BIPT

BELGIAN INSTITUTE FOR POSTAL SERVICES AND TELECOMMUNICATIONS

OPINION OF THE BIPT COUNCIL OF 12 JANUARY 2018 REGARDING THE RECOMMENDATIONS OF THE E-COMMERCE STUDY

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TABLE OF CONTENTS

1 Introduction

1.1. Background

1. In 2016, BIPT launched a study on the Belgian market for parcel delivery in the context of e-commerce activities. The main purpose of the study was, on the one hand, to identify possible obstacles to the development of e-commerce and, on the other hand, to draw up recommendations to eliminate these obstacles.

2. On 17 May 2016, this consultancy mission was awarded by the BIPT Council to KPMG Advisory civil CVBA (hereinafter: "KPMG"). The study report, in which KPMG presents seven recommendations, was published on the BIPT website on 13 June 2017.[1]

3. Following the publication, BIPT organised three round tables in the form of workshops, where all e-commerce stakeholders were invited.[2,3] Each of the 7 recommendations of KPMG were thoroughly discussed.

1.2. Legal basis

4. On the one hand, BIPT bases its competence to provide this opinion on Article 133, second paragraph, of the Act of 21 March 1991 on the reform of certain economic public companies:

   "*On its own initiative, at the request of the Minister or of the Consultative Committee (on Postal Services), the Institute shall deliver a reasoned opinion on any matter relating postal services.*"

5. On the other hand, BIPT refers to Article 14, §1, 1°, of the Act of 17 January 2003 on the status of the regulator of the Belgian postal and telecommunications sectors:

   "*Without prejudice to its legal powers, the Institute has the following tasks in relation to electronic communications networks and electronic communications services, terminal equipment, radio equipment and in relation to postal services and public postal networks as defined by Article 131 of the Act of 21 March 1991 on the reform of certain economic public companies:*
   1° rendering opinions on its own initiative, in the cases decreed by the acts and orders or at the request of the minister or of the Chamber of Representatives; [...]

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[1] See the Communication by the Council of 18 May 2017 regarding the results of the study on the Belgian market for parcel delivery in the context of e-commerce activities.
[2] A highly diversified public was invited, from the European Commission, federal and regional public bodies and organisations, postal services providers and logistic companies to e-retailers, consumer organisations, quality labels and trade unions.
[3] The workshops were organised in BIPT's conference rooms on 5, 21 and 22 September 2017.

1.3. Subject

6. By means of this opinion BIPT wishes to present possible means of action to adopt in order to support the catch-up operation of the Belgian e-commerce market in a stable and durable manner. This opinion is based, on the one hand, on KPMG's recommendations presented in the table below and, on the other hand, on the workshops organised following these recommendations.

Bottlenecks	Recommendations
• Lack of publicly available information (turnover & volume, prices, supply, ...) • Lack of transparency in customs charges and customs formalities, regulation, ...	• Raise transparency by collecting information and through publication (e.g. by way of deliberation platform / comparison site)
• Inefficiencies in case of international shipments (among other things track & trace, electronic CMR, ...)	• Make administrative obligations and information provision uniform
• Lack of fair tariff system for international shipments	• A fairer tariff system, taking account of microeconomic and macroeconomic factors and binding
• Weaker competitive position compared with neighbouring countries because of differences in legislation among other things	• Changes in labour legislation, regarding night labour & flexible hours
• Insufficient response to consumer needs	• Working group / deliberating committee to monitor trends proactively
• Uncertainty about & lack of sustainable parcel delivery	• Clear guidelines about obligation to take back scrapped electrical and electronic appliances • Bundling of parcels

7. The first part of the opinion gives a picture of the Belgian and European e-commerce markets. This opinion treats then KPMG's recommendations above in two parts. The first part discusses the recommendations concerning the regulatory aspects falling out of the brief of BIPT. The second part analyses the recommendations falling within the brief of BIPT.

8. Finally, concerning the items falling within the brief of BIPT, this opinion will present relevant actions to carry out in order to facilitate the catch-up operation of the Belgian e-commerce market.

1.4. Context

1.4.1 Description of the Belgian e-commerce market

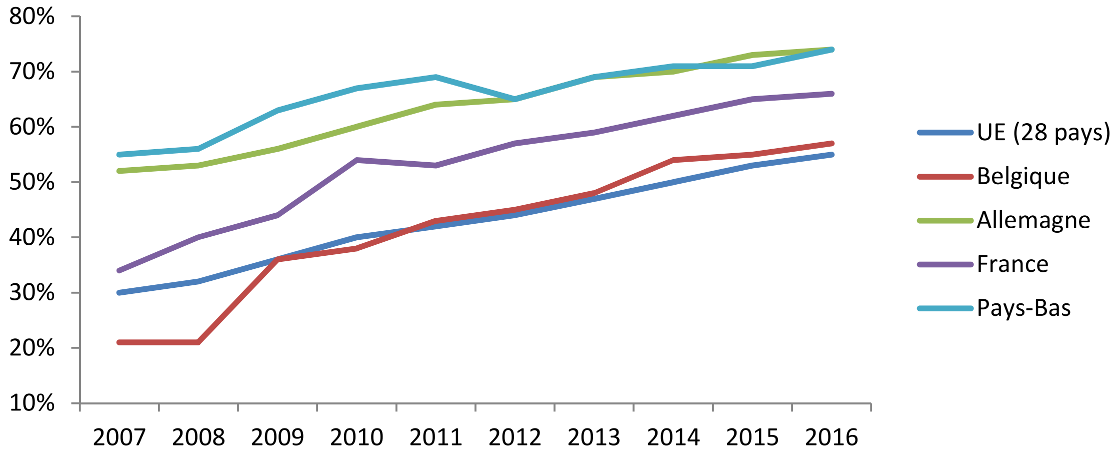
9. Figures regarding the e-commerce market are hard to come by as there currently exists no centralisation system concerning data on e-commerce sales on both national and European scales. However, some organisations such as E-commerce Europe regularly conduct studies in order to estimate the size of the e-commerce markets in the European countries. These studies show that e-commerce sales achieved a quicker growth in Belgium than in its neighbouring countries in 2016, +13.4% versus +9.4% for France, +10.5% for Germany and 11.8% for the Netherlands. This quicker growth is linked to the catching-up process in Belgium. In 2015, e-commerce in Belgium represented only 4.5% of the retail market, versus 8.9% in the Netherlands.

