BELGIAN INSTITUTE FOR POSTAL SERVICES
AND TELECOMMUNICATIONS

BIPT COUNCIL COMMUNICATION
OF 23 NOVEMBER 2018
REGARDING
THE BELGIAN POSTAL ACTIVITIES MARKET OBSERVATORY FOR 2017

TABLE OF CONTENTS

Content

List of figures

1. Summary

Since the start of 2012 the Belgian Institute for Postal Services and Telecommunications (BIPT) maintains an observatory of the postal activities market in Belgium. Nowadays this is done as part of the tasks BIPT has been entrusted with by the Act of 26 January 2018 on postal services. Under Article 26, b) BIPT can more specifically ask postal service providers in a motivated and proportional manner to provide all the information for clearly defined statistical purposes, for market analyses and for any measures that can contribute to transparency.

The indicators in this observatory aim to reflect the market structure for all stakeholders of the postal sector (senders, addressees, operators, various intermediaries, and so on). These indicators offer an insight into the market on the supply side, the evolution of the activities of the universal service provider and its competitors, as well as the results of the postal activity in Belgium in terms of quality of service and innovation for the users of these services.

This edition, now spanning a time sequence from 2010 to 2017, adopts the indicators published in the previous edition, but also adds some new ones. For instance, more attention is given to the parcel and express mail items and to postal service access points.

The trends that started in the previous years continued on the Belgian postal market in 2017. As the segment of press distribution is shrinking in a limited way and the decrease of letter post continues, the segment of parcels and express services continues to flourish. The growing segment of parcel and express mail items succeeds in more than countering the regression of the press and letter post segments. As a result the postal market grew by no less than 4.3% to reach a total turnover of 2.6 billion euro.

In spite of a decreasing degree of concentration the Belgian postal market remains highly concentrated in 2017. In terms of turnover for instance, the four major providers (bpost, UPS, DHL Express and DPD) still have a very high joint market share of 83.5%, against 91.4% in 2010. By itself bpost, which is active in all postal segments, keeps a substantial market share of more than 60%, a position which has been declining slightly though since 2010, when it still exceeded 70%.

Exactly half of the sector turnover originated from the parcel and express mail items. This is a historical turning point: for the first time in the history of the Belgian postal sector the most important segment in terms of revenue is not that of letter post, but that of parcel and express mail. However, letter post, including direct mail, still represented 45% of total turnover within the postal sector in 2017. The segment of press distribution to subscribers at home generated 5% of the revenue. Compared to 2010, the segment of press distribution was still holding on for the time being, but letter post decreased by 17 percentage points to the advantage of the parcel and express segment.

Between 2016 and 2017 the volume of letter post per inhabitant continued to fall by 6.6%, reaching 143 items per inhabitant on an annual basis. Transactional letter post still accounts for the great majority (59% in 2017). Direct mail, which surprisingly grew slightly in terms of turnover, and international letter post account for respectively 30% and 11% of the total volume of letter post in 2017. Revenue from letter post is also shrinking, now amounting to 1.144 billion euro against 1.194 billion euro in 2016, i.e. a 4.2% decline.

In the parcel and express mail segment the number of items more than doubled between 2010 and 2017. Since a couple of years we even observe an increase of the growth path, where the almost linear growth curve has made an upward bend. In 2017 too, a staggering 19.1% growth was recorded, reaching 205 million items. By now, per capita one parcel is sent every 20 days on average. 35% of the total number of parcel and express services in 2017 was domestic. Another 35% of the cases were outgoing international items. The remaining 30% were incoming international items. Between 2016 and 2017, revenue in this segment increased by 13.7% to reach 1.294 billion euro.

The volume of distributed press again declined in 2017, by 3.2%. This also had an impact on revenue, which went down by 2%. Nevertheless, press distribution to subscribers still accounts for a total turnover of 123 million euro in Belgium. The compensation paid by the government to bpost for delivering press to subscribers is not included in the revenue considered.

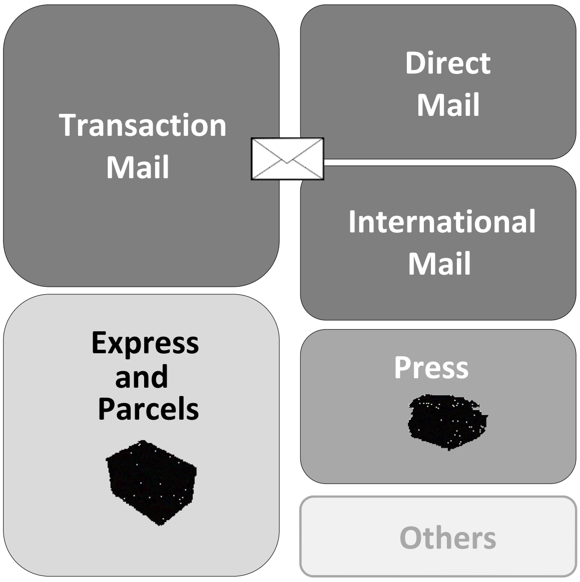
In 2017, the (expansion) investments in the postal sector rose to a record level of 132 million euro, i.e. as much as 41 million euro more than in 2016. It so happens that many operators are extending their capacity for sorting and delivering parcels. Also in terms of employment the flourishing segment of parcels and express mail takes effect: for the first time we observed an increase in employment in the postal sector (+ 1%).

2. Scope of the observatory and structure of the postal market in Belgium

2.1 Structure of the Belgian postal market

The scope of the postal activities considered within the framework of this observatory can be divided into six categories, as shown in the figure below:

Figure 1: Segmentation of the postal activities considered within the framework of the observatory[1]



The “Other” category includes services such as temporary mail retention, forwarding, franking for the customer, sale of addresses, etc., which cannot directly be classified in the other categories.

Routing activities that are not provided by postal operators, lie outside the scope of this observatory. Activities related to non-addressed advertising leaflets delivery are discussed under 4.2.3. in order to provide a global overview of the advertising volumes directly inserted into letterboxes. Yet, given that non-addressed items are not regarded as postal items, they are not counted in the revenue or volumes mentioned in the rest of this observatory.

First of all, the Belgian postal market is characterised by the presence of a very large number of players, deemed to provide postal services: for 2017, some 700 players submitted their annual accounts to the Central Balance Sheet Office of the National Bank of Belgium under NACE codes 53 100 (postal activities under universal service obligation) and 53 200 (other postal and courier activities).[2]

[1] The content of the “transactional mail” category is described under 4.2.2.
[2] It should be pointed out that a number of postal operators seem to have been mistakenly classified under NACE 49 410 (freight transport by road, except for removal services).

2.2 Operators polled for the purposes of the observatory

In this context an effort has been made to sketch the sector as accurately as possible, based on a set - as representative as possible - of operators. A total of 23 companies were involved in the survey.

Besides the historical postal operator - **bpost** - in charge of the universal service and present in all segments, the four main international integrators (**DHL, FEDEX, TNT**[3]**, UPS**) are also present and active in the parcel and express mail sector in Belgium. As to DHL both **DHL Express** and **DHL Parcel**[4], which has been active on the Belgian market since 2014 and focuses on e-commerce customers, are included in this observatory. Starting from this edition **UPS Access Point and UPS** are considered as one entity (UPS/UPS Access Point). Since the middle of 2016 UPS has fully integrated the former Kiala.

Furthermore, the bigger postal companies in the neighbouring countries are also active on the Belgian market. Thus, in certain segments of the postal market, active specialised mail companies are seen to evolve from large European postal groups.

DPD is part of DPDgroup, a subsidiary of the French group La Poste, which possesses the largest network but one for parcel delivery in Europe. DPD operates from four depots in Belgium.

GLS, a subsidiary of the British incumbent operator Royal Mail, is specialised in the delivery of parcels. GLS delivers about 436 million parcels a year in Europe to over 220,000 customers. To that end it relies on 39 hubs, 688 depots and more than 14,000 workers. In Belgium GLS has 2 hubs and over 300 pickup points.

PostNL, the incumbent operator and universal service provider in the Netherlands, also offers parcel and pharmaceutical item services in Belgium. Thanks to its collaboration with Kariboo! PostNL offers its users a large-scale network of parcel points.

PostNL is also present in Belgium through its subsidiary **Mikropakket**, which is specialised in the handling of (valuable) parcels weighing up to 15 kg with delivery within 24 hours and which provides B2B and B2C services in the Benelux.

Through its subsidiary Spring Globalmail, **G3 Worldwide**, which also belongs to PostNL, is very much present in the international mail segment for businesses: it delivers commercial item of correspondence, catalogues and bills at international level on a daily basis.

Mondial Relay, which delivers about 42 million parcels weighing from 0 to 130 kg to private individuals on an annual basis and possesses a network of 36,000 pickup points in Europe, also has a network of 700 pickup points spread over the Belgian territory.

[3] The take-over of TNT by FedEX was finished in 2016, but the integration is still going on: http://www.fedex.com/be_nederlands/enews/2017/february/tnt.html

[4] DHL Parcel has concluded a cooperation agreement with bpost for the delivery of parcels and the use of bpost post offices and postal points. See De Standaard of 1 December 2016: http://www.standaard.be/cnt/dmf20161201_02602980 and https://www.dhlparcel.be/en/private/pick-points
In addition, starting from 2018, bpost and DHL will partner up for e-commerce delivery in the Benelux: http://corporate.bpost.be/media/press-releases/2018_2/2018-05-30?sc_lang=en

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. The company, which is specialised in the rapid delivery (the day after, but before noon) six days a week, is also present in France.

Another 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.

For **Belgium Parcels Service** too, the main activity is the delivery of parcels and express mail within 24 hours in Belgium and Luxemburg, and within 48 hours in France, Germany and the Netherlands.

Several companies have been taken over by bpost:

> **Kariboo!** was established in 2014 by LS distribution Logistics[5]. This company has a distribution centre in Mechelen and, just as UPS Access Point, has a large-scale network of collection and return points at its disposal. Kariboo! focuses on e-commerce and supply chain services and cooperates with the French company Relais Colis, with PostNL and with DHL Express.
>
> **Bubble Post**[6] is specialised in efficient and sustainable delivery in cities, by means of depots on the outskirts of towns and by bundling deliveries using eco-friendly vehicles within the town centres. The company is now active in thirteen Belgian and three Dutch cities.
>
> **CityDepot** also focuses by way of ten Belgian establishments, on sustainable delivery of goods to town centres and back.
>
> **Dynalogic**[7] is a company specialised in flexible and personalised delivery of goods in all sizes. From very small, such as a passport or medicines, to 2XL, such as a washing machine or a settee. In addition, it is possible to combine delivery with assembly and installation at home, or with the return of packaging materials and old products. Dynalogic offers its services in the Netherlands, Belgium and Luxemburg from five central hubs.

As regards the press segment, bpost ensures the public service of early newspaper delivery (before 7.30 a.m. or 10 a.m. on Saturdays) until 31 December 2020 at least. This early delivery exclusively concerns the delivery of newspapers to subscribers. Within the framework of the same public service, bpost also delivers periodicals to subscribers, but through the classical rounds. Despite this service of last resort bpost has a number of challengers in the segment of press distribution.

---

[5] The Competition College of the Belgian Competition Authority has conditionally approved the take-over of AMP and LS Distribution Benelux by bpost (according to Trends of 10 November 2016: http://trends.knack.be/economie/bedrijven/bpost-krijgt-voorwaardelijk-groen-licht-voor-overname-amp-en-krantenwinkels/article-normal-775165.html).

[6] On 7 August 2017 the announcement was made that bpost would take over Bubble Post. http://www.standaard.be/cnt/dmf20170807_03008045

[7] On 12 December 2016 bpost and DynaGroup signed an agreement concerning the take-over of 100% of the DynaGroup shares by bpost.
The goal of the acquisition is to strengthen bpost's parcel division with new and complementary logistical knowhow and to accelerate the (international) development of DynaGroup's growth platform. http://www.dynalogic.eu/en/company/news/bpost-and-dynagroup-join-forces-and-combine-their-logistical-expertise

The second player, after bpost, in the segment of press distribution is **PPP**. This company, which was separated from the former parent company Belgische Distributiedienst (BD) following a management buy-out in 2015, is mainly active in newspaper delivery in Brussels, Antwerp and both Brabant provinces.

Belgische Distributiedienst (BD) is market leader in door-to-door communication (non-addressed items) and digital promo experiences with the myShopi app and website.

In the north of the country **Vlaamse Post** is also active in the delivery of non-addressed mail.

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

Compared to last year's observatory our sample of the Belgian postal market has two players less: Sprintpack and Asendia Belgium. Asendia stopped its Belgian activities on 1 July 2016 and for the delivery Sprintpack uses the services of other operators.

Only the players listed here have been included in the scope of the study for this observatory. There are a few other interesting and big players on the market, ASX-IBECO for example, offering a general solution, including city tasks, mail processing, express items and quay tasks. In such cases, however, 'sub contracting' is mostly used, which would lead to double countings.

Figure 2: The main players on the Belgian market for the provision of postal services (in 2017)

	Addressed mail	Parcels/Express	Advertising mail	Press	International mail	Other
Belgische Distributiedienst*						
Belgium Parcels Service						
Bpost						
Bubble Post						
Ciblex						
CityDepot						
DHL Express						
DHL Parcel						
DPD (Belgium) NV						
Dynalogic						
Euro Sprinters						
FedEx Belgium						
G3 Worldwide (Belgium) NV						
GLS Belgium NV						
Kariboo						
Mikropakket						
Mondial Relay						
Post NL						
PPP						
TBC-Post						
TNT België						
UPS/UPS Access Point						
Vlaamse Post*						

*In the case of Belgische Distributiedienst and Vlaamse Post, marked by shading, non-addressed advertising is involved; therefore the turnover in question is not included in the total postal turnover

3. Description of the Belgian market for the provision of postal services from 2010 to 2017

3.1 General overview of the postal market

3.1.1 Revenue

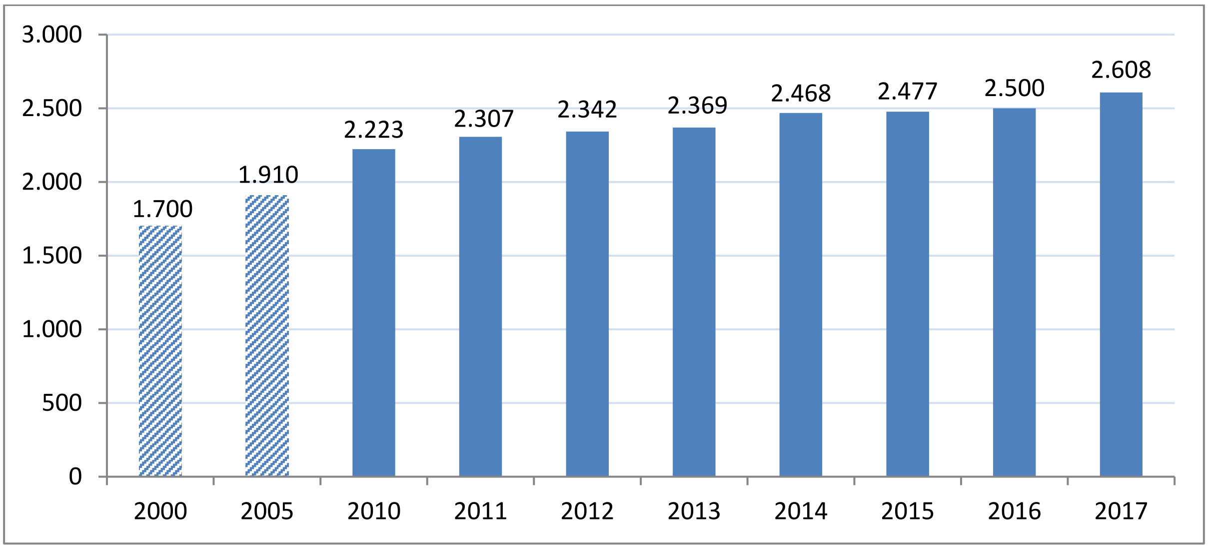
Figure 3 shows the evolution of revenue[8] generated by the Belgian postal sector. For the years 2010 up to and including 2017 this was done on the basis of the survey results. The shaded columns relating to 2000 and 2005 are estimates based on sector data from the National Bank of Belgium.[9]

The companies studied accounted for 2.6 billion euro of postal turnover in 2017. This is a 4.3% rise compared to a year before. Compared to 2000 the sector turnover has grown by half.

Since the start of our survey in 2010 we have found a rise in turnover totalling 17.3%, i.e. a 2.3% compound annual growth rate (CAGR[10]). Therefore the growth of turnover in 2017 is exceptionally high, historically speaking, and as will become clear further in this report, entirely attributable to the parcel and express services segment.

Further on in this report, the turnover figures of the various sub-segments, i.e. letter post, express items and parcels, and press distribution are discussed in more detail.

Figure 3: Evolution of revenue in the postal sector during the 2000-2017 period (in million EUR)



Source: NBB and BIPT

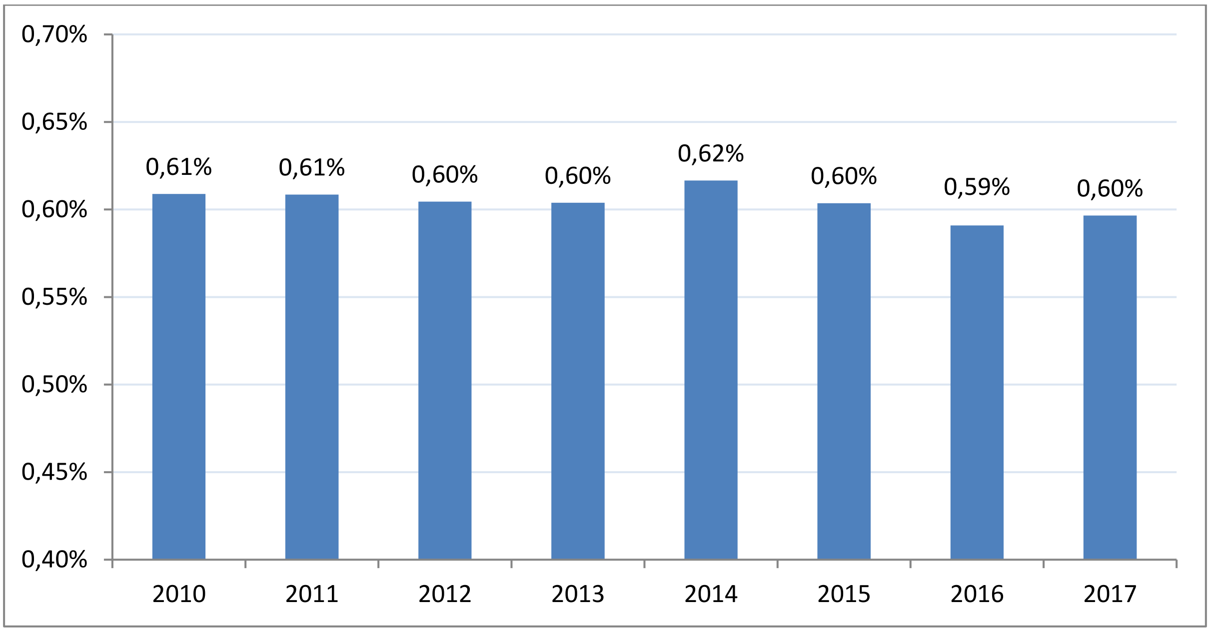
[8] Included are value added services such as collection at home, franking for the customer, temporary mail retention, sale of addresses, and so on. The services specifically provided by routers and consolidators lie outside the scope of this observatory. Therefore, also for bpost only the turnover concerning postal activities, with the exception of the compensation for services of general economic interest, is taken into account.

[9] The average ratio over the 2010-2017 period between the sector turnover regarding postal activities obtained through the BIPT survey and the sector turnover registered by the NBB, was applied to the sector turnover indicated by the NBB for the years 2000 and 2005. The purpose was to achieve comparable orders of magnitude.

[10] 'compound annual growth rate'

The importance of the postal sector in the Belgian economy remains relatively stable. The share of the postal sector turnover in the Belgian gross domestic product (GDP) at current prices has been fluctuating around 0.6% for several years now. The postal sector keeps more or less pace with the total Belgian economy.

