



B I P T

**BELGIAN INSTITUTE FOR POSTAL SERVICES
AND TELECOMMUNICATIONS**

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REGARDING AN
OVERALL ANALYSIS ABOUT POSTAL NEEDS IN BELGIUM**

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1. Introduction

Article 5 of the European Postal Directive¹ lays down that the universal service should evolve *'[...] in response to the technical, economic and social environment and to the needs of users'*. That is why BIPT publishes every three years a study to monitor and map the needs of postal users.

Up to now postal users have been surveyed by BIPT only as part of a quantitative analysis.² Since 2016 though, they are surveyed based on a *mixed-method* research design, which encompasses two complementary research methods.

The quantitative part³ focuses on the quantification of consumer preferences by means of the willingness-to-pay approach.⁴ By using that method it is possible to deduce the consumer needs from those preferences. Following that a complementary qualitative study was performed, in which by way of focus groups and face-to-face interviews the underlying motives and motivation of postal users were assessed.^{5 6}

By combining the two research methods it is possible to perform a more in-depth analysis of the needs of residential and professional postal users. The core of that analysis is presented in this document. In annex 1 (item 6) there is also an order of acceptability of the scenarios to guarantee the continuity of the universal postal service (hereinafter: UPS) that have been submitted to the respondents to the qualitative survey.

Both surveys are important for all stakeholders. On the one hand users are informed about current and future challenges of the UPS. On the other, operators get an insight into the needs of the postal users, so that they can zero in on them. Finally, the surveys make it easier for the legislator to make the supply side of the UPS correspond as much as possible with the demand side of the UPS.

2. The universal postal service in Belgium

The European Postal Directive is part of the larger liberalisation story of the European network industries. In order to guarantee a postal service provision at affordable prices and make it accessible for every European citizen, the European legislator has established the UPS framework in the European Postal Directive. In turn the Member States have transposed that Directive into national law.

When transposing into national legislation the Belgian legislator has interpreted the UPS as broad as possible within the confines of the European framework.

¹ European Directive 97/67/EC, as amended by Directives 2002/39/EC and 2008/6/EC

² See the Communication by the BIPT Council of 23 February 2010 on the results of the quantitative survey of 2009 and the Communication by the BIPT Council of 17 December 2013 on the results of the quantitative survey of 2013

³ See the Communication by the BIPT Council of 8 December 2015 on the results of the quantitative survey of 2015

⁴ The quantitative survey was carried out among 3,627 residential users (civilians) and 2,190 professional users (large companies, SMEs, self-employed persons and government institutions)

⁵ See the Communication by the BIPT Council of 7 February 2017 on the results of the qualitative survey of 2016

⁶ 90 residential users (civilians, including vulnerable users) and 20 professional users (SMEs, liberal professions and associations) took part in the qualitative survey

Under Article 142 of the Act of 21 March 1991 the universal postal service includes the following services (both national and cross-border services):

- the clearance, sorting, transport and delivery of postal items up to 2 kg;⁷
- the clearance, sorting, transport and delivery of postal parcels up to 10kg;
- the delivery of postal parcels coming from other Member States up to 20 kg;
- the services relating to registered items and insured items.

Furthermore, the legislator requires that the prices of UPS products are affordable, cost-oriented, uniform, transparent and non-discriminatory. In addition, each of the 589 Belgian municipalities has to have at least one access point⁸ to deposit postal items. There also has to be no less than five days a week, except on Sundays and legal holidays, at least one clearance, one transport and one delivery of those postal items. Finally the delivery of postal items has to involve every home of the Kingdom.

3. Other public postal services in Belgium

In addition to the UPS the Member States are free to provide for additional services of general economic interest (SIEG). The SIEG services are mainly included in the management contract concluded between the Belgian State and a postal operator. On 1 January 2016 the sixth management contract between the Belgian State and bpost came into effect.⁹

The management contract imposes among other things, the preservation of a retail network, complementing the requirements set out within the context of the UPS, to guarantee territorial and social cohesion. This involves at least 1,300 postal service points,¹⁰ including 650 post offices¹¹ (at least one in every municipality).¹²

Apart from that the UPS provider has to provide additional services such as financial postal services, payment of pensions at home and a number of ad hoc services, e.g.:

- the social role of the postman;
- provision of information to the public at the request of the competent authority;
- delivery of addressed or unaddressed election mail;
- delivery at a special rate of postal items sent by associations;
- payment of attendance fees during elections.

