



France : A new postal regulatory framework

Joëlle Toledano, Commissionner
ARCEP

9th Königswinter Seminar

November 7-9 2005



Summary

1. ARCEP in a few words: mission and organisation
2. The new postal law : main regulation policies
3. What vision for regulating the French postal market ?

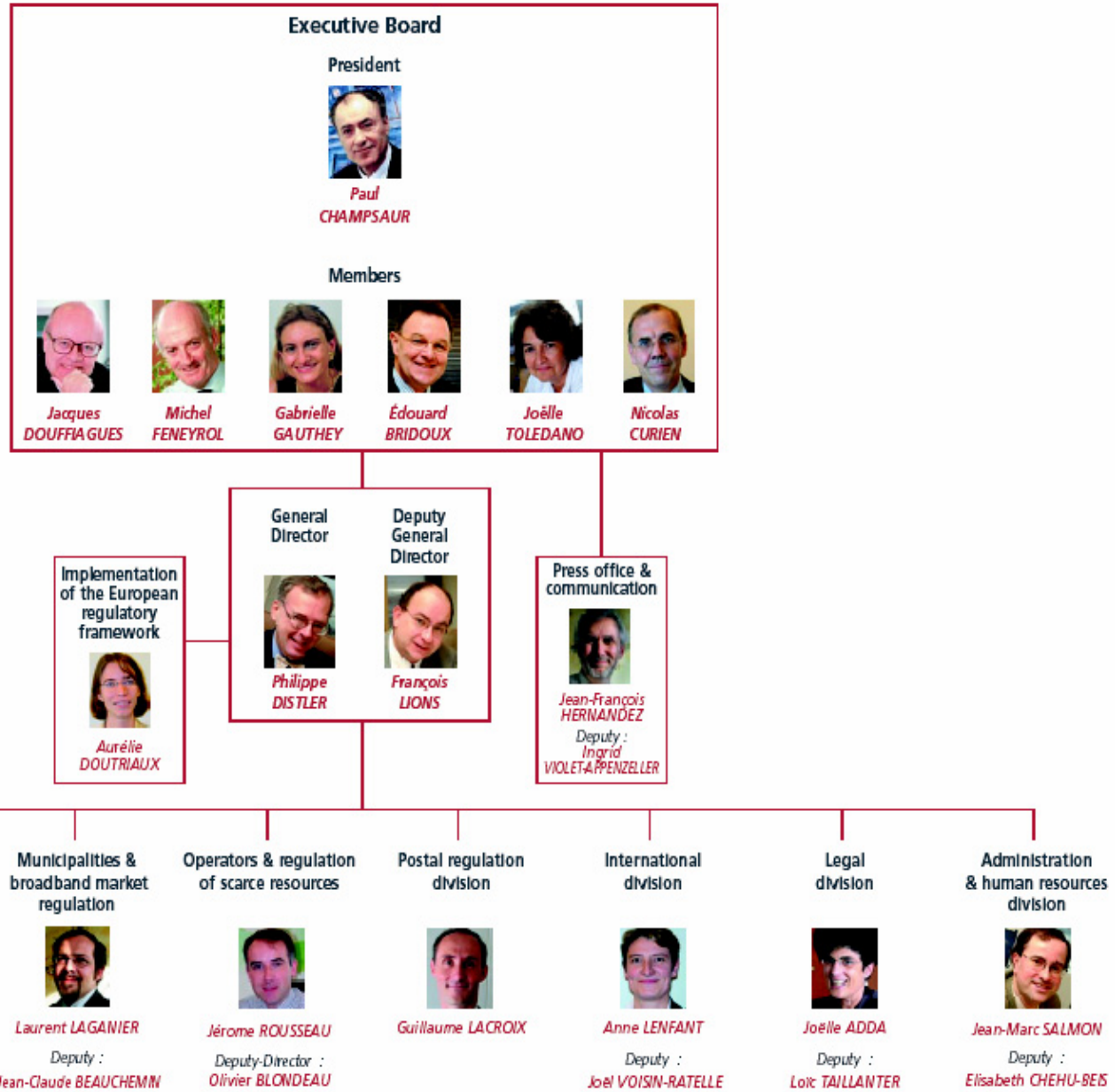
"Autorité de régulation des communications électroniques et des poste" = ARCEP