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

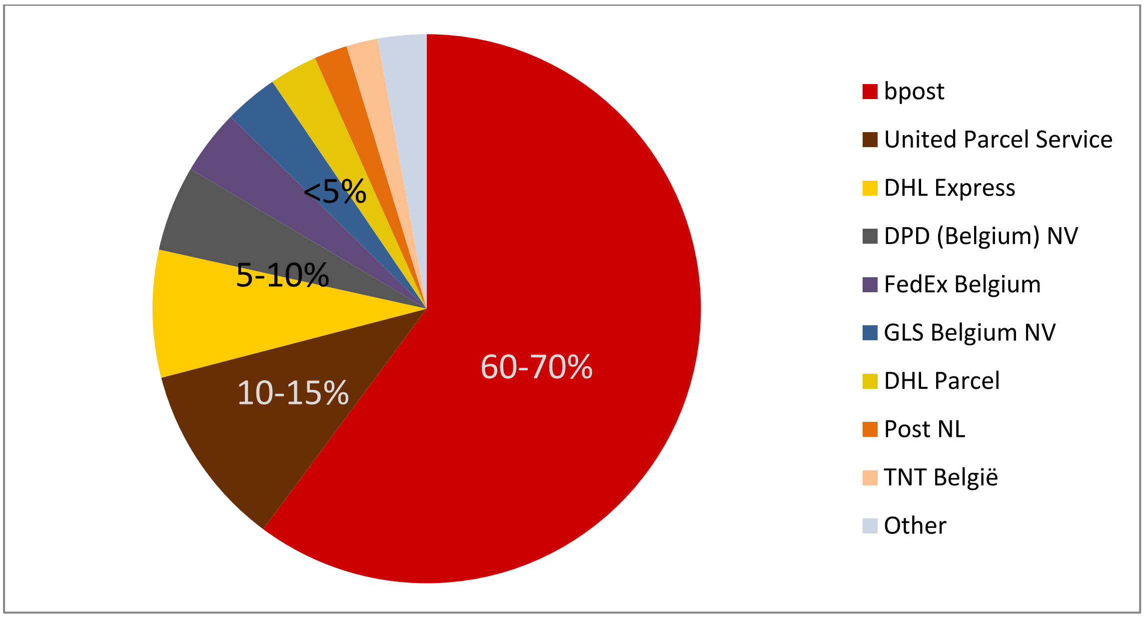


Source: NBB and BIPT

Today's postal market shows a variety of players. Figure 5 shows the postal service providers that had a market share of at least 1% in 2017. Bpost has the largest market share by far but is being challenged by others, especially on the market of postal parcels and express services, which covers the differentiated B2B, B2C and C2X sub-segments[11], though. In 2010 for example, there were but six challengers with a minimum market share of 1%, but since a number of years that number is eight. In 2017 however, an alternative operator boasting a market share over 10% of the total Belgian postal market is observed for the first time, namely UPS. DPD too went up a category, now reaching a market share between 5% and 10%, just like DHL Express.

[11] This means 'business to business', 'business to consumer' and 'consumer to any other party'.

Figure 5: Market share based on turnover in the Belgian postal sector 2017 (%)



Source: BIPT

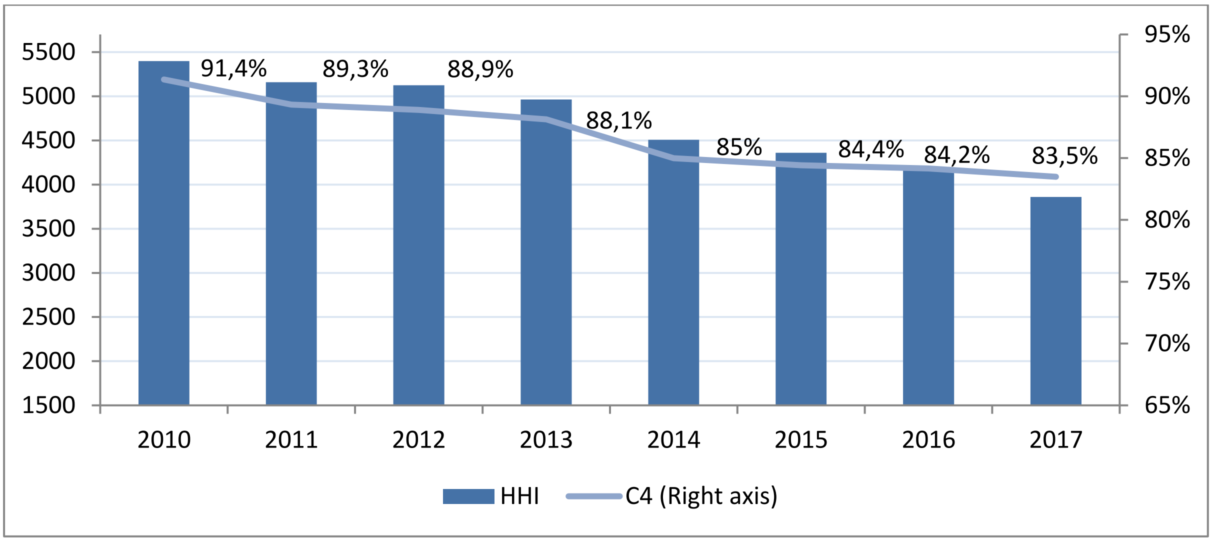
3.1.2 Market concentration

Figure 5 clearly showed already that the Belgian postal market, just like its West 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 in terms of turnover of the four biggest providers. The HH 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 HH index equals 10,000 in case of a monopoly and tends towards lower values as the variance in market shares decreases.

In spite of a decreasing degree of concentration, both in terms of HHI and C4 index, the Belgian postal market remains highly concentrated in 2017. For instance, the four main providers still hold a very high joint market share of 83.5%. In 2010, this amounted to 91.4%.

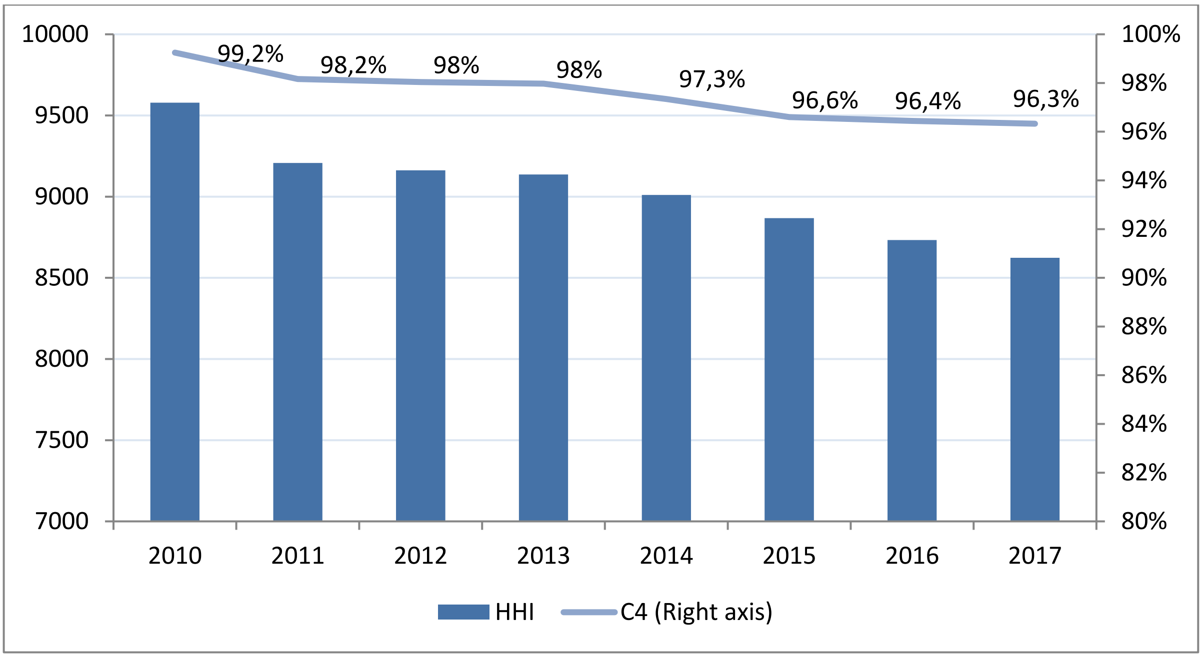
Figure 6: Degree of horizontal concentration based on turnover by means of the HHI and C4 indices



Source: BIPT

In terms of volume this situation looks even more acute. In 2010 the four main operators treated no less than 99.2% of all items. Here too the concentration diminished over time, albeit to a very limited extent, to a 96.3% share for the four largest operators in 2017. The reason is linked to bpost's very high market share in the letter post segment and (to a lesser degree) in press distribution, segments that account for the larger part of the volumes. In Belgium, in terms of volume, no other player has a market share higher than 1%[12].

Figure 7: Degree of horizontal concentration based on volume by means of the HHI and C4 indices



Source: BIPT

[12] I.e. rounded off 2% minimum

3.1.3 Importance of the segments

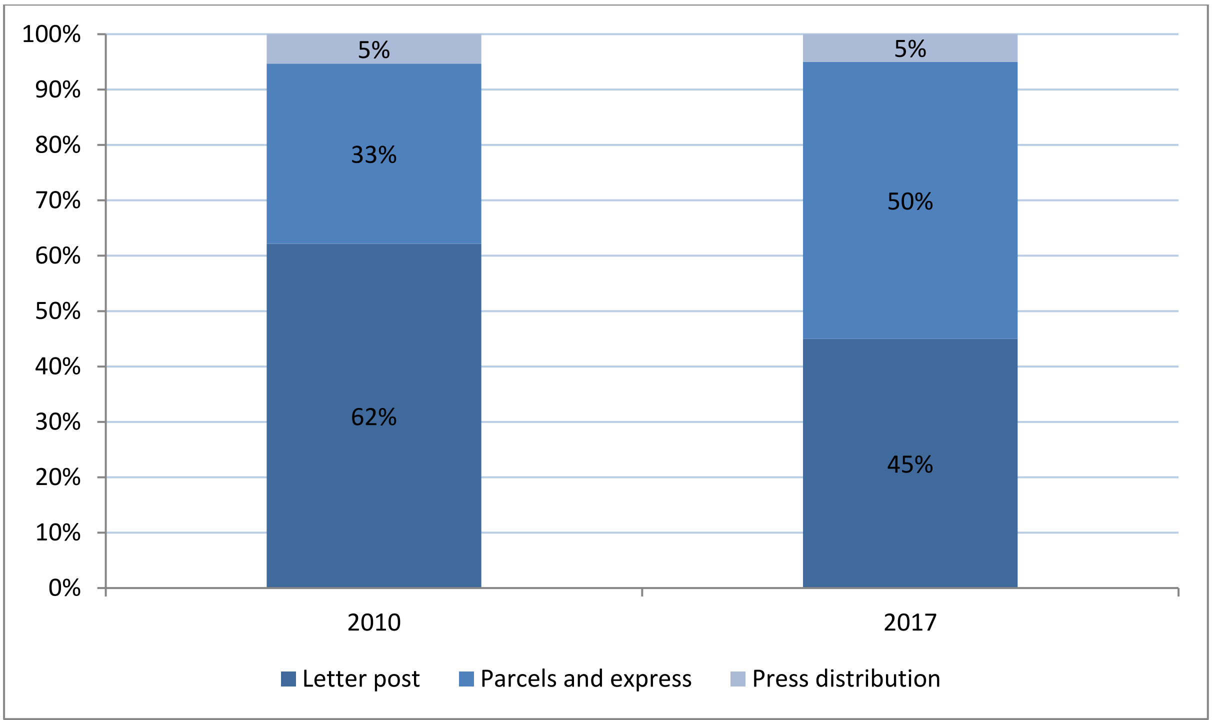
The postal sector can be divided into the segments of letter post, parcels and express mail and press distribution to subscribers.

Letter post, including direct mail, still represented 45% of total turnover within the postal sector in 2017. By contrast, the parcels and express segment meanwhile already accounted for 50% of the revenue achieved. That is why 2017 constituted a historical turning point for the Belgian postal sector. For the first time the parcel and express segment generated more revenue than the letter post segment. The third segment, that of press distribution to subscribers at home generated 5% of the revenue. The compensation paid by the government to bpost for delivering press to subscribers is not included in the revenue considered.

Compared to 2010 the segment of press distribution was still holding on for the time being, but letter post decreased by 17 percentage points to the advantage of the parcel and express segment. Nevertheless, the importance of the letter post segment, which despite recent developments still accounts for slightly less than half of all postal turnover achieved in Belgium, should not be trivialised.

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

Figure 8: Share of the various segments in the global postal sector turnover in 2010 versus 2017 (%)



Source: BIPT

3.2 Focus on the letter post segment

3.2.1 General overview

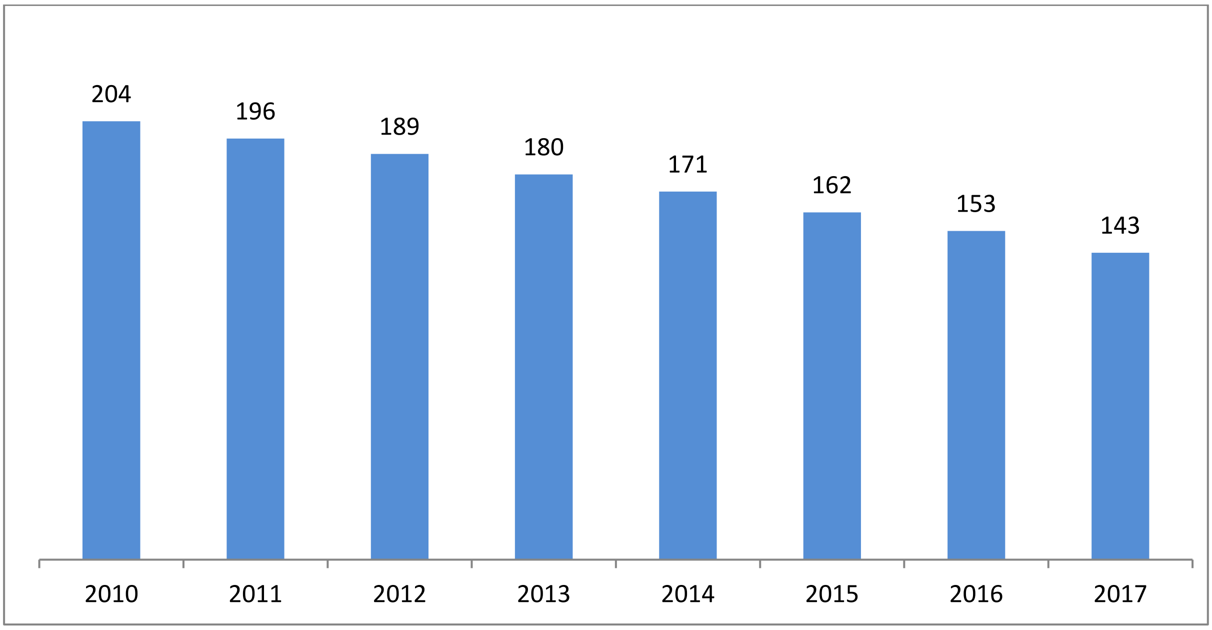
Within the context of this observatory the letter post segment covers transactional mail, direct mail and international mail. In short, letter post refers to all kinds of items of correspondence, whereas parcels and press are not considered as letter post. The latter are treated separately in sections especially dedicated to them (see 4.3 and 4.4).

3.2.1.1 Volumes

Since 2010 a fall has been observed in the letter post market. Between 2010 and 2017 the annual decline of the volume of letter post items per inhabitant averaged 5% (CAGR), reaching 143 postal items per inhabitant on an annual basis in 2017. In 2010, there were still 204 items per inhabitant.

We observe an acceleration of the erosion of volumes since 2013. In 2017 the volumes per inhabitant decreased by about 6.6%, against 5.4% in 2016. The total volumes have generally decreased by 5.9% over the same period, which is a continuation of the decrease observed since 2010.

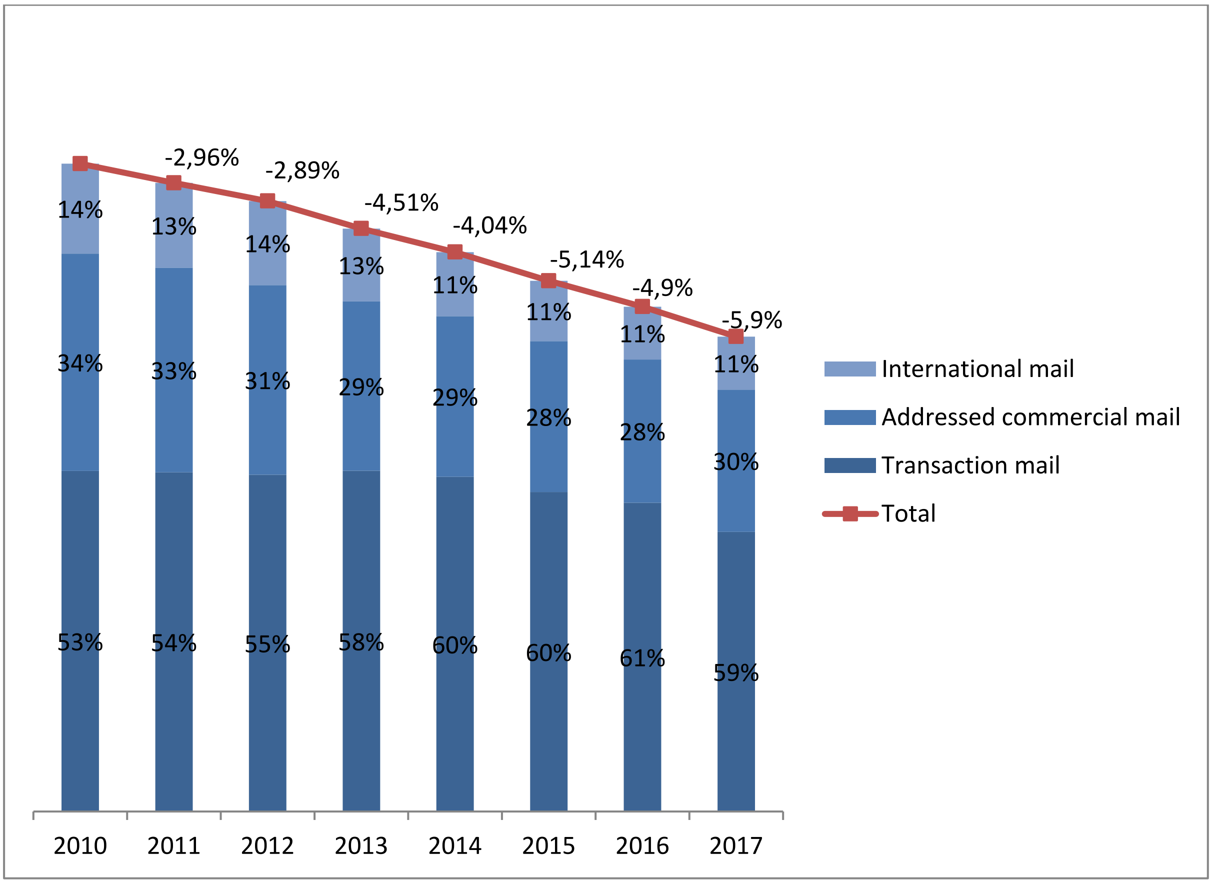
Figure 9: Mail volume per inhabitant (N)



Source: BIPT

Looking more closely at the composition of the volume of items of correspondence, we notice that transactional mail still accounts for the large majority (58.9% in 2017). Direct mail and international letter post account for 30% and 11.2% respectively of the total volume of letter post in 2017.

Figure 10: Letter post volume (evolution 2010-2017)



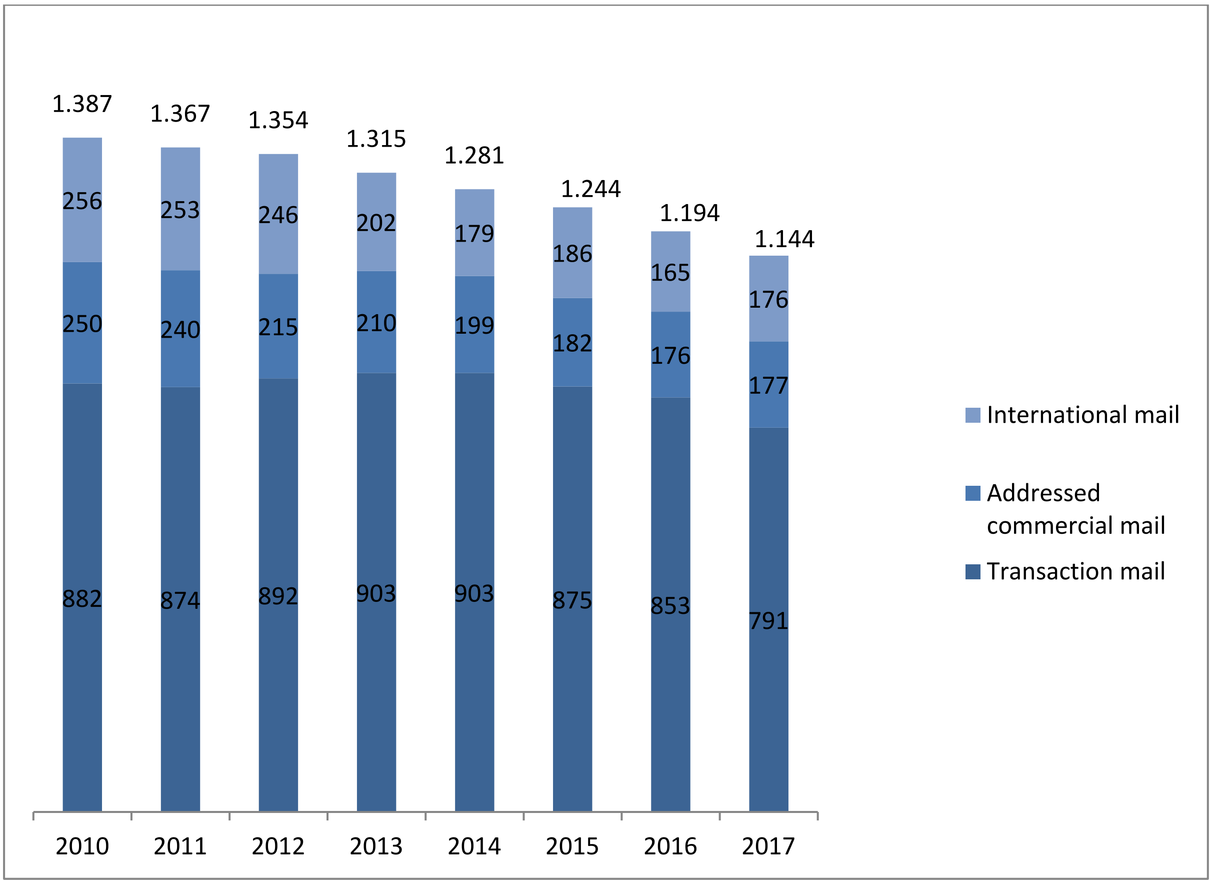
Source: BIPT

3.2.1.2 Revenue

In 2017, revenue from letter post continues to shrink, a tendency that had already started in 2010; it now amounts to only 1.144 billion euro in 2017 compared to 1.194 billion euro in 2016, i.e. a 4.2% decline.

