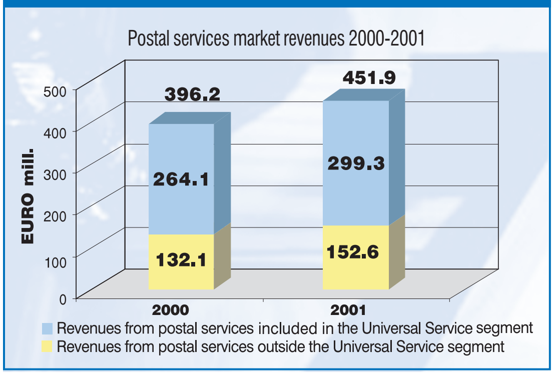
1. Overview of the Market

1.1. Market figures

According to EETT estimates, the turnover of the Greek postal market for 2001 was increased by around 14% compared to 2000 and is estimated to have reached EUR 452 mill. (GRD 154 bn.). Of this turnover, 66.2% is estimated to come from the provision of the Universal Postal Service (see Chart 24).

Chart 24



Source: EETT

The number of postal items handled in the Universal Service segment is estimated to have increased by 4.2%. The annual increase in the items handled through the other postal services estimated to exceed 16%.

The personnel employed in the entire postal services sector represents some 14,500 full-time employees and more than 2,000 persons employed on a part-time basis.

1.2. Features and Trends

Some of the key features and trends in the postal market of our country and of the EU are given in this section, as surveyed and established in the context of a study carried out in 2001 on behalf of EETT[40].

1.2.1. Introduction

The postal services market in the EU is going through a period of intense developments and radical changes, and this is also observed, albeit to a lesser degree, in the postal market of our country.

At the EU level, postal operators focus their efforts on the efficiency of the production chain and on reducing transportation costs, product lifecycle (speed) and stocks. In this context, they are modernising their production chain through the introduction of integrated information systems and specialised software that support ordering management, product monitoring, pricing and production management in general. Universal Service providers in particular are faced with new needs resulting mainly from the liberalisation of the market. The national postal operators of many EU Member States have since long launched the reorganisation of their services with a view to:

- privatisation
- functional optimisation
- customer-centred focus
- aggressive growth strategies in new markets

with the aim to promote their efficiency, profitability and growth.

The boundaries between postal services, courier services and logistics[41] become increasingly blurred at the European level. Operators exclusively providing courier services seem to be restricted to local operations, while the large operators in the sector expand their activities and operations through the establishment of

[40] *It is noted that part of this study is available on the EETT/Website (section: Postal Services/Surveys – Postal Market Study).*

[41] *Logistics: Supply-Chain Management.*

cooperations, participations etc. with international players, national postal administrations, airline carriers and transportation companies, with the aim to offer programmes providing integrated solutions in terms of both geographical coverage and service provision. This trend intensifies the degree of concentration and results in the certainty that in the next 5-year period their will be between three and four business poles in the EU, a result which will probably bring about a multitude of mergers and acquisitions, especially among the sector's small and medium-sized companies.

Technological developments, and especially the extensive use of the Internet, seem to exercise a two-fold influence on the European market for postal services. The widespread use of e-mail has considerably reduced the mailing of letters, particularly between private individuals, while the use of e-commerce has led to an increase in parcel dispatches and, chiefly, to the development of new services (such as deliveries of orders made over the Internet, electronic management of information, electronic stamping etc.). Furthermore, the growth of B2B (business-to-business) e-commerce has greatly boosted the growth of logistics.

1.2.2. The market for Universal Service

As already mentioned, the prospect of liberalisation of the postal market is leading most of the national postal administrations in the EU countries towards privatisation (totally or partially), so that they can effectively support the differentiation in their services, emphasizing courier and logistics services. E-commerce also seems to represent a service with considerable growth potential in this particular market, especially in countries with a history of well-developed mail-order sales.

