B I P T

BELGIAN INSTITUTE FOR POSTAL SERVICES AND TELECOMMUNICATIONS

COMMUNICATION OF THE BIPT COUNCIL OF 19 MARCH 2014 REGARDING THE BELGIAN POSTAL SERVICES OBSERVATORY FOR 2010, 2011 AND 2012

TABLE OF CONTENTS

1. INTRODUCTION

Since the beginning of 2012, the Belgian Institute for Postal Services and Telecommunications has set up a lasting observatory of the postal activities market in Belgium, in the framework of the functions it has been entrusted by the Act of 21 March 1991, especially in Article 134, in order to *"meet clearly defined statistical purposes; for market analyses and for all measures that can contribute to transparency".*

As volumes and postal revenues continue to fall globally (-4.7% decrease in the volume of the letter post as annual average between 2011 and 2012[1]) and at EU 27 level (-6.9% decrease in the turnover in regular prices of the postal sector in the EU[2]), an observatory of the postal activities is an important measuring element of the postal market development. Indeed market monitoring over several years allows bringing information that might facilitate the understanding of the sector development mechanisms. Moreover this observatory also allows highlighting the continuation of the good monitoring of the postal sector in Belgium in 2012, while underlining the effort made as regards the quality of service and the consumer satisfaction.

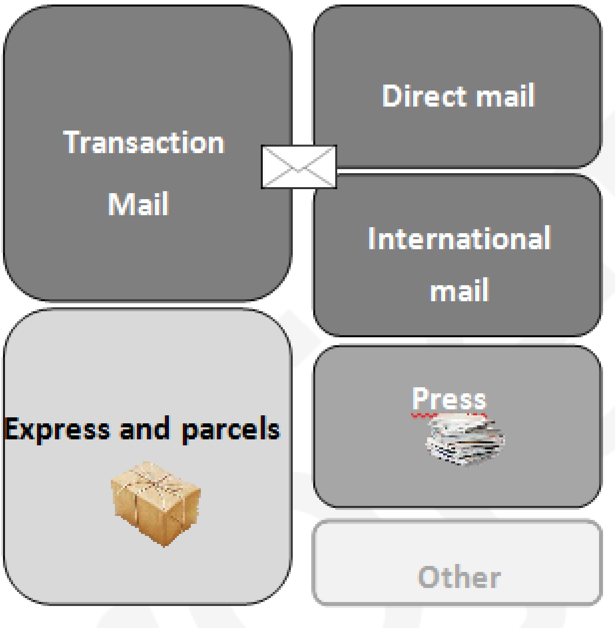
The indicators present in this observatory aim at providing a representation of the market structure intended for all the stakeholders of the postal sector (senders, addressees, operators, various intermediate players, etc.). These indicators allow approaching the market on supply side, the evolution of the universal service provider activity and its competitors, as well as the results of the postal activity in Belgium in terms of quality of service and innovation for the users of these services.

[1] Source: UPU – Statistics 2012
[2] Source: Eurostat - Statistics 2012, on the basis of 19 countries

2. SCOPE OF THE OBSERVATORY AND STRUCTURE OF THE POSTAL MARKET IN BELGIUM

The scope of the postal activities taken into account in the framework of this observatory can be fragmented into six categories, as displayed in the figure below:

Figure 1 - Segmentation of the postal activities selected in the framework of the observatory



The category "other" mainly contains the value added services, such as temporary mail retention, redirection, etc. that cannot directly be filed with the other categories.

Routing activities and activities of unaddressed commercial mail delivery are not considered in the scope of this observatory.

On initial examination the Belgian postal market is characterised by the presence of a very large number of players, deemed to provide postal services: the National Social Security Office (NSSO) lists indeed more than 500 players on this market, while certain directories (for example the golden pages) list more than 700.

In this context, the set-up of this observatory required first to identify the scope of the players to be actually taken into account in the sphere of observations.

In addition to the historical postal operator, bpost, in charge of the universal service delivery until 31 December 2018, and present on all the segments, four large international integrators (DHL, FEDEX, TNT, UPS) are also present and active in the express mail sector in Belgium.

Besides the competing posts of the neighbouring countries are also active on the Belgian market. The active development of specialised mail companies, coming from large European postal groups, can thus be noted on certain segments of the postal market.

So, DPD, subsidiary of the French group La Poste, is present in Belgium with delivery of more than 7 200 items per day, 500 own warehouses in more than 30 countries and delivery of 2 million items per day.

G3 Wordlwide, through its subsidiary Spring Globalmail, is also very present on the international mail segment for businesses: it delivers daily at international level commercial post, catalogues and bills.

As regards the press segment, bpost ensures the public service of newspaper early delivery (before 7.30 am). This delivery exclusively concerns delivery of dailies to subscribers (around 130 millions of copies per year). Belgique Diffusion BD owns a little less than 15% of the market shares of newspapers delivery, mainly in Brussels and Antwerp.

Deltamédia is a subsidiary of bpost, it provides for delivery of dailies to the subscribers of certain press groups, i.e. VUMedia and Uitgeversbedrijf De Tijd.

Belgique Diffusion BD also controls the non-addressed market with more than 75% of market shares. As regards the addressed commercial mail, the number of competitors is larger, but the market remains dominated by bpost. The other players (Publimail, Evadix DMS, Group Joos, Arvato Print & Mail Services, Link 2 Biz, etc) do not have a significant level of activity.

This seaming division of the postal market in Belgium must not hide the concentrated position of the postal services market : more than 93% of the turnover achieved on the postal services market is realised by the nine players identified in the table below[3]. These players only have been included in the scope of the study for this observatory.

