

POSTAL SERVICES SECTOR



6. Postal Services Sector

During 2003, EETT's interventions in the postal services sector displayed a regulatory and at the same time supervisory character. In this context, EETT's regulatory work was completed with the issuance of Regulations that constitute tools for the promotion of gradual and controlled liberalisation of the market and the protection of consumers.

In the following sections we present EETT's actions concerning the supervision of the Universal Service Provider (USP) and the Courier Services market, as well as the adoption of measures for the improvement of provided services.

6.1. Promotion of Gradual and Controlled Liberalisation

6.1.1. Completion of an Up to Date Regulatory Framework

6.1.1.1. Market Liberalisation

The model of controlled and gradual liberalisation of the postal market, which is implemented in Greece, as well as in other member-states of the European Union (EU), ensures the smooth transition from a market with monopolistic characteristics to a fully liberalised market. Specifically, the provision of Universal Service (US) is ensured for all citizens, irrespective of the additional benefits that result from competition.

In this context, in 2003, the Ministry of Transportation

and Communications (MTC) passed Law 3185, which replaced the, until that time, in force Law 2668/ 1998⁵⁸ in harmonisation with Directive 2002/39/EC. The Directive aims at the full liberalisation of the Postal Market by 2009, with interim stages set for 2003 and 2006. One of the most critical provisions of the new Directive is the restriction of the exclusive USP rights, regarding the collection, sorting, transport and delivery of domestic mail, incoming and outgoing cross-border mail, as well as the advertising mail. It is noted that in Greece, the Hellenic Post (ELTA)⁵⁹ has been designated as USP.

In 2003, based on the new Law, the weight and price limits of the aforementioned services that remained as USP's exclusive right, were formed to 100 grams for items whose price is less than three times the price of a postal item of the first weight category (20 grams) of the First Priority mail.

6.1.1.2. Regulation on Granting General Authorisations

EETT, in November 2003 issued a Regulation on General Authorisations⁶⁰, which replaced the Ministerial Decision (MD) 79810/1999⁶¹. For the first time the Courier Services were distinguished from those of the US. It was clarified that Courier Services concern postal items of a special urgent transportation, have particular handling, postal item routing and delivery time characteristics, which are monitored through the Postal Items Special -Track and Trace-System (PISTTS).

⁵⁸ GG Issue 282/A/18-12-1999.

⁵⁹ Article 19 of L 2668/1998, GG Issue 282/A/18-12-1998, as amended by L 3185/2003, GG Issue 229/A/26-09-2003.

⁶⁰ EETT Decision 296/93/2003, GG Issue 1682/B/14-11-2003.

⁶¹ GG Issue 437/B/23-04-1999.



In particular, the Regulation defines:

- The categories of General Authorisations.
- The conditions for the provision of postal services in the liberalised sector of the postal market.

The most important innovations of the Regulation are the following:

- Replacement of the Application for Licensing, by a Statement for the Provision of Postal Services from the postal undertakings, as provided by Law 3185/2003, as well as simplification of the procedure and time reduction of granting a General Authorisation to undertakings.
- Definition of concepts and additional data necessary for the determination of the Courier Services market.
- Definition of the postal undertaking's Network. Promotion of interconnection of businesses integrated in the licensed undertaking's Network, as well as, of information exchange for the dispatches among the collaborating licensed undertakings and their Networks.
- Distinction of General Authorisations into the following three categories, based on the number of sorting centers the undertaking has and the range of the geographical area it covers.
 - **Local General Authorisation:** The undertaking has one postal items sorting center and states one or more geographical areas (municipalities) where it provides its services.
 - **Regional General Authorisation:** The undertaking has more than one postal items sorting centers and states one or more geographical areas (municipalities) that its Network provides services.
 - **National General Authorisation:** The

undertaking has all the characteristics of an undertaking with a Regional General Authorisation and has at least one Courier selling point in every prefecture in the country.

All undertakings with a Local, Regional or National Authorisation, in order to provide integrated services to the consumers, can collaborate with other licensed undertakings for the coverage of areas that they are not in a position to cover themselves. To this end, collaboration means are specified, based mostly on the communication of their information systems (PISTTS).

In every case of a General Authorisation, responsible for the provision of the service is the undertaking that accepts the relevant order from the consumer.

- Institution of the minimum required PISTTS specifications, for the monitoring and tracing of postal items.
- Definition of the minimum data that must be included in the Charter of Obligations to the Consumer (COC), in the Accompanying Courier Note (ACN) and in the Individual Agreement.

The undertakings are obliged to adapt their systems and their operation to the new regulatory framework, until the 13th of May 2004.