The Greek market for Universal Service is in general expected to follow the same path; however, one key difference is the penetration of e-commerce, which, due also to the relatively low diffusion of the Internet and of mail-order sales, does not seem to have significant potential for growth among private individuals and businesses. It should be noted that e-mail penetration may represent an inhibitive factor for the long-term growth of the market.

During the last five years, the Greek market for Universal Service has been characterised by an annual increase in volume (i.e. in the number of postal items handled) of the order of 4-5%, while the corresponding annual growth rate for the corresponding market in the EU is of the order of 2-2.5%. This difference is attributed partly to the fact that the postal market in most EU countries is already well developed in terms of absolute values, compared to the postal market in our country[42]. Given that the EU postal market is also characterised by a dynamism and intensity of competition higher than those characterising the Greek one, then, despite the high growth rate mentioned above for the Greek marked in terms of volume (expected to be maintained during the next five-year period), the difference in absolute values is not expected to diminish significantly.

The number of persons employed in the EU market for Universal Service exhibits a falling trend, caused by factors such as the increase in the level of competition, privatisation, the introduction of new technologies and the effort for squeezing service provision costs. In Greece, the number of persons employed in Universal Service segment remains stable (some 11,000 employees). The "barriers to entry" for the Greek market for Universal Service are high, as ELTA is already well-established and offers extensive geographical coverage. The relative satisfaction expressed by the majority of consumers regarding the quality of ELTA

[42] *The above reference concerns the values of comparable indicators, such as the number of postal items handled per inhabitant.*

services seems to be connected to their low "expectations" regarding the quality of these services.

In general, the attractiveness of this particular market may be characterised as low. It should be noted that as of 2001, two more operators besides ELTA possess a licence for the provision of postal services in the liberalised Universal Service segment, without however significant activities in this area.

Finally, in addition to technological developments, market liberalisation and the intensification of competition, the Greek postal market is also expected to be influenced by the entry of a strategic partner in ELTA.

1.2.3. The market for courier services

The market for courier services is estimated to have significant prospects for growth at the European level. Despite the fact that most of the national postal operators in each country are in an advantageous position in the segments of express dispatches and parcel forwarding, many private companies operating in the sector are gaining ground. In general, this market is expected to further grow at a pan-European level, due to:

- The trend for using third-party services in order to benefit from economies of scale
- The globalisation of manufacturing tasks
- The new streamlined management and cost-efficiency systems used in enterprises, which have led to a reduction in the levels of products held in stock

The Greek market for courier services, which for approximately ten years was characterised by annual growth rates of 25-30% (in value), seems now to be reaching an equilibrium around annual growth rates of the order of 15-20%, and represents a total value of around EUR 152.6 bn. Within this market, an increase is observed in domestic dispatches and, parallel to that, a steeper increase in the volume of small parcels handled as compared to documents.

Employees in the market for courier services represent approximately 3,500 persons, without including in this calculation the number of agents-representatives located in the provinces. Based also on the experience from the EU, the number of those employed (directly or indirectly) in this particular market is expected to increase significantly, depending of course on the evolution of the companies active in the sector.

The high-end of this market is characterised by high concentration, as 3 companies account for more than 65% of the corresponding market, with a large number of companies competing for the remaining market share (highly segmented low-end).

The companies active in the market can be categorised in three types, based on the extent of their network and, by extension, on the type of their activities:

