BIPT

BELGIAN INSTITUTE FOR POSTAL SERVICES AND TELECOMMUNICATIONS

COMMUNICATION OF THE BIPT COUNCIL OF 19 JANUARY 2016 ABOUT THE BELGIAN POSTAL SERVICES OBSERVATORY FOR THE YEARS 2010 TO 2014

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0. Note for readers

This version of the observatory replaces the version of 9 December 2015, which included a double counting regarding addressed commercial mail. Points 4.1.3, 4.2.1 and 4.2.2 as well as Figures 7 to 14 and 16 to 17 were modified accordingly.

1. Methodological foreword

The scope of the players selected for this edition of the observatory of the postal activities in Belgium is slightly different from the one selected for the previous edition because it includes additional players: the number of postal operators considered in this 2014 version increased to 17 compared to only 10 in the 2013 version. The purpose of expanding the scope is to enable the publication of statistical data that are as representative as possible of the Belgian postal market as a whole, the selected operators playing a significant role on the postal market as a whole or in a specific market segment.

Therefore, the letter post volumes for the years 2010 to 2013 published in the observatory's previous editions are slightly different from those published in this edition: this difference results from a recent modification in the classification of certain postal products in transaction mail by bpost, but also from the taking into account of data coming from other operators, which were not available until then.

Likewise, the data regarding the revenue of the postal market as a whole and of the letter post differ from the data published previously insofar as the number of operators considered has changed. In this edition, the revenue linked to the compensations which the Belgian State pays to bpost for providing certain SGEIs[1] are also excluded so as to only consider the value added directly generated by the provision of postal services.

As regards investments in the postal sector, the scope of the operators selected in this edition includes all the players mentioned in section 3 (Figure 2).

Furthermore, a series of new indicators have been integrated in order to give a more detailed overview of the different components of the letter post segment. Subsections "transaction mail", "addressed commercial mail" and "international mail" have thus been added to section 4.2.

The section dedicated to the parcel and express mail segment has also been completed with compound volume data which were unavailable until now.

[1] Service of general economic interest

2. Introduction

Since the beginning of 2012, the Belgian Institute for Postal Services and Telecommunications (BIPT) has set up a permanent observatory of the postal activities market in Belgium, within the framework of the functions that it has been entrusted with 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".

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 make it possible to understand the market on the supply side, the evolution of the activities of the universal service provider and his 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.

This edition includes the indicators published in the previous edition, to which new ones have been added. It also gives a more detailed overview of the different components of the letter post segment and of the parcel and express mail segment.

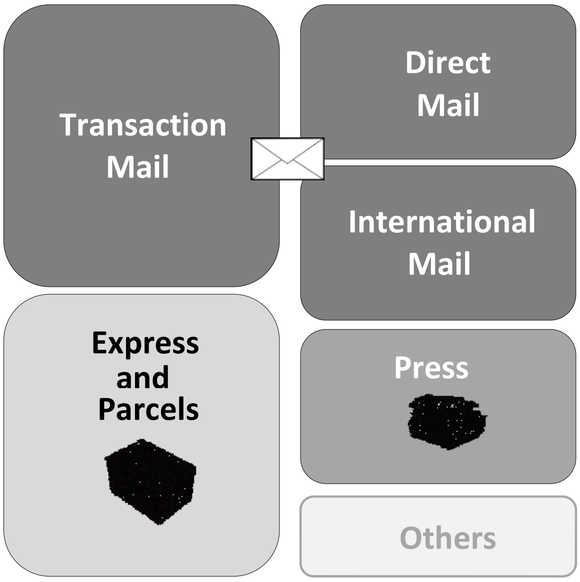
From a general point of view, the postal market is growing slightly in comparison to 2013, mainly thanks to the good results of the parcel and express mail segment.

bpost keeps an important market share, even if it is slightly decreasing since 2010: this decrease is linked to the growth of the parcel market, on which the competition is far more developed, particularly due to the presence of the main international providers of express delivery services.

3. 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" includes services such as temporary mail retention, forwarding, franking for the customer, sale of addresses, etc. that cannot directly be classified in the other categories.

Routing activities are not considered in the scope of this observatory. Activities related to non-addressed commercial mail delivery are included in section 4.2.3. in order to provide a global overview of the commercial mail volumes directly delivered in letterboxes. Yet, given that non-addressed items are not regarded as postal items, these are not taken into account in the revenue or volumes mentioned in the rest 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: in 2014, more than 700 players submitted their annual accounts to the Central Balance Sheet Office of the National Bank of Belgium under the codes NACE 53 100 (postal activities under US obligation) and 53 200 (other postal and courier activities).

In this context, the introduction of this observatory required first to identify the scope of the players to be actually taken into account within the scope of observations.

Besides the historical postal operator - **bpost** - in charge of the universal service until 31 December 2018 and present in all the segments, the four main international integrators (**DHL, FEDEX, TNT, UPS**) are also present and active in the parcel and express mail sector in Belgium.

Furthermore, the competing post offices 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 in certain segments of the postal market.

So, **DPD**, a subsidiary of the French group La Poste which possesses 500 own warehouses in more than 30 countries and delivers 2 million items a day around the world, is present in Belgium with a delivery of more than 7200 items a day.

GLS, a subsidiary of the British incumbent operator Royal Mail, which is specialised in the delivery of parcels (GLS delivers about 436 million parcels a year, mainly in Europe) and of express mail in 37 countries around the world, has 2 hubs and 300 pick-up points in Belgium.

PostNL, the incumbent operator and universal service provider in the Netherlands, also offers parcel, non-addressed and pharmaceutical item services in Belgium. Thanks to its collaboration with Kariboo (AMP), PostNL makes some 650 PostNL pick-up points available to users.

PostNL is also present in Belgium through its subsidiary specialised in the handling of parcels weighing up to 15 kg, **Mikropakket**, which proposes B2B and B2C services in the Benelux.

Another important player in the parcel segment, **Kiala**, which is well-known to private users and was taken over by UPS in the beginning of 2012, is present in 9 European countries[2] through 13,000 Kiala Points or UPS Access Points, more than 900 of which are spread over the Belgian and Luxembourg territories.

Mondial Relay, which ensures the yearly delivery of about 42 million parcels weighing from 0 to 130 kg to private individuals and possesses a network of 23,000 pick-up points in Europe, also possesses a network of 600 pick-up points that are spread over the Belgian territory.

Ciblex, another operator which is active in the parcel and express mail segment, forwards about 10,000 parcels a day in the Netherlands and in Belgium. Specialised in the rapid delivery (in one day) 6 days a week, the company is also present in France.

The last player taken into account for the parcel and express mail segment within the context of this observatory is **Euro Sprinters**, a subsidiary of bpost specialised in express mail and logistics.

Through its subsidiary Spring Globalmail, **G3 Worldwide** is very much present in the international mail segment for businesses: it delivers commercial post, catalogues and bills at international level on a daily basis.

As regards the press segment, bpost ensures the public service of early newspaper delivery (before 7.30 a.m.) until 31 December 2020. This early delivery exclusively concerns the delivery of newspapers to subscribers. Within the framework of the same public service, bpost also ensures the delivery of periodicals to subscribers, but through classical rounds.

Deltamedia is a subsidiary of bpost which ensures the delivery of newspapers to subscribers of the Mediahuis press group.

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[2] France, Belgium, Luxembourg, the Netherlands, Italy, the United Kingdom, Poland, Spain and Germany.

Belgische Distributiedienst (BD) owns a little less than 10% of the market shares of newspaper delivery, mainly in Brussels and Antwerp. Moreover, BD possesses nearly 60% of the market share on the market of non-addressed items.

The number of competitors is larger for the addressed commercial mail but bpost remains the main operator on the market. The other players do not have a significant level of activity. On the non-addressed mail market, another operator is active in the north of the country besides BD and bpost : **Vlaamse Post**.

Finally, this observatory includes the operator **TBC**, the first licensed player to operate in the segment previously reserved for bpost.

So, this manifest parcelling of the postal market in Belgium should not hide the concentrated nature of the postal services market: more than 90% of the turnover achieved on the market for the provision of postal services is realised by the 17 players identified in the table below.

Only these players 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 2014)

	Addressed mail	Parcels/Express	Commercial mail	Press	International mail	Other
bpost						
TBC-Post						
DHL Express						
FedEx Belgium						
United Parcel Service						
GLS Belgium NV						
TNT België						
Ciblex						
DPD (Belgium) NV						
Kiala*						
Vlaamse Post						
Belgique Diffusion (BD)						
G3 Worldwide (Belgium) NV						
Post NL						
Euro Sprinters						
Mondial Relay						
Mikropakket						

* As of 2016 the name UPS Access Point is used instead of Kiala. At the moment a co-branding transition phase is taking place.

4. Description of the Belgian market for the provision of postal services from 2010 to 2014

4.1 General overview of the postal market

4.1.1 Revenue

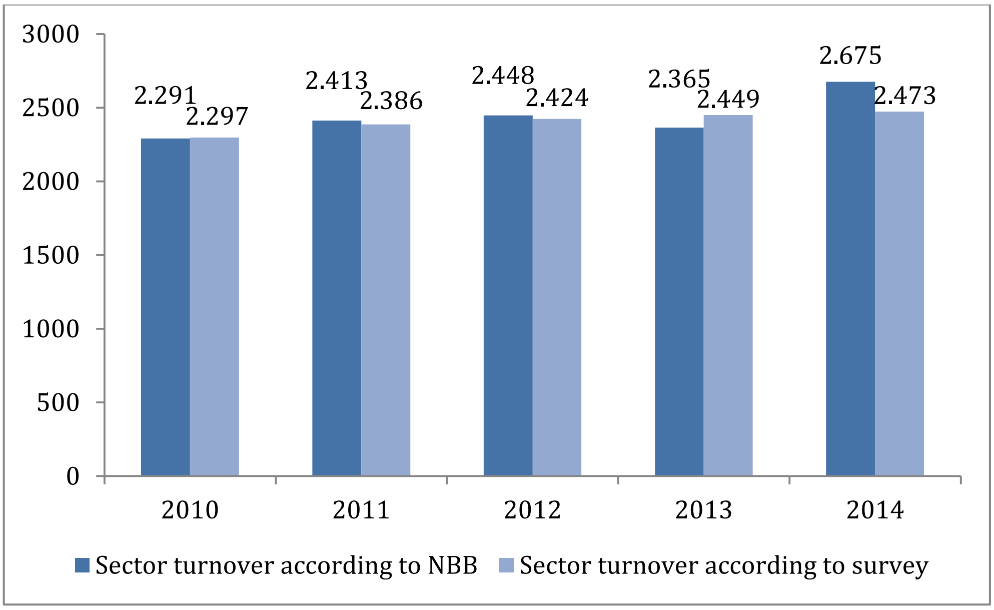
Figure 3 examines the evolution of revenue generated by the Belgian postal sector based on two different sources. In addition to the results of our own survey, the figures registered by the National Bank of Belgium are also displayed.[3]

According to the data of the National Bank total revenue from the postal sector in 2014 amounted to 2,675 million euro. Anno 2014 the 17 companies from this survey together represent 92.5% or 2,473 million euro of the sector turnover registered by the National Bank of Belgium.

Although the comprehensiveness of the data displayed by the National Bank may differ from year to year, depending on the moment the data was collected[4], the turnover shows a tendency towards increasing, which is also confirmed by our own survey.

Anno 2014 all companies had a turnover 7.7% higher than in 2010. In the further development of this report the turnover figures from our survey are used.

Figure 3: evolution of the revenue from the postal sector for the 2010-2014 period according to the NBB data and BIPT's survey (in million EUR)

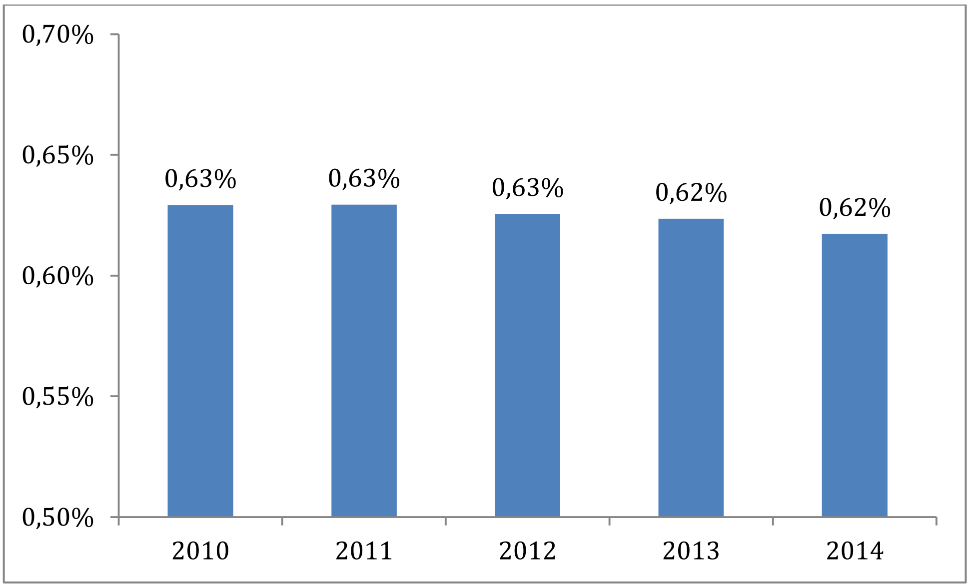


Source: NBB and BIPT

[3] In both cases only the turnover from postal activities, with the exception of the compensation for services of general economic interest, was taken into account for bpost.
[4] Depending on the number of companies already having submitted their annual accounts.

