

**BIPT Council Communication of
1 September 2020
regarding
the assessment of the bpost tariffs considered within
the framework of the European Regulation on cross-
border parcel delivery services**
non-confidential version

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1 Introduction

1. As of 2019, postal operators providing cross-border parcel delivery services within Europe, have to comply with the obligations resulting from the new EU Regulation 2018/644 of 18 April 2018 on cross-border parcel delivery services (hereafter: Regulation). This Regulation aims to continue to support e-commerce within Europe, to increase transparency on the postal market and, where applicable, to point out any unjustified differences between domestic and cross-border tariffs.
2. The markets for cross-border parcel delivery services are diverse and complex, with different providers offering different services and prices. Those differences depend on weight, size and format of parcels sent, as well as on their destination, speed of delivery, any added value features, such as traceability systems, and the number of parcels sent. That diversity makes it hard for small and medium-sized users to compare parcel delivery services offered by different providers, in terms of quality and price, because they are often not aware of the existence of different parcel delivery options for similar services in cross-border online trade.
3. Since the end of 2018 providers of parcel delivery services are obliged under the Regulation to register one time on the BIPT website, where they must fill out the basic information required regarding their company. In addition, each year, certain companies have to provide statistical data to the BIPT, as well as feed their tariffs into a web tool created by the European Commission.¹ Postal operators providing parcel delivery services to and from - one or more - European Member States have to provide statistics and to report the tariffs for those services, if on average they employed 50 or more people during the previous year (including subcontractors) or if they are established in several EU countries.
4. More transparent and easier to compare prices of cross-border services should reduce the unreasonable differences between tariffs, including, where applicable, unjustified differences between domestic and cross-border tariffs. Based on an analysis made by the European Commission, tariffs are often relatively high and also vague and obscure.² According to the European Commission transparency and affordability of single-piece tariffs need to be improved for the further development of e-commerce. Therefore the Regulation tasks the national regulators with making an objective assessment of cross-border single-piece tariffs.

¹ <https://webgate.ec.europa.eu/parcel/>

² See considerations 1 and 8 of Regulation 2018/644 of the European Parliament and of the Council on cross-border parcel delivery services.

2 Legal basis

5. A draft regulation on cross-border parcel delivery services was submitted by the European Commission on 25 May 2016. The Regulation itself was signed on 18 April 2018 and entered into force on 22 May 2018.
6. The foundation for this communication can be found in Articles 4 up to and including 6 of the Regulation. Under Article 4 of the Regulation all parcel delivery service providers providing cross-border parcel delivery services should submit information to the BIPT, assuming this provider employed at least 50 persons on average over the previous calendar year or assuming that provider is established in more than one Member State.
7. Companies providing single-piece postal item delivery services, should provide the public list of tariffs for the products listed in the annex to the Regulation by 31 January of each year, as laid down in Article 5.
8. In accordance with Article 6 of the Regulation the BIPT should objectively assess the cross-border tariffs for the single-piece postal items that are subject to the universal service obligation of the designated universal postal service (hereafter: USP) provider originating in its Member State - namely bpost - in order to identify those tariffs that it considers to be unreasonably high.³

³ Article 6 of the Regulation lays down: "1. On the basis of the public lists of tariffs obtained in accordance with Article 5, the national regulatory authority shall identify, for each of the single-piece postal items listed in the Annex, the cross-border tariffs of the parcel delivery service provider that originates in its Member State and that are subject to a universal service obligation that the national regulatory authority objectively considers necessary to assess. 2. The national regulatory authority shall objectively assess, in accordance with the principles in Article 12 of Directive 97/67/EC, the cross-border tariffs identified under paragraph 1 in order to identify those cross-border tariffs that it considers to be unreasonably high. In that assessment, the national regulatory authority shall in particular take into account the following elements: (a) the domestic and any other relevant tariffs of the comparable parcel delivery services in the originating Member State and in the destination Member State; (b) any application of a uniform tariff to two or more Member States; (c) bilateral volumes, specific transportation or handling costs, other relevant costs and service quality standards; (d) the likely impact of the applicable cross-border tariffs on individual and small and medium-sized enterprise users including those situated in remote or sparsely populated areas, and on individual users with disabilities or with reduced mobility, where possible without imposing a disproportionate burden. 3. In addition to the elements in paragraph 2, the national regulatory authority may, when it considers it to be necessary, in particular also take into account the following elements: (a) whether tariffs are subject to a specific price regulation under national legislation; (b) abuses of dominant market position established in accordance with relevant applicable law. 4. The Commission shall set out guidelines on the methodology to be used in respect of the elements listed in paragraphs 2 and 3. 5. For the purposes of the assessment referred to in paragraph 2, the national regulatory authority shall, when it considers that it is necessary, request any further relevant evidence in relation to those tariffs that is needed for the assessment to be made. 6. The evidence referred to in paragraph 5 shall be provided to the national regulatory authority within one month of receipt of the request, together with any justification of the tariffs under assessment. 7. The national regulatory authority shall submit its assessment to the Commission by 30 June of the relevant calendar year. In addition, the national regulatory authority shall provide a non-confidential version of that assessment to the Commission. 8. The Commission shall publish the non-confidential version of the assessment provided by the national regulatory authorities without delay and in any event within one month of receipt."

