BELGIAN INSTITUTE FOR POSTAL SERVICES AND TELECOMMUNICATIONS

COMMUNICATION OF THE BIPT COUNCIL OF 11 DECEMBER 2014 ABOUT THE BELGIAN POSTAL SERVICES OBSERVATORY FOR THE YEARS 2010 TO 2013

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0. Methodological foreword

The scope of the players selected for this edition is slightly different from the one selected for the previous edition because it includes a new player - TBC Post - who has been operating under licence on the market of the universal postal service since 2013.

The letter post volumes for the years 2010 to 2012 published in the observatory's previous editions are slightly different from those published in this edition: this difference results from a recent modification in the classification of some postal products in transaction mail by bpost.

As regards investments in the postal sector, the scope of the operators selected in this edition includes all the players mentioned in section 2 (figure 2). The previous observatory only took into consideration the investments made by bpost and the main providers of express delivery services (DHL, UPS, Fedex, TNT).

Finally, the indicator related to the volume of letter post items per employee in Belgium (Figure 8) has been replaced by the volume of letter post items per worker in Belgium, taking into account not only employees, but also self-employed workers in Belgium. This modification allows a better measurement of the use of postal services by the working population.

An additional indicator measuring the volume of letter post items per postal sector employee has been added in order to measure the efficiency gains made in the postal market. This indicator is linked to the investments made in the postal market.

1. Introduction

Since the beginning of 2012, the Belgian Institute for postal services and telecommunications (BIPT) has set up a lasting observatory of the postal activities market in Belgium, within the framework of the functions that it has been entrusted 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 which can contribute to transparency".

The indicators present in this observatory aim at providing a representation of the market structure intended for all the stakeholders of the postal sector (senders, addressees, operators, various intermediate players, etc.). These indicators make it possible to understand the market on the supply side, the evolution of the activities of the universal service provider and his competitors, as well as the results of the postal activity in Belgium in terms of quality of service and innovation for the users of these services.

This edition includes the indicators published in the previous edition. It also gives a more detailed overview of the market shares of the postal market's main players.

From a general point of view, the postal market is decreasing slightly in comparison to 2012, and this in spite of the good results of the parcel and express mail segment.

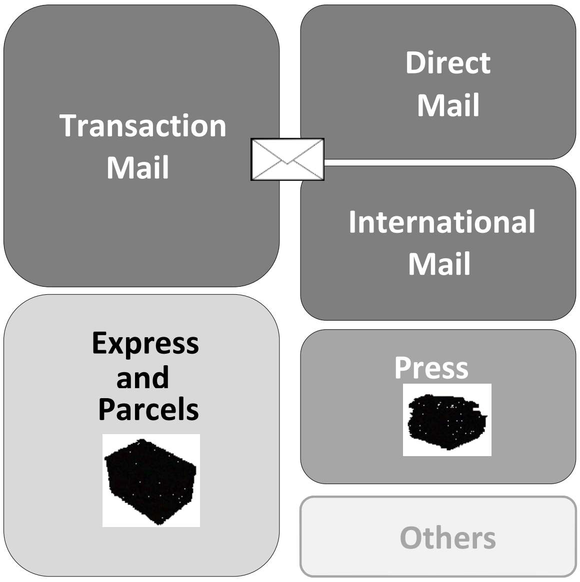
Bpost keeps an important market share, even if it is slightly decreasing since 2010: this decrease is linked to the growth of the parcel market, where the competition is far more developed, particularly due to the presence of the main international providers of express delivery services.

Finally, in 2013 the postal market liberalisation, which was effective since 1 January 2011, was implemented. On 21 May 2013, TBC-POST was granted a licence authorising it to carry out a postal activity within the scope of the universal service products, for a 10 year duration.

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

The scope of the postal activities taken into account in the framework of this observatory can be fragmented into six categories, as displayed in the figure below:

Figure 1: Segmentation of the postal activities selected in the framework of the observatory



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

Routing activities and activities related to unaddressed commercial mail delivery are not considered in the scope of this observatory.

On initial examination, the Belgian postal market is characterised by the presence of a very large number of players, deemed to provide postal services: the National Social Security Office (NSSO) lists indeed more than 500 players on this market, while certain directories (for example the golden pages) list more than 700.

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

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

Furthermore, the competing post offices of the neighbouring countries are also active on the Belgian market. The active development of specialised mail companies coming from large European postal groups, can thus be noted in some segments of the postal market.

So, DPD, a subsidiary of the French group La Poste which possesses 500 own warehouses in more than 30 countries and delivers 2 million items a day around the world, is present in Belgium with a delivery of more than 7,200 items a day.

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

As regards the press segment, bpost ensures the public service of early newspaper delivery (before 7.30 a.m.) until 31 December 2015. This early delivery exclusively concerns the delivery of newspapers to subscribers (about 186 million copies a year): within the framework of the same public service, bpost also ensures the delivery of periodicals to subscribers, but through classical rounds.

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

Belgique Diffusion (BD) owns a little less than 10% of the market shares of newspaper delivery, mainly in Brussels and Antwerp. BD also dominates the market of non-addressed items with more than 75% of market shares.

As regards the addressed commercial mail, the number of competitors is larger, but the market is still dominated by bpost. The other players (Publimail, Evadix DMS, Group Joos, Arvato Print & Mail Services, Link 2 Biz, etc) do not have a significant level of activity.

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

So, this seeming division of the postal market in Belgium should not hide the concentrated nature of the postal services market: more than 93% of the turnover achieved on the market for the provision of postal services is realised by the nine players identified in the table below.

Only these players have been included in the scope of the study for this observatory.