Thanks to gradual turnover increases the postal sector maintains a stable share of the Belgian economy. The share of the postal sector in the Belgian gross domestic product (GDP) has been fluctuating around 0.6% for several years now.

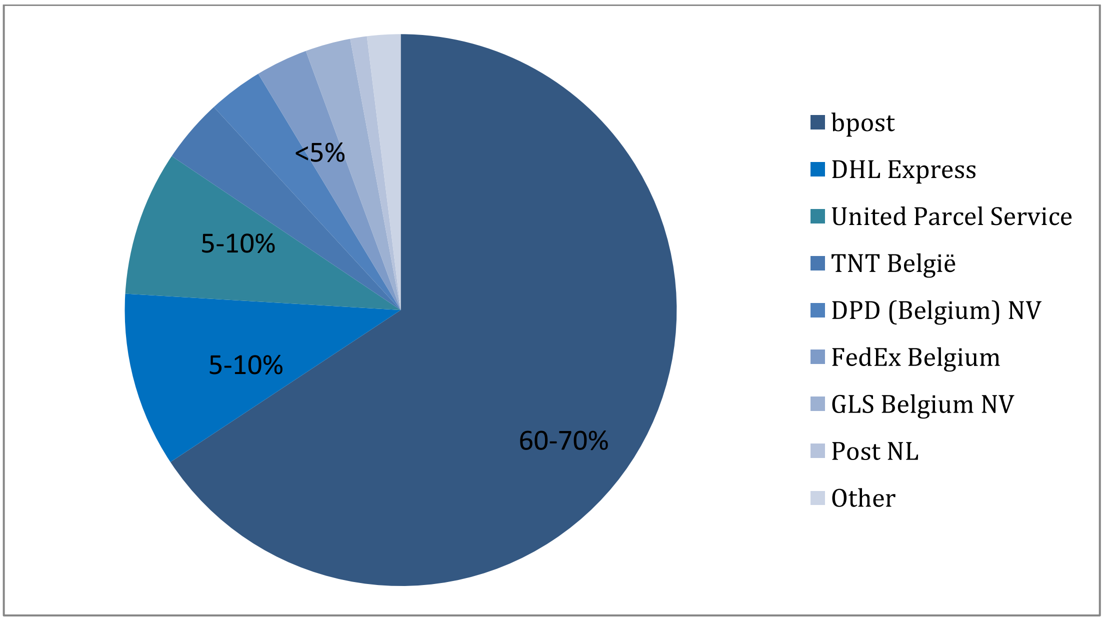
Figure 4: share of the postal activities in Belgium's GDP (%)



Source: NBB and BIPT

Today's postal market shows a variety of players. In figure 5 those postal service providers are indicated that had a market share of at least 1% in 2014. bpost has the largest market share by far but is being challenged by many others, especially on the market of postal parcels and express services.

Figure 5: market share based on turnover in the Belgian postal sector 2014 (%)



Source: BIPT

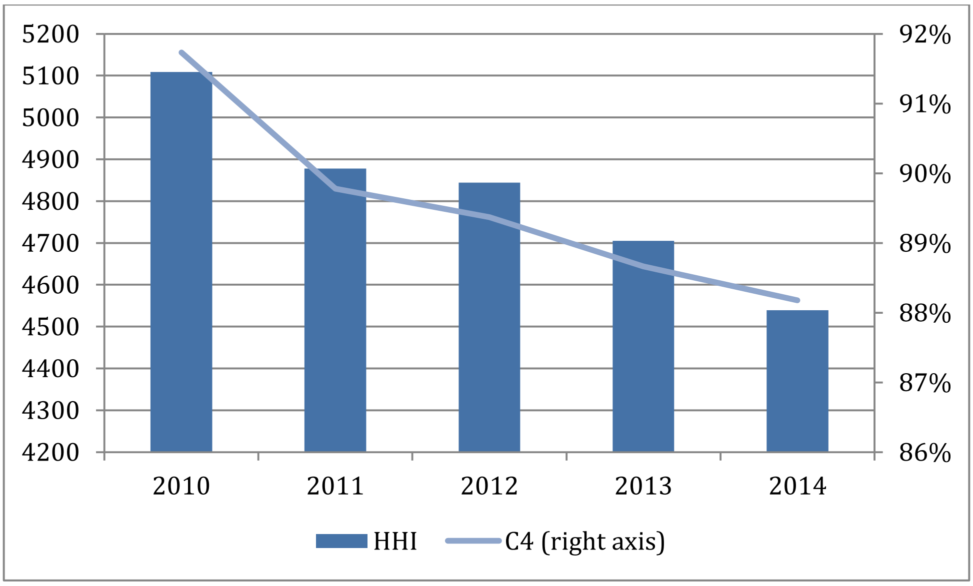
4.1.2 Market concentration

Figure 5 already clearly showed that the Belgian postal market, as well as its European counterparts, is characterised by a high horizontal concentration. In other words, the market is dominated by a number of big players.

Figure 6 goes into more details and gives the evolution of the horizontal concentration by means of the C4 and Herfindahl-Hirschman (HHI) indices. The C4 index represents the compound market share of the four biggest providers. The HHI index is based on the sum of the squared market shares, and thus takes into account a larger number of providers than merely the four largest. The HHI index equals 10,000 in the case of a monopoly and tends towards smaller values as the variance in the market shares decreases.

In spite of a clearly decreasing degree of concentration, both in terms of HHI and C4 index, the Belgian postal market remains highly concentrated in 2014. For instance, the four main providers still hold a very large compound market share of 88.2%. In 2010 this amounted to 91.7%.

Figure 6: degree of horizontal concentration based on the HHI and C4 index



Source: BIPT

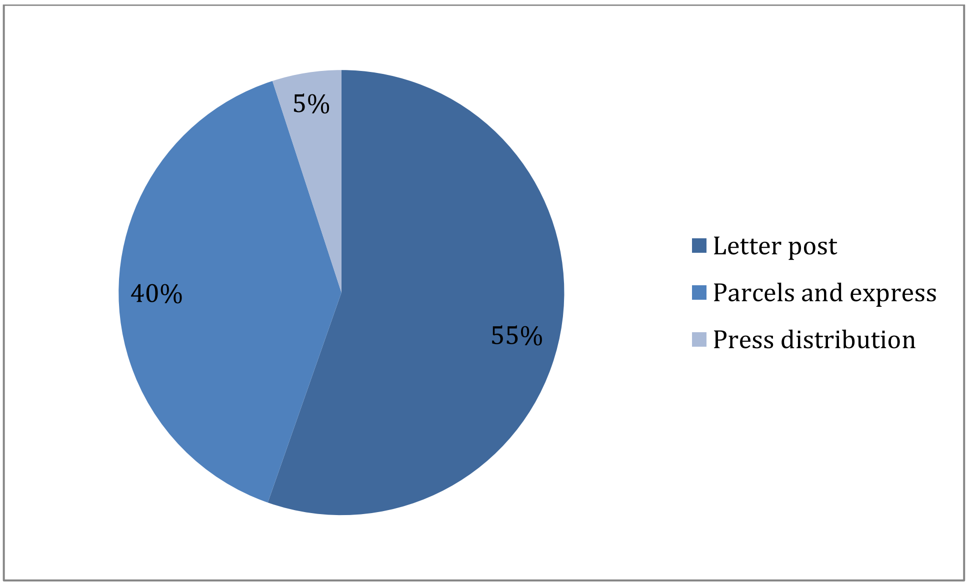
4.1.3 Importance of the segments

The postal sector can be divided into the segments letter post, parcels and express mail and press distribution to subscribers.

Letter post, including addressed commercial mail, still represented 55% of the total turnover within the postal sector in 2014. The parcels and express segment meanwhile already accounted for 40% of the revenue achieved. The segment of press distribution to subscribers at home generated 5% of the revenue.

All of these segments of the postal market are discussed in detail further down in this report.

Figure 7: share of the various segments in the global postal sector turnover (%)



Source: BIPT

4.2 Focus on the letter post segment

4.2.1 General overview

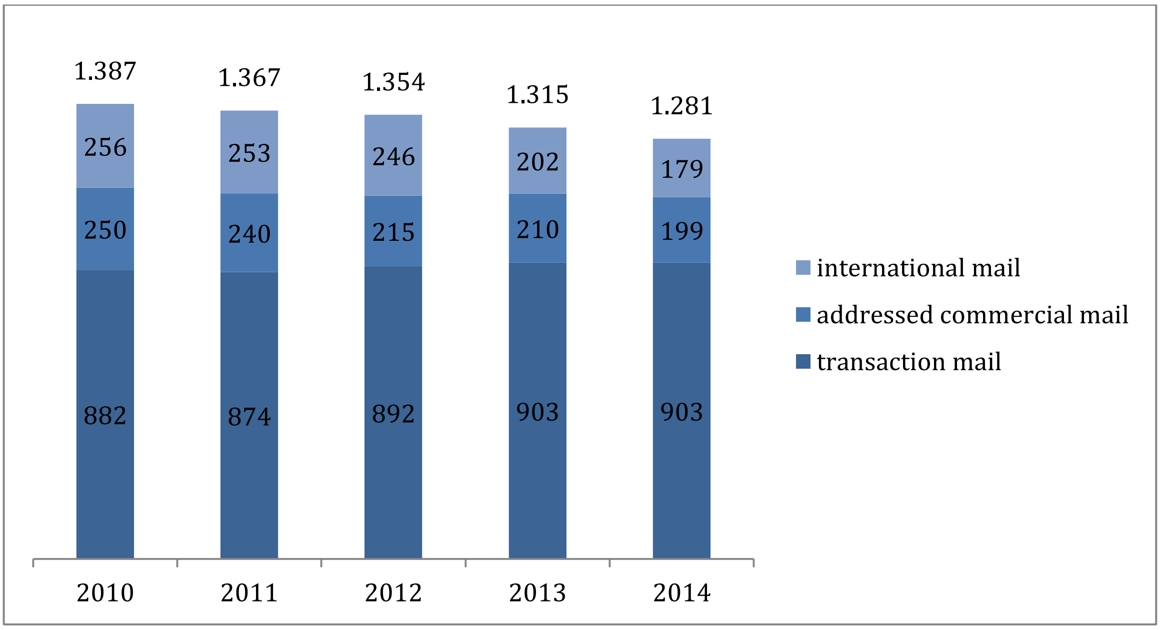
Within the context of this observatory, the letter post segment includes transaction mail, addressed commercial mail and international mail. In short, letter post refers to items of correspondence of all types, parcels and press not being considered as items of correspondence. These are treated in separate sections which are especially dedicated to them (see 4.3 and 4.4).

4.2.1.1 Revenue

In 2014, letter post segment revenue continues its contraction, which began in 2010, to reach only € 1.281 billion compared to € 1.315 billion in 2013, i.e. a 2.6% decrease.

As illustrated in Figure 8 below, in 2014, most of this segment's value still comes from transaction mail, which by itself accounts for more than 70% of the total revenue of the segment.

Figure 8: letter post segment revenue (in million EUR)

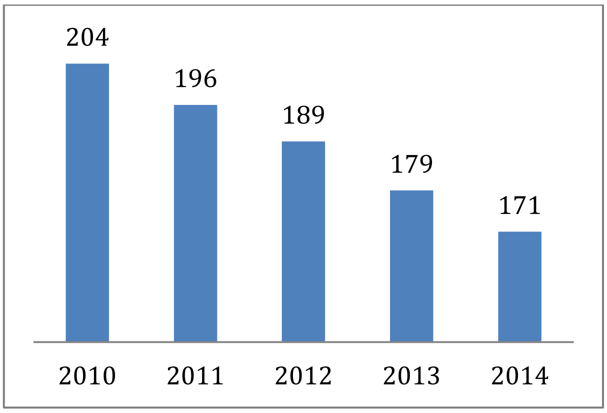


Source: BIPT

4.2.1.2 Volumes

The decline in value of the letter post market observed can also be seen in the market evolution with regard to volume. The volume of mail per inhabitant decreased by 4.47% between 2013 and 2014, reaching the number of 171 items per inhabitant in 2014.

