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GREEN PAPER
ON THE DEVELOPMENT OF THE SINGLE MARKET FOR POSTAL SERVICES

ANNEXES

(Communication from the Commission)

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ANNEXES

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ANNEX 1: OVERVIEW OF POSTAL SERVICES

1. INTRODUCTION

Postal services comprise both mail services (provided by both postal administrations and private operators) and postal financial services (provided by postal administrations). In terms of turnover, mail services generate 78% of the postal sector's revenue, and postal financial services 22% (the latter including transaction revenue from mail facilitating and certain miscellaneous services). For postal administrations alone, the proportions of revenue between mail services and postal financial services is 67:33.

The Green Paper concentrates on mail services. Postal financial services should be viewed more in the context of the financial sector overall. In addition, the regulatory issues are more complicated for mail. However, this annex seeks to give a broad perspective of both types of postal service. It also seeks to give an overview of related services.

2. MAIL SERVICES

2.1 DEFINITIONS

There are three categories of mail service - letters, parcels and express. There are several overlaps between these services.

Letters can be distinguished from parcels sometimes by weight (with a somewhat artificial distinction between the two being set sometimes at 2 kilos), or sometimes by contents (the distinction being that letters carry communications and parcels goods). Express services include both express letters (documents) and express parcels (packages). They are distinguished from ordinary letter and parcel services primarily by the speed or the perceived reliability of their services.

2.2 SERVICE PROVIDERS

LETTERS

For letters, postal administrations have an almost complete monopoly. As discussed in the main text, there are some competing letter services provided by private operators, whether legally or not. These include city mailers, document exchanges and remailing - see below at Paragraph 2.5.

For letter mail services offered by postal administrations, all administrations categorise their mail into two operational "tiers". In nine Member States the two categories are letters and postcards (often referred to as LC - "Lettres et Cartes" in French) on the one hand and printed papers and small packets (often referred to as AO - "Autres Objets" in French) on the other. Three postal administrations - those of Denmark, Portugal and the United Kingdom - categorise their mail according to speed, divided into first class and second class (or priority and non-priority). The latter distinction more closely reflects operational costs and, it could be argued, consumer preferences.

Most postal administrations make available contract facilities which permit larger customers to undertake part of the mail process. (The main examples of such activities would be pre-sorting - undertaking part of the sorting process before posting - and enveloping.) Certain administrations also permit third party operators to carry out such activities on behalf of the customers who originate the mail. In addition, particularly in the case of the direct mail, the physical generation of mail can be undertaken by specialist operators.

PARCELS

Parcel services usually refer to the movement of individual goods items up to a limit of, say, 30 kilos. However, parcel carriers including some postal administrations, now also move much larger consignments, usually packed on palettes. Parcel carriers normally offer customers a choice of speeds for the delivery of parcels.

Parcels services operate in free competition. With the exception of two administrations, the postal administrations of all Member States compete in the parcel markets of their countries.

EXPRESS

Concerning express services, the norm is that they are offered in free competition. (Only in three Member States do postal administrations still have a monopoly over such services.) There is a tendency for express organisations to concentrate either on regional, national or cross-border services. There is also some specialisation between the express movement of documents (postal communications sent by express means) and "non-documents" (goods-bearing express parcels).

2.3 APPLICATIONS

Letters and express provide communication services. (Alternative means are therefore telephones, fax and EDI, all of which provide indirect competition to postal services.) Parcels and express provide goods-delivering services (other types of delivery service providing alternatives).

Beyond this general statement, two particular applications are worth mentioning here. Mail order (for selling of material to customers by post) use parcel services for the distribution of the goods. Advertisers use letter services to send direct mail.

2.4 SUBSIDIARY LETTER SERVICES

While all services tend to have the flexibility to be "tailored" to the requirements of large customers, the letter services provided by the postal administrations include some specific variants, certain of which have particular legal importance. Perhaps the most significant are as follows:

- registered letters;
- recorded letters;
- certificate of posting / advice of delivery ;

- special delivery (where, for a supplement, the speed is normally better than the standard letter service);

- direct bags (sometimes called the M-bag service), used for sending a bag containing a quantity of printed papers to a particular destination;

- post office box (where a customer can hire a box at a post office to which his mail is delivered);

- poste restante (where for a temporary period mail is held at a post office pending collection by the nominated individual).

2.5 OTHER MAIL SERVICES

Some other services are beginning to evolve. Generally, new services are provided in free competition. The juridical position of certain of the services mentioned - notably remail - is the subject of debate. Other services - such as city mail - appear to be illegal (except, in that case, in Spain), but continue to operate.

POSTAL ELECTRONIC MAIL

Described further at Annex 12, a "hybrid" service that provides tele-transmission of a message, distance printing and then postal delivery. Postal administrations also provide a public fax service called Bureaufax. Some also now provide a service based on EDI.

DOCUMENT EXCHANGES

Post office box-type facility permitting exchange users to deliver mail directly into the boxes of other users, and to collect their own mail similarly posted by other users. In at least the United Kingdom, it is permissible for different exchanges to transfer mail between each other.

REMAIL

Cross-border letter mail service. Provided by private operators, usually in cooperation with at least one postal administration.

HAND DELIVERY

Delivery of urgent publications by private operators, usually in city centres.

CITY MAIL

Delivery of letters in the city/town in which they were collected. (Legally permitted in Spain.)

UNADDRESSED DIRECT MAIL

Delivery of unaddressed advertising material to targeted areas. (By comparison, addressed direct mail is delivered to the targeted individual or organisation.)

2.6 OPERATIONS

The operations underlying these services are described in detail at Annex 3. Here, it is important to note that the items sent in each of the three service categories are not homogeneous. For example, letters can vary between ordinary items of C5 size, through items of A4 size (sometimes called "flats"), through to packets weighing up to 2 kg or even books weighing up to 5 kg.

Parcels services cover the range in weight from the very light-weight (half kg) up to palletised consignments. Express services cover this range as well, but have the additional complication of often needing to separate between documents (express letters) and goods (express parcels).

This lack of homogeneity of items processed makes the operations underlying mail services more complex than might be supposed (see Annex 3 for a more detailed description of the operation).

2.7 SUMMARY

The majority of mail is generated by organisations. In terms of applications (that is, the market segments that use mail services), the following are the main segments (listed in order of revenue generated): mail order, advertising, publishing, financial services, industry and public administration.

Table 1 below indicates approximately the revenue generated in the different mail services categories (shown in percentages of the total mail services turnover):

Table 1: *Mail services - revenue percentages by segment and operator (1988)*

SERVICE CATEGORIES	POSTAL ADMINISTRATIONS	PRIVATE OPERATORS	TOTAL
Letters	45.7	2.2	47.9
Parcels	6.5	10.9	17.4
Express	4.3	30.4	34.7
Total	56.5	43.5	100.0

Source: CEC (from several sources)

The main mail services are summarised in Table 2. Concerning letter services, it should be mentioned that the distinction between LC and AO services can sometimes be blurred. Further, it should not be thought that each of the services mentioned is homogeneous in itself. Annex 3 describes in detail the operational differences between different sorts of mail which may be posted in one mail service "stream".

Table 2: *Summary of mail services*

A. LETTERS

A.1 STANDARD LETTER SERVICES (offered by postal administrations)

* "Higher streams"
  - either "lettres et cartes" (LC), covering letters and post-cards;
  - or "first class", covering items for next working day delivery.
* "Lower streams"
  - either "autres objets" (AO), covering printed papers and small packets;
  - or "second class", covering items for slower delivery (with targets of either two or three working days after collection).