9. When making its assessment the BIPT has used the filter mechanism mentioned in the Communication from the European Commission on guidelines to national regulatory authorities on the transparency and assessment of cross-border parcel tariffs pursuant to Regulation (EU) 2018/644 and Commission Implementing Regulation (EU) 2018/1263 (hereafter: Guidelines).^{4,5} When assessing the tariffs the BIPT should take account of the elements listed in Article 6(2) of the Regulation and in addition the BIPT may, when it considers it to be necessary, also take into account the elements of Article 6(3) of the Regulation and the Guidelines.
10. For the purposes of the assessment referred to in Article 6(2) of the Regulation Article 6(5) authorises the BIPT to request any further relevant evidence in relation to those tariffs that is needed for the assessment to be made. This evidence is, in conformity with Article 6(6) of the Regulation, transmitted within one month following receipt of the request.

3 Background

11. On 02 April 2020, the European Commission published all public tariffs for all EU Member States of cross-border products and services listed in the annex to the Regulation.
12. In addition, on 8 April 2020, the European Commission informed the BIPT about which tariffs of bpost, as the Belgian designated universal service provider (hereafter: DUSP), had been selected using the filter mechanism (Section 4 below).
13. Based on that selection, for the purpose of carrying out the assessment, the BIPT sent a letter to bpost on 9 April 2020 with specific questions about the selected tariffs, pursuant to Article 6(5) of the Regulation. Bpost answered this request for information on 15 May 2020. On 15 June, the BIPT asked for some clarification on the RoS margins. This was answered by bpost on 19 June 2020. On 25 June 2020, the draft communication was sent to bpost so that any confidential sections could be indicated and any comments could be given. On 9 July 2020, the BIPT received the comments and confidentiality indications from bpost. Based on all this input the BIPT drew up a final communication with a confidential and non-confidential version, which was communicated to bpost on 3 September 2020.

⁴ Communication from the European Commission of 12 December 2018 on guidelines to national regulatory authorities on the transparency and assessment of cross-border parcel tariffs pursuant to Regulation (EU) 2018/644 and Commission Implementing Regulation (EU) 2018/1263; https://eur-lex.europa.eu/resource.html?uri=cellar:4fd5f9aa-fdf8-11e8-a96d-01aa75ed71a1.0017.02/DOC_1&format=PDF.

⁵ The filter mechanism laid down in the Guidelines of the European Commission of 12 December 2018 will be explained in section 4.

4 Selection of the tariffs to be assessed

14. Based on point IV of the Guidelines the European Commission has applied a filter mechanism on a list of cross-border tariffs in all EEA Member States for each of the 15 categories of single-piece postal items referred to in the annex to the Regulation.
15. This method offers the advantage that an EU28-wide comparison can be made on a selection of the tariffs offered by the designated universal service provider in every member state. Moreover, it is a simple and clear mechanism, which does not rely on costs and proxies for cost, which are part of the assessment process discussed further on in this communication.
16. In order to have a consistent comparison, the published tariffs are PPP adjusted, as determined by Eurostat.⁶ Next, a filter is applied so that only the highest tariffs are taken into consideration for an in-depth analysis in the form of an assessment.
17. In the case of the reported 2020 single-piece tariffs this involves the upper 25%, just as in 2019⁷. In the future this percentage will progressively be lowered. This is done in close cooperation between the European Commission, the national regulatory authorities and the ERGP.⁸
18. By means of the European Commission's pre-assessment filter 175 bpost tariffs have been selected that have to be assessed:⁹
 - 0.5 kg standard letters to the 30 EEA countries;
 - 1 kg standard letters to the 30 EEA countries;
 - 2 kg standard letters to the 30 EEA countries;
 - 0.5 kg registered letters to the 30 EEA countries;
 - 2 kg registered letters to the 30 EEA countries;
 - 1 kg track and trace parcels to 25 EEA countries.¹⁰

⁶ http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=prc_ppp_ind&lang=en

⁷ BIPT Council Decision of 8 November 2019 regarding the assessment of the bpost tariffs considered within the framework of the European regulation on cross-border parcel delivery services
<https://www.bipt.be/operators/publication/bipt-communication-of-8-november-2019-regarding-the-assessment-of-the-bpost-tariffs-considered-within-the-framework-of-the-european-regulation-on-cross-border-parcel-delivery-services>

⁸ The European Regulators Group for Postal Services is a body that advises the European Commission.

⁹ This means that, out of 330 possible bpost rates (30 EEA countries x 11 product categories), a little over half of the bpost rates will be assessed.

¹⁰ These are all the EEA countries except for the neighbouring countries (NL, DE, FR, UK and LU).

