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**NETWORK OF POSTAL ESTABLISHMENTS
CTT – CORREIOS DE PORTUGAL, S.A.,
AS AT THE END OF FIRST HALF 2007**

INDEX

1.	EXECUTIVE SUMMARY	1
2.	BACKGROUND.....	3
3.	EVOLUTION OF NETWORK OF POSTAL ESTABLISHMENTS	4
4.	INTERNATIONAL COMPARISON.....	9
5.	NOTIFICATIONS MADE TO ICP-ANACOM PURSUANT TO PARAGRAPH 4 OF BASE XX OF THE CONCESSION	11

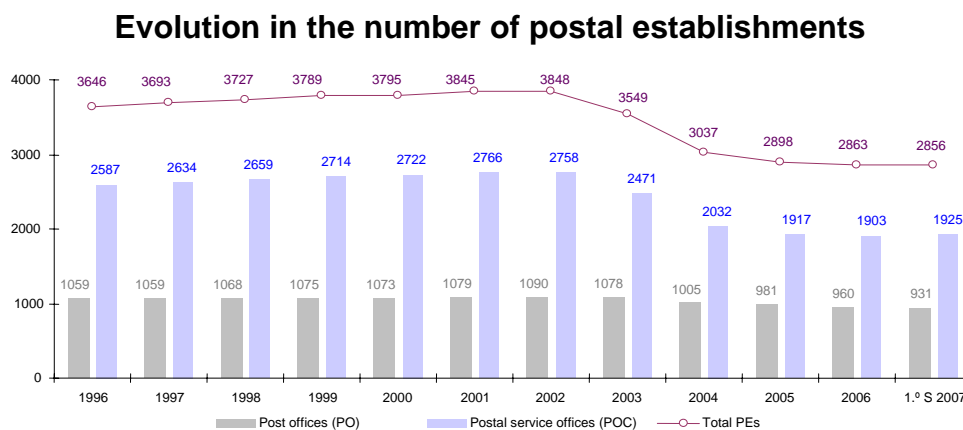
The following information refers to the postal establishments of the universal postal service concessionaire (CTT – Correios de Portugal. S.A.) as well as to private establishments and those of other entities where postal services conceded to CTT are provided.

1. EXECUTIVE SUMMARY

At the end of the first half of 2007 there were 2,856 postal establishments in operation (7 less than at the end of 2006), of which 919 were permanent post offices (29 less than at the end of 2006), 12 were mobile post offices and 1,925 were postal service offices¹ (22 more than at the end of 2006).

In 25 (32 at the end of 2006) of these permanent post office the customer service operations are contracted out in accordance with Base XXII, paragraph 1 of the Universal Postal Service Concession.

A reduction has been seen in the number of postal establishments since 2002 (see Graph below), resulting essentially from a reduction in postal service offices, although this trend has levelled off in the last 2 years.



Source: CTT data.

Note: Figures for end of each indicated period.

As at the end of the first half of 2007 there was at least one post office located within each municipality.

¹ Postal service offices are establishments operated under contract by third parties. In all such offices, the postal services which make up the universal service are provided (Source: CTT).

Taking the whole network of postal establishments into consideration (post office and postal service office networks), at the end of the first half of 2007:

- a) In 6% of Municipalities (*Concelhos*) (19 Municipalities in total) there was only one postal establishment, the same figure as that recorded at the end of 2006;
- b) In 53% of parishes (*Freguesias*) there was at least one postal establishment. It is also shown that: there was at least one postal establishment in 28% of parishes with less than 1000 inhabitants; there was at least one postal establishment in 78% of parishes with 1000 or more inhabitants.

According to CTT, all post offices provide the full range of concession services and 46% of postal service offices do not offer parcel services, although providing the remaining concession services.

Based on available data (source UPU) on the network of permanent postal establishments belonging to the providers of universal service in the Member States of the European Union (EU), with reference to 2005, it can be concluded that the situation in Portugal compares favourably with the average of the EU (excluding Portugal), both in terms of postal coverage (average area, in km², per fixed postal establishment) and in terms of postal density (average number of inhabitants per fixed postal establishment).

A third of the postal establishment network consists of post offices managed by CTT. The remaining two-thirds are managed by third parties (postal service offices). This second figure is surpassed, according to the UPU's 2005 data, only by Denmark (77%), Finland (78%), Sweden (81%), Ireland (94%), Cyprus (95%) and the United Kingdom (97%).