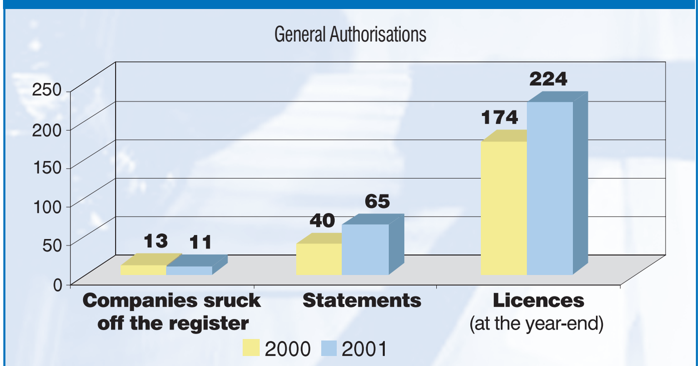
- International: This category refers to a small number of subsidiaries of large foreign international firms (DHL, TNT, UPS, FEDEX), which undertake primarily (or exclusively) dispatches abroad. In the domestic market, these companies mainly enter into cooperation agreements with other courier companies, using the networks of these courier companies within Greece
- National: These are Greek companies which primarily handle dispatches within Greece, relying on their available network of branches and local representatives
- Local: Companies active within the boundaries of a city, which account for the largest number of companies in the sector and for the smallest share in the sector's turnover

The market for courier services in Greece offers to

consumers a broad range of options regarding quality and price, with tariffs being kept low. In general, there is no minimum price level (floor price), and most companies are of the opinion that it is the customers who shape the business policy of each company, through their particular needs and requirements. The pricing policy applied by the majority of the companies during recent years is characterised by slight price increases that correspond to the level of inflation and/or maintain the prices stable, leading to one-figure percentages profit margins or even to losses. It should also be noted that establishment of a company in the market for courier services appears to require high advertising expenditures, a fact leading to a further squeeze of profit margins.

Competition between companies will in the future focus mainly on the type of services offered (in addition to forwarding documents and parcels), the existence of sufficiently extensive networks, the routing speed and the provision of special rates and discounts related to the volume and frequency of dispatches of each specific customer. The companies wishing to enter the market now are faced with major difficulties, as they must have available considerable funds and appropriate technological infrastructure, as well as support and know-how. It is estimated that in the future the prices for the services provided will remain stable whereas the cost of their provision will increase, resulting in very acute survival problems for the small companies in the sector. This situation will result in a reduction of the number of companies and in the survival of those who shall establish appropriate "networking" arrangements with other international, national or local operators, with the aim to improve their infrastructures and benefit from economies of scale.

Chart 25



2. Licensing

On 31 December 2001, the General Authorisations register of EETT contained 224 entries, corresponding to an increase of 29% compared to the end of 2000 (see also Chart 25).

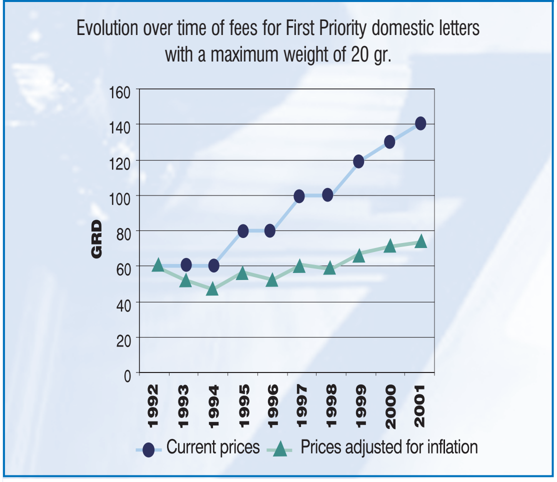
Regarding the provision of postal services subject to General Authorisation status, it should be noted that interested companies are required to register in the corresponding Postal Operators Register kept with EETT. Registration in this register presupposes the submission of a relevant statement to EETT, acceptance of which constitutes the General Authorisation.

On the basis of the above, 65 statements for the issue of General Authorisations were submitted to EETT during 2001. After due examination and evaluation, 61 of these were accepted, whereas the remaining ones were rejected. In addition, EETT struck off the register 11 companies. Striking off usually takes place upon submission of a relevant request by the company concerned, but may also take place at the discretion of EETT, pursuant to the legislation in force and to EETT Decisions.

During 2001, business interest was also expressed for Individual Licences, with 2 companies (Metropolitan Couriers and Fterotos Ermis) submitting to EETT applications for the provision of postal services coming under the liberalised Universal Service segment. According to L.2668/1998, Individual Licences are granted by the Ministry of Transport and Communications, following submission by EETT of a relevant opinion. EETT evaluated the applications and submitted its positive opinion to the Ministry of Transport and Communications on granting the licences, which were issued in July 2001 and October 2001, respectively.