19. The information above can be visualised as follows:

Product	Product category	Weight category (kg)	Offered by bpost	Selected for assessment
Letter mail	Standard letter	0.5	All 30 EEA-countries	All 30 EEA-countries
		1	All 30 EEA-countries	All 30 EEA-countries
		2	All 30 EEA-countries	All 30 EEA-countries
	Registered letter	0.5	All 30 EEA-countries	All 30 EEA-countries
		1	All 30 EEA-countries	/
		2	All 30 EEA-countries	All 30 EEA-countries
	Track & trace letter	0.5	/	/
		1	/	/
		2	/	/
Parcel Mail	Standard parcel	1	All 30 EEA-countries	/
		2	All 30 EEA-countries	/
		5	/	/
	Track & trace parcel	1	All 30 EEA-countries	25 non-neighbouring EEA-countries
		2	All 30 EEA-countries	/
		5	All 30 EEA-countries	/

Table 1: survey of the selection of bpost rates

5 Methodology of the assessment

20. A first step in this assessment is to benchmark the selected bpost cross-border tariffs against 1) comparable tariffs of commercial competitors in Belgium, 2) comparable tariffs of DUSPs in Belgium and in the country of destination and 3) the sum of the domestic rates (Belgium + DUSP rate in the country of destination) plus the international transportation costs (between Belgium and the country of destination).
21. Pursuant to the Guidelines of the European Commission, the assessment next consists of the analysis of the volumes and the costs. As to costs, for each product type a division is made according to operational activities.
22. Next, those costs are aggregated per product. As for the volumes, in case detailed information per product type is unavailable, an analysis will be made based on total volumes per country, divided into letters and postal parcels. Finally, the impact of the selected tariffs on vulnerable postal consumers is examined.

6 Assessment

23. When interpreting the assessment the reader should be aware that the weight categories determined by the European Commission, as described in the annex to the Regulation, do not necessarily correspond with the weight categories used by the postal operators falling under this Regulation. For instance, as for (European) standard letters bpost does not make any distinction between 500 gr and 1 kg standard letters. As a result the tariff is equal for both categories of weight (16.10 EUR).
24. Apart from that, the pricing strategies are not the same for all postal operators. Some operators may merely focus on the weight of the postal items, whereas other operators may only focus on the dimensions. In addition, other operators set their prices based on both weight and dimensions.
25. Finally, the products that are compared may show differences between one another. For instance a product from one postal operator may be dispatched faster or automatically includes an insurance against theft or damage, whereas this is not the case for another operator.

6.1 Assessment of comparable single-piece tariffs

26. Figure 1 shows 4 possible benchmarks that can be applied in the context of this assessment.¹¹ First of all, the selected bpost tariffs are compared with the tariffs of Belgian commercial competitors (benchmark 1). This comparison is made on the basis of nominal tariffs.
27. Next, the selected bpost tariffs are compared with similar products of the DUSPs of the other EU28 countries for items sent to Belgium (benchmark 2 in the figure below). In order to have a better basis for comparison this benchmark uses tariffs that have been adjusted according to purchasing power parity.¹²
28. In reaction to the draft communication of 9 July 2020 bpost indicates that a comparison adjusted according to purchasing power parity as well as labour cost would be a more correct basis for comparison. The annual report 'Letter prices in Europe' of Deutsche Post also presents the tariffs of stamps adjusted according to labour cost. The BIPT does not agree with bpost, however, because labour cost in itself would not be the only factor to estimate the difference in underlying costs for the operator. If labour cost is also taken into account, one could also consider other important factors besides labour cost; notably the number of items per capita, efficiency, market share of the operator concerned and population density (which is high in Belgium) should be factored in. The comparison made here does not go into that level of detail. The BIPT does not exclude the fact that this could be a useful analysis in the future, but in that case the analysis should really be complete.
29. Next, the selected bpost tariffs are compared with the sum of 1) the domestic tariff applied by bpost, 2) the domestic tariff charged by the foreign DUSP and 3) the international costs of transportation between those two countries (benchmark 3). This comparison is performed on the basis of nominal tariffs, just as the first benchmark.

¹¹ The various possible benchmarks are presented in the Communication from the European Commission on guidelines to national regulatory authorities on the transparency and assessment of cross-border parcel tariffs pursuant to Regulation (EU) 2018/644 and Commission Implementing Regulation (EU) 2018/1263

¹² http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=prc_ppp_ind&lang=en

30. No comparison is made between the selected bpost tariffs and the tariffs of commercial postal operators in the destination country (benchmark 4) because benchmark 2, which includes 8 domestic commercial operators, offers a better basis for comparison and already provides sufficient insight.

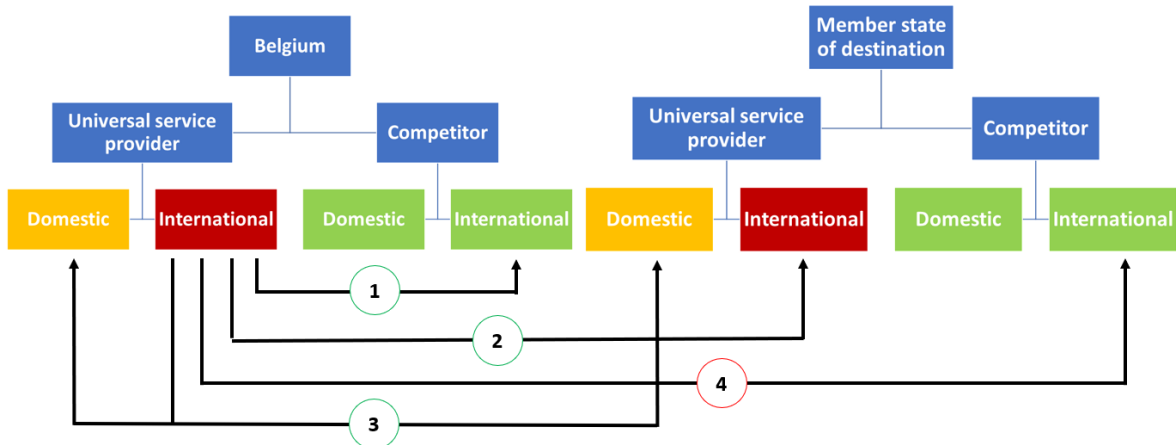


Figure 1: benchmarks applied for the selected bpost tariffs (1, 2 and 3)

