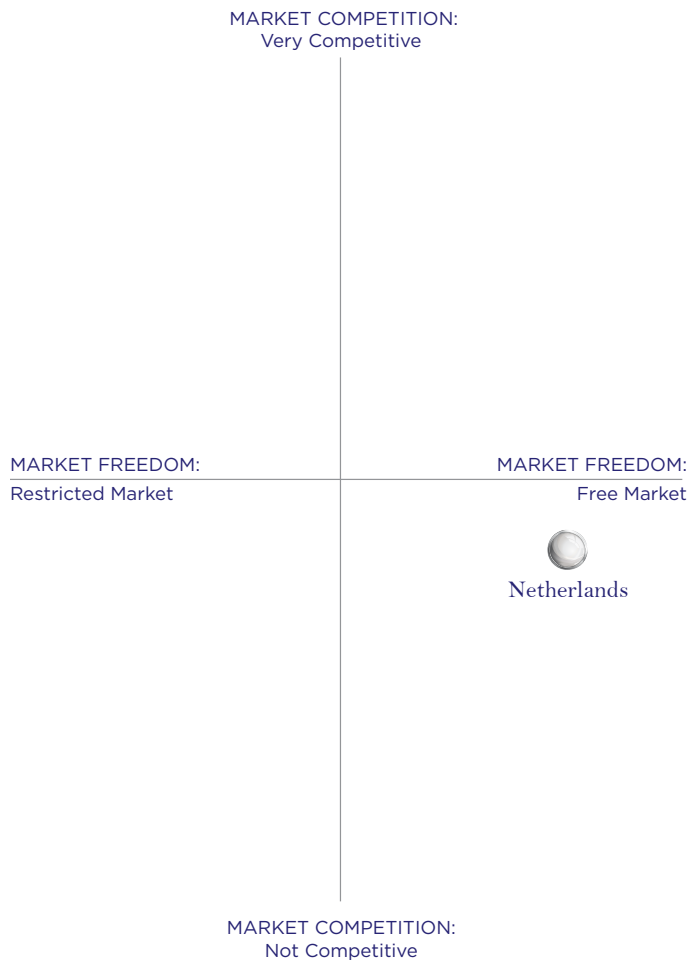


THE NETHERLANDS





OVERVIEW

The Netherlands has been a leader in Europe's drive to liberalize postal markets. The country's primary mail carrier, TNT Post, has been a private company since 1994 and has long been traded on the stock exchange. Since April 2009, the Dutch mail market has been fully liberalized. Moreover, the company's corporate parent, TNT Group, has used strategic partnerships and acquisitions to become a major player in nearly every European mail market that allows competition. In fact, from its headquarters in the Netherlands, TNT is actively positioning itself to become one of the world's major mail carriers, with worldwide staffing and operations which far outstrip its small Dutch "base."

Since the mail market's liberalization in 2009, competing carriers have begun to deliver letters under 50 grams. TNT authorities estimate that competitors held about 14 percent market share in the Netherlands in 2009. In an effort to reclaim market share, TNT has announced intentions to carry out a complete redesign of its mail network in 2010.

The Dutch market is small and concentrated. Like most modern mail sectors today, it is over 90 percent dominated by business mail. However, TNT is counting on its nimbleness, advanced technology, and market savvy to offset the decline in traditional paper mail and aggressively moving into the most profitable sectors in mail markets in other parts of the world.

As a company, or more accurately, a group of companies, TNT has reinvented itself over the last decade. It has executed several spinoffs, acquisitions, and partnerships in order to adjust not only to evolving technology like email but also to the start-and-stop regulatory uncertainties of the European Union.

STRUCTURE

In 2009, mail accounted for 40.5 percent of TNT's revenues and 72.8 percent of TNT's operating income. Mail revenues reached €4.2 billion (US\$5.4 billion).

TNT's Express arm operates in 65 countries and delivers to over 200. TNT Express delivers documents, parcels, and other freight worldwide with a fleet of 47 airplanes and 26,000 vehicles. According to the company's 2009 annual report, TNT held 18 percent of the express market share in 2009 and posted €6 billion (US\$7.6 billion) in revenues. By comparison, Deutsche Post DHL reported 16 percent of the express market share, and UPS had 9 percent.

TNT employs about 160,000 people worldwide.

In recent years, TNT has exited the logistics and freight management businesses to concentrate on express mail and other ventures where margins were higher.

LIBERALIZATION & PRIVATIZATION

State-controlled mail in the Netherlands has a long history. Earlier for-profit mail services were consolidated into a state monopoly in 1799, and over time all the innovations of an active business-oriented economy followed. In addition to internal and cross-border mail, Dutch royal mail eventually supplied telegraph, banking and money transfer services as well.

As the Netherlands grew its trade and industry, its mail service led the continent in introducing labor-saving innovations -- postal codes, presort processing, and increasingly sophisticated mechanical mail sorting.