Detailed lists of companies holding General Authorisations and Individual Licences are given in Appendix V. These lists refer to the licensing status valid as of 31 December 2001. It should be noted that similar lists containing up-to-date information are also available on the EETT Website[43].

Chart 26



3. Universal Service

L.2668/1998 and the various Ministerial Decisions issued under the authorisation granted by it specify the quality, the quantity and the price formulation method for a set of postal services which must be offered permanently, adequately, at a specified quality and at prices affordable for all users, regardless of the location within the territory of Greece where users are based. This specific set of postal services constitutes the so-called Universal Service. Furthermore, according to the above-mentioned Law, ELTA is the operator under obligation to provide the Universal Service (Universal Service provider).

3.1. ELTA Costing System and Tariffs

The evolution over time of the ELTA fees for one of the primary services coming under the scope of the Universal Service, more specifically for domestic First Priority letters with a maximum weight of 20 gr., is shown in Chart 26.

According to L.2668/1998, the tariffs for services coming under the scope of the Universal Service must, inter alia, be transparent and harmonised with the cost of their provision (cost-oriented). Consequently, appropriate determination of the cost for providing these services is required in order for these services to be priced. The costing system is an accounting tool used for this purpose (i.e. for the allocation of costs to services).

The responsibilities of EETT include the audit and approval of the ELTA Costing System to be applied. In this context, EETT evaluated the Costing System developed by ELTA, which was submitted to EETT for the first time in early 2001. Following the evaluation conducted in accordance with the provisions of L.2668/1998 and of Directive 97/67/EC, EETT approved the Costing System submitted.

In implementing its Costing System, ELTA announced

[43] *In the section: Postal Services / Registers of Postal Operators.*

the application of new tariffs as of 4 June 2001. Given that the protection of users' rights is a duty of EETT, and in the context of the responsibilities of EETT that refer to checking the cost-orientation and transparency of Universal Service tariffs, EETT proceeded to evaluate the aforementioned tariffs. With a relevant Decision, issued on 30 May 2001, EETT pronounced ELTA tariffs to be cost-oriented and established on the basis of its costing system which EETT had previously approved. However, EETT reserved its assessment of whether the cost for the provision of the Universal Service is consistent with all provisions under article 20, paragraph 2 of L.2668/1998 and, more specifically, of whether this cost lies within the boundaries of proper (efficient) management. It is pointed out that the procedures concerning the assessment of cost-orientation and efficient management are key regulatory responsibilities of EETT that aim to ensure, inter alia, non-wastage of financial resources available for the entire market due to potentially inefficient management of any one of its sectors (e.g. possibly of the postal sector in this particular case). The procedure for the assessment of efficient management has already been initiated by EETT and is currently in progress.

3.2. Quality and Terms for Provision of the Universal Service

Ministerial Decision No. 79293 of 29 December 2000 determined the quality specifications and the terms under which the Universal Service must be provided. These quality specifications refer to a specific handling speed and to a specific reliability level (which is also measured in terms of handling speed) for the delivery of First Priority mail (domestic and international).

The control of the quality in the provision of the Universal Service is also a responsibility of EETT and refers precisely to the measurement of handling time (and, thus, also of the speed and reliability) for the aforementioned mail (domestic and international).

In the context of the quality control of the Universal Service for domestic mail, EETT selected, as provided for by Ministerial Decision No. 79293 of 29 December 2000, a body (external associate) for measuring the quality of the Universal Service, i.e. a body to attend to the measurements being taken and to the results being calculated. In cooperation with this body, a suitable system consistent with the Ministerial Decision was designed, based on which the quality control of the provision of the Universal Service will be conducted. The measurement system was applied as of 1 January 2001 and the results of measurements for the first semester of 2002 will be published in September 2002.