Standard letter services are offered for both domestic and cross-border services. For cross-border services, the service differentiation is usually LC/AO, in accordance with Universal Postal Union (UPU) guidelines.

A.2 SUBSIDIARY LETTER SERVICES (offered by postal administrations)

Services include:

* registered letters;
* recorded letters;
* certificate of posting/advice of delivery;
* special delivery;
* direct bags (also called "M-bags");
* post office boxes;
* poste restante.

A.3 NEW LETTER SERVICES

New (or newer) services include:

* postal electronic mail (including Bureaufax);
* document exchanges;
* remail;
* "hand delivery";
* "city mail";
* unaddressed direct mail.

B. PARCELS

* Normally up to 30 kg per item, but services for heavier items now common
* Usually offering choice of service speeds

C. EXPRESS

* Often divided into:
  - documents (postal communications sent by express);
  - non-documents (goods-bearing express parcels)

3. FINANCIAL SERVICES PROVIDED BY POSTAL ADMINISTRATIONS

Financial services can be split into two main categories: postal financial services (such as mail orders, postal cheques, etc.) and other financial products (like those related to savings bank operations and those known as "giro").

Postal administrations have traditionally played the role of providing readily available financial services, both within individual Member States and internationally. The more traditional services in this area include money and postal orders, postal cheques and savings bank operations. The full list of financial services provided by postal administrations is shown at Table 3 below.

The revenues coming from these help the administrations to balance their operating figures.

The extent to which the services are used varies from Member State to Member State and is influenced by such factors as:

- the spread of commercial banking facilities, mainly in remote areas, and their inter-operability;

- public attitudes to the use of banks and their facilities, which themselves tend to reflect the type of community and its banking system development;

- government regulations either promoting or limiting giro and savings bank development.

Nevertheless, in the Community the situation is not uniform. In some Member States national girobanks provide full banking services in line with the commercial banks, whereas in other Member States giro activity is limited to postal cheque services and in at least one country even this last activity is not authorised.

In almost all administrations the wide spread of postal counter facilities has resulted in their being used for government services, often providing for such facilities as the payment of pensions, welfare services, licence and taxation payments and payments for utilities such as water and telephones.

When such arrangements are in force, they are generally provided free of charge to the government, but there is an argument for introducing some charges based on the cost of providing the services.

Table 3: *Summary of financial services provided by postal administrations*

A. POSTAL FINANCIAL SERVICES

A.1 POSTAL PAYMENT MEANS

* Money Orders, International Money Orders
* Postal Orders
* Postal Cheques
* "Valeurs declarées"

B. GENERAL FINANCIAL SERVICES

B.1 GIROBANK OPERATIONS

* Tele-payment
  - credit cards
  - ATM Girobank cards
* Interior accounts/deposits/pay-out
* Foreign currency
* Mortgage

B.2 SAVINGS BANK OPERATIONS

* Home-savings investment
* Common funds investment

B.3 OTHER PAYMENTS

* Pensions
* Welfare services
* Licence/Taxation
* Public payments

4. MAIL FACILITATING SERVICES

For postal administrations' mail services, the most important services provided at the post office counters relate to the selling of stamps and the provision of information relating to use of mail services. With the exception of Belgium and Portugal, all postal administrations now permit stamps to be sold in other as well as post office counters.

Post office counters can also be used to give credit for postage "meter" machines, and then accept postings paid for with "meter" impressions. There are also other more specialist services available, such as the sale of philatelic products, or containers in which to post items.

As with postal administrations, the great majority of private operators' volume comes from larger customers, whose postal items are collected directly from their premises. Increasingly, however, private operators are establishing facilities which enable smaller customers (or even individuals) to use their services. Several private

operators now have franchised offices which accept smaller postings; in addition investment is being made in "lodging points" established for the same purpose.

Table 4 below gives a summary of the mail facilitating services.

Table 4: *Summary of mail facilitating services*

POSTAL ADMINISTRATIONS	PRIVATE OPERATORS
- Stamp sales - Meter credits - Philatelic products - Container sales - Franchised access points (IRL and UK)	- Franchised access points - Lodging points

5. OTHER TRANSPORT SERVICES

Most private operators who provide postal services have transport services as their main business. The parcel services that they provide are usually part of their general transport operation (although they may be processed through separate networks). If they offer express services, these are generally provided entirely separately.

While private operators have extended down to smaller consignments, some postal administrations have started to move into the general transport market. Thus, several now accept items well beyond the "traditional" weight maximum for parcels of 30 kilos. Sometimes, such large consignment services are provided through the ordinary parcel network, but usually through separate networks.

Parcel/express operators are now increasingly offering warehousing facilities to aid the "just-in-time" strategies of their customers. They are therefore becoming increasingly involved in controlling stock on behalf of customers, and even carrying out simple assembly operations.

Table 5 below summarises these other transport services relevant to the postal sector.

Table 5: *Transport and other services*

TRANSPORT AND DELIVERY	ASSOCIATED ACTIVITIES
- General transport - Freight forwarding - Specialist delivery services	- Warehousing - Stock control - Just-in-time services

6. MISCELLANEOUS - POSTAL ADMINISTRATIONS

The post office counters network is now being used increasingly for selling services beyond the traditional government services and mail facilitating services. They are now selling services on behalf of a range of public sector institutions and utilities. To give an impression of the breadth of this range, these may include bus, train or airline

tickets (or passes), phonecards, fishing licences and Red Cross bonds, as well as lottery tickets. Some are also now selling financial services other than banking - insurance presently being the main example.

The range of services sold is crucially affected by the legislation affecting each postal administration. Table 6 below summarises the miscellaneous services sold at the counters of at least some postal administrations.

Table 6: *Summary of miscellaneous services sold at post office counters*

TICKETS	INSURANCE
- Transport tickets/passes - Non-governmental licences - Phonecards - Lottery tickets	- Insurance services

ANNEX 2: THE POSTAL SECTOR IN STATISTICS

1. INTRODUCTION

This annex is intended to provide an introduction in figures to the Community' postal sector. Following an over-view of the sector as a whole, it then puts the sector in the context of the Community's overall economy. Next, it examines in more detail the mail services, and then the postal financial services. (Unless otherwise stated, the figures are those of 1988, in order to ensure comparability of information.)

2. OVERALL FIGURES

Table 1 below gives the main figures for the postal sector. The revenue and employment figures relate to the whole sector, while the volume figures relate to mail services only.

Table 1: *Community's postal sector - summary in figures*

VOLUME			
Items per year			78 billion
Items per working day			290 million
Items per inhabitant/year			244
Rate: Domestic/Community/International			93% / 4% / 3%
REVENUE			
Mails services			
- Postal administrations		ECU 26 bn	
- Private operators		ECU 20 bn	
Postal financial services			
- Postal administrations		ECU 13 bn	

TOTAL			ECU 59 billion
EMPLOYMENT			
Postal administrations			
- Mail services	1,207,000		
- Financial services	153,000		
		1,360,000	
Private operators		350,000	

TOTAL			1,710,000

Source: Sofres study

3. ECONOMIC IMPORTANCE

The postal services provided by the public and private operators generate a total revenue of ECU 59 billion, the equivalent of 1.46% of the Community's GDP. (This figure excludes directly associated industries - such as those of direct mail and mail order - which generate another 0.5% of the Community's GDP.) Of this, mail services generated ECU 46 billion, and postal financial services ECU 13 billion.