Figure 2: The main players on the Belgian market for the provision of postal services (in 2013)

Operators	Addressed mail	Parcels / Express	Commercial mail	Press	International Mail	Other
bpost						
TNT Express Belgium						
UPS Belgium						
Federal Express Europe						
DHL Intl						
GLS						
DPD Belgium						
G3 Worldwide						
TBC						
Geodis-Ciblex Belgium						

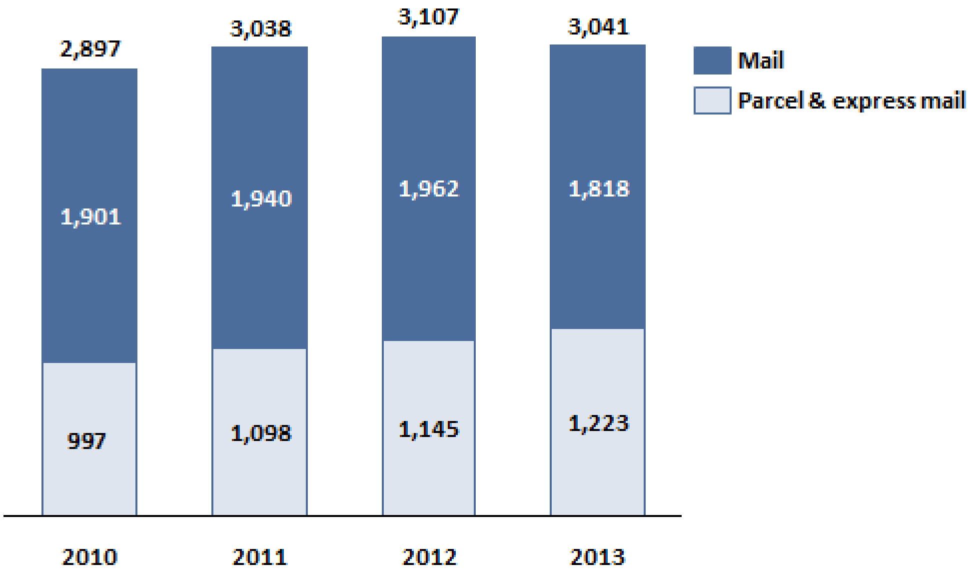
3. Description of the Belgian market for the provision of postal services for the years 2010, 2011, 2012 and 2013

3.1. Overview of the postal market

3.1.1. Revenue

The total revenue of the postal sector has decreased by 2.1% between 2012 and 2013, to stand at €3.041M, while there had been a 2.3% increase between 2011 and 2012.

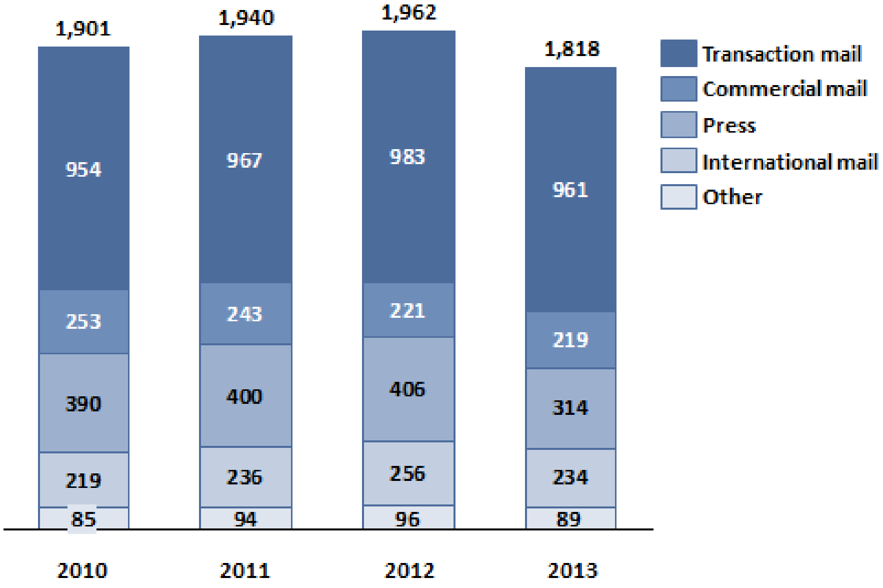
Figure 3: Consolidated evolution of the postal sector's revenue per segment over the 2010-2013 period (in M€)



This decline is linked to the decrease in revenue in the letter post segment, which is not fully compensated by the increase in revenue observed in the parcel and express mail segment.

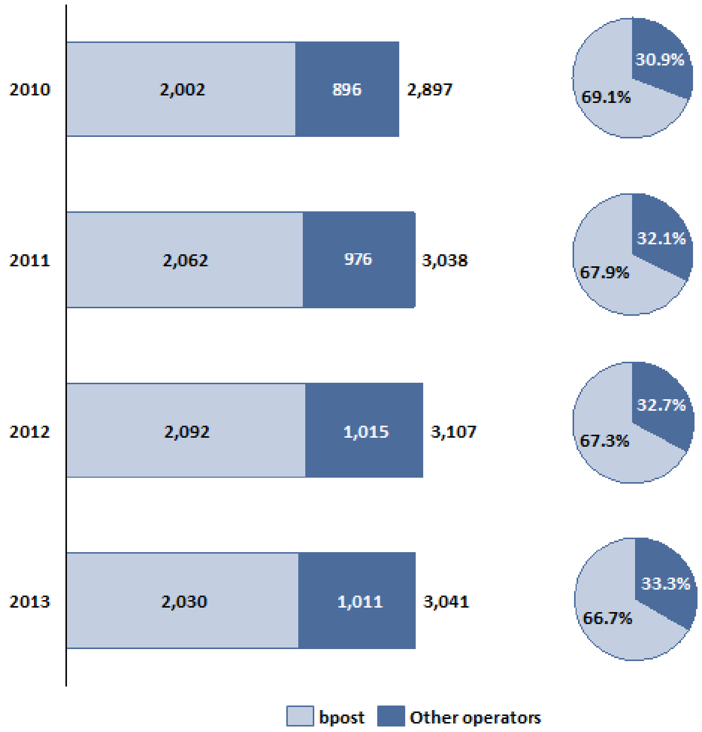
- With a 6.8% growth compared to 2012, the parcel and express mail segment confirms the nearly 4% growth observed in the previous year. Since 2010, revenue linked to parcels and express mail has increased by nearly 23%.
- On the other hand, the letter post segment is marked by a significant decline compared to the previous years: while it had been relatively stable since 2010, in 2013 it shows a 7.3% decrease in value compared to 2012, and this in spite of the price increase. Indeed, this increase only partially compensates for the revenue loss linked to the decrease of volumes delivered.