The Regulation will contribute to the establishment of a more effective and flexible framework of postal undertakings operation and to the improvement of the quality of services that are not part of the US and are defined as other postal services⁶². In this way, the unimpeded operation of competition in the market will be ensured, as well as the development and the interconnection of postal undertakings Networks.

⁶² Article 1 of L. 2668/1998, GG Issue 282/A/18-12-1998.



6.1.1.3. Regulation on Granting Individual Licences

In the US provision sector, an Individual Licence is required for the operation of an undertaking –in areas other than the USP's exclusive rights. The responsibility for the provision of Individual Licences was assigned by Law 3185/2003 to EETT. In this framework, EETT issued the Regulation on Individual Licences⁶³, which set the procedure and conditions of granting, renewal, amendment, respite and revocation of Individual Licences for the provision of postal services, as well as the calculation and payment method of the relevant annual fees.

The Licence is granted following a relevant application from the interested undertaking and concerns the handling of:

- a) Postal items weighing from 100 grams to 2kg.
- b) Newspapers, books, catalogues and magazines, weighing up to 2kg.
- c) Parcels that include commodities, with or without commercial value, weighing up to 20kg.

In relation to the former Regulatory Framework, the following innovations are introduced to the operation and development of undertakings that operate or wish to operate in the provision of non-exclusive USP services:

- Definition and establishment of the postal Network concept, its mode of operation, as well as its terms of interconnection with other postal networks.
- Definition of a more effective and flexible licensing framework, providing to EETT the possibility to evaluate the postal undertaking's ability to provide quality and reliable services.

Furthermore, the new Regulation includes in detail the granting conditions of Licences, the obligations of

postal undertakings before consumers and the pricing principles of provided postal services.

6.1.1.4. Regulation on the Cost Accounting System of the Universal Service Provider

EETT, according to the authorisation of Law 3185/2003, issued a Regulation⁶⁴ on the cost calculation of the US. Specifically the Regulation:

- Describes in detail the methodology for calculating the US cost.
- Defines the efficient cost and establishes an assessment method.
- Specifies the cost on which the pricing of US services will be based.

As efficient cost is defined the under condition lower cost that is required for the provision of a service by the USP, with specific quality characteristics⁶⁵. For regulatory purposes and in order to assess if the USP's cost is efficient, EETT calculates if the percent change of the produced volume of US, subtracting the percent annual change of the corresponding operating expenses required between the period under examination and the former one, in real prices, is a positive number. In case it is not, EETT judges if a cost adaptation is necessary for the aforementioned period, so that US tariffs are based on the efficient cost.

By the above methodology, which compares the undertaking's progress in relation to the previous years, the assessment of the undertaking's effective management is achieved, without EETT's intervention as a regulatory authority, in the choices and decisions of the USP's Management. The purpose of establishing the aforementioned methodology is the provision of quality

⁶³ EETT Decision 300/44/2003, GG Issue 1906/B/22-12-2003.

⁶⁴ EETT Decision 301/28/2003, GG Issue 1993/B/31-12-2003.

⁶⁵ According to what is provided in MD 79293/2000, GG Issue 1588/B/29-12-2000.



services to consumers, in prices that correspond to a productive operation of the USP.

6.1.1.5. Regulation on the Pricing of Universal Services

The MTC is authorised, according to Law 3185/2003, to issue a Regulation on the pricing rules of US services, so that they are cost harmonised, uniform for the whole country and in affordable prices. To this end, EETT prepared for the MTC a draft of the aforementioned Regulation and its issuance is expected in the forthcoming period.

6.1.1.6. Drafting of Regulations on the Monitoring and Controlling Role of EETT

According to Law 3185/2003, the drafting of three new Regulations is provided, which concern EETT's operation in relation to the problems that arise between consumers and postal undertakings. The MTC is competent for the issuance of these particular Regulations, following EETT's opinion.

The three Regulations are the following:

- Regulation on Hearings for issues of postal services provision, as well as definition of the type and the procedure for investigations or other control procedures, in order to ascertain any violations of the legislation in force.
- Regulation on the investigation of consumer complaints and on EETT's resolution of disputes arising between the Public Administration and postal undertakings, among undertakings, as well as between the latter and the consumers.
- Regulation on the control of safeguarding the USP's exclusive rights and on the definition of the relevant procedure.

EETT submitted to the MTC, drafts for all three aforementioned Regulations. Their issuance, which is expected during 2004, will contribute to EETT's more

effective operation, especially in what concerns market control and monitoring, as well as the resolution of consumer issues.

6.1.2. Market Monitoring and Control

Data Collection System

In 2003, EETT continued the quantitative and qualitative data collection procedure for the Courier undertakings, based on a questionnaire, aiming to monitor and analyse the market in question.