2. BACKGROUND

In accordance with paragraph 3 of Base XX of the Bases for the Universal Postal Service Concession (Concession)², the following are incumbent upon CTT:

- a) The creation and closure of postal establishments (PE);
- b) The alteration of the working hours of postal establishments, bearing in mind service needs and levels of demand.

CTT is bound to notify ANACOM of decisions which it takes in respect of the above, and shall, in respect of the closure of postal establishments or the reduction of the working hours of postal establishments, provide grounds for such decisions, especially in terms of service needs, levels of demand and satisfaction of the communication needs of the population and of economic activities (paragraph 4 of Base XX, in the amendment enacted by Decree-Law no 112/2006 of 9 June).

By amendment to the Concession Bases approved by Decree-Law no 448/99 of 4 November, enacted firstly by Decree-Law no 116/2003 of 12 June and subsequently by Decree-Law no 112/2006 of 9 June, modifications have been made to the procedures to be followed where CTT makes decisions in respect of the creation and closure of establishments or alteration of their working hours.

Previously, any decision made by CTT in this respect was subject to the prior favourable opinion of ICP-ANACOM (paragraph 2 of Base XX, in the amendment of Decree-Law no 448/99 of 4 November).

With the amendments enacted by Decree-Law no 116/2003, ICP-ANACOM was empowered only to oppose those decisions of CTT which regard the closure of establishments or reduction of their working hours.

Subsequently, under Decree-Law no 112/2006, CTT is bound, as stated above, to notify ANACOM of decisions it makes in this respect, and shall, in respect of the closure of postal establishments or the reduction of the working hours of postal establishments, provide grounds for such decisions, especially in terms of service needs, levels of demand and satisfaction of the communication needs of the population and of economic activities

² Approved by Decree-Law no 448/99 of 4 November (<http://www.anacom.pt/template20.jsp?categoryId=5855&contentId=17286>) as amended by Decree-Law no 116/2003 of 12 June (<http://www.anacom.pt/template20.jsp?categoryId=5855&contentId=111988>) and by Decree-Law no 112/2006 of 9 June (<http://www.anacom.pt/template20.jsp?categoryId=5855&contentId=381752>).

3. EVOLUTION OF NETWORK OF POSTAL ESTABLISHMENTS

At the end of the first half of 2007 there were 2,856 establishments in operation (see **Graph 1**), of which:

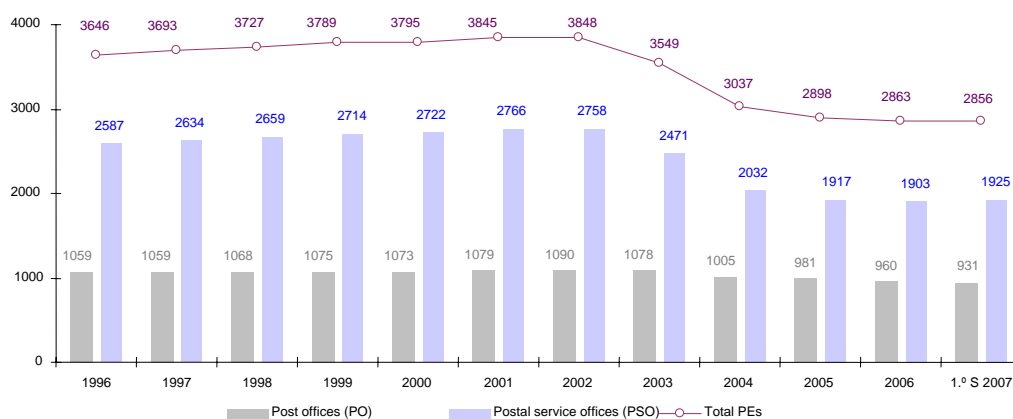
- a) 919 permanent post offices (including 20 postal agencies³);
- b) 12 mobile post office⁴;
- c) 1925 postal service offices⁵.

In comparison to the end of 2006, there has been a reduction of 7 postal establishments, consisting by a reduction of 29 post offices offset by an increase of 22 in the number of postal service offices.

