

B I P T

**BELGIAN INSTITUTE FOR POSTAL SERVICES
AND TELECOMMUNICATIONS**

**COMMUNICATION BY THE BIPT COUNCIL
OF 30 NOVEMBER 2016
REGARDING
THE BELGIAN POSTAL ACTIVITIES OBSERVATORY FOR 2015**

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1. Methodological foreword

The scope of the players considered for this edition of the observatory of postal activities in Belgium is slightly different from the one selected for the previous edition, in that more players are included: the number of postal operators questioned for the 2015 edition amounts to 22 against only 17 operators before. The scope was expanded with a view to publishing statistical data that are as representative as possible of the Belgian postal market as a whole. The additions came about naturally on the one hand following the split of an already participating operator into two companies. On the other hand a few interesting players or promising entrants to the market were added. To the extent possible information from previous years was obtained from these companies too, in order to avoid jumps in our time sequence.

As for the parcel and express mail segment we have made a few changes in this edition of the observatory. For instance, we have eliminated a few cases of double counting retroactively, also being extra alert to avoiding double countings that could arise from the existence of shared sending and receiving points. These adaptations also have a limited effect on the total sector turnover indicated, which is now slightly lower for the entire duration considered. In the section about parcels and express mail, domestic, international incoming and international outgoing items are also discussed from this edition on.

2. Introduction

Since the beginning of 2012, the Belgian Institute for Postal Services and Telecommunications (BIPT) has been observing the postal activities market in Belgium, as part of the tasks 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 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 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, in the meantime covering a time sequence from 2010 to 2015, adopts the indicators published in the previous edition, but also adds some new ones. Extra attention is now given to the parcel and express mail segment.

The trends that started in the previous years continued on the Belgian postal market in 2015. 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 is only just able to counter the drop of the other segments. As a result the postal market stagnates on a total turnover of 2.392 billion euro.

In spite of a decreasing degree of concentration the Belgian postal market remains highly concentrated in 2015. The four major providers for example still have a very high common market share of 87.4%, which was 91.4% in 2010. By itself bpost, which is active in all postal segments, keeps a substantial market share of more than 60%, a dominant position, which has been declining slightly though since 2010, when it still exceeded 70%.

Letter post, including direct mail, still represented 53% of total turnover within the postal sector in 2015. The parcels and express segment meanwhile already accounted for 42% of the revenue achieved. 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 9 percentage points to the advantage of the parcel and express segment.

Between 2014 and 2015 the volume of letter post per inhabitant continued to fall by 5.6%, reaching 162 items per inhabitant on an annual basis. Transactional letter post still accounts for the great majority (60% in 2015). Direct mail and international letter post accounted for 28% and 11% respectively of the total volume of letter post in 2015. Revenue from letter post also decreases, now amounting to 1.244 billion euro compared to 1.281 billion euro in 2014, i.e. a 2.9% decline.

In the parcel and express mail segment there was an almost continuously linear growth of volume between 2010 and 2015 of 11% on average on an annual basis. In 2015 too, a 12.4% growth was recorded, reaching 139 million items. By now, on average one parcel per capita is sent each month. 41% of the total number of parcel and express services in 2015 was domestic. 29% of the cases were outgoing international items. The remaining 30% were incoming international items. Between 2014 and 2015 revenue in this segment increased by 3.5% to reach 986 billion euro.

The volume of distributed press again declined in 2015, by 2.6%. For the second consecutive year also revenue shrank by 3.7%. Nevertheless, press distribution to subscribers still accounts for a total turnover of 124 million euro in Belgium. The compensation paid to bpost by the government for delivering press to the subscribers is not included in the revenue considered.

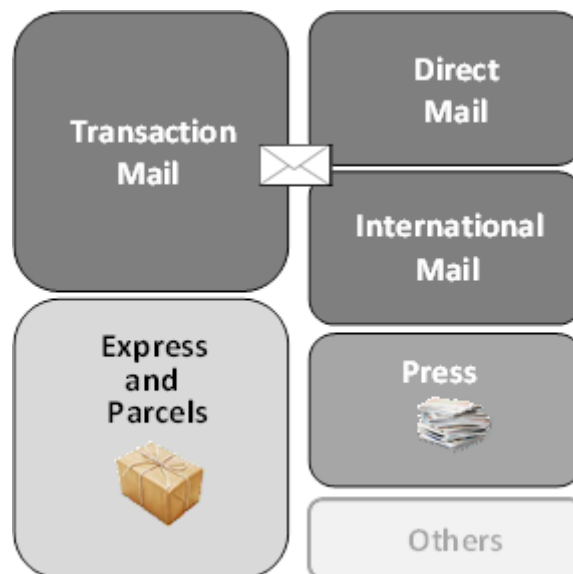
After years of growth investments in the postal sector fell relatively sharply in 2015. 90 million euro, or 16 million euro less than in 2014 was invested in the postal sector. This amounts to 3.7% of turnover achieved. By contrast the loss of jobs was limited to -2.1%. This levelling, despite a continuous decline in bpost's workforce since the beginning of our time series in 2010, can be explained by an increase in the alternative operators' number of employees. By 2015 for instance 20.1% of workers in the sector was employed by an alternative operator.

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

3.1 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 observatory¹



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, these are not taken into account 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: in 2015, 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).

¹ The content of the “transactional mail” category is described under 4.2.2.

3.2 Operators questioned for the purposes of the observatory

In this context an effort has been made to paint a picture as exact as possible of the sector, based on a set of operators as representative as possible. A total of 22 companies were involved in the survey.

Besides the historical postal operator - **bpost** - in charge of the universal service until 31 December 2018 and present in all 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 bigger postal companies from 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.

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 in Europe about 436 million parcels a year to over 220,000 customers. Its resources include 39 hubs, 688 depots and more than 14,000 workers. In Belgium, GLS has 2 hubs and 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 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 post, catalogues and bills at international level on a daily basis.

Asendia, a subsidiary of the French La Poste and the Swiss company Swiss Post, does not only target the parcel and express mail segment, but also international business letters and direct mailings, newspapers, periodicals and company publications.

Another important player in the parcel segment and well-known to private users is **Kiala UPS Access Point**. This operator is present in 9 European countries² through 13,000 locations, more than 1,500 of which are spread over the Belgian and Luxemburg territories.

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 23,000 pickup points in Europe, also has a network of 600 pickup points spread over the Belgian territory.

² France, Belgium, Luxemburg, the Netherlands, Italy, the United Kingdom, Poland, Spain and Germany.

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 (in one day) 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 parcels in Belgium, Luxemburg and the neighbouring countries.

Kariboo! was established in 2014 by LS distribution Logistics³, has a distribution centre in Mechelen and, just as Kiala 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.

Sprintpack is a newcomer, which focuses on the e-commerce market, with the ambition to satisfy the needs regarding domestic and cross-border items as well as IT needs for e-retailers.

As regards the press segment, bpost ensures the public service of early newspaper delivery (before 7.30 a.m.) 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 newspaper delivery, including Asendia mentioned above.

The main challenger in the segment of newspaper delivery is **PPP**. This company, which was separated from the former parent company Belgische Distributiedienst (BD) following a management buy-out in 2015, is mostly active in the distribution of newspapers in Brussels and Antwerp.

Belgische Distributiedienst (BD or Belgique Diffusion) 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 obviously includes operator **TBC post**, the first licensed player to operate in the letter post segment, previously reserved for bpost.

So, this manifest fragmentation of the Belgian postal market should not hide the concentrated nature of the postal services market: 87.5% of the turnover achieved on the market for postal services provision originates from the 22 players identified in the table below.

³ The Competition Board of the Belgian competition authority has recently conditionally approved the take-over of AMP and LS Distribution Benelux by bpost (according to Trends on 10 November 2016: <http://trends.knack.be/economie/bedrijven/bpost-krijgt-voorwaardelijk-groen-licht-voor-overname-amp-en-krantenwinkels/article-normal-775165.html>).

Compared to last year's observatory five players were added to our sample of the Belgian postal market. On the one hand this naturally resulted from the separation of PPP from its former parent company Belgique Diffusion/Belgische Distributiedienst. On the other hand interesting players or newcomers were added, such as Asendia, Belgium Parcels Service, Kariboo! and Sprintpack. To the extent possible information from previous years was obtained from these companies too, in order to avoid jumps in our time sequence.

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 2015)

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

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

4. Description of the Belgian market for the provision of postal services from 2010 to 2015

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 shown.⁴

According to the data of the National Bank⁵ total revenue in the postal sector amounted to 2,735 million euro in 2015. In the year 2015, the companies included in our survey together represented 87.5% or 2,392 million euro of the sector turnover registered by the National Bank of Belgium. The remaining difference in total turnover, i.e. 12.5%, partly stems from the fact that we only consider postal turnover⁶, whereas the National Bank takes into account the total turnover of a specific company.

In 2015, total turnover in the postal sector stagnated. The data from the National Bank still indicate a minor growth of 0.42%, but in our sample there is already a minimal decrease of 0.12%. As a result the growth in the segment of parcel and express mail items is just enough to counter the waning evolution of the other postal segments.

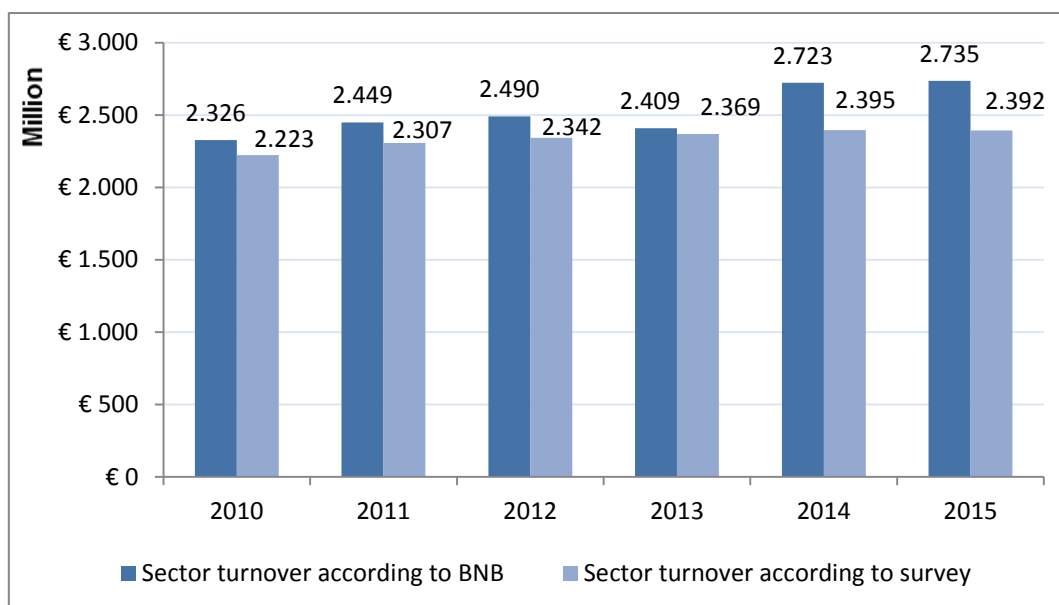
However, in 2015, the turnover of all companies in our sample was still 7.6% higher than in 2010. In the rest of this report the turnover figures from our survey are used.

⁴ 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.

⁵ The comprehensiveness of the National Bank data shown may differ from year to year, depending on the number of companies that have submitted their annual accounts.

⁶ 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.

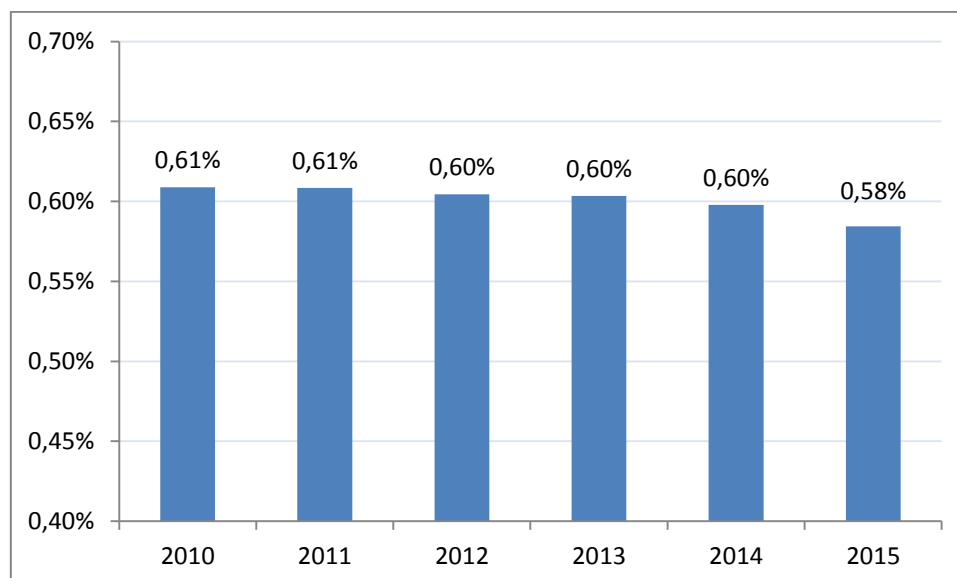
Figure 3: Evolution of revenue in the postal sector for the 2010-2015 period according to the NBB data and BIPT's survey (in million EUR)



Source: NBB and BIPT

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.