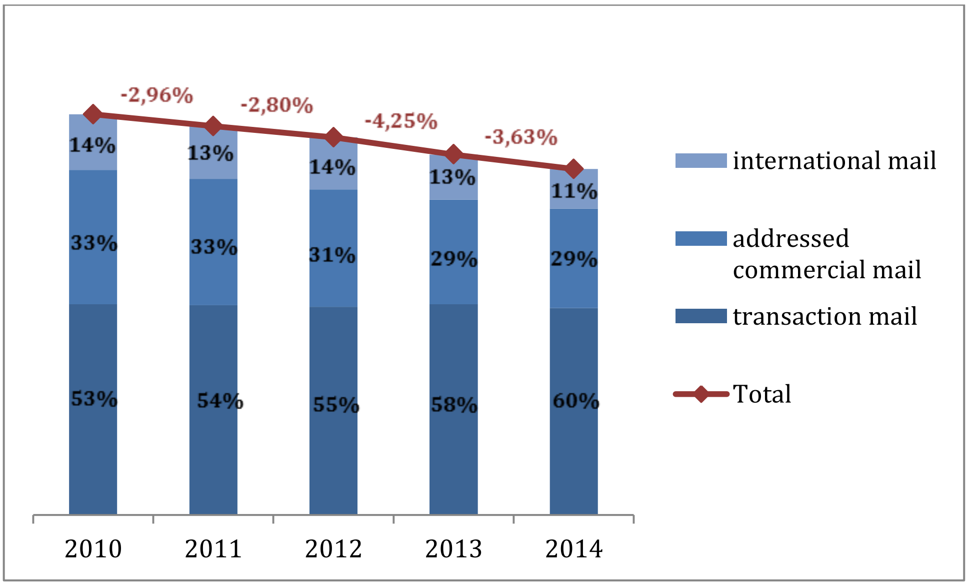
Figure 9: letter post volume per inhabitant (N)



Source: BIPT

Looking more closely at the composition of the volume of items of correspondence, we notice that transaction mail still accounts for the largest part of the latter (60% in 2014). Addressed commercial mail and international items of correspondence respectively account for 29% and 11% of the total letter post volume in 2014.

Figure 10: letter post volumes (evolution 2010-2014)



Source: BIPT

While the volumes per inhabitant have decreased by 4.47% between 2013 and 2014, total volumes have experienced a 3.63% global decline over the same period, thus continuing the decrease observed since 2010. However, in 2014, the erosion of volumes slightly slowed down compared to that recorded in 2013 (-4.25%).

4.2.2 Transaction mail

The notion of transaction mail used within the context of this observatory designates items of correspondence that are sent in the form of letters and contain a personal communication. These items of correspondence may be administrative (e.g. invoices, pay slips, etc.) as well as more "social" in nature (e.g., greetings cards, postcards, private correspondence, etc.).

The recorded (registered and insured) items are also considered as part of the transaction mail, which is not the case for direct mail (addressed commercial mail).

International items of correspondence are not included in this subsection either since these are treated in a separate point (see 4.2.4).

Transactional mail may be sent as single-piece (through red letterboxes, post offices or post shops), in which case we will talk about single-piece mail, or may be part of a massification of volumes when deposited with the postal operator for expedition, in which case we will talk about bulk mail.

4.2.2.1 Revenue

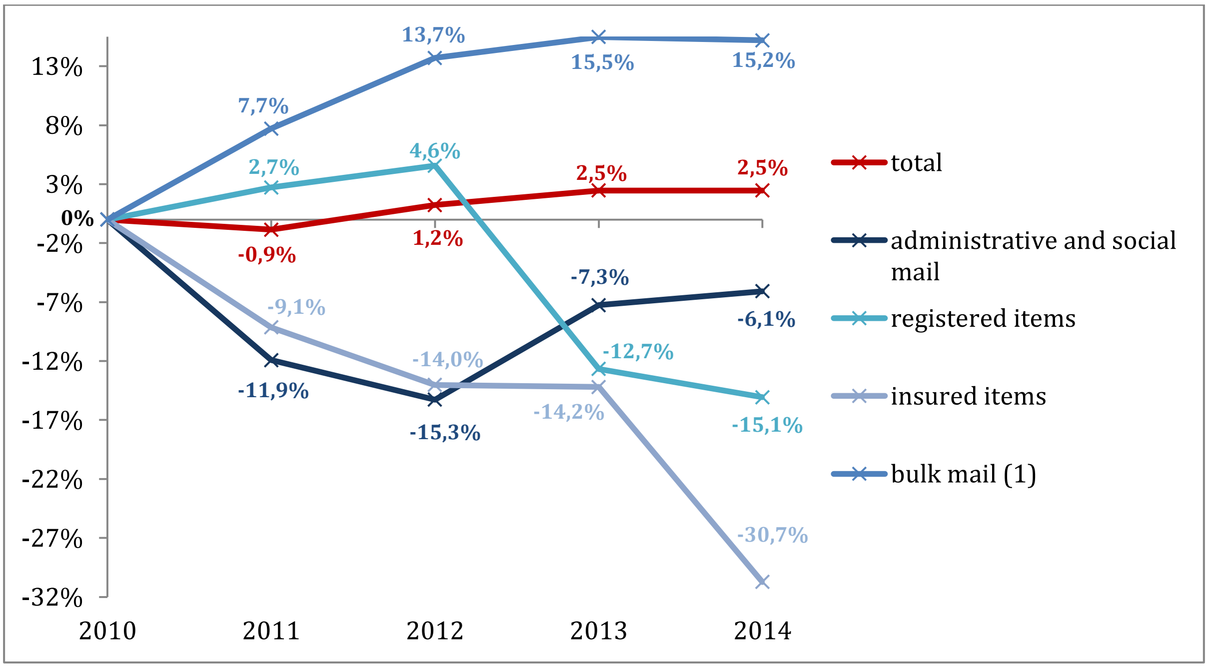
As illustrated in Figure 11 below, the total revenue from transaction mail increased by 2.5% between 2010 and 2014. . Revenues remained stable between 2013 and 2014.

Among the different products making up the transaction mail, revenue linked to insured items have experienced the sharpest decline over the 2010-2014 period, with -30.7% in value.

Whereas single-piece mail revenue[5] generally decreased, bulk mail revenue[6] recorded a 15.2% growth over the same period. Yet, it should be noted that for the first time since 2010, the latter experienced a slight decrease in 2014 (-0.3% compared to 2013).

[5] See Figure 11 for the trends regarding administrative and social mail, registered items and insured items that only concern single-piece mail.
[6] Bulk mail includes administrative mail as well as registered items.

Figure 11: evolution of the transaction mail revenue since 2010



Source: BIPT

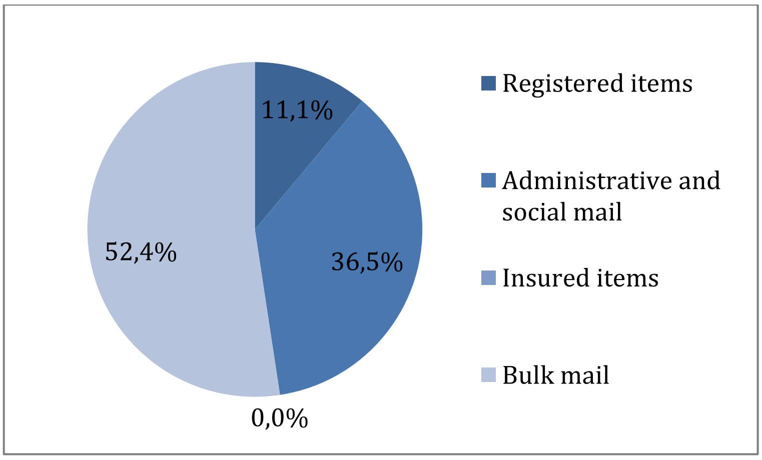
(1) bulk mail includes bulk posting of the 3 transaction mail categories, i.e. administrative and social mail, registered items and insured items.

The variables administrative and social mail, registered items and insured items included in the figure below concern single-piece mail only.

Looking more closely at the composition of the revenue linked to the handling of transaction mail, we notice that bulk mail accounted for 52% of this revenue in 2014, compared to 48% for single-piece items.

Out of this 48% of single-piece mail, administrative and social mail accounted for nearly 37% and registered mail for the other 11%. The proportion of revenue generated by insured items is quite trivial as it did not even account for 1% of the total revenue in 2014.

Figure 12: distribution of the transaction mail revenue (2014)

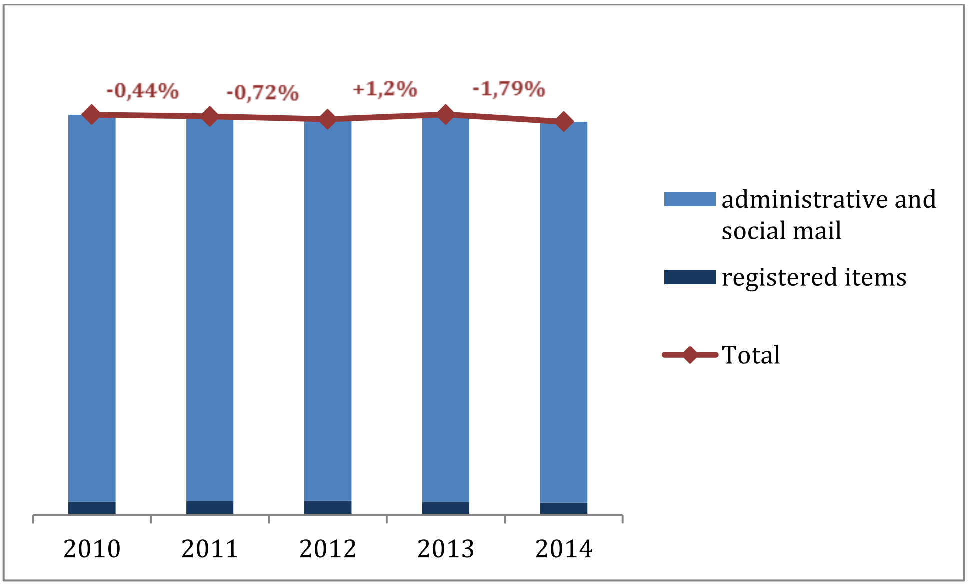


Source: BIPT

4.2.2.2 Volumes

While revenues remained stable, the volumes of transaction mail handled by postal operators have on the other hand slightly decreased. In 2014, the latter registered a 1.79% decrease compared to 2013, but had slightly increased the previous year (+1.2%).

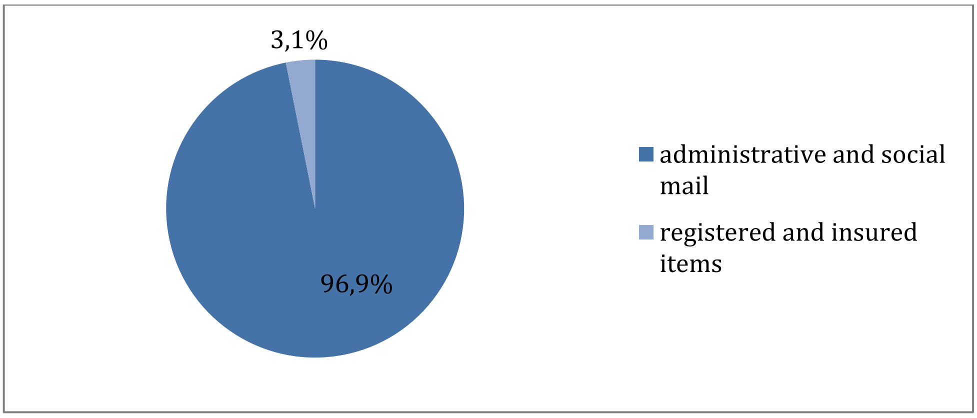
Figure 13: evolution of the transaction mail volumes (2010-2014)[7]



Source: BIPT

As regards the composition of transaction mail volume in 2014, the latter was mainly composed of administrative and social mail (96.9%), registered and insured items representing no more than 3.1% of the total volume. This volume distribution between administrative or social items and registered items remained stable over the period 2010-2014.

Figure 14: distribution of the transaction mail volumes (2014)

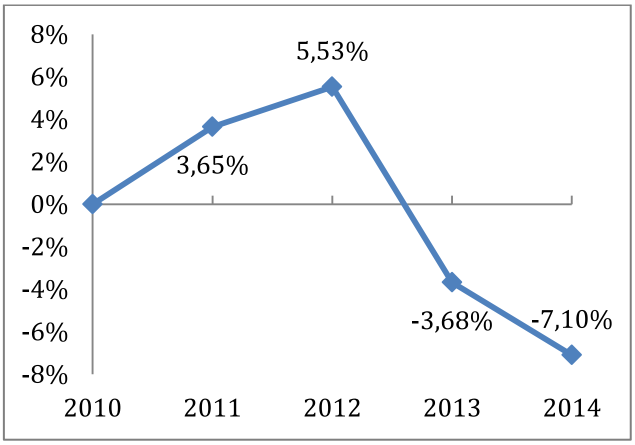


Source: BIPT

[7] Figures 13 to 16 make no distinction between single-piece mail and bulk mail, but include all the transaction mail volumes without distinction.