Figure 4: Details of the letter post segment revenue (in M€)[1]



The share of bpost in the total revenue on the postal market amounts to a little more than 66% in 2013, which is slightly less than in 2012.

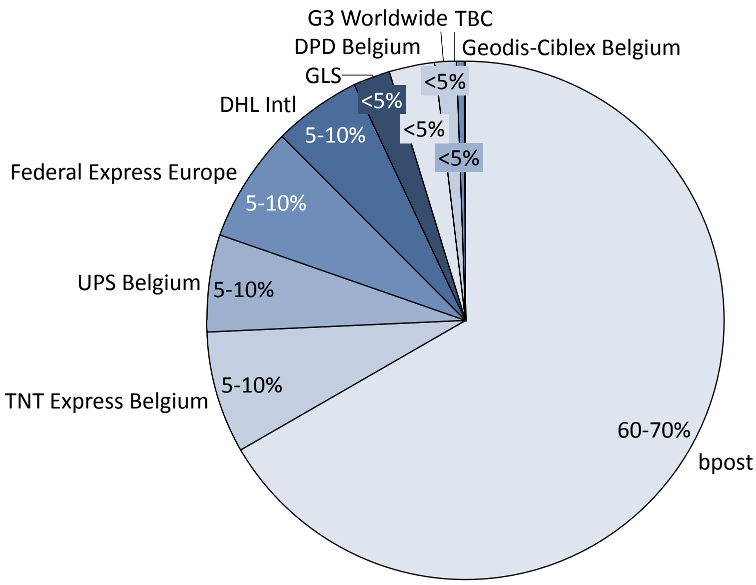
Figure 5: Revenue (in M€) and market shares of the postal sector between 2010 and 2013



[1] The press revenue includes the compensation for the service of general economic interest (SGEI) currently provided by bpost. So, the strong decrease, in 2013, of the revenue relating to the written press distribution is linked to the entry into force of the 5th management contract on 1 January 2013. Indeed, this 5th management contract has led to a decrease in the compensation paid by the State for the SGEI of delivery of acknowledged newspapers to subscribers.

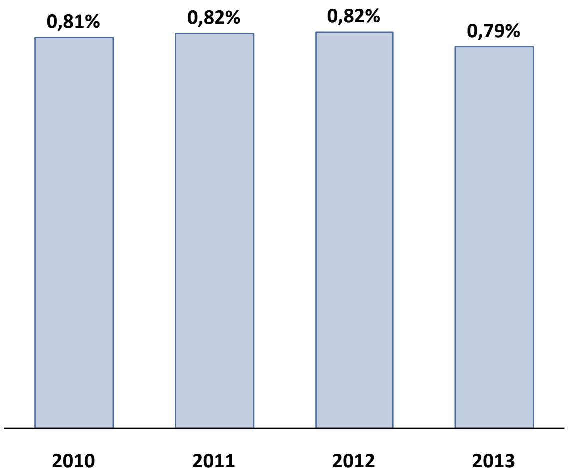
bpost still has an important market share, even if it has been slightly decreasing since 2010: this decrease is linked to the growth of the parcel market, where competition is far more developed, particularly due to the presence of the main international providers of express delivery services (see focus on parcels and express mail).

Figure 6: Detailed shares of the postal sector total revenue for the main players in 2013



The share of revenue relating to the provision of postal services in the Belgian GDP remained stable between 2010 and 2012. However, we notice a very slight decrease to 0.79% of GDP in 2013.

Figure 7: Share of the postal activity in Belgium's GDP



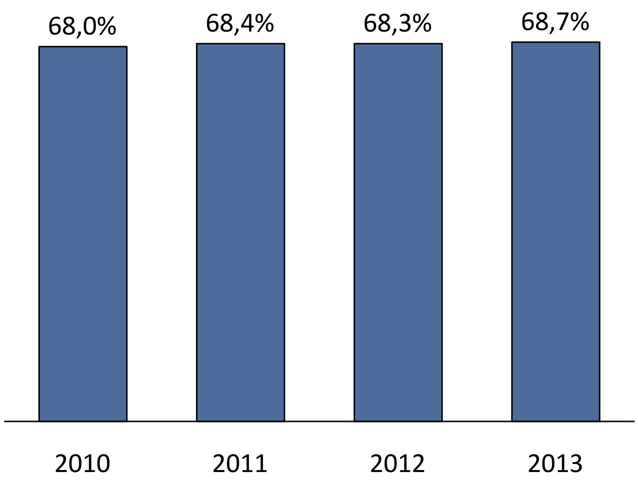
3.1.2. Volumes

The decline in value of the letter post market observed can also be seen in the market evolution with regard to volume. So, the volume of mail per worker in Belgium (including employees in all sectors and self-employed workers) decreases by 2.6% between 2012 and 2013, and the volume of mail per inhabitant decreases by 3.6% over the same period, falling below the level of 20 items per inhabitant and per month.

Figure 8: Monthly letter post volume per worker and per inhabitant in Belgium

As regards the letter-post item market, the share of the items weighing less than 50g, which made up the sector reserved to bpost until 2011, is almost stagnating (+0,6%).

