BELGIAN INSTITUTE FOR POSTAL SERVICES
AND TELECOMMUNICATIONS

COMMUNICATION OF THE BIPT COUNCIL OF 22 JANUARY 2013 REGARDING THE BELGIAN POSTAL SERVICES OBSERVATORY FOR 2010 AND 2011

Belgian Institute for postal services and telecommunications
Ellipse Building – Bâtiment C – Boulevard du Roi Albert II 35 - 1030 Brussels
Tel. 02 226 88 88 Fax 02 226 88 77 http://www.bipt.be

TABLE OF CONTENTS

1. Introduction

The Belgian Institute for Postal Services and Telecommunications wishes, under the terms of the tasks assigned to it by the Act of 21 March 1991, and in particular Article 34 of that Act, to establish a permanent observatory of the market for postal services in Belgium in order to "*pursue specific statistical objectives, for purposes of market analysis and for any measures that may contribute to transparency*".

As was the case for nine other European countries (Austria, Bulgaria, Denmark, France, Ireland, Italy, Portugal, Slovenia and Spain), 2011 was a key turning point for the postal sector in Belgium, with the abolition of the reserved area for postal items up to 50g, which had previously been reserved to bpost, the universal service operator.

The end of the monopoly means that any operator that meets the legal obligations can henceforth provide all of the universal postal service; along with non-universal postal services.

Within the context of this opening-up of the market, the creation of a postal services observatory is an important tool for measuring the development of the postal market. The reason for this is that monitoring the market makes it possible to gather information that can help provide insight into the workings of the development of competition.

Moreover, in a global context of falling volumes and revenues in the postal sector (a 3.1% average yearly decrease in the volume of letter post between 2006 and 2011 on a global scale[1], a 37% fall in revenues between 2004 and 2010 for the EU27[2]and a 12% fall in revenues in the United States[3] during the same period), such an observatory will help to highlight the current health of the postal sector in Belgium, while emphasizing the efforts achieved in the area of service quality and customer satisfaction.

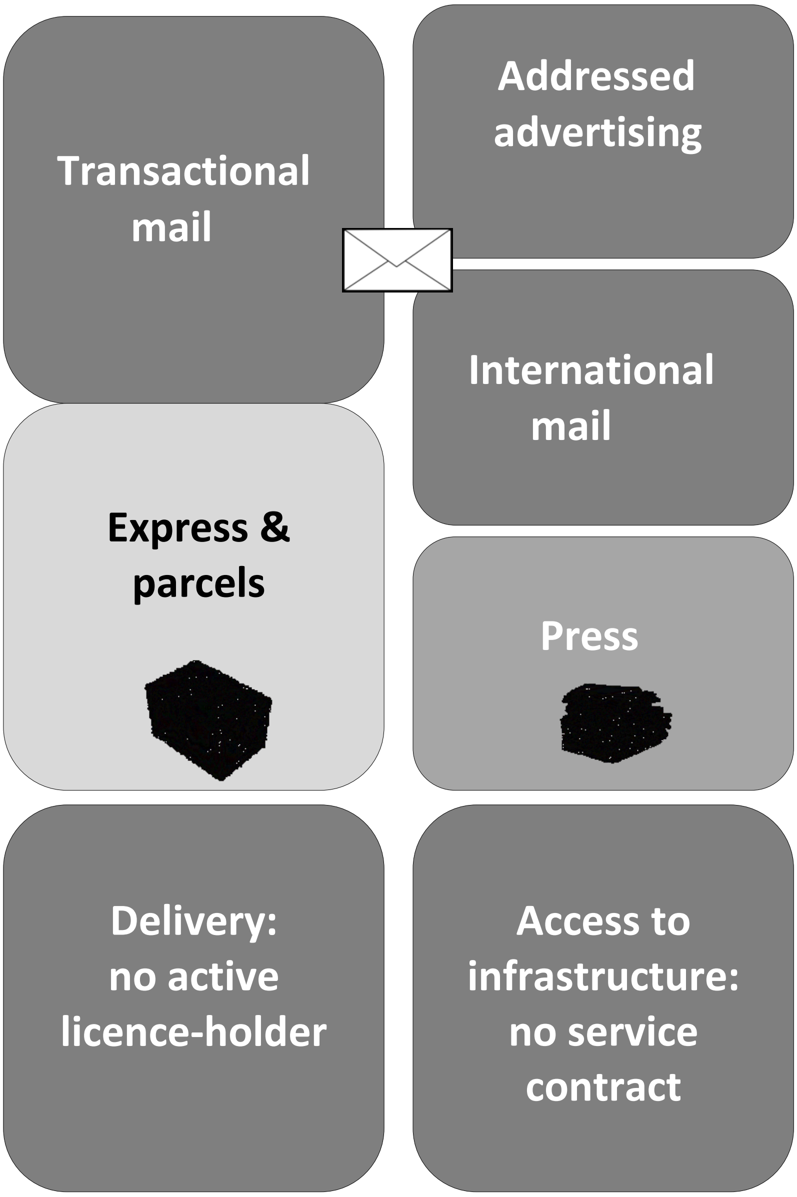
The indicators in this observatory are intended to offer all stakeholders in the postal sector (senders, addressees, operators, various intermediaries, etc.) insight into the market structure. These indicators make it possible to understand the market from the perspective of the offer, the evolution of the activities of the universal service provider and its rivals, as well as the results from postal services in Belgium in terms of service quality and innovation.

[1] Source: UPU – Postal Statistics 2011
[2] Source: Eurostat – Statistics 2011
[3] Source: USPS – Postal Facts 2011

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

The scope of the postal services taken into consideration for this observatory may be divided into six categories, as shown in the figure below:

Figure 1 – Segmentation of postal services taken into consideration for the observatory



Pre-sorting activities as well as those relating to the delivery of unaddressed advertisements are not included in the scope of this observatory.

At first sight, the Belgian postal market seems to have a very large number of actors providing postal services: the National Social Security Office (NSSO) has inventoried more than 500 actors on this market, while certain directories (such as the Yellow Pages) count more than 700.

Upon creating this observatory, it was therefore necessary to identify in advance the scope of actors to be taken into consideration.

In addition to bpost (the historical postal operator, which is responsible for providing the universal service until 31 December 2018 and is active in all segments), there are four major international integrators (DHL, FEDEX, TNT, UPS) that are active in the Belgian express post sector.

Moreover, postal services of neighbouring countries are also active on the Belgian market. There are also specialised courier companies which are part of major European postal groups that are active in certain segments of the postal market.

Thus, for example, DPD, a subsidiary of the French La Poste group, is present in Belgium with a volume of more than 7,200 deliveries per day, 500 depots in more than 30 countries, and a total volume of 2 million deliveries per day.