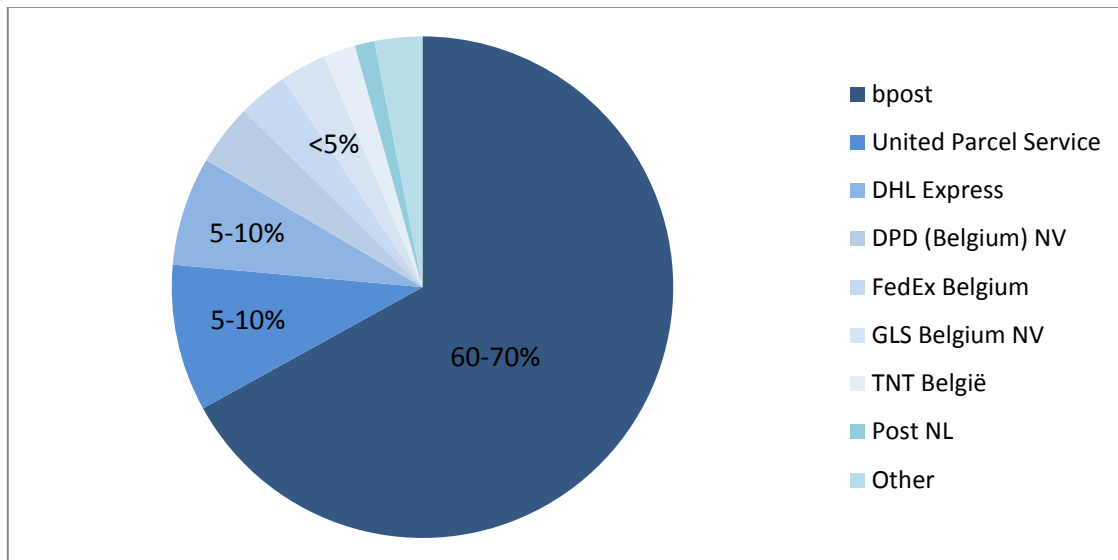
Figure 4: Share of postal activities in Belgium's GDP (%)



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 2015. 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 2015 (%)



Source: BIPT

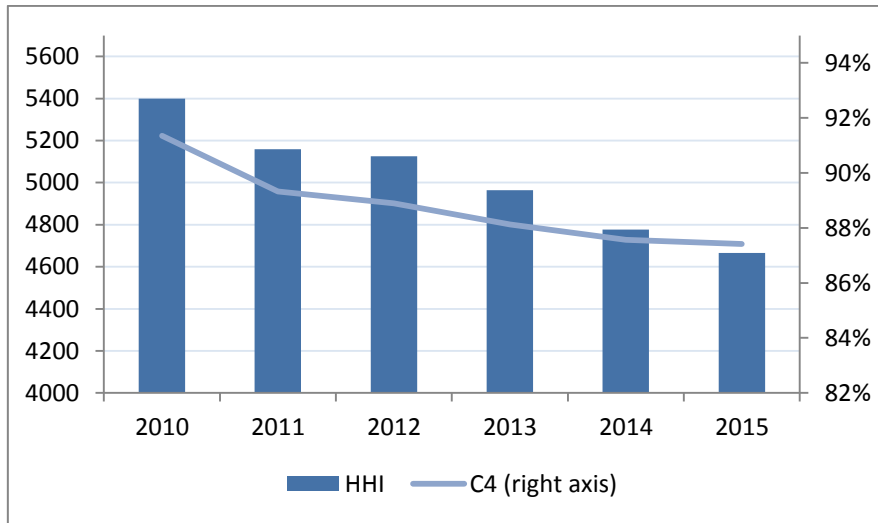
4.1.2 Market concentration

Figure 5 clearly showed already 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 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 2015. For instance, the four main providers still hold a very large compound market share of 87.4%. In 2010 this amounted to 91.4%.

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



Source: BIPT

4.1.3 Importance of the segments

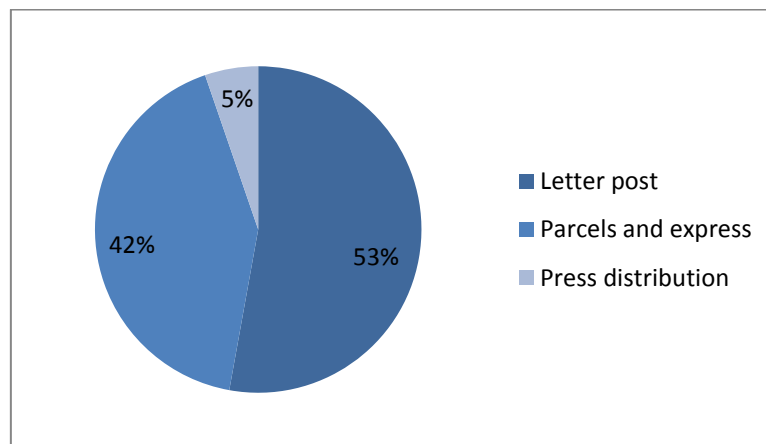
The postal sector can be divided into the segments letter post, parcels and express mail and press distribution to subscribers.

Letter post, including direct mail, still represented 53% of total turnover within the postal sector in 2015. The parcels and express segment meanwhile already accounted for 42% of the revenue achieved. The segment of press distribution to subscribers at home generated 5% of the revenue. The compensation paid to bpost by the government for delivering press to the 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 9 percentage points to the advantage of the parcel and express segment.

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 in 2015 (%)



Source: BIPT

4.2 Focus on the letter post segment

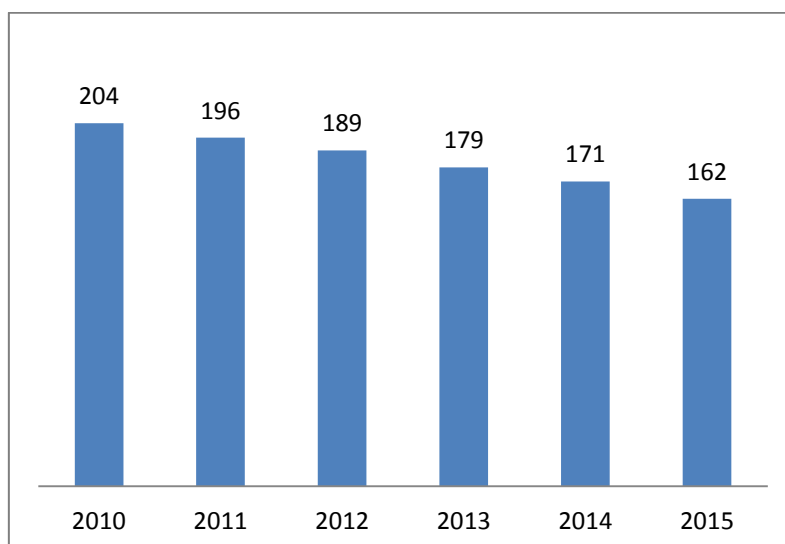
4.2.1 General overview

Within the context of this observatory the letter post segment 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).

4.2.1.1 Volumes

Since 2010, we notice a decline of the letter post market. Between 2014 and 2015 the volume of mail per inhabitant continued to decrease by 5.6%, reaching 162 postal items per inhabitant on an annual basis in 2015. In 2010, there were still 204 items per inhabitant.

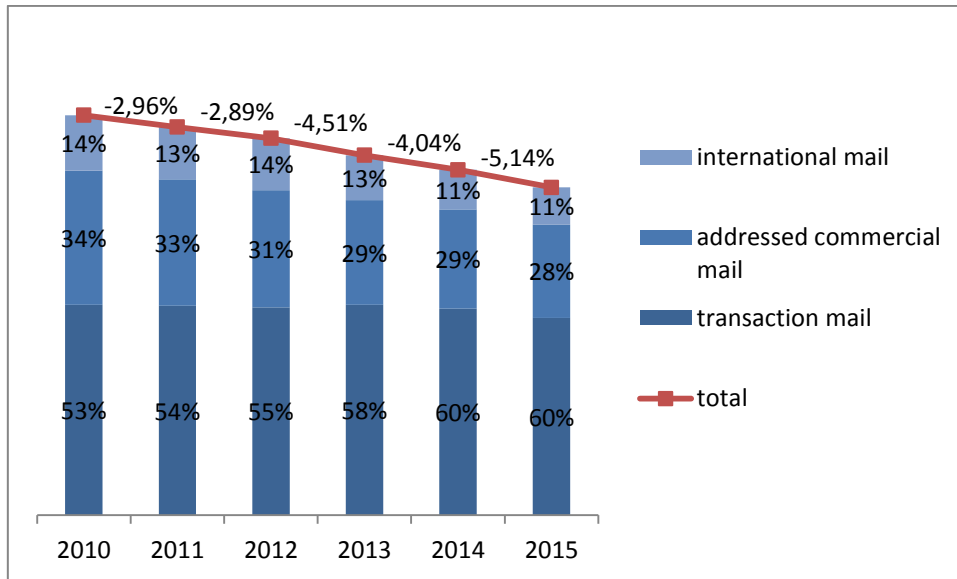
Figure 8: Mail volume per inhabitant (N)



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 (60% in 2015). Direct mail and international letter post accounted for 28% and 11% respectively of the total volume of letter post in 2015.

Figure 9: Letter post volume (evolution 2010-2015)



Source: BIPT

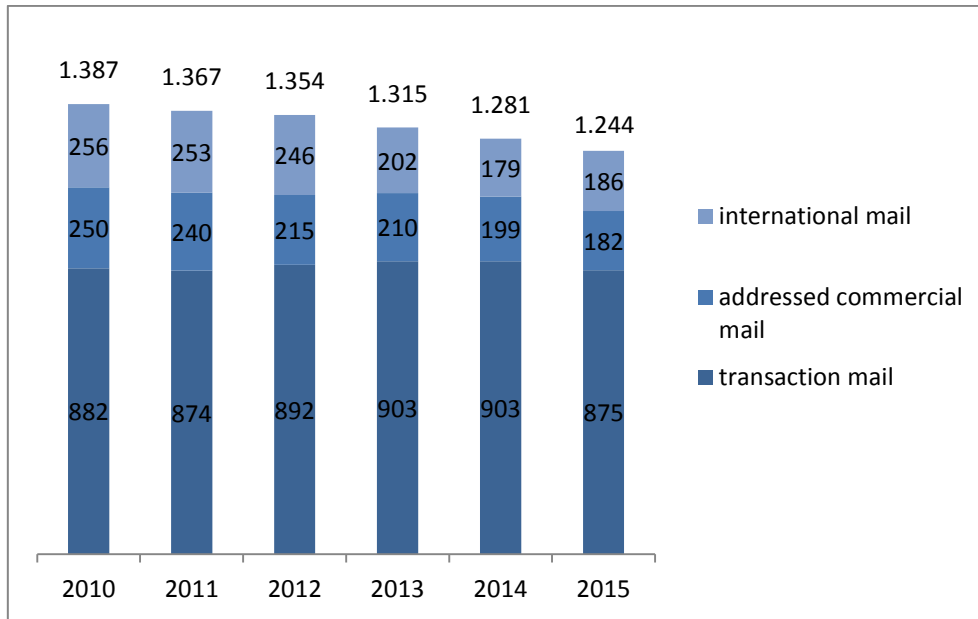
While the volumes per inhabitant have decreased by 5.3% between 2014 and 2015, total volumes have experienced a 5.1% overall decline over the same period, thus continuing the decrease observed since 2010. We notice that in 2015, the erosion of volumes accelerates compared to the decrease in 2014 (-4.0%).

4.2.1.2 Revenue

In 2015, revenue from letter post continues to fall, a tendency that had already started in 2010; it now amounts to 1.244 billion euro compared to 1.281 billion euro in 2014, i.e. a 2.9% decline.

As illustrated in Figure 10 below the large majority of the value in this segment still comes from transactional mail, which by itself accounts for more than 70% of total revenue in that segment.

Figure 10: Income in the letter post segment (million EUR)



Source: BIPT

4.2.2 Transactional mail

The notion of transactional mail used within the context of this observatory refers to mail that is 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).