However, about half the postal administrations operate at a loss. As well as showing the economic importance of postal services to the different national economies, Table 2 below also shows the external funding that is needed to make up these losses. The profitable postal administrations together earned surpluses of ECU 748 million, while the loss-making administrations recorded a combined loss of ECU 2,699 million. The combined effect was a net loss of ECU 1,951 million.

Table 2: *Importance of postal services to overall economy (1988)*

MEMBER STATES	GROSS DOMESTIC PRODUCT ECU billions	TOTAL TURNOVER ECU millions	IMPORTANCE TO GDP %	SURPLUS/ DEFICIT ECU millions	CONTRIBUTION TO GDP %
Belgium	124.8	773.4	0.62	- 272.3	- 0.21
Denmark	91.3	1,156.4	1.27	+ 44.0	+ 0.05
Germany	1,020.1	9,180.0	0.90	- 1,210.0	- 0.12
Greece	44.7	136.0	0.30	- 17.5	- 0.04
Spain	284.8	1180.3	0.41	- 119.7	- 0.04
France	795.0	12,366.0	1.56	+ 147.0	+ 0.02
Ireland	26.5	246.7	0.93	+ 1.7	+ 0.01
Italy	689.7	4,087.1	0.59	- 1,044.4	- 0.15
Luxembourg	5.6	52.7	0.94	- 0.3	- 0.01
Netherlands	189.1	3098.0	1.64	+ 297.0	+ 0.16
Portugal	34.7	154.9	0.45	- 34.8	- 0.10
United Kingdom	670.8	6,426.0	0.96	+ 258.0	+ 0.04
EC	3,978.1	38,857.5	0.98	- 1,950.9	- 0.05

Notes: The table above excludes the turnover generated by private operators. This is estimated to be some ECU 20 billion per year. Added to the ECU 39 billion generated by the postal administrations, the total turnover would be ECU 59 billion - or 1.46% of EC GDP.

The figures include revenue of ECU 13 billion generated by postal administrations' financial services.

The turnover figures for Belgium exclude ECU 321 million paid by the Belgian government to the postal administration to compensate it for losses incurred on certain services which the government required it to provide.

The figure for Denmark is before allowance for a special tax of ECU 86 million.

Source: CEC analysis

The figures shown in Table 2 need to be set in the context of a comparison with the two largest postal administrations outside the Community (those of Japan and the United States) and with the largest private operators. Table 3 below seeks to give this comparison. (It should be noted that the figures given for the revenue generated by the private operators in the Community market are estimates only; figures for the postal administrations include revenue from financial services.)

Table 3: *Revenue of largest private operators and non-Community postal administrations (1988)*

CATEGORY	COUNTRY/ COMPANY	REVENUE GENERATED (ECU BILLION)		
		IN COMMUNITY	OUTSIDE COMMUNITY	TOTAL WORLDWIDE
Postal Administrations	Japan	N/a	9.5	9.5
	United States	N/a	30.0	30.0
Private Operators	DHL	0.5	1.5	2.0
	Federal Express	1.5	5.5	7.0
	TNT	1.0	2.0	3.0
	UPS	4.0	8.0	12.0

N/a Not applicable

Source: Several

4. MAIL SERVICES

Mail services are provided both by postal administrations and by private operators. All the ECU 20 billion revenue of private operators is generated by non-reserved services. Of their revenue, postal administrations earn some ECU 21 billion from letter services, the majority being reserved.

PUBLIC AND PRIVATE OPERATORS

Table 4 shows how the mails market is divided up between postal administrations (the public postal operators) and private operators. It also indicates how postal administrations, by generating most of their revenue from ordinary letters, have relatively high throughputs per employee (compared to private operators) but relatively low revenue. The experience of private operators, who generate almost all their revenue in the express and parcels segments, is the converse. As the table indicates, private operators hold an estimated 43% of the total postal market. In the parcel and express segments, their share is much larger - an estimated 63% and 87% respectively.

Table 4: *Mail services - comparison of postal administrations and private operators*

OPERATORS	PERCENTAGE DISTRIBUTION			PER MAILS EMPLOYEE	
	VOLUME	REVENUE	STAFF	ITEMS (thousands)	REVENUE (ECU)
Postal Administrations	96%	57%	78%	62.0	21,500
Private Operators	4%	43%	22%	8.9	57,150

Source: CEC analysis

UNIVERSAL SERVICE

Postal administrations have a universal service obligation. (In all Member States, they have been granted some special and exclusive rights with the intention that they should be able to meet this obligation.) Universal service refers to the access by which every citizen or organisation may post items into the public postal service; it also refers to the ability of the postal service to gain access to all addresses in the Community in order to deliver postal items. Table 5 below seeks to give an impression of the implications of this obligation.

Table 5: *Universal service - collections and deliveries*

CRITERION	TOTAL	INHABITANTS PER UNIT (Note 1)
Post office counters	92,772	3,490
Collections points (public)	163,000	1,700 (Note 2)
Delivery rounds	318,000	1,010

Note 1: The total population of the Community divided by the numbers of units mentioned (counters, collection points and delivery rounds).

Note 2: The number of public collection points includes the posting boxes available in post office counters.

Source: Postal administrations

Population density and concentration is also important in terms of the universal service obligation. The Community's average density is 143 inhabitants per square kilometre, the range for individual Member States going from 50 to 350 inhabitants per square kilometre.

MAIL USAGE

80% of letters posted originate from businesses and other organisations (the percentage being even higher for express and parcels services). It is therefore not surprising that there appears to be a link between the number of letters per inhabitant and GDP per capita. Table 6 compares the statistical order for these two criteria. (The same point is made graphically - using the same data - at Chapter 4, Paragraph 3.2 of the main text.)

Table 6: *Comparison of letter mail usage and GDP per capita*

MEMBER STATE	ITEMS PER CAPITA	STATISTICAL ORDER	GDP PER CAPITA (Note 1)	STATISTICAL ORDER
Belgium	335	4	102	6
Denmark	434	1	134	1
Germany	248	6	128	2
Greece	47	12	38	11
Spain	130	10	67	9
France	332	5	112	4
Ireland	148	9	64	10
Italy	196	8	106	5
Luxembourg	346	3	120	3
Netherlands	409	2	100	7
Portugal	68	11	33	12
United Kingdom	256	7	95	8