10. This situation is due to that fact that it took more time to Belgian consumers to make online shopping a habit. This is confirmed by Eurostat's data, in particular regarding the percentage of the population that shops online. This can be explained by characteristics that are specific to Belgium: a high population density and a large number of shops per inhabitant.[4]

11. Belgium is slowly making up arrears however. While in 2008 only 21% of the population (16-74 years) had made online purchases, which is below the level of the neighbours and the EU, that number increases to 57% in 2016 thus closing in on the neighbours and exceeding the EU(28) average.

12. The quick growth between 2008 and 2009 is linked, among other things, with an increase in the purchasing power in Belgium in 2009, as well as with a higher price consciousness among consumers due to the deterioration in economic conditions in times of economic crisis. This increase in purchasing power in the middle of a crisis is a phenomenon specific to Belgium that is linked with the indexation which happened early 2009, combined with a deflation during the same year.

GRAPH 1: PROPORTION OF THE POPULATION WHICH HAS MADE AN ONLINE PURCHASE DURING THE LAST 12 MONTHS



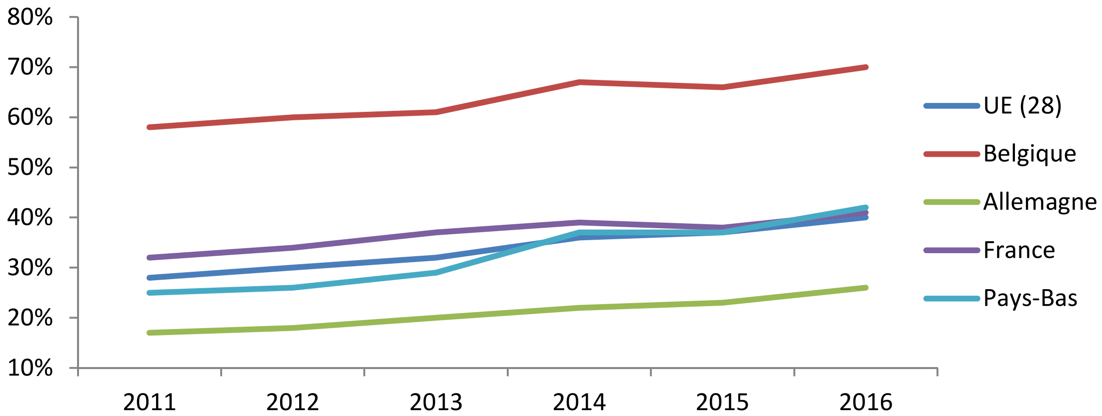
Source: Eurostat

4 http://www.gondola.be/fr/news/retail/belgique-le-plus-grand-nombre-de-magasins-capita-du-benelux

13. The online retailers in the neighbouring countries developed quicker due to the quicker use of e-commerce by the consumers in these countries. As a result, Belgian online shoppers will be more likely to visit foreign and better developed sites when shopping online. The size of the Belgian market is also a factor. Due to a more limited choice for the consumer, a smaller country is more likely to import via e-commerce than to export.

14. There is an increase in purchases on foreign sites in Belgium as well as in its neighbouring countries and in the European Union. This globalisation of e-commerce contributes to an increased competition between market players. This trend is likely to continue, partly due to market players who, to keep on developing themselves, increase their cross-border selling capacity, the growing confidence of buyers towards foreign sites, and the will of the European Commission to tackle barriers to cross-border online trade.

GRAPH 2: PERCENTAGE OF INDIVIDUALS WHO MADE AN ONLINE PURCHASE FROM FOREIGN SELLERS DURING THE PREVIOUS YEAR



Source: Eurostat

15. As the e-commerce market in Belgium represented only 4.5% of the distribution sector in 2015, it is far from reaching maturity. In a sector where volumes are a key component of the competitiveness of companies, concerns regarding gains of market shares prevail over concerns regarding profitability. Due to this race towards volume, a large number of companies involved in online trade are not yet cost-effective.

16. Apart from a later adoption of e-commerce, the Belgian online shopper can be distinguished from its neighbours by his much lesser tendency to compare the price and the quality of products.[5] This weaker price elasticity that Belgian companies would be facing decreases competitive pressure and could contribute to making Belgian e-commerce less able to compete against the increasing international competition in this market.[6]

17. Finally, Belgium obtains rather good results concerning logistics. According to the 2016 World Bank's Logistic Performance Index, Belgium ranks third in the EU, after the Netherlands and Germany.[7] However, Belgium scores very poor concerning the 2016 indicator "Ease of Doing Business": it is 18th in the European Union, behind Hungary, Bulgaria and Romania.[8]

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[5] Eurostat: digital economy and society

[6] Price elasticity of demand: the sales drop caused by a price increase.