However, by the middle of the 1980s, the weight of maintaining post offices, structural inertia, and a large labor force combined to cause the service to begin to lose money. Widespread use of telephones, then faxes, international express mail, and the beginnings of email pointed to major changes within its traditional markets.

Planners for the state-owned post began to restructure the service for emerging business mail markets and sought ways to make it profitable. The Postal Giro Service and the National Savings Bank were split off in 1983 and an independent company, Postkantoren BV, was set up to operate postal counters (savings and mail). On January 1, 1989, the postal service itself was restructured as Royal PTT Netherlands NV, a private stock company, yet all shares were still owned by the state.

In 1994 the company's stock was listed on the Amsterdam stock exchange and, in the pivotal year 1996, majority control of PTT Post passed from the Dutch government to private hands. In that same year the company acquired TNT, a world-wide delivery service from Australia. Almost overnight the company became a major player in global mail and logistics.

In 1998, TNT and PTT Post were joined as TNT Post Group (TPG) independent of the telecom arm of the business. And in 2002, PTT Post became TPG Post, which has since evolved into TNT Post, the name used today. In the Netherlands, Royal TNT Post is the country's primary carrier, with letter-mail market share of about 86 percent. Its parent TNT has become a conglomerate aggressively seeking business and profits all over the world.

COMPETITION

The Netherlands proclaims it has gone farther than virtually any other EU member in opening its domestic mail markets. In theory, European markets were to be opened by 2008, but exceptions have been made in some countries.

TNT Post's two biggest competitors are Sandd and Selekt Mail. Both are active in the business-to-business and business-to-consumer marketplaces. Sandd has a significant presence in the direct mail and magazine subscription markets. Selekt Mail is a subsidiary of Deutsche Post. All the major players in the European postal market also offer express services in the Netherlands.

In the residential market, there is little competition to TNT Post. But the combined business and residential markets in the Netherlands are not sufficient to satisfy the company's aggressive business model. The company has been in the forefront of efforts to liberalize mail markets in Europe and worldwide, and has acquired express delivery companies in China, India, Brazil and Spain to tap into growth markets.

UNIVERSAL SERVICE

The universal service obligation covers letters weighing up to 2 kilograms, domestic parcels weighing up to 10 kilograms, and international parcels weighing up to 20 kilograms. The universal service provider -- TNT -- must deliver every day but Sundays and holidays and must deliver no less than 95 percent of letters by the day after the day of posting.

In a country as small and compact as the Netherlands, universal service has never been a problem. In fact, TNT management has been much more concerned with the use of universal service as a barrier to other countries' liberalizing their markets and using direct and indirect subsidies to prop up incumbents.

REGULATION

The Dutch Postal Act of 2009 governs the Dutch postal market and TNT Post. OPTA, the independent Supervisory Authority for Post and Telecommunications, supervises the postal market as well as TNT's compliance with its universal service obligations. OPT also has rate-setting authority. The Minister of Economic Affairs maintains authority over postal policy.

FUTURE

TNT has set the explicit goal of becoming the second postal service provider after the national incumbent in every county of Europe. It aggressively supplies a full line of mail services with emphasis on business, and is technologically advanced, flexible and nimble. With its own small "base" well covered, the company has used strikes by postal workers in the United Kingdom and elsewhere to grab market share. It has become the ultimate conglomerate, seeking profitable niches wherever regulations, monopoly inertia or high margins offer opportunities. Some insiders say TNT is all the more aggressive because its Dutch base is shrinking and increased competition is driving down margins in business mail.

In line with increases in fuel and transport costs, mail prices have generally been rising in most EU countries in recent years. But many national monopolies are still in place, and it is expected that prices for business-generated mail will fall after full market opening. As technology continues to revolutionize the communications mix, TNT has moved to provide the most advanced consumer services. It aggressively combines traditional mail with electronic media, and has added sophisticated tracking and tracing capabilities designed to exploit the wave of internet shopping delivery.

TNT has stated publicly that it would like liberalization to move faster. It also contends that too few countries have opened their markets.

The company is very concerned with "leveling the playing field" in what it calls "responsible liberalization." Moreover, the recent extension of mail openings to 2011 for 11 of the EU's 27 member states is blocking what TNT sees as necessary expansion channels.

In December 2009, TNT announced the "Vision 2015" -- a five-year plan to help the company optimize its national and global performance with an eye on improving profits. Thus far, things look promising. A 2010 TNT outlook report boasts that the first few months of 2010 have shown a "continuation of the improving trend in express volumes started in the third quarter of 2009, albeit against a weak prior year comparison."

In accordance with Vision 2015, TNT has expanded its vehicle fleet in the Middle East, reduced transit times between Europe and Tangiers, expanded its international freight service in Russia, and improved intercontinental offerings through a strengthened partnership with Con-Way Freight.