As illustrated in Figure 11 below the large majority of the value in this segment is still generated by transactional mail, which by itself accounts for more than 69% of total revenue in that segment, though at the same time it is the only one to contribute to the decrease of revenue from letter post. The other two segments show an increase, which is the first time since 2010.

Figure 11: revenue from the letter post segment (million euro)



Source: BIPT

3.2.2 Transactional mail

The notion of transactional mail used within the context of this observatory refers to items of correspondence that are sent in the form of a letter and containing a personal communication. This letter post can be administrative (e.g. invoices, pay slips, etc.) or of a more "social" nature (e.g. greetings cards, postcards, private correspondence, etc.).

Recorded items (registered and insured items) are also considered as part of transactional mail, unlike direct mail (addressed advertising).

International letter post is not included in this sub-section either since it is treated separately (see 4.2.4).

Transactional mail can be sent per unit (through the red[13] or blue[14] letterboxes, post offices or post shops), in which case we talk about single-piece mail, or can be bundled when deposited with the postal operator for sending, in which case we talk about bulk mail.

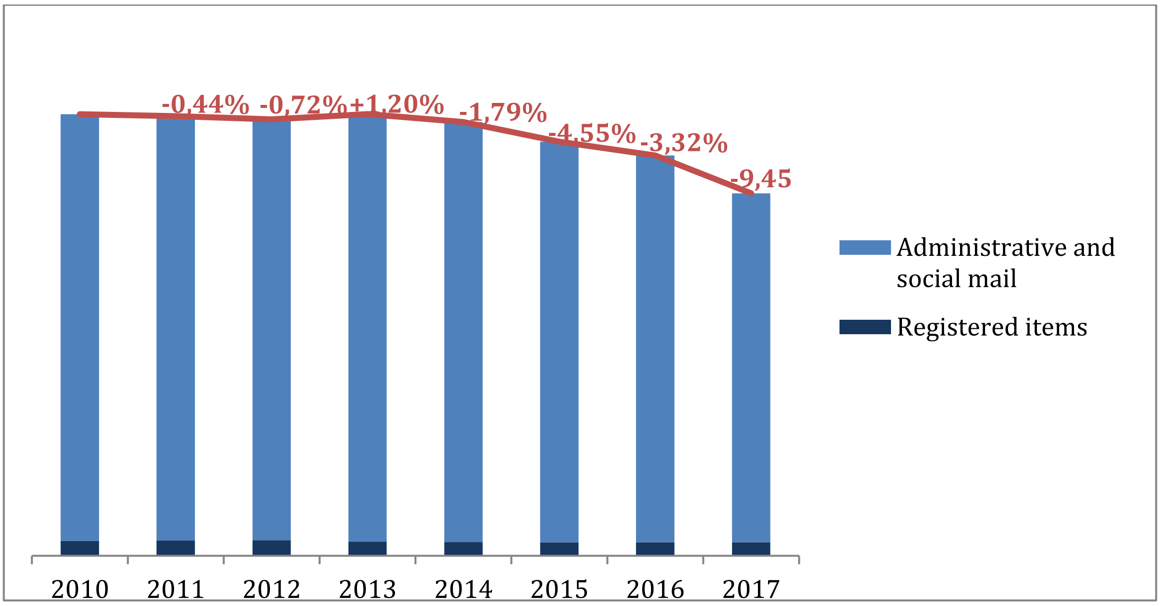
3.2.2.1 Volumes

Volumes continue to drop since 2013 and a sharp acceleration is seen in the decrease of transactional mail volumes: - 9.45% in 2017 against - 3.32% in 2016. This downward trend points

[13] Of bpost
[14] Of TBC-Post

to e-substitution which is becoming more and more general (because of mobile telecommunications and electronic alternatives to transactional mail).

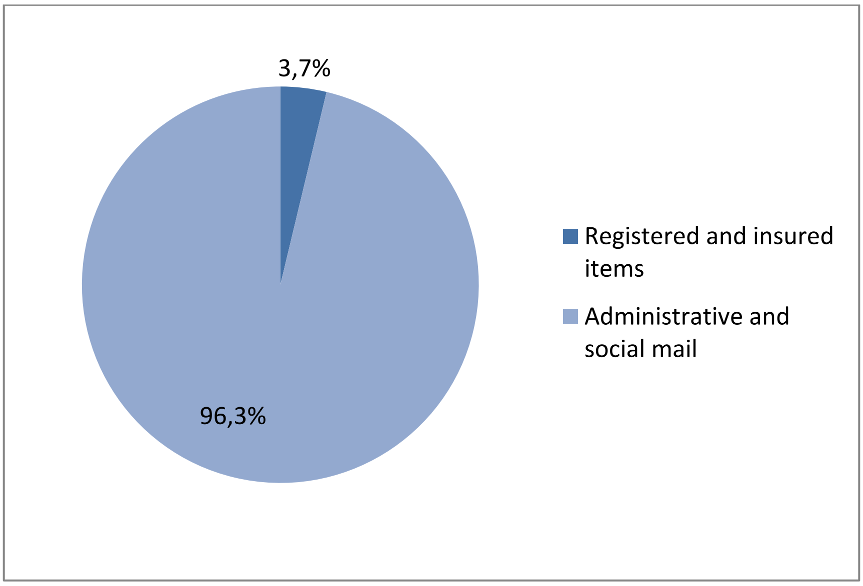
Figure 12: Evolution of volumes of transactional mail (2010-2017)[15]



Source: BIPT

As for the composition of the volume of transactional mail in 2017 the large majority was administrative and social mail (96.6%), registered items and insured items accounting for only 3.4% of the total volume. This division of volumes between administrative and social items and recorded items remains stable over the 2010-2017 period.

Figure 13: Division of volumes of transactional mail (2017)

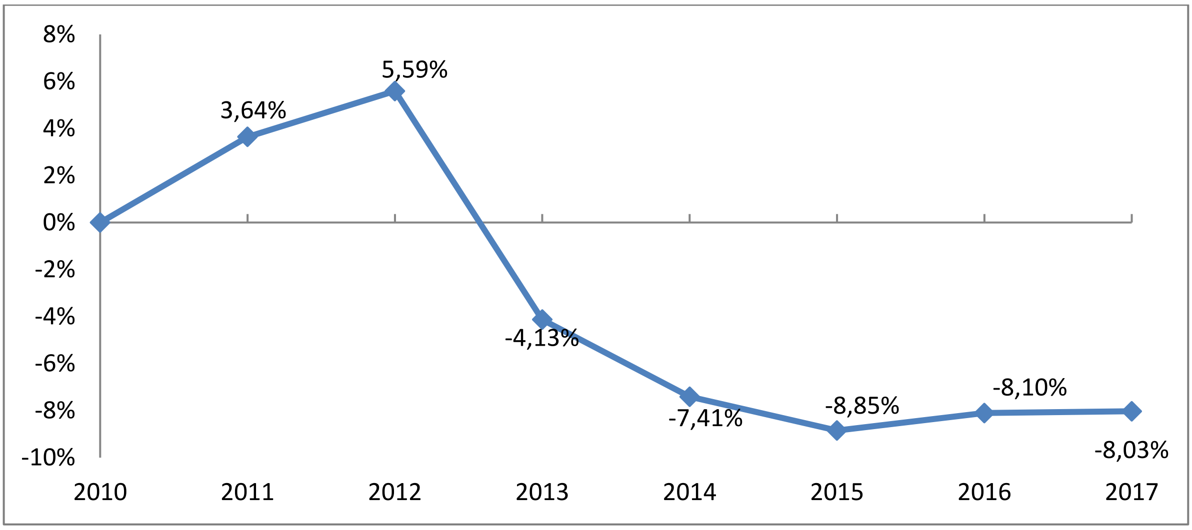


Source: BIPT

[15] In Figures 11 up to and including 14 no distinction is made between single-piece mail and bulk mail, so that all volumes of transactional mail are involved without any distinction.

Whereas the volume of registered items was still rising between 2010 and 2012, it dropped sharply in 2013. This erosion of volumes slowed down a bit in 2014 and 2015. For 2016 and 2017 there is a moderate growth in volume again, but in 2017, the level is still 8.03% below the 2010 volume.

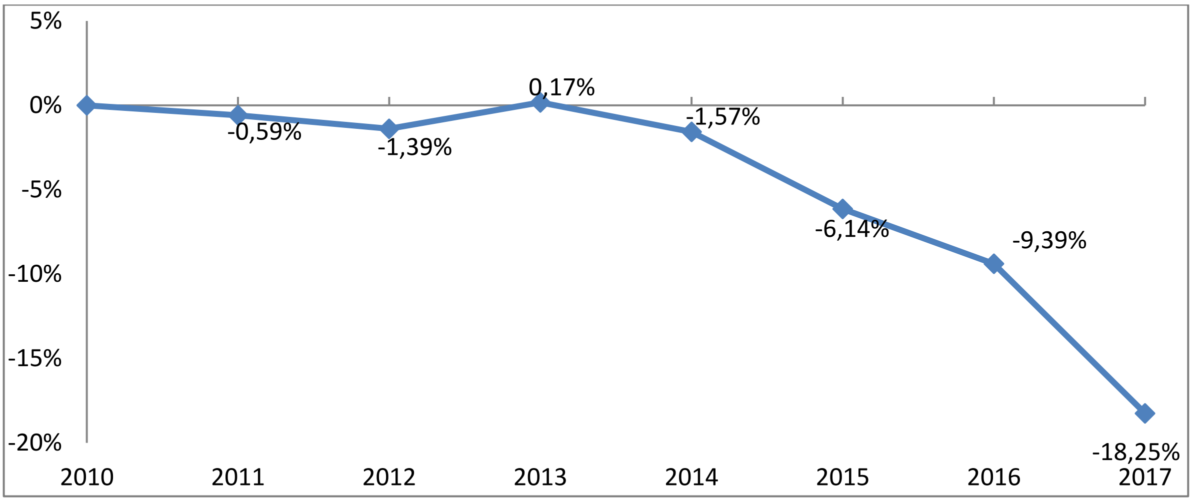
Figure 14: Evolution of the volumes of registered items since 2010 (cumulative growth)



Source: BIPT

The volumes of administrative and social mail have decreased by 18.25% over the 2010-2017 period.

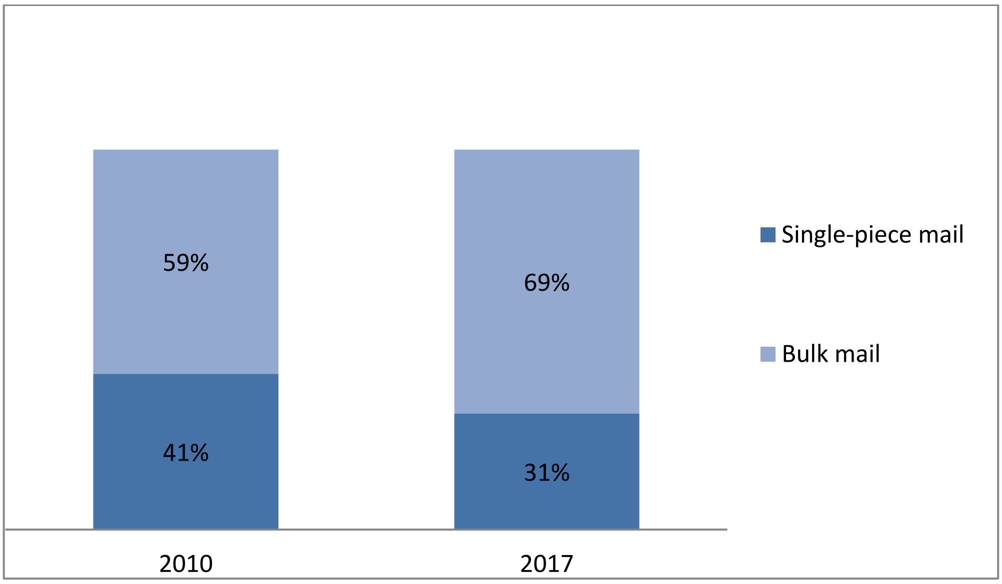
Figure 15: Evolution of the volumes of administrative and social mail since 2010 (cumulative growth)



Source: BIPT

In 2017, transactional mail volumes mainly consisted of bulk mail. As for the distribution of volumes between single-piece mail and bulk mail the ratio was 31% versus 69%. Therefore, since 2010 the share of single-piece mail continues to drop.

Figure 16: Distribution of the transactional mail volumes between single-piece mail and bulk mail (2010 compared to 2017)



Source: BIPT

3.2.2.2 Revenue

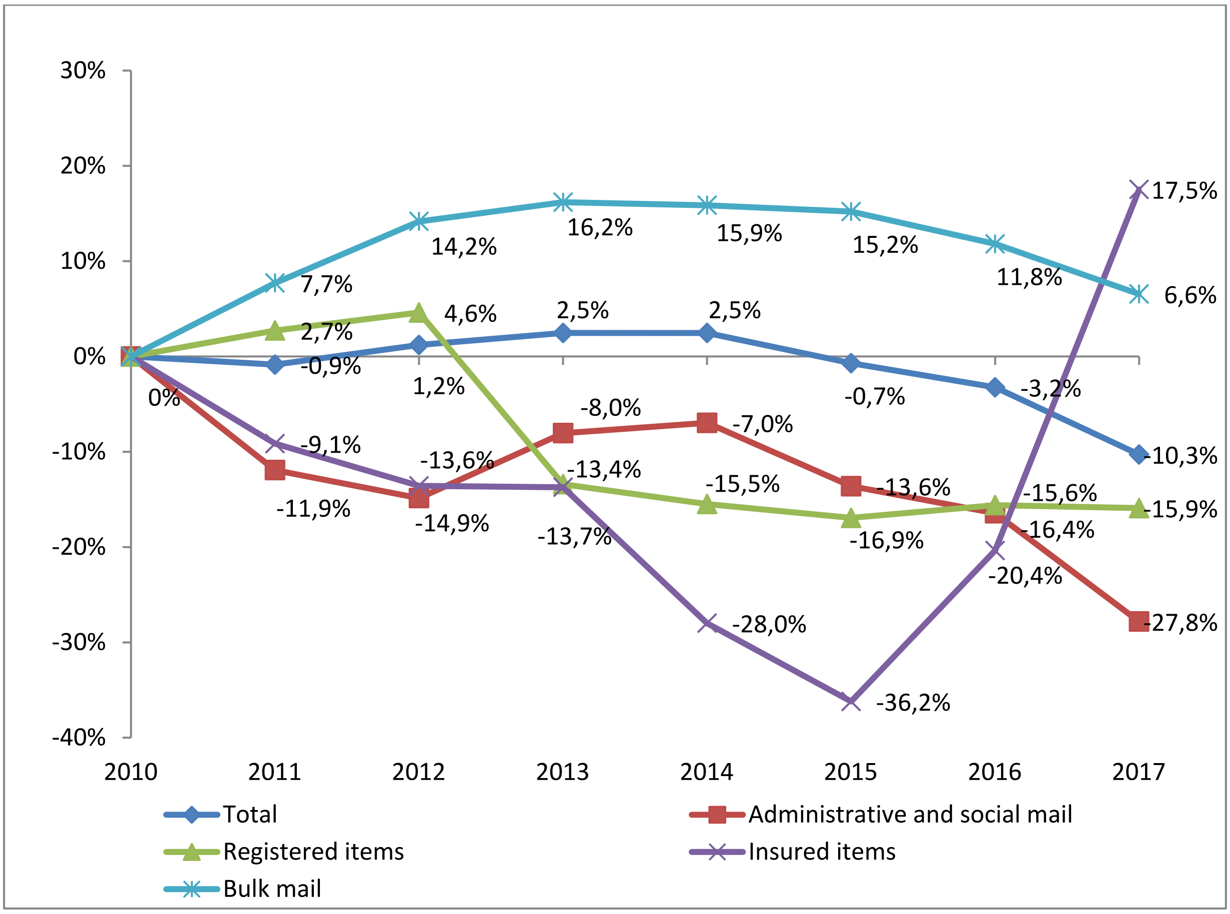
As illustrated in Figure 17 below, total revenue for transactional mail dropped by 10.3% between 2010 and 2017, of which 7 percentage points must be attributed to the evolution between 2016 and 2017.

Among the various products that constitute transactional mail, the revenue relating to administrative and social mail has dropped the most in the 2010-2017 period, namely by - 27.8% of revenue in that segment since 2010.

Revenue in connection with single-piece products[16] has generally decreased, and the same applies to revenue from bulk items[17], though it stays above the 2010 level, + 6.6%.
Insured items have been rising sharply since two years; turnover in that segment was 17.5% higher in 2017 than in 2010, whereas in 2015 the level of turnover was still 36.2% below that of 2010.
The segment of registered items has been stagnating since 2014 in terms of revenue and is now at a level of turnover 15.9% lower than in 2010.

[16] See the trends for administrative and social mail, registered items and insured items in Figure 17, which only relate to single-piece mail.
[17] Bulk mail encompasses both administrative mail and recorded items.

Figure 17: Evolution of revenue from transactional mail since 2010 (cumulative growth)



Source: BIPT

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

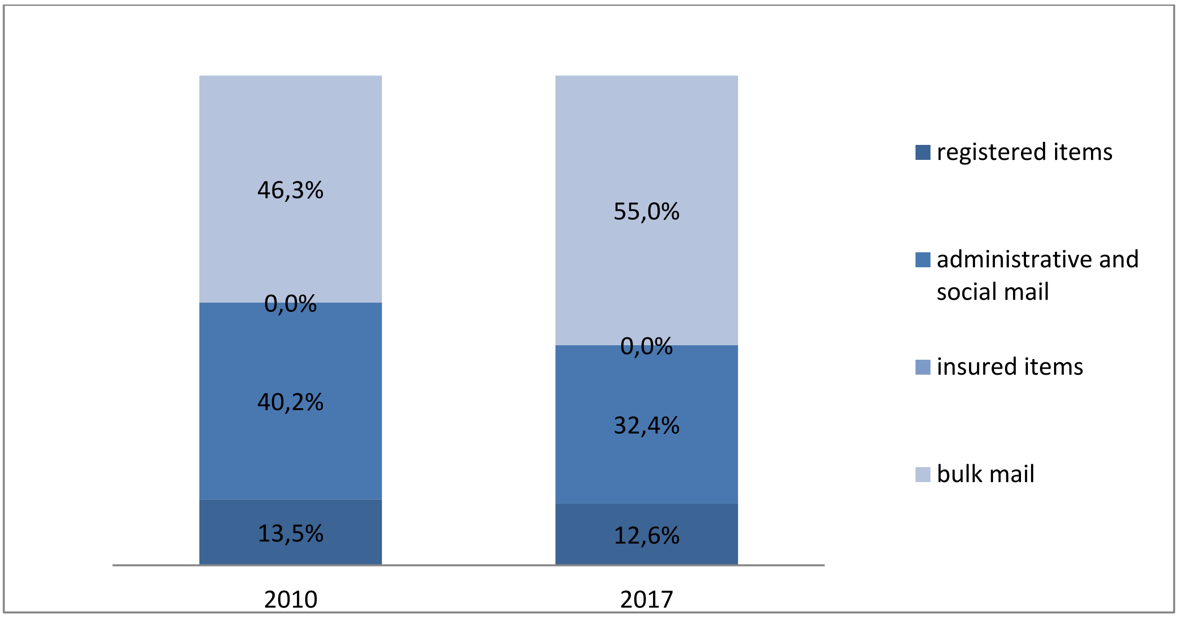
The variables "administrative and social mail", "registered items" and "insured items" shown in the figure above, only relate to single-piece items.

Looking more closely at the composition of revenue linked to the handling of transactional mail in Figure 18, we notice that bulk mail accounted for 53% of this revenue in 2017, against 47% for single-piece items.

Out of this 47% of single-piece mail, administrative and social mail accounted for close to 35% and registered items for the other 12%. The proportion of revenue generated by insured items is relatively trivial as after rounding off it represented less than 0.1% of total revenue in 2017.

Compared to 2010 we see that the share of bulk mail grew in 2017, whereas the share of registered items and administrative mail went down.

Figure 18: Division of revenue from transactional mail (2010 versus 2017)



Source: BIPT

3.2.2.3 Price

Compared to 2016 the nominal rate of a domestic standard letter in Belgium stagnated in 2017 following the BIPT decision to refuse bpost's intended price increase.[18]

If we look at the trend since 2010, we see that the price of a stamp has risen by 14%. 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 25%. It should be pointed out that in about 90% of cases stamps are sold per 10 units. By way of comparison: the compound inflation (HICP)[19] in Belgium was 13.12% between 2010 and 2017.