As at the end of the first half of 2007, in 25 of these permanent post offices the customer service operations are contracted out in accordance with Base XXII, paragraph 1 of the Universal Postal Service Concession, giving a decrease of 7 compared to the 32 where these services were contracted out at the end of 2005. These post offices are generally designated as partnership shops⁶.

As shown in **Graph 1**, there has been a continuous reduction in the number of postal establishments since 2002, resulting essentially from a reduction in the number of postal service offices.

Graph 1 – Evolution of the number of postal establishments



Source: CTT data.

Note: Figures for end of each indicated period.

³ Postal agencies are postal establishments which are the same as post offices in physical terms and in terms of the level of postal services provided to users and customers, being different from post offices only in terms of the internal organisation of CTT, given that these are establishments which depend, in terms of hierarchical structure, on offices (Source: CTT)

⁴ Mobile post offices are postal establishments installed in automobile vehicles which follow previously defined routes and which stop in specific areas not served by permanent offices. The services provided are the same as those provided by fixed postal offices (Source: CTT).

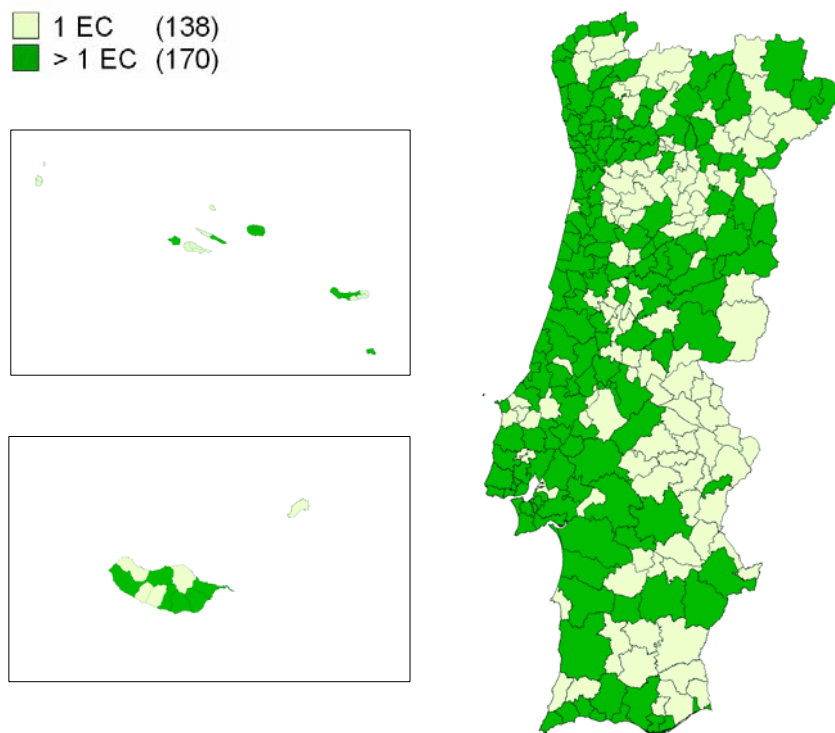
⁵ Postal service offices are establishments, operated under contract by third parties. All of these offices provide the postal services which make up the universal service (Source: CTT).

⁶ Partnership shops are postal establishments with contracts made between CTT and another entity for the contracting out of the customer service operations in post offices. The postal services which make up the universal service are provided in the name of and behalf of CTT (Source: CTT).

In respect of post offices, at the end of the first half of 2007:

- a) There was at least one post office located in every Municipality (*Concelho*) (see **Graph 2**);
- b) In 138 Municipalities (45% of the total number of Municipalities) there was only one post office, three additional Municipalities (Peso da Régua, Vale de Cambra and Vinhais) since the end of 2006.