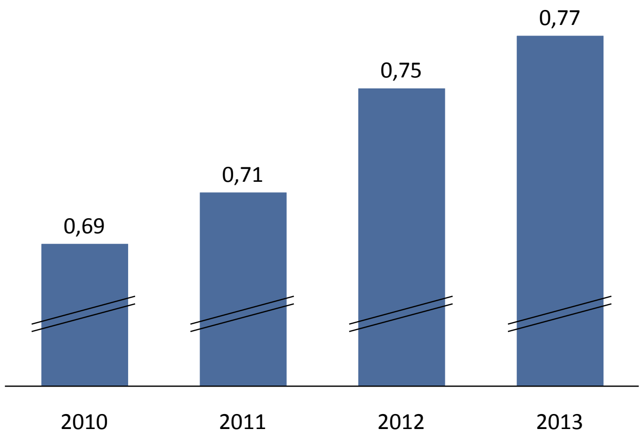
Figure 9: Share of items < 50g in the letter post volume



3.1.3. Price

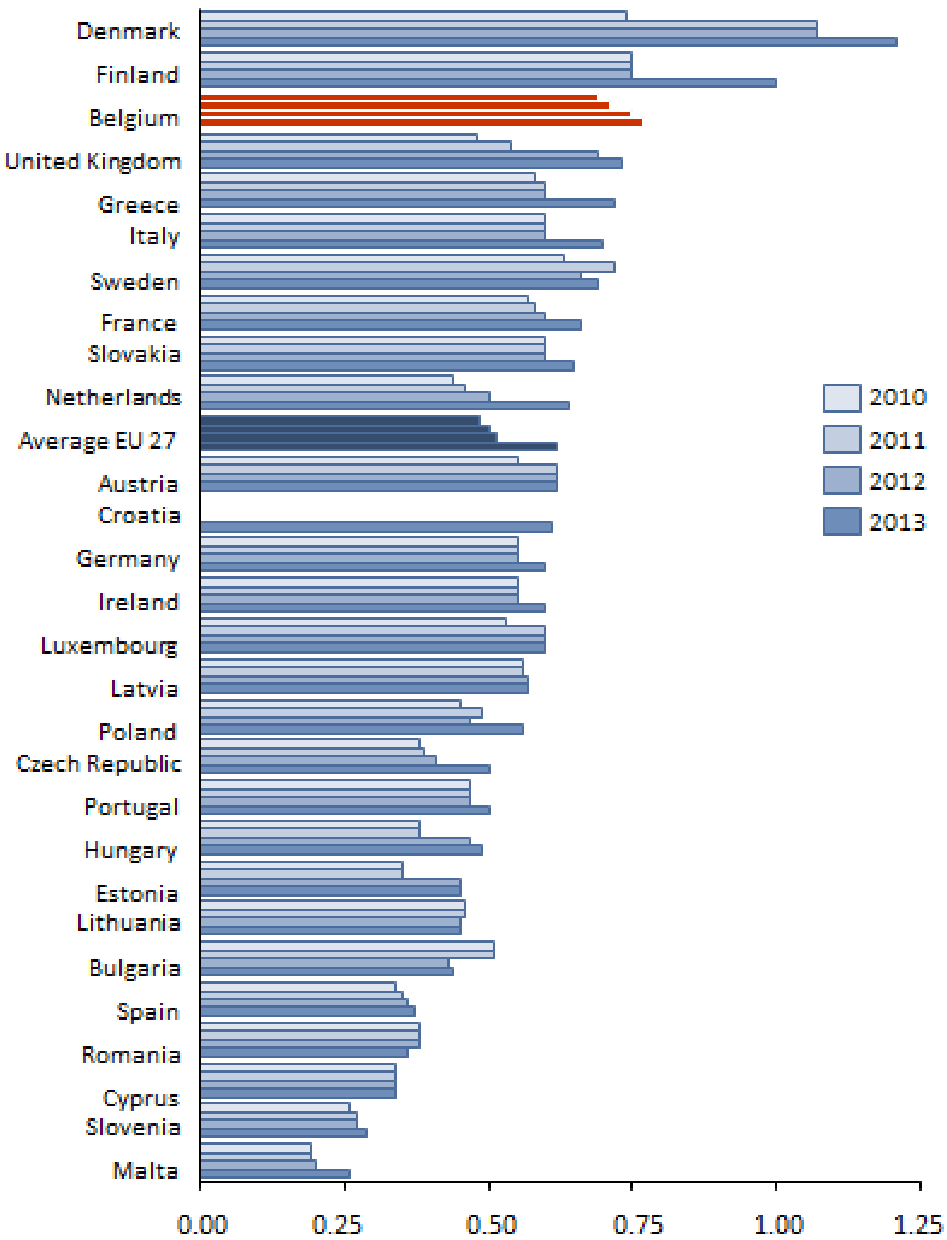
The nominal rate of the Prior letter in Belgium went from € 0.75 in 2012 to € 0.77 in 2013, i.e. a 2.6% increase of the sale price of transport and distribution.

Figure 10: Tariff of the Prior letter service < 50g (€)



The price of transport and distribution of the standard format letter in Belgium is amongst the highest in Europe, as indicated in the figure below. However it should be noted that it is a unit price. Bpost offers a lower rate for stamps sold in series (from 10 stamps). In 2013, this price amounted to € 0.67 a stamp against € 0.65 in 2012 and € 0.61 in 2011, from 10 stamps purchased.