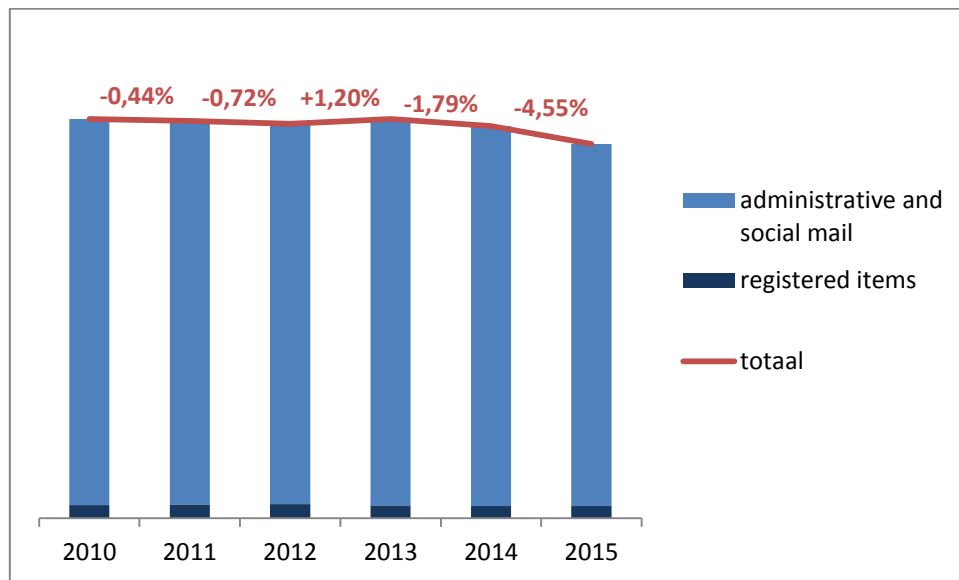
International letter post is not included in this subsection either since it is treated separately (see 4.2.4).

Transactional mail can be sent as single-piece (through the red 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 expedition, in which case we talk about bulk mail.

4.2.2.1 Volumes

Revenue may have remained stable but the volumes of transactional mail processed by postal operators have continued to dwindle. In 2015, the 4.55% decrease caused the decline in 2014 to quicken (-1.79%). This decline is mainly due to e-substitution options for end-users (such as the rise of mobile telecommunications and electronic alternatives to transactional mail).

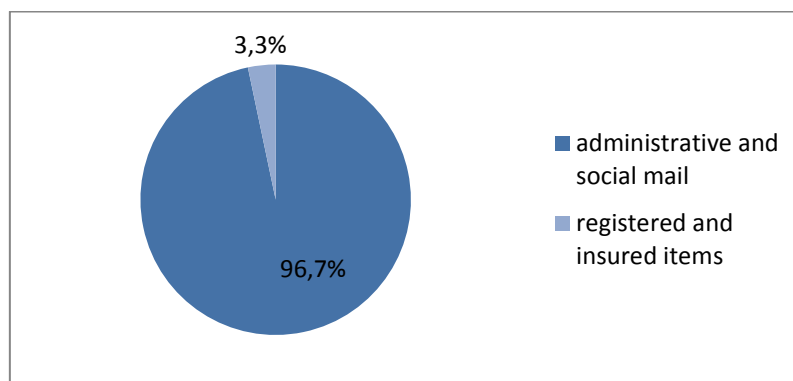
Figure 11: Evolution of volumes of transactional mail (2010-2015)⁷



Source: BIPT

As for the composition of the volume of transactional mail in 2015 the large majority was administrative and social mail (96.7%), registered items and insured items accounting for only 3.3% of the total volume. This division of volumes between administrative and social items and recorded items remains stable over the 2010-2015 period.

Figure 12: Division of volumes of transactional mail (2015)

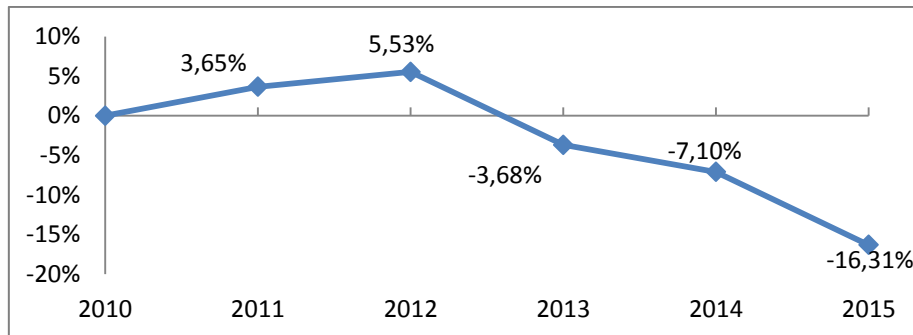


Source: BIPT

⁷ 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 (-9,21 percentage points). This erosion of volumes slowed down a bit in 2014, but continues in 2015.

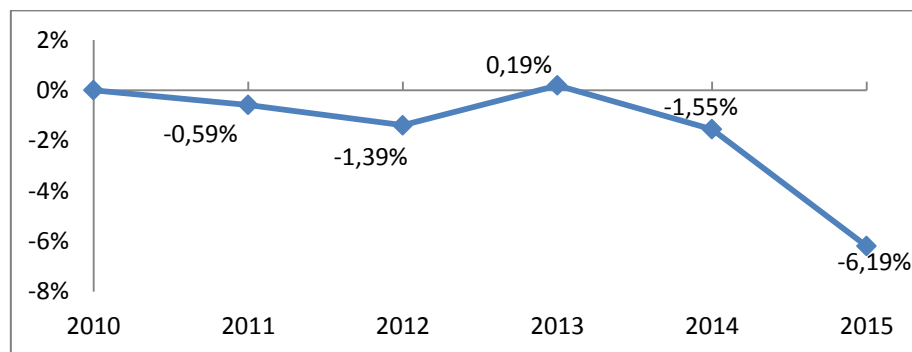
Figure 13: Evolution of the volumes of registered items since 2010 (CAGR)



Source: BIPT

The volumes of administrative and social mail have eroded by 6.19% over the 2010-2015 period.

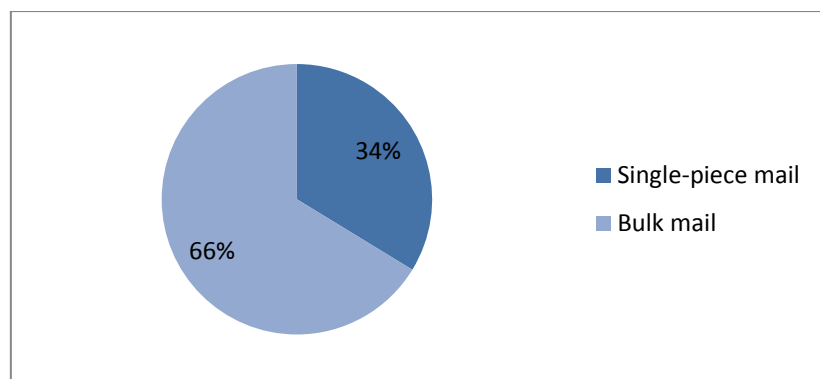
Figure 14: Evolution of the volumes of administrative and social mail since 2010 (CAGR)



Source: BIPT

In 2015, transactional mail volumes were mainly composed of bulk mail. As for the distribution of volumes between single-piece mail and bulk mail the ratio was one-third/two-thirds respectively.

Figure 15: Distribution of the transactional mail volumes between single-piece mail and bulk mail (2015)



Source: BIPT

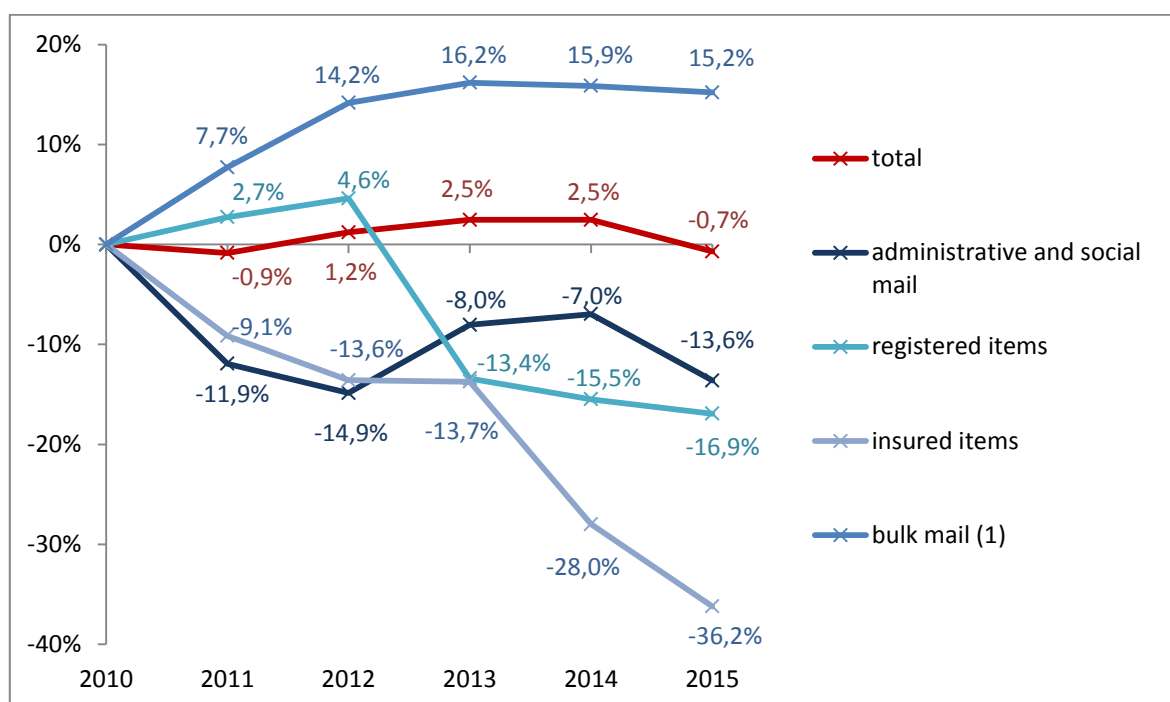
4.2.2.2 Revenue

As illustrated in Figure 16 below, total revenue for transactional mail has dropped by 0.7% between 2010 and 2015. Revenue has decreased by 3.10% between 2014 and 2015.

Among the various products that constitute transactional mail, revenue over the 2010-2015 period decreased most dramatically, by -36.2% in value, for insured items.

While revenue relating to single-piece products⁸ has generally declined, there is 15.2% growth in revenue from bulk mail⁹. Nevertheless, it should be pointed out that for bulk mail there is also a downward trend since recently (-1 percentage point compared to 2013).

Figure 16: Evolution of revenue from transactional mail since 2010



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.

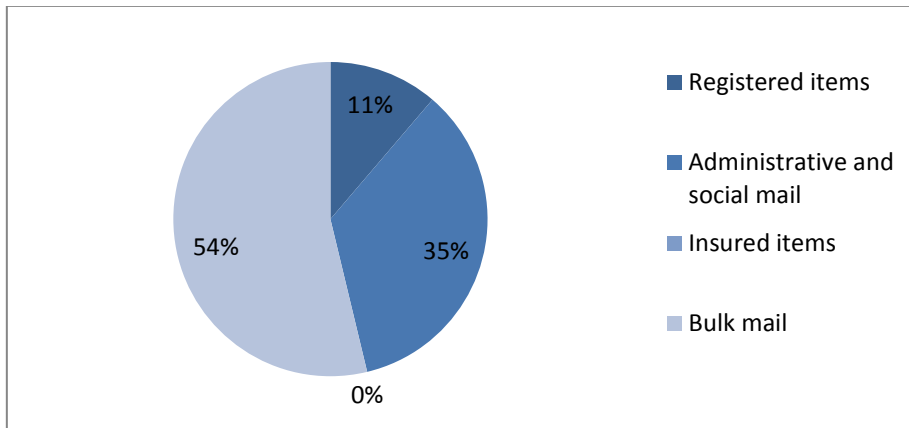
Looking more closely at the composition of revenue linked to the handling of transactional mail in Figure 17, we notice that bulk mail accounted for 54% of this revenue in 2015, compared to 46% for single-piece items.

Out of this 46% of single-piece mail, administrative and social mail accounted for about 35% and registered items for the other 11%. The proportion of revenue generated by insured items is quite trivial as it did not even account for 1% of total revenue in 2015.

⁸ See the trends for administrative and social mail, registered items and insured items in Figure 16, which only relate to single-piece mail.

⁹ Bulk mail encompasses both administrative mail and recorded items.

Figure 17: Division of revenue from transactional mail (2015)



Source: BIPT

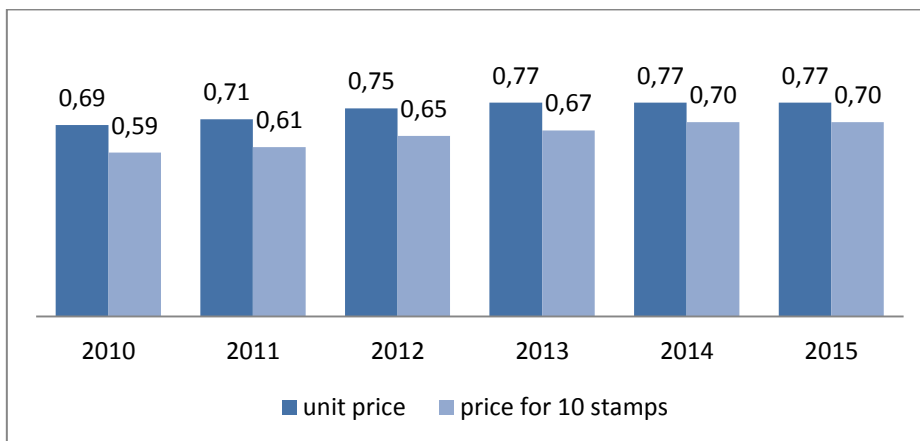
4.2.2.3 Price

The nominal rate of a domestic standard letter in Belgium remained stable in 2015 compared to 2014; in 2015 too, the cost of a stamp amounts to € 0.77.