After 2017 we notice a real increase of the price of a stamp.[20]

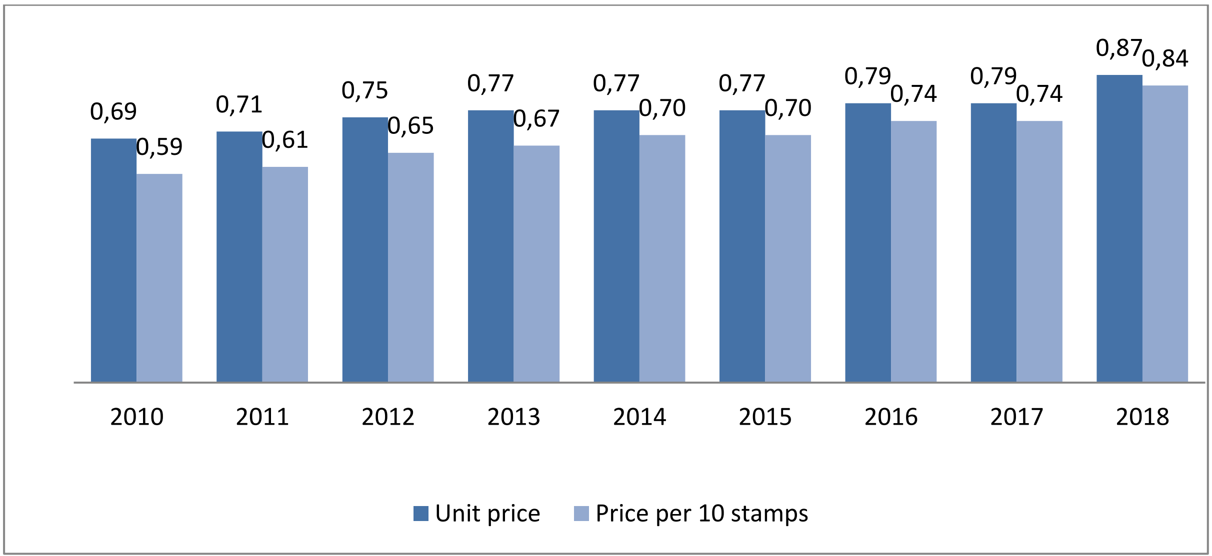
---

[18] https://www.bipt.be/en/operators/postal/universal-and-non-universal-postal-services/bipt-council-decision-of-21-march-2017-regarding-the-analysis-of-bpost-s-tariff-proposal-for-full-rates-per-piece-for-the-year-2017

[19] Harmonised Index of Consumer Prices

[20] https://www.bipt.be/en/operators/postal/universal-and-non-universal-postal-services/bipt-council-decision-of-19-june-2018-regarding-the-analysis-of-bposts-single-piece-rates-for-the-year-2018

Figure 19: Price of the domestic standard letter service < 50 g (€)



Source: bpost

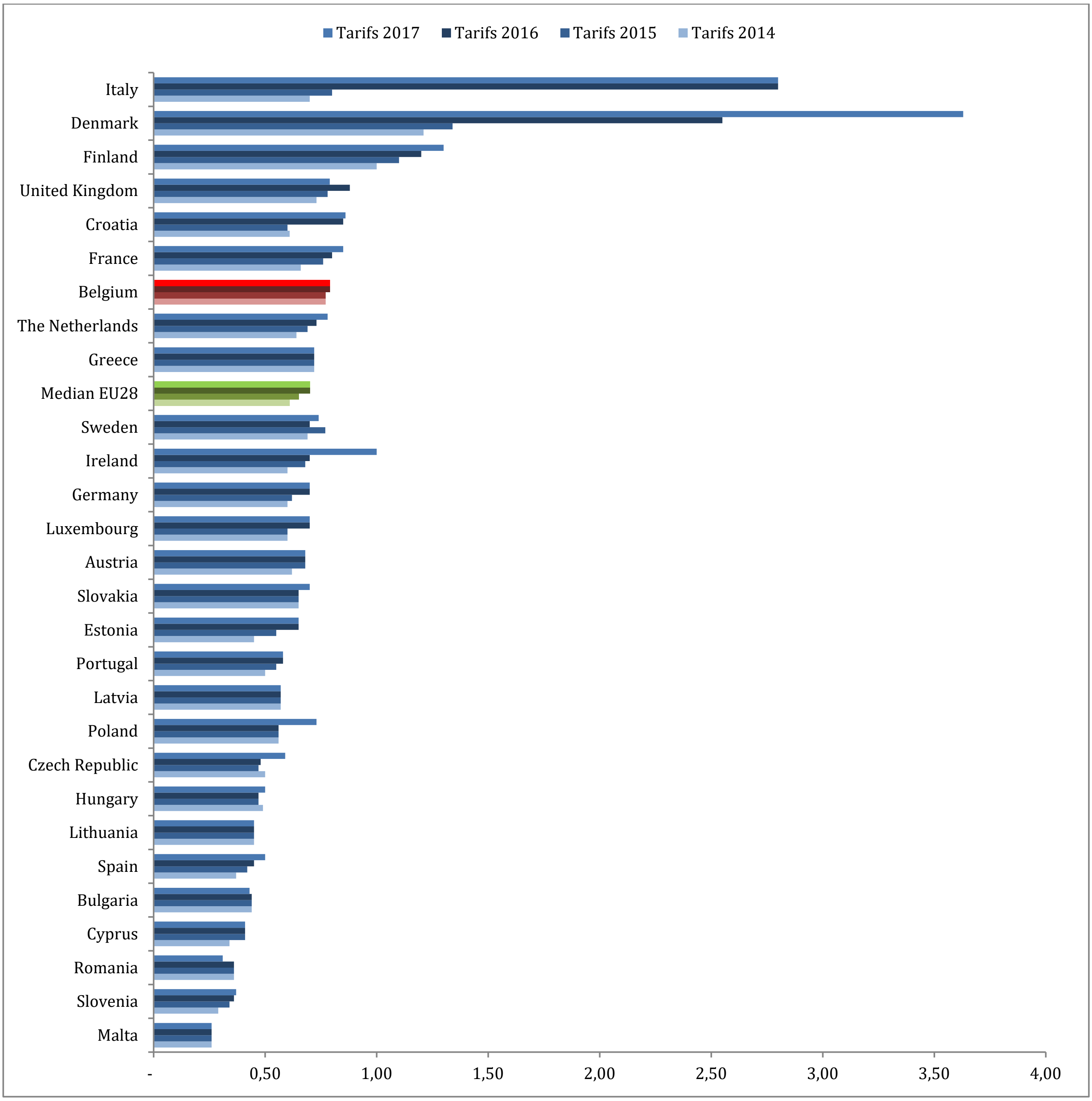
At the level of the European Union, the price in nominal value of transport and distribution of the standard format letter in Belgium is amongst the highest in the 28 Member States, as shown in Figure 20 below. In 2017, the European median[21] postage charge for a domestic standard letter was € 0.70, the most expensive country being Denmark (€ 3.63) and the cheapest Malta (€ 0.26).

It should also be pointed out that in many countries, such as neighbouring countries France (where in addition to D+1 also D+2 and D+4 exist) and the United Kingdom (where D+1 costs € 0.85, D+2 € 0.73 and D+3 € 0.71), small-scale users are offered in addition to the prior item (D+1 at € 0.79) cheaper alternatives (D+3 at € 0,56) for items of a less urgent nature, even by the universal service provider.[22]

[21] It is necessary to use the median in this case because of the peaks for Italy and Denmark, which would distort the average too strongly.

[22] BIPT research from 2017 into consumer perceptions within the Belgian postal market showed that in Belgium too there is no strict need for a D+1 delivery as the standard. A D+2 standard service is a scenario postal users are prepared to accept, as long as this is associated with the option of a D+1 premium service. http://www.bipt.be/en/operators/postal/universal-and-non-universal-postal-services/communication-by-the-bipt-council-of-7-february-2017-on-the-qualitative-survey-of-consumer-perceptions-within-the-belgian-postal-market

Figure 20: Price of the domestic standard letter service in Europe (€)

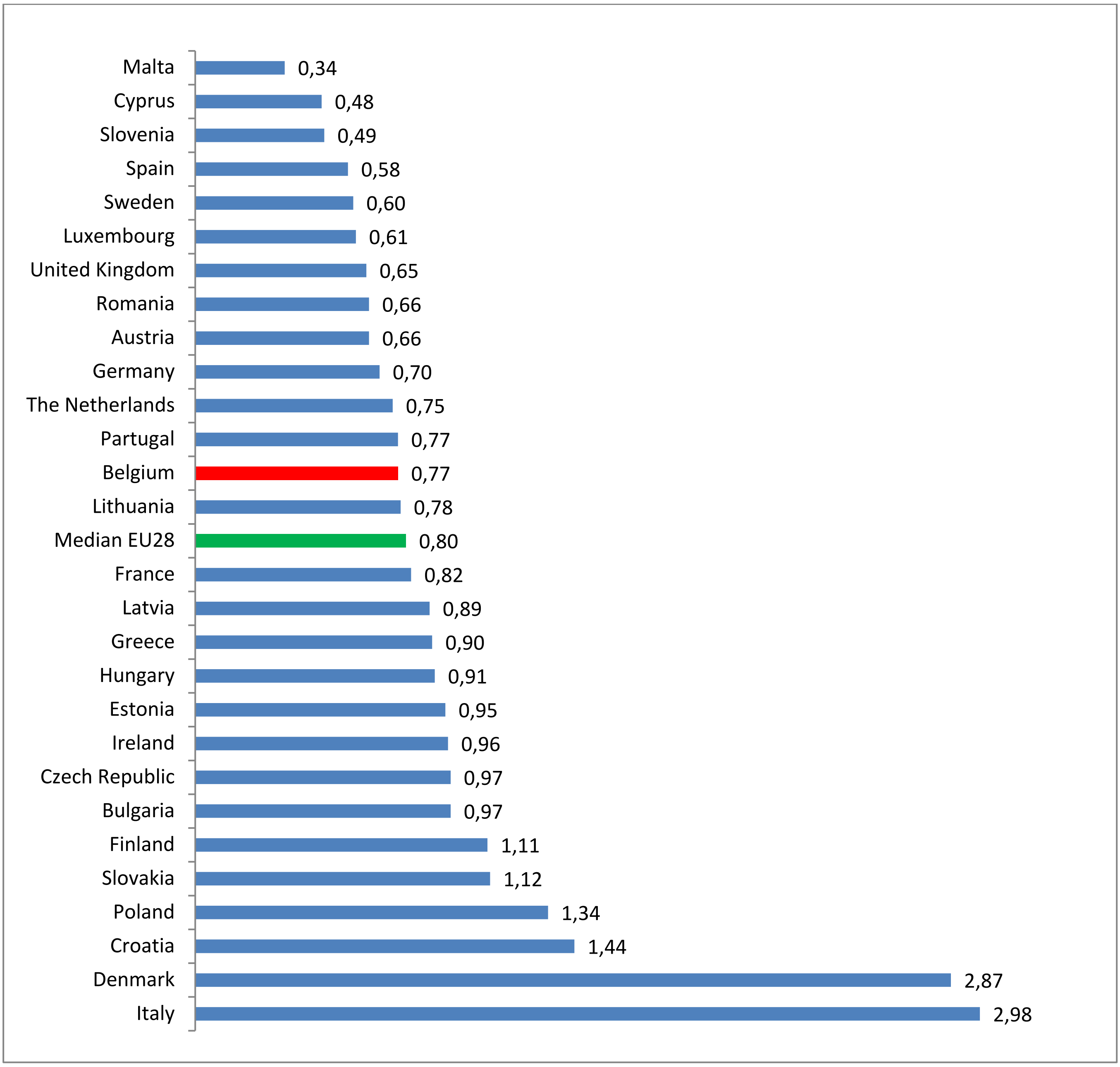


Source: Deutsche Post, Letter Price Survey (2014, 2015, 2016 and 2017)

The same price comparison concerning the transport and distribution of standard format letters can be made by expressing the tariffs of the 28 Member States in purchasing power parity (PPP), allowing to neutralize the differences in standards of living between countries.

When we look at the median of the EU28 countries we notice that here too Belgium is situated in the lower middle bracket. Prices in Italy and Denmark are also seen to be very high here compared to the other EU28 countries.

Figure 21: 2017 price expressed in purchasing power parity (PPP) of the domestic standard letter service in Europe (€)



Source: Deutsche Post, Letter Price Survey (2017)

3.2.3 Direct mail

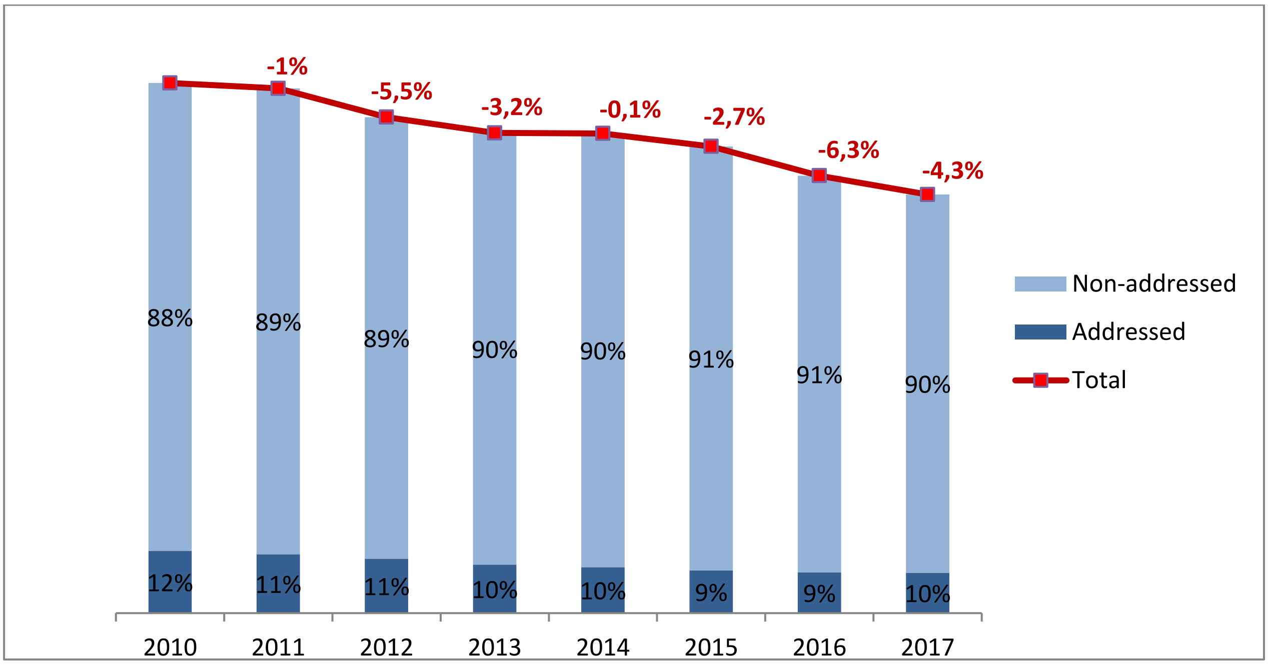
Just like transactional mail, direct mail is part of the letter post segment. By contrast, non-addressed advertising leaflets are not part of it because the delivery of non-addressed items does not constitute a postal service. However, they are taken into account within the context of this section in order to have an overall view of the evolution of printed advertising (addressed or door-to-door), which all citizens regularly find in their letterboxes.

3.2.3.1 Volumes

Since 2010 the volume of printed advertising has been shrinking continuously. The volume of both non-addressed items (- 4.6%) and direct mail (- 0.8%) continued to decline in 2017.

As to volume, direct mail items represent only 10% of the total; the large majority of advertising mail items being non-addressed.

Figure 22: Evolution of advertising volumes (2010-2017)



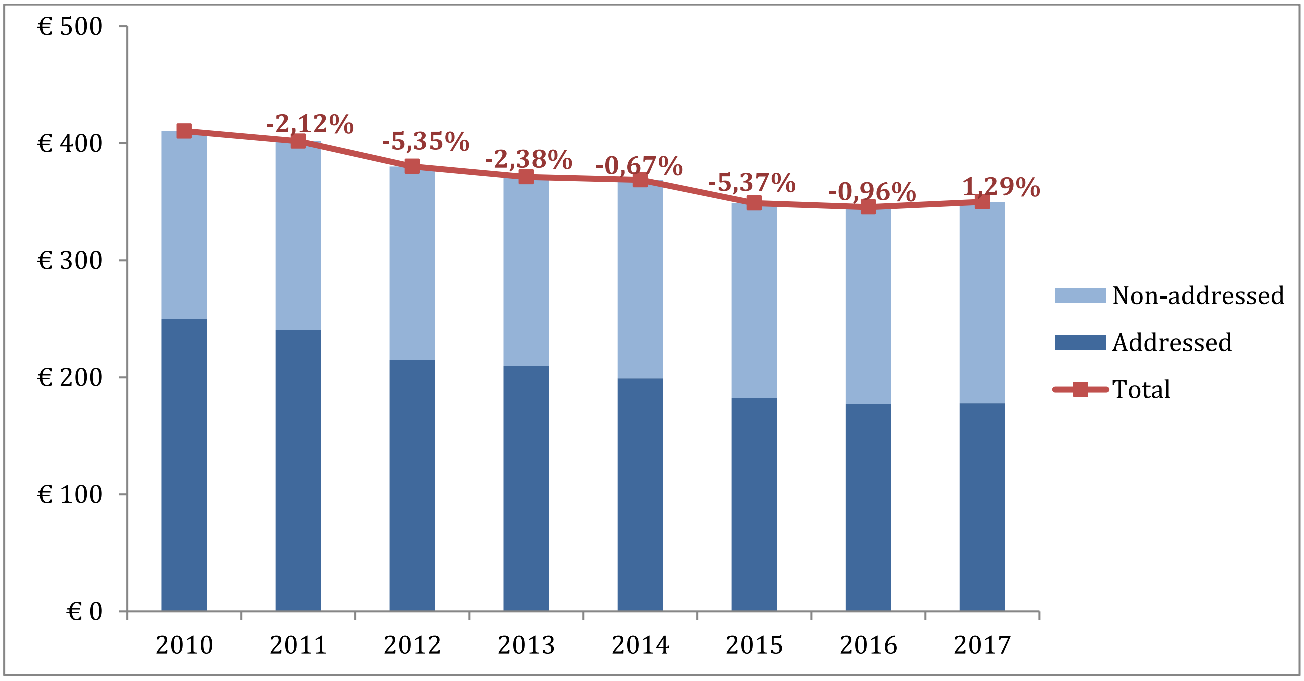
Source: BIPT

3.2.3.2 Revenue

In general, revenue from addressed and non-addressed advertising mail has been declining since 2010, but in 2017 a revival in revenue was observed: + 1.29%.

This rise in revenue concerns both addressed and non-addressed items. The increase is higher for non-addressed items, though: + 2,43% against + 0,2% for addressed advertising.

Figure 23: Evolution of revenue from advertising (2010-2017) (in million euro)



Source: BIPT

3.2.4 International mail

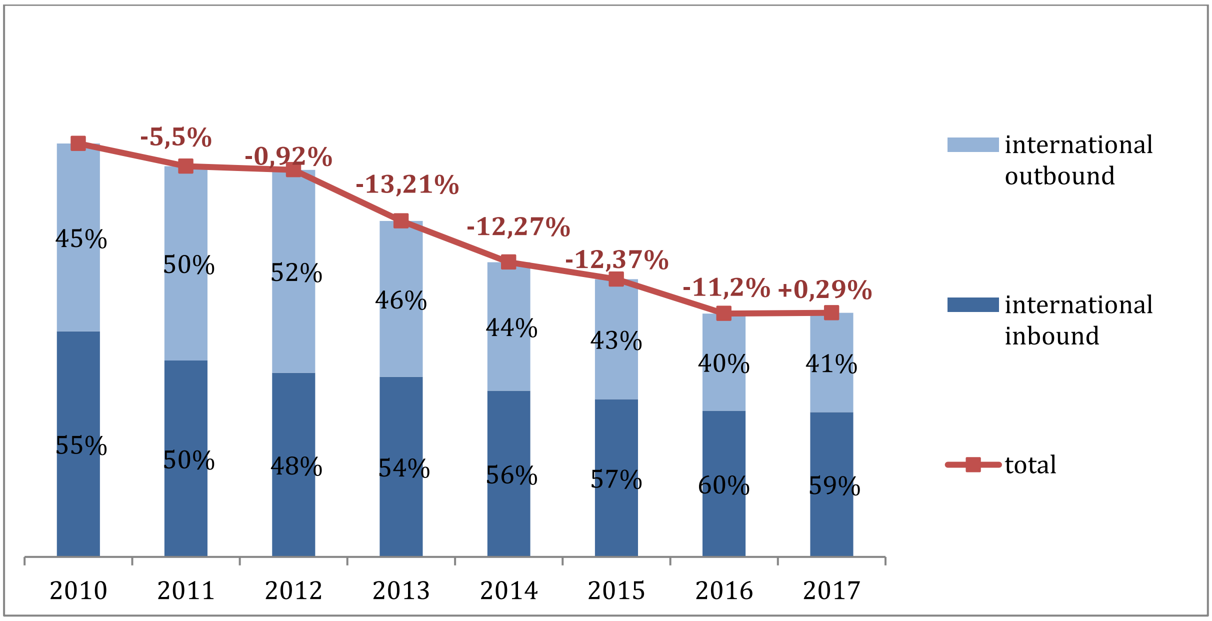
Besides transactional mail and direct mail, letter post also consists of a third and last category of mail, i.e. international mail.

International mail refers to the flows of items of correspondence weighing less than 2 kg and exchanged between Belgium and foreign countries. These flows may be incoming ("international inbound") - the mail in question having to be delivered in Belgium, or outgoing ("international outbound") - in those cases the mail is sent from Belgium to other countries.