Figure 2 - The main players on the Belgian market for the provision of postal services (in 2012)

Operators	Addressed mail	Parcels / Express	Commercial mail	Press	International Mail	Other
bpost						
TNT Express Belgium						
UPS Belgium						
Federal Express Europe						
DHL Intl						
GLS						
DPD Belgium						
G3 Worldwide						
Geodis-Ciblex Belgium						

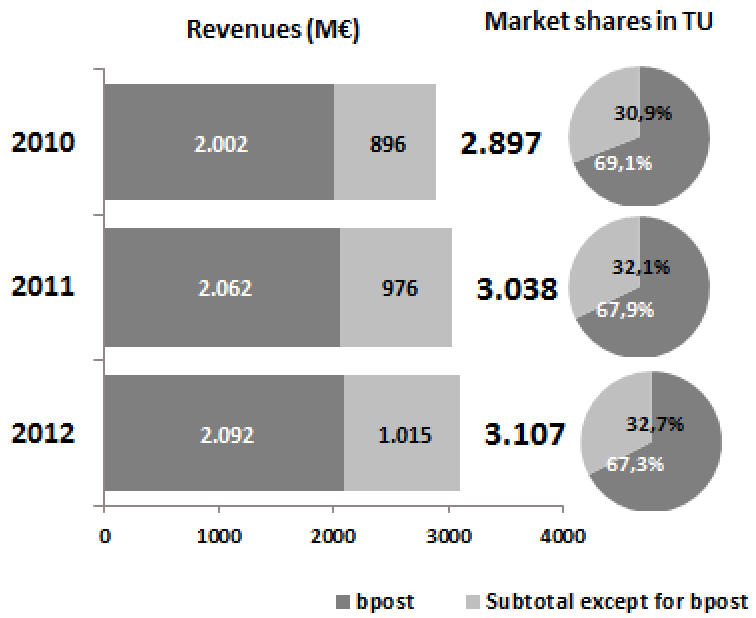
[3] The turnovers used for outlining the players selected in the sphere of the observatory are coming from the analysis of the 2012 Central Balance Sheet Office of the National Bank of Belgium.

3. DESCRIPTION OF THE BELGIAN MARKET FOR THE PROVISION OF POSTAL SERVICES FOR THE YEARS 2010, 2011 AND 2012

3.1. Overview of the postal market

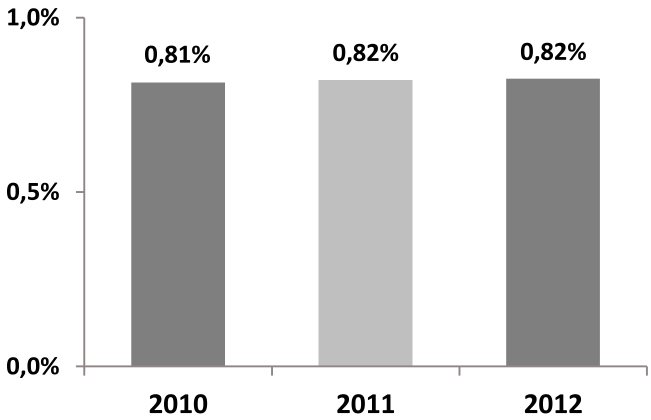
The total revenue of the postal sector increases by 2.2% between 2011 and 2012 while there had been a 4.9% rise between 2010 and 2011. The share of bpost in the total revenue on the postal market amounts to a little more than 67% in 2012, i.e. almost stable compared to 2011.

Figure 3 - Market revenues and shares of the postal sector for the years 2010, 2011 and 2012



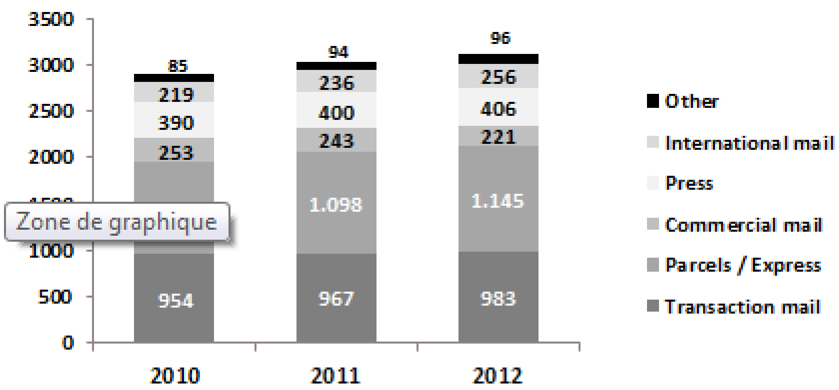
The share of the revenues relating to the provision of postal services in the Belgian GDP has been stable between 2011 and 2012, i.e. 0.82% of the GDP.

Figure 4 - Share of the postal activity in the GDP of Belgium



With 1.87 billion euro, the letter post revenue has slightly increased in comparison with the previous year (1%). The increase in the total revenue can mainly be explained by the rise in the revenues of the parcel and express segment (+4.3%) (cf. Focus on the express market).

Figure 5 - Revenues of the provision of postal services (in M€)

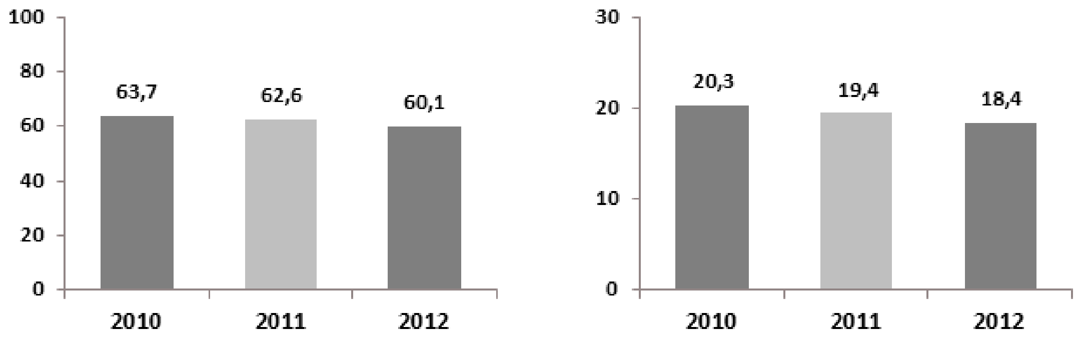


If the value of the letter post market increases, it is however subject to a 5.4% volume decrease in terms of number of mail items per inhabitant, just like the activity reductions noticed in the neighbouring countries.