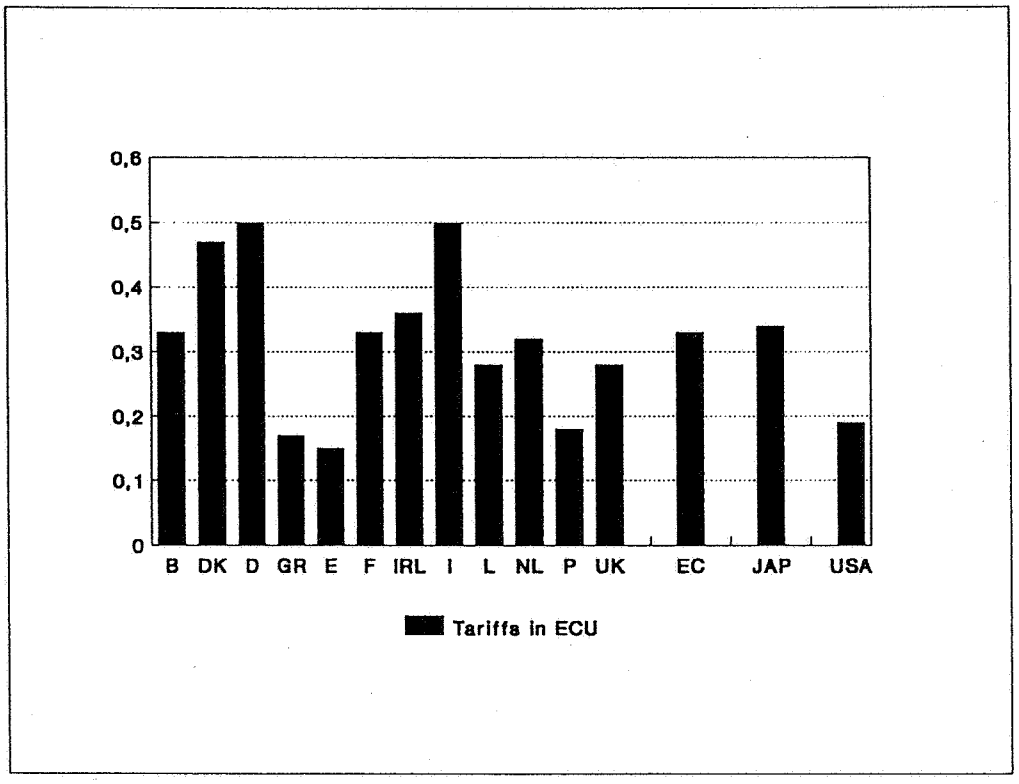
Note 1: This column shows the indexation with the EC average GDP per capita equalling 100.

Source: CEC analysis

TARIFFS

As well as general economic activity, two other important factors affecting levels of use are quality of service and prices. Figure 1 shows the basic domestic letter tariffs (for 1990) offered by the Community's postal administrations. For some administrations, this is the basic price for their main letter services (but with discounts usually being available for larger users). Other administrations, however, offer substantial discounts if the contents are printed papers (including newspapers).

Figure 1: *Comparison of basic letter tariffs (1990)*



Source: Postal administrations

NATIONAL AND CROSS-BORDER MARKETS

For all mail services, domestic markets are far larger than cross-border markets. Table 5 below shows how letter volumes are composed in the different Member States. (A distinction is made for cross-border mail between , on the one hand, mail going from one Member State to another and, on the other, mail going to or coming from outside the Community.) For reasons of commercial confidentiality, similarly detailed information is not available for parcels and express services.

Table 7 shows that 7% of letter mail is cross-border traffic, 4% being "intra-Community" and 3% being "extra-Community" mail. In revenue terms, the cross-border share is slightly higher - about 10% of letter revenue. For parcel and express services, the cross-border mail is worth about 11% of revenue.

Table 7: *Traffic composition between domestic and cross-border*

MEMBER STATE	DOMESTIC	INTRA-COMMUNITY	EXTRA-COMMUNITY
Belgium	86.0%	8.4%	5.6%
Denmark	95.8%	2.3%	1.9%
Germany	96.2%	1.9%	1.9%
Greece	74.0%	14.4%	11.6%
Spain	88.4%	6.7%	4.9%
France	95.3%	2.6%	2.1%
Ireland	69.9%	24.9%	5.2%
Italy	92.8%	4.6%	2.6%
Luxembourg	53.2%	35.2%	11.6%
Netherlands	90.4%	7.6%	2.0%
Portugal	86.7%	8.1%	5.3%
United Kingdom	92.0%	2.8%	5.2%
Average (weighted)	93%	4%	3%

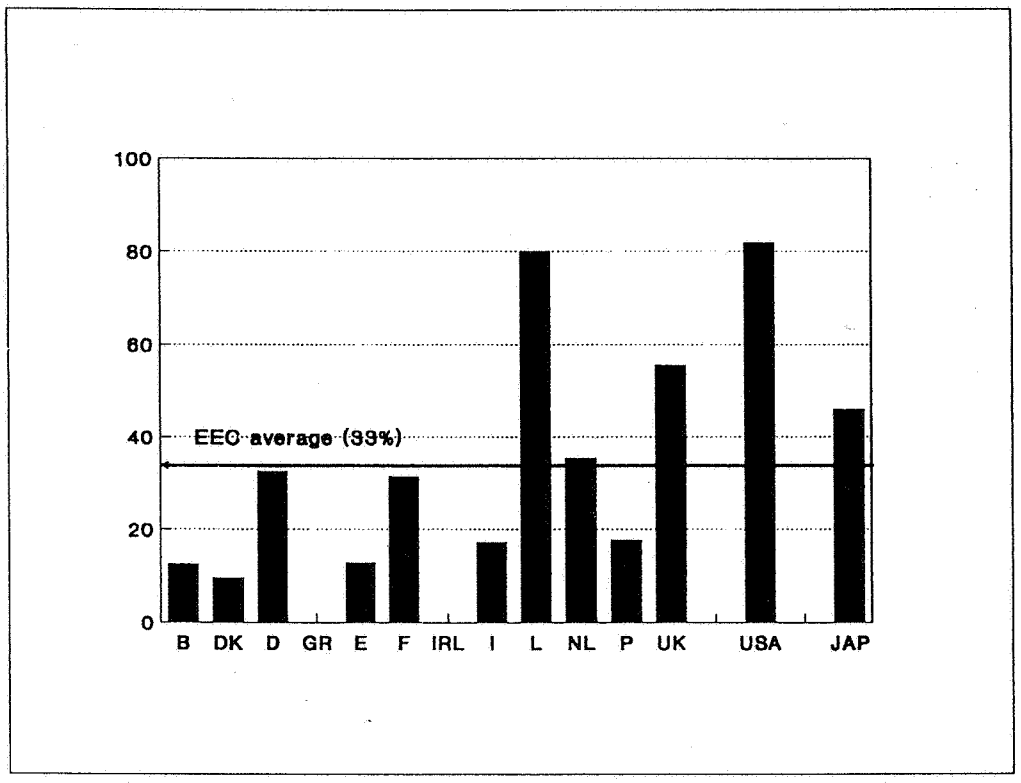
Source: Sofres study

SORTING MECHANISATION

Many postal operators have made significant investments in sorting machinery. Parcel and express operators have specialised sorting equipment which is increasingly linked to bar-coding systems. These bar-codes may also be used for "tracking-and-tracing" systems for following the progress of individual items through the whole process.

Postal administrations have made substantial investments in letter sorting equipment (see Annex 11, Paragraph 5). This equipment is presently heavily reliant on sorting by the post-code. (The subject of post-codes is discussed in detail in Annex 10.) Figure 2 below shows the percentage of letter mail that is automatically sorted by the different postal administrations of the Community. (The figures exclude mail that has been pre-sorted by customers before posting.)

Figure 2: *Percentage of letter mail sorted mechanically*



Source: Ernst and Young study

5. POSTAL FINANCIAL SERVICES *(INCLUDING SALE OF MAIL SERVICES AT COUNTERS)*

The Green Paper concentrates on mail services. However, it is important to be aware of the importance of the financial services provided by postal administrations. The size of the postal financial services segment (proportionate to the postal administration's total revenue) varies significantly between Member States.