G3 Worldwide, through its subsidiary Spring Globalmail, is also very active in the international mail segment for businesses: it delivers business correspondence, catalogues and invoices on a daily basis to international destinations.

As regards the press segment, bpost provides the public service of advanced delivery of newspapers (before 7:30 a.m.). This delivery applies only to the delivery of daily papers to subscribers (around 130 million copies per year). Belgique Diffusion BD holds 13% of the market share of newspaper deliveries, largely in Brussels and Antwerp.

Deltamédia is a subsidiary of La Poste, delivering dailies to subscribers of certain press groups, namely VUMedia and Uitgeversbedrijf De Tijd.

Belgique Diffusion BD also dominates the market for unaddressed mailings, with more than 75% of the market share. As regards addressed advertising mail, there are a significant number of competitors but the market continues to be dominated by bpost. The other actors (Publimail, Evadix DMS, Joos group, Arvato Print & Mail Services, Link 2 Biz, etc.) do not have a significant level of activity.

This apparent fragmentation of the Belgian postal market should not conceal the concentrated nature of the market in postal services: more than 99% of the turnover generated on the postal services market is generated by the nine actors identified in the table below[4]. Only these actors have been included within the scope for the purposes of this observatory.

[4] The turnover for the selection of actors included in the scope of the observatory comes from the 2011 analysis of the Central Balance Sheet Office at the National Bank of Belgium.

Figure 2 – Principal actors on the Belgian market

for the provision of postal services

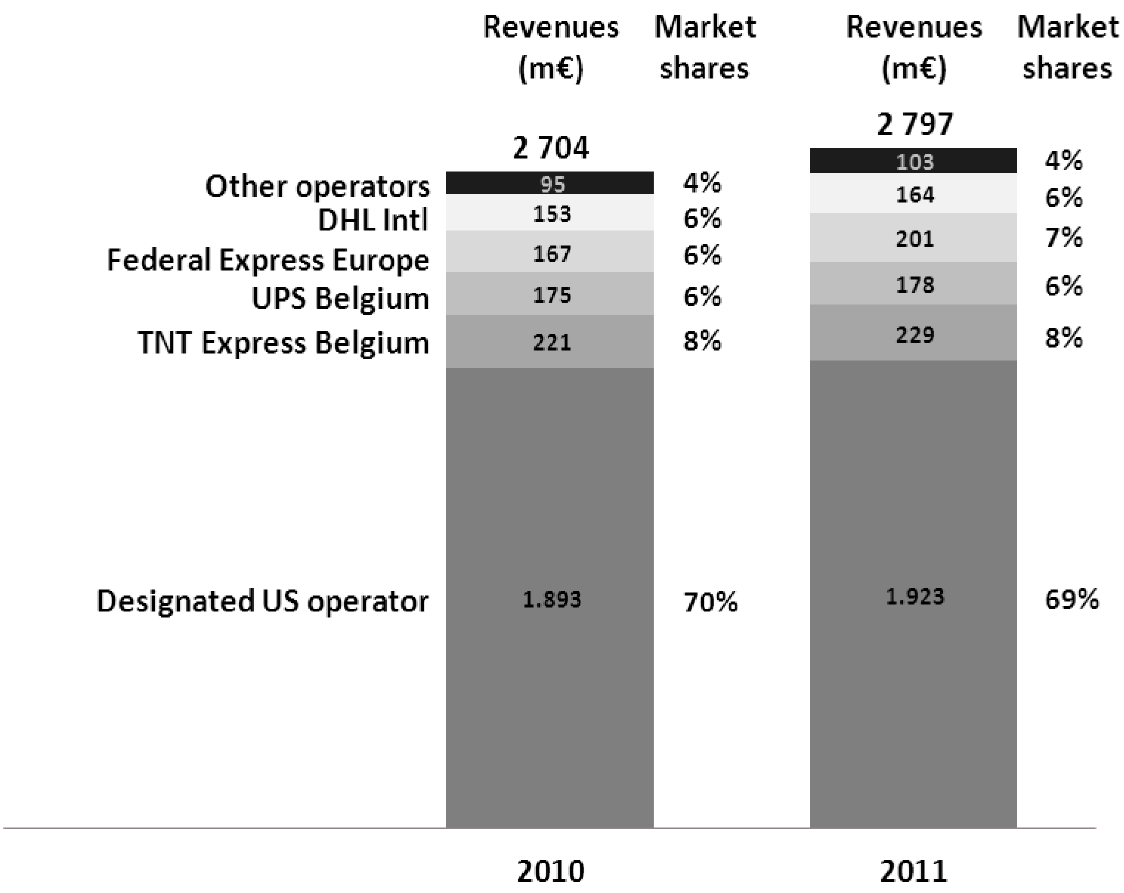
Operators	Addressed mail	Parcels / Express	Advertising mail	Press	Intl mail	Other
bpost						
BD (Belgique Diffusion)						
DHL Intl						
DPD Belgium						
Federal Express Europe						
G3 Worldwide						
Geodis-Ciblex Belgium						
TNT Express Belgium						
UPS Belgium						

3. Description of the Belgian market for the provision of postal services for 2010 and 2011

3.1. Overview of the postal market

The total revenue relating to the provision of postal services amounts to 2.77 billion euros in 2011[5], a 3.7% increase over 2010. The share of bpost in the total revenue on the postal market amounts to nearly 70% in 2011, down by 1.3% from 2010.

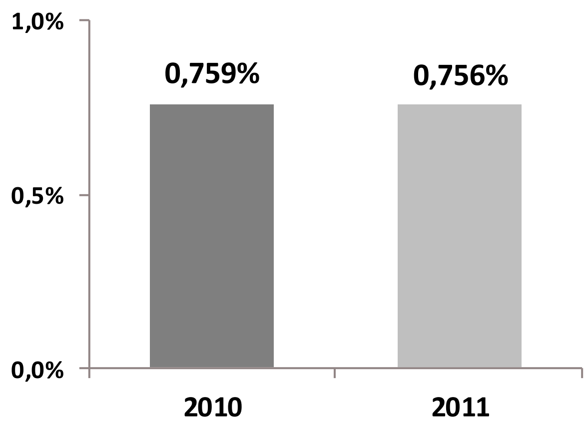
Figure 3 – Revenue and market share of the postal service for 2010 and 2011



[5] The revenues taken into consideration here are the revenues relating to the segments defined above. They do not therefore include revenues from pre-sorting or from the delivery of unaddressed advertisements. As regards bpost, the revenues taken into consideration do not include financial services or third-party products/services (beyond the scope of post, parcels and express post).

