

**Decision on the tariff proposal for reserved services submitted by CTT by
letter of 14.08.2012**

1. CTT – Correios de Portugal, S.A. (CTT) submitted to ICP – Autoridade Nacional de Comunicações (ICP-ANACOM), on 11.04.2012, an initial tariff proposal with respect to the universal postal service which CTT intended to come into effect on 01.07.2012.
2. Subsequent to additional information and clarifications requested by this Authority, in particular information concerning the cost of the services subject to the tariff proposal, a new tariff proposal was presented by CTT on 16.08.2012, to come into effect on 01.10.2012.
3. CTT's bid includes a tariff proposal for the service of legal summons and notifications by post.
4. The current decision solely concerns the tariff proposal submitted by CTT for the above-mentioned services. The tariff proposal for the other services will be subject to an independent decision.
5. Article 57(7) of the Postal Law (Law 17/2012, of 26 April) states that the price Convention signed on 10 July 2008 between ICP-ANACOM and CTT will remain temporarily in effect under the universal service (US), as defined by the Postal Law, until ICP-ANACOM establishes the criteria to be met by the price formation of the US tariffs (establishment provided for in Article 14(3) of the Postal Law).
6. Paragraphs 5 and 6 of that article establish that all obligations set out in the concession of the universal postal service (Concession) will remain in force, unless they are incompatible with the regime approved by the Postal Law, and the Government should change the Concession in accordance with the regime set out in this Law.

7. The tariff proposal for these services is therefore assessed under the rules of the aforementioned price Convention¹, taking into account the following aspects where the rules of the Postal Law apply:

a) Reserved services: the rules of the price Convention referring to reserved services (especially the application of a price cap) apply to the new sphere of reserved services. In that part of the Postal Law that relates to the universal service, the postal service of delivery of registered items used in judicial or administrative proceedings will be provided by CTT, corresponding in CTT's supply of the services of legal summons and notifications by post.

b) The tariff uniformity principle (provided for in the Price Convention) does not apply, since it is not directly applicable under the Postal Law. Regarding this matter the Postal Law states [Article 14(8)(a)] that ICP-ANACOM can determine, for duly grounded reasons of public interest, the price of the postal service for delivering items of correspondence which weigh less than 50 g in compliance with the principle of tariff uniformity, with a single price for the entire territory, without prejudice to universal service providers (USP) concluding individual agreements with users with respect to special prices. To date ICP-ANACOM has not imposed this principle;

8. Pursuant to the provisions in the price Convention:

a) CTT must report to ANACOM, in writing, at least 30 working days before the date of entry into force, the price of each postal service comprising the US to be operated through the application of the Convention's rules (Article 5(1));

b) If ICP-ANACOM does not approve the prices of reserved services, it should notify CTT of its decision and grounds thereof, within 15 working days of the date of receiving CTT's report (Article 5(3) of the price Convention);

c) CTT shall inform the public of the prices at least 10 working days in advance of the respective date of entry into force (Article 5(6));

¹ Available, as amended on 09.07.2012, at: <http://www.anacom.pt/render.jsp?categoryId=301635>.

d) CTT must publish in an appropriate manner, including by providing a specific address of the CTT website, and regularly supply users with information on the conditions governing the application of the tariffs covered by this Convention, as well as the respective discounts [Article 2(3)(c)].

9. The following table presents the tariff proposal for the reserved services submitted by CTT, and the corresponding price changes.

Table 1 – Tariff proposal for reserved services

	Prices in force (a)	Proposed prices (01.10.2012)	Average prices in 2012 (b)	Average annual change in 2012	Change in 01.10.2012
Simple Notification by Post				0,8%	3,2%
Format S [0 - 20g]	€ 2.47	€ 2.55	€ 2.4900	0.8%	3,2%
Format S [20 - 50g]	€ 2.52	€ 2.60	€ 2.5400	0.8%	3,2%
Format M	€ 2.57	€ 2.65	€ 2.5900	0.8%	3,1%
Format L	€ 3.32	€ 3.38	€ 3.3350	0.5%	1,8%
Format XL	€ 5.10	€ 5.28	€ 5.1450	0.9%	3,5%
Notification / Summons by Post				0.7%	2,9%
Format S [0 - 20g]	€ 3.31	€ 3.40	€ 3.3325	0.7%	2,7%
Format S [20 - 50g]	€ 3.43	€ 3.53	€ 3.4550	0.7%	2,9%
Format M	€ 3.52	€ 3.66	€ 3.5550	1.0%	4,0%
Format L	€ 4.27	€ 4.36	€ 4.2925	0.5%	2,1%
Format XL	€ 6.05	€ 6.26	€ 6.1025	0.9%	3,5%
Notification / Summon variation rate				0.7%	2.9%

(a) also correspond to the prices that were in force in 2011.