For stamps both the piece-rate and the cost price when sold per 10 units (€ 0.70) remained the same.

If we look at the trend since 2010, we see that the price of a stamp has risen by 11.6%. 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%.

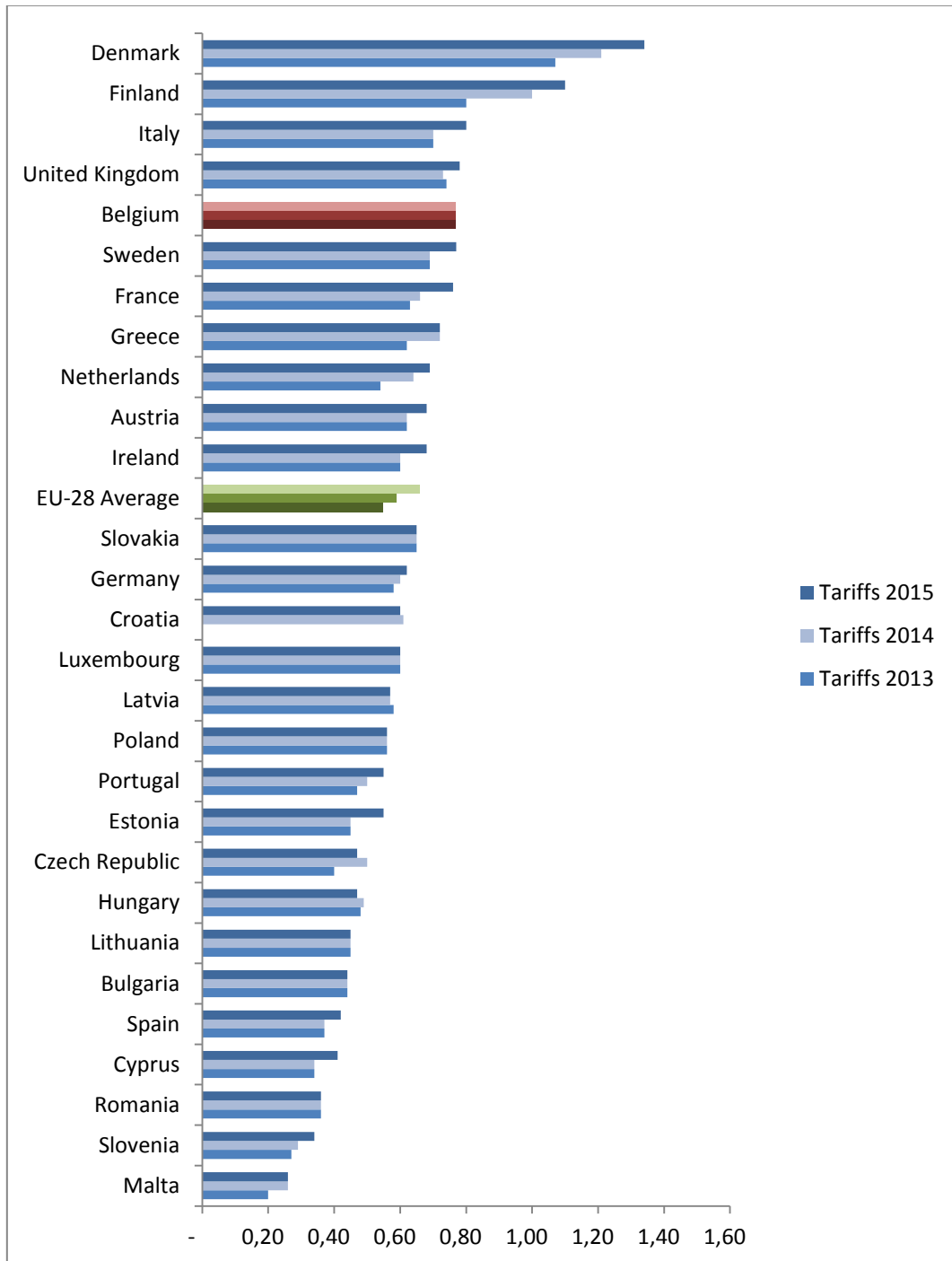
Figure 18: Price of the domestic standard letter service < 50 g (€)



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 19 below. In 2015, the European average postage charge for a domestic standard letter was € 0.66, the most expensive country being Denmark (€ 1.34) and the cheapest Malta (€ 0.26).

Figure 19: Price of the domestic standard letter service in Europe (€)

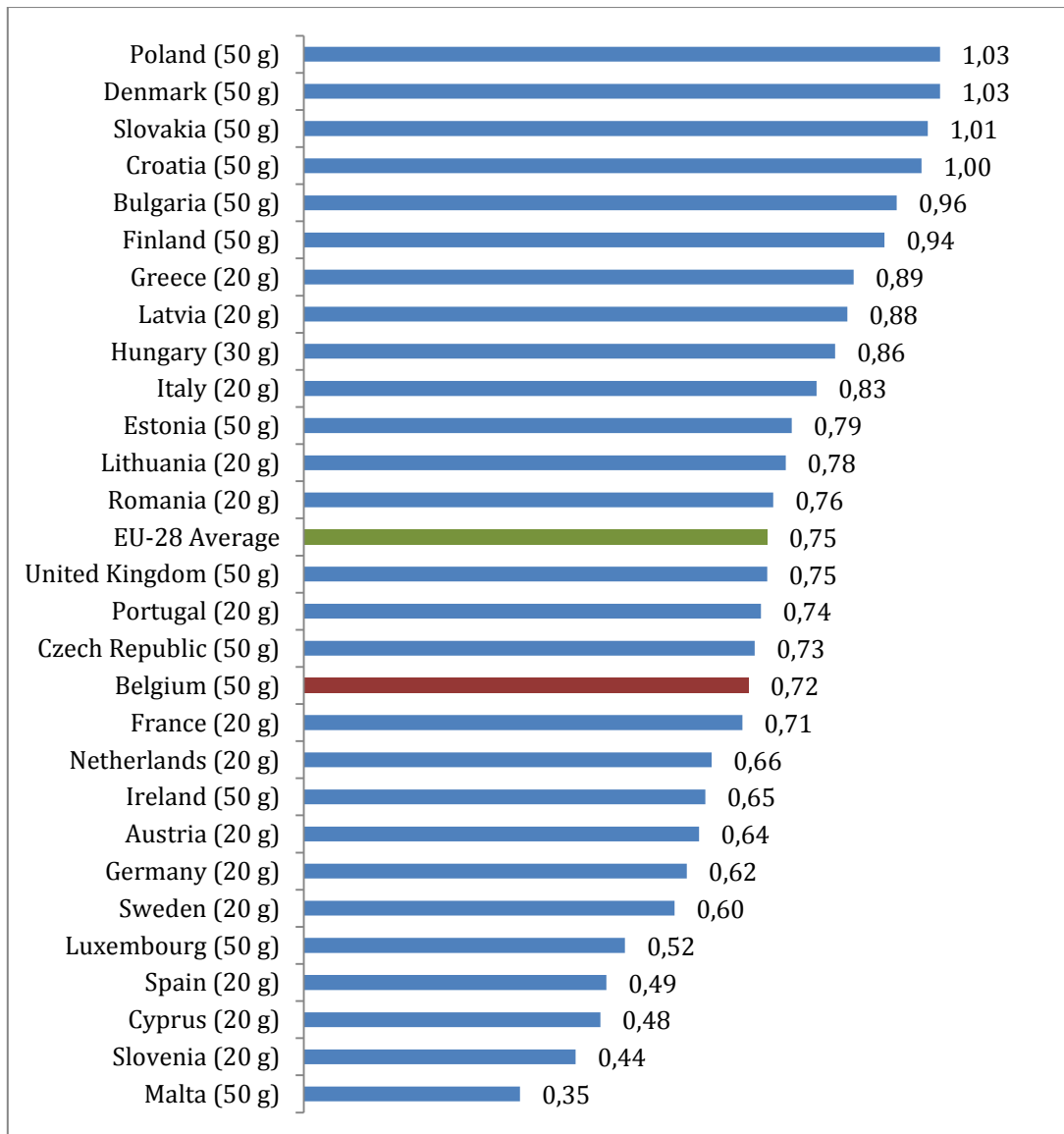


Source: Deutsche Post, Letter Price Survey (2013, 2014 and 2015)

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), thus making a direct comparison possible whereby differences in standards of living between countries are neutralised.

Following an increase of the EU28 country average (from € 0,70 in 2014 to € 0,75 in 2015), Belgium ends up just below this average in 2015.

Figure 20: 2015 price expressed in purchasing power parity (PPP) of the domestic standard letter service in Europe (€)



Source: Deutsche Post, Letter Price Survey (2015)

4.2.3 Direct mail

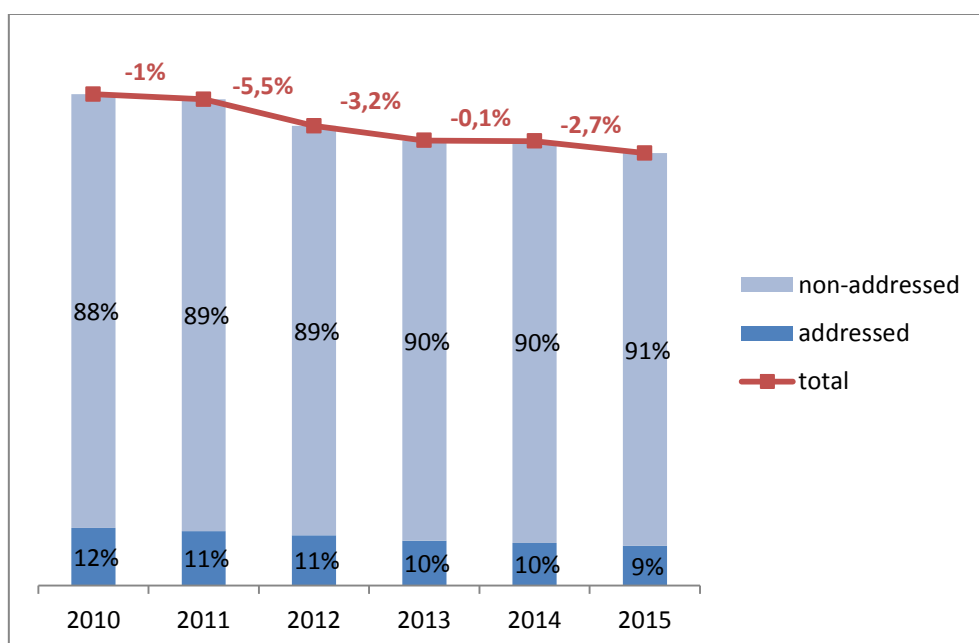
Just like transactional mail, direct mail is part of the letter post segment. By contrast, non-addressed advertising leaflets are not part of it because the delivery of non-addressed items does not constitute a postal service. However, they are taken into account within the context of this section in 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.

4.2.3.1 Volumes

Since 2010 the volume of printed advertising has been declining continuously. The volume of both non-addressed items (-2.2%) and direct mail (-7.1%) have continued to decline in 2015.

In volume, direct mail items represent only a little over 9% of the total; the large majority of advertising mail items being non-addressed.

Figure 21: Evolution of advertising volumes (2010-2015)



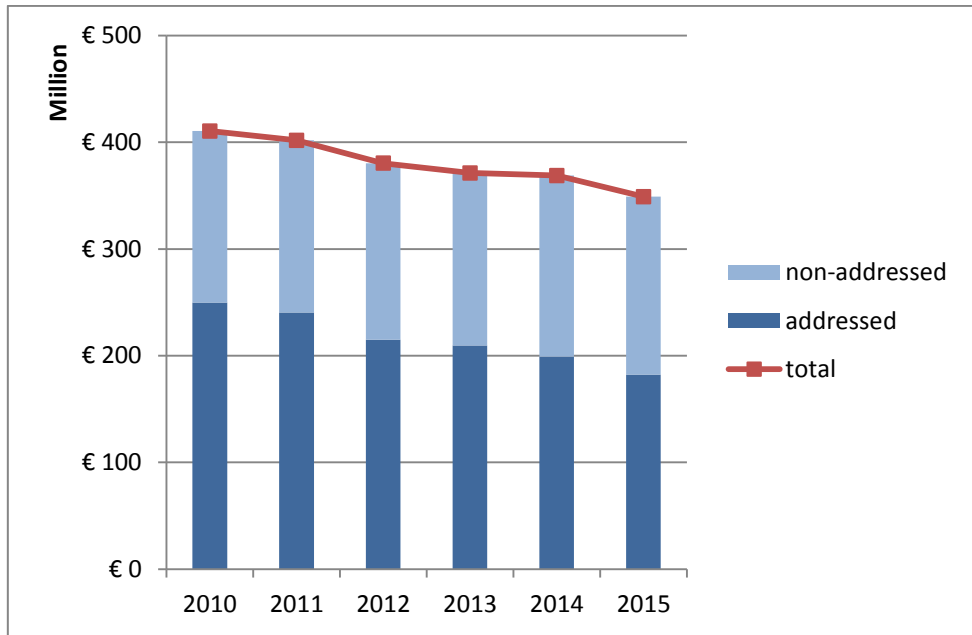
Source: BIPT

4.2.3.2 Revenue

In general, revenue from addressed and non-addressed advertising mail has been declining since 2010. Total revenue from (addressed or non-addressed) printed advertising mail dropped from more than 410 million euro in 2010 to a little less than 349 million euro in 2015, i.e. a decrease in revenue of about 15%.