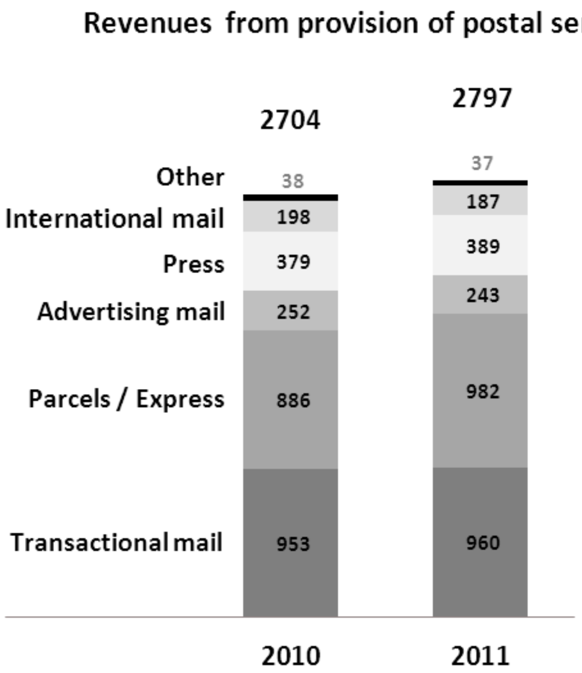
The share of revenues relating to the provision of postal services in the Belgian GDP remained stable over 2010 and 2011, at around 0.75% of GDP.

Figure 4 – Share of postal services in Belgium's GDP



With 1.75 billion euros, the revenues from letter post has remained more or less constant in relation to the preceding year (-0.1%). It represents in value nearly two-thirds of the entire market, down by around 2% over 2010. The increase in total revenue can thus be explained by the nearly 11% increase in revenue from the parcel and express post segment (cf. Focus on the express market).

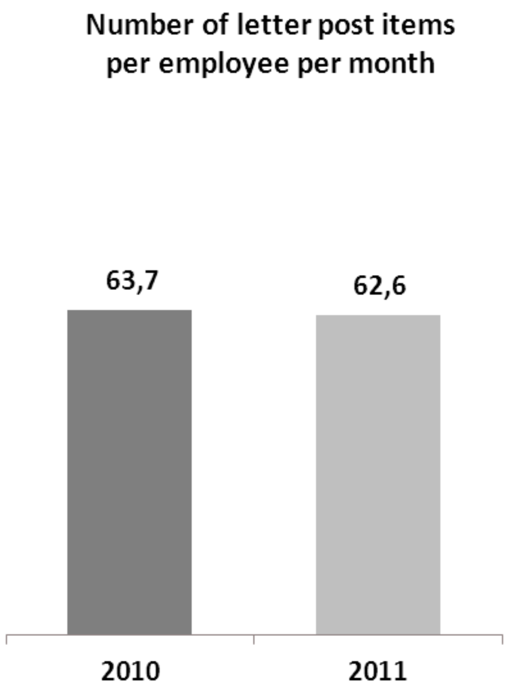
Figure 5 – Revenue from the provision of postal services (in millions of €)

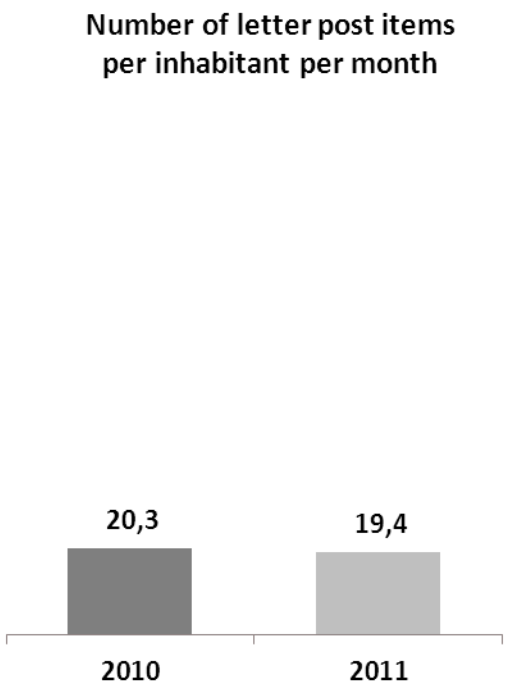


While the market for letter post has been stable in value, it has nevertheless seen a fall in volume of 2.9%, which is less than the decrease in activity noted in neighbouring countries.

In 2011, the number of letters sent represents 19.4 items per month per inhabitant (which is 0.9 less per month than in 2010) and 62.6 items per month per employee of the sector (which is 1.1 less per month than in 2010).

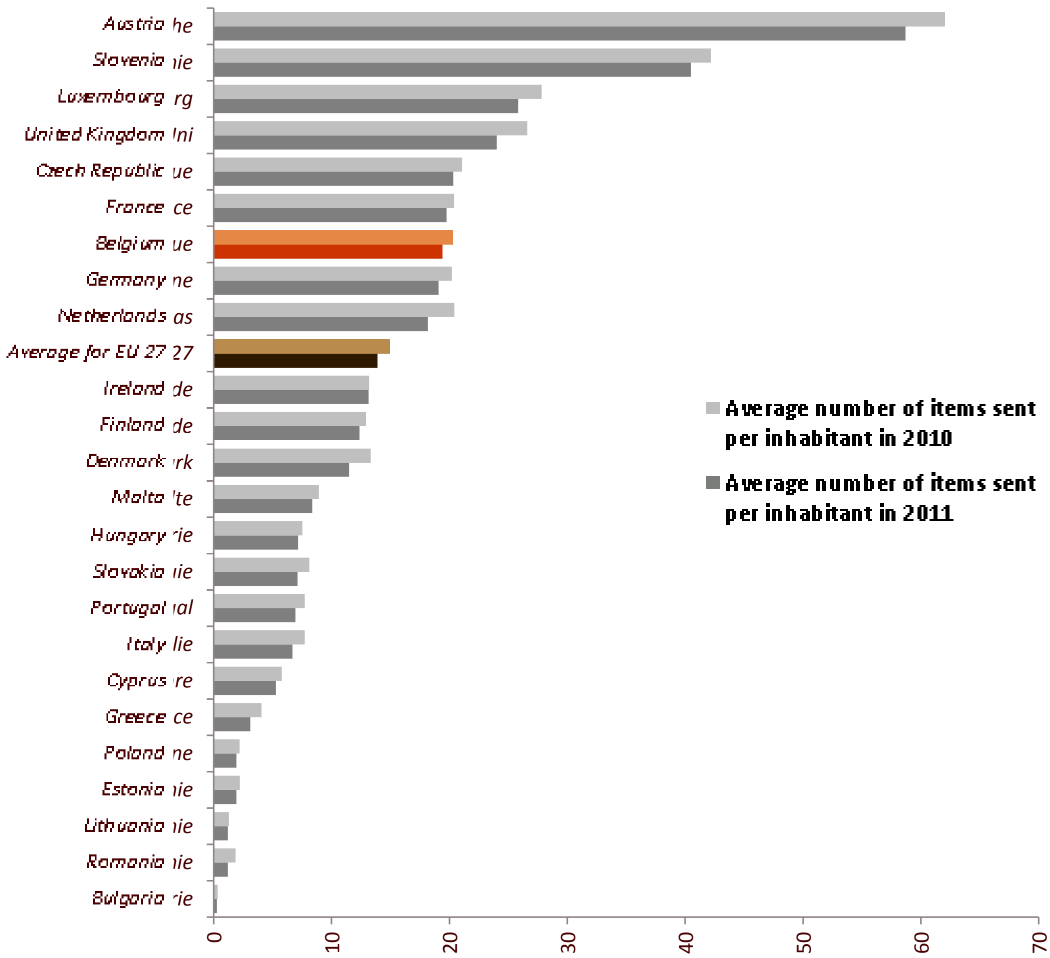
Figure 6 – Volume of letter post per postal sector employee and per inhabitant of Belgium