Graph 2 – Number of post offices per Municipality on 30/06/2007

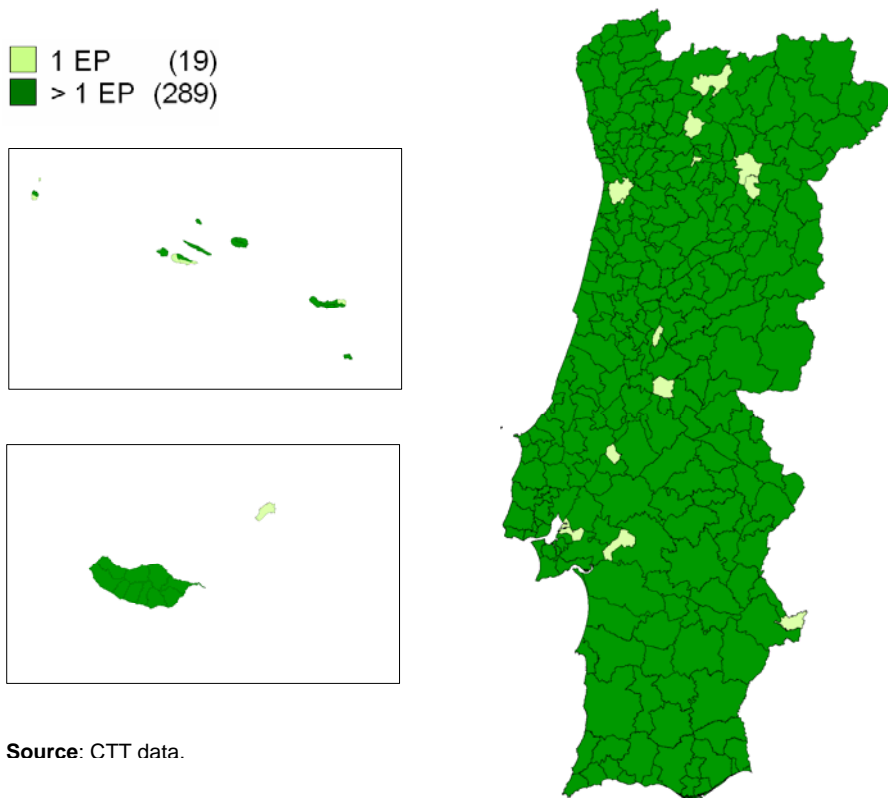


Source: CTT data.

Considering the entire network of postal establishments (that is including the network of post offices and postal service office), at the end of the first half of 2007:

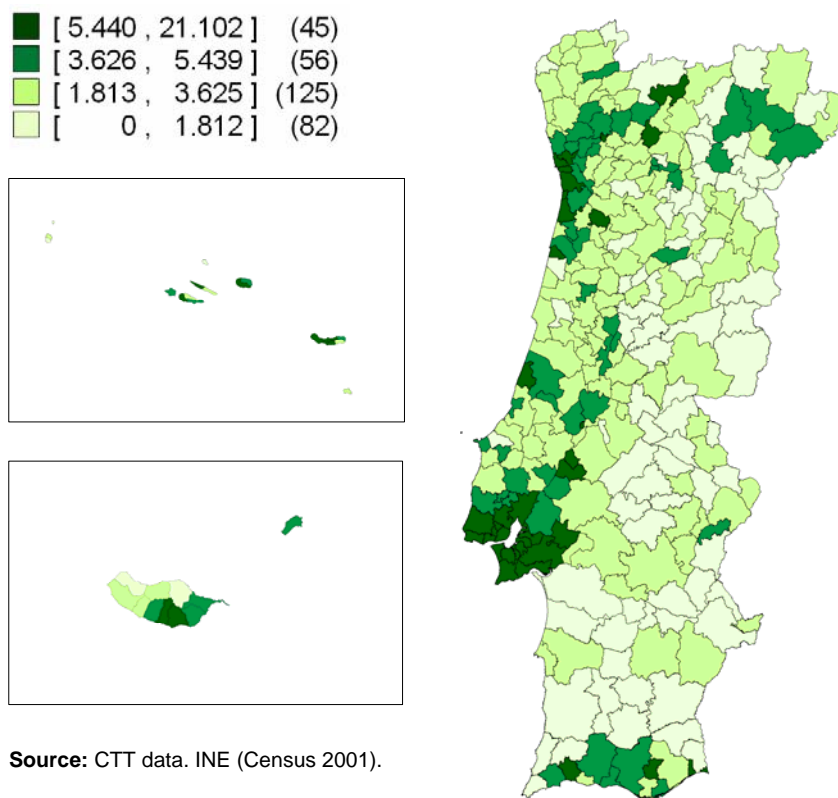
- a) In 19 Municipalities there was only one postal establishment, corresponding to 6% of the 308 Municipalities in Portugal; in the remaining Municipalities there was more than one postal establishment (see **Graph 3**);

