whereas no cost associated with the implementation of the proposed measures shall be included in the calculation of benefits.
- reiterate the need to accomplish the established objectives and to send, no later than 31/01/2008, the report containing the overall results of the actions implemented by CTT, so that such may be reviewed and evaluated by ICP-ANACOM.