6.1.1 Comparison with commercial operators in the originating country (Belgium)

31. Contrary to the benchmark (see the following section 6.1.2) including the DUSPs in the destination country, using tariffs adjusted according to purchasing power parity, this benchmark uses nominal tariffs seeing that for outgoing items from Belgium, the comparison is made only with postal operators established in Belgium. Therefore this is a comparison on one and the same domestic market under identical macroeconomic circumstances.
32. As regards intra-European letter post, bpost has no competitor on the Belgian market subject to Article 4 of the Regulation. In last year's assessment, bpost and TBC-Post were still compared. That is no longer the case this year as due to the failure of Mosaic S.P.R.L. (the licence holder behind TBC-Post) the liquidation procedure was launched on 16 December 2019 by the Walloon Brabant Ondernemingsrechtbank (Corporate Court) resulting in Mosaic S.P.R.L. filing for bankruptcy at the end of 2019.¹³
33. In the segment of parcel post we do see competition, however. In Belgium, track and trace parcels of 1 kg are provided by 8 other commercial operators next to bpost, subject to Article 4 of the Regulation. As far as this type of product is concerned much heterogeneity is observed regarding the minimum and maximum dimensions of the parcel. The comparison should be nuanced in that sense. We also notice that commercial competitors mostly apply varying prices according to the destination, whereas bpost only makes a distinction between tariffs for neighbouring countries on the one hand and other EU countries on the other.

¹³ L'Echo 14 December 2019: "TBC Post, le seul rival de bpost dans l'activité de courrier, dépose le bilan". http://www.ejustice.just.fgov.be/cgi_tsv/tsv_rech.pl?language=nl&btw=0469311437&liste=Liste

34. The figure below indicates the average bpost rates' ranking (for the 25 countries selected in this product category) compared to their Belgian competitors. FedEx and TNT were merged as both entities are integrating and their rates are identical.^{14,15} DHL, FedEx/TNT, PostNL and bpost are the only PDSPs that serve all countries for this specific product category. Mondial Relay by contrast only serves 9 destinations, for example.

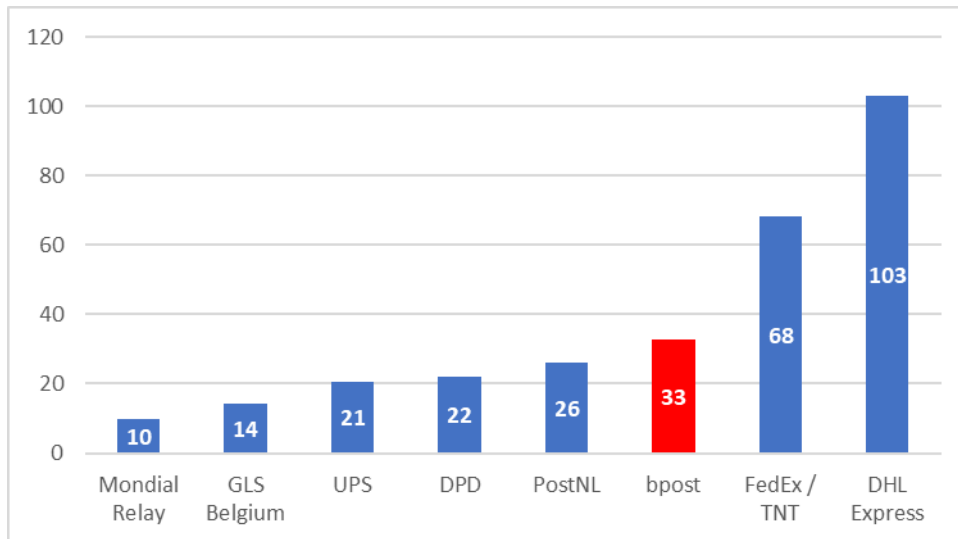


Figure 2: the average of the rates selected (track and trace parcels of 1 kg)

35. Furthermore, the selected bpost rates are generally situated above the median. For 6 (HR, CY, IS, LI, MT and NO) of the 25 destinations selected, bpost comes in under the median due to the fact that some competitors with rather high rates do not provide postal items delivery services to these countries (within the scope of the Regulation). Annex 7 includes a table in which the ratio of the bpost tariffs to the tariffs of local commercial competitors is detailed.

36. Although bpost items sent to the neighbouring countries are not part of the selected tariffs after applying the filter mechanism, it is useful to include them in this analysis as a framework for the selected bpost tariffs. For bpost, these represent [70-80]% of the outbound intra-Community volume. For the sake of completeness, it is pointed out that bpost is positioned just below the median only for items to France. By contrast, bpost is situated just above the median for items to the Netherlands, Germany, the United Kingdom and Luxembourg.