This decrease in revenue is mainly due to direct mail, the revenue of which has proportionally decreased more than that of non-addressed items.

Figure 22: Evolution of revenue from advertising (2010-2015) (in million €)



Source: BIPT

4.2.4 International mail

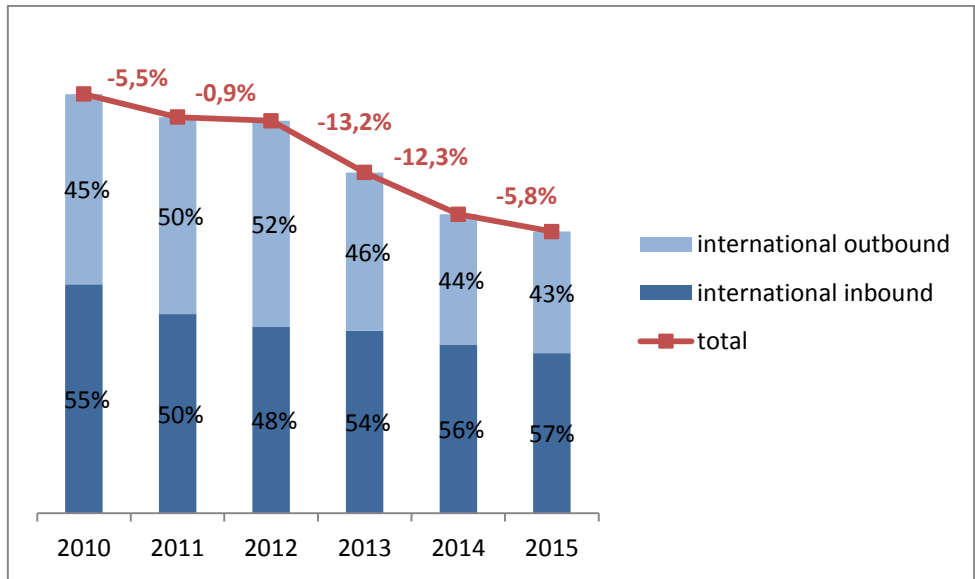
Besides transactional mail and direct mail, letter post also consists of a third and last category of mail, i.e. international mail.

International mail refers to the flows of mail items 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 - as well as outgoing ('international outbound') - in those cases the mail is sent from Belgium to other countries.

4.2.4.1 Volumes

The graph below shows the decrease of incoming and outgoing volumes. Though the sharp decreases in 2013 (-13%) and 2014 (-12%) are not equalled in 2015, the decrease is still significant amounting to a little under 6%.

Figure 23: Evolution of volumes of international mail



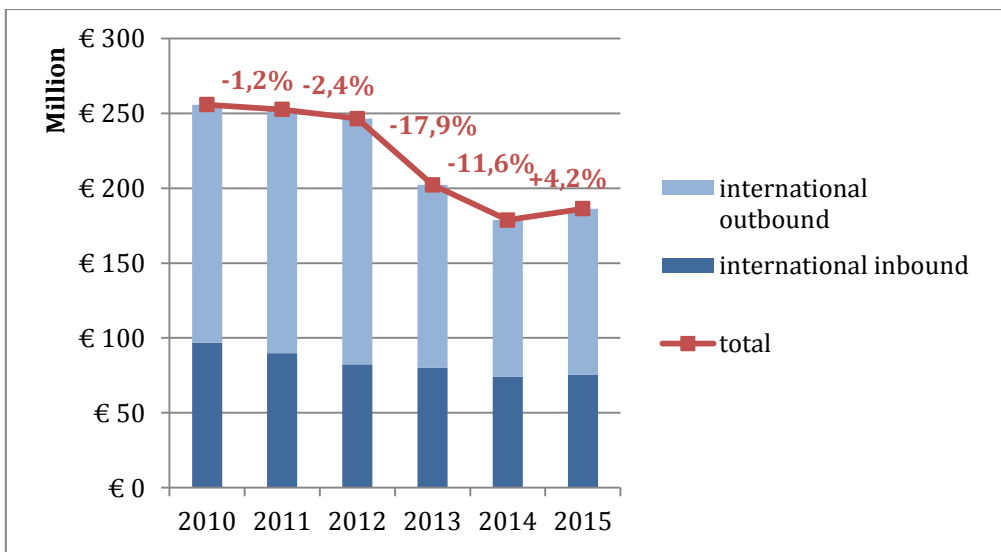
Source: BIPT

In 2015, the distribution between volumes of incoming and outgoing international mail is comparable to the distribution observed in 2010, with about 55% of the total consisting of inbound flows against 45% of outbound flows. However, it should be noted that in 2012, outbound flows accounted for the majority of international mail volumes, contrary to the other years.

4.2.4.2 Revenue

Revenue from letter post coming from or going abroad have been declining since 2010, just as total revenue from the letter post segment. However, in 2015, a minor revival is noticed with a 4.2% rise compared to 2014, after both international inbound mail and international outbound mail are increasing.

Figure 24: Evolution of revenue from international mail (in million €)

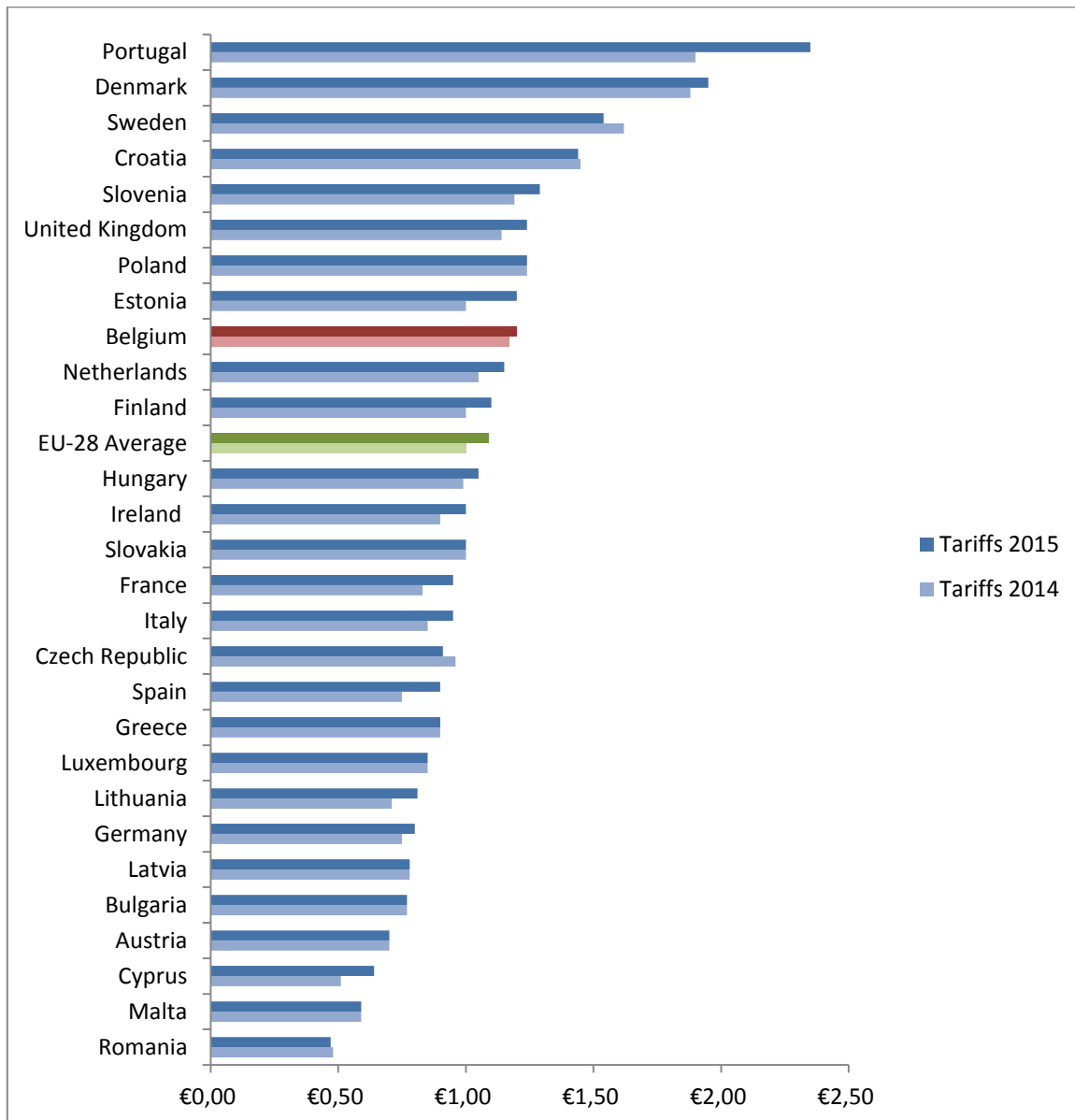


Source: BIPT

4.2.4.3 Price

If we compare the price in nominal value of the standard letter service in the EU in the 28 Members States, we see that, with an intra-EU service amounting to € 1.20 in 2015, following a € 0.03 price increase compared to 2014, Belgium was situated above the European average (€ 1.09). 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 € 2.35 in 2015. In comparison, a letter sent from Romania cost € 0.47.

Figure 25: Price of the intra-European standard letter service in Europe (in nominal value) (€)



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

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

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.¹⁰

4.3.1 Volume

The parcel and express services¹¹ segment continues its strong development. Between 2010 and 2015 there was an almost continuously linear growth of volume averaging 11% on an annual basis. As such the number of parcels and express services, domestic, international inbound and international outbound combined¹², rose from 88 million items in 2010 to 139 million in 2015. As a consequence, last year more than one and a half times the number of parcels and express mail items were sent than in 2010. Also compared to 2014 the volume went up again by 12.4%.

Per inhabitant the number of parcels and express services delivered per year went up from an 8.1 average in 2010 to a 12.4 average in 2015. Consequently per capita one parcel is sent or one express service is used each month on average.

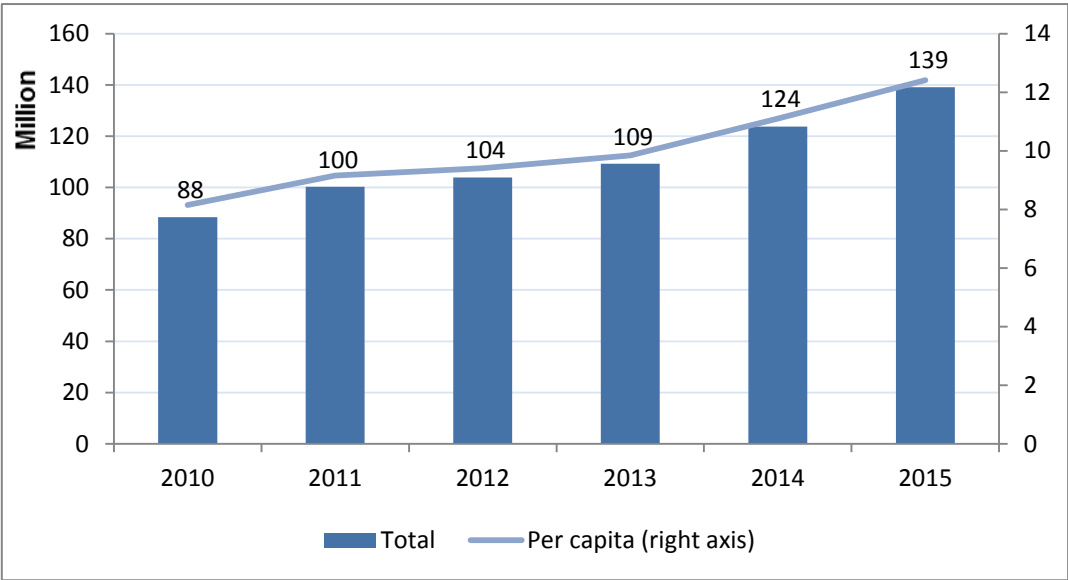
For we have here the growth market within the postal sector, attracting a lot of providers and ensuring strong competition. In addition to bpost the alternative private operators are clearly very active in the parcels and express mail segment, as well as the universal service operators of the neighbouring countries, often present on our market through a subsidiary company.