There appear to be two reasons for this. Firstly, some postal administrations have a postbank as an integral part of their operation (others may not have had one, while some other administrations have sold off their respective postbanks). Secondly, while general economic activity is important, so too is the flexibility permitted to postal administrations in the enabling legislation for their postal financial services. The financial or other services which postal administrations are permitted to sell at their counters varies between Member States.

REVENUE

Postal financial services generate revenue of ECU 12.7 billion. This equates to 21% of the total revenue of the sector, and to 33% of the revenue of the postal administrations. Table 8 shows the revenue of different administrations, as well as the rate of growth.

Table 8: *Revenue and growth of postal financial services*

MEMBER STATES	TOTAL REVENUE (ECU millions)	REVENUE TREND	SAVINGS AND INVESTMENTS (ECU millions)
Belgium	270	- 4.5%	2
Denmark	350	+ 8.0%	2,400
Germany	2,180	+ 8.0%	18,500
Greece	36	N/a	4
Spain	488	+ 20.0%	3,280
France	5,026	- 0.3%	45,500
Ireland	59	+ 5.0%	945
Italy	1,436	+ 4.2%	9,000
Luxembourg	10	+ 18.0%	370
Netherlands	1,320	+ 12.6%	11,500
Portugal	20	+ 21.0%	16
United Kingdom	1,783	+ 6.0%	13,400
EC Total	12,728	.	104,917

Source: Sofres study

RANGE OF SERVICES

The financial services undertaken cover a very broad range. They include paying out pensions and other benefits on behalf of the government. They also collect revenue for different government institutions. Increasingly, where the enabling legislation permits, other services such as insurance are now sold.

To pick out two important examples of services available, they include cheque payments and money orders. Access to accounts is also made easier through the increasing availability of Automatic Teller Machine (ATM) cards issued by postal administrations. The volumes and (for cheques and money orders, the revenue throughput), are shown in Table 9 below.

Table 9: *Financial services - some volumes and turnovers*

MEMBER STATES	ATM CARDS IN CIRCULATION	CHEQUES		MONEY ORDERS	
		NUMBER IN CIRCULATION (Millions)	TOTAL VALUE (ECU millions)	NUMBER IN CIRCULATION (Millions)	TOTAL VALUE (ECU millions)
Belgium	110	5,500.0	550,000	1.2	260
Denmark	---	0.3	38	1.2	263
Germany	100	80.0	169	23.0	2,000
Greece	---	0	0	5.6	1,160
Spain	450	7.0	4,000	24.6	2,036
France	850	2,700.0	128,000	87.6	121,250
Ireland	---	0	0	0.3	7
Italy	---	0	0	24.0	2,000
Luxembourg	4	0.2	12	0.2	20
Netherlands	125	164.5	20,000	0.9	153
Portugal	---	0	15	28.8	2,500
United Kingdom	159	82.4	5,925	50.6	417
EC	1,798	3,584.7	708,159	248.0	132,066

Source: Sofres study

COUNTERS NETWORK

The sale of postal financial services is heavily reliant on the coverage of post office counters. Table 10 quantifies the coverage in the Community.

Table 10: *Coverage of post office counters*

- Post office counters	92,772
- Inhabitants per post office	3,490
- Post offices per 100 km²	4.10

Source: Sofres study

The latter two figures in Table 6 are averages. The coverage in terms of inhabitants per post office ranges in the Community from 1,700 inhabitants per post office in Ireland to 10,700 in Greece. For geographical coverage, the range is from 8.6 post offices per 100 km² in the United Kingdom to 0.7 in Greece.

As Table 11 below shows, some postal administrations have begun to invest in facilities to "automate" their counters. The intention is to broaden the scope of services that can be provided, as well as improving the quality of service to their

largest customers. At the same time, the administrations should gain the additional benefit of improving their management information.

Table 11: *Automation of post office counters (1988)*

MEMBER STATES	NUMBER OF COUNTERS	EQUIPPED WITH COUNTER AUTOMATION	EQUIPMENT RATE (%)	WITH OTHER FACILITIES	
				AUTOMATIC TELLER MACHINES	COMPUTER TERMINALS FOR MANAGEMENT
Belgium	1,850	---	---	110	---
Denmark	1,300	---	---	---	120
Germany	17,500	4,259	24.3%	100	N/a
Greece	929	---	---	---	---
Spain	12,985	---	---	450	---
France	17,000	5,265	31.0%	850	3,900
Ireland	2,075 (1)	---	---	---	---
Italy	14,373	150	1.1%	---	---
Luxembourg	106	22	20.8%	4	N/a
Netherlands	2,624	2,600	99.0%	125	---
Portugal	1,050	30	2.9%	---	30
United Kingdom	21,000 (1)	230	15.3%	159	N/a
EC	92,772	12,556	17.6%	1,798	4,050

Note 1 The number of counters shown for Ireland and the United Kingdom include sub-contracted post offices. The number of post offices wholly owned by the Irish and British postal administrations is, respectively, 124 and 1,500. The latter figure is used in the calculation of the equipment rate for the British postal administration. (The EC figure is also adjusted.)

N/a: Data not available

Source: Sofres study

ANNEX 3: MAIL OPERATIONS AND NETWORKS

1. INTRODUCTION

This annex describes in detail the letter mail operation, both domestic and cross-border. It considers what can cause cost variations between the items posted. It then reviews parcels and express operations, in order to identify structural similarities to, or differences from, the letter operation. Lastly, it discusses what networks are appropriate for mails operations.

The letter mail operation comprises five main phases: collection, sorting (divided into outward sorting and inward sorting), transport and delivery. The approximate cost breakdown is shown in Table 1.

Table 1: *Approximate composition of letter mail operational costs*

Collection		10%
Outward sorting	18%	25%
Transport	2%	
Inward sorting	5%	
Delivery		65%

Source: Average values from several postal administrations

Before describing these phases the annex first studies the work that customers can undertake before actually posting their mail.

2. PRE-POSTING

What work has been carried out on the mail before posting affects what processes are necessary after posting and before final delivery of the items posted.

At the simplest level, a customer may divide his mail between the categories determined by the postal administration (that is, letters/printed papers or first/second class). This would save on the "segregation" process described below at Paragraph 4. A customer could also ensure that all the mail was presented in the same way, thus saving on the "facing" process. If the mail was posted under contract or had been franked with the customer's meter impression, this could save the task of "cancelling" the stamps.

The most important task that the customer could carry out would be the pre-sorting of items. The level of the pre-sort will depend not only on the customer's facilities (and volumes), but also on the information that the postal administration can give to the customer on its sorting requirements. This information will depend crucially on the depth of the post-codes system (see Annex 10 for a more detailed description). Some post-coding systems enable pre-sorting only down to towns or general areas, others to individual streets or the delivery rounds (known as "walks") of the individual postman.

Allied to the latter depth of pre-sorting facility, it would be possible for customers to have the choice of posting in one location, or in several locations, with the aim of improving service.

3. COLLECTIONS

Collections are made from posting boxes in the street (sometimes called road-side collections), post office counters or other public places and from the premises of customers. In towns, the road-side collections, particularly in the afternoon, tend to be separate operations. In rural areas, they are often combined with deliveries.

All collections from post boxes and from counters are regular. Collections from customers' premises by post offices are also usually carried out on a regular basis. However, companies may have irregular requirements and may ask for "ad hoc" collections.