- **Since may 20th 2005**, stands for « Electronic Communications and Postal Regulatory Authority ».
- **Collegial Authority** : 7 Members (appointed for 6 years by President of the Republic, President of the National Assembly and the President of the Senate).

main activities:

- authorisations for P&EC operators.
- Fair competition in fixed/mobile/broadband telecom services (relevant markets etc..) as well as postal services to the benefit of users .
- Universal Service in P&EC : Provision and financing.
- Allocation of frequency spectrum for telecom services, and other scarce resources (numbering).
- Employment, competitiveness and innovation, taking into account the interests of regions and users in terms of access to services and equipment.

ORGANISATION CHART



Summary

1. ARCEP in a few words: mission and organization
2. The new postal law : main regulation policies and other provisions
 - Protecting the universal service.
 - Market organization.
 - Main other dispositions.
3. What vision for regulating the French market ?

Monitoring and protecting universal service obligation (1)

- ARCEP ensure
 - that the USO provider complies with all the obligations arising out of the legislative and regulatory provisions about USO.
 - fair financing of the USO.

- USO features will be precisely defined in secondary legislation : which services ? what quality of services ?How to access ??

- Price regulation :
 - Approval of rates for reserved area services.
 - Prices of non reserved services which are within the scope of universal service have to be notified to ARCEP which may publish its opinion.
 - Price-cap on universal services, to be defined by ARCEP.

Monitoring and protecting universal service obligation (2)

- ARCEP precise accounting principles, ensure annually compliance with these principles which is verified by a competent body.
 - Results are notified to ARCEP.
- ARCEP ensure compliance with quality targets for the universal service.
- An independent body is commissioned by ARCEP to conduct an annual service quality study.
 - results are published.

What are the conditions of implementation of the USO compensation fund ?

1. A first decree (secondary legislation) is needed to specify the methods for assessing, funding and sharing the net USO costs. This decree is adopted after ARCEP consultation.
2. The USO provider has to prove that it bears an unfair financial burden related to its universal service obligation.
3. A second decree sets up the compensation fund after a public opinion of ARCEP.
 - Funding : Authorized postal service operators (see below) and La Poste contribute in proportion of their turnover in the universal service scope (excluding press transport and delivery activities).

Market organisation

- authorisations limited to delivery activities
- Disputes settlements :
 - on bulk mail contracts.
 - on access of authorized operators to the facilities essential to provision of postal services.
- Investigations and penalties
 - to ensure compliance with legislative and regulatory provisions related to USO and authorisations duties.
- Reciprocal notification ARCEP ↔ Competition Council with regards to any anti-competitive practice.

Granting authorisations to promote competition

- authorisations limited to items of correspondence delivery and international postal services outside reserved area :
 - « regular deliveries » [threshold 100gr/3*(50gr/2,5* January 2006)] only concerned
 - upstream operators, courier, express and parcels operators, *a priori* excluded
 - many operators (international mail, courier and parcels operators, unaddressed mail deliverers) ask for information.
- Rights and duties
 - technical and financial capability, compliance with confidentiality, quality of service standards, procedures dealing with complaints, market data provision.
 - right of access to private letter boxes and to facilities essential to postal activities.
- Spirit of the new regulatory framework : general authorisations
 - accessible for all : few ex-ante conditions (essential requirements)
 - but broad scale of penalties, from warning to definite withdrawal (essential requirements, reserved area, etc.).
 - **decree to be released.**

Upstream regulation : disputes settlement on bulk mail contracts

- From 1st of November 2005, ARCEP may deliver rulings on disputes opposing the USO provider and the big senders, consolidators or authorized operators which would subcontract delivery to La Poste.
- Tariffs take into account avoided costs.
- Tariffs and technical access conditions to these contracts shall be established according to objective and non-discriminatory rules.
- These contracts may be disclosed to ARCEP at its request.