Whereas the volume of registered items had been growing between 2010 and 2012, it contracted sharply in 2013 (-9.21%). Even if this erosion of volumes slowed down a little in 2014, the volume of registered items dropped by 7.1% over the 2010-2014 period.

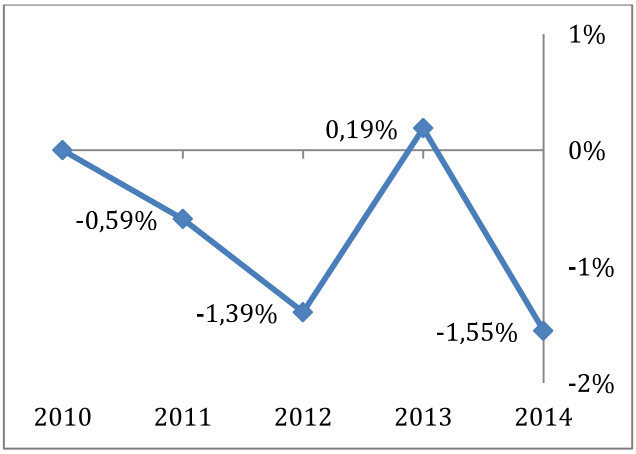
Figure 15: evolution of the volumes of registered items since 2010 (CAGR)



Source: BIPT

Administrative and social mail volumes experienced a 1.55% erosion between 2010 and 2014.

Figure 16: evolution of the volumes of administrative and social mail since 2010 (CAGR)

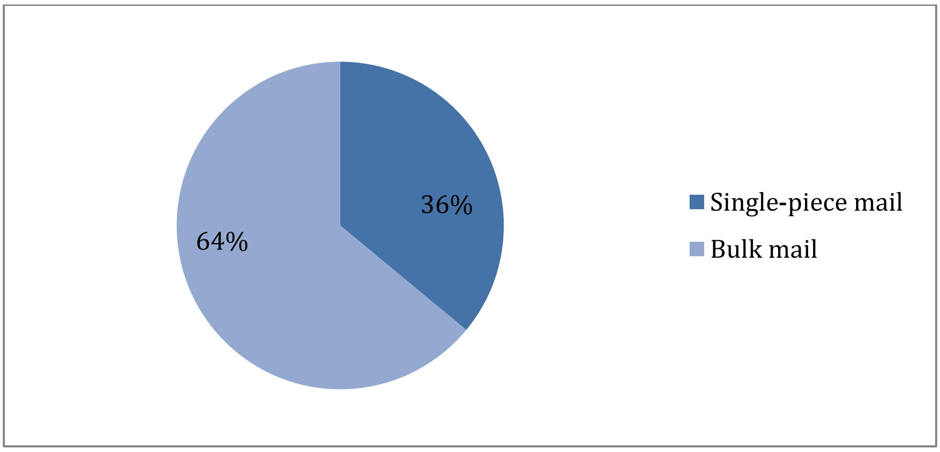


Source: BIPT

As is the case with revenues, in 2014, transaction mail volumes were mainly composed of bulk mail. While the distribution was equitable between bulk mail and single-piece mail for the revenues, it was a one-third/two-thirds distribution for the volumes.

After all, this difference is logical since in most cases bulk mail enables senders to benefit from reduced rates where single-piece mail is sent at the standard rate.

Figure 17: distribution of the transaction mail volumes between single-piece mail and bulk mail (2014)



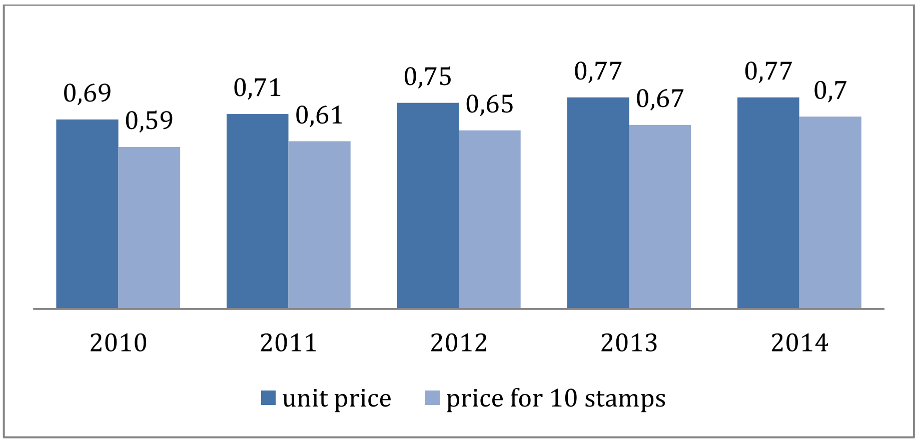
Source: BIPT

4.2.2.3 Price

The nominal rate of the domestic standard letter in Belgium remained stable between 2013 and 2014, the purchase of a stamp amounting to € 0.77. Whereas the single-piece tariff remained unchanged, the cost price for 10 units experienced a 4.48% increase over the same period, rising to € 0.70 per stamp.

If we look at the trend since 2010, we see that the price of the stamp experienced an 11.6% increase. This price increase is all the more marked when considering the price for 10 units. Indeed, in this case, the cumulative increase recorded since 2010 amounts to 18.6%.

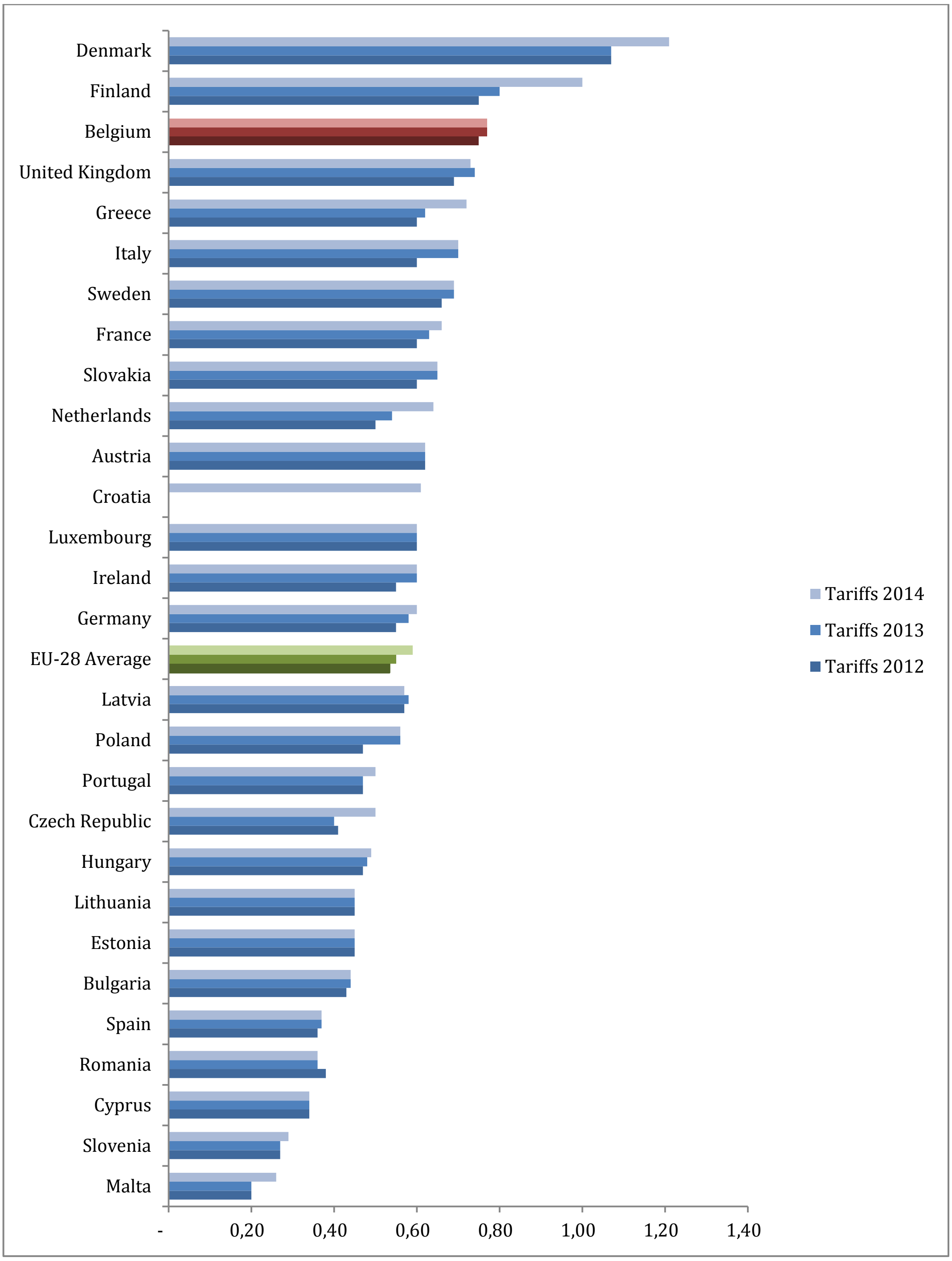
Figure 18: price of the domestic standard letter service <50g (EUR)



Source: bpost

At the level of the European Union, the nominal value of transport and distribution of the standard format letter in Belgium is amongst the highest in the 28 Member States, as indicated in Figure 19 below. In 2014, the European average postage charge for a domestic standard letter was € 0.59, the most expensive country being Denmark (€ 1.21) and the least expensive Malta (€ 0.26).

Figure 19: price of the domestic standard letter service in Europe (EUR)

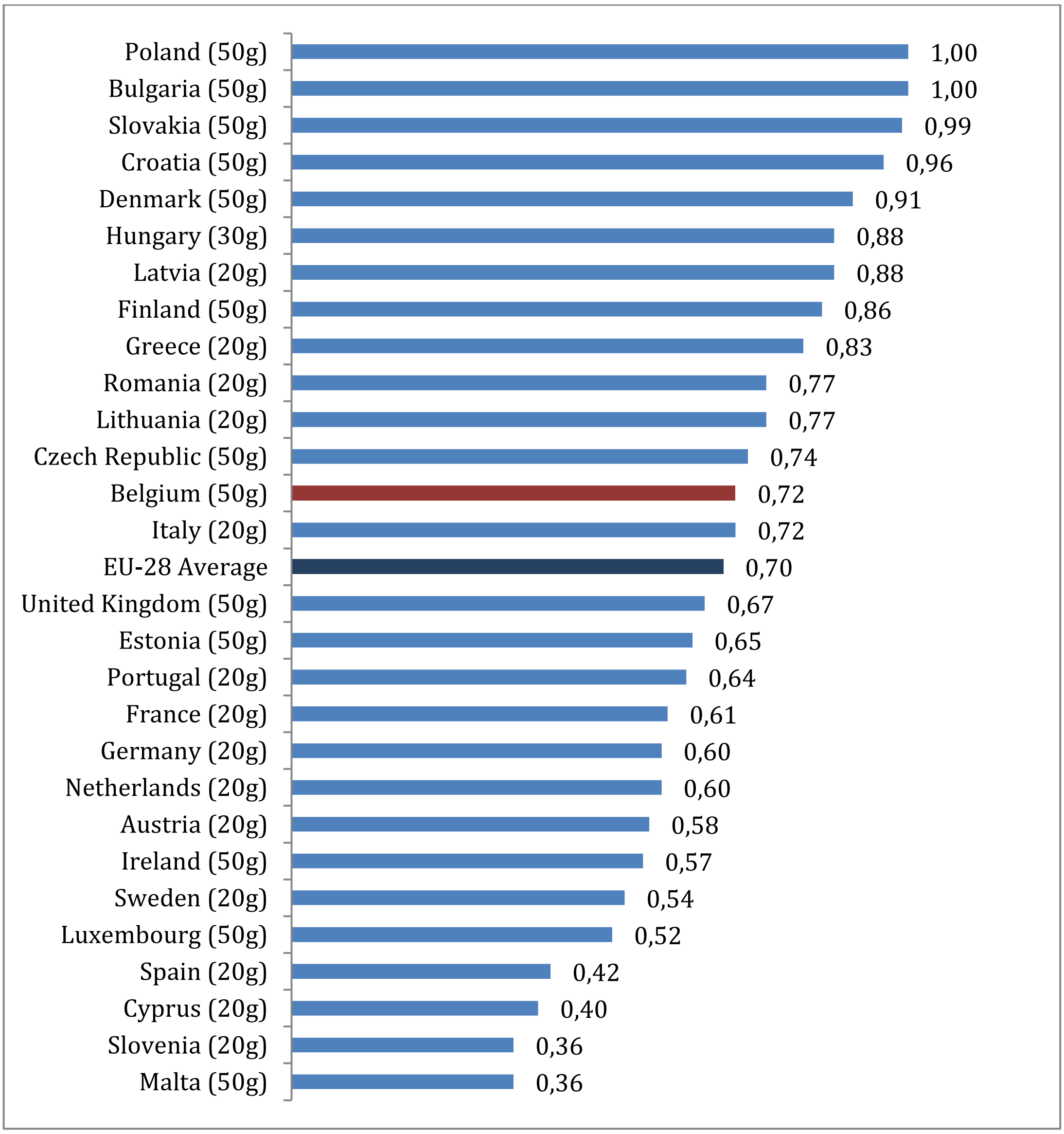


Source: Deutsche Post, Letter Price Survey (2012, 2013 and 2014)

The same price comparison concerning the transport and distribution of the standard format letter can be done by expressing the tariffs of the 28 European countries in purchasing power parity (PPP), thus making a direct comparison possible where differences in standards of living between countries are neutralised.