6.1.2 Comparison with the designated universal service provider in the destination country

37. The table below shows the ratio for the rates from Belgium to the country of destination and the rates for items from the country of destination to Belgium, by country of destination and by product category. The comparison is based on tariffs that have been adjusted according to purchasing power parity, thus neutralising differences in purchasing power.

¹⁴ <http://www.fedex.com/us/connect/>

¹⁵ It should be noted that the maximum weight related to the average tariffs included in Figure 2 may differ among the PDSPs. For instance, PostNL has a maximum weight of 20 kg for this product, whereas DPD has a maximum weight of 10 kg and bpost a maximum weight of 5 kg.

38. A ratio higher than 1 means that for a certain destination bpost's outgoing tariff is more expensive than the tariffs to Belgium applied by the DUSP in the country of that destination. In case of a ratio of 1 bpost charges the same tariff. For those countries where the ratio lies below 1, bpost is cheaper.
39. To increase the table's readability, colours were used. For the sections of ratios between 0 and 1.5 the colour green was chosen. For the sections of ratios between 1.5 and 2.5, the colour orange. The sections of ratios above 2.5 were coloured red, with peaks (for all ratios above 4.5) in dark red. Ratios within the product category '1 kg T&T parcel' for the neighbouring countries (DE, FR, LU, NL and the UK) fall outside of this assessment's scope.

	Letter 0.5 kg	Letter 1 kg	Letter 2 kg	Registered Letter 0.5 kg	Registered Letter 2 kg	T&T parcel 1 kg
AT	2.9	2.9	5.9	2.2	3.9	2.4
BG	4.5	2.6	3.2	2.8	2.2	/
CY	3.6	2.3	2.5	3.4	2.5	2.0
CZ	3.1	1.8	2.2	2.8	2.1	1.9
DE	/	/	/	/	/	/
DK	1.7	1.7	3.3	1.4	2.4	1.5
EE	2.6	1.6	2.2	2.6	2.3	2.4
ES	2.4	1.2	1.5	2.0	1.5	1.1
FI	1.2	0.8	0.9	0.9	0.8	1.4
FR	1.5	0.8	1.7	/	/	/
GR	3.0	2.1	2.6	2.6	2.3	1.4
HR	2.5	1.6	2.4	2.0	2.1	3.3
HU	3.6	1.1	2.1	2.5	1.8	1.6
IE	2.8	1.4	2.2	1.7	1.8	0.9
IT	1.9	1.9	2.4	1.1	1.3	1.3
LT	6.4	3.5	4.6	4.8	4.2	1.6
LU	5.1	3.1	6.1	2.7	3.7	/
LV	3.4	2.2	2.7	3.1	2.7	/
MT	2.1	1.0	1.1	1.7	1.1	2.5
NL	1.8	1.8	3.6	1.8	3.1	/
PL	14.6	3.4	3.6	6.2	2.7	2.7
PT	3.5	2.1	2.4	3.1	2.2	1.3
RO	6.8	2.7	2.9	4.5	2.8	3.2
SE	2.8	2.8	5.6	1.4	2.5	1.3
SI	4.1	2.5	3.0	3.2	3.4	2.4
SK	3.8	2.1	2.7	3.0	2.6	1.9
UK	3.2	/	/	2.2	/	/
Average	3.6	2.0	2.9	2.6	2.4	1.9
Median	3.1	2.1	2.6	2.6	2.3	1.8

Table 2: overview of benchmark 2

40. When analysing the ratios per country we see that for 5 countries (ES, FI, FR, IT and MT) the rates for items from Belgium to the country of destination bear the closest resemblance to the rates for items from the country of destination to Belgium for a significant part of the product categories. On the other hand, there is a significant gap between the rates from and to 8 countries ((AT, BG, LT, LU, PL, RO, SI and SK) for all product types in the sense that bpost's rates for items to the country of destination are often many times higher than the rates for items from the country of destination. What is remarkable, is that Luxembourg, a neighbouring country, is one of those countries.
41. When analysing the ratios per product category across all countries, we find that, for letter post (standard letter of 0.5, 1 and 2 kg and the registered letter of 0.5 and 2 kg) the outbound bpost rates are on average twice or three times as high as the inbound rates. The standard letter of 0.5 kg is even 3.6 times as expensive. This is probably due to bpost's pricing strategy, setting equal bpost rates for standard letters of 0.5 kg and standard letters of 1 kg. Within the product category '1 kg T&T parcels', finally the gap between the outbound bpost rates and the inbound rates is wide but relatively limited (a rate of 1.9 times higher on average).