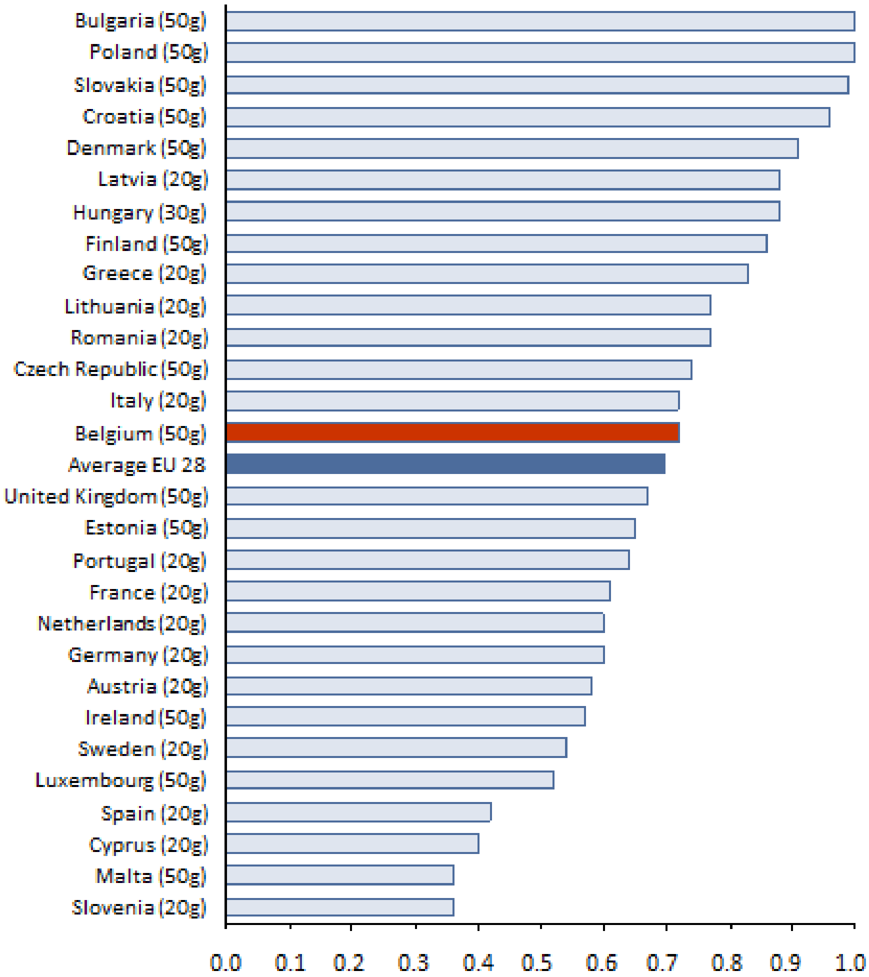
Figure 11: Price of the domestic standard letter service in Europe (€)



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

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

Figure 12: 2013 price expressed in purchasing power parity (PPP) of a domestic standard letter in Europe(€)



3.2. Focus on the parcel and express mail segment and on the e-commerce

The boundary between the nature of parcels and that of express mail items remains difficult to define clearly. The transport of parcels includes more and more services bringing it closer to an express mail item (track and trace service, insurance of the mail item content, delivery times, etc.).

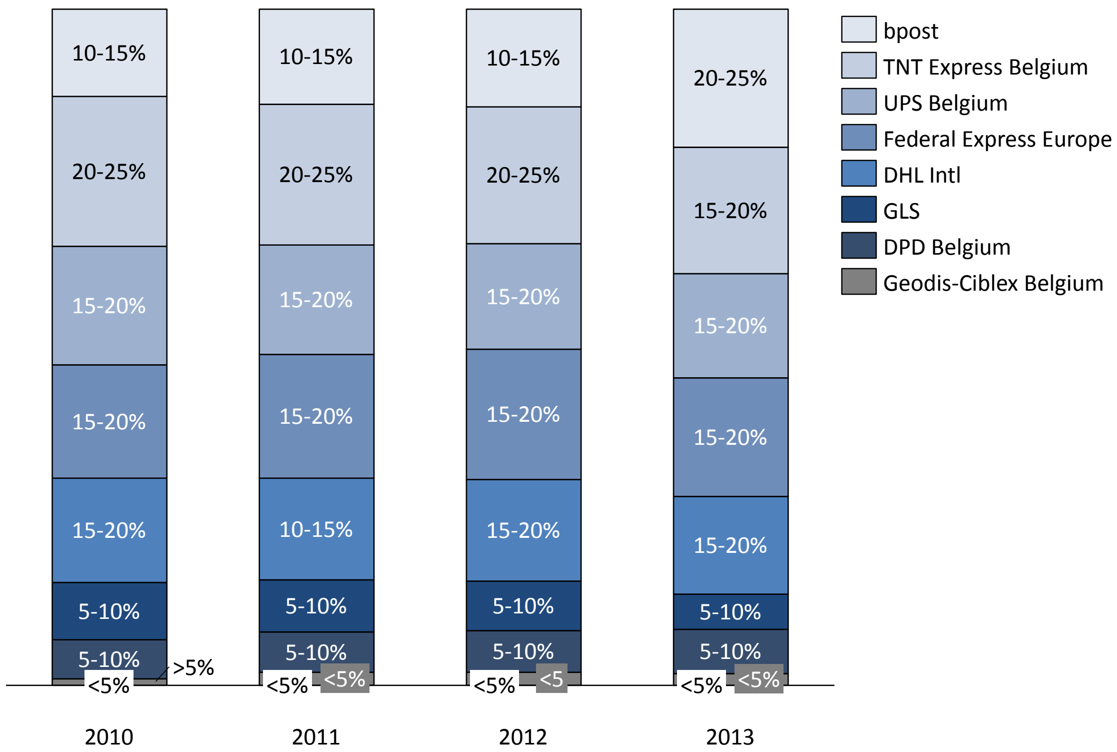
Competition is intense in this segment, which experiences a dynamic development: between 2012 and 2013, parcels and express mail revenue increased by 6.8%.

Alternative private operators are very active in the parcel and express mail segment in Belgium, just like the national universal service operators of neighbouring countries, which are present outside of their domestic markets through their subsidiaries.

In this very competitive segment, bpost's market share is constantly increasing, exceeding 20.4% in 2013. Together, the 4 international providers of express delivery services - DHL, Fedex, UPS and TNT - represent more than 60% of this market in value.

It should be noted that other international players like Kiala or PostNL are also present in this very competitive sector, but their market shares for 2013 are unknown.