Graph 3 – Number of post establishments per Municipality on 30/06/2007



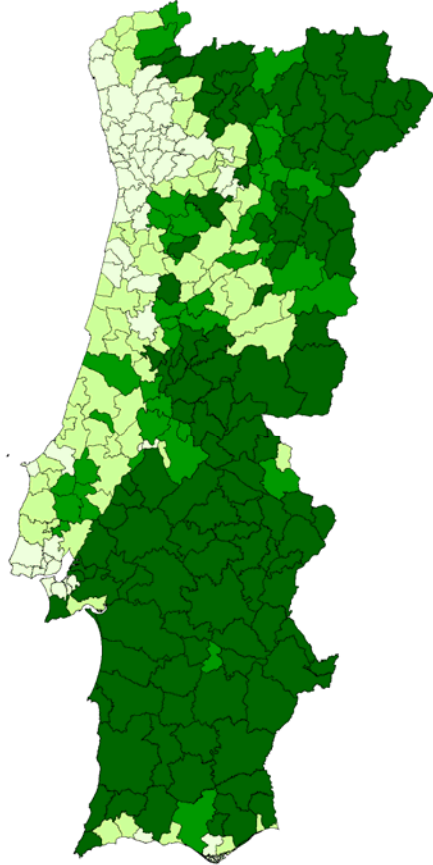
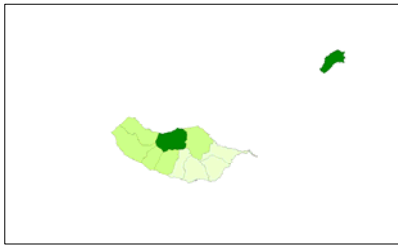
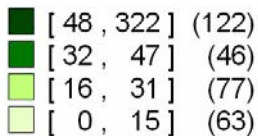
- b) On average, each postal establishment serviced 3,626 inhabitants. Density was highest in the regions of Aveiro, Faro, Lisboa, Porto, Santarém and Setúbal, in line with the population of the territory (see **Graph 4**). A figure above the national average was also recorded in certain Municipalities of the Autonomous Region of the Azores, the Autonomous Region of Madeira and the District of Bragança, among others;

Graph 4 – Density of postal establishments, by Municipality on 30/06/2007 (resident population per postal establishment)



- c) On average it is possible to find one postal establishment for every 32 km². In the interior regions of the North and Centre and *Sul do Tejo*, as well as on the islands of Santa Maria, São Miguel, Terceira, São Jorge, Pico, Faial and Flores in the Autonomous Region of the Azores, there is a higher level of postal coverage (km² per postal establishment) – **Graph 5**;
- d) The percentage of Parishes (*Freguesias*) with at least one PE is 53%, corresponding to 2,235 Parishes (4 more Parishes than at the end of 2006), taking into account a total of 4,241 Parishes (2001 Census). It is further shown that the Parishes with at least one PE and which have less than 1000 inhabitants corresponds to 28% (610 Parishes; 611 at the end of 2006). Meanwhile, the percentage of Parishes with 1000 or more inhabitants and with at least one PE corresponds to 78% (1,625 Parishes; 1,620 at the end of 2006).

Graph 5 – Coverage of postal establishments, by Municipality on 30/06/2007 /km² per postal establishment)



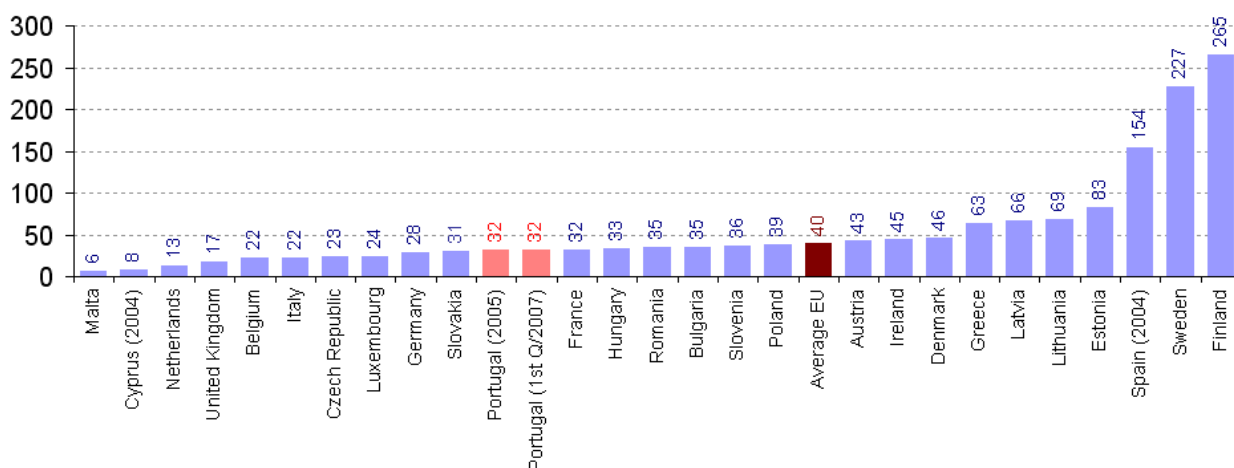
Source: CTT data. INE (Census 2001).