According to this approach, Belgium is just above the average of the European Union countries.

Figure 20: 2014 price expressed in purchasing power parity (PPP) of a domestic standard letter in Europe (EUR)



Source: Deutsche Post, Letter Price Survey (2014)

4.2.3 Addressed commercial mail

Just like transaction mail, addressed commercial mail is part of the letter post. In contrast, non-addressed commercial mail is not part of it insofar as the delivery of non-addressed items does not constitute a postal service. However, it is taken into account within the context of this observatory in order to have an overall view, printed commercial mail (addressed or non-addressed) being part of the everyday life of all citizens who regularly find it in their letterbox.

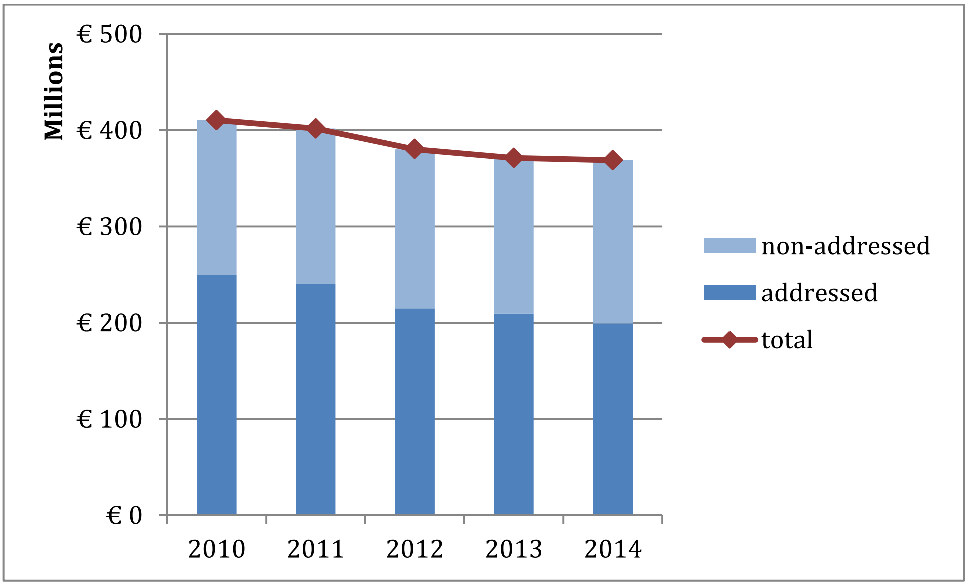
4.2.3.1 Revenue

Globally, addressed and non-addressed commercial mail revenue have been decreasing since 2010, even if we see that this market segment seems to have stabilised since 2012.

The total revenue of (addressed or non-addressed) printed commercial mail dropped from more than 410 million euro in 2010 to a little bit over 368 million euro in 2014, i.e. a decrease in revenue of about 10%.

This decrease in revenue is mainly due to addressed commercial items, which revenue decreased proportionally more than those of non-addressed items.

Figure 21: evolution of the commercial mail revenue (2010-2014) (in million EUR)



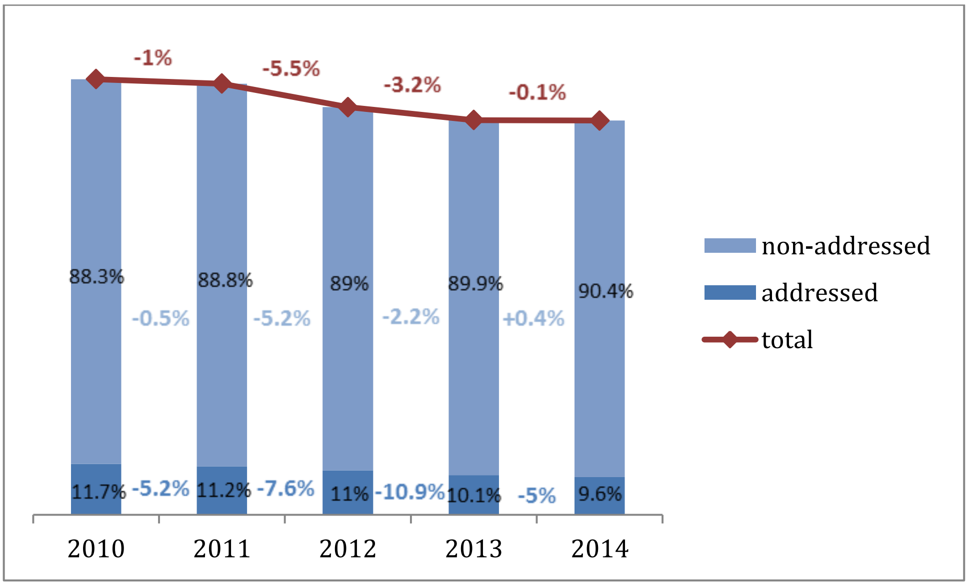
Source: BIPT

4.2.3.2 Volumes

The same trend can be observed as regards volumes, which have been experiencing a continuous erosion since 2010. Yet, it should be noted that in 2014, volumes remained relatively stable compared to 2013 (-0.1%) and this thanks to an increase in volumes of non-addressed items (+0.4%), whereas addressed commercial mail volumes showed a decrease of 5%.

Addressed commercial mail may generate more value in terms of revenue, they only represent a little less than 10% of the total in terms of volumes, most commercial mail being non-addressed.

Figure 22: evolution of the commercial mail volumes (2010-2014)



Source: BIPT

4.2.4 International mail

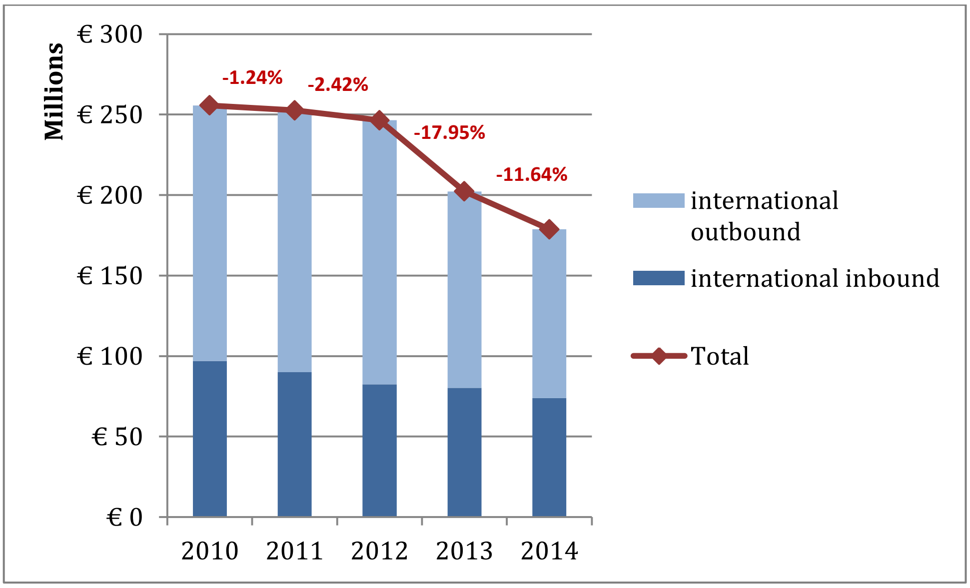
Besides transaction mail and addressed commercial mail, letter post is also composed of a third and last category of mail, i.e. international mail.

International mail refers to the mail flows weighing less than 2kg that are exchanged between Belgium and foreign countries. These flows may be incoming - the mail in question having to be delivered in Belgium - as well as outgoing - in some cases, reference is made to the mail sent from Belgium to other countries.

4.2.4.1 Revenue

The revenue coming from the letter post sent from and to foreign countries has been declining since 2010, just like the global letter post segment revenue. The erosion even became more pronounced since 2013, with a revenue contraction of about 18% between 2012 and 2013.

Figure 23: evolution of the international mail revenue (in million EUR)

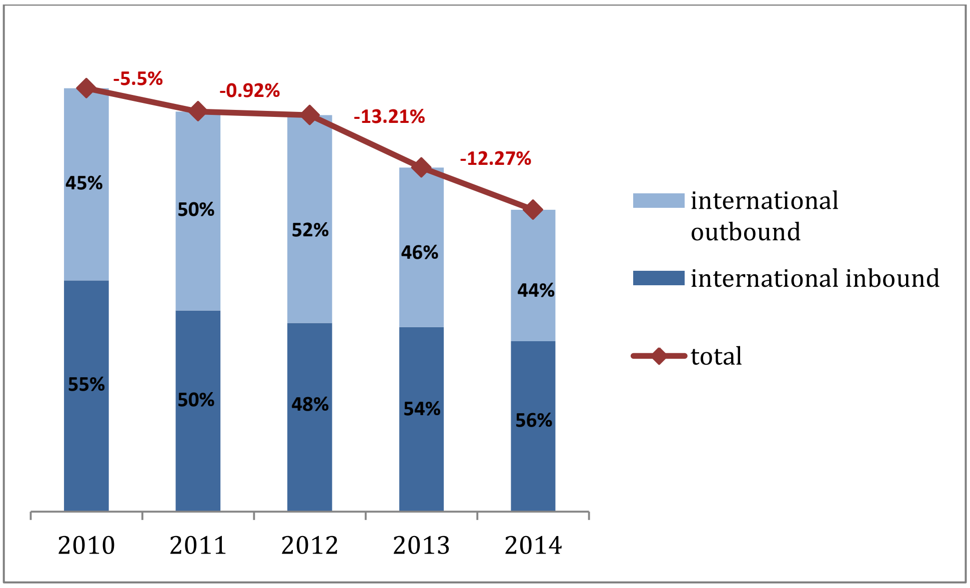


Source: BIPT

4.2.4.2 Volumes

One of the explanations of the sharp decrease in the revenue linked to international mail observed in these recent years is certainly to be found in the decrease of incoming and outgoing volumes. As in the case of revenue, the contraction of volumes has become more marked since 2013, with a decrease rising from nearly 1% between 2011 and 2012 to more than 13% between 2012 and 2013. This strong decrease in volumes persisted in 2014.