The aforementioned data will contribute to:

- The relevant analysis of the Courier Services market, in terms of demand and supply of services.
- The assessment of the competition level.
- The recording of structural weaknesses present in the market and the adoption of measures by EETT in order to resolve them.
- The estimate of the future evolution of the Courier Services market.

The results from the data collection procedure are published in EETT's website.

Monitoring and Control of the Courier Services Sector

In the framework of its monitoring and control role, in 2003, EETT proceeded to on the spot controls and information collection from the undertakings, as well as from Public Authorities. Specifically, EETT conducted controls in the following four large undertakings operating in the Courier Services sector, which cover approximately 70% of the handled volume of items in the relevant market:

- ACS S.A.
- DHL INTERNATIONAL (HELLAS) S.A.
- ELTA COURIER S.A.
- SPEEDEX – COURIER S.A.



Furthermore, EETT conducted sample controls in undertakings that belong to the Network of the above undertakings. The principal aim of these controls was to ascertain whether or not the undertakings comply with the terms of their Authorisation and any infringement of the USP's exclusive rights. The control results were positive in what concerns the upholding of the above.

EETT, taking into consideration the conclusions that resulted, proceeded to the design of a more effective control system for the postal undertakings, which is expected to be completed in the beginning of 2004. EETT, upon completion of the aforementioned control system and upon issuance of the aforementioned Regulations on its monitoring and control role, plans the initiation of systematic controls in postal undertakings, so that the upholding of the Regulation on General Authorisations can be ascertained, with the aim to provide competitive services to consumers.

Furthermore, in 2003, in the context of complaints' management, EETT contributed to:

- The immediate resolution of problems, wherever possible.
- The activation of the Dispute Resolution Committee of undertakings and the compensation of the damaged user.
- The improvement of the service quality by the USP, in problematic areas.

In cases where the resolution of complaints was not possible –through the Dispute Resolution Committee of undertakings- EETT proceeded to the holding of Hearings with the participation of all involved parties. Following

that, the relevant administrative penalties were imposed wherever a violation was ascertained.

Statistical Data on Market Monitoring during 2000 - 2003

During the four-year period 2000 - 2003, postal undertakings were summoned to Hearings before EETT, for more than 100 cases, which concerned the cases presented in Table 18.

From the aforementioned cases, violations were ascertained and penalties were imposed to 58 cases in total, from which 22 (38% of the total Hearings cases) concerned a Recommendation or a Warning and 36 (62% of the total Hearings cases) concerned a fine.

In total, during the four-year period 2000 - 2003, EETT imposed fines amounting to 1,274,249 euros, from which:

- 279,472 euros, were imposed on undertakings operating without a General Authorisation or an Individual Licence.
- 104,892 euros, were imposed on licensed Courier undertakings for the inadequate provision of services in violation of the legislation in force.
- 699,124 euros, were imposed due to inadequate provision or low quality services by the USP.
- 190,761 euros were imposed due to violation of the USP's exclusive rights.

The USP, during the whole four-year period, was deliberately controlled for the quality of services provided, the speed of mail handling and for the reliability of its services. Given that the ascertained quality was not

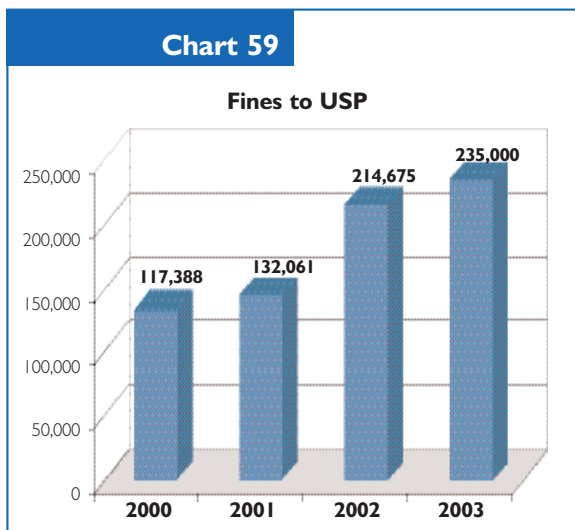
Table 18

Cases for which Postal Undertakings were summoned to Hearings by EETT (2002 - 2003)

| Percentage | Reason |
|------------|--|
| 55% | Provision of postal services without General Authorisation or Individual Licence |
| 23% | Inadequate provision of postal services by the USP and the Courier undertakings |
| 12% | Infringement of USP's exclusive rights |
| 10% | Other issues of non-implementation of the postal services Regulatory Framework |