Collections from customer premises are also made by other operators. These operators may be offering services that compete with those of the postal administrations. Alternatively, they may be offering a service that is required before the mail is lodged with the postal administration. An example of this form of "mail preparation" is that of a "mail shop" pre-sorting mail on behalf of the originator of the mail. (However, as part of facility management, postal administrations will also offer special kinds of "mail preparation" to the customer, a facility sometimes called mail-room service".)

The collection function is vital to the overall process, but its importance is often under-stated. It accounts for about 10% of costs. These costs can be seen as "lumpy inputs", that is to say that each collection that is added or taken away has an effect on costs. However, costs do not vary according to the number of units (letters that are actually collected).

The collection function can also be under-estimated in terms of its importance for quality of service. Certain administrations experience problems with the potential irregularity of post boxes being "cleared" (that is, collected from). A problem here is that quality of service figures often measure only from the time when the sorting process starts in the sorting centre.

A letter that is delivered by the target date (measured from after the arrival of the letter at the outward sorting centre) would be considered a success even though it may have been delayed by a day if the box had not been cleared. (The only solution to this measurement problem is to have a system that measures "end-to-end".)

4. OUTWARD SORTING

Outward sorting is the process that ensures that mail collected in a sorting office's catchment area is despatched to the appropriate office either for delivery or for further sorting and then onward distribution to the delivery office.

4.1 THE BASIC PROCESSES

The treatment in the sorting centre consists of the following set of operations:

Segregating	Dividing items between letters and packets. They are also streamed (if streams are applied) - for instance into letters and printed papers, urgent and non-urgent; first and second class; machinable and non-machinable, or with a postcode and without a postcode.
Facing	Ensuring that all letters are presented in the same way (with the stamp in the top right hand corner).
Cancelling	Covering the stamp with a post office mark indicating the date and often the time. (For mail with customers' frankings, either "meter" mail or "pre-paid" mail, this operation consists of checking that all items are correctly marked.)
Sorting	Items are divided into groups according to the final delivery offices. The process is undertaken manually or by machine - see below. There are operational differences depending on the size of the items to be sorted (see Paragraph 9.3). In the case of destinations which attract little mail from the particular outward sorting centre, the mail may be sent to an intermediate office which consolidates mail for the smaller destinations in its region.
Despatching	Items are then put into containers (usually bags, but sometimes into trays) ready for conveyance.

4.2 MECHANISATION

Most of these processes can be carried out either manually or mechanically. (This is less true of the materials handling processes needed to take the mail from one process to another.) Technological changes to mechanised processing have recently concentrated mostly on the sorting process. However, it should be emphasised that a significant manual input is still needed even in processes that are described as "automated".

Mechanised sorting entails mail being presented to coding operators, who use a keyboard to enter the postcode or destination address of the item. This information is then converted ("translated") by computer into a technical code (which is in binary form) to be printed (in bars or dots) on letters, which can then be sorted automatically by machines which can "read" the binary code. (The subject of coding systems used by postal operators is discussed in more detail at Annex 10.)

Advances in Optical Character Reader (OCR) technology now make it technically feasible to have the address scanned by an electronic "eye", and to send the information to be translated into a binary code, which was formally input by the coding operator.

Different packet-sorting machines have been trialled at intervals. Some packet sorters use the "tilted-band" techniques, where packets are fed along a band at an angle. The packets are sorted by a flap opening below the band, at a point determined by the code input by the operator. Other machines use trays that tilt up at the correct point. Administrations have generally found such machines less easy to justify financially than the technology for sorting letters. In both cases, this financial viability is measured by comparison with manual productivity.

In order to help make the mechanisation more financially feasible, administrations have tended to "concentrate" into large mechanised centres the mail which would formerly have been handled in several manual centres. (As a very approximate guide, a volume of more than 10 million items per year is sometimes considered as the threshold figure required for a modern mechanised letter sorting centre.) There could be dangers from over-concentration which could already affect quality of service. However, the cost of mechanisation for smaller centres is decreasing, and there may now be a period of "de-concentration".

Of the different parts of the mail process, outward sorting is the operation with the greatest element of variable costs (the next being inward sorting). Conventionally, sorting offices have regular staffing set at a level slightly below that required for handling the volume to be processed. Surges of volume are then handled by injecting overtime. It therefore needs careful calculation to arrive at the most cost-effective mix of regular time and overtime.

Introduction of mechanisation has increased the proportion of fixed costs. The on-costs of the machines (engineering costs, electricity, etc.) are largely fixed although the staff time of the postal operators using the machines still has a high variable element, as with manual sorting. Optical Character Reader machines again have increased the fixed costs, by replacing more of the manual element by mechanical process.

5. TRANSPORT

Mail is transported by road, rail, air and sea. With increases in volume and (in some cases) increases in the real costs of using contractual transport systems, post offices have invested heavily in their own transport systems (primarily rail and road). These are "lumpy inputs" which together make a mostly fixed cost network.

Where transport is contracted out, charges tend to be entirely variable, or a fixed price with a lighter charge per unit (or per weight).

In terms of the overall analysis, the transport studied here is that between offices, and does not include the transport involved in the collection and delivery processes. In absolute money terms, the costs are very large. However, relative to the overall costs, they are less significant.

6. INWARD SORTING

The transport process brings the mail as far as the inward sorting office. This office will have its own "dependent" delivery offices to which some of the mail may be sorted (although much will simply be sent on in bags already made up by the outward sorting

office). Both the main office and the delivery offices will have their own delivery rounds (known as "walks") operating from them. The second inward sorting process is sorting between the different delivery rounds. If the inward sorting office is mechanised (and if the post code system is sufficiently "deep"), this walk-sorting process could be carried out mechanically.

Sorting offices have both outward and inward sorting functions. The description above assumes that the inward mail received was despatched from another sorting office. For local mail (mail for delivery in the same area in which it was collected), quite possibly the same office will perform both outward and inward functions (without, of course, a transport process between).

7. DELIVERY

The walk-sorting process thus brings the mail to the postman who will actually deliver the mail. The postman responsible for the delivery round then prepares the mail according to the order in which he will carry out the round. The postman then actually deliveries the mail.

For significant movements in mail, it may be possible to modify the staffing levels. However, mostly, the staffing will not change according to volume. As an indication of this, postmen would normally be expected to deliver to a certain number of houses throughout the year, and to cope with the peaks and troughs of the volume that would occur during the year. (It is assumed here that there is a minimum service requirement - that is, that a delivery should be made to any delivery point each working day when there is mail for that address.)

Deliveries are normally intended to be made on a once-a-day basis. In business districts or other areas where the volume of correspondence is especially great, however, deliveries are made two or even three times a day. However, as with collections, companies may have irregular requirements and may ask for "ad hoc" deliveries.

8. CROSS-BORDER LETTER MAIL

When letter mail is sent from one postal administration to another through the international letter mail system, the mail is said to be "exchanged". There are specialised centres that dispatch mail on behalf of one administration and receive it on behalf of another. These centres are called "offices of exchange". Postal administrations may have "outward" offices of exchange and "inward" offices of exchange (which may be in different cities). The location of offices also may vary depending on whether the mail is being sent by air or surface means.

There are relatively few such offices. For example, the German postal administration has eight offices of exchange as against fifty major sorting centres. The intention is that there should be greater control, particularly for dispatching to air-lines and for customs clearance. As well as giving some cost economies, there are also returns to scale in terms of the specialist knowledge needed.