The volume of letter post items sent per month per inhabitant in Belgium is above the average for the EU countries[6], as shown in Figure 7.

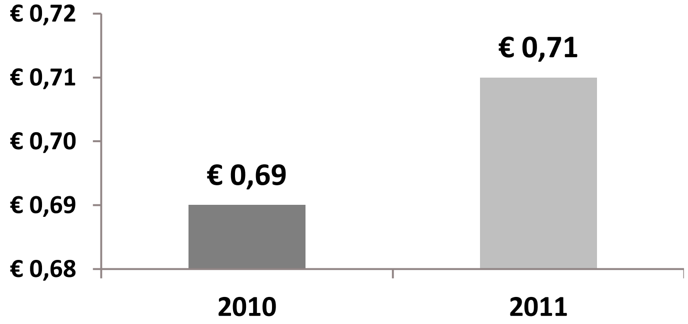
Figure 7 – Number of letter post items per inhabitant per month in Europe



The slight fall in volumes observed in Belgium as well as in the entire European Union, is nevertheless compensated for by an increase in rates: the nominal rate for a priority letter in Belgium rose from € 0.69 to € 0.71 in 2011, which represents a 2.9% increase of the sale price of the service for shipping and delivery, and explains why revenues for this market have remained stable.

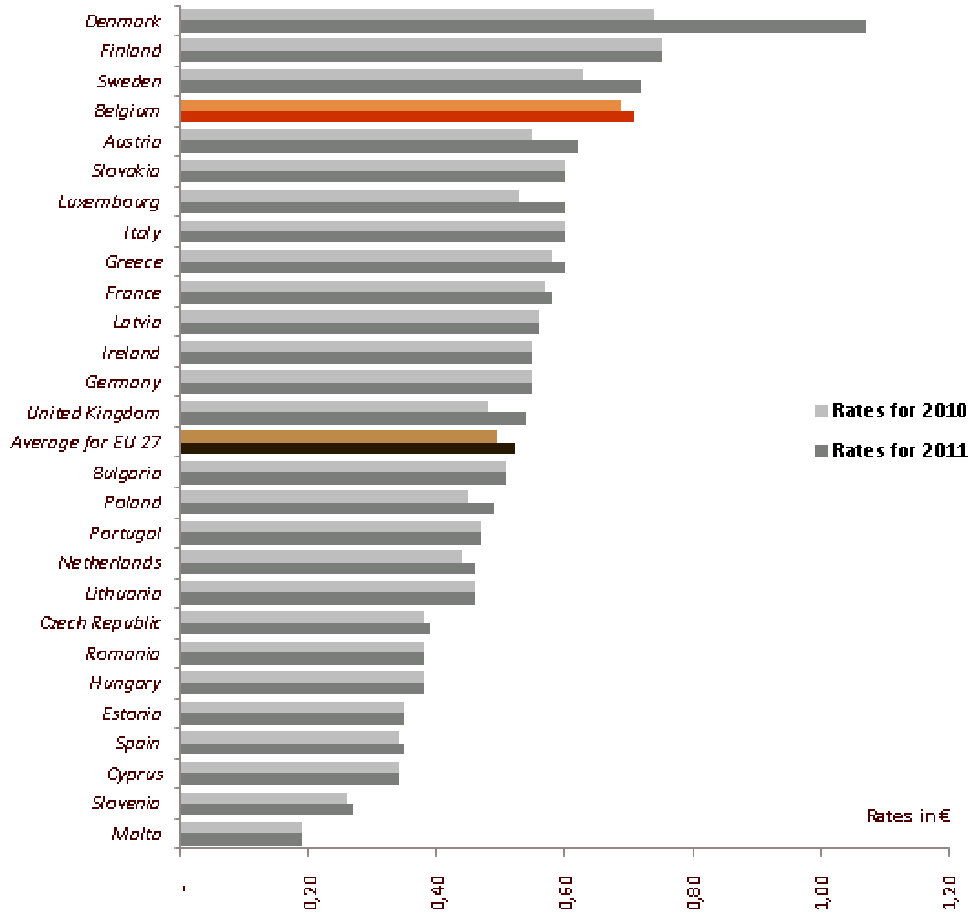
[6] EU 27 except for Denmark, Estonia and Spain.

Figure 8 – Price of a priority letter < 50g



The price for shipping and delivery of a standard format letter in Belgium is among the highest in Europe, as the following figure indicates.

Figure 9 – Price of a standard domestic letter in Europe[7]