Figure 24: evolution of the international mail volumes



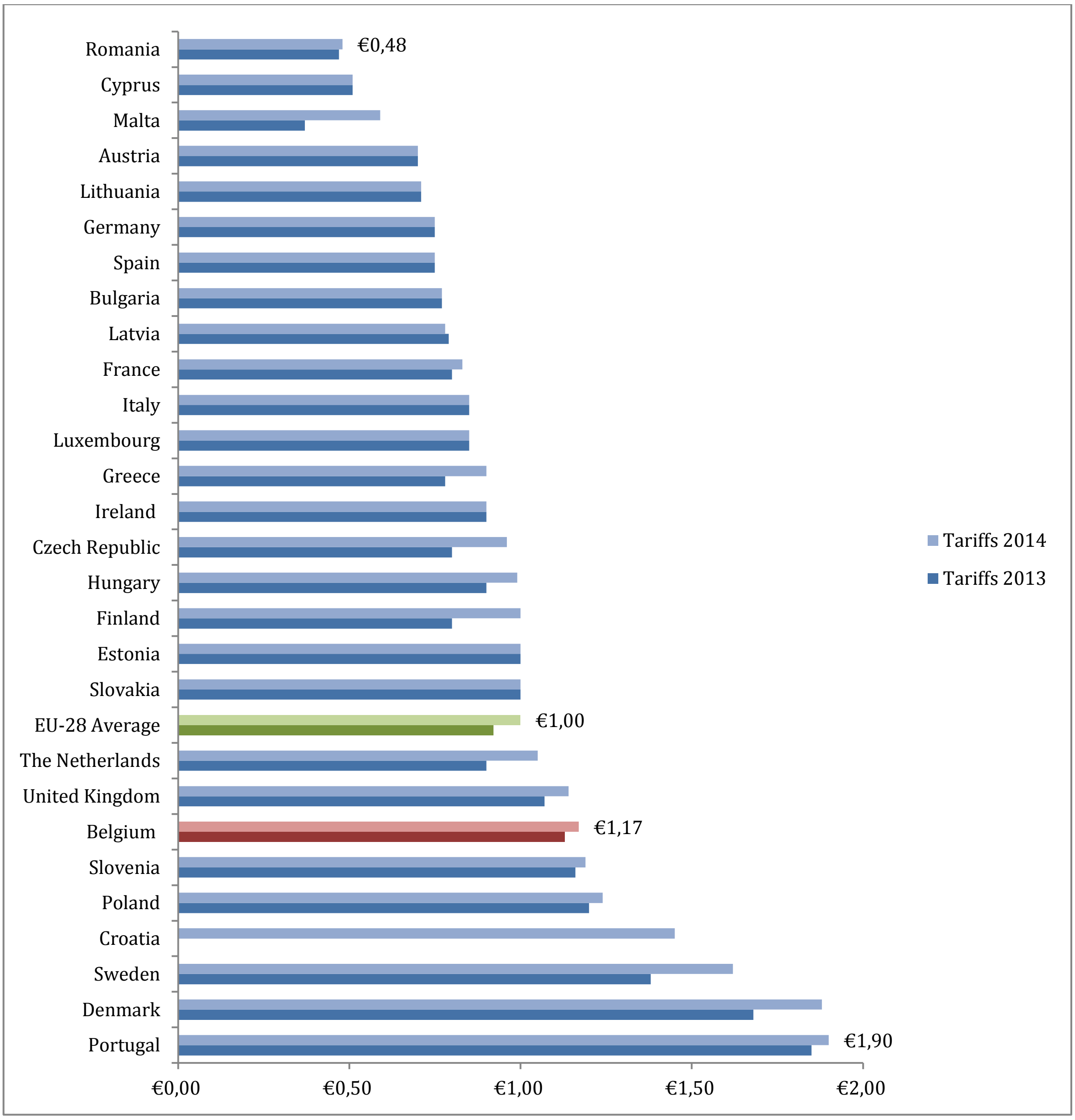
Source: BIPT

In 2014, the distribution between volumes of incoming and outgoing international mail is comparable to the distribution observed in 2010, with about 55% of the total being composed of inflows and 45% of outflows. However, it should be noted that in 2012, outflows accounted for the majority of international mail volumes.

4.2.4.3 Price

If we compare the nominal value of the intra-European standard letter service in the 28 Members States, we see that, with an intra-European letter service amounting to € 1.17, Belgium, Belgium was situated above the European average (€ 1) in 2014. This positions Belgium in the above-average of the EU countries, the first place of the ranking being occupied by Portugal, where sending a letter to another Member State cost € 1.90 in 2014. In comparison, a letter sent from Romania cost € 0.48.

Figure 25: price of the intra-European standard letter service in Europe (in nominal terms) (EUR)



Source: Deutsche Post, Letter Price Survey (2013 and 2014)

4.3 Focus on the parcels and express mail segment and on e-commerce

Driven by the growing importance of e-commerce, the parcels market takes up an ever-increasingly important position on the postal market. In this chapter the recent evolution within the parcel and express services segment is discussed.

4.3.1 Revenue

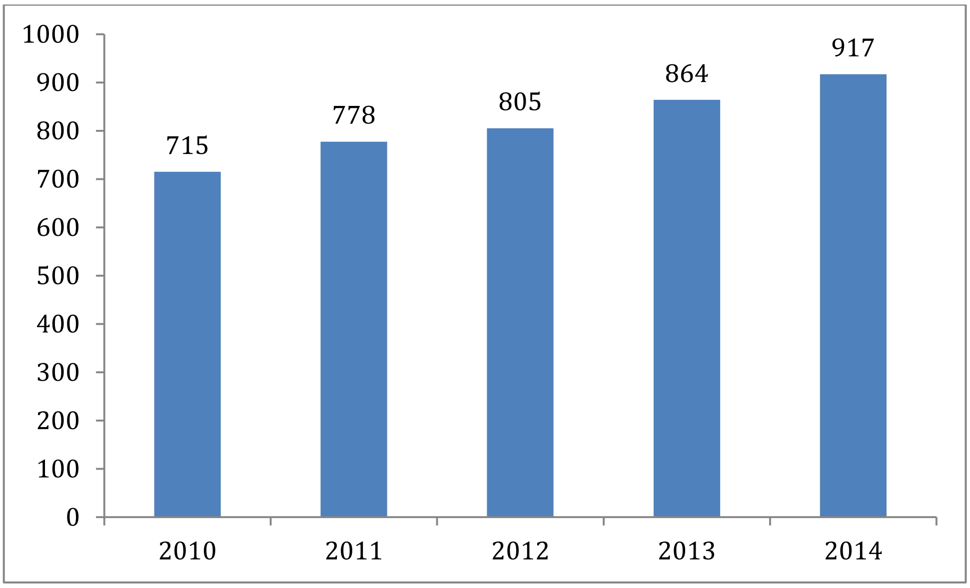
The parcel and express services segment is booming. Between 2013 and 2014 revenue increased by 6.2%. Since 2010 we can even talk of a 28.3% increase. For we have here thé growth market within the postal sector, attracting a lot of providers and ensuring strong competition.

The line between parcels and express mail is hard to define. The transport of parcels increasingly entails services bringing it closer to an express mail item (track and trace service, insurance of the contents of the item, delivery times, etc.). Moreover a lot of players provide both types of services to their customers.

In addition to bpost the alternative private operators are clearly very active in the parcels and express mail segment, as well as the universal service providers of the neighbouring countries, often present on our market through a subsidiary company.

The four main international players, DHL, Fedex, UPS and TNT together with bpost represent more than 80% of this market in terms of turnover.

Figure 26: evolution of the revenue within the parcels and express mail segment (in M EUR)



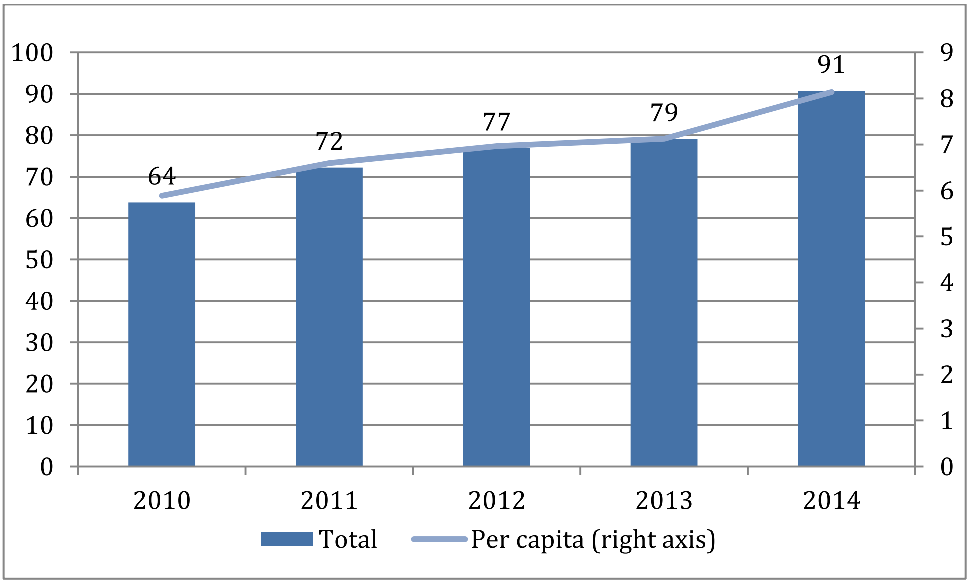
Source: BIPT

4.3.2 Volumes

The total volume of express services and sent parcels increased by 14.7% between 2013 and 2014, up until 91 million items. Compared to 2010 the volume has even increased by 42.2%.

Per inhabitant the number of parcels and express services delivered per year went up from 5.9 in 2010 to 8.1 on average in 2014. Consequently per capita on average one parcel is sent or one express service is used per 1,5 month on average.

Figure 27: evolution of the volume of parcel and express services in total (in M units) and per capita (in units) per year



Source: BIPT

4.4 Focus on the segment of press distribution to the subscribers

The distribution of the recognised press, with delivery of the items at the subscriber's home, is a service of general economic interest (SGEI). This service, which publishers can use as they please, is provided by bpost for the moment. The current SGEI, which still applies until 31 December 2015[8], exists of:

- the early delivery at home of newspapers to the subscribers through specifically arranged rounds before 7.30 a.m. from Monday to Friday and before 10 a.m. on Saturday;
- the home delivery of periodicals to the subscribers through the classical rounds, from Monday to Friday.

As the provider who is charged with the SGEI for distribution of the recognised press to the subscribers, bpost is the main operator in the segment for home delivery of press articles. Today two more other players are active in this segment: Belgische Distributiedienst and Deltamedia, a subsidiary company of bpost that exclusively delivers press from the Mediahuis Group[9].

4.4.1 Revenue

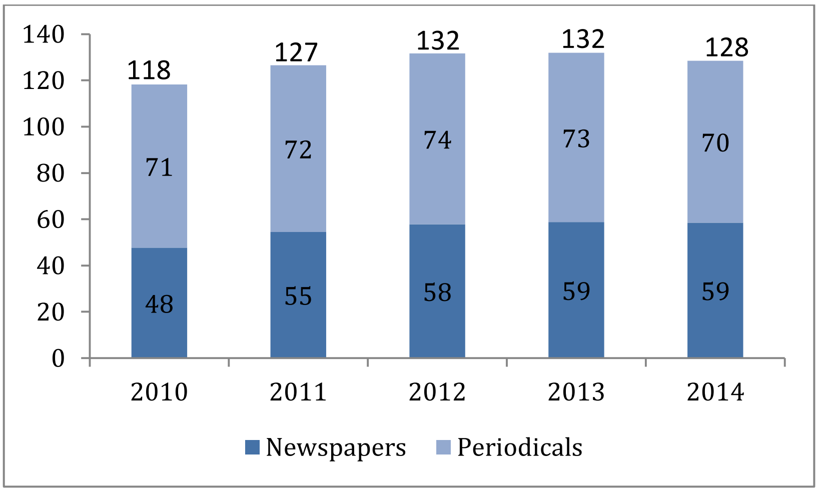
In 2012 the revenue from the press distribution to subscribers peaked, but ever since a slight setback has been observed. Between 2013 and 2014 the revenue decreased by 2.6%. This decrease is more distinct for periodicals than for newspapers, -4.5% compared to -0.3%. 54.4% of the revenue can still be attributed to the distribution of periodicals, compared to 45.6% to the distribution of newspapers.

It should be noted that the compensation paid to bpost by the government for the provision of the SGEI for the delivery of press to the subscribers is not included in the revenue considered.

[8] On 16 October 2015 the Council of Ministers, following a public, transparent and non-discriminatory procedure, decided to grant the concessions for the delivery of recognised newspapers and recognised periodicals for the period from 2016 until 2020 to bpost.

[9] Until April 2016 (according to Trends of 11 November 2015: http://trends.knack.be/economie/bedrijven/persbedelingscontract-is-motor-voor-tewerkstelling-bij-bpost/article-normal-624689.html)

Figure 28: evolution of the revenue within the segment for press distribution to subscribers (in M EUR)

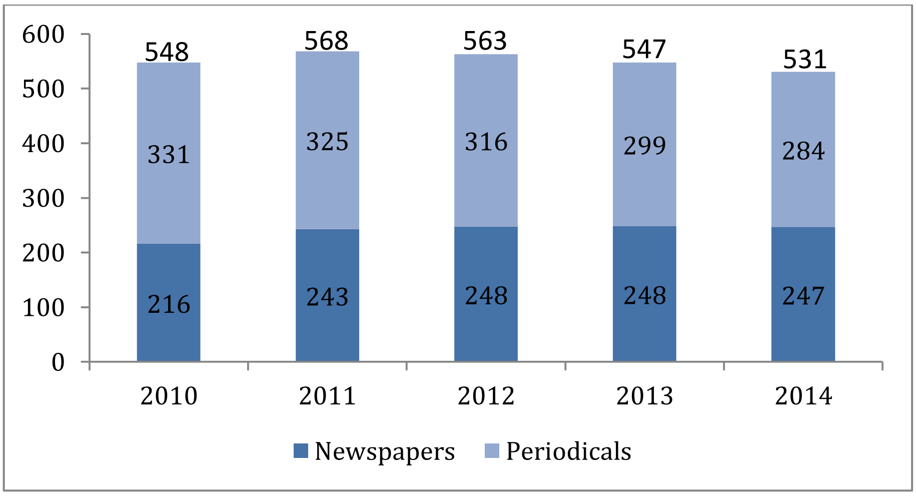


Source: BIPT

4.4.2 Volumes

Since 2012 the total volume of distributed press decreased, after having peaked at 568 million delivered copies on an annual basis in 2011. Between 2013 and 2014 the global volume decreased by 3%. As regards the periodicals the decrease has been going on for longer and the recent drops are far higher as well, namely -5.2% between 2013 and 2014. The volume of newspapers delivered stagnated between 2012 and 2013 and showed a very slight setback recently (-0.6% in 2014). 53.5% of the press delivered includes periodicals, the rest consists of newspapers (46.5%).

