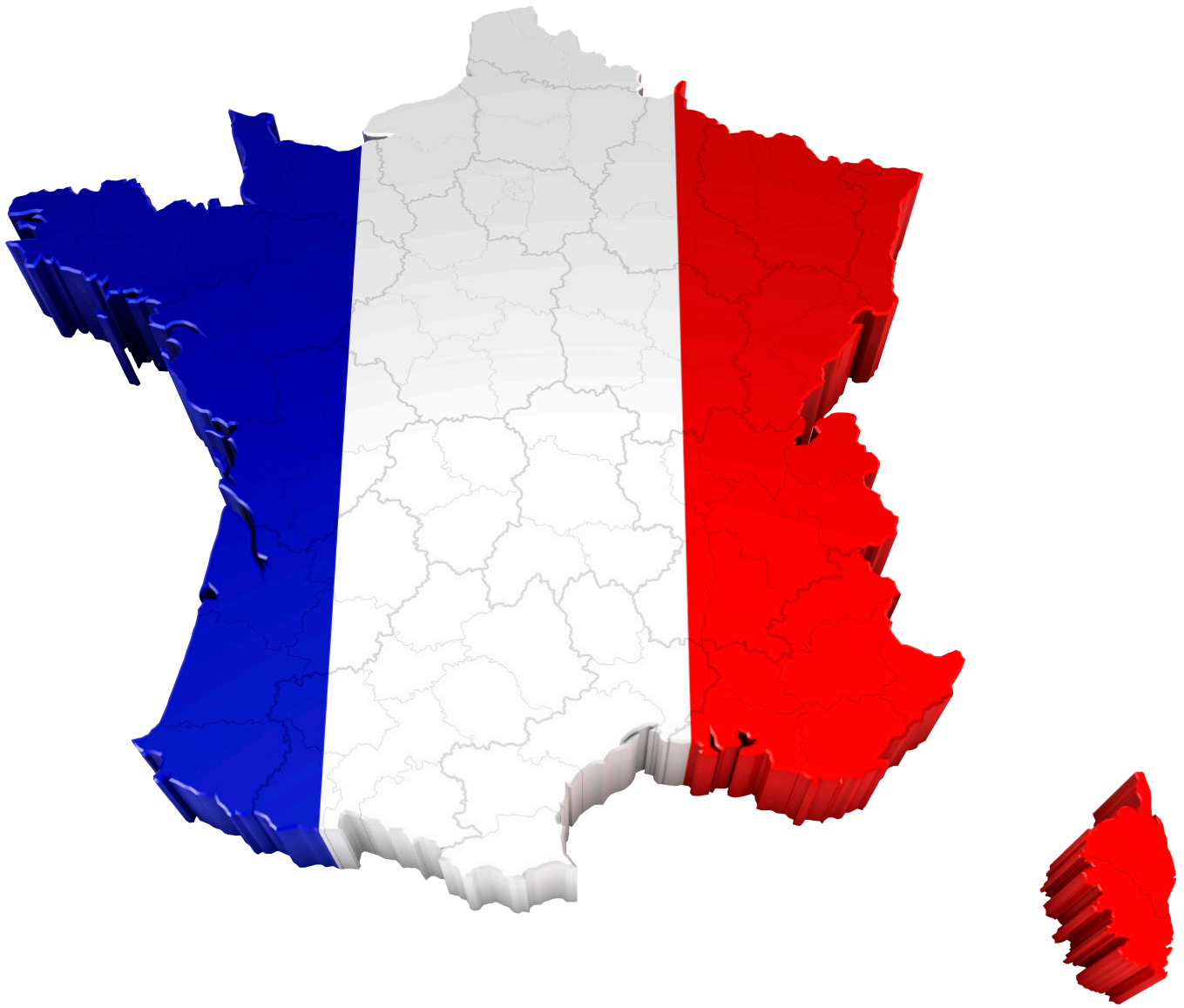
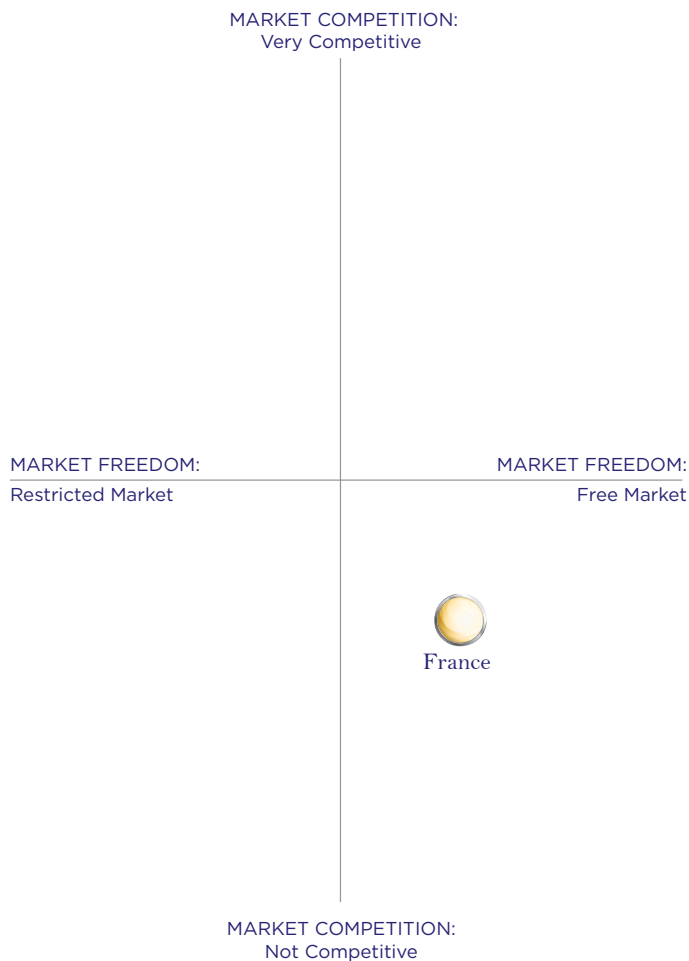


FRANCE





OVERVIEW

La Poste -- the French government-owned postal service -- is the third-largest national post in the world, with 2010 revenues of over €20.9 billion. Components of La Poste include traditional mail delivery, express and parcel delivery, and a financial division, which provides basic banking services.