6.1.3 Comparison with the sum of foreign tariffs and international transportation costs

42. A third benchmark consists of the comparison between the cross-border tariff charged by bpost and the sum of the domestic tariffs (of bpost in Belgium + of the DUSP in the destination country) plus the international transportation costs (between Belgium and the destination country). Similarly to the first benchmark this benchmark uses nominal tariffs (and costs).
43. The idea behind this benchmark can be summarised as follows. Both in Belgium (collecting, transportation, sorting) and in the country of destination (transportation, sorting, distribution) the postal item goes through a number of phases in the postal delivery process. This does not mean, however, that the postal item goes through the entire postal delivery process in both countries (for instance, bpost does not ensure the distribution and the DUSP of the country of destination does not perform the collection). The costs for international transportation between Belgium and the country of destination do have to be added however. The international bpost rate is expected to bear very close resemblance to (or even to be cheaper than) the sum of 1) bpost's domestic rate, 2) the domestic rate of the DUSP in the country of destination and 3) the international costs for transportation between both countries.
44. The table below thus represents the ratio for each destination country and per product category, between the international bpost tariff on the one hand and the sum of the domestic tariffs, to which the international transportation costs are added on the other hand. A ratio higher than 1 means that for a certain destination the bpost outgoing tariff is higher than the sum of both domestic tariffs plus the international transportation costs. In case of a ratio of 1 bpost's outgoing tariff is exactly the same as the sum of the domestic tariffs plus the international transportation costs. For those countries for which the ratio is below 1, the international tariff of bpost does not cover the sum of the domestic tariffs (plus the international transportation costs).

45. To increase the readability of the table below, colours were used. For the sections of ratios between 0 and 1.5 the colour green was chosen. For the sections of ratios between 1.5 and 2.5, the colour orange. The sections of ratios above 2.5 were coloured red, with peaks (for all ratios above 3.5) in dark red. Ratios within the product category '1 kg T&T parcel' for the neighbouring countries (DE, FR, LU, NL and the UK) fall outside of this assessment's scope.

	Letter 0.5 kg	Letter 1 kg	Letter 2 kg	Registered Letter 0.5 kg	Registered Letter 2 kg	T&T parcel 1 kg
AT	1.8	1.7	2.5	1.3	1.8	2.8
BG	2.2	2.0	2.8	1.6	2.1	/
CY	1.9	1.8	2.4	1.4	1.8	2.9
CZ	1.7	1.6	2.4	1.4	2.0	2.9
DE	/	/	/	/	/	/
DK	1.2	1.1	1.7	0.9	1.2	1.8
EE	/	/	/	/	/	3.2
ES	1.8	1.3	2.0	1.2	1.5	1.8
FI	0.9	0.7	1.0	/	/	2.9
FR	1.4	1.2	2.0	/	/	/
GR	1.8	1.7	2.4	1.3	1.8	3.5
HR	2.1	1.9	2.6	1.5	1.9	3.6
HU	2.1	1.6	2.4	1.5	1.8	2.9
IE	1.6	1.0	1.6	1.1	1.3	1.6
IT	1.2	1.1	1.7	0.9	1.1	2.0
LT	2.1	1.9	2.6	1.6	2.1	3.5
LU	2.1	1.7	2.7	1.2	1.7	/
LV	1.9	1.7	2.4	1.5	1.9	/
MT	1.6	1.2	1.4	1.2	1.3	1.9
NL	1.5	1.5	2.5	1.1	1.6	/
PL	/	/	/	/	/	3.9
PT	2.0	1.5	2.3	1.4	1.7	2.3
RO	2.3	2.0	2.8	1.7	2.2	4.0
SE	1.6	1.5	2.4	0.9	1.4	1.9
SI	2.0	1.7	2.4	1.5	1.8	3.0
SK	2.1	1.8	2.4	1.5	1.9	3.1
UK	1.9	/	/	1.4	/	/
Average	1.8	1.5	2.2	1.3	1.7	2.6
Median	1.9	1.6	2.4	1.4	1.8	2.9

Table 3: overview of benchmark 3

46. When analysing the ratios per country, we see that for 11 countries (DK, ES, FR, IE, IT, LV, MT, NL, PT, SE and the UK) the rates for items from Belgium to the country of destination are relatively close to the sum of the domestic tariffs (to which the international transportation costs are added). Opposite that, for 15 countries (AT, BG, CY, CZ, EE, FI, GR, HR, HU, LT, LU, PL, RO, SI and SK) at least 1 product category shows a significant gap between the outbound bpost rates on the one hand and the sum of the domestic tariffs (to which the international transportation costs are added) on the other hand. It is remarkable that in this benchmark too, Luxembourg, a neighbouring country, should be one of those countries.
47. When analysing the ratios per product category we see that for 4 categories of letter post (standard letter of 0.5 and 1 and the registered letter of 0.5 and 2 kg), the outgoing bpost rates are, on average, 60% higher than the sum of the domestic tariffs on the one hand and the international transportation costs on the other. For the standard letter of 2 kg, that is even 120%. For the product category '1 kg T&T parcel' the gap even increases until 160%.

6.2 Cost analysis

48. In 2019, bpost was not able to define all the products falling within the Regulation's scope. For, as regards both the costs and the turnover, certain details are not available. This way, as regards outbound items, bpost was not able to state with certainty, for postage stamps and franking machines, for which weight categories and destinations these were used. This was due, among other things, to the fact that they can be used for various weight categories and destinations, which makes it hard to directly allot turnover.
49. As regards the costs, specific costs such as handling fees in Belgium (retail, collection, transportation and sorting) at the level of certain weight categories of letters (E format) are lacking. In addition, the exact number of items sent (E and G formats) is unknown as only the total weight sent for a bundle of items is known. Furthermore, single-piece items are sent together with bulk, which makes it difficult to allocate costs specifically to international transportation and terminal dues.
50. That is why bpost suggested for the assessment of the tariffs for the year 2020, to obtain an estimation by way of the maximum detail offered by bpost's analytical accounting. This limited the difference compared to the Regulation's scope to the countries considered on the one hand (bpost's data also include Switzerland) and to additional weight categories which bpost also takes into account. Based on bpost's analytical accounting the table below shows the RoS per product category as it is stated in bpost's analytical accounting.