For measuring the quality of the Universal Service for international mail, EETT utilises, as specified by the above-mentioned Ministerial Decision, data published by the International Post Corporation (IPC), based on measurements taken for International Mail. In September 2001, EETT announced the results of quality measurements for First Priority international mail, published by IPC for the first semester of 2001. According to these results, ELTA meets in a satisfactory manner the quality norms determined by Ministerial Decision 79293 of 29 December 2000 concerning outgoing letter mail. However, in what concerns incoming mail, which typically characterizes the performance of the national Universal Service provider (i.e. of ELTA in this particular case), it was established that the performance of ELTA lags behind the norms specified by the above-mentioned Ministerial Decision. For this reason, EETT has initiated the necessary audit procedures concerning this body, as provided for by L.2668/1998.

In what concerns the quantity and the terms under which the Universal Service is provided (collection and delivery of mail in remote areas etc.), EETT, in cooperation with ELTA, ensures that the provisions of Ministerial Decision No. 79293 of 29 December 2000 are fulfilled.

4. Operating Status of Postal Companies - Postal Networks

During 2001, work carried out by EETT included, inter alia, a survey for identifying and recording all companies providing postal services in the Greek market under any status, as well for recording the operation of all postal networks in the country. The main objective of this project was to establish the operating status of the above companies and, consequently, determine the intensity of competition in the market, as well as to identify non-licensed companies active in the provision of postal services, given that evidence was available as to their existence.

For this reason, EETT conducted a systematic survey using the information held in the register and the archives of EETT and cross-checking this information against data gathered mainly from the Chambers of Commerce and Industry and the Tax Authority Offices across the country.

In the context of this project, and taking into consideration the legislation in force (L.2668/1998 as well as the overall Greek legislation), EETT introduced the meaning of Postal Network as "the sum of the organisation and every type of resources and natural or legal persons that the holder of a General Authorisation or Individual Licence uses for fulfilling his purposes and obligations, as these result from the General Authorisation or Individual Licence".

Based on the above, EETT specified that a company forms part of the network of another licensed postal company when the former operates under the orders and on behalf of the latter, i.e. when the liability concerning the provision of postal services (towards the legislation as in force each time, and towards EETT, the Authorities and the customer or any interested party) rests with the licensed company. In this case, all items related to the provision of the postal services offered by such company, i.e. commercial policy, price lists, Charter of Obligations to the Consumer, notes to and from the customer, invoices to and from the customer etc., come under the competence and liability of the licence owner.

Thus the companies, which at the end of 2001 were providing postal services in the Greek market, can be categorized as follows in terms of their operating status:

- ELTA, who primarily provides the Universal Service
- 224 companies holding a General Authorisation for the provision of postal services, two of which also hold an Individual Licence
- 1,042 companies operating as ELTA agencies (three-tier), i.e. forming part of its network, in addition to ELTA postal offices
- 430 companies which do not possess a General Authorisation or Individual Licence but operate under the order and on behalf of other licensed companies in the private sector, i.e. form part of the network of such licensed companies in addition to their offices
- Around 100 companies for which there is evidence that they operate without observance of the requirements of the law. With respect to these companies, EETT has already initiated the audit procedures as provided for by the law

5. Consumers-Control and Supervision

During the year, EETT received more than 700 telephone calls and written requests by private individuals and postal companies, concerning requests for information, filing of protests and lodging of complaints for violations of the legislation in force and for inadequate postal service. Most of the problems and complaints by private individuals were traced to matters concerning service quality and observance of the obligations of postal companies in the provision of postal services.

EETT sees to the investigation of complaints and the resolution of disputes arising between consumers and postal companies, as well as between postal companies themselves, with the aim to protect and serve consumers and ensure at the same time the observance of competition rules, the completeness of the terms and conditions under which licences are granted etc.