Figure 29: evolution of the volumes within the segment of the press distribution to subscribers (in M units)



Source: BIPT

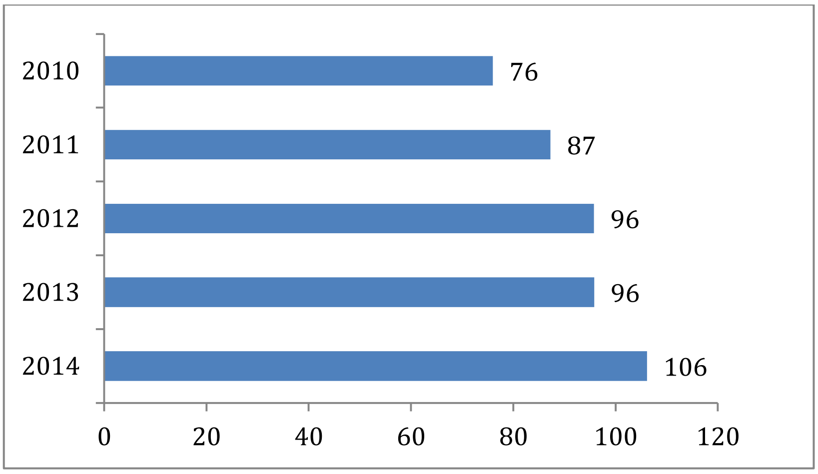
For the sake of being complete we mention that AMP is also active on the market for the distribution of press to subscribers, AMP however does not make home deliveries but delivers to the (newspapers) shop. In addition it also delivers press for single issues in the shop. The revenue and volumes of this company have not been taken into account in the surveys above.

5. Investments and employment in postal activities

5.1 Investments in the postal sector

In 2014 operators from our sample invested in total 106 million euro in the postal sector[10], an increase by 10.8% compared to 2013. Since 2010 we have been observing a strong annual increase, with the exception of a temporary freeze in 2013.

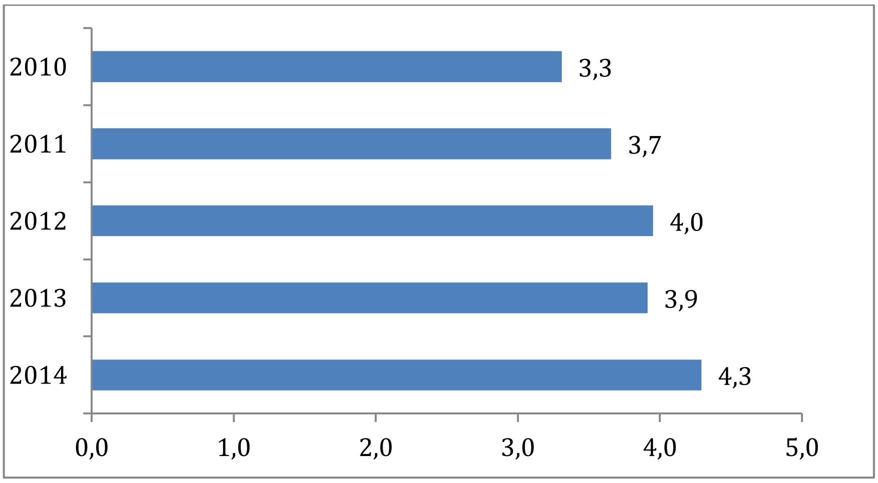
Figure 30: investments in the postal sector (in million EUR)



Source: BIPT

The investments made in the postal sector amounted to 4.3% of the turnover achieved in 2014. An ever-increasing part of the turnover achieved is reinvested in the sector.

Figure 31: investments compared to turnover in the postal sector (%)



Source: BIPT

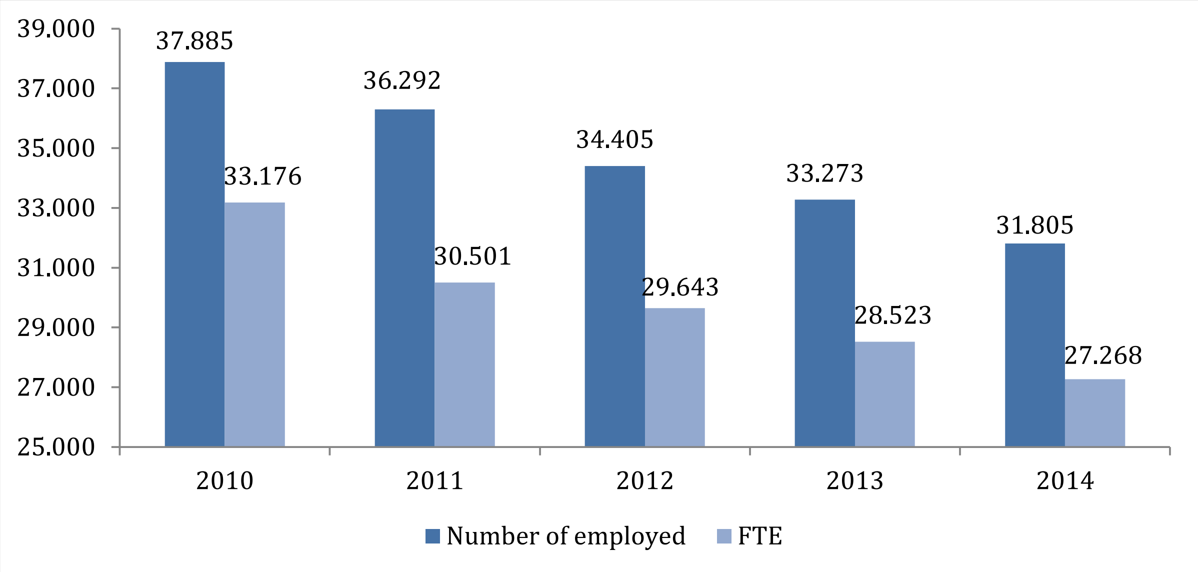
[10] The method used in figure 30 differs from the method used in the previous editions of the observatory and although the results show the same increasing evolution, they are not entirely comparable.

5.2 Employment in the postal sector

In 2014 the postal sector directly employed 31,805 people.[11] Nevertheless we observe another decrease in the employment between 2013 and 2014, of 4.4%. Since 2010 more than one out of ten employees disappeared from the postal sector. In terms of full-time equivalents (FTE)[12] we observe an even stronger decrease since 2010, which results in a total of 27,268 full-time equivalents in 2014.

The total number of workers at the alternative operators represents 13.6% of the total employment in the postal sector.

Figure 32: employment in the postal sector (N, FTE)



Source: NSSO

The downward trend in employment in the postal sector is again clearly shown when compared to the service sector on the one hand and the total employment on the other. The postal sector is part of the service sector but the employment share of the postal sector within this primary sector is ever decreasing. Compared to the total employment we notice that less than 1% of all employees today work in the postal sector.

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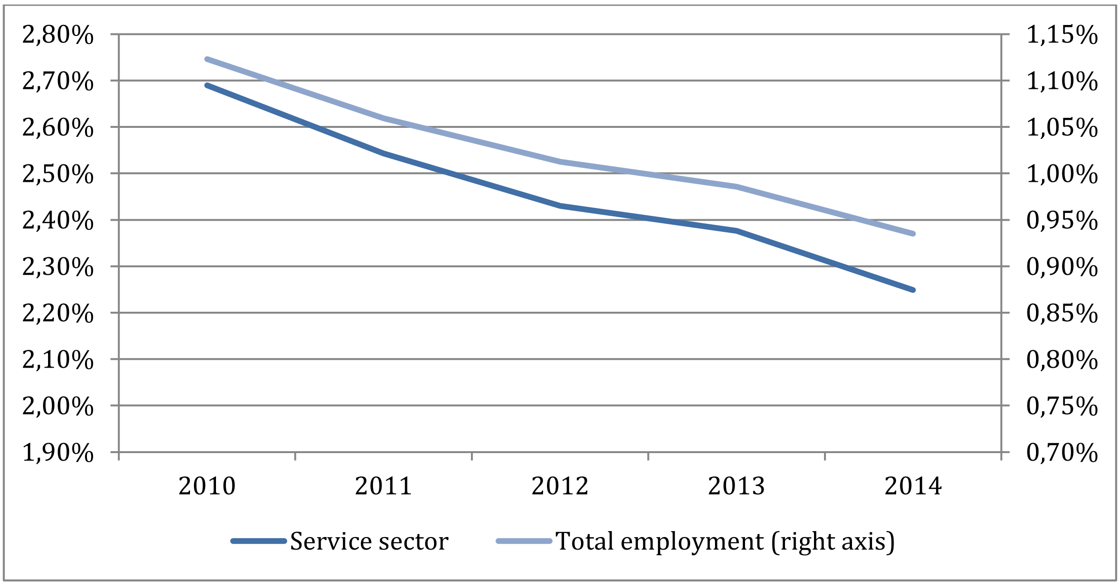
[11] We always look at the situation on 30 June, namely the end of the second quarter, of the year in question, because employment at that time is typically least susceptible to seasonal variations.

[12] To represent the actual labour performed as well as possible, full-time equivalents are used here, excluding assimilated days. Assimilated days are periods such as involuntary unemployment, disability, pregnancy leave and early retirement, during which no work was performed but that are nonetheless taken into account in the calculation of the pension build-up.

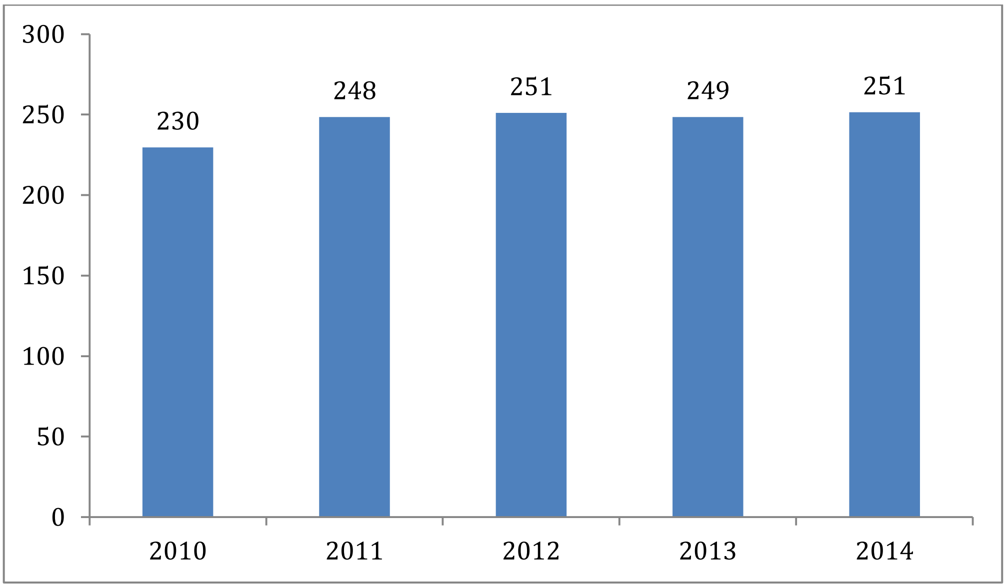
Figure 33: share of the postal sector in the employment of the service sector and the total employment (%)



Source: NSSO and CBSS

While employment in the postal sector decreases, the number of postal items per full-time equivalent in the postal sector these last years remains stable. In 2014 on average 251 items, going from letters to parcels, express mail, newspapers or periodicals, are processed per postal employee per day, expressed in terms of full-time equivalents (FTE).

Figure 34: number of postal items per day per FTE in the postal sector (N)



Source: NSSO and BIPT

6. Quality of service

6.1 Accessibility of the postal services

6.1.1 Access points to postal services

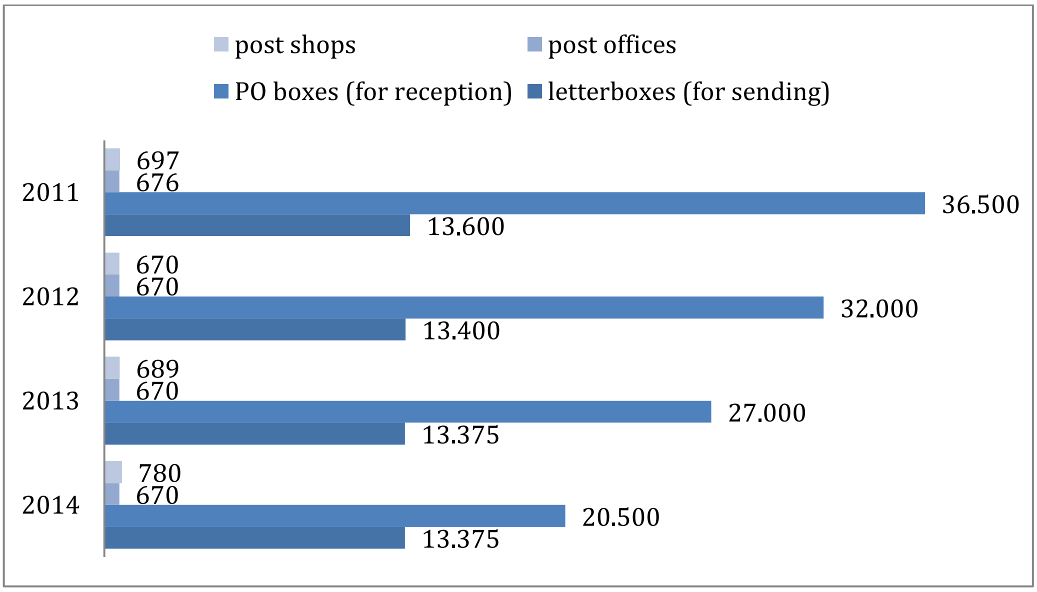
When talking about access points to postal services, we refer to the physical facilities made available to the public either on the public highway or at the premises of a postal service provider, and through which the senders can entrust their postal items to the network of the postal operator.