[7] The Logistics Performance Index reflects perceptions of a country's logistics based on efficiency of customs clearance process, quality of trade- and transport-related infrastructure,

1.4.2 Description of the European e-commerce market

18. E-commerce Europe estimated that the e-commerce market will continue to grow in geographic Europe: +12% in 2016, versus +13.3% in 2015, for a turnover of 510 billion euros.[9] Concerning e-commerce, the situation strongly varies in each country. On the whole, at regional level, trends indicate that the region of Southern Europe experience the largest growth. Then comes Central Europe with a greater growth than the European level, while the more mature markets in Western and Northern Europe are facing a slower growth.

19. Within the framework of its Digital Single Market Strategy, the European Commission published in 2015 the summary of the responses to the consultation on cross-border parcel delivery.[10] This gave rise to the publication on 25 May 2016 of a proposal for a regulation on cross-border parcel delivery services.[11] The purpose of that proposal is to enhance tariff transparency as well as a more efficient regulatory supervision of said services. The proposal is also analysed in the study at the basis of this opinion.

20. Since September 2016, the proposal was discussed in the European Parliament and the Council, as well as within the European Parliament's Committee on Transport and Tourism (TRAN Committee), where the rapporteur's report was refused on 11 July 2017. The discussions went on within that committee, which adopted a report on 12 October 2017.

21. Working groups were organised on 8 and 16 November 2017, in which the compromise proposal of the Estonian presidency was also discussed and the Permanent Representatives Committee (COREPER) gave the negotiating mandate to the presidency for the trilogues with the European Parliament. The first trilogue took place on 20 November 2017. The second trilogue, on 13 December 2017, resulted in a final text that was approved by the COREPER on Wednesday 20 December 2017. The objective of the Estonian presidency to close this file by the end of 2017 was thus achieved.

22. It will take three to four months before the regulation comes into force. The text must still undergo a legal-linguistic finalisation before its formal adoption, first by the Parliament and then by the Council (first reading agreement). Once adopted the regulation will be published in the Official Journal of the EU. It will come into force 20 days after the publication.

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ability to track and trace consignments, and frequency with which shipments reach the consignee within the scheduled time. Source: www.lpi.worldbank.org

[8] The index is based on the study of business regulation. The rank of a country corresponds to the average of the scores of the following categories: starting a business, dealing with construction permits, getting electricity, trading across borders, contract execution and resolving insolvency. Source: www.doingbusiness.org/rankings

[9] Geographic Europe includes Russia, Ukraine, Belarus, the Balkans and Turkey.

[10] http://ec.europa.eu/growth/content/consultation-cross-border-parcel-delivery_en

[11] http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52016PC0285

2 KPMG's recommendations falling out of the brief of BIPT

2.1 Improving Belgium's competitive position by way of changes in labour legislation, more specifically regarding night labour and flexible working hours

2.1.1 Statement of the problem

23. According to KPMG, Belgian e-retailers suffer a significant disadvantage undermining their competitive position at an international level. Today, Belgian companies do not have the necessary flexibility in the labour legislation, for instance via the (temporary) use of personnel and/or by means of night labour, to be able to meet deliveries at irregular times and follow the trend of increasingly quicker deliveries offered in our neighbouring countries.[12]

24. Moreover, according to KPMG's study, Belgian companies still did not succeed in reaching an agreement concerning night labour for fulfilment activities. As the items above are facilitated at a higher degree in our neighbouring countries, companies in this sector have sometimes the tendency to establish their activities in those countries.[13]

2.1.2 KPMG's recommendation

25. KPMG is in favour of an adaptation of the labour legislation (e.g. more flexibility in working hours, lower wage costs via fiscal advantages, etc.). It is then possible, such as in our neighbouring countries, to aim for a wage policy offering fiscal advantages to employers and employees of companies wishing to execute night labour or limited duration labour, without creating a cannibalising effect on existing employment, or including labour conditions which could increase poverty.

26. According to KPMG, it is also important to ensure that the introduced legislation reaches its objectives (more night labour in the relevant activities of the value chain and no abuse of the flexible jobs) and controls must regularly be organised. This way it will be possible to improve the competitive position of Belgian parcel deliverers and e-retailers, as more fulfilment houses will possibly be established in Belgium. This would also have a positive impact on employment in Belgium, as these activities can be executed by the Belgian workforce.

27. Moreover, with more flexible working hours, it would be possible to better address the deliveries at irregular times and trends such as "same day delivery", allowing to provide a larger supply of delivery and to meet customers' wishes in terms of delivery times.

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[12] From next-day delivery to same-day delivery or even delivery within 2 or 1 hour.

[13] For a thorough description of the problems and of KPMG's recommendations, we refer the reader to KPMG's study. See in this regard the Communication by the Council of 18 May 2017 regarding the results of the study on the Belgian market for parcel delivery in the context of e-commerce activities.

2.2 Stimulate sustainable parcel delivery

2.2.1 Statement of the problem

28. The trend of increasingly quick e-commerce deliveries leads today, according to KPMG, due to the related smaller loads, to an underutilisation of the loading capacity of delivery vehicles. We should also take account of the congestion problematic: an increase in the number of rides will inevitably lead to a congestion of the road network and more delays, causing late deliveries and customer dissatisfaction. This will also make it more difficult for parcel deliverers to communicate an accurate delivery time to end-consumers, while the latter wishes always to receive more accurate information.