Regulation of competition on delivery networks : Right of access to authorised operators and disputes settlement

- By law, authorisations holders have access to :
 - postcode directory (geographical info : roads, addresses)
 - information collected on address changes
 - a redirection service for addressee change of address
 - a delivery service to PO boxes in post offices.

- ARCEP may deliver rulings on access agreements between La Poste and authorisations holders

- In order to be able to deliver postal items, the universal service provider and authorisations holder have access under the same conditions to private letter boxes
 - a decree to be released

Competencies of the Minister for postal services

- Preparation and implementation of postal legislation (after ARCEP consultation).
- Press tariffs approval (after ARCEP opinion).
- International relationships (ARCEP may be associated at the Minister request).
- Definition of universal service features that La Poste is required to provide (decree to be adopted after ARCEP consultation).

Main other dispositions in the postal law

- Definition and monitoring of regional development mission of La Poste (conditions on post offices network).
- All postal operators are now subject to a new scheme of liability which replaces the previous unliability of La Poste for damage, loss or delays.
- From 1st of January 2006, a postal bank should take over all previous financial activities of La Poste.

"La Banque Postale" : A new french postal bank ?

- Revenue : € 4 Billion ; 22% of the total.
- 9 % market share, number 6 on the retail banking market.
- Customers : 25 millions including lower class and "socially excluded people".
- until now, La Poste only grants specific real estate credit (after saving).
- Progressively on the future : all grants (consumer, all real estate), and all insurances.
- lengthy debate over the last period (more than 10 years).
- Opposition by bankers.
- Support by members of parliament, local authorities and customer bodies because La Poste was often cheaper than other retail banks and accepts socially excluded people.

Obligations besides USO scope with specific financing

- For newspapers and periodicals rates, cost orientation is not mandatory.
 - Pricing structure « must promote pluralism, especially for general and political information ».
 - Rates are approved by the government, ARCEP has to publish its opinion prior to the approval.
 - La Poste and newspapers deliverers receive compensations.

- In the law, the post office network goes beyond directive obligation for member states to ensure that the density of the points of contact and of the access points takes account of the needs of users.
 - The post office network has to contribute to the regional development

- They are mainly outside the scope of ARCEP regulation



Summary

1. ARCEP in a few words: mission and organization
2. The new postal law : main regulation policies
3. What vision for regulating the French market ?

Upstream French market

- A long tumultuous story... competition and commercial cases, EU litigation, etc.
- Revenue : around 1 Billion €
- Medium size companies, varied and dynamic (including subsidiaries of DPWN, Belgian Post, Bertelsmann, Wegener, Quebecor, etc.).
- Mailing houses and consolidators take in charge more than half of bulk mail volumes
 - 75% to 80% of direct mail
 - more than 30% of business mail

Upstream market for direct mail

SNELPD presentation



Database improvement

(Reorganization, harmonization, Meeting postal standards requirements).



Direct mail campaign optimization

(database management, segmentation of prospects, list provision, mailing preparation and conditioning...).



Mail ordering logistics

(inventory management, order fulfillment, packaging, mailing, Billing, payment collection).