The letterboxes made available to users by postal operators are an example of access points.

The post offices and post shops also constitute access points to postal services. In this case, we will specifically talk about postal service points, the main difference between post offices and post shops being that the former are run by postal operators for their own account whereas the latter are run by third parties for the account of a postal operator.

Besides the letterboxes and postal service points intended for the introduction of postal items in a postal operator's network, the scope of this observatory also includes the postal office boxes (PO boxes) which are located either in the postal service provider's facilities or in public places and are made available to users who want to use them – subject to the payment of rent – for the reception of their mail.

Figure 35: number of access points to postal services[13]



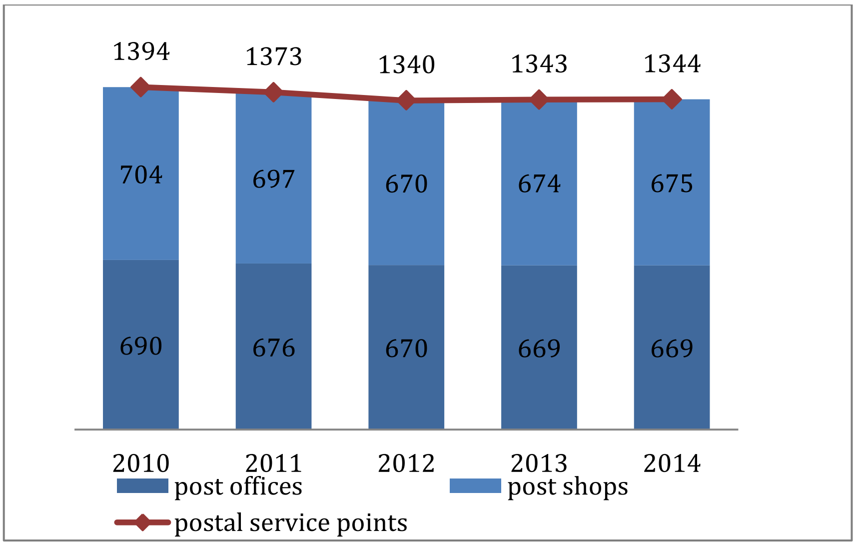
Source: BIPT

[13] This only concerns access points of the universal service provider and of the provider holding a postal licence for the delivery of items of correspondence that fall within the scope of the universal service.

6.1.2 Postal service points[14]

In 2014, the universal postal service provider (UPSP) provides postal services through 1,344 establishments (post offices or post shops[15]) that are spread over the whole Belgian territory, i.e. one service point more than in 2013. This confirms the interruption of the constant decrease in the number of postal service points observed until 2012.

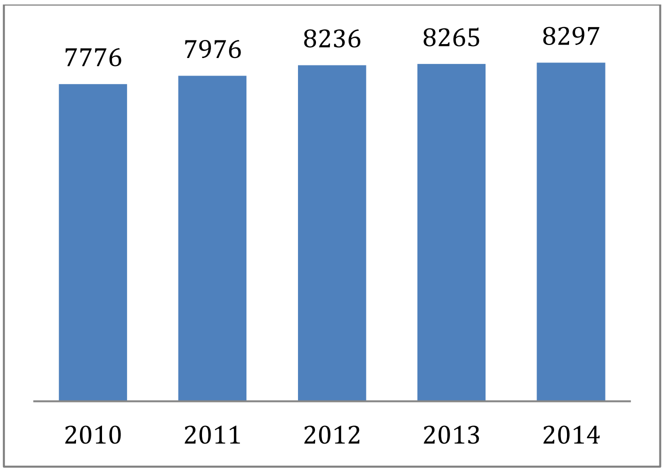
Figure 36: number of postal service points (UPSP only)



Source: BIPT

In 2014, a single postal establishment serves on average 8,297 people, i.e. a 0.39% increase compared to the preceding year.

Figure 37: average population served per postal establishment (UPSP only)



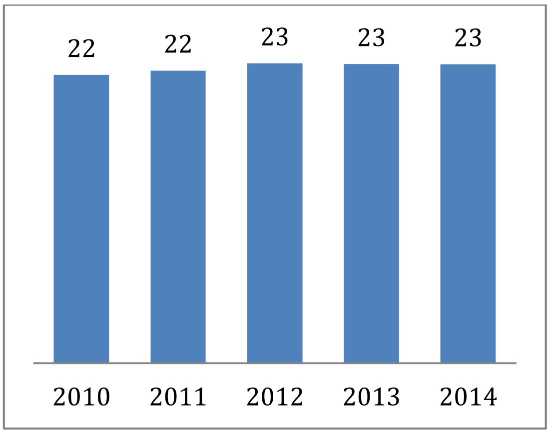
Source: BIPT

[14] This subsection only considers the access points of the universal service provider insofar as the latter is subject to a territorial coverage obligation, intended in particular to ensure the social and territorial cohesion and defined by a certain number of postal service points to be maintained on the whole national territory.

[15] bpost uses the term "Points Poste" to designate its post shops.

The number of square kilometres served by a postal establishment is stable between 2014 and 2013, which is 23 km^2.

Figure 38: surface served per postal establishment (km^2) (UPSP only)



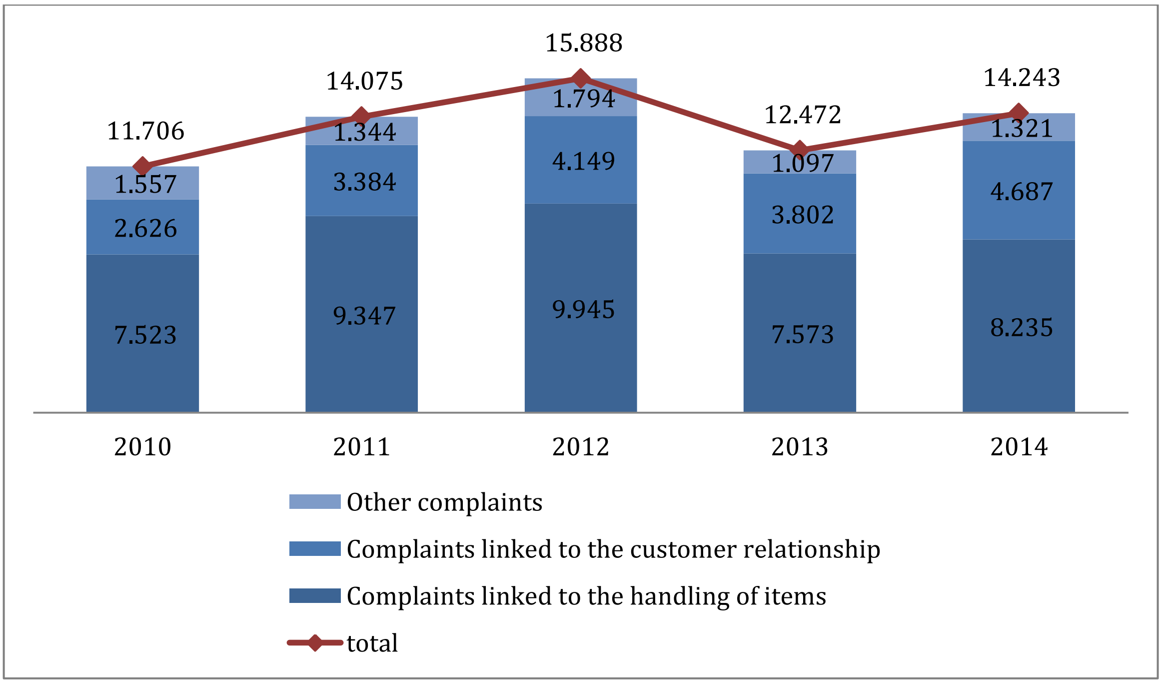
Source: BIPT

6.2 Satisfaction of users of postal services

In 2014, no less than 14,243 complaints were lodged with the postal sector ombudsman. After having experienced a sharp decrease in 2013 (nearly 20% less compared to 2012), this volume of complaints increases again in 2014 (+14.2%).

The majority of the complaints lodged correspond to complaints regarding the handling of items (letters, packages, parcels) and the customer relationship.

Figure 39: number of complaints lodged with the ombudsman



Source: Office of the Ombudsman for the Postal Sector

The complaints regarding the handling of items, which represent the main category of complaints, mainly concern delivery errors and the general decline in service (distance to be covered to reach a post office where the item is waiting, variable delivery time, etc.). These complaints mainly concern bpost because of its relatively significant presence in the 5 postal activity segments taken into account in this observatory.

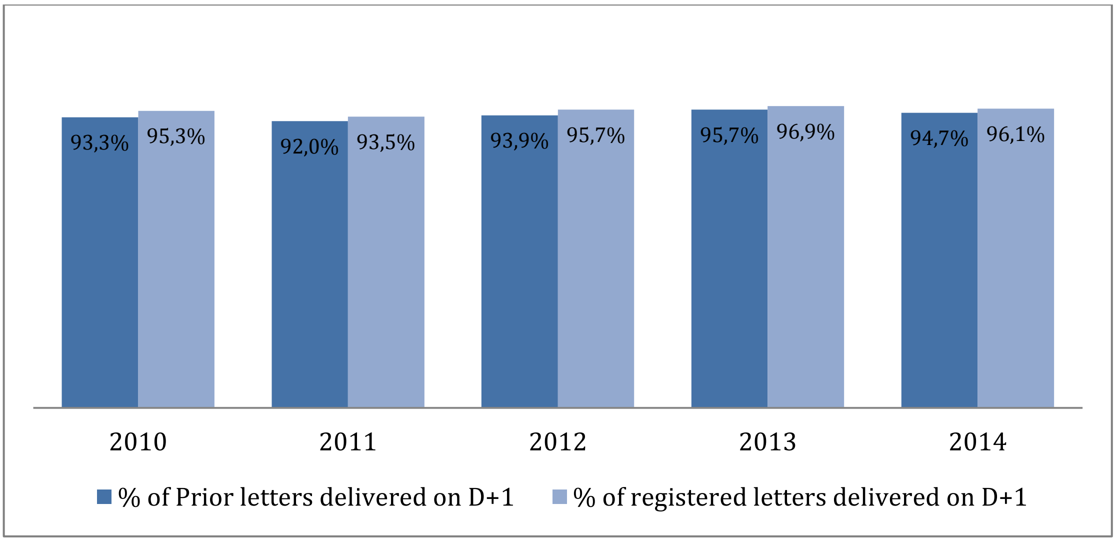
The complaints regarding the customer relationship concern all the companies present on the postal market. They are often due to the provision of wrong information, unreachability, too long waiting times at call centres, etc.

6.3 Mail delivery times

The compliance with the delivery times laid down by the management contract concluded between bpost and the State is subject to an annual monitoring by the regulator, carried out through a specific study on the quality of service[16]. This study (BELEX study) was launched in 2002 upon the request and under the supervision of BIPT. It consists in measuring the transport and delivery times effectively ensured by bpost by sending test letters. It should be noted that bpost is the only one being monitored, as its competitors do not have regulatory objectives of quality of service.

In 2014, 94.7% of the volume of the domestic single piece mail stamped at the Prior rate was delivered on D+1, compared to 95.7% in 2013. It is thus the first decrease in the percentage of single-piece mail delivered on time recorded since 2011. As to registered items, 96.1% of the volume of registered items was delivered on D+1, which also corresponds to a slight decrease in the percentage of items delivered on time compared to 2013 (96.9%).

Figure 40: percentage of Prior letters and of registered letters delivered on D+1 (UPSP only)



Source: BIPT

[16] http://www.bipt.be/en/operators/postal/universal-and-non-universal-postal-services/decision-of-the-bipt-council-of-15-december-2014-on-monitoring-mail-delivery-times-for-the-year-2013-for-domestic-priority-single-piece-mail-domestic-non-priority-single-piece-mail-domestic-single-piece-registered-items-domestic-single-piece-parcels-and-i

Charles Cuvelliez
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Member of the Council

Luc Vanfleteren
Member of the Council

Jack Hamande
Chairman of the Council