Figure 13: Market shares in revenue in the parcel and express mail segment



3.3. Focus on the segment of press delivery to subscribers

Home delivery of acknowledged newspapers to subscribers is a service of general economic interest (SGEI), the provider of which is designated through an adjudication procedure. Currently, and until 31 December 2005, this service is ensured by bpost, who is in charge of:

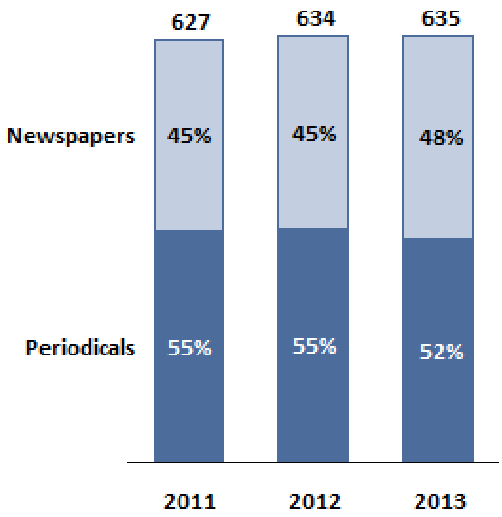
- The early delivery of newspapers to the subscribers' home through dedicated rounds which are carried out before 7.30 a.m. from Monday to Friday and before 10.00 a.m. on Saturdays;
- The delivery of periodicals to the subscribers' home through classical delivery rounds, from Monday to Friday.

As a provider in charge of the SGEI of delivery of acknowledged newspapers to subscribers, bpost is the main operator in the segment of press delivery to subscribers. Two other players are also active in this segment: Belgique Diffusion and Deltamédia, bpost's subsidiary delivering exclusively the Mediahuis group's press.

3.3.1. Volumes

The total volumes of the segment of press delivery to subscribers have increased very slightly between 2012 and 2013. This global increase corresponds in detail to a sharp increase of the volume of newspapers delivered (+5.5%) combined with a 4.3% decrease of the volume of periodicals over the same period, which now only represents 52% of the press volumes (against 55% in 2012).

Figure 14 – Evolution of the press segment volumes to subscribers (million items)

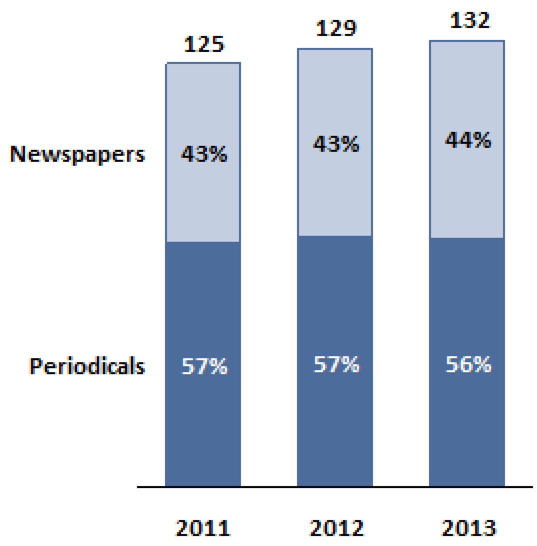


3.3.2. Revenues

The revenue of the press distribution to subscribers follows the trends observed as to the volumes: globally, the market has increased by 1.7% in value, which corresponds to a 4.8% increase of revenue from the newspaper delivery and to a 0.7% decrease of revenue from the periodical delivery.

It should be noted that this revenue does not include the compensation paid to bpost for ensuring the public service of press delivery to the subscribers, insofar as this compensation cannot be split up between periodicals and newspapers.

Figure 15: Evolution of the press segment revenue to subscribers, exclusive of SIEG compensation (M€)



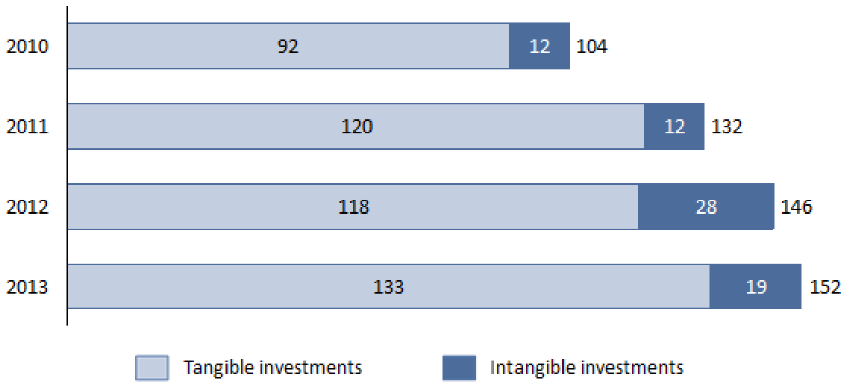
An extra player, AMP, is active on the market of newspapers and periodicals store delivery and on that of delivery of press articles to be sold by issue. This player's revenue and volumes are not included in the scope above because their division between newspapers and periodicals is unknown.

4. Investments and employment in the sector of postal activities

4.1. Investments in the postal sector

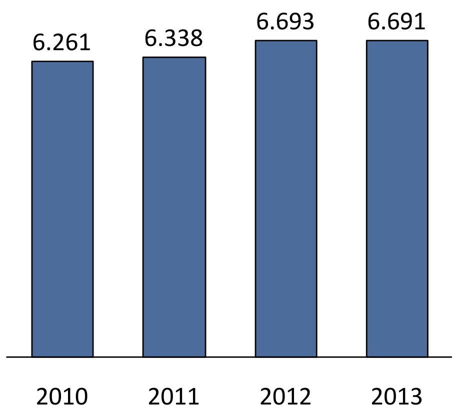
In 2013, 152 million euro were invested by operators[2] in the postal sector, which represents a 4% increase in comparison to 2012. These increased investments are linked to the growth of tangible investments (infrastructure, equipment, sorting machines, buildings) because intangible investments (information systems, etc.) have decreased by more than 30% between 2012 and 2013.