2.2.2 KPMG's recommendation

29. According to KPMG, e-retailers should bundle parcels more and better in order to limit the number of rides and for a better use of the loading capacity of lorries/vans. This can result in cost savings and a better protection of the environment, as well as less heavy traffic in the inner cities. However, this system requires smart IT systems allowing to separate urgent from non-urgent parcels.

30. Despite that, we need to take account of the fact that we will possibly make less progress in urban areas as high delivery costs, the density of traffic and the efficiency of existing roads can be a potential obstacle. In rural areas, the current situation can possibly be improved by providing more collection points.

31. Account should also be taken of the service provided by foreign competition and its delivery times. If the same product can be delivered faster and at a competitive price, there is a high chance that consumers will choose the fastest parcel deliverer, despite the possibly lower priority of their order. Such bundling can only deliver an added value if the longest delivery time goes together with lower shipping costs for the consumer, but also for the e-retailers as the big e-retailers often cover these costs, from a strategic perspective, and offer then free delivery to the customer.

2.3 Establishing clear guidelines about the obligation to take back scrapped electrical and electronic appliances

2.3.1 Statement of the problem

32. The legislation regarding the obligation to take back scrapped electric and electronic appliances lays down that retail sellers of electronic appliances who deliver the appliance to the consumer's home by parcel deliverers have the obligation to take back the (similar) scrapped appliance, free of charge, if the consumer wishes it. However, this legislation is difficult to put in practice today, and little is known about it among companies and consumers.

2.3.2 KPMG's recommendation

33. According to KPMG, clearer guidelines regarding the practical arrangements of the above-mentioned obligations will contribute to making the execution of the legislation concerning the taking-back of WEEE,[14] from both a financial and operational perspective, more feasible for parcel deliverers and e-retailers.

34. Within the framework of the feasibility study, it could be studied to which extent there is a need to increase the current Recupel contribution, how to treat this obligation concerning parcels which are not delivered at home (but for instance at the workplace, in parcel shops, in parcel machines, etc.).

35. Moreover, according to KPMG's study, this will increase transparency towards companies and consumers concerning the possibility to hand in scrapped goods, and will contribute to achieving the targets concerning sustainability.

[14] Waste Electrical and Electronic Equipment.

3 Analysis of KPMG's recommendations falling within the brief of BIPT

3.1 Raising transparency of the international e-commerce market by collecting information and by publishing non-sensitive market data

3.1.1 Statement of the problem

36. Publicly available information regarding, among other things, the number of operators, their identification data, the turnover and volumes in the European parcels market is relatively limited and not up-to-date, hindering a benchmarking of the various players in the European parcels market and the identification of bottlenecks and points for improvement. There is no general authorisation for postal operators in the Belgian regulation[15]. Authorisations are granted under the form of an individual authorisation only within the framework of letter post falling within the universal service scope. As a result, it is difficult for BIPT to understand this market information, in particular concerning the smaller companies.

37. Moreover, it is not always clear for e-retailers which delivery options and services are provided by parcel deliverers for national shipments, and at what price. It seems that it is not always easy to find this information quickly and in an orderly fashion on the parcel distributors' websites, making it hard to compare the parcel deliverers. A similar problem can be observed concerning international shipments (both within and outside the EU), where the problem mainly concerns the fact that there is no knowledge of the services which will be provided in the country of destination.

3.1.2 KPMG's recommendation

38. According to KPMG, in order to facilitate a comparison among European parcel markets, national regulators could regularly collect following market data at the European level (each year, for instance):
    - Identification data of (all) postal operators;
    - Turnover and volume, concerning national outbound, international outbound and international inbound parcels;
    - Delivery options of parcel deliverers, in order to get an overview of the delivery services provided in the various parcel markets;
    - Delivery tariffs per delivery option, allowing e-retailers to easily consult and compare the parcel deliverers' tariffs;
    - Customs charges and customs formalities, giving the parcel deliverers and e-retailers, in a simple and comprehensible manner, an overview of the possible customs charges per country of origin outside the EU;
    - The number and causes of complaints, to ensure that parcel deliverers provide a high-standard service and improve their complaint handling.

39. According to KPMG, this information could then be shared on a discussion platform accessible, among others, to regulators, parcel deliverers, e-retailers and other users to facilitate benchmark analyses and national and international tariffs comparisons, select an adequate parcel deliverer for the desired services, etc.

[15] Since the Postal Act of 21 March 1991.

40. Moreover, according to KPMG, an increase in transparency will lead to a better alignment of the needs and requirements of e-retailers and users of e-commerce services. Users of e-commerce services will then have a better (comparative) understanding of the (different modalities of) e-commerce services tariffs and be able to make more optimal decisions.

41. Moreover, according to KPMG, a better transparency can lead to an increased competitiveness (users are indeed better informed and will maybe alternate more in terms of type of purchased products or providers), and regulators and other public authorities will, due to more accurate information, better align their own regulation and policies with the realities and needs in the market.

3.1.3 Possible solutions from BIPT

Publication of the cartographic overview

42. Although the postal access points of the different postal services providers are publicly available on each of these operators' websites, there was no single point where the postal end-user could get a comprehensive overview of all the locations per postal product.

43. On 21 December 2017, BIPT published an online tool allowing users to find access points of the different postal services providers on a single and accessible map.[16] Consumers get a better view of the whole Belgian postal network.

44. This cartography has several advantages. Not only will it show the end-user the delivery locations in his close surroundings, but it will also give him information about the operators providing a service nearby. Moreover, it will also help e-retailers in determining their collaborations. Finally, federal, regional or local authorities can use this tool when developing of adapting their mobility plan in the future, so that they can take account of the needs of the consumers, the environment and the trade development in their areas.

