

I.3 Postal services

I.3.1 Universal service

Agreements

The negotiation of a new price Convention for the universal postal service began in 2005 and its signing was postponed to 21 April 2006, but applying to the period between 1 January 2006 and 31 December 2006. The price convention regulates and defines the rules for the setting of prices of the services that are part of the universal postal service provided by CTT and including the reserved and non-reserved areas.

The signing of a new universal postal service quality Convention was also postponed to 21 April 2006, applying to the period between 1 January 2006 and 31 December 2006. The quality Convention sets the quality of service parameters and levels mandatory for CTT as providers of the universal postal service

Negotiations between ICP-ANACOM and CTT continued for the signing of a convention on the development objectives of the public postal network and minimum services provided, as foreseen on Basis XV of the bases for the concession of the universal postal service approved by Decree-Law no. 448/99 of 4 November, changed by Decree-Law no. 116/2003 of 12 June. ICP-ANACOM sent to CTT a proposal of a Convention on 30 June 2005 and the latter sent a counter-proposal on 18 July 2005, which was analysed by the regulator.

Price affordability

Within the scope of the price Convention for the universal postal service of 20 January 2004, ICP-ANACOM decided in 2004 not to oppose to the entry into force of the prices of services that are part of the universal postal service proposed by CTT for 2005.

According to this Convention, the weighted average variation of the prices of the reserved postal services for 2005 could not nominally exceed CPI minus 0.5 per cent.

Cost accountancy system

According to article 19 of Law no. 102/99 of 26 July and to Basis XIII of the bases for the concession, CTT must keep a cost accountancy system allowing the reckoning of each service's costs.

Further to ICP-ANACOM's 31 May 2005 approval of the statement of compliance of CTT's cost accountancy system for 2003, a notice was published in Series II of *Diário da República* no. 126, of 4 July 2005, making it public that this statement is available for consultation at ICP-ANACOM's attendance services and website. The European Commission was also given notice of the statement of compliance for that year.

An audit to CTT's cost accountancy system for 2004 took place in 2005. ICP-ANACOM's Determination on its conclusions and the statement of compliance of the system and of the results of the audit is expected in 2006.

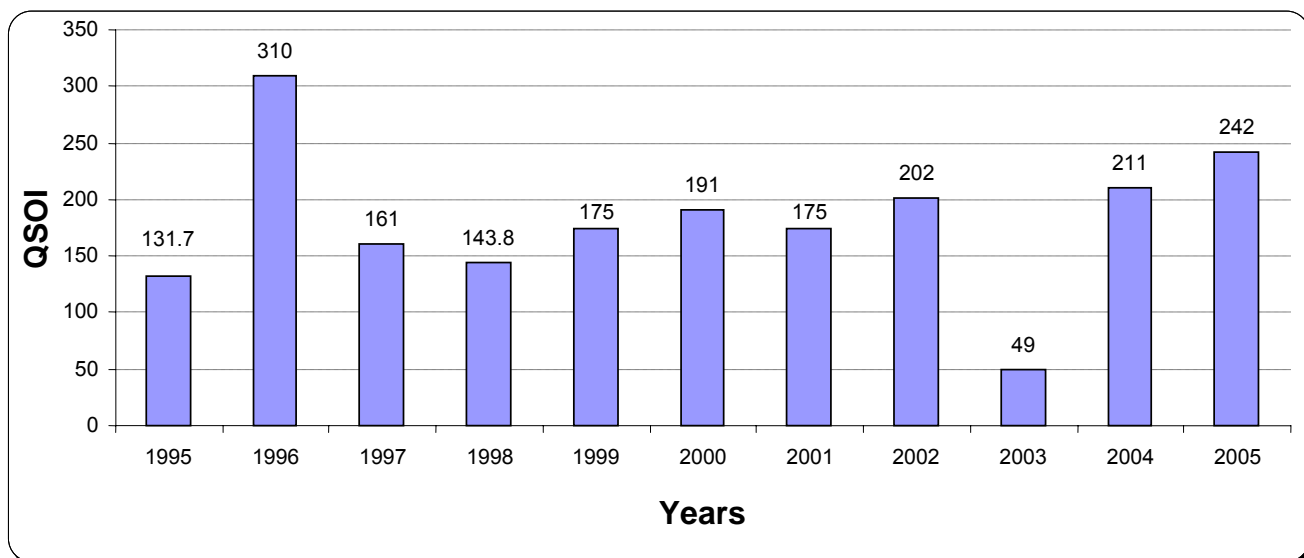
Quality of the universal postal service

Under the terms of the universal postal service quality Convention signed between CTT and ICP-ANACOM on 20 January 2004, ICP-ANACOM should monitor on a quarterly basis the quality of service indicators (QSI) of the postal service provider (CTT), and should evaluate the fulfilment of what was previously agreed upon at the end of each year.