⁷ Under Article 131, 7° of the Act of 21 March 1991 a postal item is an addressed item in its final form, processed by a postal services provider. In addition to items of correspondence (letter post), such items also include for instance books, catalogues, newspapers, periodicals and postal parcels containing merchandise with or without commercial value. The delivery of newspapers and periodicals is not part of the UPS. Upon expiry of the fifth management contract press delivery, a 'last resort' service, was assigned separately to bpost by means of a public award procedure.

⁸ Access point: physical facilities, including the red letterboxes where senders can deposit postal items with the postal network.

⁹ <http://reflex.raadvst-consetat.be/reflex/pdf/Mbbs/2016/09/12/134193.pdf>

¹⁰ Postal service point: a post office, a post shop or a postal stop.

¹¹ Post office: a postal service point, operated by bpost, where at least the full range of services is offered to the customer, as laid down in Art. 131, 4° of the Act of 21 March 1991.

¹² By virtue of the management contract between the Belgian State and bpost a postal service point has to be reachable for 95% of the population, within 5 kilometres (over the public highway) and for 98% of the population within 10 kilometres (over the public highway).

4. Needs of residential and professional users

4.1 Postal users are cost-conscious

The **qualitative study** shows that residential and professional postal users are well aware that costs are associated with the UPS. However, postal users do not want to pay twice for the same service (on the one hand when buying postal services and products, and on the other hand by way of a compensation of the net cost).¹³ In general the perception is that the UPS provider should evolve as to efficient service provision, as all other postal operators do.

The **quantitative study** shows that postal users are cost-conscious.¹⁴ Both residential and professional users point out that lower prices are the change most wished for as to postal services.¹⁵

4.2 Postal users are solidary and want social cohesion

According to the **qualitative study** the inclusiveness of the UPS is a characteristic that is deemed extremely important. Hypothetical scenarios in which this inclusiveness is tinkered with (by lifting the requirement for a uniform price throughout the Kingdom, for instance) encounter opposition.

Moreover, according to the **quantitative study**, 69% of Belgian private persons would feel closed off from the outside world if they could not send or receive any mail anymore. In case of people over 65 this share is even 84%. Also vulnerable users, with limited mobility or a visual impairment, who are not online-oriented, remain greatly dependent on postal services.

4.3 Postal users want a carefully located postal network

Postal users are generally satisfied with the current postal network. According to the **qualitative study** they attach great importance to a close-knit, carefully located network of access points to postal services. This regards both red letterboxes for sending and postal points¹⁶ and post offices. The constriction of the current postal network (post offices, red letterboxes, etc.) is perceived as a bpost policy that is already in place.

¹³ The net cost of the universal service obligations corresponds with the difference between the net cost for a designated universal service provider of operating with the universal service obligations and the same postal service provider operating without the universal service obligations. An unfair burden concerning the net cost will be compensated by the Belgian State if it exceeds three percent of the turnover recorded by the universal service provider in the universal service segment.

¹⁴ In 2016, BIPT published a study on elasticities of postal products on the Belgian postal market. This study showed that postal users are cost-conscious when it comes to sending letter post by way of normal collection (i.e. insertion into red letterbox or deposit at postal service point). The change in demand turned out to be 1.5 times stronger than the degree in which the price would change. Thus, a 10% price increase would for example cause demand to decrease by 15.1%. Link to the study: <http://www.bipt.be/en/operators/postal/universal-and-non-universal-postal-services/communication-by-the-bipt-council-of-24-october-2016-on-the-results-of-the-study-into-elasticities-of-postal-products-on-the-belgian-postal-market>

¹⁵ Options: 1) delivery and clearance of mail 6 days per week 2) delivery of the mail at an earlier time than now 3) a much later time than now for the clearance of red letterboxes 4) delivery of postal parcels in the evening or in weekends 5) a letterbox much closer to my home 6) delivery of my mail in a post office or postal point, rather than at home 7) lower rates 8) other (please specify) 9) nothing

¹⁶ Postal Points: a postal service point, operated by a third person, where at least the basic assortment is offered, as laid down in Art. 131, 4° of the Act of 21 March 1991.

This does not mean that the distance to the postal network is unimportant. According to the **quantitative study**, about three quarters of postal users would like the distance to a red letterbox to be no longer than 1 kilometre. In addition, the study points out that postal users want the distance to a postal service point to be no longer than 3 kilometres. Vulnerable users want those distances to be shorter. More than half the people over 65 want the nearest clearance point to be no further than 500 metres away. Furthermore, residential users consider the discontinuance of a post office or postal point in the vicinity of their address as a big inconvenience, although 70% of those users say at the same time they could find an alternative.