Each office of exchange has a "catchment" area. Cross-border mail is collected, separated out (by sorting) in the sorting centre and then dispatched to the outward office of exchange. There, the full sortation is carried out, and the mail is then dispatched by the chosen means of transport. For the inward process, the mail is

cleared through customs and then dispatched by the inward office of exchange to the appropriate local sorting centres for any necessary sorting before sending on to the delivery offices.

The danger of having apparently so few offices of exchange is that they could act as bottle necks, particularly during peaks of traffic. Some limited action has been taken to alleviate this potential problem. For example, when Italy first invested in mechanisation at one of its inward offices of exchange, it wanted all inward cross-border mail due for delivery in Italy to pass through this centre. Following the resulting decline in quality, other postal administrations asked for an increase in the number of inward offices. The number was increased to four, and now to seven. For both inward and outward operations, the size of the catchment area for offices of exchange is very important for service.

9. CAUSES OF DIFFERENCES IN COSTS

There are four main causes of cost variations between the different letter items sent: the speed required, size and distance.

9.1 CONCENTRATION OF MAIL USERS

For the letter service, the different levels of concentration of mail users affect the unit costs of the two phases of the mail process that connects the public with the letter operation - that is, collections and deliveries.

Town centre posting boxes tend to be relatively close to one another and relatively heavily used. By comparison, in less urban/more rural areas, they are spread further apart, and the level of usage is relatively light (so that the number of items per box collected is much less than is the case for collections in more urban areas).

For deliveries, the key cost criterion is the distance between each delivery point. Clearly, there will be more points accessed in a delivery round in a town centre and less in rural areas.

This discussion tends to contrast the two extremes of town centres and rural areas; in reality, there is a continuum between the two. However, this contrast helps to give an impression of the different cost effects on collections and deliveries, both of which tend to be fixed cost operations. The number of units put through each of the operations will therefore affect the unit costs.

9.2 SPEED REQUIRED

Most administrations offer a letters/printed papers tiering classification. However, they still operate a system of setting priorities for handling the traffic. Priorities are more obviously set by those administrations which classify their tiers on the basis of the speed required. (Within each of these categories, speed is a relative concept. Postal administrations achieve different performances in terms of speed, and it is therefore possible that the speed required will have different cost implications for different administrations.)

Since most priority mail is collected late in the afternoon and is expected for delivery in the mid-morning, it follows that all the operations necessary for such between collection and delivery need to take place late in the evening, at night

or in the early morning. In all Member States, extra shift allowances are paid for working at night (and productivity is usually less). If there are traffic peaks, it may be possible that the capacity of any mechanisation equipment available is exceeded; the unplanned use of manual sorting as a support can be expensive.

Non-priority mail can be held over and handled in the outward office the day after collection at a time when spare capacity is available. To a certain extent, the other offices involved in the process can also use such mail as "in-fill" when their capacity allows - that is, when there is staff or machinery available and there is no priority mail to be handled.

9.3 SIZE

Operationally, letters are regarded as being in three different sizes: short letters, large letters and large "flats"/packets. Large "flats" are envelopes containing an unfolded document (or publication) of at least A4 size. A long letter is an envelope which could contain a document up to the A4 size, but folded into three. A short letter is an envelope containing up to an A4 document, but folded into half and then half again. (Naturally, market demands will affect envelope sizes used: presently, there are increasing volumes of the C5 size (approximately half the size of A4.)

The differences in sizes affects the sorting costs and, much less significantly, the cost of the delivery phase. Letters, whether short or long, can be sorted on automatic sorting machinery; flats and packets, if sorted mechanically, need separate automatic sorting machinery. If the items are sorted manually, the items are handled in different fittings, the ergonomics of which affect sorting speeds, typical standards ranging from 1200 short letters sorted per hour to 450 "flats" or packets sorted per hour.

Short letters more or less correspond to items up to 20 g. Long letters could weigh up to 80/90 g, and packets more. Flats are unusual, in that they can vary across several weight bands.

It will therefore be remarked that tariff structures based on weight, while perhaps being more convenient and understandable, are not directly related to these cost differences.

9.4 DISTANCE

As will have been seen in Table 1 above, transport costs are a small proportion of total costs. For light-weight items they are an even smaller proportion. At first sight, therefore, distance does not seem to be an important cause of variability of costs.

However, distance can cause additional complexity in routeing. For letters, approximately 22% of the volume is for local delivery, perhaps 35% for delivery to adjoining areas, and the remainder to distant areas. It therefore follows that the further away the destination of a particular item, the smaller the volume that is likely to be sent with it to the same destination. (Of course, this will vary from country to country; where countries - such as Canada - have the population concentrated in relatively few urban areas far from each other - the assumption made here may be less valid.)

The smaller the volumes going from one office to a particular destination, the greater the economic case for consolidating this volume with other volume at an intermediate office. For such mail, it is not just the sorting that would be double-handled, but also all the materials handling, including dispatching and receiving. It should be mentioned also that basic sorting processes are often required to be repeated for mail going to destinations with small volumes.

10. OTHER MAIL SERVICES

Parcels and express operations also comprise the same five phase of collection, outward sorting, transport, inward sorting and delivery. Although the cost-breakdown is similar, some possible differences should be noted.

10.1 PARCELS

Because of the greater average weight of items, parcel transport costs as a proportion of the total are likely to be higher. As with letter operations, parcels (and, indeed, express) operations range from the manual to the automated. The automated sorting technology is similar for both (and similar to the packet-sorting machinery mentioned at Paragraph 4.2 above).

10.2 EXPRESS

For express services, delivery costs are likely to be less than the percentage for letters, and collection costs proportionally more (because of the smaller volumes per collection and the greater concentration of the likely delivery points).

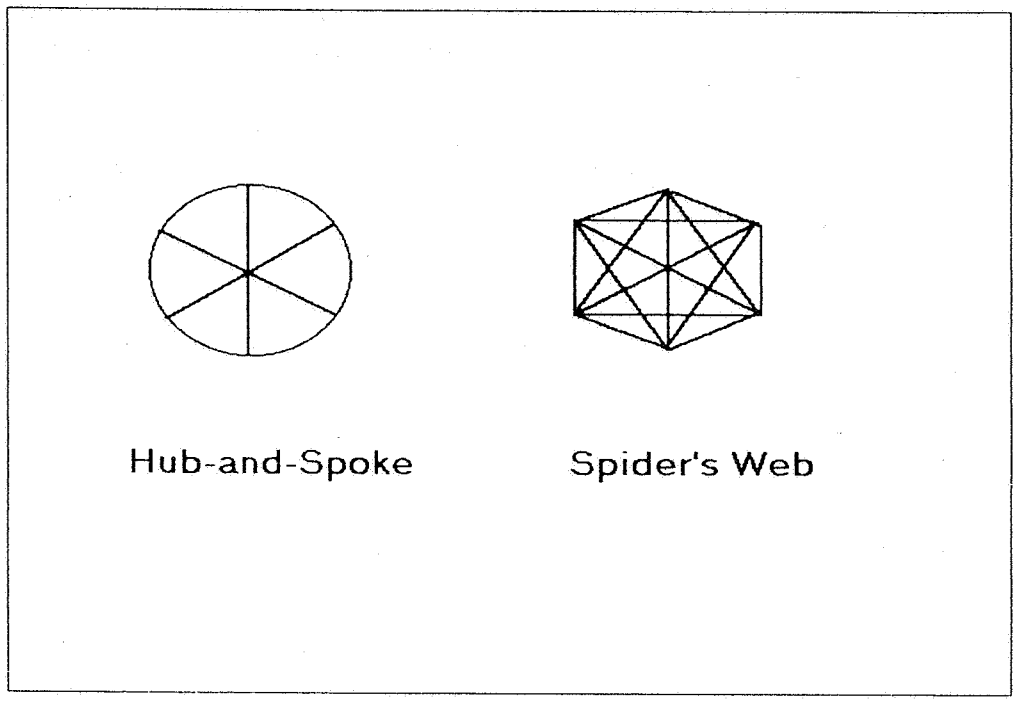
Increasingly, express operators, and also some parcel operators, are using "tracking and tracking systems". These keep an electronic record of each item from the time of receipt by the operator up to the delivery of the item to the addressee. Such systems are based on bar-code labels attached to the individual items. These labels can also be used in the sorting process.

