



BELGIAN INSTITUTE FOR POSTAL SERVICES AND TELECOMMUNICATIONS

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PRESS RELEASE

BIPT turns down bpost's request for a tariff increase in 2017

Brussels, 29 March 2017 - On 29 August 2016 bpost submitted to BIPT its annual proposal for tariff increases for the small users basket (representative postal services used by private persons and small businesses). For the first time BIPT refused this price increase as the tariffs in question do not comply with the legal obligation of cost orientation. Following a thorough analysis it seems that the proposed tariff increase would result in prices that notably exceed the costs plus a reasonable profit, which is contrary to the European and Belgian legal postal framework for universal postal services. The law has it that a proposed tariff increase has to be refused by BIPT in that case.

As the regulator for the postal sector BIPT is tasked with the analysis of possible proposals for tariff increases of the universal service provider, bpost. To that effect BIPT has to evaluate whether all tariff principles provided for by law are complied with. More in particular it involves the following principles: the affordable nature of the prices, uniformity of tariffs on the entire territory, transparency, non-discrimination and cost orientation. On 29 August 2016 bpost sent a request for a tariff increase, planned in 2017, for the "small users basket"¹ to BIPT.

On 7 October 2016, after having received additional information from bpost, BIPT transmitted to bpost a primary draft decision on the analyses of bpost's tariff proposal for the full rates per piece for the year 2017. Bpost asked, and obtained, an extension of the period to address its observations, which were submitted late November 2016. Following the numerous observations formulated by bpost, both in writing and orally during the bilateral meetings, the method used to verify the compliance with the cost orientation principle has been revised by BIPT. This revised method was integrated in a second draft decision and notified to bpost on 22 December 2016. On 15 February 2017 BIPT received bpost's final comments.

As indicated in its 2016 operational plan, BIPT carried out a detailed analysis of the cost orientation in order to ensure that the users also benefit from the increased efficiency achieved by bpost in conformity with the legal framework regarding the universal service. Based on that thorough analysis BIPT feels that the level of reasonable profit to be taken into account in the context of a request for a tariff increase for the universal service (full rates for the small users basket) should not exceed 15%.

¹ This comprises a set of postal services that are representative of the products used by private persons and small business: priority and non-priority domestic items, outgoing priority and non-priority cross-border mail, outgoing cross-border and domestic postal parcels, outgoing cross-border and domestic registered items and insured items.

BIPT feels that bpost's tariff proposal for the year 2017 does not allow to meet the cost orientation obligation provided for by law. Indeed the proposed rates allow to achieve a profit largely exceeding the reasonable margin of 15%, beyond the costs, in a market lacking sufficient competition and to which strict tariff regulations are applied for universal service products, in particular for the small users basket. Bpost's costs and income in the context of this analysis take full account of the drops in mail volumes.

Finally, even if the increases of the full tariffs proposed by bpost for the year 2017 are in conformity with the principles of affordability, transparency and non-discrimination, the principle of cost orientation however is not met. BIPT consequently feels obliged to reject the request for a tariff increase submitted by bpost by virtue of the legal stipulations regarding the tariffs for the small users basket belonging to the universal service.

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