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

¹¹ 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 a lot of players provide both types of services to their customers.

¹² In last year's observatory only the sum of domestic and outbound parcels was shown, which then evidently resulted in lower volumes and turnovers.

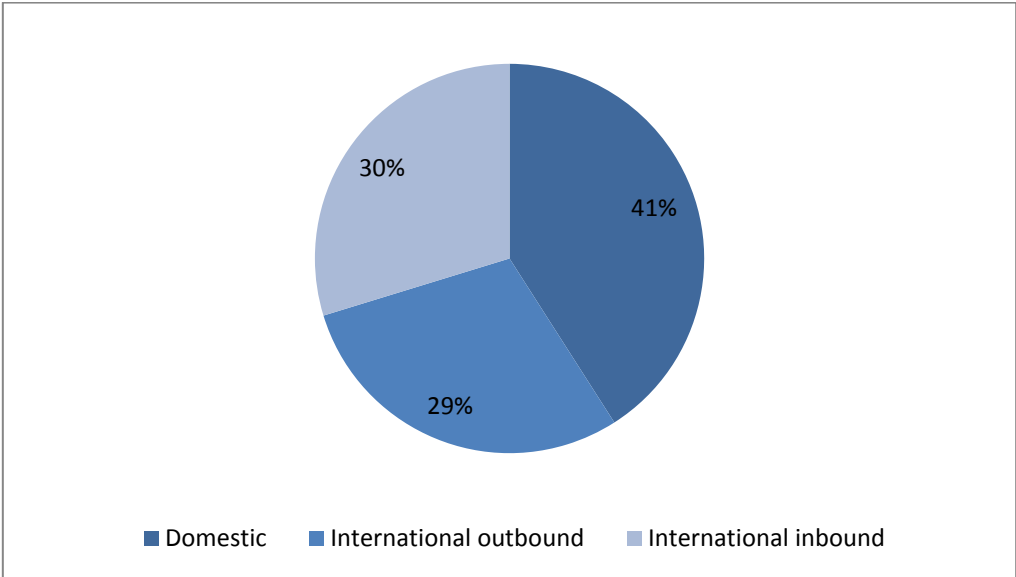
Figure 26: Evolution of the volume of parcel and express services in total (in million units) and per capita (in units) per year



Source: BIPT

Figure 27 shows us that 41% of the total number of parcel and express services in 2015 involved domestic items. Almost half of the items originated from within the Belgian territory to be received also within our borders. In 29% 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).

Figure 27: Distribution of the volume of parcel and express services according to domestic, outbound international and inbound international in 2015



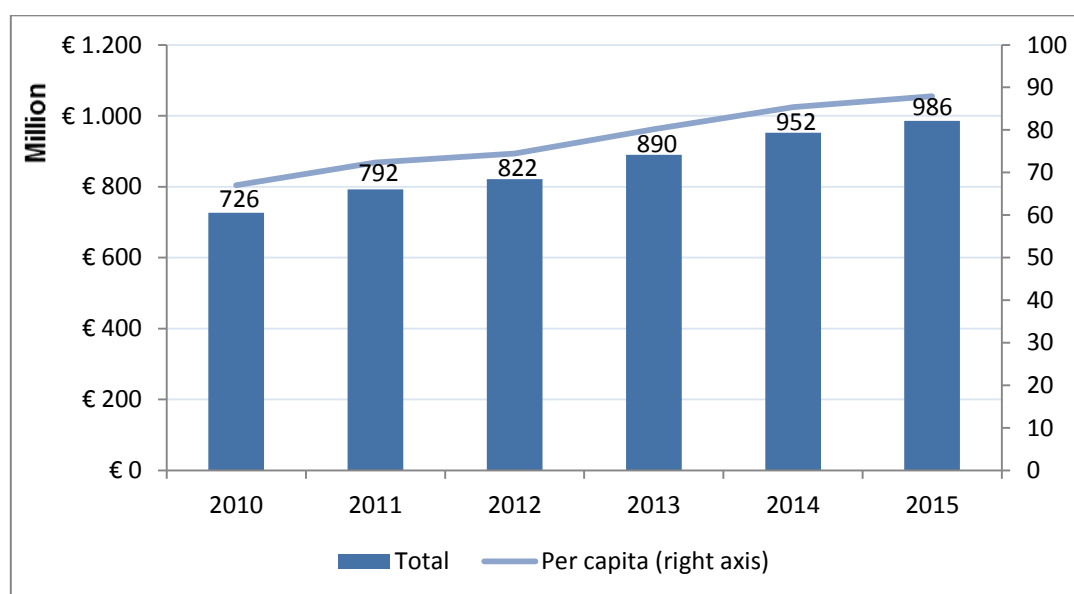
Source: BIPT

4.3.2 Revenue

In terms of turnover the segment of parcel and express services was marked by a more modest, yet also continuous increase between 2010 and 2015. With an average of 7.2% a year, total revenue gradually rose from 726 million euro to 986 million euro. Between 2014 and 2015, total turnover within the segment rose by 3.5%. The four main international players, DHL, Fedex, UPS and TNT together with bpost represent more than 80% of this market in terms of turnover.

Per capita in 2015 an average of 88 euro per inhabitant was spent on parcel and express services, which is 15 euro more than in 2010.

Figure 28: 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

4.4 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), that was in 2015 still part of the 5th management contract concluded between bpost and the Belgian State. Since 1 January 2016 and until 31 December 2020¹³ it is now a separate service outside the scope of the (6th) management contract. This SGEI, which publishers are free to use, is provided by bpost and consists of:

- the 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;
- the home delivery of periodicals to subscribers through the classical rounds, from Monday to Friday.

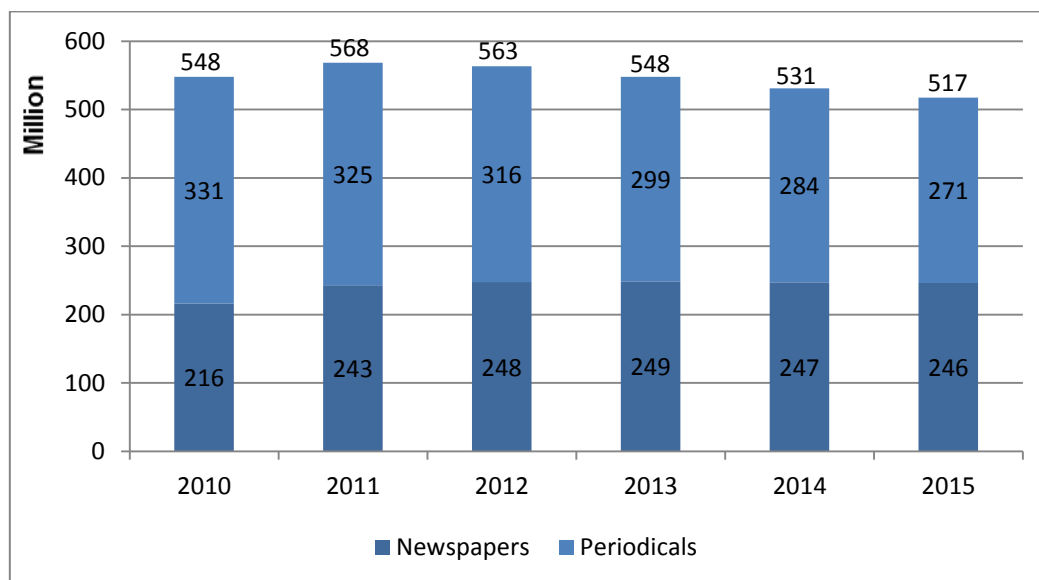
¹³ On 16 October 2015 the Council of Ministers, following a public, transparent and non-discriminatory procedure, decided to grant the concessions for the delivery of recognised newspapers and recognised periodicals for the 2016-2020 period to bpost.

As the provider who is charged with the SGEI for the distribution of the recognised press to subscribers, bpost is the main operator in the segment of home delivery of press articles. Today other players are active in this segment: PPP, Asendia and Deltamedia, a subsidiary company of bpost, which delivers press from the Mediahuis Group¹⁴.

4.4.1 Volume

Since 2012 the total volume of distributed press has decreased, after having peaked at 568 million delivered copies on an annual basis in 2011. Between 2014 and 2015 the global volume decreased by 2.6%. As regards the periodicals the decrease has been going on for longer and the recent drops are therefore sharper, namely -4.6% between 2014 and 2015. The volume of newspapers delivered stagnated and has had a slight setback since 2013, i.e. -0.3% in 2015. 52.3% of the press delivered includes periodicals, the rest consisting of newspapers (47.7%).

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



Source: BIPT

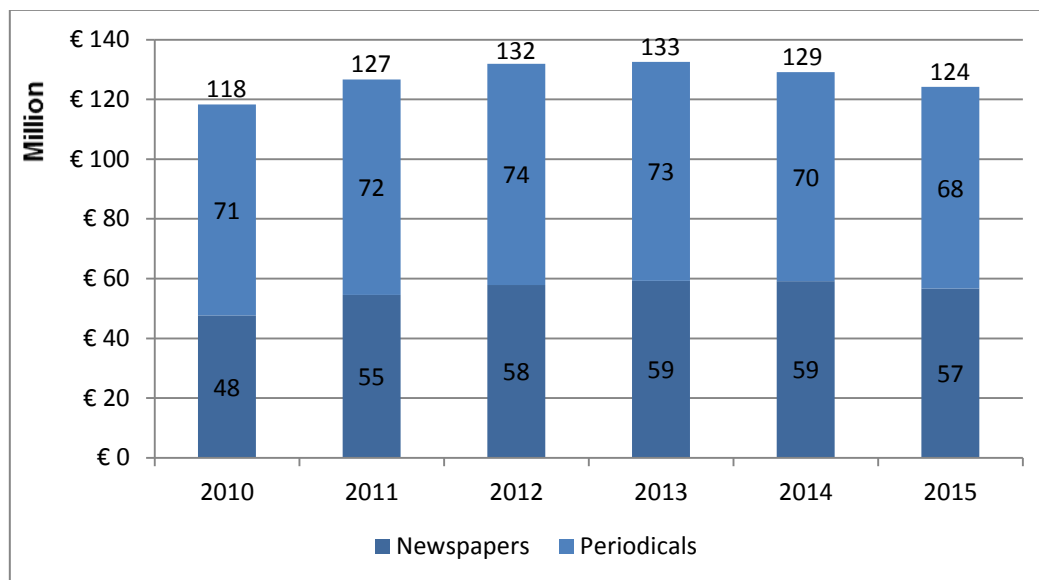
4.4.2 Revenue

On the revenue side, it can be observed that the downward phase did not start until 2014. Between 2014 and 2015 revenue shrank again, this time by 3.7%. This decrease is clear for both newspapers (-4.2%) and periodicals (-3.4%) and in almost equal measure. 54.4% of the revenue can still be attributed to the distribution of periodicals, against 45.6% 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.

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



Source: BIPT

For the sake of being complete we mention that AMP¹⁵ 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. The revenue and volumes of this company have not been taken into account in the surveys above.

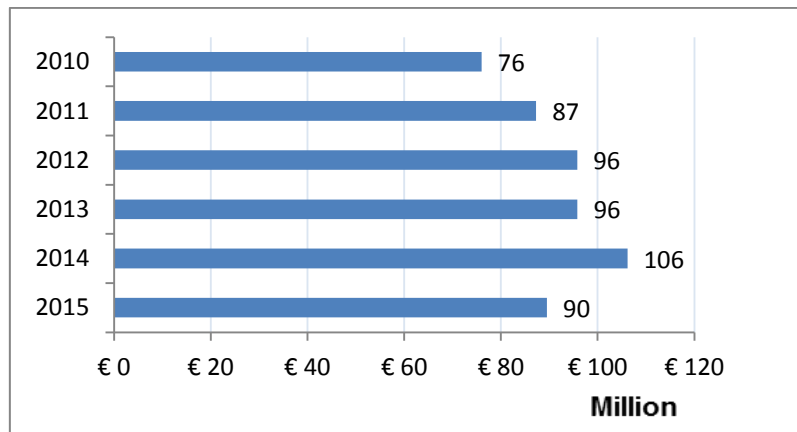
5. Investments and employment in postal activities

5.1 Investments in the postal sector

In 2015, the operators from our sample invested a total of 90 million euro in the postal sector, a 15.7% decrease compared to 2014. This puts an end to the upward tendency. It should be noted though, that 2014 was a peak year for investments. In 2015, more was still invested in the postal sector than in 2010 or 2011 for instance.

¹⁵ The Competition Board of the Belgian competition authority has recently conditionally approved the take-over of AMP and LS Distribution Benelux by bpost (according to Trends on 10 November 2016: <http://trends.knack.be/economie/bedrijven/bpost-krijgt-voorwaardelijk-groen-licht-voor-overname-amp-en-krantenwinkels/article-normal-775165.html>).