Information to the end-user

45. End-users are often not aware of the possible risks associated with the import of goods from third countries (outside the European Union). Think for instance about counterfeit pharmaceuticals and toys which do not fulfil the European health standards. Despite the obligation to provide transparent and clear information on the e-retailer's websites,[17] it turns out that end-users are not sufficiently informed on their rights and obligations regarding distance selling or the shipment and return of their purchases.

46. In that respect, it would be useful to sensitise the end-user to his rights and obligations, by integrating this in a comprehensive way on a user-friendly website. BIPT is adapting its website to provide consumers information about the various aspects of e-commerce.

Comparative site

47. A comparative site for parcel deliverers, including a number of basic products and tariffs for domestic and international parcel deliveries, can solve the fact that this data is insufficiently accessible to e-retailers and consumers.

[16] www.postalpoint.be
[17] Art. VI.45 and following of the Code of Economic Law

48. In the light of the European regulation on cross-border parcel delivery services, which will soon be submitted to the European Parliament,[18] BIPT will complete the cross-border data with information concerning the domestic parcel delivery services (such as the tariff per parcel delivery service, the delivery time, etc.).

Centralised and interoperable parcel points

49. Coordination is crucial to prevent a proliferation of parcel points in suboptimal locations, both from the consumer and the operator's point of view. In order to reduce congestion in the cities, it could be useful to install parcel lockers and other parcel points in strategic places.[19]

50. On the one hand, parcel lockers would allow to save space by using the freed-up space in another way and, on the other hand, coordination and collaboration would lead to a synergy of cost saving.[20] Enough attention should be paid to the interoperability of parcel lockers and to the fact that, for competitors wishing to gain access to parcel lockers, the access price is proportionate to the costs, so that the incentive for each postal operator to install its own parcel locker is reduced.

3.2 Making administrative obligations and information provision uniform

3.2.1 Statement of the problem

51. Within the framework of e-commerce activities, ordered products ideally reach the addressee as effectively as possible. According to KPMG, if the transport process occurs through one or more intermediaries, including one or several postal services providers, it is important to ensure a certain degree of interoperability.

52. In the postal market, numerous mail items are provided with a tracking system so that the sender and the addressee can easily follow the delivery process. When various parcel deliverers use their own system and thus use incompatible systems (for instance in case of international deliveries), the follow-up becomes difficult.

53. As e-retailers often use postal services for the delivery of goods, the providers of such postal services must comply with certain formalities related to the transport legislation, such as completing a CMR consignment note.[21] However, according to KPMG, the paper consignment note is currently the cause of inefficiencies in the sector, for instance concerning the administrative tasks.

54. The pilot project of electronic consignment note that is currently applied to national consignment notes is already a step in the right direction. According to KPMG, a complete European introduction would be an advantage for an open economy such as Belgium, as it would increase the efficiency of international shipments.

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[18] http://www.consilium.europa.eu/en/press/press-releases/2017/12/20/council-endorses-deal-on-cross-border-parcel-delivery-services/

[19] Cardenas et al. (2017) *The e-commerce parcel delivery market and the implications of home B2C deliveries vs pick-up points.* International journal of transport economics.

[20] Think of Cubee for instance, a collaboration between bpost, DPD and GLS concerning parcel lockers or the Bringme box, designed and developed by the Belgian technology company Bringme.

[21] C.M.R .: Convention on the Contract for the International Carriage of Goods by Road

55. Moreover, KPMG's study notes that the simplified procedure for clearing postal items at the customs office (via the declaration of the CN22 and CN23 documents) is currently only applicable to the USP[22,23] so that non-US[24] postal operators suffer a competitive disadvantage. We observe within the framework of the simplified procedure that the description of the goods is less accurate and clear, so that customs services need more time to undertake controls and release the goods for further processing.

56. Finally, end-consumers often lack enough information concerning import rights and customs charges. It happens more and more, within the framework of a growing e-commerce, that a consumer gets his parcel, bought outside the customs territory of the European Union, delivered by the universal service provider and has to pay additional customs charges on the spot to the courier. The consumer is often not informed in advance, on the web shop, about possible additional costs (clearance costs for instance), before receiving his parcel.

3.2.2 KPMG's recommendation

57. According to KPMG, a standardised international bar code could improve the efficiency of international trade, concerning costs as well as the number of operations (no double labelling for instance).

58. Moreover, the introduction of the electronic C.M.R. can improve the efficiency of transport. In order to achieve all the advantages of the electronic consignment note (more efficient route planning, reduction of the administrative workload, etc.) an introduction in the whole European Union is necessary.

59. At the European level, a couple of concrete actions could be taken, such as convincing the Member States which have not yet signed the e-protocol to do it as soon as possible, to be able to benefit from the advantages of the electronic C.M.R. consignment note. Moreover, we could also consider if the C.M.R. consignment note could also be applied to the parcels sent by the universal service provider (for instance for safety considerations).

60. According to KPMG, the USP benefits from a competitive advantage, contrary to non-US postal operators, by means of the CN22 and CN23 documents, as mentioned in the past by the European Commission, but the situation has not changed until now. Therefore, it seems appropriate that the Belgian regulatory (and other public) bodies remind the European Commission to find a solution in this respect.[25]

61. Finally, according to KPMG, there is a need for more information concerning customs charges and formalities in order to give parcel deliverers and e-retailers, in a simple and comprehensible manner, an overview of the possible customs charges per country of origin outside the EU. This way, end-consumers will also be better informed concerning possible additional delivery costs.