An audit to CTT's quality of service indicators and to its complaint system for 2004 took place in 2005. ICP-ANACOM's Determination on its conclusions should take place in 2006.

Regarding the year 2005, it was verified by measurements made to the QSIs that the quality of service levels offered by CTT exceed the target values set in the universal postal service’s quality Convention, and therefore the Overall Quality of Service Indicator (OI) is valued above 100 (graph).

Graph 20 –Overall Quality of Service Indicator (OI)



As the above graph shows¹², the OI has had a positive evaluation since 1997, with figures consistently above 140, which was only interrupted in 2003 (49), because some of the quality of service indicators were not fulfilled in that year (as per the Regulation Report 2004).

The detailed analysis of all the indicators that are part of the OI can be read on part 002 of this report – State of communications.

¹² Because the OI figures are a result of the several QSI individual figures, comparing the OI evolution should be made with caution, taking into account changes to the QSI defined for each year and the method for their reckoning.

Setting up and shutting down postal offices and changes to working time

According to no. 2 of Basis XX of the universal postal service concession of 1 September 2000, with the text approved by Decree-Law no. 116/2003 of 12 June, it is the concessionaire's obligations:

- a) To open up and shut down postal offices;
- b) To change the postal offices' working time, taking into account the service needs and the demand levels.

Within the scope of no. 3 of the same Basis, CTT must inform ICP-ANACOM of their decisions to set up, shut down and change the working time of postal offices. In the cases with shutting down and reducing working time of post offices, notice must be given at least two months ahead of the date of the effects of that decision, and ICP-ANACOM may oppose to the execution of those decisions by informing CTT of that opposition.

This information to CTT must be sent together with the grounds on which it was made, namely regarding service needs, demand levels and meeting the population's and economic activities' needs (no. 4 of Basis XX).

Within this scope 34 notices were received from CTT in 2005, as shown in detail on the next table:

Table 13 – Notices from CTT

Denomination	Notices from CTT in 2005
Changes to post offices' working time	25
Shutting down of post offices	3
Shutting down of post offices and corresponding replacement with postal agencies ¹³	6
Setting up of post offices	0
Overall	34

Date: From 1 January 2005 to 29 December 2005.
Source: ICP-ANACOM.

Regulation defining the rules for assessment by ICP-ANACOM of notices from CTT to shut down or to reduce the working time of the post offices

ICP-ANACOM's Board of Directors approved on 4 October 2005 the draft regulation defining the rules for assessment by ICP-ANACOM of notices from CTT to shut down or to reduce the working time of post offices.

This draft regulation is intended to evaluate notices from CTT regarding the shutting down and the reduction to the working time of the post offices (post offices and postal agencies), including the set of parameters that should be used by this Authority to assess those notices. It is also intended to set up procedural rules by CTT and other entities that may be asked to participate in the regulator's decision process.

Thus, a consultation on this matter was launched on 11 October 2005. Its deadline for receiving comments ended on 23 November 2005.

¹³ Postal agencies are facilities owned by private entities or others, where CTT's postal services are provide, under contract.

I.3.2 Postal liberalization

The calendar stemming from the regulatory framework in force since Decree-Law no. 116/2003 of 12 June, for the gradual and progressive liberalization of the postal services market, is kept, although the scope of the reserved services has been changed, but simultaneously keeping the necessary guarantees for the provision of the universal service, in accordance with the community framework, with a single European market as the goal.

Thus, the following phases are planned for the opening up to competition of the market segments still reserved:

- Until 31 December 2005, liberalization of correspondence weighting over 100 grams and with price above three times the reference tariff (20 gram priority mail, for Portugal);
- From 1 January 2006, liberalization of correspondence weighting over 50 grams and with price equal or above two and a half times the reference tariff;
- On both phases, outgoing international traffic and direct mail are kept in the reserved area; these services are subject to the weight and price limits defining the integration or not of postal services in the reserved area.

Postal directive (Directive 97/67/EC of 15 December 1997, amended by Directive 2002/39/EC of 10 June 2002) mentions the possible full liberalization on 1 January 2009.