Despite this menu of diverse offerings, mail still accounts for over half of La Poste's revenues. Financial services are becoming increasingly lucrative, as nearly a quarter of La Poste revenue is derived from this relatively new offering.

With over 275,000 workers, La Poste is among the largest employers in France. Although state-owned, its operations have been commercialized -- so it competes against private companies -- and it holds stakes in some foreign postal operators.

In February 2010, the French government passed legislation transforming La Poste into a limited liability company owned by the state. The law also set the terms under which the French postal market would operate after liberalization in January 2011.

LIBERALIZATION

Liberalization of the French postal market has come in stages. The market for mail weighing more than 100 grams was completely liberalized in 2003. The market for mail above 50 grams was opened in 2006.

France had been among those most loudly calling for postponement of the EU's deadline for total liberalization of postal markets. The initial deadline for liberalization was pushed back two years to 2011. But as of the beginning of that year, La Poste no longer has a monopoly on mail weighing less than 50 grams.

Labor groups consistently opposed liberalization of the mail market. In response to La Poste's drift toward competition and privatization, postal unions staged a nationwide strike on September 23, 2008. The demonstration involved 27 percent of La Poste workers, according to company management.

PRIVATIZATION

Privatization of La Poste remains unlikely in the foreseeable future. Since 1991, La Poste has been considered an autonomous agency providing a public good. Thus, it is government-owned but independently run, with a board of directors and a regulatory structure overseeing its operations.

The French state distributes subsidies to La Poste, mostly in the form of tax exemptions. There is little chance of this trend lessening. In addition, La Poste enjoys an unlimited line of credit with the French government.

Despite opposition by French postal unions, La Poste became a limited liability company with public ownership on March 1, 2010. The French Constitution forbids the government from owning less than 50 percent of La Poste.

COMPETITION

France's mail market is liberalized, so La Poste faces competition. However, La Poste dominates the market for letter mail. Foreign and domestic package firms compete with La Poste for parcel and express revenues. So far, at least 19 such firms have been licensed by ARCEP, the French postal regulatory authority.

Because of its presence in package markets, as well as its robust financial services business, La Poste faces competition in non-postal sectors. La Poste claims that 73 percent of its revenue in 2010 came from markets open to competition.

REGULATION

Since the revision of France's postal laws in 2005, La Poste has been under the regulatory authority of ARCEP, or the Autorité de Régulation des Communications Electroniques et des Postes, an independent administrative authority.

The Autorité's executive board is composed of 7 members. Three are nominated by the President of the Republic, two by the President of the Senate, and two by the President of the National Assembly. Their terms are six years in length and are not renewable.

ARCEP's regulatory authority is wide-ranging. Not only does ARCEP regulate the postal market, it is also the overseer of the French telecommunications market. ARCEP ensures that the universal service function is carried out, that the liberalization agenda of the EU is adhered to, and that the postal market generally functions. ARCEP is also responsible for licensing firms to compete with La Poste in liberalized business areas.

UNIVERSAL SERVICE

La Poste is the designated universal service provider in France through January 1, 2026, according to the February 2010 law. ARCEP supervises this obligation. A unique component of La Poste's universal service obligation is the requirement that no more than 10 percent of a given municipality's (or département's) population may be more than five kilometers away from a post office.

In France, the universal service obligation comprises letters up to two kilograms, parcels up to 20 kilograms, and newspapers up to two kilograms. It also includes recorded mail and valuable consignments.

UNIVERSAL SERVICE (CONTINUED)

In addition, regional post offices can draw upon a geographic equalization fund. Through this fund, tax revenue from more profitable urban post offices is used to subsidize the extra expense of maintaining the universal service obligation in less profitable rural areas.

The February 2010 law established a fund for financing universal service in France. Licensed postal operators must contribute to the fund according to the amount of mail within the universal-service area that they carry.

La Poste has the right to negotiate agreements not governed by the universal service obligation with bulk mailers, consolidators, and firms licensed to deliver mail in France.

NON-POSTAL SERVICES

Like many postal operators in Europe, La Poste has launched an integrated Postal Bank, offering a multitude of financial services. In 2005, the laws governing La Poste's bank were revised to allow it to perform, not just retail banking, but more complex transactions, such as issuing home mortgages. La Banque Postale has more than 10 million customers and reported a net banking income of €5.215 billion in 2010, with credit outstanding over €6.1 billion at the end of December.

La Poste is also involved in a number of government-related operations, such as distributing social benefits like welfare.

As of April 2010, La Poste offered consumer credit and was working to expand into personal loans. In December 2010, La Poste unveiled its first range of casualty insurance, which includes car insurance, home insurance and legal protection.

La Poste's financial services business accounts for nearly a quarter of annual revenue.