Bpost product	PC format	Total revenue 2019	RoS
Standard Letter	[CONFIDENTIAL]	[CONFIDENTIAL]	[25-35]%
Registered Letter	[CONFIDENTIAL]	[CONFIDENTIAL]	[5-15]%
Track and Trace Parcels	[CONFIDENTIAL]	[CONFIDENTIAL]	-[0-10]%

Table 4: RoS, according to bpost, for the product categories within the Regulation

51. When approximating the RoS for the Regulation's full scope through the method suggested by bpost, we arrive at a weighted average¹⁶ of [5-15]%. As the BIPT calculations produce margins that are far above this percentage, the BIPT will examine more closely the cost allocations in the analytical accounting.

¹⁶ Weighted on the basis of turnover shown in the table

6.3 Analysis of bilateral volumes

52. The table below shows per destination country the ratio between volumes from and to Belgium for both letter post and parcel post¹⁷. A ratio higher than 1 (indicated in yellow) means that for a certain destination the outbound volume of bpost is higher than the volume to Belgium. A ratio less than 1 (indicated in green) means the opposite: in this case the volume coming from a certain destination is greater than the volume going to this destination. For a ratio of 1, the inbound volume is the same as the outbound. This analysis is important as greater volumes generate economies of scale, possibly resulting in lower unit costs, in particular as regards the transportation costs.
53. It could be expected that there would be a rather strong correlation between the ratios concerning tariffs (see benchmark 2 in section 6.1.2.) and the ratios regarding volumes (see the table below). In that case a difference in tariff could at least partially result from a difference in volume.

[CONFIDENTIAL]

Table 6: ratios between outgoing and incoming letters and parcels

6.3.1 Analysis of letter post

54. For letter post bpost usually has higher outgoing than incoming volumes, with peaks for Cyprus ([20-30]) and Slovakia ([15-25]). Only for Estonia ([CONFIDENTIAL]), Luxembourg ([CONFIDENTIAL]) and the Netherlands ([CONFIDENTIAL]) is the ratio lower than 1. However, the large share of the neighbouring countries in the total volume results in the fact that the global ratio for all EU28 countries combined is just lower than 1 ([CONFIDENTIAL]). The potential negative effect of a higher volume of incoming than outgoing items is discussed in section 6.3.2.
55. However, for letter post the correlation between volume and tariffs shows a weak connection (coefficient of 0.35) for 0.5 kg registered letters to a practically inexistent connection (coefficient of 0.09) for 0.5 kg standard letters. Therefore, differences in volume seem to explain only to a limited extent the differences observed in tariffs for outgoing vs incoming letter post.

6.3.2 Analysis of parcel post

56. Table 6 shows a similar image for parcels. In most cases the ratio is largely above 1, meaning that for bpost outgoing items exceed incoming items for the majority of member states. Only for Austria ([CONFIDENTIAL]), Germany ([CONFIDENTIAL]), France ([CONFIDENTIAL]) is the ratio lower than 1. For the neighbouring countries however, the volumes are high, so that the overall ratio, across all member states, remains largely below 1 (i.e. [CONFIDENTIAL]). For all EU28 countries combined bpost therefore receives more parcels than it sends.
57. Nevertheless, exactly as in the case of letter post, differences in volume seem to explain only to a limited extent the differences observed in tariffs for outgoing vs incoming parcel post. Again, we observe only a weak connection (coefficient of -0.11) between the ratios for the tariffs (see benchmark 2 in section 6.1.2.) and the volume of 1 kg track and trace parcels (see above).

6.4 Analysis of impact on vulnerable postal consumers

¹⁷ The total volume of letter post and parcel post is discussed as bpost is unable to make a distinction between weight categories in the international volume.

58. Finally, under Article 6(2)(d) of the Regulation, the BIPT has to take account of the likely impact of the applicable cross-border tariffs on individual and SME users including those situated in remote or sparsely populated areas, and on individual users with disabilities or with reduced mobility. However, this should be done without imposing an unreasonable burden.
59. The latest quantitative consumer study of the BIPT was published in 2015.¹⁸ The quantitative study concluded that postal users are cost-conscious. Both residential and professional users pointed out for instance that lower prices are the change they most wished for as far as postal services are concerned.¹⁹
60. By the end of 2019, the BIPT commissioned a mixed-method consumer study, containing both a qualitative and quantitative part. This study will be published by the end of 2020. The impact and probable consequences of the prevailing cross-border tariffs for private users and SMEs are part of this study.