Figure 16: Investments in the postal sector (M€)



The volume of mail per postal sector employee remains the same as in 2012, i.e. 6,691 items handled per employee per month. The number of jobs in the postal sector in Belgium decreased at the same pace as the letter post volume between 2012 and 2013.

Figure 17: Letter post volume per postal sector employee



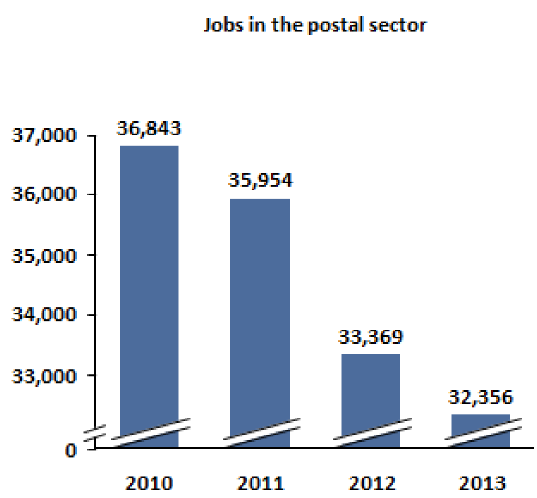
[2] Except for bpost, the amount of investments corresponds to the net evolutions of the fixed assets over 2010 and over 2011. It is therefore the net fixed capital formation.

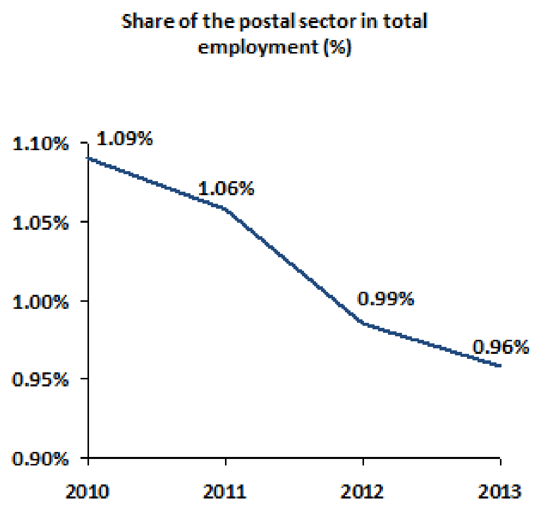
4.2. Jobs in the postal sector

With nearly 1,000 jobs less than in 2012, i.e. a decrease of about 2.6%, the downward trend in the number of jobs directly linked to the postal sector in Belgium remains stable but it is less steep than the decrease observed between 2011 and 2012 (-7%).

With more than 32,000 direct jobs, the postal sector still represents 0.96% of total employment in Belgium in 2013 against 0.99% in 2012. The number of employees of the alternative operators represents some 20% of these jobs.

Figure 18: Indicators relating to the jobs linked to postal activities in Belgium





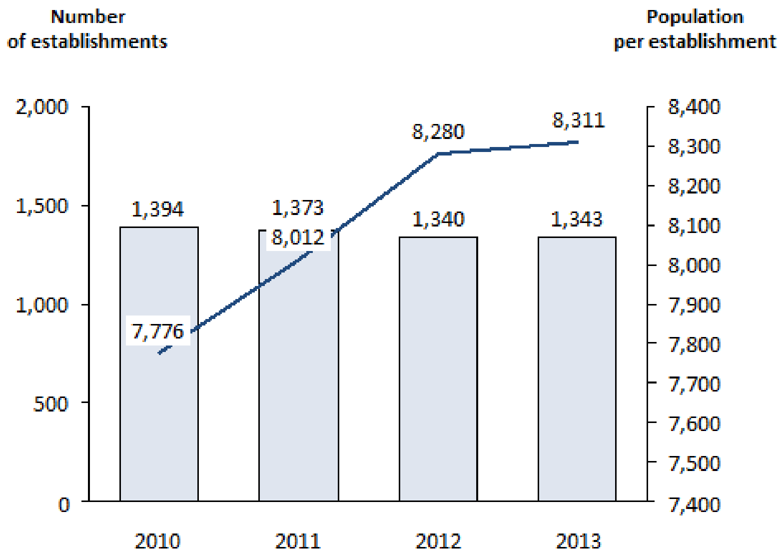
5. Quality of service

5.1. Accessibility of postal service points

In 2013, 1.340 establishments (post offices or postal points) provide postal services on the whole Belgian territory, i.e. 3 extra service points compared to 2012. So, the constant decrease in the number of postal service points observed since 2010 is interrupted.

A single postal establishment serves on average 8.311 people in 2013, i.e. a 3% increase compared to the preceding year.

Figure 19: Number of postal establishments in Belgium and average population served per establishment



The number of square kilometres served by a postal establishment is stable between 2013 and 2012, which is 23 km^2.

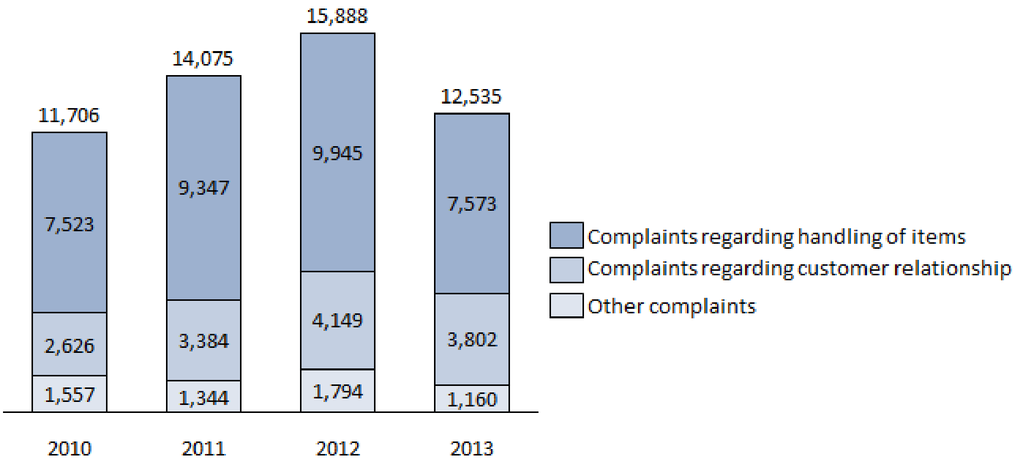
Figure 20: Surface served per postal establishment (km^2)

5.2. Satisfaction of users of postal services

In 2013, less than 12.500 complaints were lodged with the postal sector ombudsman. This volume of complaints is decreasing sharply, i.e. nearly 20% less compared to 2012.