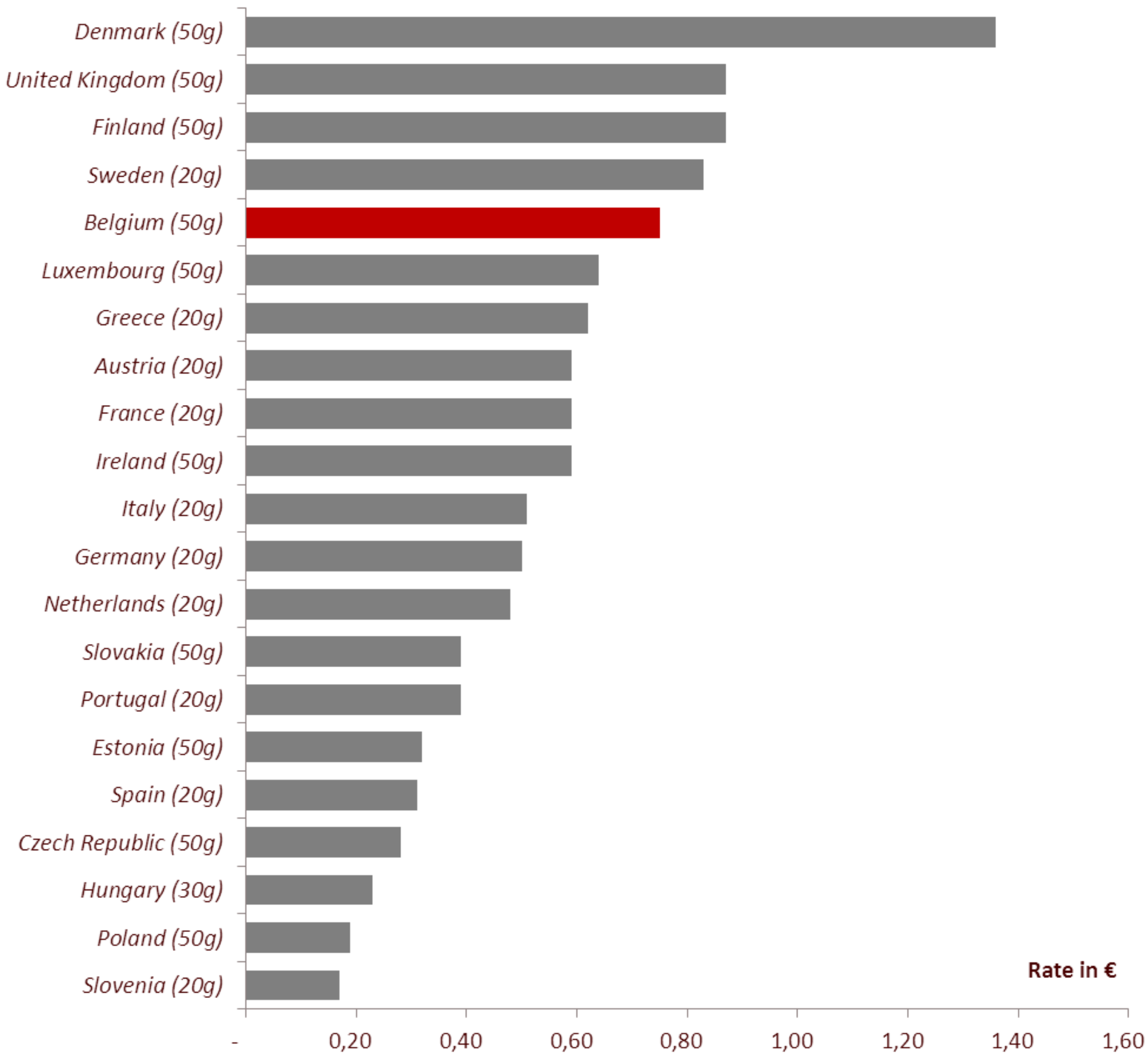


[7] Note: the maximum weight of a standard letter varies according to the country between 20 gr and 50 gr, as stated in parentheses after the name of the country.

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

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

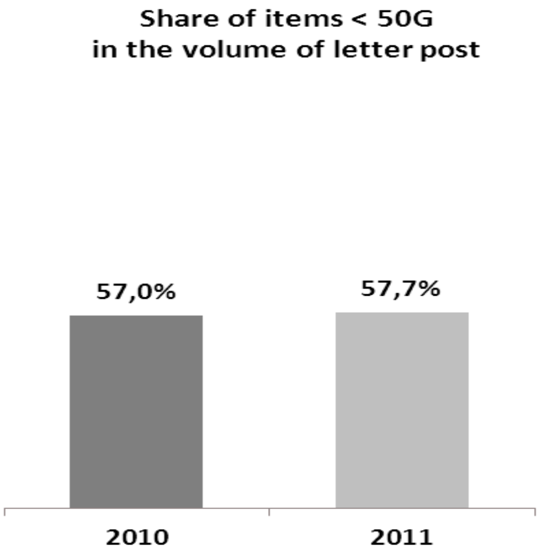
Figure 10 - 2012 price expressed in purchasing power parity (PPP) of a domestic standard letter in Europe[8]



As regards the market in letter post delivery, the share of letters weighing less than 50g, which until 2011 had constituted the sector that was reserved to bpost, increased slightly, by 0.7%.

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

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



3.2. Focus on the parcel and express post market

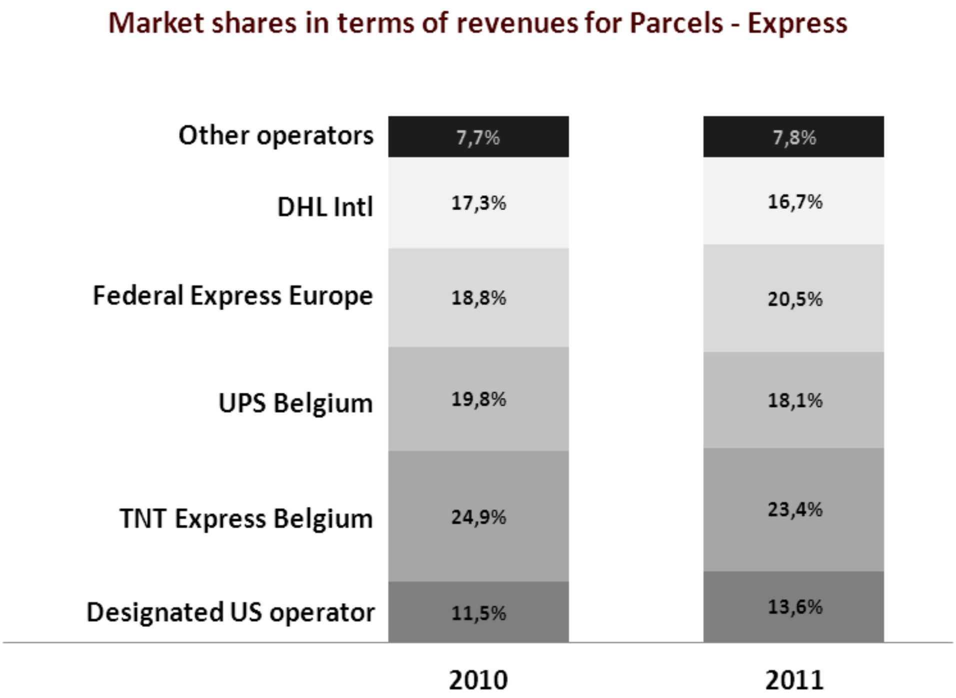
The boundary between parcels and express post remains unclear. The parcel delivery service includes more and more services that are close to those of express post (tracing, contents insurance, delivery times, etc.).

There are many alternative private operators active in Belgium in the parcel and express segment, alongside the national universal service operators of neighbouring countries, which through their subsidiaries are active beyond their national markets.