For cross-border shipments, great emphasis is placed on the need for fast customs clearance. This would anyway be important for goods-bearing express packages or parcels (which are dutiable). It is also a source of potential competitive advantage, particularly for express documents (even though these are non-dutiable).

11. NETWORKS

The transport of a large number of items, including the delivery of each to a final destination, necessitates the use of networks. There are essentially two sorts of networks that are to be found in the postal sector. The first is called the hub-and-spoke system, and the second is sometimes called a "spider's-web" network. The two are shown below diagrammatically.

Figure 1: *Hub-and-spoke and Spider's web networks*



In these examples, there are six points that need to be connected. In the hub-and-spoke system, items from each of the points are transported into the central hub where they are sorted by destination, and then fed back along the spokes to the end points.

In the spider's-web network, there is no central hub. Rather, each point sends items directly to each other point, and receives items back for delivery.

It should be noted that, if these networks represent a sufficiently large area (such as a country or a group of countries), each point on the exterior of the networks shown will be the central point of the area it serves with its own subsidiary points; it will normally be connected to these subsidiary points by a hub-and-spoke system.

Some more detailed points need to be added to complete the description of networks.

11.1 APPLICATION OF NETWORKS

There are different criteria used for choosing between the two styles of networks. The advantage of the hub-and-spoke system is that it should make more efficient the use of transport capacity. It also permits returns to scale of the expertise of the staff of the hub - particularly important, if connecting into cross-border distribution.

Against that, there is the danger that two points that are close to each other may be connected only by two long journeys to and from the hub. There is therefore the possibility that speed of transit could suffer.

The choice is dictated by service targets, operational deadlines to meet, the efficiency of the transport system used and volumes. The sorting capacity of the hub is, of course, crucial - especially if the time potential is limited. (Indeed, if it is mechanised, the volumes gained through concentration may be needed to give an adequate return on the capital invested in the machinery.)

Most express operators operate hub-and-spoke systems. They can achieve the service targets that they set themselves, and also find that the concentration using fewer routes is more cost-effective. However, the operators with larger volumes are now starting to experiment with some direct routing where volumes permit (for instance, to take a cross-border example, Lisbon-Madrid instead of Lisbon-German hub-Madrid).

For letter operations, postal operations tend to use spider's-web type networks. Their far greater volumes tend to necessitate much later deadlines. Such deadlines make impossible the use of essential hub: only direct transport links make possible the achievement of service targets. In addition, the volumes of the letter operations between the different points enable these direct links to be cost effective.

Different parcel operators use one or other system. The lower volumes (by comparison to letter operations) enable hub-and-spoke systems to operate effectively. Perhaps more common is a spider's-web network connecting regional humps, but each regional hub being the centre for the whole of its territory on a hub-and-spoke system.

11.2 INTER-ACTION

It is important to note that the use to which networks are put demands different levels of inter-action. Each point on a spider's-web network must know the routing for all the possible destination points; if any point changes, all the other points need to adjust their operation. In a hub-and-spoke system, it is essentially the hub that makes the adjustments necessary.

An interesting contrast can be drawn with the network of post office counters and other outlets for selling postal services. In that case, if an outlet opens or closes, there will be an adjustment in customer demand between the options available. However, the other outlets themselves do not need to adjust their activities (with the exception of anticipating higher or lower demand in their particular catchment area).

11.3 HIERARCHY

It should be noted that networks are often layered upon one another in a "hierarchy". Thus, a letter addressed to a neighbouring town would probably be routed through the local sorting office. A letter going to a distant village would probably be routed via an intermediate office where it was "concentrated" with other letters for villages in the same area.

If the same letter was being sent to another country through the conventional international mail system, it would pass through an "office of exchange" (a specialised sorting office which handles out-going and in-coming cross-border mail).

Express and parcel operators tend to have similar hierarchies. In particular, cross-border items tend to pass through specialist centres. The advantages and disadvantages at the top of such hierarchies are similar to those of hub-and-spoke systems generally.

There are returns to scale on expertise and on any specialised equipment installed at the centre through which the mail is channelled, and there may be better use of transport capacity.

Against that, the journeys feeding into and out of such centres may cause the mail to be sent along very indirect routeings. Further, the fewer the number of such centres for the higher levels of the hierarchy, the greater the danger of bottle-necks, even though the higher levels tend to handle much less traffic than the lower levels of the hierarchy.

A particular example of an expertise which operators (both postal administrations and private operators) tend to concentrate is that of customs clearance. If this is undertaken effectively, it can give an operator a competitive advantage; if not, the loss of quality of service can be substantial.

ANNEX 4: SUMMARY OF LEGAL SITUATION IN MEMBER STATES

1. INTRODUCTION

This annex gives a short description of the legal situation in each of the Member States. In particular, it describes the legal status of the postal administration, as well as those items that are reserved to it. It also states the position of the regulatory bodies (where they exist). It is intended that the annex reflects the current situation (in Spring 1991).

The items that are reserved to the postal administration are also summarised in the table at Paragraph 3.

2. LEGAL SITUATION IN EACH MEMBER STATE

2.1 BELGIUM

The Belgian Post Office (de Post/la Poste) is now a public enterprise, with full administrative and financial autonomy. (However, there are certain "missions" imposed on it by the government, for which the government compensates the Post Office.) The General Manager is responsible for the global management of the post. The postal monopoly covers letter, postcard and printed paper mail up to 2 kg. Justification for the monopoly is implied in the Belgian legislation by the universal postal service being rendered in the public interest.

2.2 DENMARK

The regulatory body is the General Directorate of Post and Telecommunications. The public operator, the Danish Post Office (Post Tjenesten), forms part of the state administration. However, it enjoys relative autonomy in administrative and financial matters. The Director General has overall responsibility for the management and operation of the Post Office.

The postal monopoly covers letter and card mail up to 1 kg, and is justified on the basis of the universal service obligation of the post. The new postal law is being examined by the Commission of the European Communities, in particular concerning the regulatory position of cross-border letter mail.

2.3 GERMANY

The German Post Office (Deutsche Bundespost Postdienst) is part of the state administration organised in a 'regie' with a separate budget. The top official responsible for the overall management of the postal services is the Director General. The Ministry for Post and Telecommunications holds the regulatory responsibility covering the postal services and the associated operating divisions (Telekom and Postbank).