



# *Index of Postal Freedom*

## **Netherlands - TNT Post**



### *Overview*

The Netherlands has been one of the EU leaders in the liberalization of its mail services. The country's primary mail carrier, **TNT Post**, has been a private company since 1994, has long been traded on the stock exchange, and is now majority owned by private interests. 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."

The Netherlands intended to open its mail market to full competition on January 1, 2008, but has postponed such action several times. The Dutch government has effectively extended TNT Post's monopoly on letters under 50 grams indefinitely. The Dutch argue that they are only responding to anticompetitive practices in Germany, including tax exemptions for Deutsche Post and a new German minimum-wage law. It appears that postal liberalization in the Netherlands will not be realized until this stalemate with Germany is resolved.

The Dutch market is concentrated, if small in relative terms, and like most modern mail sectors today, is over 90% dominated by business mail. However TNT is counting on its nimbleness, advanced technology, and market savvy to offset the decline in traditional first class paper mail and aggressively moving into the most profitable sectors in other parts of Europe -- and the world.

As a company, or more accurately now, a group of companies, TNT has been continually reinventing itself over the last decade. It continues an ongoing rush of spinoffs, acquisitions and partnerships as the company adjusts not only to



evolving technology like email, but to the start-and-stop regulatory uncertainties of the European Union and the actions of its member nations. The postal industry accounts for approximately one percent of Europe's GDP -- some US\$126 billion -- and employs close to a million people.

### *Liberalization and 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 -- and in relative terms, small -- 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). As of 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 -- enjoying a monopoly on letter mail up to 50 grams until 2008 -- while 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 and introduction of idealistic EU directives has been tangled in national politics and monopoly/union opposition.

Only two postal companies -- Sandd and Selekt Mail -- operate in the Netherlands in addition to TNT Post, but they concentrate on business mail and deliver less frequently.

In the residential market, there is still virtually no 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*

In a country as small and compact as the Netherlands, universal service has never been a problem. The government contracts with TNT Post to provide such service without subsidy. 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 inefficient incumbents.

Currently, 96.6% of TNT Post's mail is delivered the next day. And within the Netherlands, mail is delivered six days a week. Although what may be called first-class residential mail is shrinking, 90% of TNT Post's deliveries are business



mail. The few competitors to TNT Post provide national service, but deliver fewer days per week and focus on business mailings.

## *Regulation*

The Dutch government, and particularly the Dutch parliament, regulates the operation of mail operators within the country and has appointed relatively independent oversight bodies. The regulatory issues related to the mail more often stem from labor and environmental concerns than defending the incumbent. For instance, the Dutch parliament is threatening intervention if TNT Post's foreign competitors attempt to circumvent strict Dutch labor laws in their pay scales and employment practices.

## *Volumes and Markets*

Today, only about 35% of TNT's overall sales come from the Netherlands where TNT Post handles roughly 5 billion pieces of mail annually. The company is active in eight of the 27 domestic European markets, and 90% of its sales originate there. In recent years, TNT exited the logistics and freight management businesses to concentrate on express mail and other ventures where margins were higher.

In 2006, the TNT Post unit reported revenues of roughly €4 billion, but that number consolidates postal services the company provides in six additional European countries, including the UK, Italy, Germany and Belgium. 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 about 45 airplanes and 23,400 vehicles. TNT employees number 157,000 worldwide. TNT is now the world's fourth-largest express delivery company after FedEx, UPS and Deutsche Post AG's DHL unit.

TNT management says the company is raising its forecast for volume growth in its European mail networks (EMN) division -- operating primarily in Britain and Germany -- to between 30% and 35% this year from 25%.

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 UK and elsewhere to grab market share. It has become the ultimate conglomerate, seeking profitable niches wherever regulations, monopoly inertia or high margins offer opportunities.

Today TNT NV is Europe's second-biggest express-delivery service. Some insiders say the company is all the more aggressive because its Dutch base is shrinking and increased competition is driving down margins in business mail.

### *Future and Outcomes*

In line with increases in fuel and transport costs, mail prices have generally been rising in most EU countries in recent years. But national monopolies are by and large 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 is 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. In comparison with what has been accomplished in creating a single market for telecom across the EU -- a much newer technology -- the mails remain comparatively highly regulated and inconsistent from country to country.



## *Useful links*

[TNT Post Official Website](#)

[TNT Post Official Presentation](#)

[Free and Fair Post Initiative](#)

### **Consumer Postal Council**

1600 Wilson Boulevard

Suite 900A

Arlington, VA 22209

Tel 703.312.4563

Fax 703.312.4564

<http://www.postalconsumers.org>