Competition is thus intensifying in this segment, which is experiencing dynamic development: an 11% growth in revenues in this segment benefits alternative operators, which have acquired more than 2% of the market share in this segment.

This competition favours innovation in the sector: alternative networks for collection, distribution and delivery of parcels and letters are being developed, such as by means of the bpack 24/7 service offered by bpost, which marks the advent of automation in the collection and delivery of postal items.

Figure 12 – Market share in terms of revenue in the parcel and express post segment



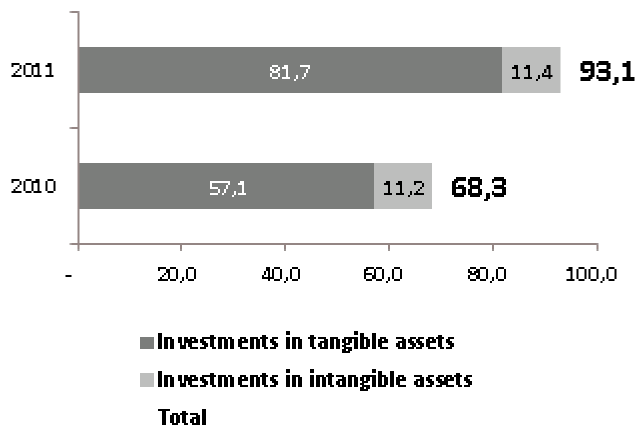
4. Investment and employment in postal services

4.1. Investment in the postal sector

In 2011, operators invested 93.1 million euros in the postal sector[9], representing an increase of more than 36% over 2010. This increase in investments is linked essentially to the growth in fixed investments, that is, investments in infrastructure, equipment, sorting machines and buildings. These represented 81.7 million euros in 2011, or 43% more than in 2010.

The fixed investments have remained stable over 2010 and 2011, amounting to 11.4 million euros in 2011.

Figure 13 – Investment in the postal sector (millions of €)



4.2. Employment in the postal sector

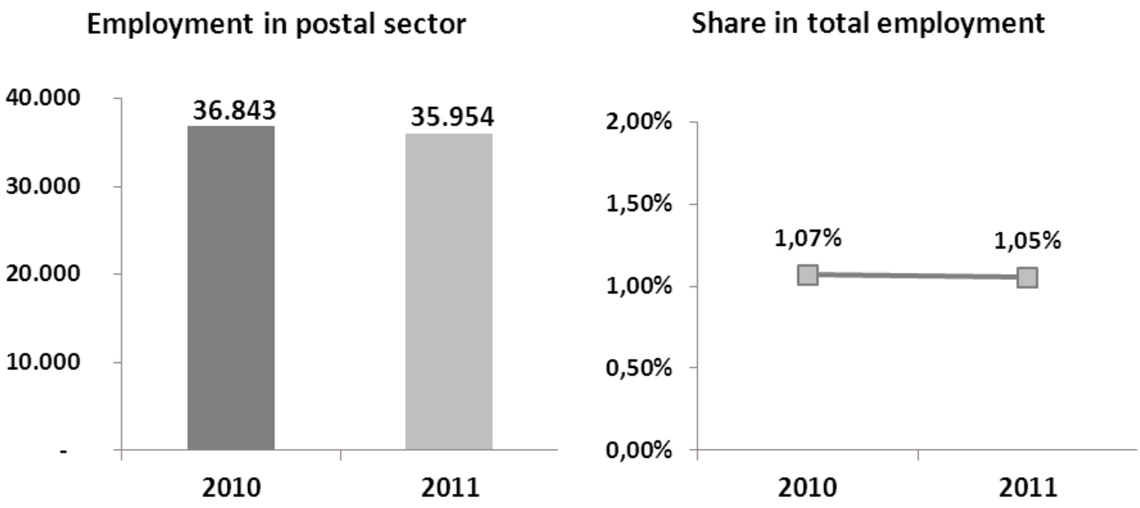
With around 1000 fewer jobs compared to 2010, the number of jobs linked directly to the postal sector in Belgium has followed the downwards trend that had been observed in the preceding years, while easing off slightly.

In 2011 the postal sector represented 1.05% of total employment in Belgium, with close to 36,000 direct positions. The number of employees of alternative operators represents around 15% of these jobs.

---

[9] Other than for bpost, the amount of investments corresponds to the net growth in fixed assets in 2010 and 2011. This therefore represents net fixed capital formation.

Figure 14 – Indicators of jobs linked to postal services in Belgium



5. Service quality

5.1. Accessibility of postal service points

In 2011, 1,373 postal service points (post offices and postal points) provided postal services across all of Belgium, which is 1.5% less than in 2010.

A single postal service point thus served on average 8,012 people in 2011, which is 3% more than in 2010.

Figure 15 – Number of postal service points in Belgium and average population served per service point