A further constriction of the postal network (e.g. by reducing the number of postal service points) would therefore only be acceptable to users provided that the postal network access points are situated at carefully chosen, clearly visible and reachable locations.

4.4 Postal users are more satisfied about postal points than about post offices

In general, there is great satisfaction about the postal points, which are regarded as more dynamic and more service-oriented than a post office. Nevertheless, for specific services¹⁷, the need for a post office remains.

In addition, as shown in the **qualitative study**, especially from professional users, there is a demand for higher efficiency of post offices. One solution could be to consistently create separate queuing lines for different services, because the lead time of certain banking transactions among other things is different from the lead time of common postal operations at the counter.

The **quantitative study** indicates that for larger SMEs, having more than fifty employees, access points are less crucial knowing that in more than half of the cases they use mail collection services. Public services that use mail collection services still prefer to have in addition a clearance point in the close vicinity.

According to the users the red letterboxes should be located at easily accessible, safe places (e.g. not along busy roads) and service points should have helpful employees, clearly legible queuing tickets.

Replacing post offices by postal points is also debatable and even desirable for part of the population. In that regard, especially the needs of vulnerable users should be kept in mind.

¹⁷ Those services include: the moving service DoMyMove, PO Box rental, philately and transactions with regard to basic banking services, as defined in the Code of Economic Law of 23 February 2013. See the bpost website for the full list: <http://www.bpost.be/site/nl/over-bpost/klantendienst/4-types-verkooppunten-om-u-nog-beter-van-dienst-te-zijn>.

4.5 Postal users prefer letters and postal parcels to be delivered at home

Private persons still prefer letters and postal parcels to be delivered at home.¹⁸ By contrast, professional users mostly do not mind having to use an external central point for collecting letter post; however, they like postal parcels to be delivered at the work place. For sending postal items the situation is different: in that case professional users want both postal parcels and letters to be delivered at the addressee's address.

The postal parcel machines are relatively unknown according to the **qualitative study**, but private persons who are already using them are convinced of their operation and user-friendliness.¹⁹ Mostly liberal professionals and SMEs are already deeply convinced about the ease of postal parcel machines; therefore they champion a network of postal parcel machines that is better known and more extensive.

4.6 Postal users are open to a lower frequency of delivery for regular letter post

The **quantitative study** shows that private users want to keep the current frequency of delivery of five days a week. By contrast, the **qualitative study**, where residential respondents were given an informative presentation at the start of the focus groups and as a consequence were able to consider the possible scenarios of UPS changes in a better informed and nuanced way, shows that lowering the frequency to four days a week, and even to three days a week is acceptable to most respondents.

However, lowering the frequency of delivery in Belgium would have to be motivated in the light of the Postal Directive, which says that the frequency of delivery can be lowered in case of circumstances or geographical conditions deemed exceptional.

Professional users who experience intense daily mail processing are not in favour of any lowering of the frequency of delivery, according to the **qualitative study**. That fact is confirmed by the quantitative study, where private and public professional users are opposed to a possible decrease of the current 5 days a week frequency of delivery as far as administrative mail is concerned.²⁰

4.7 In practice the social role of the postman remains important to postal users

According to the **qualitative study** the social role of the postman is still experienced as a fundamental element for staying in touch with the outside world. Moreover, residential users find the continuity of letter post delivery at fixed times important.

Especially vulnerable users are interested in having a permanent postman, so that they can establish a personal bond and dare to ask questions quicker.

¹⁸ An alternative could be centralised *community boxes* at the start of every street for instance. This would be time-saving since the number of stops per postman would strongly decrease.

¹⁹ Bpost postal parcel machines: secured lockers at public locations, accessible 24/7 for collecting and sending postal parcels.

²⁰ The studies were completed before the Royal Decree on the Act regarding electronic registered items came into effect.

4.8 Postal users attach importance to day-certain delivery

For the moment residential users only have the possibility to send national letter post with a maximum routing time of D+1.²¹ By contrast, professional users do have the possibility of sending their postal items with a D+2 routing time.

The D+1 routing time for regular letter post does not appear to be an absolute necessity for postal users. A D+2 standard service is a scenario postal users are prepared to accept, as long as this is associated with the option of a D+1 premium service. Users deem this premium service necessary for occasions such as funerals, birthdays, births and in case of urgent administrative letter post.

As for postal parcels, although residential users are not necessarily opposed to a D+2 delivery service, professional users clearly show a strong need for a D+1 delivery service, both for sending and receiving postal parcels. A possible explanation is that the routing time, when sending a postal parcel, is one of the characteristics that enables a professional postal user to stand out or to compete with rivals. In addition we see that when the professional user is the addressee, a prompt reception of a postal parcel is a factor in providing an efficient service.