According to CTT, all post offices provide the full range of concession service and 46% do not offer parcel services, while providing the remaining concession services.

4. INTERNATIONAL COMPARISON

Based on available data (source UPU⁷) on the network of permanent postal establishments⁸ of the providers of universal service in the Member States of the European Union (EU), with reference to 2005, it can be concluded that the situation in Portugal compares favourably to the EU average (excluding Portugal), both in terms of coverage (Graph 6) and in terms of density of permanent postal establishments (Graph 7).

Graph 6 – Coverage of permanent postal establishments in EU in 2005*
(km² per permanent postal establishment)

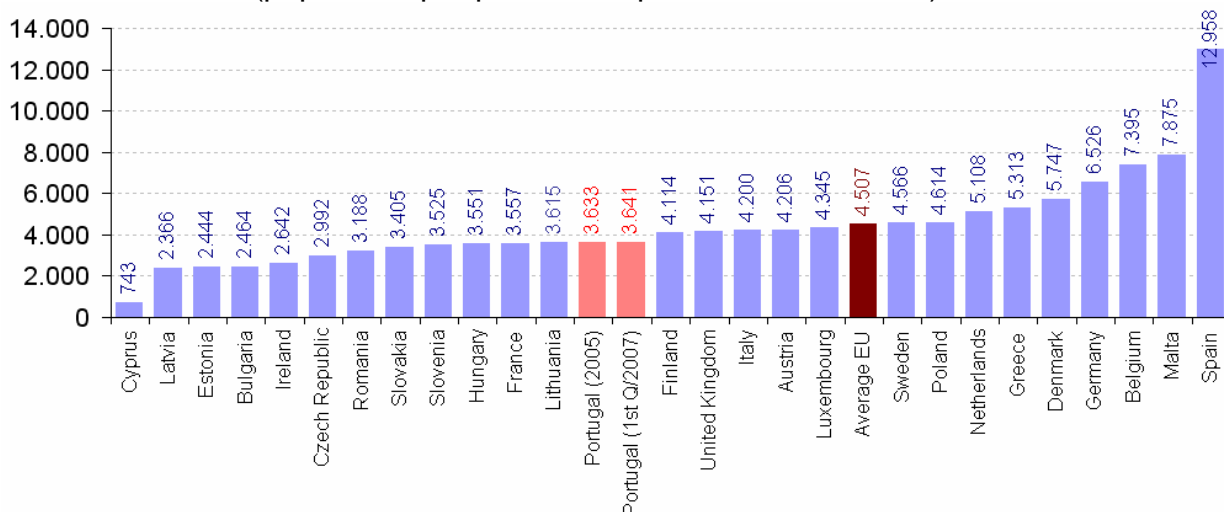


Source: UPU (2005), except for Cypriot and Spanish data which refers to 2004.

*Portugal (1H07): Number of permanent postal establishments – CTT; Area of Portugal – INE (91,946.7 km²).

Note: Consideration is not made, for example, of mobile post offices and postmen who also provide the services offered in permanent postal establishments.

Graph 7 – Density of permanent postal establishments in EU in 2005*
(population per permanent postal establishment)



Source: UPU (2005), except for Cypriot and Spanish data which refers to 2004.

*Portugal (1H07): Number of permanent postal establishments – CTT; Inhabitants in 2006 – INE (10,599,095 inhabitants).