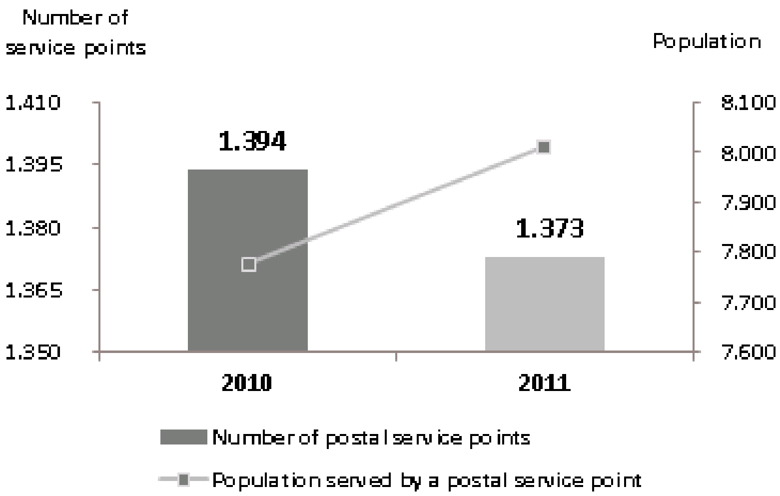
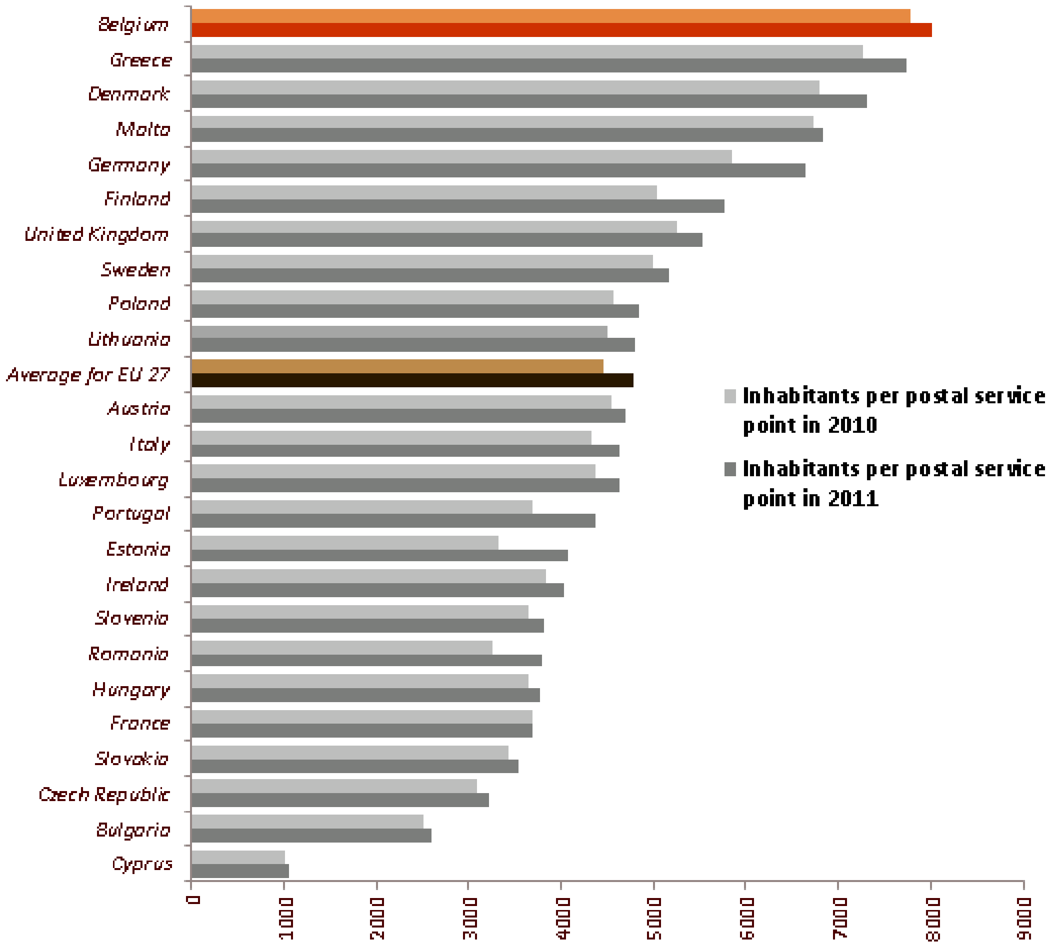
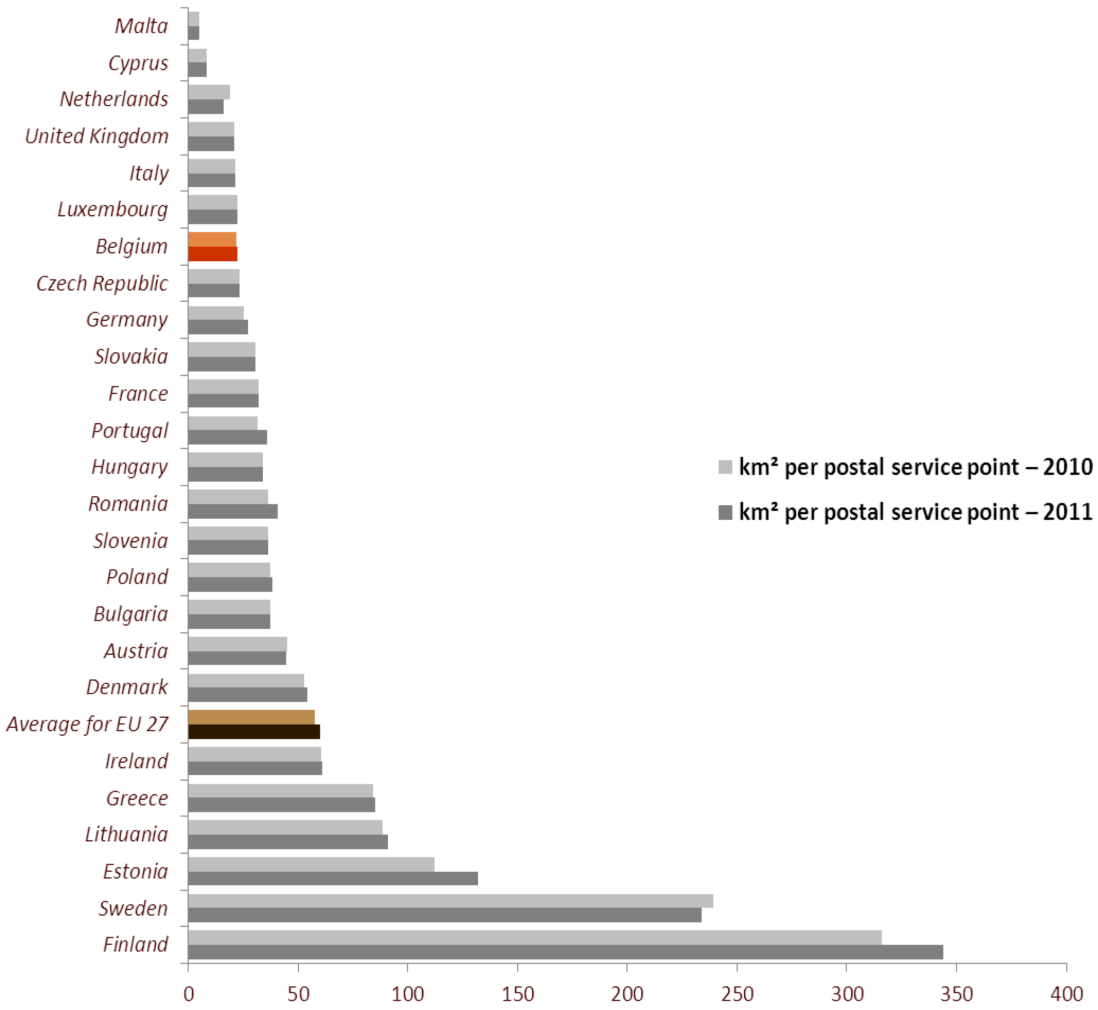


Figure 16 – Average population served per postal service point in Europe



The number of square kilometers served by a postal establishment is stable between 2010 and 2011, which is 22 km².