3.2.4.1 Volumes

The graph below shows a first increase in volumes since 2010. Considering the outbound letter post separately, one can even see a rise in volumes, but it is insufficient to compensate the decrease in volumes of incoming international mail. Between 2010 and 2017 the evolution of the distribution between volumes of incoming and outgoing international mail is to the advantage of incoming international mail, which decreased less than the outgoing international mail. However, it should be noted that in 2012, outbound flows accounted for the majority of international mail volumes, contrary to the other years.

Figure 24: Evolution of volumes of international mail

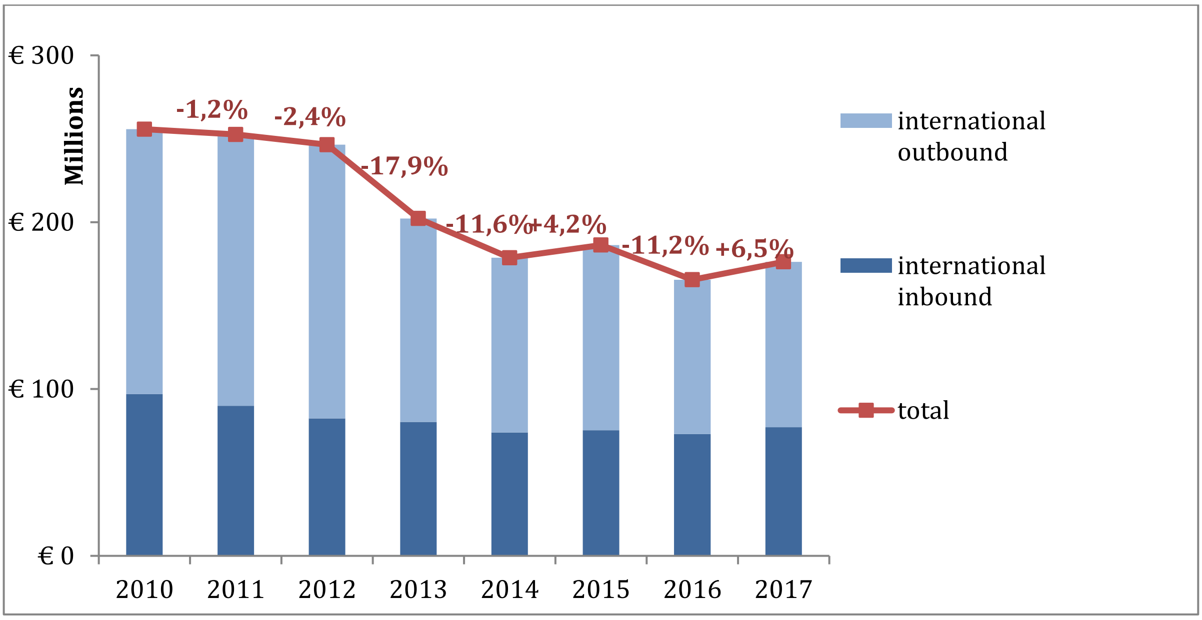


Source: BIPT

3.2.4.2 Revenue

Revenue from inbound or outbound cross-border letter post has been declining since 2010, and the same goes for total revenue from the letter post segment. However, in 2017, we see a revival of revenue from both international inbound mail and international outbound mail. Because volumes have risen only slightly, this increase should be linked to higher prices or a mix of various products (bigger sizes, more remote destinations).

Figure 25: Evolution of revenue from international mail (million euro)

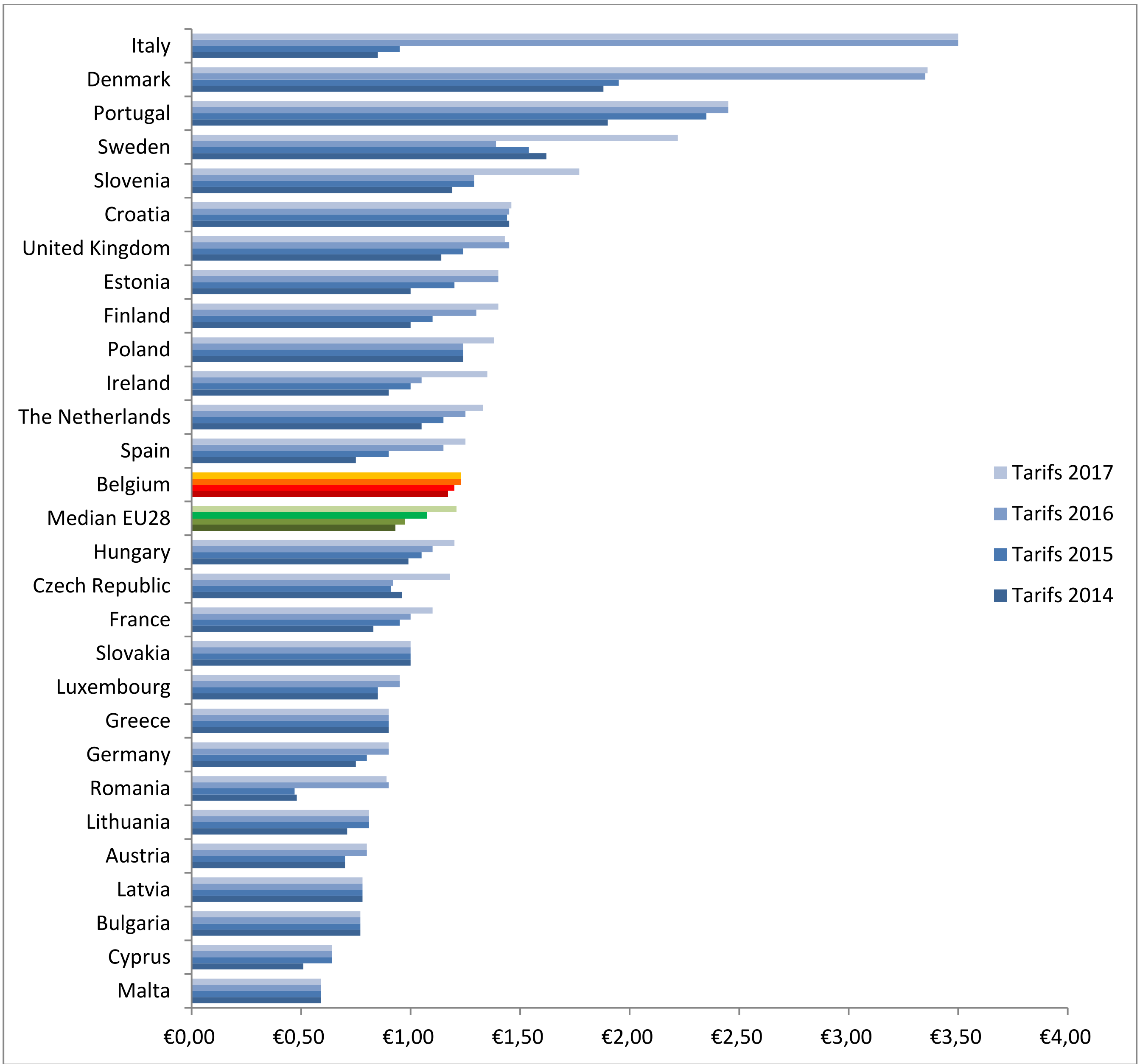


Source: BIPT

3.2.4.3 Price

If we compare the price in nominal value of the standard letter service in the EU in the 28 Member States, we see that, with an intra-EU letter service costing € 1.23 in 2017, following a € 0.06 price increase compared to 2014, Belgium was situated close to the European median (€ 1.215) in 2017. This positions Belgium in the middle bracket of the EU countries, the first place of the ranking being occupied by Italy, where sending a letter to another Member State cost € 3.50 in 2017. In comparison, a letter sent from Malta cost € 0.59.

Figure 26: Price of an intra-European standard letter service in Europe (in nominal value) (€)



Source: Deutsche Post, Letter Price Survey (2014 - 2017)

3.3 Focus on the parcels, express mail and e-commerce segments

Driven by the growing importance of e-commerce, the parcels market takes up an ever-increasingly important position on the postal market. From the general overview concerning the postal market (section 4.1) it was already clear that the parcel and express mail segment has for the first time become bigger in terms of revenue than the letter post segment. This is a historical turning point.

In this chapter the recent evolution within this flourishing parcel and express services segment is discussed.[23] The very diverse[24] sub-segments, namely B2B, B2C and C2X, are considered here as a whole, because especially the type of addressee is hard for the operator to determine with certainty.

3.3.1 Volume

The parcel and express services[25] segment continues its extremely strong development. Between 2010 and 2017 there was a continuous growth of volume totalling 132%. Throughout that period the number of parcels and express services, domestic, international inbound and international outbound combined, more than doubled from 88 million items in 2010 to 205 million in 2017. Compared to 2016 the volume went up by 19.1%.

Since a couple of years we even observe an increase of the growth path, where the almost linear growth curve has made an upward bend. The compound annual growth rate (CAGR) has been 17% since 2013. Up to and including 2013 that growth rate had 'only' amounted to 7.3%.

Per inhabitant the number of parcels and express services delivered per year went up by 10 units, from an 8.1 average in 2010 to an 18.1 average in 2017. Per capita on average already one parcel is sent or an express service is used each month, or more exactly every 20 days. Despite that trend of steep annual rises Belgium is still lagging far behind the European leaders. In Germany for instance, in the meantime, more than 35 such items on average are delivered per inhabitant.[26]

---

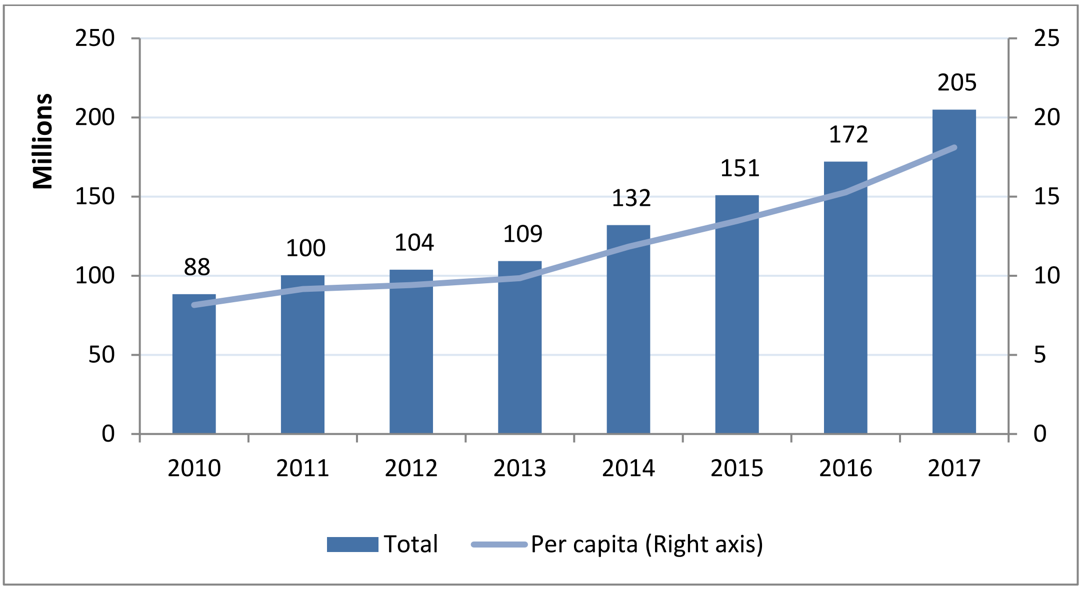
[23] The operators were asked, if possible, only to provide data concerning parcels up to 10 kilogrammes (international inbound up to 20 kilogrammes).

[24] The various parcel deliverers usually serve various customer segments, as became clear from BIPT's e-commerce study from 2017. Operators such as FedEx, UPS and Ciblex mainly focus on the B2B segment for example, whereas bpost is a big player in the B2C and C2X segments.
http://www.bipt.be/en/operators/postal/universal-and-non-universal-postal-services/communication-by-the-bipt-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

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

[26] ERGP Report on core indicators for monitoring the European postal market, 15 December 2017

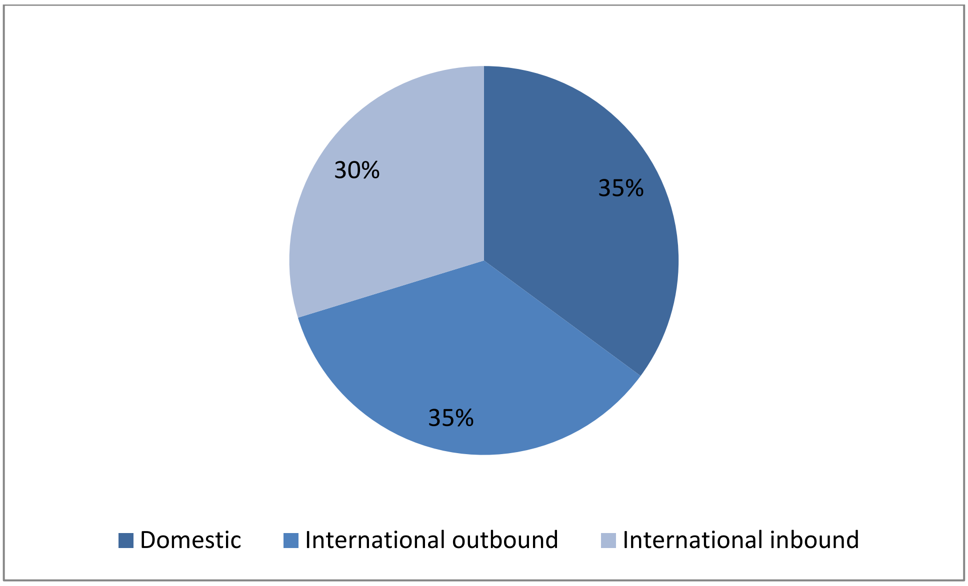
Figure 27: Evolution of the volume of parcel and express services in total (in million units) and per capita (in units) per year



Source: BIPT

Figure 28 shows us that 35% of the total number of parcel and express services in 2017 involved domestic items. So those items originated from within the Belgian territory to be received also within our borders. In another 35% of the cases outbound international items (international outbound) were involved, so sent abroad from Belgium. The remaining 30% of the total number of items originated abroad to be delivered in Belgium (international inbound). Moreover, in case of these international items only in less than a fifth of cases items going to or coming from a destination outside the EU are concerned.

Figure 28: Distribution of the volume of parcel and express services according to domestic, outbound international and inbound international in 2017



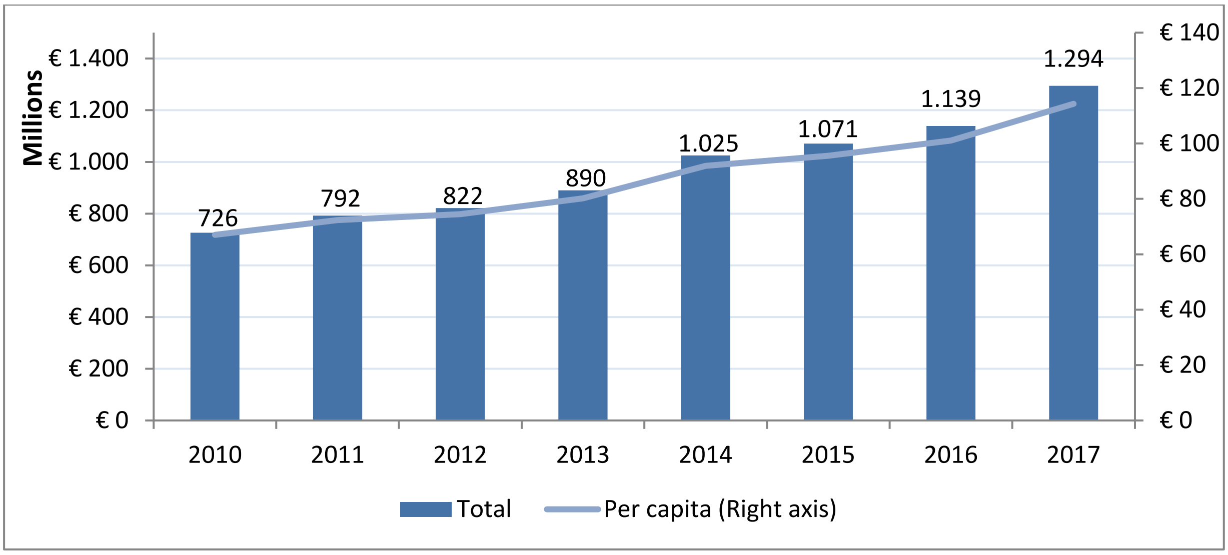
Source: BIPT

3.3.2 Revenue

In terms of turnover achieved the segment of parcel and express services was marked by a more modest, yet also continuous increase between 2010 and 2017. With a compound annual growth rate (CAGR) of 8.6% a year, total revenue gradually rose from 726 million euro to 1,294 million euro. Between 2016 and 2017, total turnover achieved within the segment still rose by a sturdy 13.7%, so quite a bit more than the compound annual growth rate over the 2010-2017 period.

Per capita in 2017 an average of 114.3 euro was spent on parcel and express services, which on an annual basis is almost 50 euro more than in 2010.

Figure 29: Evolution of revenue in the segment of parcel and express services in total (in million EUR) and per capita (in EUR) per year



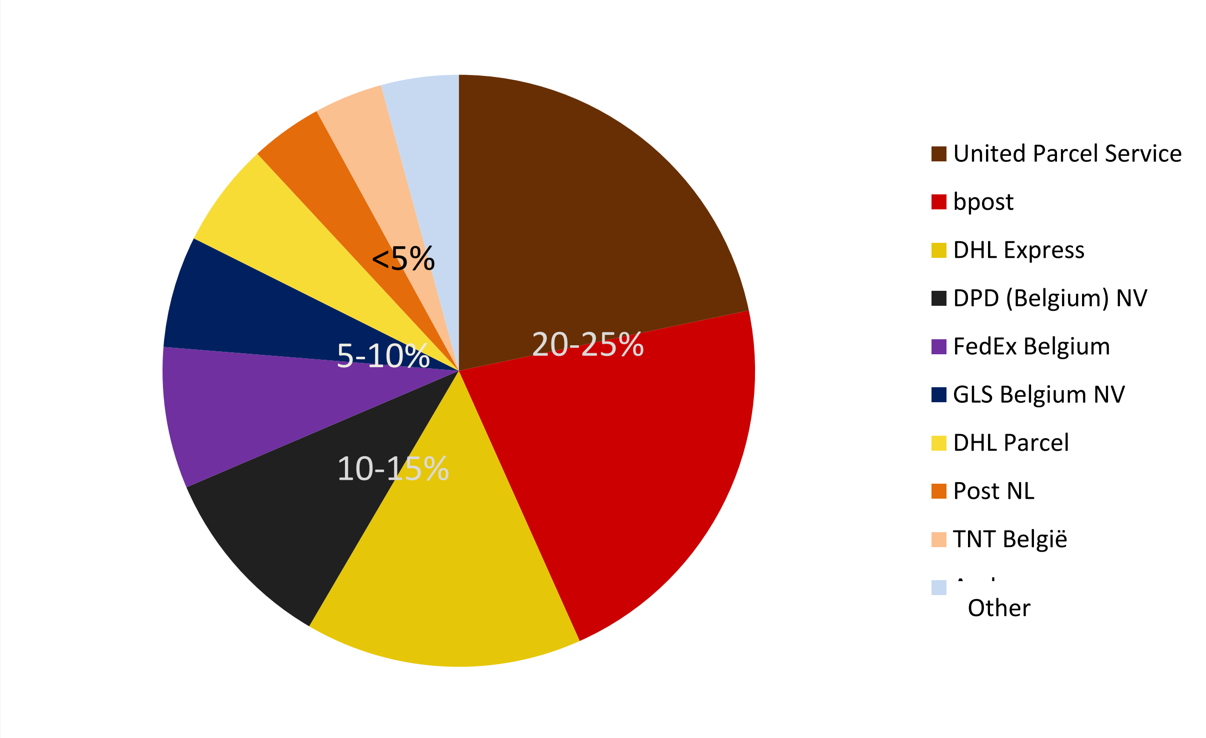
Source: BIPT

Figure 30 shows a detail of market shares based on turnover in the common segment of parcel and express services.

UPS/UPS Access Point, bpost and DHL (Express and Parcel) represent together some 65% of this market in terms of turnover. Apart from those, another three operators, namely DPD, FedEx and GLS, each having more than 5% market share, together have about 25% market share. The other operators accounted for the remaining 10%.

It should be noted that if DHL Express and DHL Parcel were considered as one unit, they would be in the same category of 20%-25% as bpost and UPS. Similarly, the combination of FedEx and TNT would also have been in the 10%-15% category.