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[22] Universal service provider

[23] Bpost has been appointed by the Belgian State as universal postal service provider until 31 December 2018

[24] Universal service

[25] However, this point falls out of the brief of BIPT.

62. This information should already be given at an early stage of the purchasing process, so that the end-consumer does not face unforeseen information in the last stage of his purchase and the e-retailer does not face the risk that the end-consumer prematurely interrupts his purchase. As online consumers strongly appreciate a user-friendly website and getting sufficiently transparent information during the purchasing process, e-retailers who meet these needs will possibly enjoy a competitive advantage over e-retailers who do not provide timely information to the end-consumer.

3.2.3 Possible solutions from BIPT

Information to the end-user

63. Numerous users are not aware of the clearance costs to be paid at the delivery of the e-commerce mail item when goods, exceeding a certain amount, are imported from a country outside the European Union, and that they can choose a company to execute the clearance.

64. We also notice differences in practices and costs, both in and outside the European Union. During the first quarter of 2018, BIPT will meet with the actors involved (customs, e-retailers and operators) to further optimise the information to the end-user and provide this information on its website.

Interoperable tracking system

65. Concerning the interoperable tracking system, BIPT is in favour of further developing such a system. At the European level, European standards are developed via the CEN[26] to improve interoperability. The UPU[27] is also working on it. BIPT will follow up both works and support them where possible.

3.3 Introducing a fairer tariff system for postal items taking account of macroeconomic and microeconomic factors

3.3.1 Statement of the problem

66. According to KPMG, the UPU tariff system that lays down the minimum and maximum rates for international postal items of providers of the universal postal service within the United Nations allows international postal operators in certain postal markets to deliver postal items cheaper than the national operators, and USPs in countries with a mature postal market risk to not sufficiently recover their costs for processing postal volumes by means of these imposed rates. While the UPU Acts aim at fair tariffs for international postal items, intending to have a favourable impact on the international postal market, they have nevertheless in certain cases disrupted the market.

67. The REIMS system tries to provide an answer to these issues by using a tariff system that takes into account both the quality of postal services for international postal items and all costs for the delivery of postal items and the existing national rates. The REIMS Agreement however is only signed by European postal operators who are, moreover, exclusively providers of the universal postal service.

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[26] CEN: European Committee for Standardization

[27] Universal Postal Union.

3.3.2 KPMG's recommendation

68. The REIMS Agreement is an important supplement to the UPU tariff system as it tries to provide an answer to the issues of the UPU system. Nevertheless, the Agreement is only relevant to the universal service providers at the European level, and operators are not obliged to sign it.

69. There is consequently a need for an international system regulating the tariffs for international postal items in a fair manner by taking into account relevant macroeconomic (e.g. the development indicator PDI[28] of the UPU) and microeconomic factors (e.g. the quality of the service and total costs of the postal operator to provide the services), and in a manner that is binding for as many postal operators as possible at an international level.

70. Also the Belgian regulatory and other public bodies can play a role in bringing about such a system, by emphasising this in the existing relevant international bodies such as the UPU and the International Post Corporation.

3.3.3 Possible solutions from BIPT

Reform of the tariff systems for letter post and parcels

71. The UPU introduced certain reforms during the 26th UPU congress organised in 2016 in Istanbul. This reform process is a long-term project as each continent has its own specific needs concerning postal products and services.

72. During the 26th UPU congress, several modifications were made to the UPU system of terminal dues such as the introduction of a specific terminal dues tariff for format "E" (small parcels), regrouping the 192 countries in 4 groups instead of 6 groups for terminal dues, extending the system of country-specific terminal due rates, the annual increase of the terminal dues tariff including the corresponding caps and floors, and the extension of the obligation to perform sampling and format separation.

73. The reforms of terminal dues, the international tariff system of compensations by the country of dispatch for the delivery of letter post in the country of destination, allowed a better approach of the real costs. This will have a positive effect on the possible existing market distortions.

74. Additional efforts are still needed to further adapt the UPU terminal dues system concerning cost recovery without however undermining the core principle of universality of the UPU service. An example is resolution C 15/2016 of the Istanbul congress concerning "Integrated Product Plan implementation".

75. The integrated product plan is a fundamental revision of the UPU products and services offer, including the underlying UPU terminal dues system. It will be examined which UPU services are binding or optional for the Member States. This will have a direct impact on the scope of the UPU terminal dues system.

76. Moreover, account will be taken of the international e-commerce needs of residential and professional end-users and of the necessity to adapt the UPU terminal dues system to this new reality where parcels are gaining in importance compared to letter post.

[28] Postal Development Index

Definition of universal service products and commercial products

77. Technological evolutions led to certain standard expectations among end-users. An example that came up during the workshops is the tracking of parcels. It was in the past a premium characteristic and the consumer had to pay a surcharge for this added value. Today, it is a standard need for the Belgian consumer, which is also provided by bpost for domestic US parcels.

78. Given these fast technological evolutions, a clearer definition, via the European regulation, of the limit between US and non-US mail items is indicated for a better definition of the products within the US as these products, according to the postal legislation, must meet the obligations in terms of non-discrimination, transparency and price.

Opening up certain UPU services and products to other operators

79. Increasingly more commercial products are sent via US services and products. Consequently there is currently a work programme within the UPU to open up specific UPU services and products, such as the UPU postal supply chain management solutions[29], to other postal operators, making it possible to increase the interoperability concerning cross-border e-commerce. First, the UPU IT systems and UPU platforms will be opened up to alternative postal operators. BIPT will closely follow up these UPU activities.