Furthermore, it turns out that for both letters and postal parcels great importance is attached to '*day-certain delivery*', which means that the sender can count on a high degree of accuracy of the routing time promised.

4.9 Bulk letter post outside the scope of the UPS would be acceptable for postal users provided there is a positive impact on tariffs

Shipment of large volumes of letters (also called 'bulk mail') is part of the UPS in Belgium.

It is not clear whether small and medium-sized enterprises consider bulk mail as an essential part of the UPS. On the one hand there are SMEs that think optimisation is possible based on commercial negotiations. On the other there are SMEs who are afraid of a general price increase.

However, it is clear that the consequences of a possible removal from the UPS for the rates are a very important factor for the SMEs, and that they approach the scenario very rationally.

²¹ D+1 = Day+1. This means that postal items, mailed before the last clearance on day X, are delivered on day X+1.

5 Conclusion

The postal services of general economic interest and in particular the universal postal service, keep on playing an important role in the life of Belgian private and professional users. To them an inclusive service provision at affordable prices is a very important characteristic.

A constriction of the current postal network (post offices, red letterboxes, etc.) can be acceptable to users provided that the network access points are situated at carefully chosen, clearly visible and reachable locations. Replacing post offices by postal points is also debatable and even desirable for part of the population. In that regard, especially the needs of vulnerable users should be kept in mind.

The preferred place of delivery is still the addressee's home address. Postal users who are already using postal parcel machines are convinced of their user-friendliness and champion a network of such machines that is better known and more extensive.

As for the frequency of letter post delivery, lowering the frequency to four days or even three days a week would be acceptable to most residential users. Professional users are less in favour of lowering the frequency of delivery, though.

As regards regular letter post, according to residential users, the D+1 routing time could be replaced as the standard service by a D+2 routing time, provided the D+1 is maintained as an optional premium service. Furthermore, *day-certain delivery* for postal items is considered highly important. As to postal parcels there is still a need from professionals for a D+1 routing time.

Small and medium-sized enterprises are not necessarily opposed to a universal postal service without bulk letter post, but they are unable to make a correct assessment of the exact consequences of a possible discontinuance on the cost for shipping bulk products.

The results of the surveys above are important for all stakeholders. On the one hand users are informed about current and future challenges of the universal postal service. On the other, operators get an insight into the needs of the postal users, so that they can zero in on them. Finally, the surveys make it easier for the legislator to make the supply side of the UPS correspond as much as possible with the demand side of the UPS.

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6 Annex 1: Scenarios to support the viability of the UPS in order of acceptance

In the qualitative study based on five scenarios, an assessment was made of the degree of acceptance of specific changes with a view to guaranteeing the continuity of the universal service. Those scenarios are given below in order of acceptance, from most acceptable to least acceptable.

'Decrease of the delivery frequency for regular letter post'

- The most acceptable option for as good as everyone.
- D+2 delivery is sufficient for most letter post items; therefore this can become the new standard, combined with D+1 as a premium service for urgent items.

'No longer include bulk letter post in the UPS'

- On the one hand this is welcomed by a part of the SMEs, so that they can conduct their own commercial negotiations.
- The other part is not convinced that this will lead to lower tariffs. This issue should be clarified.

'Reduction of the postal network'

- The restriction of the number of postal access points is perceived as an evolution already in place. A close-nit network, certainly for vulnerable users, is regarded as important. Even more than the number of access points, it is their location that is seen as primordial.
- As a consequence the network can be constricted provided the locations are well chosen, accessible and safe.
- Moreover the replacement of post offices by postal points is desirable for part of the respondents.

'Eliminate the requirement to serve every address in the territory'

- The use of 'community boxes', meaning that people collect their own post from a central location, is largely unknown to Belgians and raises many questions as to security, privacy, distance and financing of those boxes.
- Is considered to be a sharp degradation compared to the current UPS.
- Specifically for postal parcels the postal parcel machines of bpost are also relatively unknown, but people using them are satisfied and champion greater publicity of the system.

'Eliminate the requirement to serve the entire territory at an affordable and uniform tariff'

- Faces strong opposition because it interferes with the inclusive nature of the UPS.
- Moreover the idea seems complicated; it is not clear who will have to pay more for distant areas (sender or addressee) and it reminds one of other rather unpopular practices, such as unequal rates for utilities, recycling sites, municipal taxes, and so on.