Figure 17 - average surface served per postal establishment in Europe

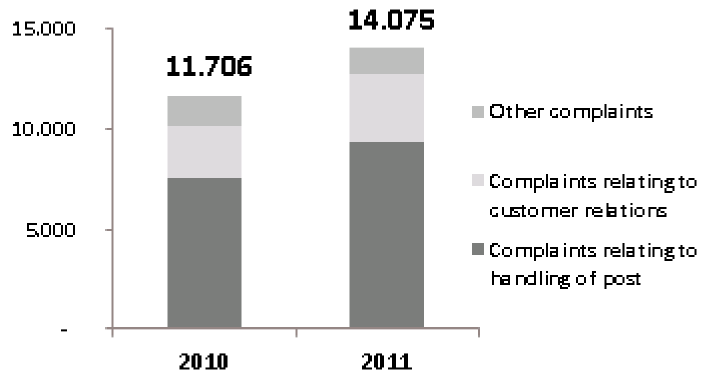


5.2. Satisfaction of postal services users

In 2011, around 14,000 complaints were filed with the Office of the Ombudsman for the Postal sector , representing a 20% increase over 2010.

The majority of the complaints concern the handling of postal items (letters, packages, parcels) and customer relations.

Figure 18 – Number of complaints filed with the Office of the Ombudsman for the Postal sector



Complaints relating to the handling of postal items, which represents the main category of complaints, for the most part concerned errors in delivery and the general reduction in service (distance to be travelled to reach a post office where an item is to be collected, variable delivery times, etc.). A majority of these complaints were about bpost, given its significant relative presence in the 5 segments taken into consideration for this observatory.

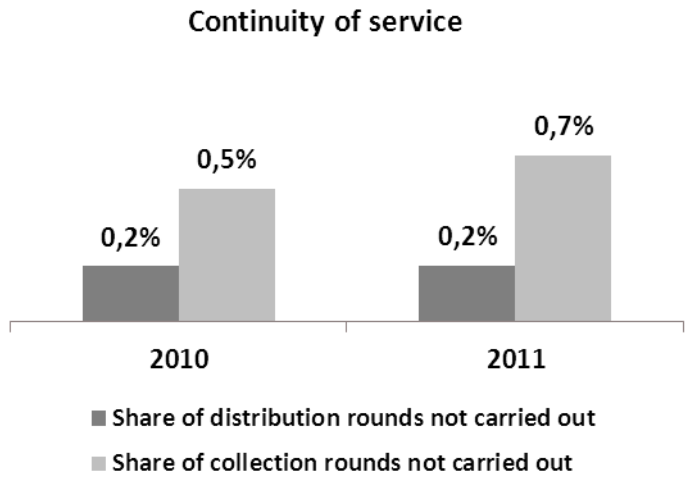
Complaints about customer relations were made about all of the companies present on the postal market. They often relate to incorrect information having been supplied, difficulty in getting through to the post office, excessive wait times at call centres, etc.

It should be noted that in 2012 bpost signed a "customer charter" intended to put in place tools for measuring the quality of customer service.

5.3. Continuity of postal services

The continuity of collection and delivery services remained stable between 2010 and 2011: only 0,2% of the collection rounds and 0.7% of the delivery rounds were not carried out by bpost in 2011.

Figure 19 – Continuity of letter collection and delivery services in Belgium

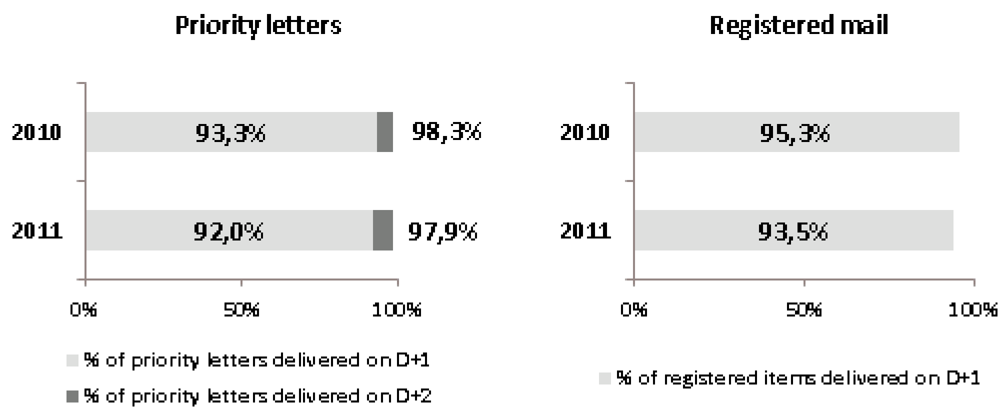


5.4. Letter post delivery times

Respecting delivery times laid down by the management contract between bpost and the Federal State is audited annually by the regulator in a study specifically devoted to service quality. This study (the BELEX study) was launched in 2002 at the request and under the supervision of BIPT. It consists of measuring the actual shipping and delivery times provided by bpost, using test letters. It should be noted that only bpost is subject to this audit, since its competitors do not have any regulatory objectives as regards service quality.

For 2011, 92% of the volume of domestic letter post affixed with Prior postage was delivered on D+1, and 98% of the post was delivered on D+2. As regards registered letters, 93.5% of the total was delivered on D+1.

Figure 20 – Delivery times for Prior and registered post



5.5. Innovative services

Improvements to service quality and user satisfaction are made by making available new user services. In 2011, bpost launched several new services, in particular in order to improve the accessibility of its products and services: "Selfpost" makes it possible to add postage and send one's post using automats outside of the opening hours of the traditional service points, and "bpack 24/7" enables users to deposit and collect parcels likewise using automats. Finally, bpost has emphasised the information provided to customers, by being more transparent regarding shipping costs for e-commerce purchases using its "Globify" service, by making available the "track & trace" system for registered post as well as for parcels, and by informing industrial clients of the environmental footprint of an advertising campaign.

Figure 21 – Non-exhaustive list of innovative services offered to users

Innovative services	Description of the service
Globify	E-commerce service that allows for full transparency on the various costs involved in cross-border e-shopping (taxes, shipping costs, etc.)
Selfpost	Solution for postage and for shipping post
Mobile postcard	A smartphone application for creating and shipping postcards
Bpack 24/7	Automat for depositing and collecting parcels
Mail ID	A system of unique barcodes
Track & Trace	"Track & trace" option for sending residential customers' registered post
DM Carbon Meter	An instrument for customers intended to measure the CO2 impact in the entire lifecycle of an advertising campaign that uses mailings

6. Sources used for the observatory

The data came from a survey among the operators concerned, whose participation was mandatory under the provisions of Article 134 of the Law of 21 March 1991.

Other public sources have been used in compiling this observatory:

- bpost – Annual Report 2011
- National Bank of Belgium – Central Balance Sheet Office
- NSSO – salaried employment in Belgium
- Statbel
- OMPS – Annual Report 2011
- UPU – Postal Statistics 2011
- Deutsche Post – International Letter Prices Survey, 2011