In 2012 the number of letter post items represents 18.4 mail items per month per inhabitant, i.e. 1 less per month than in 2011, and 60.1 mail items per month per employee, i.e. 2.5 less per month than in 2011.

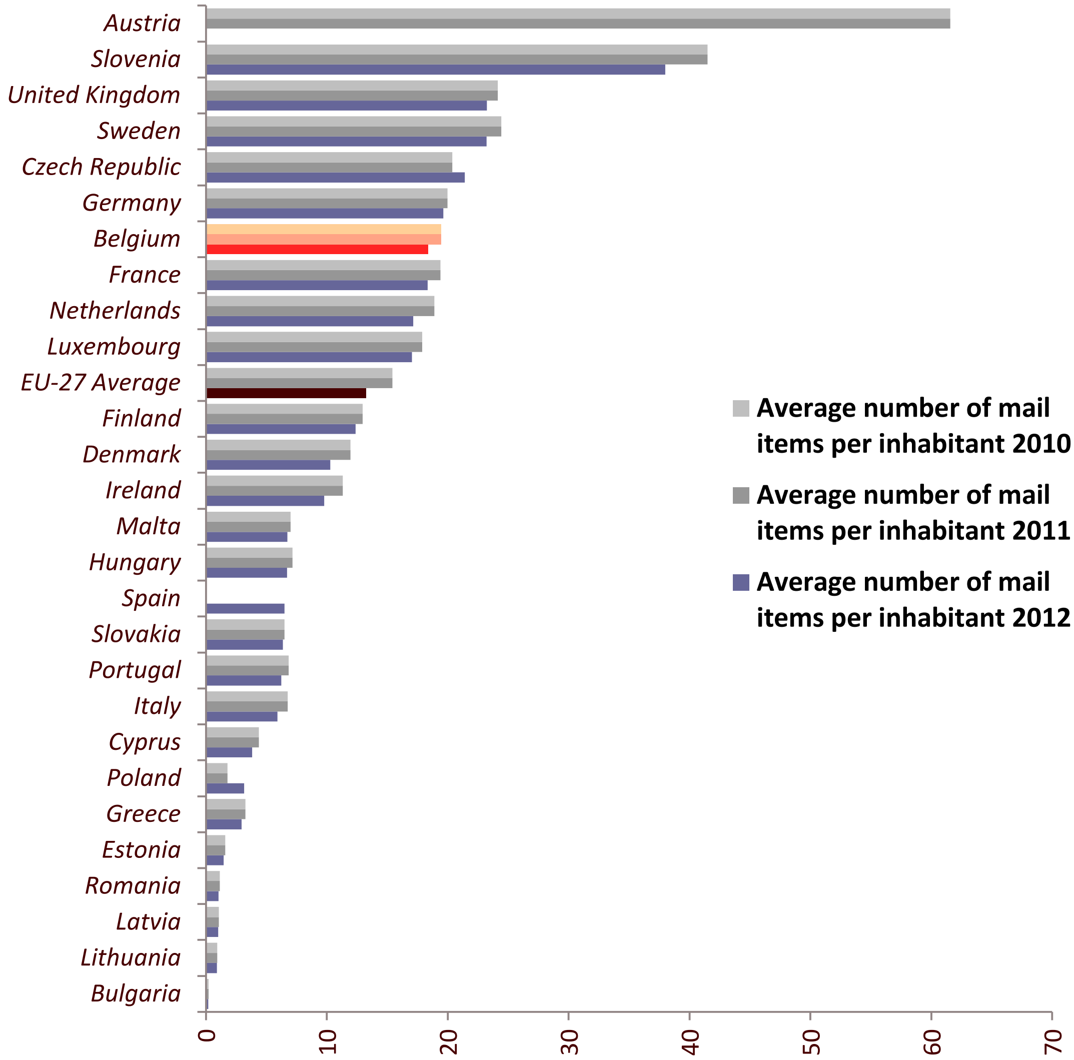
Figure 6 - Letter post volume

per employee of the postal sector and per inhabitant in Belgium



The volume of letter-post items per month per inhabitant in Belgium is above the average of the European Union countries, as indicated in Figure 7.

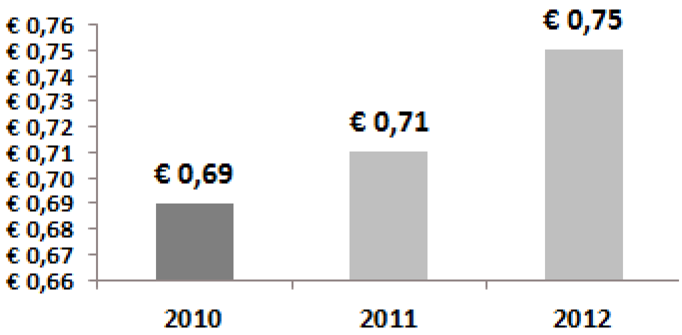
Figure 7 - Number of letter-post items per inhabitant per month in Europe[4]



The slight decline in the volumes noticed in Belgium as in the whole European Union is more than offset by higher rates: the face rate of the Prior letter in Belgium increased from €0.71 in 2011 to €0.75 in 2012, i.e. a 5.6% increase in the sale price of the transport and distribution service, and explains the market stability as regards revenues.