Regarding in particular, regarding protests and complaints by users, the practice followed in general by EETT during 2001 was, initially an effort to activate the Dispute Resolution Committees that each company is under obligation to have in operation in accordance with L.2668/1998. This practice yielded positive results in many cases, as it was established that users received satisfactory responses to their protests.

However, in the cases where the problems or complaints could not be resolved through the Dispute Resolution Committees, as well as in the cases of complaints concerning potential violation of the provisions of the legislation in force, EETT resorted to Hearings. In particular, these cases (with the exception of one) concerned:

- 4 complaints by postal companies against other postal companies
- 7 complaints by consumers and reports by the Ombudsman concerning violations of the legislation in the provision of postal services

The results of all Hearings held were the following:

- 3 recommendations were addressed to an equal number of companies
- Fines ranging from EUR 14,674 to 132,062 (GRD 5 to 34 mill.) were imposed on six companies
- 1 application by a company requesting revocation of a Decision imposing a fine was rejected.
- 1 complaint was rejected
- 1 company was acquitted from the complaints filed by the consumer

It should be noted that the procedure concerning this form of audit takes place on the basis of the EETT Regulations in force, which provide for the participation of the parties being audited in all stages, via appearances, hearings, rebuttal of findings etc.

More information concerning the above audit procedures is available on the EETT Website[44].

Finally, it is mentioned that EETT is already in the stage of preparing a suitable infrastructure which will support an intensive and more efficient management of complaints and problems referred to it by consumers and companies.

6. Other Actions

6.1. Recommendations and Opinions submitted to the Ministry of Transport and Communications

During 2001, EETT submitted to the Ministry of Transport and

[44] *In the section: Postal Services/Decisions/On audit procedures*

Communications two opinions on the granting of Individual Licences, and one opinion-recommendation entitled:
"A. Recommendation on the new Law being drafted on the Sector of Postal Services Provision.
B. Comments/remarks on the Draft Law on the Sector of Postal Services Provision drafted by a Ministry of Transport and Communications Working Group (communication under Ref. No. YME 3827 dated 11 June 2001)".

The recommendation submitted to the Ministry of Transport and Communications regarding the new Law on the Sector of Postal Services Provision being prepared aims to promote developments and to support the growth of the postal market by:

- Strengthening competition
- Ensuring equal treatment of postal services operators
- Promoting the creation of business schemes capable of meeting the needs of the postal market for the provision of modern and integrated postal services provided under competitive quality and price terms
- Modernising and improving the operation, performance and productivity of the Universal Service provider
- Ensuring provision of the Universal Service not only as a social benefit but as a means for the development of the postal market itself

6.2. Conclusion of the Study entitled "Postal Market Study and Survey"

The study-survey of the Greek and EU postal markets, of which data have been presented in previous subsections, was concluded during 2001. The results and data from this survey are considered particularly useful to EETT, as it is estimated that they contributed to the specification and documentation of its positions and opinions on the market for postal services (in Greece and in the EU) and to the planning of its future actions concerning postal services provision sector.

6.3. Announcements of Public Interest

In accordance with L.2668/1998 and Ministerial Decision No. 79293 of 29 December 2000, EETT made the following announcements – publications concerning the quality of the Universal Service:

- Publication of the Universal Service quality specifications, as these were determined by Ministerial Decision No. 79293 of 29 December 2000
- Publication of quality measurements regarding Universal Service for international mail for the first semester of 2001
- Publication of quality measurements regarding international mail for the first semester of 2001, for all EU Member States

7. Goals

The main goals of EETT for 2002 are as follows:

- ✓ To prepare the market for postal services for the new liberalisation step that has been decided for 2003
- ✓ To ensure the quality and quantity of the Universal Service, and to support the growth of the corresponding market
- ✓ To develop and apply codes of ethics regarding the exercise of postal activities
- ✓ To check licensed companies as to the observance of the law and of the obligations resulting from their licences, and in particular as to the observance of the Charter of Obligations to the Consumer and the quality of the services provided
- ✓ To contribute, in the context of its responsibilities, to the preparation of the market in view of the 2004 Olympic Games