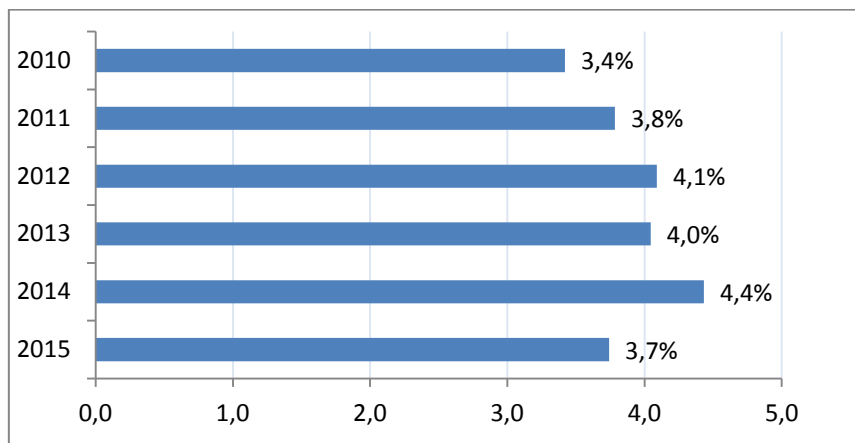
Figure 31: Investments in the postal sector (million EUR)



Source: BIPT

The investments made in the postal sector amounted to 3.7% of turnover achieved in 2015. This is the lowest but one percentage in our time sequence; only in 2010, a smaller part of turnover achieved was re-invested in the sector.

Figure 32: Investments compared to turnover in the postal sector (%)



Source: BIPT

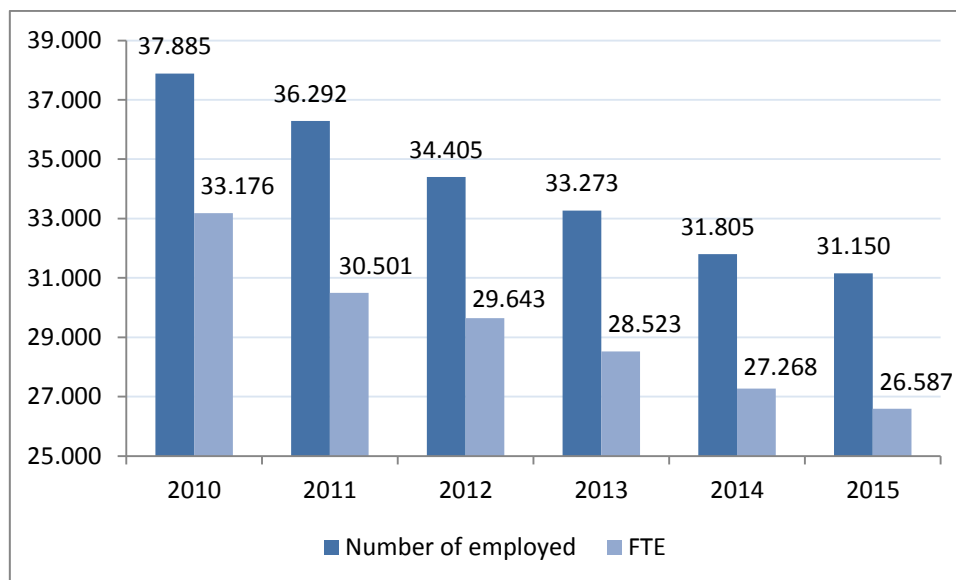
5.2 Employment in the postal sector

In 2015, the postal sector accounted directly for the employment of 31,150 persons¹⁶. Once again there was a decrease compared to the year before, but this time the -2.1% loss was relatively limited. This levelling, despite a continuous decline in bpost's workforce, can be explained by an increase in the alternative operators' number of employees. By 2015 for instance 20.1% of workers in the sector was employed by an alternative operator.

¹⁶ 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.

Nevertheless the decrease in employment in the sector has already reached 17.8% compared to 2010. In terms of full-time equivalents (FTE)¹⁷ we observe an even stronger decrease since 2010 (-19.9%), which results in a total of 26,587 full-time equivalents in 2015.

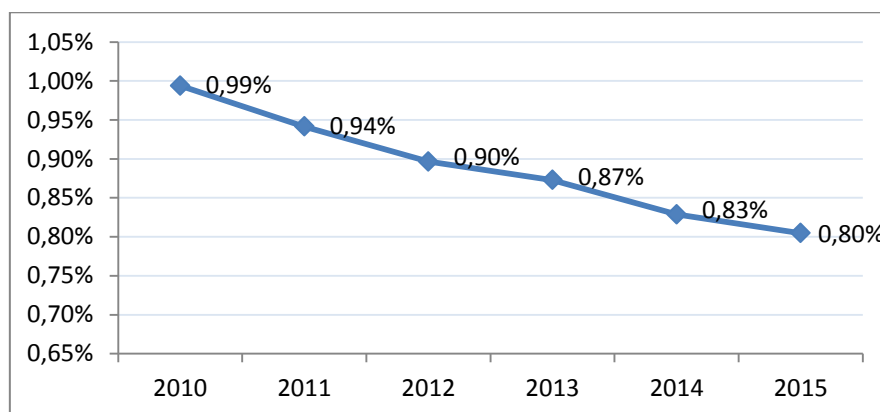
Figure 33: Employment in the postal sector (N, FTE)



Source: NSSO

The downward trend in employment in the postal sector is again clearly shown when compared to total employment. In terms of total employment we see that in 2010, about 1% of all employees was working in the postal sector, against only 0.8% in 2015.

Figure 34: Share of employment in the postal sector in total employment (%)



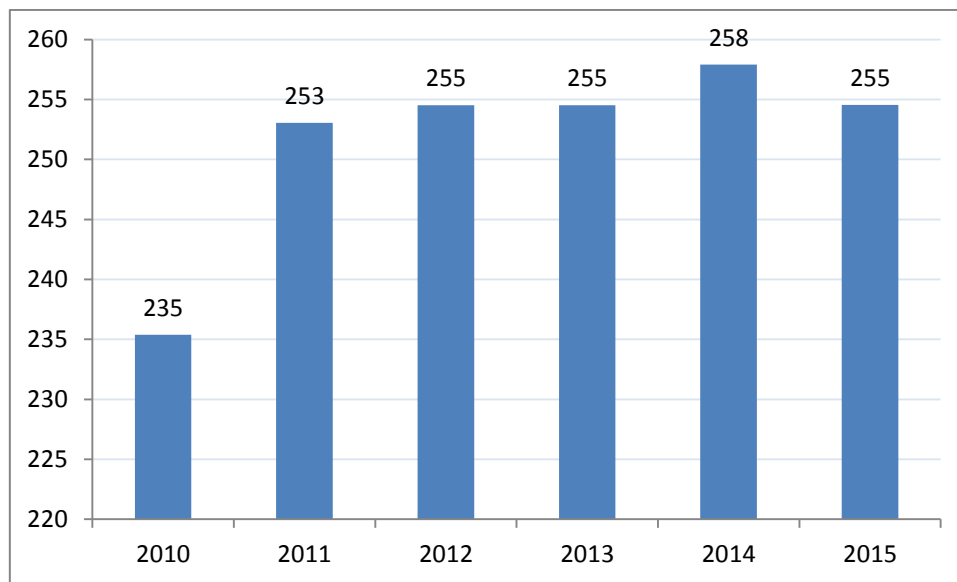
Source: NSSO¹⁸

¹⁷ 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.

¹⁸ The decentralised NSSO data about total employment are comprehensive and in this case include data coming from "RSZPPO" (National Social Security Office of Provincial and Local Government Services) and "HVKS" (social security office for the seafaring profession).

While employment in the postal sector decreases, the number of postal items per full-time equivalent in the postal sector has remained stable in recent years. In 2015, on average 255 items, ranging from letters to parcels, express mail, newspapers or periodicals, are processed per postal employee per calendar day, expressed in terms of full-time equivalents (FTE). This means an average of three items a day less than in 2014, and similar to the number of items recorded in 2011 and 2013.

Figure 35: Average number of postal items per calendar day per FTE in the postal sector (N)



Source: NSSO and BIPT

6. Access to postal services

6.1 Sector overview: access points for sending and receiving

The revolution in the postal sector in the last few years also manifests itself in the access points to the various postal networks. At the end of 2015 all operators combined had about 4,500 access points, which could simultaneously ensure sending and reception of items. This means that an access point for sending and reception of parcels was present for every 7 km² on average and for an average of 2,600 inhabitants.

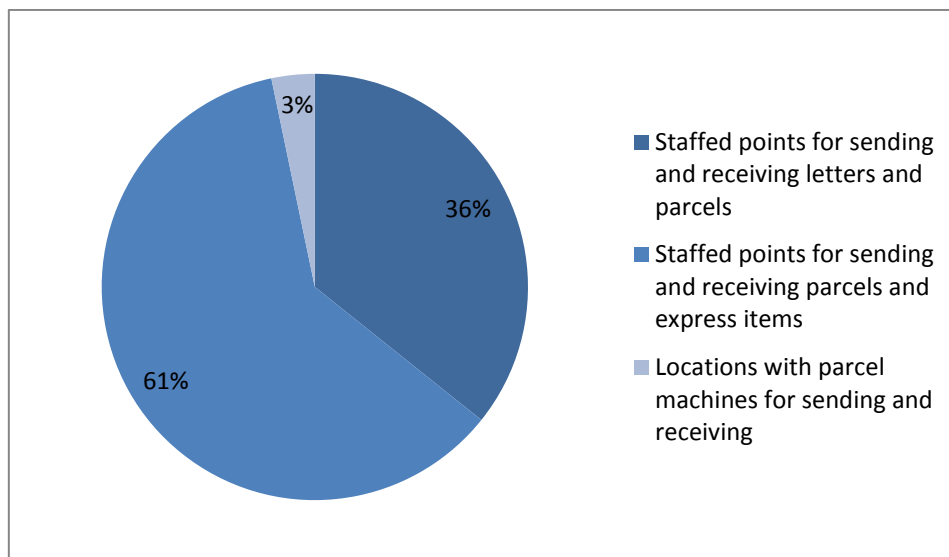
Already for the majority of cases, i.e. 61%, those were staffed access points belonging to operators such as Kiala, Kariboo, DPD, GLS, Fedex and DHL Express, which focus only on the parcel and express mail segment.

Another 36% of access points were staffed access points belonging to players, in this case bpost and TBC Post¹⁹, which are active both in the segment of letter post and that of parcels.

¹⁹ In addition TBC Post evidently has, just like bpost, letterboxes for sending letter post. Locations TBC Post point or postbox: <https://www.tbc-post.info/zoek-tbc-post>
Bpost locations: <http://www.bpost.be/site/nl/zoek-bpost-uw-buurt>

Another new trend of recent years are parcel machines. Those machines, equipped with a number of secured lockers, are mostly installed on busy locations and can also be used 24/7 for sending and receiving parcels. Both bpost and DHL Express already offered this facility in Belgium in 2015. Apart from that and outside the scope of this observatory, there are also operator-independent initiatives such as BringMe²⁰ and ParcelHome²¹, which offer the possibility of having a parcel delivered at home or at work in a parcel machine.

Figure 36: Distribution according to type of access point in 2015



Source: BIPT

6.2 Universal postal service provider (UPSP)

6.2.1 Postal services access points

When focusing specifically on access to the network of universal service provider bpost, we take a broader view of the notion of access point and 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 senders can entrust various types of postal items to the network of the postal operator.