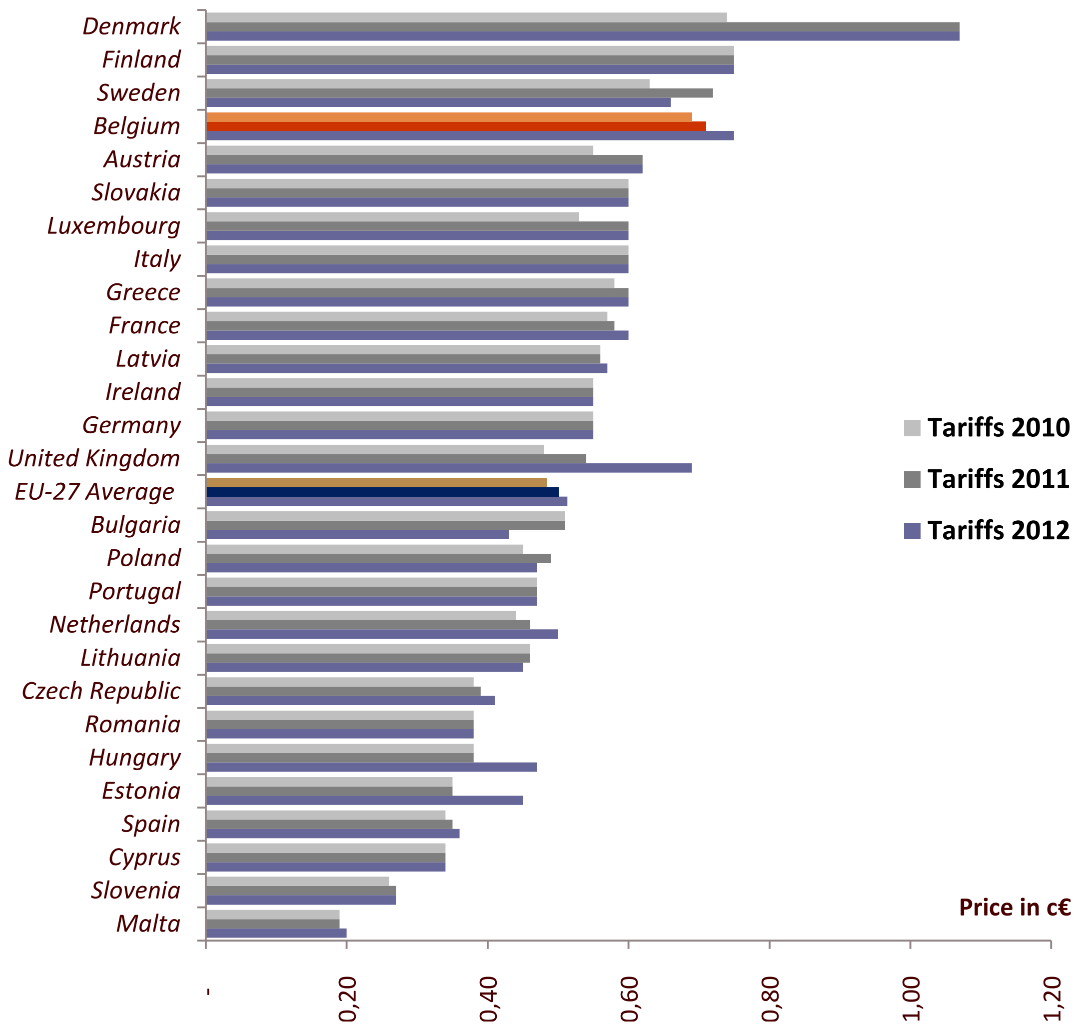
[4] Limited to the mail items of the internal service, i.e. domestic items. Data are not available for Austria in 2012, for Latvia in 2010, and for Spain in 2010 and 2011.

Figure 8 - Price of the Prior letter service < 50g



The price of the transport and distribution service of the standard letter in Belgium is amongst the highest in Europe, as indicated in the figure below. However it should be noted that it is a unit price. bpost offers a lower rate for the stamps sold in high numbers (from 10 stamps). In 2012 this price amounted to €0.70 a stamp against €0.61 in 2011 and €0.59 in 2010, from 10 stamps bought.

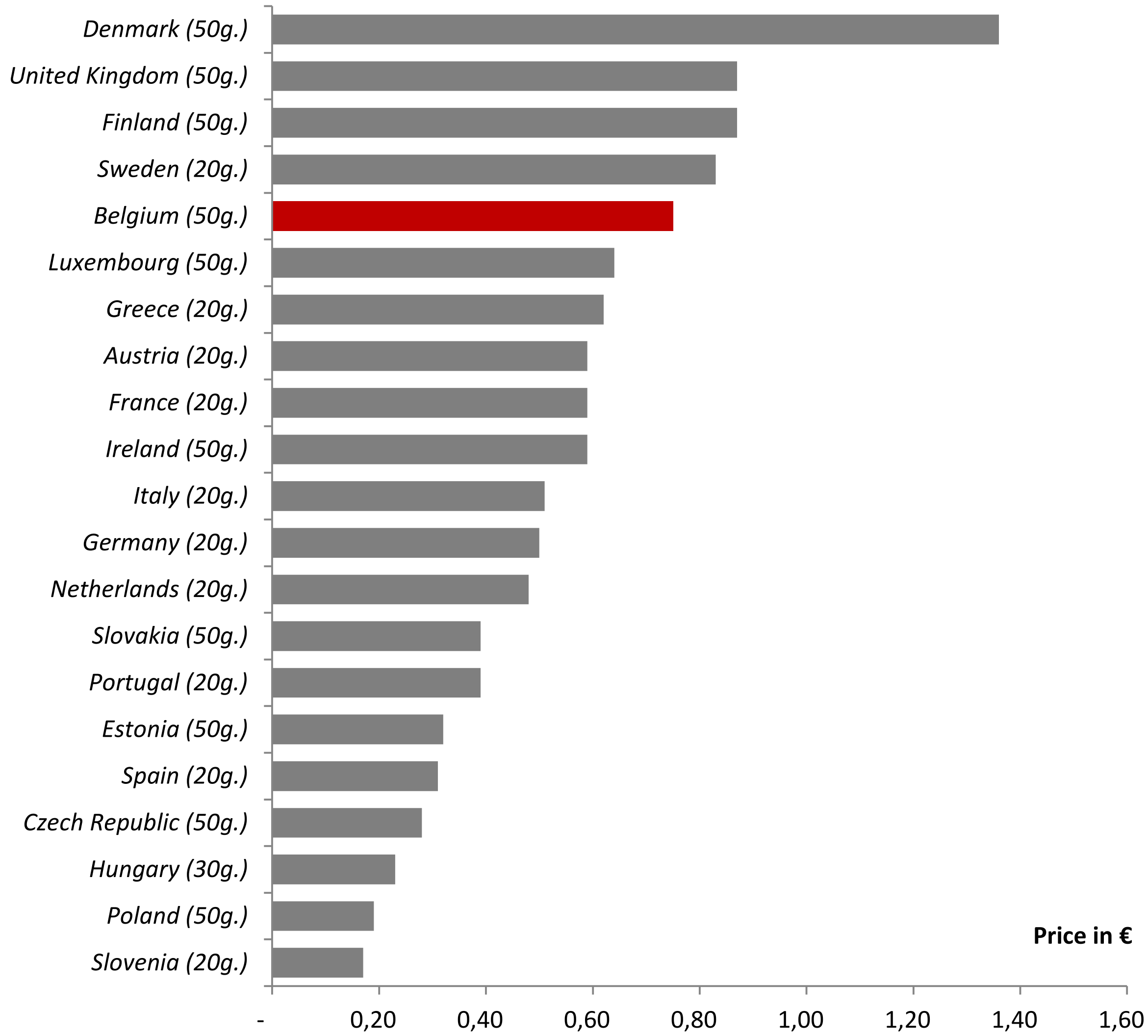
Figure 9 - Price of the domestic standard letter service < 50g in Europe