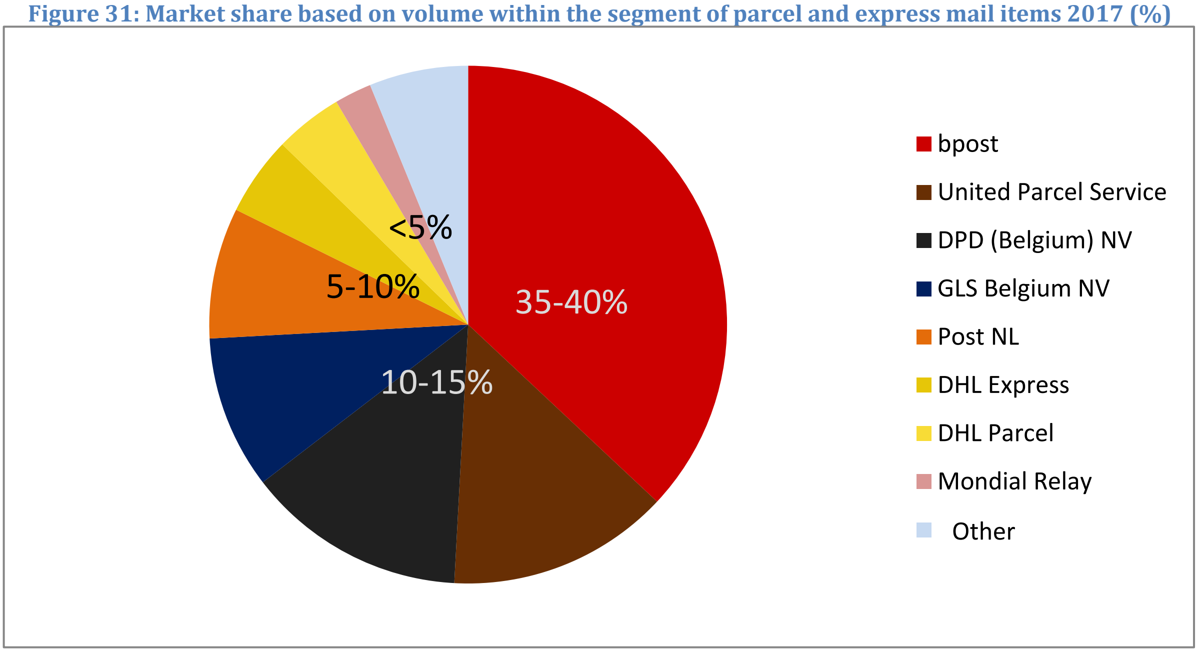
Figure 30: Market share based on the turnover within the segment of parcel and express mail items for 2017 (%)



Source: BIPT

When analysing the market shares based on volume the image is strongly differentiated. This is not illogical as express items are higher-priced so that, for the same volumes, they will generate higher revenues and therefore show higher market shares in the global segment of parcel and express items. As a result, in volume the market share of parcel distributors is bigger when considering the volumes rather than the revenues. The bpost market share for instance has almost doubled to 35-40%. In addition, in this segment in terms of volume, PostNL becomes the fifth biggest player with a market share between 5 and 10%. By contrast, operators with a strong focus on express items have lower market shares based on volume. UPS reaches 10-15% and DHL Express 5-10% market share.

Figure 31: Market share based on volume within the segment of parcel and express mail items 2017 (%)

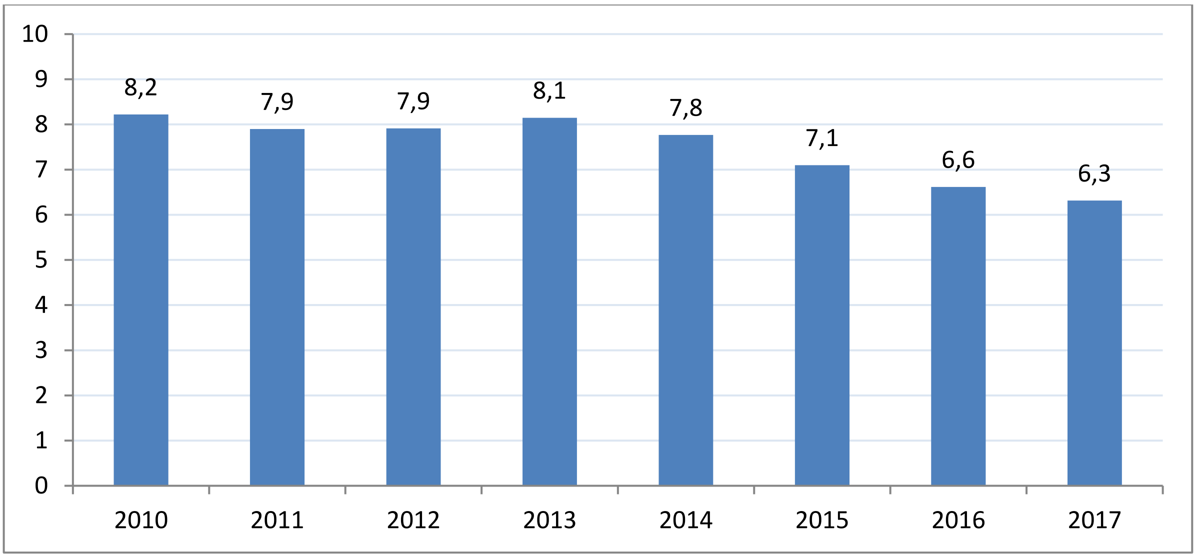


Source: BIPT

3.3.3 Implicit tariff

When confronting turnover with volume we arrive at an implicit tariff. This is the average tariff per unit within the segment, regardless of operators, sizes and destinations. In the previous paragraphs we already saw that the volume within the segment of parcels and express has grown stronger that turnover. Therefore it should not be surprising that the implicit tariff showed a downward trend between 2010 and 2017, going from 8.2 euro to 6.3 euro. Apart from pressure on the tariffs another potential reason can also be the increasing volume of smaller and lighter, therefore cheaper, parcels within the context of e-commerce.

Figure 32: Implicit tariff in the parcel and express mail segment 2010-2017 (EUR)



Source: BIPT

3.3.4 Small users basket tariffs of the universal service provider

To have an indication of a parcel's tariff evolution we consider the small users basket tariffs of a parcel up to 2 kg sent by way of the universal service provider.

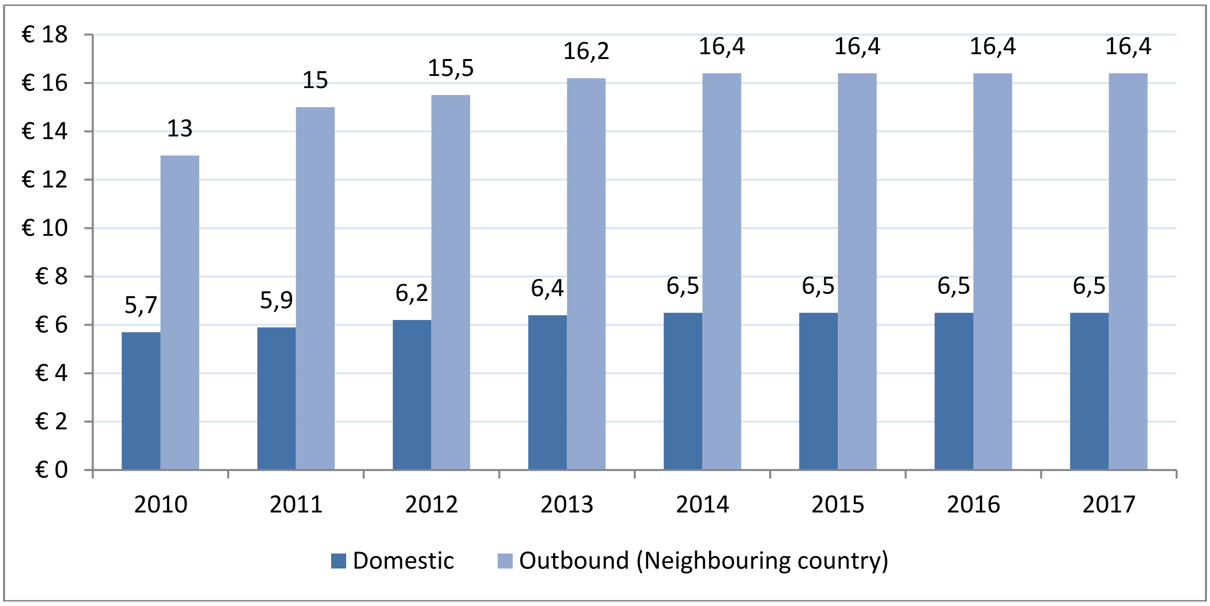
In Belgium the price of such an item rose from 5.7 euro in 2010 to 6.5 euro[27] in 2017, i.e. a 14% increase. The 2017 tariff was similar to that of 2016, for a 2017 tariff raise was refused by BIPT. Following a detailed analysis it appeared that the proposed tariff increase for the small users basket would lead to prices clearly exceeding the cost plus a reasonable profit.[28] The European average for a domestic parcel weighing 2 kg was 6.1 euro in 2016.[29]

The price for shipment to a neighbouring country increased more strongly, by 26.2%, from 13 euro to 16.4 euro. In this case too, because of BIPT turning down a price increase, in 2017 the price remained the same as in 2016. In 2016, the average European price of a 2 kg item sent to a neighbouring country was 18.35 euro. It should be noted however, that especially in our neighbouring countries the Netherlands and Germany, both with a tariff of 9 euro, the tariffs were considerably lower than the European average.

In 2019 BIPT will focus in detail on cross-border parcel tariffs in the context of the European Commission's "cross-border regulation"[30] Among other things this regulation lays down that national regulators should monitor prices for international parcels for small users and analyse (high) prices of the national universal service provider. The ultimate goal of the European Commission is to have a European market where it becomes easier for consumers to buy products online across borders.

[27] If the label for online shipment is made and paid and then printed by oneself, the price goes down to 5 euro.
[28] https://www.bipt.be/en/operators/postal/universal-and-non-universal-postal-services/bipt-council-decision-of-21-march-2017-regarding-the-analysis-of-bpost-s-tariff-proposal-for-full-rates-per-piece-for-the-year-2017
[29] ERGP Report on core indicators for monitoring the European postal market, 15 December 2017
[30] Regulation (EU) 2018/644 of the European Parliament and of the Council of 18 April 2018 on cross-border parcel delivery services:
https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018R0644&rid=1

Figure 33: Evolution of the prices of a parcel up to 2 kg sent by the universal service provider and destined for Belgium or a neighbouring country



Source: BIPT

3.4 Focus on the segment of press distribution to 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), which until 2015, was still part of the 5th management contract concluded between bpost and the Belgian State. Since 1 January 2016 and until 31 December 2020[31] it is now a separate service of 'last resort' outside the scope of the (6th) management contract. This SGEI, which publishers are free to use, is provided by bpost and consists of:

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

As the provider tasked with this SGEI for distribution of the recognised press to subscribers, bpost is the main operator in the segment for home delivery of press articles. Other players are active in this segment, such as PPP and TBC-Post.[32]

3.4.1 Volume

Since 2012 the total volume of distributed press has decreased, after having peaked in 2011 at 568 million delivered copies on an annual basis. Between 2016 and 2017 total volume decreased

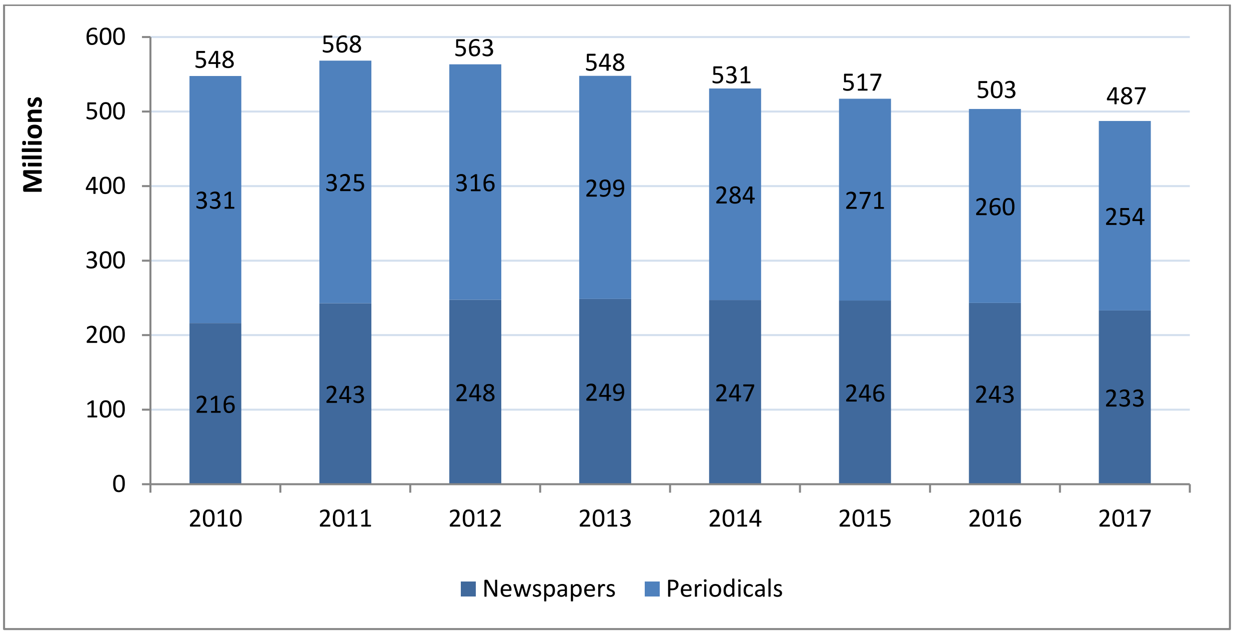
[31] On 16 October 2015 the Council of Ministers, following a public, transparent and non-discriminatory procedure, decided to grant the concessions for the delivery of recognised newspapers and recognised periodicals for the 2016-2020 period to bpost.
[32] Asendia Belgium ended its activities on 1 July 2016 and suspended its company number. Deltamedia too used to be included in this observatory. Until April 2016 it distributed press for the Mediahuis Group.

by 3.2%, a decrease somewhat stronger than the one of last year. By now, 14.3% less press is distributed compared to 2011.

As to periodicals the decline has been going on for a longer time and in 2017 too we observe a slow-down of the decline, namely by - 2.3% to 254 million delivered items in 2017. The volume of newspapers delivered stagnated only later and has had a limited setback since 2013, which increased however in 2017 up to - 4.2%.

52.2% of the press delivered is periodicals, the rest consisting of newspapers (47.8%).

Figure 34: Evolution of the volumes within the segment of the press distribution to subscribers (in million units)



Source: BIPT

3.4.2 Revenue

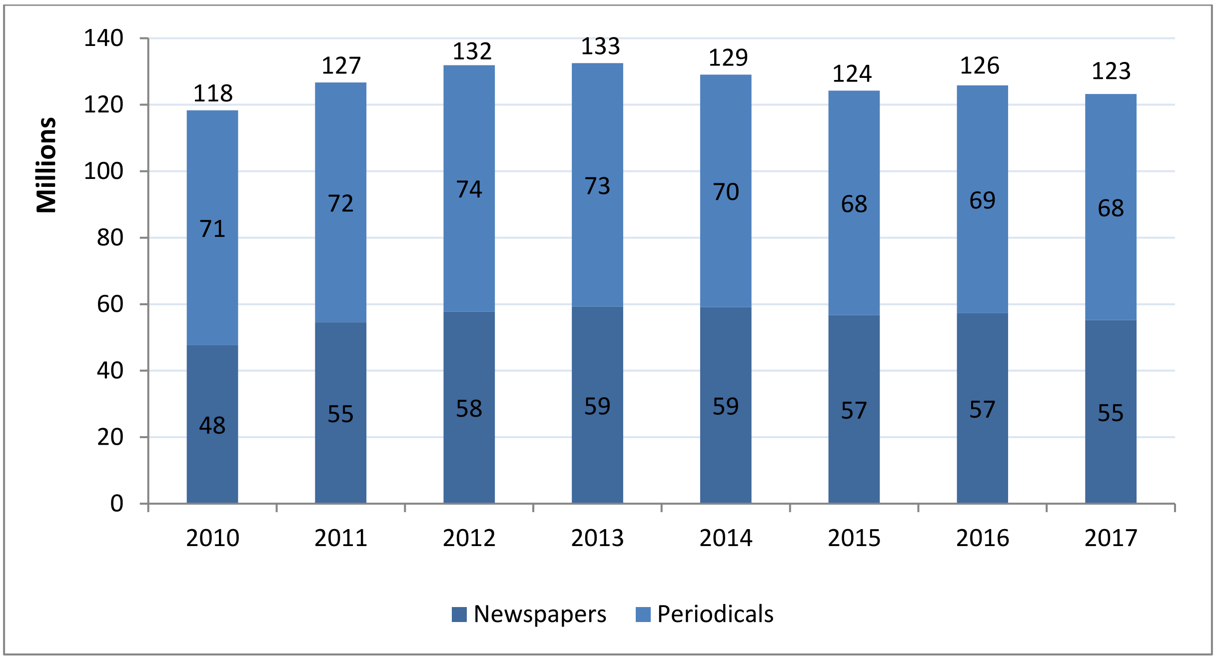
On the revenue side, the downward phase did not start until 2014. In 2017, revenue again decreased slightly by - 2%. Nevertheless the decrease in revenue has already reached - 7% compared to 2014. For newspapers the decline (- 3.7%) is stronger in 2017 than for periodicals (- 0.7%), which is almost negligible in the latter case.

55.2% of the revenue can still be attributed to the distribution of periodicals, against 44.86% to newspaper delivery.

It should be noted that the compensation paid to bpost by the government for the provision of the SGEI regarding delivery of press to subscribers is not included in the revenue considered.[33]

[33] According to the federal budget, adapted credits 2017, the estimated payment concerning the concession for newspaper and periodical delivery amounted to 167.02 million euro.

Figure 35: Evolution of revenue in the segment for press distribution to subscribers (in million EUR)



Source: BIPT

For the sake of completeness we mention that AMP[34] is also active on the market for the distribution of press to subscribers. However, AMP does not make home deliveries but delivers to (newspaper) shops. In addition it also delivers press for single issues in the shop. This company's revenues and volumes are not included in the surveys above, which specifically relate to home delivery.

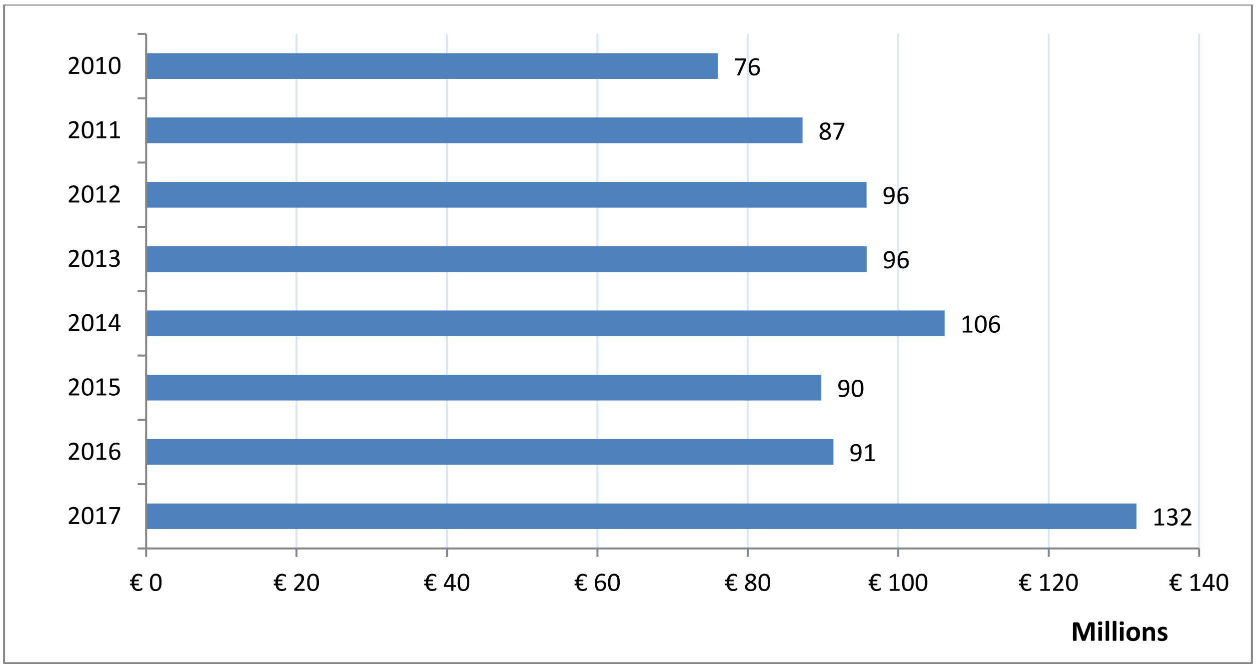
[34] In 2016, the Competition College of the Belgian Competition Authority conditionally approved the take-over of AMP and LS Distribution Benelux by bpost (according to Knack of 10 November 2016: http://trends.knack.be/economie/bedrijven/bpost-krijgt-voorwaardelijk-groen-licht-voor-overname-amp-en-krantenwinkels/article-normal-775165.html).