(b) average weighted price (with price change in 1.10.2012)

10. Having analysed the proposal presented by CTT for the reserved services, with effect from 01.10.2012, it was concluded that:

a) The average annual price change for serving legal summons and notifications by post proposed by CTT for 2012 (0.7 per cent) complies with the respective price cap applicable in 2012 (4.0 per cent) as shown below:

According to the Price Convention (Article 8(1)) the weighted average price change of postal services may not exceed CPI+CPIAF-0.4%.

Considering that:

- CPI is the inflation expected for 2012 by the Government in the State Budget Report for 2012, i.e. 3.1 per cent;
- CPIAF is the difference between the inflation rate expected for 2011 in the State Budget Report for 2012 (3.5 per cent) and the inflation rate officially expected by the Government for 2011 and stated in the State Budget Report for 2011 (2.2 per cent), i.e. the CPIAF is 1.3 per cent,

the maximum price change for the reserved services is 4.0 per cent (=3.1%+1.3%-0.4%) in 2012.

CTT intends to apply the new prices for reserved services as of 01.10.2012. The price change that CTT intends to implement on that date is 2.9 per cent, which is an average annual price change in 2012 of 0.7 per cent with respect to the prices in force in 2011, thus complying with the applicable price cap.

- b) Without prejudice to the foregoing, according to the latest information relating to CTT's analytical accounting system figures for 2010 and 2011 and the estimates for 2012 presented by CTT (in their letter of 14.08.2012), estimates indicate that this service's overall margin will decrease from 2011 to 2012, both in absolute terms and in relative terms, changing from (Beginning of Confidential Information) (End of Confidential Information) in 2011 (i.e. a relative margin of (BIC) (EIC) per cent) to (BCI) (ECF) in 2012 (i.e. a relative margin of (BIC) (EIC) per cent);

Table 2 – Trend of the margins of reserved services (BCI)

	2010				2011				2012 (estimates)			
	Revenue	Costs	Margin	Margin %	Revenue	Costs	Margin	Margin %	Revenue	Costs	Margin	Margin %
Simple notification by post												
Notification / summons by post												
Total												

(ECI) Source: CTT AAS 2010 and 2011 and CTT estimates for 2012. Units: thousands of euros.

- c) The trend of the prices of reserved services in 2013 will be assessed by this Authority under the rules applying to that year. If the same price cap rule remains in force in

2013, it should be noted that at the moment there is no information available to enable the calculation of that price cap since the State Budget for 2013 has not yet been submitted to Parliament (Assembleia da República), and therefore there is no information on the CPI figure to be applied in 2013;

11. Therefore, the Management Board of ICP-ANACOM, under the powers granted to it in Article 6(1)(b)(d)(h)(n) and in Article 26(b) of its Articles of Association, approved by Decree-Law 309/2001 of 7 December, and under Article 5(5) of the universal postal service price Convention, of 10 July 2008, as amended on 9 July 2010, has decided:

- a) Not to oppose the entry into force of the tariff proposal submitted by CTT for reserved services, to take effect from 01.10.2012;
- b) To determine that CTT, under Articles 2(3)(c) and 5(6) of the price Convention, shall ensure the appropriate disclosure of the prices of reserved services at least 10 working days before they come into force, through the means considered appropriate to inform users and market segments;
- c) To evaluate the prices of reserved services to be in force in 2013 under the price rules that will apply for that year;
- d) To submit the proposal presented by CTT to ICP-ANACOM's Advisory Council for its opinion, under the terms of Article 37(c) of the Statutes of this Authority, and CTT will be informed of any developments arising therefrom.

Lisbon, 6 September 2012.