The same price comparison concerning the transport and distribution of the standard format letter can be done by expressing the tariffs of 21 European countries in purchasing power parity (PPP), thus making a direct comparison possible where differences in standards of living between countries are neutralised.

Based on this approach Belgium is still one of the European countries where the price of transporting and distributing the standard format letter remains the highest.

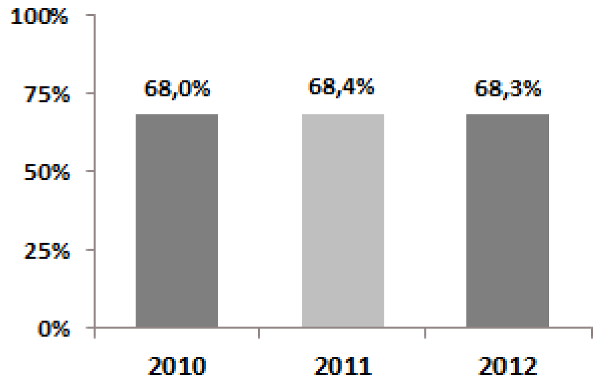
Figure 10 - 2012 price expressed in purchasing power parity (PPP) of a domestic standard letter in Europe[5]



As regards the letter-post item market, the share of the items lower than 50g, which until 2011 made up the sector reserved to bpost, is experiencing what is almost stagnation (-0,1%).

[5] EU 27 without Malta, Lithuania, Bulgaria, Cyprus, Romania, Latvia

Figure 11 - Share of the mail items < 50g in the letter post volume



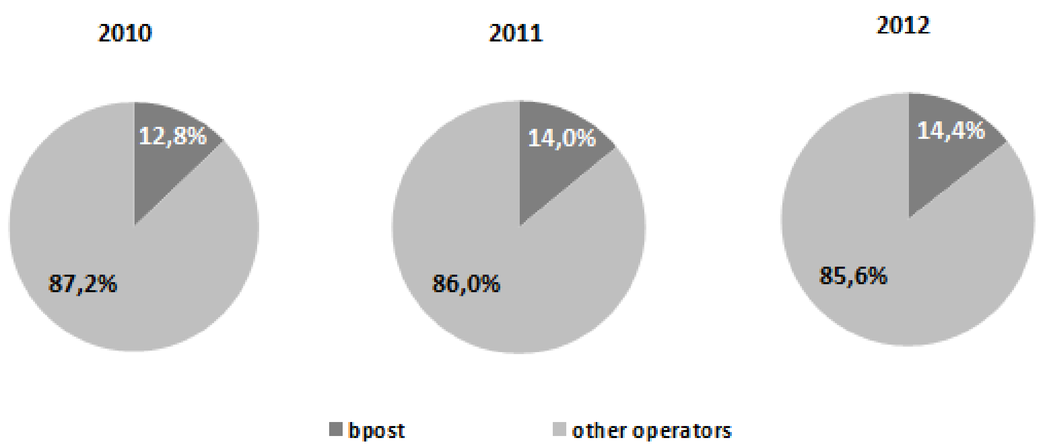
3.2. Focus on the parcel and express delivery market

The boundary between the nature of the parcels and the nature of the express mail items remains difficult to be clearly defined. The transport service of parcels includes more and more services bringing it closer to an express delivery item (items track and trace service, insurance on the mail item content, delivery times, etc.).

The alternative private operators are very active in Belgium on the parcel and express delivery segment, as well as domestic universal service operators of neighbouring countries, which are present outside of their national market, via their subsidiaries.

Competition is intense on this segment which experiences a dynamic development. Between 2011 and 2012, the revenues of this segment increased by 4.6%.

Figure 12 - Market shares in revenues on the parcel and express delivery segment

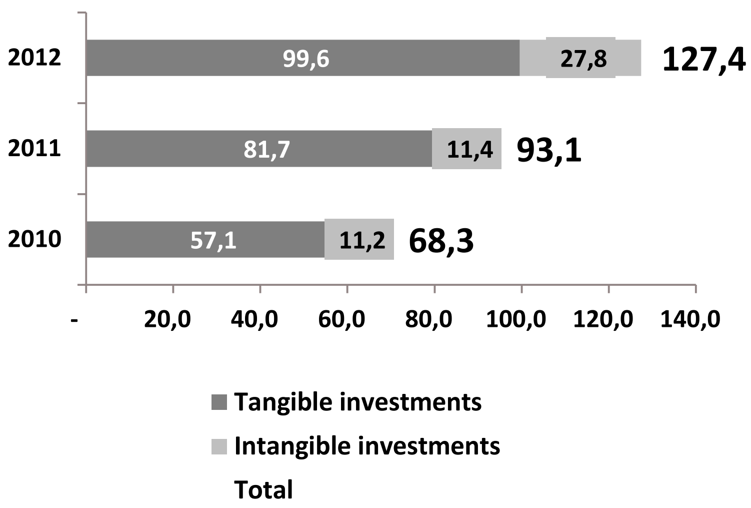


4. INVESTMENT AND USE OF POSTAL ACTIVITIES

4.1. Investment in the postal sector

In 2012, 127.4 million euro were invested in the postal sector by operators[6], i.e. an increase of nearly 7% in comparison to 2011. These increased investments are both linked to the growth of tangible investments (infrastructure, equipment, sorting machines, buildings) and to the growth of intangible investments (information systems, etc.). This may be the expression of an adaptation and strengthening movement in the face of the paradigm shift of the postal sector worldwide, although the Belgian postal sector seems to be relatively unaffected in 2012.