3.4 Better respond to wishes of e-commerce users and the supply of parcel delivery abroad in order to improve Belgium's competitive position

3.4.1 Statement of the problem

80. KPMG's study shows that the consumer makes ever-higher demands concerning the delivery location, delivery time, information, etc.[30] For example, the consumer wishes to know more and more and with always more precision when the product ordered online will be delivered, preferably an exact time or a time interval (of 2 hours for instance). Currently a large number of parcel deliverers give only an estimate of the delivery day, without indicating an expected delivery time.

81. Moreover, it turns out that the perceptions maintained by parcel deliverers concerning the consumers' preferences are often not completely in line with their actual wishes. The results concerning the scope of the consumers' demand for certain delivery services are on the contrary strongly influenced by the offer of delivery options an e-retailer provides on his web shop, which often does not include all the delivery options and can prevent achieving economies of scale for parcel deliverers.

82. Moreover, if the various delivery options are well provided abroad, this could include the risk that consumers make their online purchases from international e-retailers. This can consequently lead to a loss of market shares for the Belgian parcel distributors and e-retailers.

[29] These are UPU IT systems allowing postal operators to share relevant information within the framework of cross-border postal traffic.

[30] Communication by the BIPT Council of 7 February 2017 on the qualitative survey of consumer perceptions within the Belgian postal market

3.4.2 KPMG's recommendation

83. KPMG's recommendation is twofold: on the one hand, there should be a better response to the consumers' wishes and, on the other hand, to the evolutions occurring in the international markets and the services offered by international competitors.

<u>Better response to the end-consumers' wishes</u>

84. According to KPMG, if parcel deliverers gain sufficient insight in the end-consumers' wishes they will be able to better adjust their delivery options to them. This could be achieved for instance with the creation of a working group/consultative committee composed of various important stakeholders from the e-commerce sector, among which BIPT, other federal public services (such as the FPS Economy, FPS Mobility, FPS Finance...), e-retailers, consumers associations, hallmarks and parcel deliverers, in order to create the broadest possible support base. BIPT could play a coordinating role in this context.

85. In order to respond adequately and timely to these consumers' wishes, KPMG recommends that these working groups act as a proactive body closely following up the trends in e-commerce and studying their feasibility. In order to meet new trends in the B2C segment (e.g. same day delivery), e-retailers and parcel deliverers should also verify the possibilities to provide additional services or not, or they should make the difference in terms of price of a more standard service compared to the competition.

86. There should be the possibility to verify if the provision of additional service is adequate, but also to verify if it is possible to meet the wish for more accurate information concerning the delivery time. Moreover, the consumer should be provided with the possibility when placing an order to indicate how far in advance he wishes to receive a last update over the time of delivery (e.g. 2h, 1h, 15 min., etc.). Both possibilities could reduce the number of failed home deliveries and lead to consequent cost savings (about 50% of the delivery costs are indeed caused during the "last mile").[31]

87. According to KPMG, e-retailers should effectively provide all delivery options in the check-out procedure (for instance by means of a drop-down menu) in order to meet the customer's wishes and to allow parcel deliverers to achieve economies of scale. Providing more delivery options will increase customer satisfaction, as customer will have more choice concerning the delivery of their online purchase.

<u>Taking account of the delivery services provided abroad</u>

88. When defining the offer of parcel deliverers and e-retailers on the web shop, the preferences and expectations of the end-consumers should be taken into account as well as the supply in the neighbouring countries and the related tariffs. Even if a number of services are not attractive for the consumer at first sight, if international parcel deliverers (and e-retailers) provide said service, this will lead to a loss of market share for the Belgian parcel deliverers and e-retailers.

89. Increasing the transparency of delivery services and tariffs, as mentioned in KPMG's recommendation 1, will support the realisation of this recommendation. Parcel deliverers should follow up the supply in the neighbouring countries. However, it is not sufficient for parcel deliverers to expand their offer, as mentioned above, e-retailer should also provide this expanded offer as possible delivery options.

[31] Parcel Delivery, The Future of Last Mile. McKinsey & Company, September 2016.

3.4.3 Possible solutions from BIPT

90. KPMG's study shows that there is a mismatch between demand and supply in the Belgian e-commerce market. As a result, the Belgian e-commerce market risks to become supply-driven instead of being a more sustainable demand-driven market.

91. Foreign e-retailers and the related international parcel deliverers who can actually meet the real needs of the consumers get then the opportunity to serve the Belgian market from abroad. The language factor also plays a role in this. As Dutch-speaking Belgians can easily make purchases from the Netherlands in their mother tongue while French-speaking Belgians can make purchases from France and German-speaking Belgians can make purchases from Germany.

Study of the consumers' needs

92. BIPT will continue its study of the demand side of the postal market. By identifying the consumers' needs and preferences in a solid and scientific manner, postal operators can more optimally align themselves with the client's wishes.

93. An overall analysis of the postal end-users' needs was published early 2017 on BIPT's website.[32] This analysis is based on a mixed-method study including a qualitative as well as a quantitative component. [33,34]

Creation of a consultative committee

94. In its recommendations, KPMG is in favour of creating a consultative committee where all the parties involved can participate to optimally align the postal products and services, within the framework of e-commerce, with the rapidly-evolving users' needs. According to KPMG, BIPT could play a coordinating role.