It mainly corresponds to complaints related to the handling of items (letters, packages, parcels) and to the customer relationship.

Figure 21: Number of complaints lodged with the ombudsman



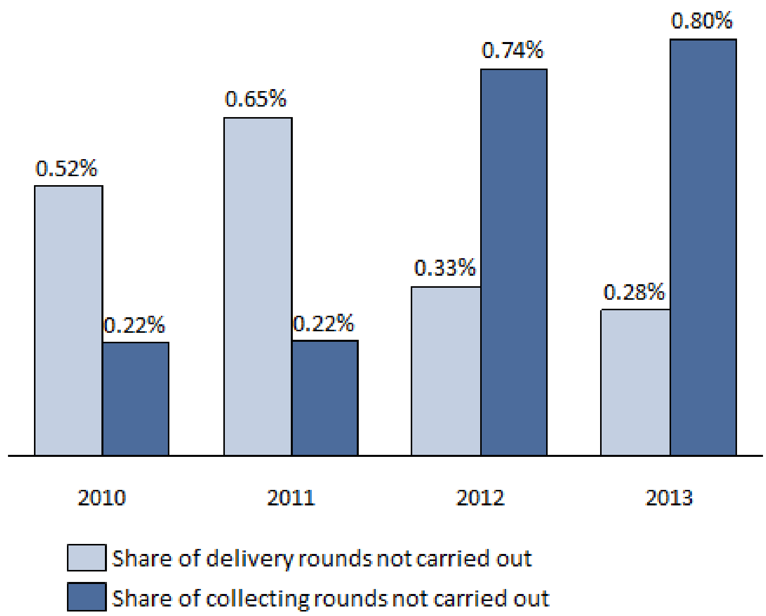
The complaints regarding the handling of items, which represents the main category of complaints, mainly concern delivery errors and the general reduction in service (distance to be covered to reach a post office where the item is waiting, variable delivery time, etc.). These complaints mainly concern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

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

5.3. Continuity of the postal services

The continuity of collection and delivery services has remained stable between 2012 and 2013: 0.8% of the collection rounds and 0.28% of the planned delivery rounds have not been carried out by bpost in 2013.

Figure 22: Continuity of mail collection and delivery services in Belgium

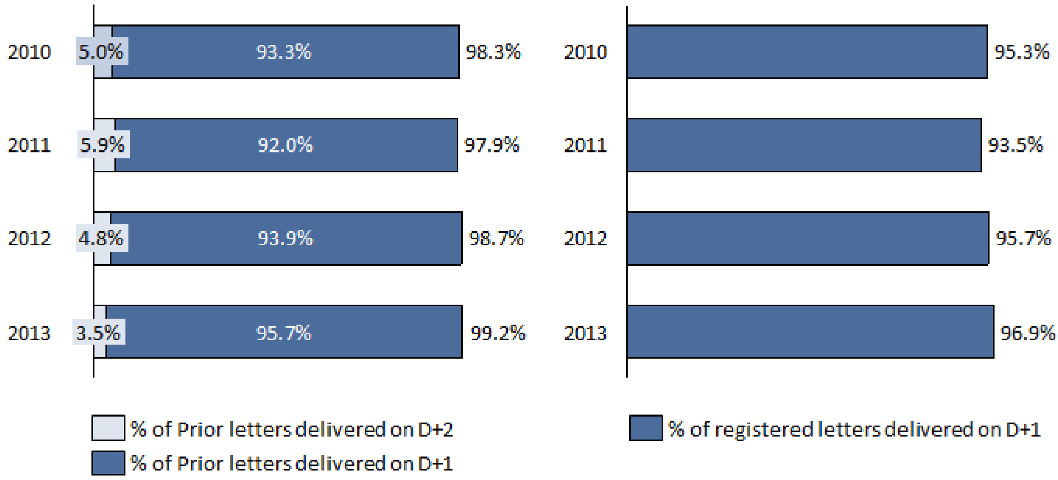


5.4. Mail delivery times

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

In 2013, 95.7% of the volume of the domestic single piece mail stamped at the Prior rate was delivered on D+1, and 99.2% of the mail was delivered on D+2. As regards registered items, 97% of the volume was delivered on D+1.

Figure 23: Precentage of Prior letters and of registered items delivered on time



5.5. Innovative services

The improvement of the quality of service and of the user satisfaction requires the provision of new services to users. In 2013, bpost launched several pilot projects:

In the letter post segment, bpost extended its service RelatioMail, previously intended for large companies, to medium-sized companies.

In the parcel segment, bpost launched a project of parcel delivery on Saturdays.

Finally, bpost launched several pilot projects in 2013 regarding the development of new value added services: reading of water meters, assistance for banks in their fight against money laundering, improvement of the conditions of access to bank credits.

6. Sources of information used for the implementation of the observatory

The data come from a survey among the operators concerned, whose participation is mandatory, as laid down in Article 34 of the Act of 21 March 1991.

Other sources of public data were used for the implementation of this observatory.

- bpost, Annual Report 2013
- National Bank of Belgium: Central Balance Sheet Office
- NSSO: paid employment in Belgium
- Statbel
- OMPS (Office of the Ombudsman for the Postal Sector), Annual Report 2013
- UPU, postal statistics 2012
- Deutsche Post, international letter prices survey, 2013

7. List of figures