Figure 1311 - Investment in the postal sector (M€)



4.2. Employment in the postal sector

With more than 2,500 jobs less compared to 2011, the downward trend of the number of jobs directly linked to the postal sector in Belgium has experienced an acceleration in relation to previous years.

The postal sector still represents 0.99% of the total employment in Belgium in 2012 against 1.05% in 2011, with more than 33,000 direct jobs in 2012 against nearly 36,000 in 2011. The number of employees of the alternative operators represents some 20% of these jobs.

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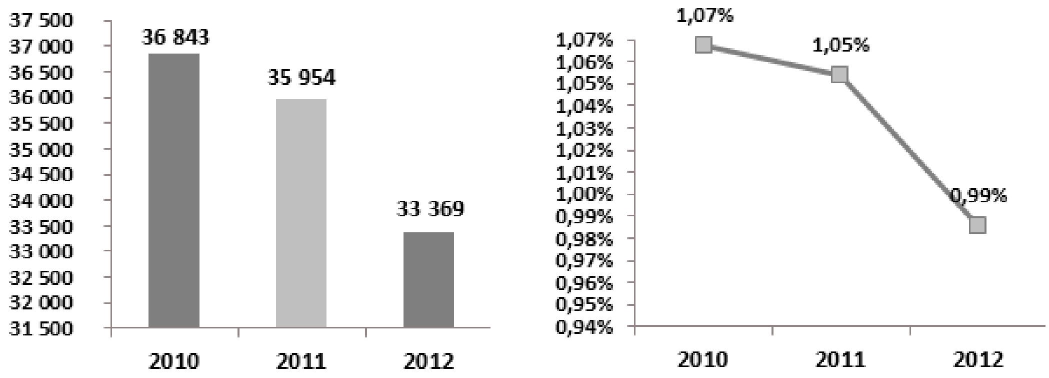
[6] Except for bpost, the amount of the investments corresponds to the net evolutions of the capital assets over 2010 and over 2011. This is therefore the net fixed capital formation.

Figure 14 - Indicators relating to the jobs linked to postal activities in Belgium



5. QUALITY OF SERVICE

5.1. Accessibility of postal service points

In 2012, 1,340 establishments (post offices or postal points) provide postal services on the whole Belgian territory. This number has decreased by 2.4% compared to 2011.

So a single postal establishment serves on average 8,236 people in 2012, i.e. a 3% rise compared to 2011.

Figure 15 - Number of postal establishments in Belgium and average population served by establishment

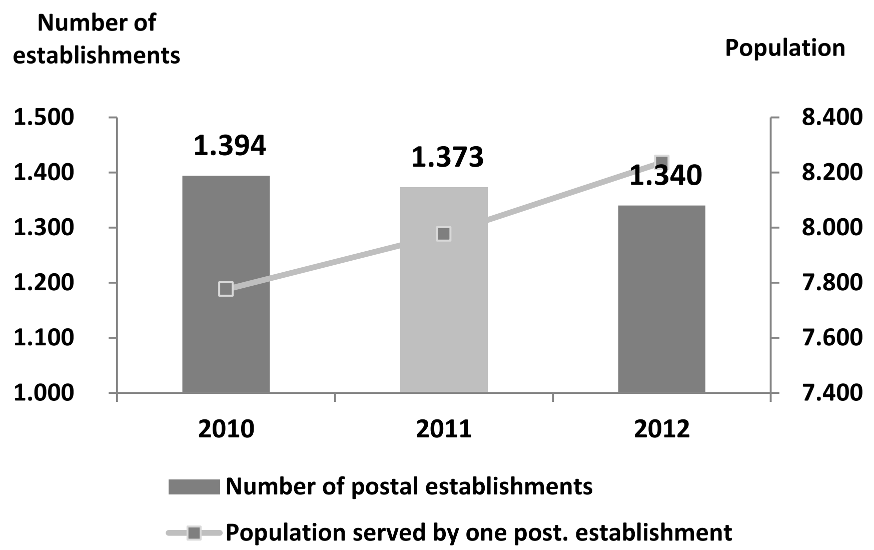
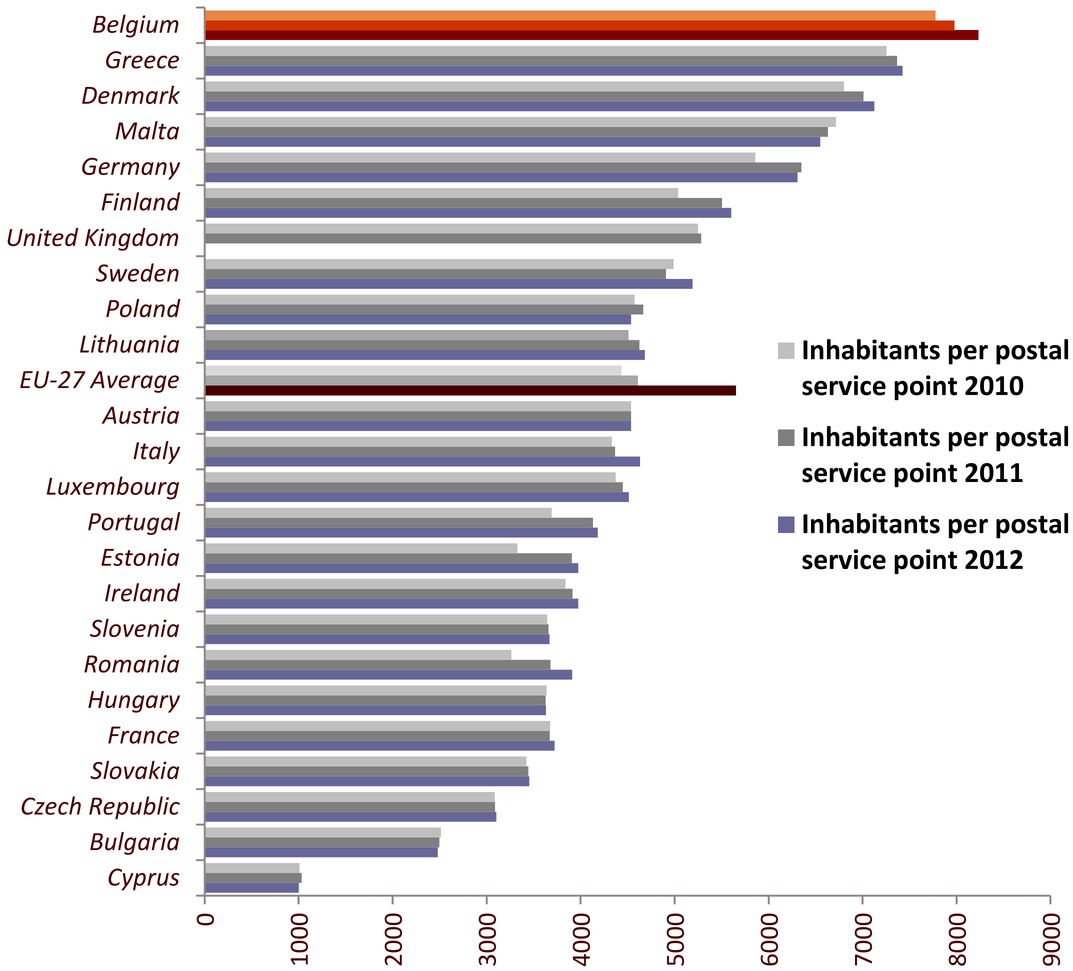