Notes: Consideration is not made, for example, of mobile post offices and postmen who also provide the services offered in permanent postal establishments.

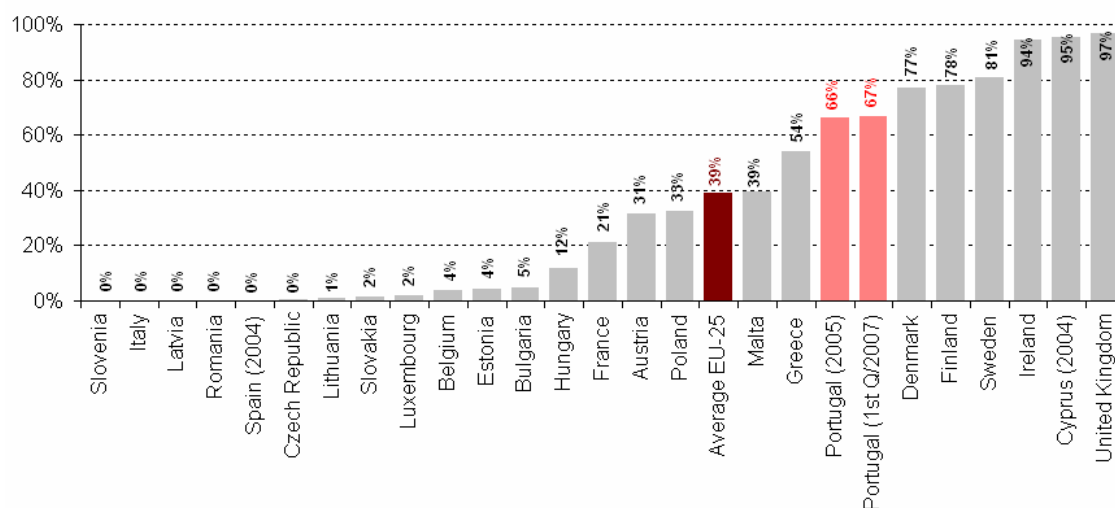
⁷ Universal Postal Union: www.upu.int.

⁸ Does not include mobile post offices.

The differences seen between the Member States of the EU may result from the geographic particularities of each country. They may also result from the fact that in some countries postmen provide similar postal services to those provided in postal establishments.

One third (33%) of the postal establishment network consists of post offices managed by CTT. The remaining two-thirds (67%) are managed by third parties (postal service offices). This second figure is surpassed, according to the UPU's 2005 data, only by Denmark (77%), Finland (78%), Sweden (81%), Ireland (94%), Cyprus (95%) and the United Kingdom (97%) - see **Graph 8**.

Graph 8 – Relative importance of permanent postal establishments managed by third parties (2005*)



Source: UPU (2005), except for Cypriot and Spanish data which refers to 2004.
*Date for Portugal (1H07): CTT.

UPU definition of postal establishments managed by third parties: Postal establishments managed by persons other than the universal service provider (USP), based on a contract made between the parties.

The UPU does not give data for Germany and Holland. Based on data published by the German regulator in its 2005 Report and Accounts⁹ (page 110), the relative importance of permanent postal establishments managed by third parties was 55% in 2005. According to data published in the study of WiK-Consult *Main Developments in the European Postal Sector*¹⁰ of July 2004 (pages 46/58 and 47/58 of *Appendix C – Sector Development*), in Holland in 2003, 86% of postal establishments were managed by third parties.

⁹ <http://www.bundesnetzagentur.de/media/archive/5278.pdf>.

¹⁰ http://ec.europa.eu/internal_market/post/doc/studies/2004-wik-final-appendices_en.pdf.

5. NOTIFICATIONS MADE TO ICP-ANACOM PURSUANT TO PARAGRAPH 4 OF BASE XX OF THE CONCESSION

During the first half of 2007, ICP-ANACOM received 42 notifications from CTT pursuant to paragraph 4 of Base XX of the Concession, in the amendment enacted by Decree-Law no 112/2006 of 9 July, categorised as follows:

- 4 notifications in respect of the closure of post offices;
- 27 notifications in respect of the closure of post offices and their replacement by postal service offices;
- 5 notifications in respect of reductions in post office working hours;
- 6 notifications in respect of other alterations to post office working hours which do not imply a reduction in the daily timetable.

No notification was made in respect of post offices openings.