¹⁸ BIPT Council Communication of 8 December 2015 on the realisation of a statistical survey and analysis regarding the preferences, the needs and the willingness to pay of domestic private and professional users of services relating to the universal postal

¹⁹ Options: 1) delivery and clearance of mail 6 days per week 2) delivery of the mail at an earlier time than now 3) a much later time than now for the clearance of red letterboxes 4) delivery of postal parcels in the evening and in weekends 5) a letterbox much closer to my home 6) delivery of my mail in a post office or postal point, rather than at home 7) lower rates 8) other (please specify) 9) nothing

7 Conclusion

61. When comparing the selected bpost tariffs based on the three benchmarks of section 6.1 with tariffs of domestic and foreign postal operators, it can be concluded that the bpost rates:
- in benchmark 1 are in general situated **above the median** compared to the local competitors' outbound tariffs;
 - in addition, in benchmark 2 are, on average, **positioned 2.5 times as high** as compared to the tariffs to Belgium from foreign designated universal service providers;
 - further in benchmark 3 are almost **twice as high** compared to the sum of the domestic tariffs, to which the international transportation costs are added. Within this benchmark there is a wide gap between the selected international bpost tariffs and the indicative costs.
62. When, within the framework of the cost analysis (section 6.2), approximating the margin of the Regulation's full scope, a percentage of [5-15]% appears based on the bpost figures. As the BIPT calculations produce margins that are far above this percentage, the BIPT will examine more closely the cost allocations in bpost's analytical accounting.

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Annexes

Annex 1: Cost analysis of the selected products

[CONFIDENTIAL]

Annex 2: ratio bpost tariffs vs tariffs local competitors for 1 kg track and trace parcels

	AT	BE	BG	HR	CY	CZ	DK	EE	FI	FR	DE	GR	HU	IS	IE	IT	LV	LI	LT	LU	MT	NL	NO	PL	PT	RO	SK	SI	ES	SE	UK
DHL Express	0,36	0,23	0,30	0,30	0,30	0,30	0,36	0,30	0,36	0,21	0,21	0,36	0,30	0,30	0,36	0,36	0,30	0,30	0,30	0,42	0,30	0,42	0,30	0,30	0,36	0,30	0,30	0,30	0,36	0,36	0,21
DPD	2,20	1,15	1,11	1,59	NA	1,59	2,20	1,11	1,76	1,10	1,53	1,13	1,59	NA	1,13	2,20	1,11	NA	1,11	1,89	NA	1,89	NA	2,20	1,76	1,11	1,59	1,59	1,76	1,76	1,10
FedEx	0,79	0,18	0,47	0,47	0,43	0,47	0,79	0,47	0,47	0,45	0,45	0,47	0,47	0,43	0,51	0,51	0,47	0,44	0,47	0,51	0,43	0,51	0,44	0,47	0,47	0,47	0,47	0,47	0,51	0,47	0,40
GLS Belgium	3,05	1,45	1,83	2,23	NA	2,23	3,05	1,83	2,53	2,12	2,12	NA	2,23	NA	NA	3,05	1,83	NA	1,83	2,12	NA	2,12	NA	3,05	2,53	1,83	2,23	2,23	2,53	2,53	1,53
Mondial Relay	3,18	1,38	NA	NA	NA	NA	NA	NA	NA	NA	2,09	NA	NA	NA	NA	3,18	NA	NA	NA	2,09	NA	2,83	NA	NA	3,18	NA	NA	NA	3,89	NA	1,95
PostNL	1,64	1,02	1,37	0,82	0,82	1,37	1,64	1,37	1,37	1,06	1,64	1,37	1,37	0,82	1,37	1,64	1,37	0,82	1,37	1,24	0,82	1,71	1,37	1,37	1,64	1,37	1,37	1,37	1,64	1,64	1,06
TNT	0,79	0,18	0,47	0,47	0,43	0,47	0,79	0,47	0,47	0,45	0,45	0,47	0,47	0,43	0,51	0,51	0,47	0,44	0,47	0,51	0,43	0,51	0,44	0,47	0,47	0,47	0,47	0,47	0,51	0,47	0,40
UPS	1,66	0,96	1,66	1,66	NA	1,66	1,66	1,66	1,66	0,83	1,09	1,66	1,66	NA	1,66	1,66	1,66	NA	1,66	1,09	NA	1,09	0,92	1,66	1,66	1,66	1,66	1,66	1,66	1,66	1,09
Tariff bpost	32,80	5,70	32,80	32,80	32,80	32,80	32,80	32,80	32,80	16,40	16,40	32,80	32,80	32,80	32,80	32,80	32,80	32,80	32,80	16,40	32,80	16,40	32,80	32,80	32,80	32,80	32,80	32,80	32,80	32,80	16,40
Median	20,00	5,70	31,18	36,40	77,11	28,40	26,40	31,18	28,40	18,08	15,00	32,80	28,40	77,11	32,80	20,00	31,18	74,21	31,18	15,00	77,11	15,00	54,88	28,40	20,00	31,18	28,40	28,40	20,00	26,40	15,50
Ratio bpost/median	1,64	1,00	1,05	0,90	0,43	1,15	1,24	1,05	1,15	0,91	1,09	1,00	1,15	0,43	1,00	1,64	1,05	0,44	1,05	1,09	0,43	1,09	0,60	1,15	1,64	1,05	1,15	1,15	1,64	1,24	1,06