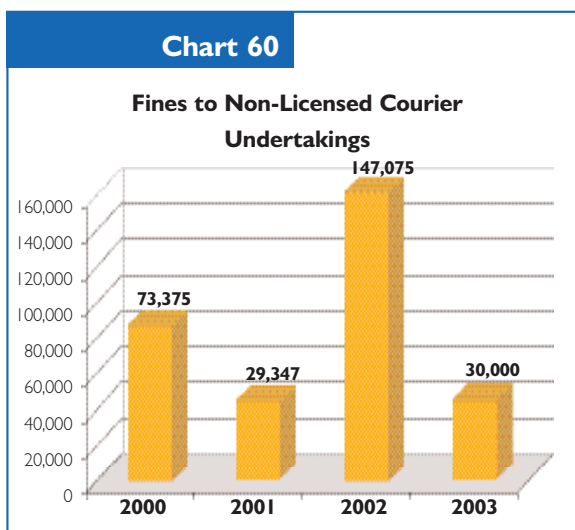


compliant to the MD 79293/2000 as well as to the EU quality specifications, the fines presented in Chart 59 were imposed per year.



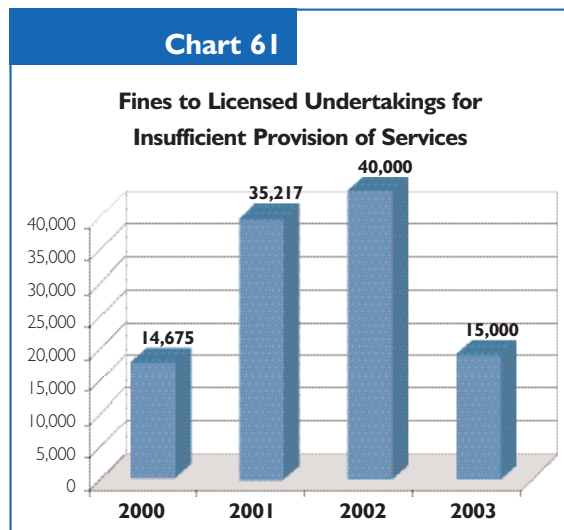
Source: EETT

Concerning the Courier Services market, EETT proceeded to actions for the tracking of non-licensed services and the adoption of measures, in the framework of which EETT imposed the fines presented in Chart 60.



Source: EETT

Furthermore, EETT imposed fines to Courier undertakings for the inadequate provision of services or violation of the legislation in force (see Chart 61).



Source: EETT

Administrative Penalties in Postal Undertakings during the year 2003

During the year 2003, 32 Hearing procedures in total were held before EETT. From those, 25 cases resulted in the discharge of undertakings, while penalties (Fine or Recommendation) were imposed on the following cases.



Table 19

| Collective Table of Fines | | |
|-----------------------------------|--|---------------------|
| Undertaking | Reason | Fine (euros) |
| ELTA | Inadequate provision of US postal services | 15,000 |
| ELTA | Provision of US low quality postal services | 220,000 |
| ELTA COURIER S.A. | Inadequate provision of postal services | 15,000 |
| FLASH RUNNER COURIER SERVICES LTD | Provision of postal services without General Authorisation or Individual Licence | 30,000 |

Table 20

| Collective Table of Recommendations | |
|--|--|
| Undertaking | Reason |
| EXECUTIVE MOTO | Provision of postal services without General Authorisation or Individual Licence |
| GENIKI POSTAL SERVICES S.A. | Adoption of measures from the undertaking to avoid violation of USP's exclusive rights |
| ELTA | Inadequate provision of postal services |

6.2. Universal Service Quality Measurement

The MD 79293/2000⁶⁶ defines the quality specifications and terms, under which the US must be provided to citizens. The specifications concern the specific handling time and the reliability –also measured in terms of handling time- for the delivery of the First Priority Domestic and International Mail. The quality control regarding US provision is EETT's responsibility and refers precisely to the measurement of the handling time (speed and reliability) of the aforementioned mail.

6.2.1. Universal Service Quality Standards

The MD 79293/2000, defines, inter alia, the percentages of delivery within one and three days (D+1 and D+3⁶⁷) of posting for the First Priority Domestic Mail and within three and five days (D+3

and D+5) of posting for the First Priority International Mail.

The quality specifications (Domestic Mail delivery percentages) for 2003, based on which the US must be provided in the Greek state, had been defined for 2003 to 82% within one day and to 93% within three days of posting, for the First Priority Domestic Mail. Respectively, for the International Mail, the MD had defined quality specifications (delivery percentages) which varied from 72% to 97% depending on the EU country and the delivery time (D+3, D+5). It is noted that the Directive 1997/67/EC provides for the International Mail an 85% delivery within three days (D+3) and a 97% within five days, for both the Incoming and the Outgoing mail.

EETT is responsible for the announcement of the US' quality specifications, for the safeguarding of the US

⁶⁶ GG Issue 1588/B/29-12-2000.

⁶⁷ Where D=1 posting day.