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

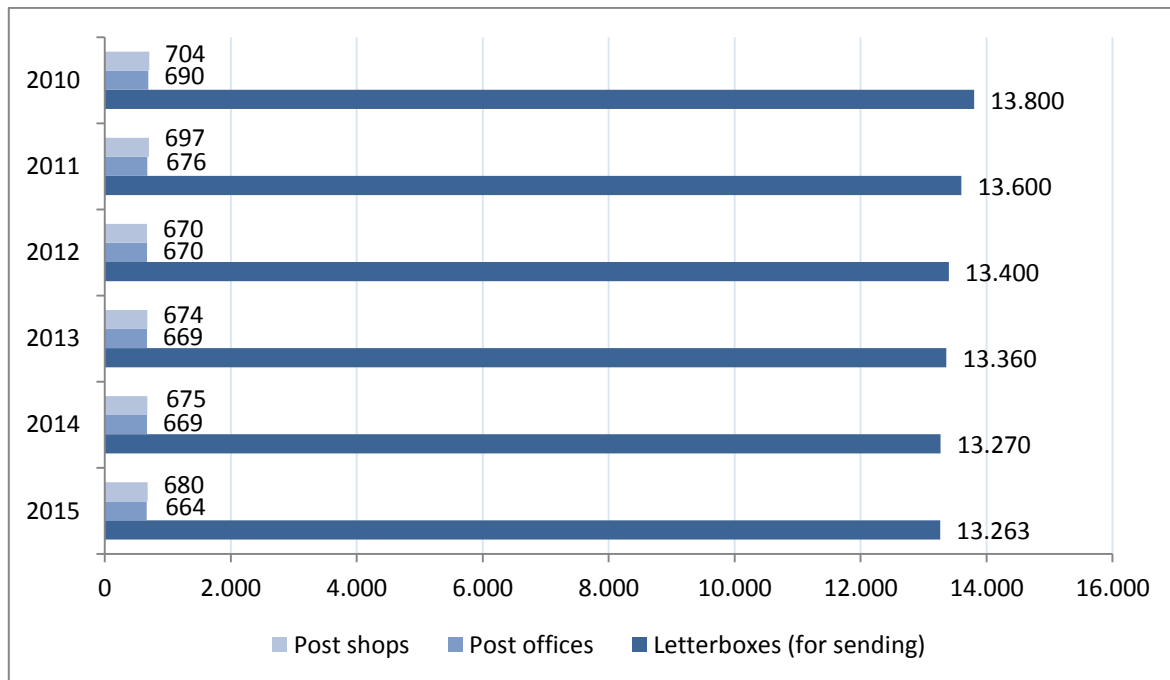
Post offices and post shops also constitute access points to postal services. In this case, these are specifically called postal service points. The main difference between post offices and post shops being that the former are run by postal operators for their own account whereas the latter are run by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

The access points of the universal service provider only received minor adjustments in 2015, compared to the situation in 2014.

²⁰ <https://www.bringme.com>

²¹ <https://www.parcelhome.com>

Figure 37: Number of postal services access points²²



Source: BIPT

6.2.2 Postal service points²³

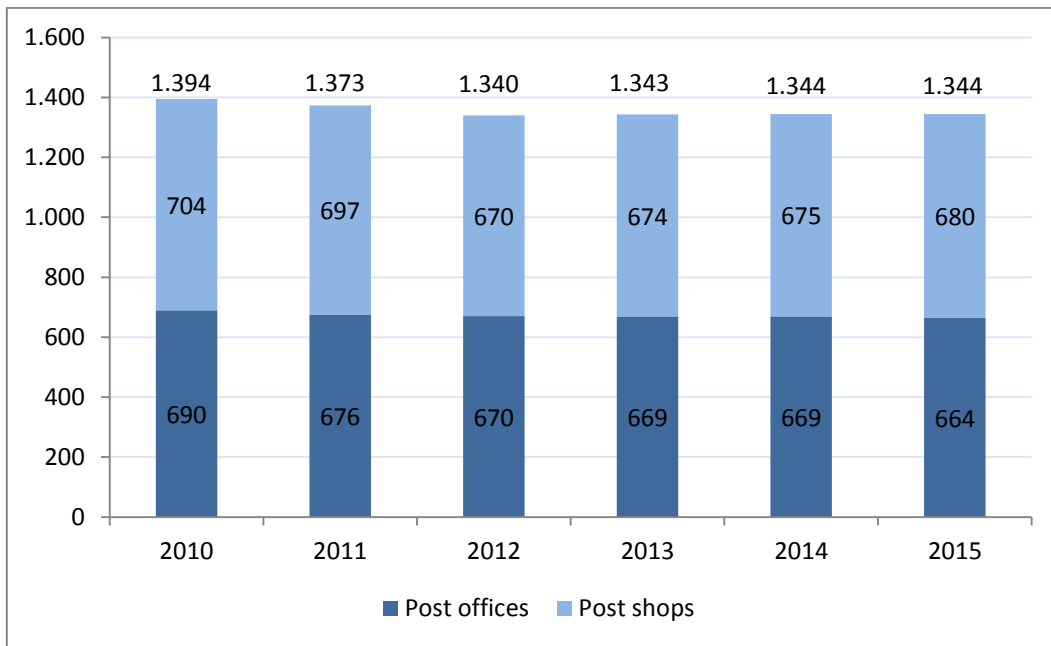
In 2015, the universal postal service provider (UPSP) provides postal services through 1,344 establishments (post offices or post shops²⁴), spread over the whole Belgian territory. This means exactly the same number of service points as in 2014, although the composition has changed. On the one hand five post offices have disappeared, but on the other as many post shops have been added. Compared to 2010 however, there is a decrease by 50 service points, 26 of which are post offices and 24 post shops.

²² This only concerns access points of the universal service providers.

²³ This subsection only considers the access points of the universal service provider because he is the only one to be subject to a territorial coverage obligation, intended in particular to ensure social and territorial cohesion and defined by a minimum number of postal service points to be maintained on the whole national territory.

²⁴ Bpost calls its post shops "PostPunten" (postal points).

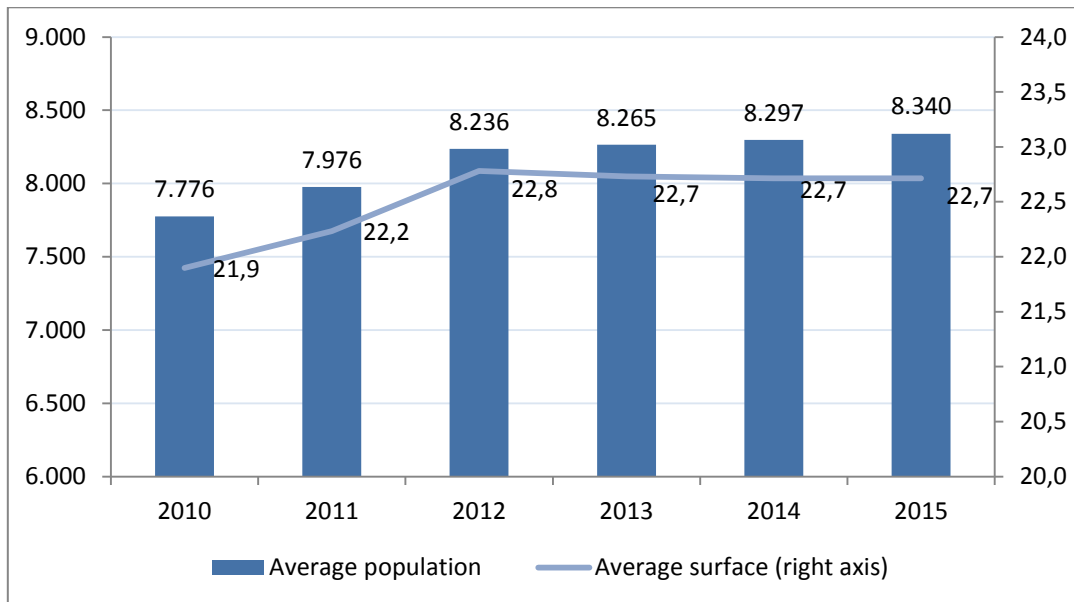
Figure 38: Number of postal service points (UPSP only)



Source: BIPT

Because of a population growth the same number of postal service points logically has to serve more people in 2015; on average there was one postal service point per 8,340 inhabitants. A postal service point is still responsible for serving an area of 22.7 km² on average.

Figure 39: Average population (N) and average surface (km²) served per postal service point (UPSP only)



Source: BIPT

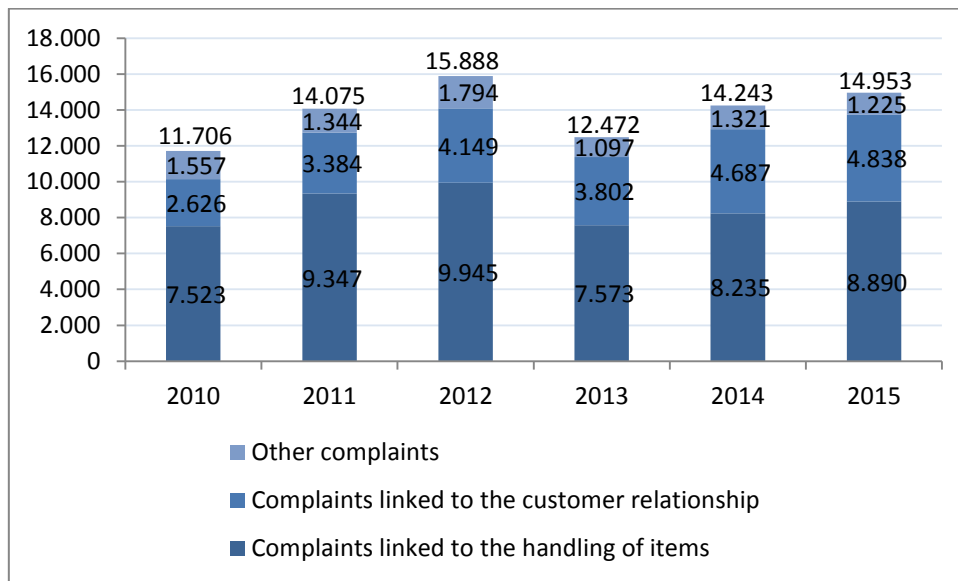
7. Quality of service

7.1 Satisfaction of postal service users

In 2015, 14,953 complaints related to postal items were lodged with the postal sector ombudsman. This was a 5% rise compared to 2014. Between 2010 and now, only in 2013 a higher number of complaints was recorded.

The majority of the complaints lodged in 2015 had to do with the handling of items (letters, packages, parcels) and customer orientation.

Figure 40: Number of complaints lodged with the Office of 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 times, etc.). These complaints mainly concern bpost because of its relatively significant presence in the five postal activity segments taken into account in this observatory.

The complaints regarding customer orientation concern all the companies present on the postal market. They often relate to the provision of wrong information, unreachability, too long waiting times at call centres, and so on.

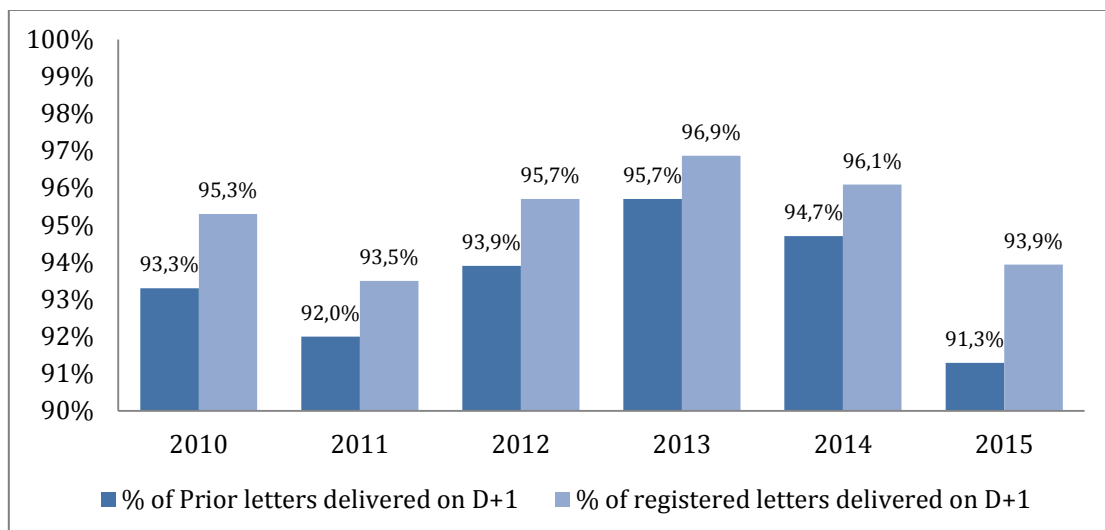
7.2 Mail delivery times

Compliance with the delivery times laid down by the fifth management contract concluded between bpost and the State is subject to an annual monitoring by the regulator, based on a

specific study on the quality of service²⁵. 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 2015, 91.3% of domestic single piece mail stamped at the “Prior” rate was delivered on D+1, compared to 94.7% in 2014. This is the lowest score obtained by bpost in the last 10 years (2006 up to and including 2015). As a consequence it is the first time that bpost does not meet the legal quality standard, which was raised from 90% to 93% in 2014. As to registered single-piece items, 93.9% of the volume of those items was delivered on D+1, which also corresponds to a significant decrease in the percentage of items delivered on time compared to 2014 (96.1%). Contrary to priority single-piece mail there is no legal quality standard for registered single-piece items.

Figure 41: Percentage of Prior letters and of registered letters delivered on D+1 (UPSP only)



Source: BIPT

²⁵<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>

8. Conclusion

The trends that started in the previous years continued on the Belgian postal market in 2015. While the segment of press distribution is shrinking in a limited way we notice that the decrease of letter post accelerates. This decline in letter post is mainly due to e-substitution options for postal end-users (such as the rise of mobile telecommunications and electronic alternatives to transactional mail).

By contrast, the segment of parcels and express services continues to flourish. The growing segment of parcel and express mail items is only just able to counter the drop of the other segments.

In spite of a decreasing degree of concentration the Belgian postal market remains highly concentrated in 2015. The four major providers for example still have a very high common market share. By itself bpost, which is active in all postal segments, keeps a substantial market share of more than 60%, a dominant position, which has been declining slightly though since 2010.

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