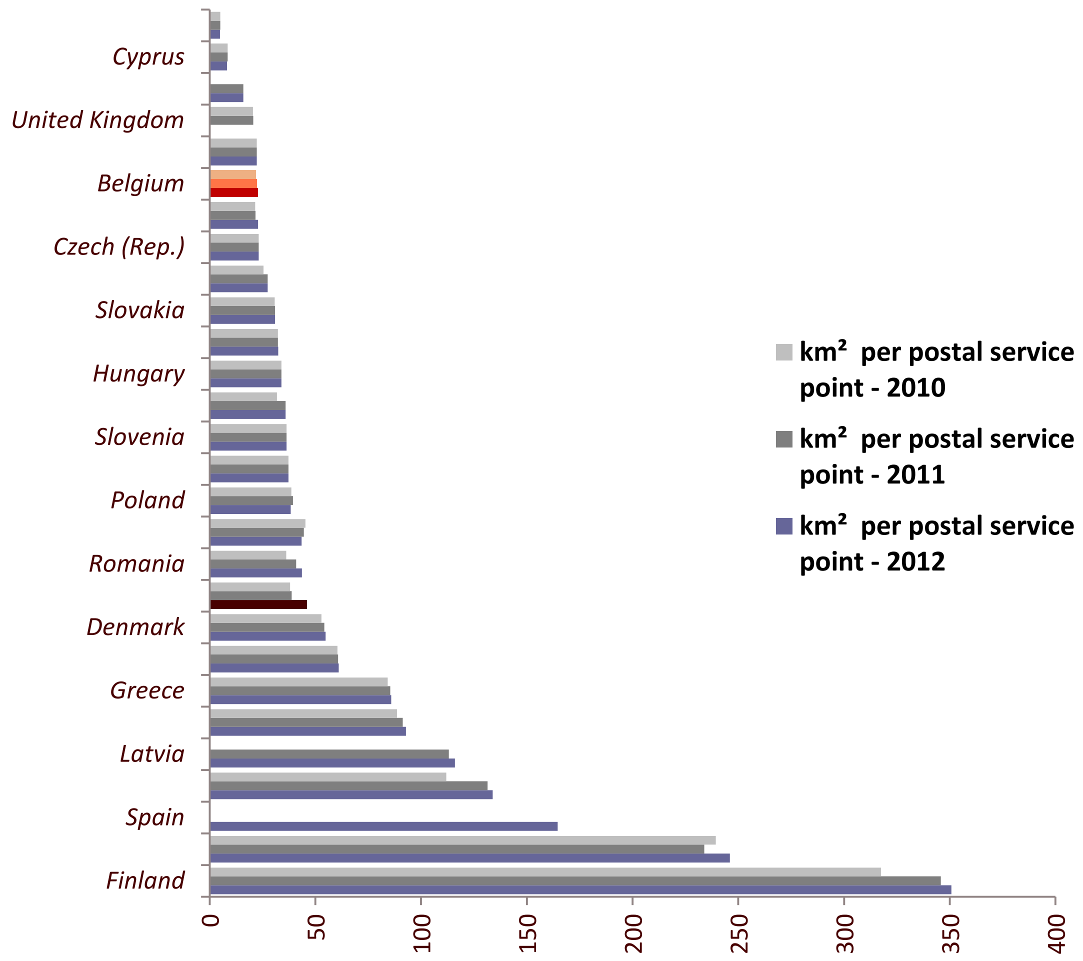
Figure 16 - Average population served per postal establishment in Europe[7]



[7] Data are not available for the United-Kingdom in 2012.

The number of square kilometers served by a postal establishment has slightly evolved between 2011 and 2012 and amounts to 23 km² against 22 km² previously.