4 Investments and employment in postal activities

4.1 Investments in the postal sector

In 2017, operators from our sample invested a total of 132 million euro in the postal sector[35], an increase by no less than 44.1% compared to 2016. Compared to 2010 the increase even amounts to 73.2%. This is a historically high figure, which is evidently ascribable to the parcel and express mail segment. It so happens that many operators are extending their capacity for sorting and delivering parcels.[36]

Figure 36: Investments in the postal sector (million EUR)

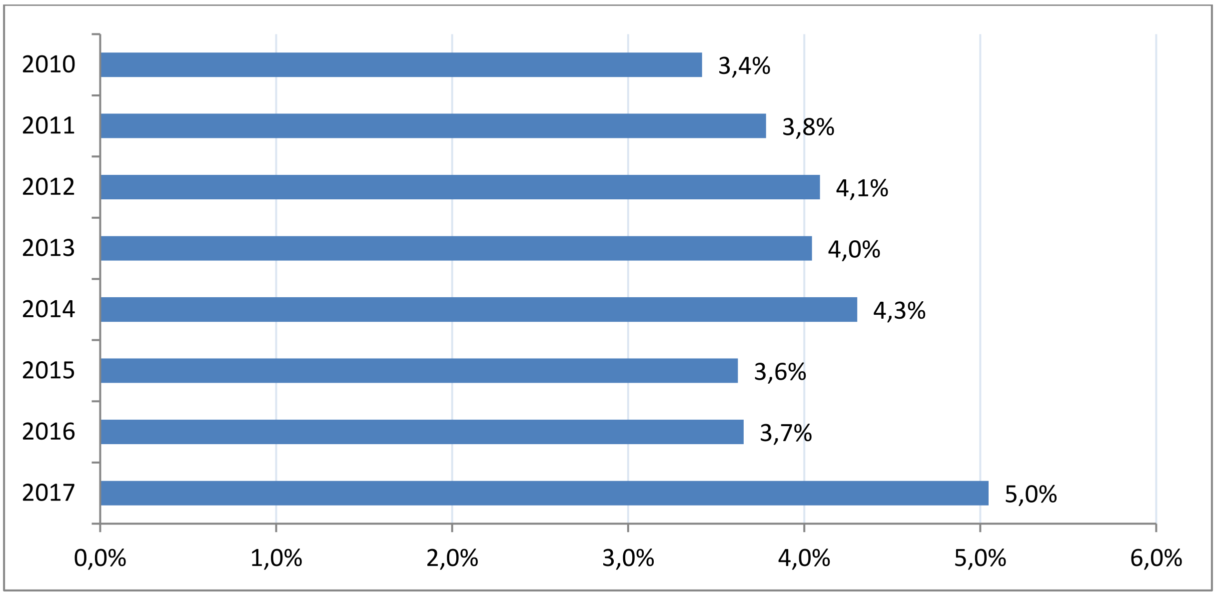


Source: BIPT

The investments made in the postal sector amounted to 5% of turnover achieved in 2017. Not since 2010 has such a big part of turnover achieved has ever been re-invested in the sector, even though turnover was also at a record level in 2017.

[35] These are expansion investments.
[36] A few examples:
22 June 2016: https://www.flows.be/nl/trade/ups-investeert-4-miljoen-nieuw-sorteercentrum-limburg
20 October 2017: https://trends.knack.be/economie/bedrijven/bpost-huldigt-nieuw-sorteercentrum-brussel-x-in-grootste-van-de-benelux/article-normal-915343.html
16 November 2017: https://www.postnl.be/over-postnl-belgie/pers-en-nieuws/2017/postnl-opent-2-nieuwe-depots-in-belgie.html
13 July 2018: https://www.transportmedia.be/postnl-opent-twee-eerste-sorteercentra-in-belgie/

Figure 37: Investments against turnover in the postal sector (%)



Source: BIPT

4.2 Employment in the postal sector

In 2017, the postal sector, with wage workers of its own, accounted directly for the employment of 31,124 persons on 30 June[37] of that year. In last year's observatory we already found that the constant decrease in employment since the start of our time sequence was levelling. In 2017 we observe, for the first time since 2000, a limited increase (+ 1%) compared to the number of employees in the year before. This increase is driven by the very strong growth of the number of parcel and express items. Nevertheless, the number of employees in the postal sector in 2017 is still almost a fifth (- 17.8%) lower than in 2010. In comparison with 2000 the number of employees has even dropped by almost 40% (- 37.3%).

In terms of full-time equivalents[38] (FTEs) the revival is a bit stronger (+ 2.1%), resulting in a total of 26,412 full-time equivalents in 2017. In this case too, however, there is a decrease by a fifth (- 20.4%) compared to 2010, and even by more than 40% (- 42.5%) compared to 2000. Seven out of ten postal workers work full-time in 2017.

Bpost is still the biggest employer in the sector, but in the meantime about one in five workers in the postal sector is employed by an alternative operator.

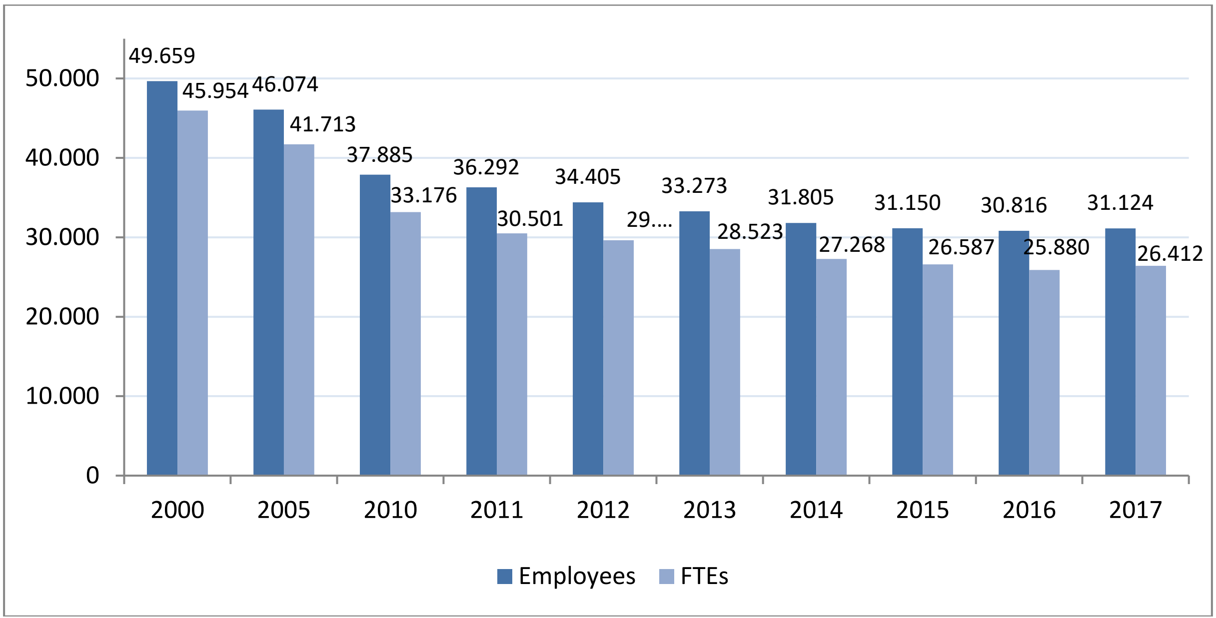
Normally, in our analyses, we look at the situation on 30 June of the year in question, because employment at that time is typically least susceptible to seasonal variations. Compared to 31

[37] 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.

[38] 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.

December, which we can define as the high season in the postal sector, both in terms of Christmas cards and e-commerce parcels of course, we do not observe variations in proper workers as much, but variations in temporary employees and freelance employment by way of subcontracting. Based on our survey, the number of temporary employees in December 2017, totalling more than 3,000 persons, was more than one and a half times higher than in June of the same year. In the case of freelance employment by way of subcontracting the impact was less marked, showing an increase of a good 20% to more than 6,000 persons. Taking account of such peak moments the postal sector therefore creates even more employment, also indirectly, through temporary employees and employment by way of subcontracting, than is shown in Figure 38.

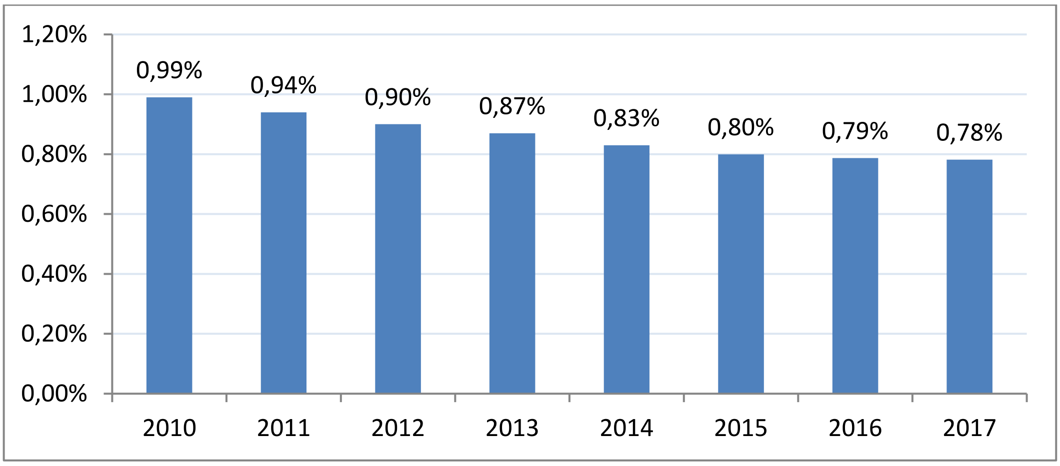
Figure 38: Employment in the postal sector as a wage earner (N, FTE)



Source: NSSO

Compared to total employment we notice that in 2010 some 1% of all employees was directly employed in the postal sector. By 2017, this figure had dropped to a mere 0.78%. Yet, the turnabout in 2017, when employment in the postal sector went up again for the first time, did not manage to counter a further drop of this coefficient. It so happens that total employment grew faster in 2017 than direct employment in the postal sector.

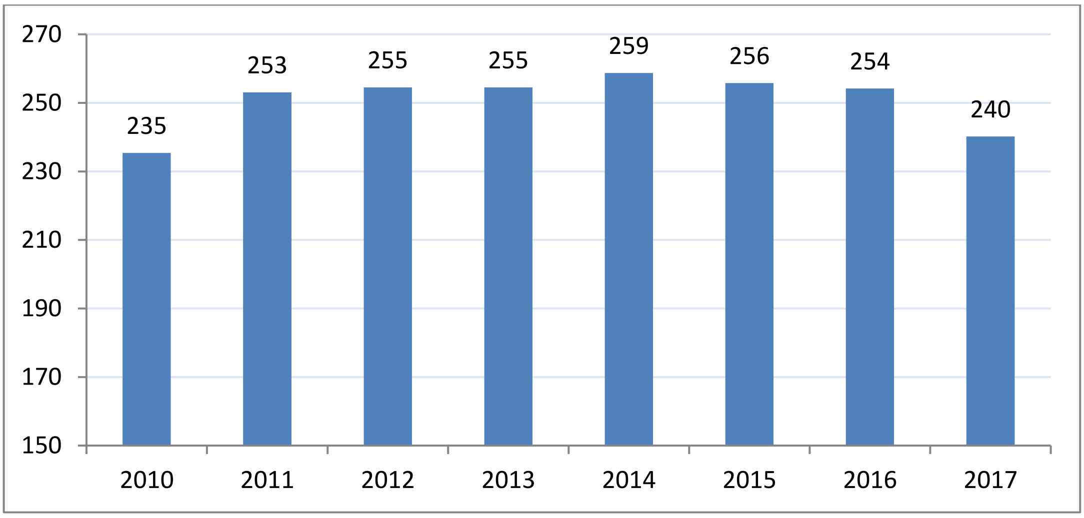
Figure 39: Share of the postal sector in total employment (%)



Source: NSSO[39]

The number of postal items per full-time equivalent in the postal sector was put under pressure in 2017 by two underlying movements. On the one hand the number of employees in numbers and FTEs went up for the first time since 2000 (see Figure 35). On the other hand, the constant decrease in volume in the letter post and press segments continued to weigh on the total volume distributed. The labour-intensive growth segment of parcels and express items requiring extra man power still accounts for only about 10% of total volume in the postal sector. In 2017, on average 240 items, ranging from letters to parcels, express mail, newspapers or periodicals, were processed per postal employee per calendar day, expressed in terms of full-time equivalents (FTE). On average this means fourteen items a day less than in 2016, but at the same time slightly more than the volume of items processed in 2010.

Figure 40: Average number of postal items per calendar day per FTE in the postal sector (N)



Source: NSSO and BIPT

[39] The decentralised NSSO data about total employment are comprehensive and in this case include data coming from (the former) "RSZPPO" (National Social Security Office of Provincial and Local Government Services) and "HVKS" (Social Security Office for the Seafaring Profession).

5. Access to postal services

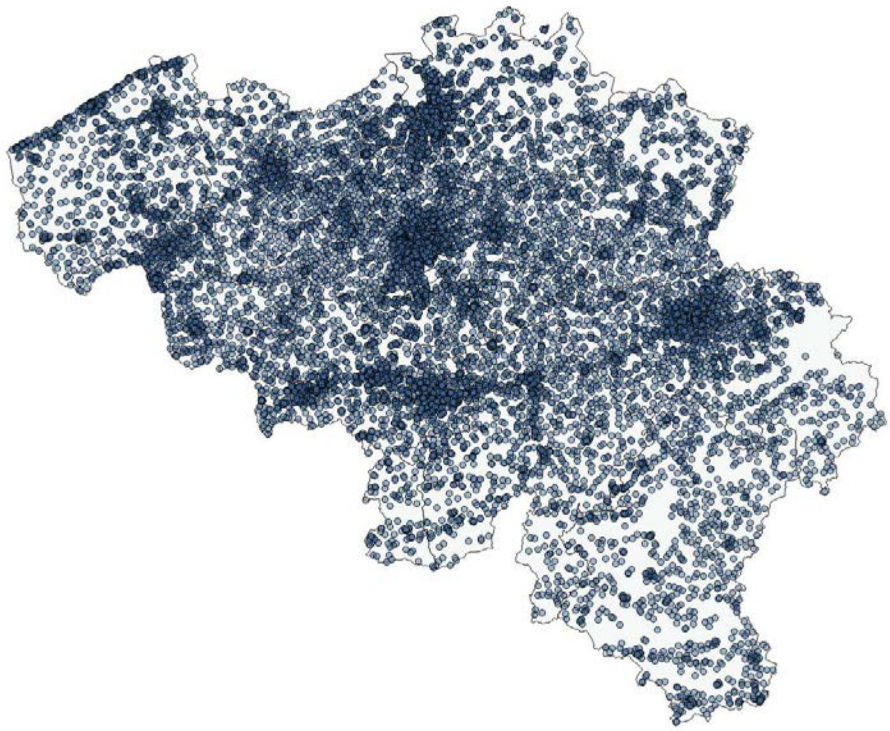
Apart from a good thirty sorting centres and about ten times as many distribution centres, the postal operators in Belgium have a large network of access points for the users. First of all we give a sectoral overview of those access points, before zooming in on the universal service provider's network.

5.1 Sectoral overview

5.1.1 Collection letterboxes

In Belgium, collection letterboxes are made available to users by both the universal service provider bpost and licence holder TBC-Post. In the case of bpost the letterboxes are red[40], and for TBC-Post they are blue. In total our country had 13,250 letterboxes at the end of 2017, thus averaging one per 2 km^2 or per 854 inhabitants.

Figure 41: density of collection letterbox network (both bpost and TBC) (2017)



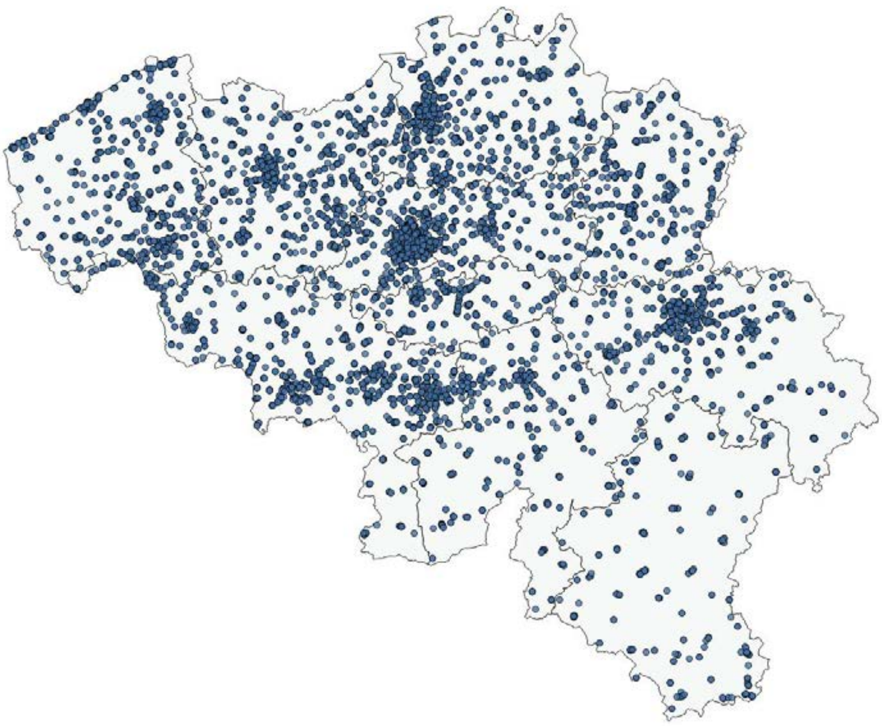
Source: BIPT

[40] Since the end of 2016, bpost has started to roll out new and better protected letterboxes with a red logo on a white background:
https://www.tijd.be/ondernemen/diensten/bpost-zet-slot-op-2-500-rode-postbussen/9823665.html

5.1.2 Staffed points

In the last few years the importance of staffed points has increased considerably since the e-commerce boom. Operators feel forced to offer a network of locations where postal users can collect a parcel or deposit a parcel for shipment or return. Having a large network of staffed points at one's disposal is therefore no longer limited to the universal service provider. In total all operators combined had 7,654 staffed points at the end of 2017. On average that means one staffed point per 4 km^2 or per 1,479 inhabitants. Figure 41 shows that these points can mainly be found in regional capitals and in more densely populated areas. It should be noted however, that the same locations may be represented more than once. It so happens that certain staffed points, such as newsagent's shops or petrol stations, work for more than one operator. In addition, bpost makes its network of staffed points available to DHL Parcel and Kariboo! does the same for PostNL.

Figure 42: density of the staffed points network (2017)



Source: *BIPT*

5.1.3 Parcel machines

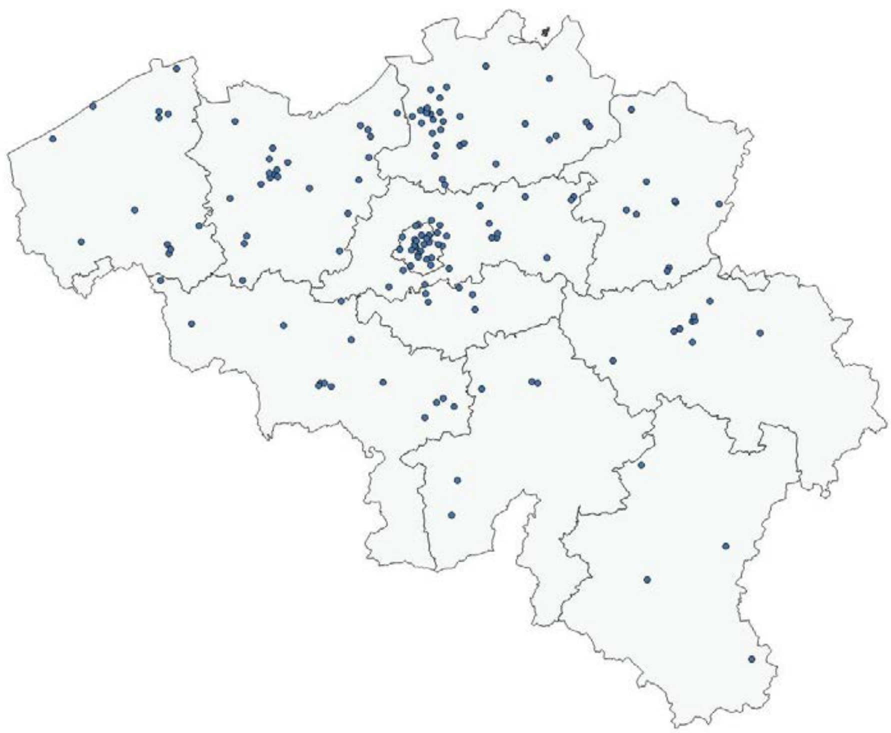
A new trend of recent years are parcel machines.[41] Those machines, equipped with a number of secured lockers, are usually installed at busy locations and can mostly be used 24/7 for sending and/or receiving parcels.

[41] Deutsche Post DHL Group started a pilot project "Packstations" in 2001.

In Belgium bpost started to roll out a network of parcel machines in 2014, both for sending and collecting parcels.[42] Two years later, bpost acquired a majority interest in De Buren, a Dutch parcel machine network. Next, the Belgian bpost parcel machines, just like those abroad, were renamed to 'Cubee'. Moreover, Cubee became an open network available to other operators. At the end of 2017 for instance, GLS also used that network. Bpost set the goal of expanding the Belgian network quickly to 450 parcel lockers by the end of 2018.[43] Apart from Cubee, DHL Express also has parcel machines, albeit only for sending parcels. Apart from that and outside the scope of this observatory, there are also operator-independent initiatives such as BringMe[44] and ParcelHome[45], which offer the possibility of having a parcel delivered at home or at work in a parcel machine.

At the end of 2017 the number of parcel machines in Belgium, of both Cubee and DHL, totalled 152. On average that means one parcel machine per 201 km^2 or per 74,487 inhabitants. Figure 40 shows that parcel machines can mainly be found in regional capitals and in more densely populated areas.

Figure 43: density of the parcel machine network (both Cubee and DHL Express) (2017)



Source: BIPT

[42] Annual report bpost 2014: http://corporate.bpost.be/~/media/Files/B/Bpost/annual-reports/ar-2014.PDF
[43] Bpost press release (4 October 2017): http://corporate.bpost.be/media/press-releases/2017/04-10-2017?sc_lang=nl-BE
[44] https://www.bringme.com
[45] https://www.parcelhome.com

5.2 Universal postal service provider (UPSP)

5.2.1 Postal services access points

In this section the universal service provider's network of letterboxes, post offices and post shops is analysed in more detail.