95. BIPT understands KPMG concerning the utility of aligning demand with supply, and of a consultation among all the involved players in the e-commerce market. However, BIPT draws attention to the potential difficulties linked with competition law when sharing (business sensitive) market information among the different parties.

96. Moreover, there is already the Consultative Committee on Postal Services which acts as a consultation and information platform. The members of this platform are postal operators, the Ombudsman for the Postal Sector, trade unions, certain public organisations, and to a limited extent representatives of traders and users. The committee renders opinions on postal matters, either on its own initiative or at the request of BIPT or of the competent minister. The committee can also invite experts to comment on certain issues and share their visions and best practices.

[32] Communication by the BIPT Council of 13 February 2017 on an overall analysis about postal needs in Belgium

[33] Communication by the BIPT Council 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 service.

[34] Communication by the BIPT Council of 7 February 2017 on the qualitative survey of consumer perceptions within the Belgian postal market

97. BIPT is in favour of a more active and representative participation of all the market players in the Consultative Committee on Postal Services so that it can fully play its advisory role towards BIPT and the competent minister.

Information to the e-retailer

98. Based on the discussions during the workshops, BIPT is in favour of ensuring a clear form of information to the e-retailers by providing the rights and obligations of (aspirant) e-retailers on a website. The information must shed light on all aspects of e-commerce, such as:
    - The return procedure and its possible pitfalls;
    - The possibility of an alternative delivery location;
    - What to do in case of damaged postal parcels;
    - The proof of receipt (via eID for instance).

Adaptation of the Ministerial Order concerning letterboxes

99. Finally, BIPT will issue a proposal to adapt the Ministerial Order[35] concerning letterboxes in order to meet the fast-changing postal landscape where, besides a drop in the letter post volume, we notice a significant upwards trend concerning parcels.

100. The object of the Ministerial Order of 20 April 2007 is to define the measurements of private letterboxes so that postal service providers can optimally provide their service. However, since 2007, the postal sector has undergone considerable evolutions. Due to changing housing construction areas and prescriptions, postal products and delivery options, the current legal framework is too limited. It does not take account of twin houses, bigger letterbox models, joint letterboxes in public areas, smart letterboxes, facilities offered by certain companies to the public or their own customers and personnel.

101. Therefore a revision of this framework is necessary, by consulting the sector, in particular the letterboxes manufacturers who can explain not only the current situation but also the future trends where account should be taken of the postal operators who, within the framework of time and cost efficiency, can make their experience and needs known, the representatives of customers, the authorities competent for regional planning who can explain the possibilities in terms of environment and mobility in order to act in these fields, etc.

[35] Ministerial Order of 20 April 2007 pertaining to the regulation of private letterboxes.

4 Conclusion

102. In light of the above, BIPT is of the opinion that:

1) Although all postal access points of the different postal services providers are publicly available on each of these providers' websites, up until today there is still no global view giving the consumer insight in all locations per type of postal product. On 21 December 2017, BIPT published an online tool allowing users to find access points of the different postal services providers on a single and accessible map. Thanks to this increase in transparency each consumer will be able to discover access points and operators in his neighbourhood or on his way, which will boost the use of postal services as well as competition.

2) More information should be provided to end-users as well as e-retailers and postal operators. In addition to the rights and obligations of each player concerning the different aspects of e-commerce, best practices and more general experiences could be shared. This information could also be provided on BIPT's website.

3) A comparative site for parcel deliverers, including a number of basic products and tariffs for domestic and international parcel deliveries can solve the fact that this data is insufficiently accessible to e-retailers and consumers. In the light of the European regulation on cross-border parcel delivery services, which will soon be submitted to the European Parliament, BIPT will complete the cross-border data with information concerning the domestic parcel delivery services (such as the tariff per parcel delivery service, the delivery time, etc.).

4) A review of the Ministerial Order concerning letterboxes is necessary in order to meet the fast-changing postal landscape where, besides a drop in the letter post volume, we notice a significant upwards trend concerning parcels. BIPT will address an opinion to Minister De Croo, competent for postal services, concerning the need for a review of the current Ministerial Order concerning letterboxes, in order to meet the needs of the letterboxes' users.

5) In the light of the globalisation of e-commerce, a standardised international bar code could be useful to meet the consumers' needs. The interoperability of tracking systems is, like the interoperability of postal networks, a necessity. BIPT will further follow up this aspect within the UPU and CEN.

6) It is crucial to identify the demand side of the postal market and more specifically the consumers' needs, in a solid and scientific manner. This allows the postal operators to adapt their products and services more optimally to the client's wishes. BIPT will continue its studies of the consumers' needs.

7) The demand and supply sides of the postal market are not optimally matched to each other. This is probably due to the specific characteristics of the postal market, such as the fact that the addressee does not have a contract with the parcel deliverer. BIPT is therefore in favour of a more active and representative participation of all the market players within the Consultative Committee on Postal Services.

8) Market transparency in the European e-commerce market is currently too low. In this context, BIPT will, on the one hand, continue to play its part in order to improve this transparency and, on the other hand, collaborate actively to the related ERGP activities concerning the draft regulation. Once this regulation in force, BIPT will implement the aspects of this regulation for which national regulatory authorities will be competent.

9) The latest reform of the terminal dues (the tariff system for letter post) proved useful as numerous e-commerce items are delivered via letter post. Of course, additional efforts will be necessary to further adapt the UPU terminal dues system. BIPT will further follow up this within the UPU.

10) The work programme within the UPU to open up specific UPU services and products to other operators is necessary to meet the observation that more and more commercial products are sent via US services and products. BIPT will closely follow up these UPU activities.

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