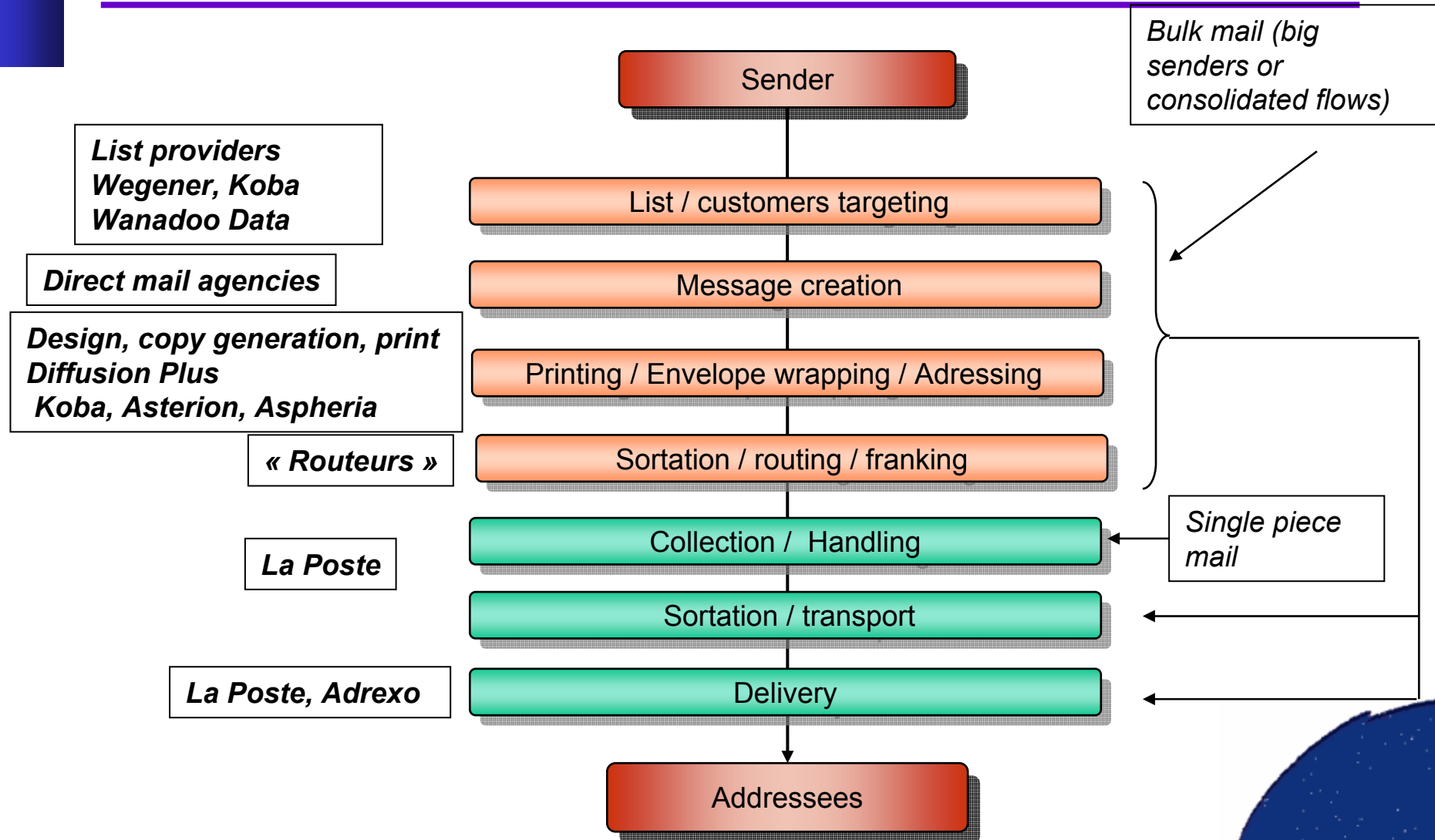


Sortation / routing before handling mail to last mile operator

(sortation optimization, consolidation, direct access to postal network, operator selection).

Upstream market : postal chain of value and main players

La Poste presentation





The French touch on access issue

How to create a dynamic, innovative and efficient market ?

- 4 mandatory services or facilities have to be provided for competitors because they are “essential to the pursuit of their postal activity”. Access agreements are to be negotiated (above).
- By law, mail houses are in the same situation as large mailers without requiring them to carry out license procedures. A dispute settlement procedure grants major powers to ARCEP since we can change contractual terms of access agreement (technical and pricing conditions) .
- For both cases, the dispute settlement method has been preferred over detailed regulations. ARCEP experience on telecom shows that it is a powerful and rapid tool for regulation.

Experience : only 9 days !!!