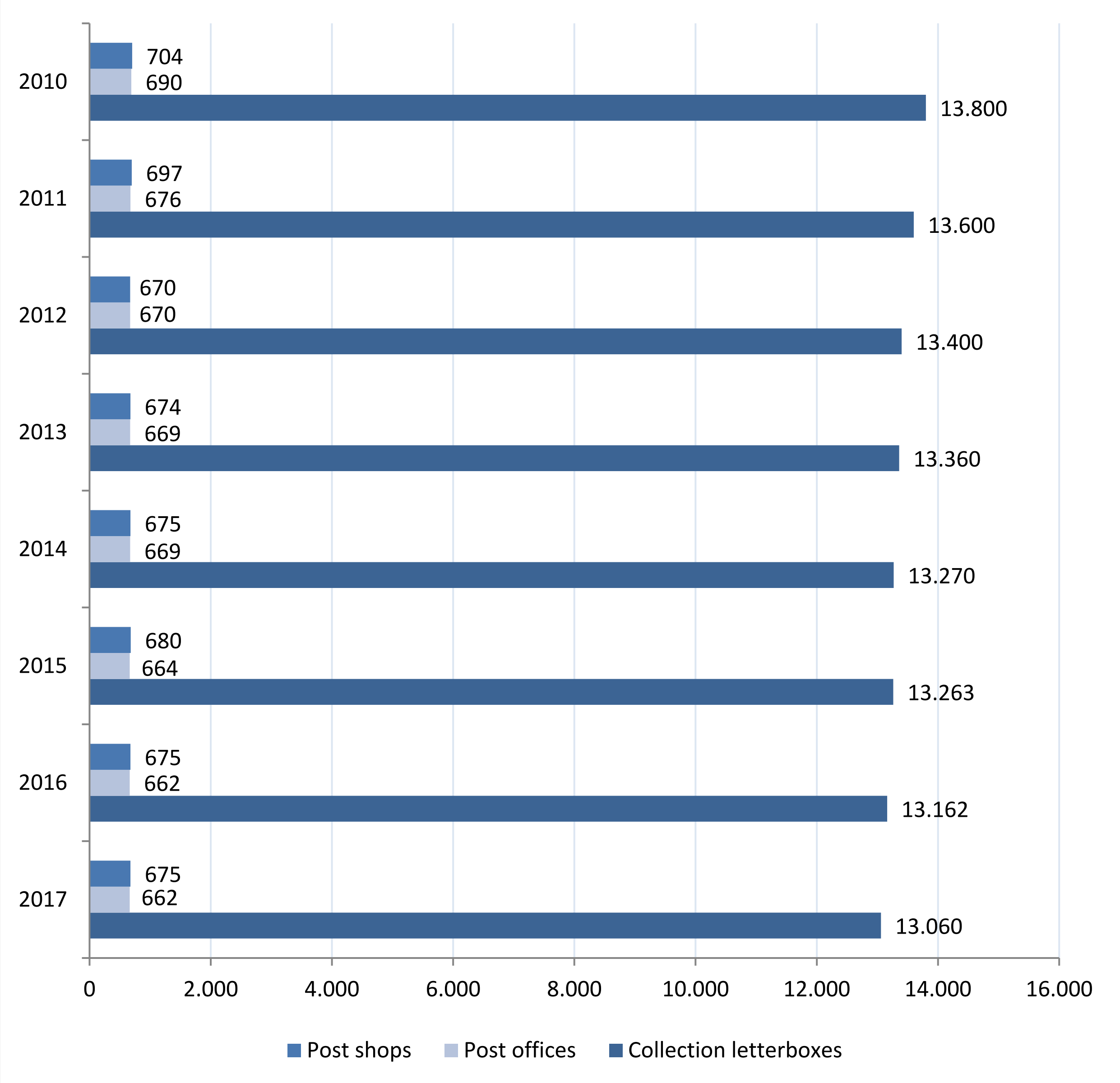
The main difference between post offices and post shops[46] is that the former are run by a postal operator for its own account whereas the latter are run by third parties for the account of a postal operator.

Both the Postal Act and the 6th management contract[47] impose requirements relating to the universal service provider's network. Article 142, 2, 1° , of the Act of 21 March 1991 on the reform of certain economic public companies, which was still valid in 2017[48], lays down that in each municipality of the Kingdom, including the amalgamated municipalities that constituted separate administrative units on 31 December 1971, there has to be at least one access point for the deposit of postal items. Article 10 of the sixth management contract goes further and lays down among other things that there have to be at least 1,300 postal service points, offering at least a basic assortment for the duration of the contract. At the same time, bpost has to guarantee a minimum of 650 post offices, at least one in each of the 589 municipalities.

In 2017, the number of the universal service provider's access points diminished only slightly regarding the collection letterboxes[49], compared to the situation in 2016. In the meantime in comparison with 2010 we notice a decline of 4.1% to 5.4% for all types of access points.

[46] Bpost calls its post shops "PostPunten" (postal points).
[47] This is a service of general economic interest, which is part of the sixth management contract and for which bpost receives an annual compensation. According to the federal budget, adapted credits 2017, the estimated payment concerning the sixth management contract amounted to a total of 93.715 million euro.
[48] In the meantime that article has been replaced by Article 16, § 1, 1°, of the Act of 26 January 2018 on postal services, which sets the same requirements.
[49] Bpost would have plans to have the number of red letterboxes diminish strongly: https://www.tijd.be/ondernemen/logistiek/bpost-schrapt-tot-30-procent-van-de-13-000-brievenbussen/10026275.html

Figure 44: number of access points in the context of universal service provision[50]



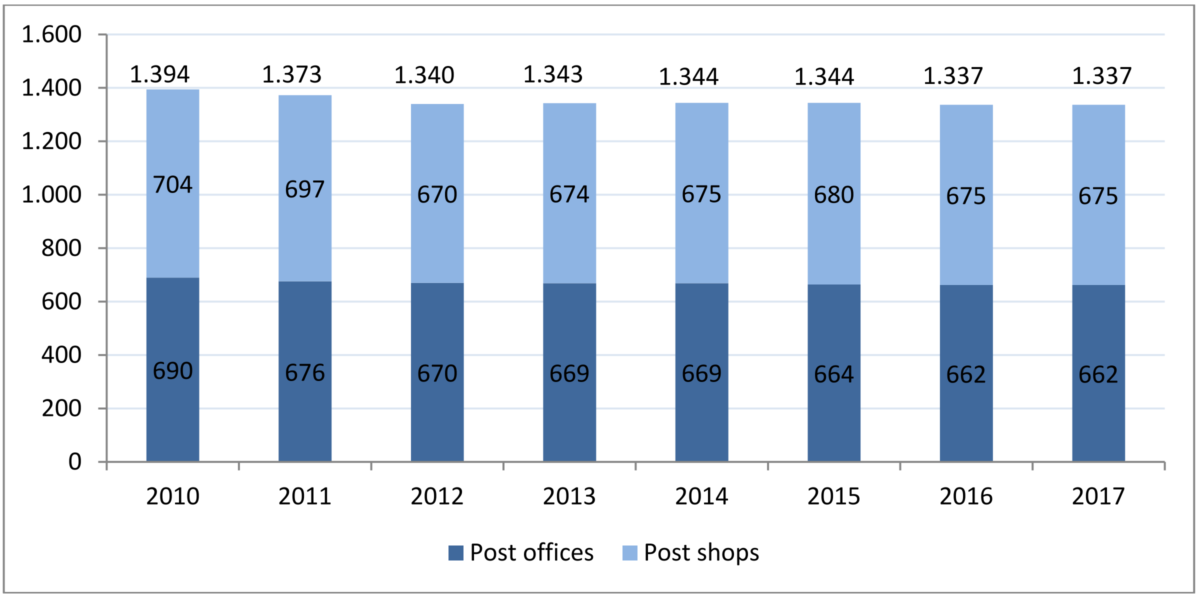
Source: BIPT

5.2.2. Postal service points

In 2017, the universal postal service provider (UPSP) provided postal services through 1,337 service points (post offices or post shops), spread over the whole Belgian territory. That is exactly the same amount as in 2016. Compared to 2010 however, there is a clear decrease by 57 service points, 29 of which are post offices and 28 post shops. But with 1,337 postal service points and more specifically 662 post offices bpost still exceeds the requirements mentioned above.

[50] Only the universal service provider's access points are involved.

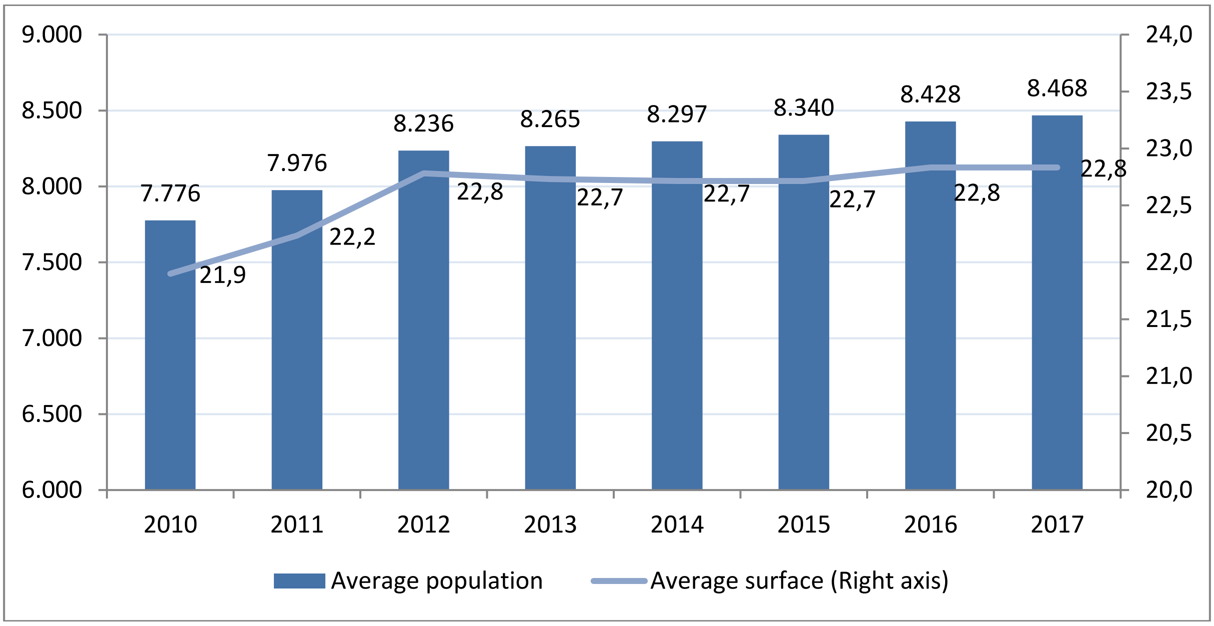
Figure 45: Number of postal service points (UPSP only)



Source: BIPT

Because of a population growth a decreasing number of postal service points logically has to serve more and more people; on average there was one postal service point per 8,468 inhabitants in 2017. On average every postal service point now has to serve 8.9% more inhabitants than was the case in 2010. A postal service point is responsible for serving an area of 22.8 km^2 on average. From a European perspective[51] Belgium is always at the rear of the European pack as far as the number of the universal service provider's postal service points is concerned, both in terms of surface and in number of inhabitants.

Figure 46: Average population (N) and average surface (km^2) served per postal service point (UPSP only)



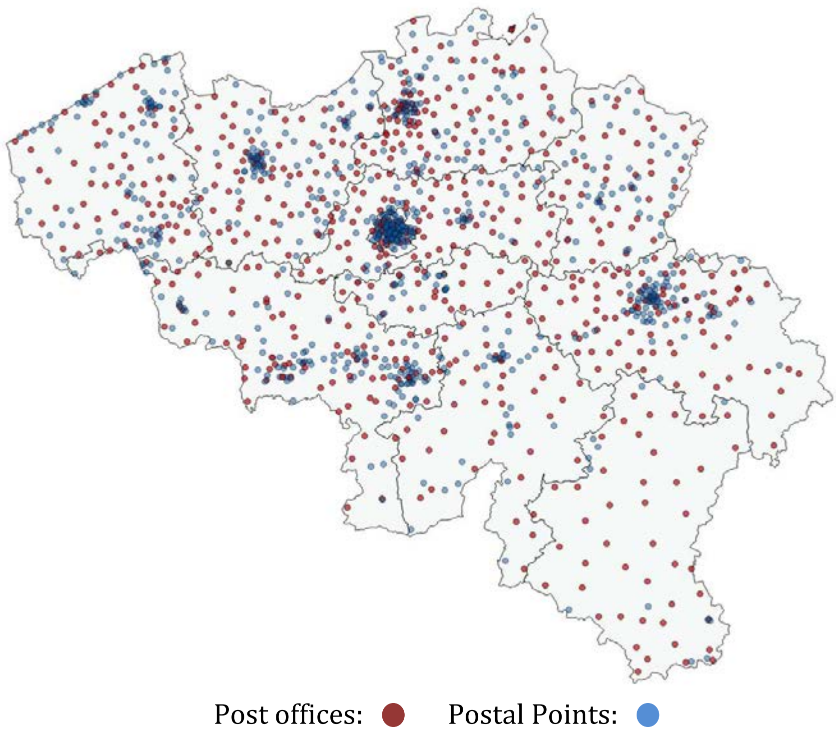
Source: BIPT

[51] ERGP Report on core indicators for monitoring the European postal market, 15 December 2017

The geographical spread of post offices and postal points is detailed in Figure 46.

Although both types of staffed points are about the same in number, their spread is entirely different. More than 60% of the post offices is situated in semi-urban or rural areas, but in the case of postal points almost 70% is situated in a purely urban area. This clarifies the importance of post offices and the obligation to have at least one office per municipality in the context of social cohesion. This is definitely the case in thinly populated regions such as the province of Luxembourg.

Figure 47: Number of postal service points in 2017 (UPSP only)



Source: BIPT

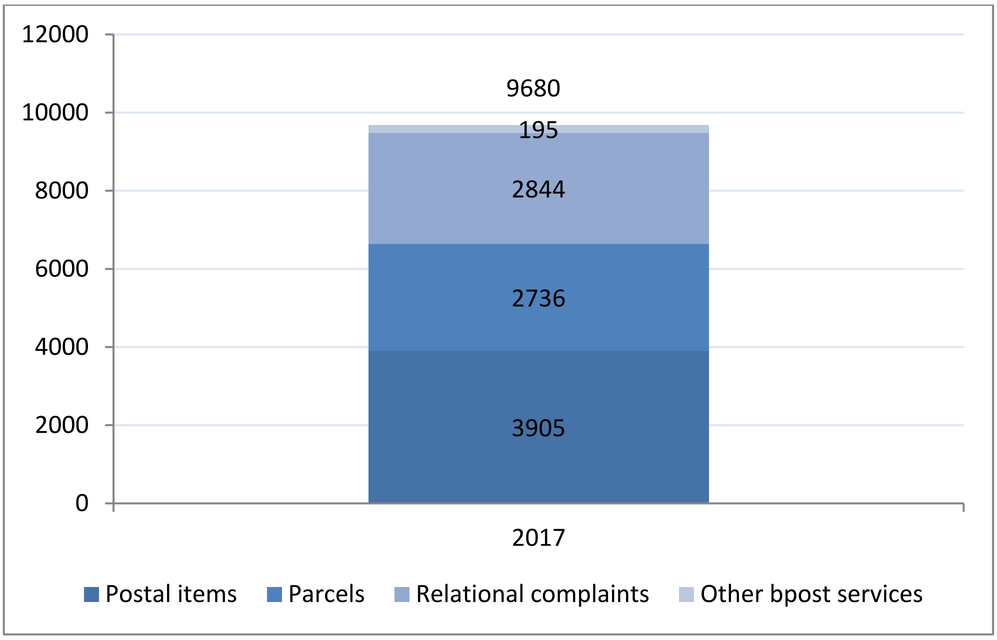
6. Quality of service

6.1 Satisfaction of postal service users

In 2017, the Office of the Ombudsman for the Postal Sector received 9,860 admissible complaints.[52] 40.3% of the submitted complaints related to a ‘postal item’, by which the Office of the Ombudsman means letters, invoices, periodicals and newspapers. Because of the increase in e-commerce activities 28.3% of the complaints is already linked to parcel shipments. About as many complaints (29%) are ascribable to the operator-customer relationship. In those cases the customer did not agree with the answer received or the solution proposed by the operator in question. The remainder of the complaints (2%) has to do with other bpost services that fall within the competence of the Ombudsman for the Postal Sector.

[52] See the 2017 annual report of the Office of the Ombudsman for the Postal Sector.

Figure 48: Number of admissible complaints received by the Office of the Ombudsman per subject (2017)



Source: Office of the Ombudsman for the Postal Sector

6.2 Mail delivery times

Compliance with the delivery times laid down by the fifth management contract concluded between bpost and the State[53] is subject to an annual monitoring by the regulator, based on a specific study on the quality of service[54]. 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. Its postal competitors do not have regulatory quality of service objectives.

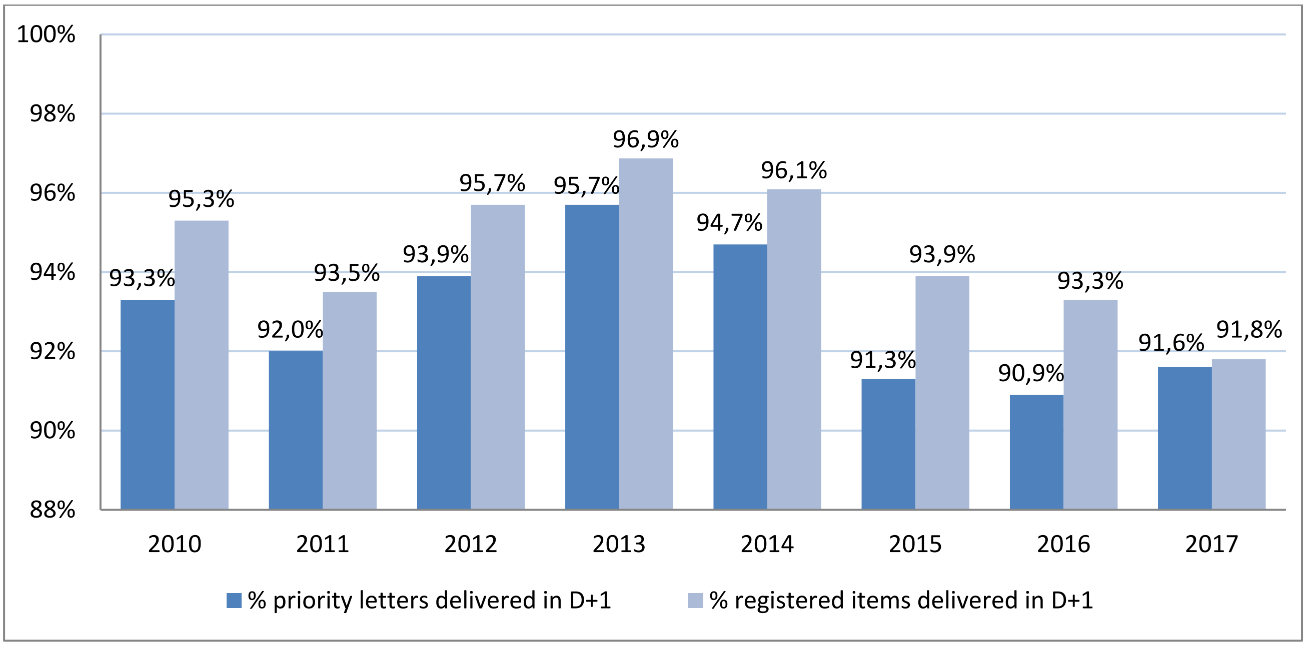
In 2017, 91.6 % of domestic single-piece mail stamped at the "Prior" rate was delivered on D+1, against 90.9 % in 2016. For bpost this score is the lowest but two in the last 10 years (2008 up to and including 2017), despite the fact that a quality bonus existed as part of the old price cap mechanism, which was still valid in 2017.[55] The result is that for the third consecutive year bpost does not meet the legal quality standard, which was raised from 90% to 93% in 2014. As to registered single-piece items, 91.8 % of the volume of those items was delivered on D +1 in 2017, which compared to 2016 (93.3%) corresponds to a further decrease in the percentage of items delivered on time. Contrary to priority single-piece mail there is no legal quality standard for registered single-piece items.

[53] The articles concerned of the 5th management contract are still valid under the 6th management contract, as Article 1.1 of the 6th management contract lays down: "This contract (the "Contract") shall replace, starting from the day referred to in Art. 51, the fifth management contract, as approved by the Royal Decree of 29 May 2013 (hereinafter: "the fifth management contract"), except for provisions of the fifth management contract regarding bpost's universal service obligation, which shall remain valid for the remaining part of the period for which bpost has been designated as the universal service provider, i.e. until 31 December 2018." (free translation)

[54] http://www.bipt.be/en/operators/postal/universal-and-non-universal-postal-services/decision-of-the-bipt-council-of-10-octobre-2016-on-monitoring-mail-delivery-times-for-the-year-2015

[55] See Figure 19 for an evolution of the small user tariff of a domestic standard letter < 50g.

Figure 49: Percentage of Prior letters and registered letters delivered within D+1 (UPSP only)



Source: BIPT

BIPT COUNCIL COMMUNICATION OF 23 NOVEMBER 2018 ON THE BELGIAN POSTAL ACTIVITIES OBSERVATORY FOR 2017

Axel Desmedt
Council Member

Jack Hamande
Council Member

Luc Vanfleteren
Council Member

Michel Van Bellinghen
Council Chairman