Figure 17 – Average surface served per postal establishment in Europe[8]



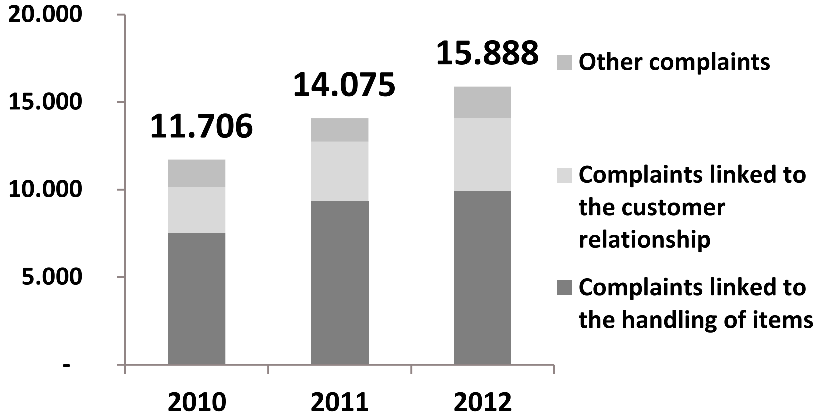
5.2. Satisfaction of postal services users

In 2012, nearly 16,000 complaints were lodged with the postal sector ombudsman. This volume of complaints has increased by 13% compared to 2011.

It mainly corresponds to complaints related to the handling of items (letters, packages, parcels) and to the customer relationship.

[8] Data are not available for the United-Kingdom in 2012, nor for Spain in 2010 and 2011.

Figure 18 - Number of complaints lodged with the ombudsman



The complaints regarding the handling of items, which represents the main category of complaints, mainly concern delivery errors and the general reduction in the service (distance to be covered to rejoin a post office where the item is notified, variable delivery time, etc.). These complaints mainly concern bpost, because of its relative significant presence on the 5 postal activities segments taken into account in this observatory.

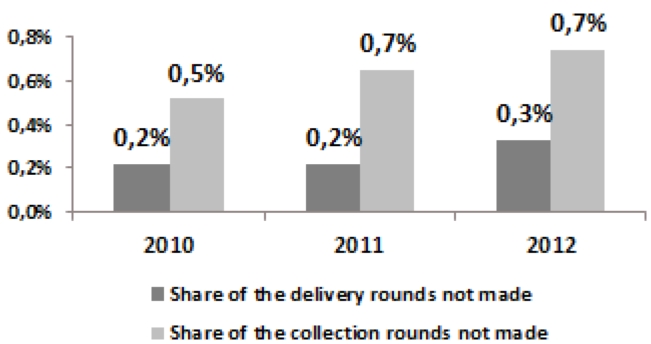
The complaints regarding the customer relationship concern all the companies present on the postal market. They are often due to the provision of wrong information, unreachability, too long waiting times at call centers, etc.

It should be noted that bpost signed in 2012 "a Customer Service Charter", aimed at implementing measurement tools of the quality of the customer care.

5.3. Postal services continuity

The continuity of the collection and delivery services has remained stable between 2011 and 2012: only 0.3% of collection rounds and 0.7% of the planned delivery rounds have not been taken care of by bpost in 2012.

Figure 19 - Continuity of the mail collection and delivery services in Belgium

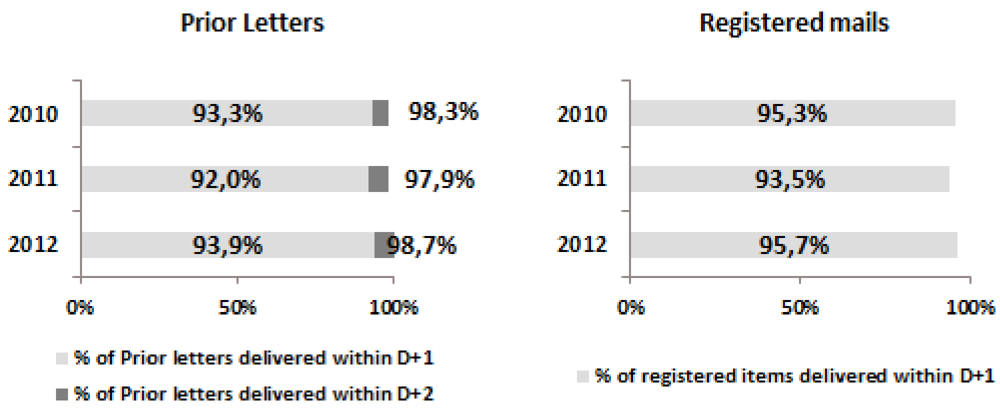


5.4. Mail delivery times

The compliance with the delivery times laid down by the management contract between bpost and the State is subject to an annual control by the regulator, via a specific study on the quality of service. This study (BELEX study) was launched in 2002 on request and under the supervision of BIPT. It consists in measuring the transport and delivery times effectively ensured by bpost thanks to the sending of test letters. It should be noted that bpost is the only one to be submitted to this control, as its competitors have no regulatory objectives of quality of service to reach.

For the year 2012, 93.9% of the volume of the domestic single piece mail stamped at the Prior rate was delivered within D+1, and 98.7% of the mail was delivered within D+2. As regards registered items, 95.7% of the volume of registered items was delivered within D+1. These indicators have improved compared to 2011.

Figure 20 - Delivery times of the Prior letters and of the registered items



5.5. Innovative services

The improvement of the quality of service and the user satisfaction requires the provision of new services to users. In 2012, bpost launched a pilot project called "bpost sur rendez-vous" (bpost by appointment). The customers can make an appointment (also in the evening) to have delivered at home the items they have ordered at local stores, service providers, supermarkets or on line sellers. Moreover when their order is delivered, the customers may entrust the goods they would like to send (returns of items, empty bottles, ironing, dry cleaning...) to the postman. These goods can also be paid at home. The first tests started during the spring 2012 in Grammont, Sint-Niklaas and Turnhout. In November 2012 they were extended to the east of the Walloon Brabant. These tests go on for the moment.

6. SOURCES OF INFORMATION USED FOR THE IMPLEMENTATION OF THE OBSERVATORY

The data are coming from a survey at the operators concerned, whose participation is mandatory, as laid down in Article 34 of the Act of 21 March 1991.

Other sources of public data were used for the implementation of this observatory.

- bpost, Annual Report 2012
- National Bank of Belgium: Central Balance Sheet Office
- NSSO: paid employment in Belgium
- Statbel
- Office of the Ombudsman for the Postal Sector, Annual Report 2012
- UPU, postal statistics 2012
- Deutsche Post, international letter prices survey, 2012