



Newsletter



TNT EU Information Bulletin

Misuse of social dumping fear is a real danger in EU countries **Protectionist wage standards will turn postal liberalisation into failure**

The national minimum wage levels for the postal sector should not be a standard introduced for the purpose of protecting the incumbent operator from outside competitors. Nevertheless, there is a real threat of this actually occurring in the EU member states that are required to liberalise their postal markets in the coming years.

Under the pretext of combating social dumping, a number of EU countries are enforcing wages and benefits at levels which seriously complicate the entrance of new competition to the market and which have no real relationship with the skills required. This was the conclusion of international law firm Allen & Overy in a memorandum which provides guidance for finding solutions on how to make European postal liberalisation “work”, while maintaining a socially responsible and sustainable way of fostering relationships with postal service workers. Germany already has a Collective Labour Agreement (CLA) in place for the postal sector at an artificially high level. Belgium, Austria, Slovakia and France are on the verge of introducing a similar situation.

Monopoly premium

Traditional monopolies have resulted in CLA pay levels for workers of incumbents far exceeding those found in CLAs for jobs with similar skills needs in other service industries. New entrants to the market are unable to afford this “monopoly premium” in the terms and conditions of employment. Because they deliver significantly less mail than the incumbent, wage costs bear much more heavily on their cost price. If they are forced to pay their employees the same high wages as the incumbent they will be sidelined from the onset and no competition will be established.

Hand in hand

In step with Allen & Overy’s vision, TNT believes that reward levels should square

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with the minimum wage standard in the EU country in question. Herna Verhagen, Managing Director HR at TNT, explained the company’s view during the final conference on the Evolution of the Postal Sector in Brussels. “Real liberalisation and

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avoiding social dumping can go hand in hand. In its European expansion, TNT aims to achieve CLAs that at least offer the social minimum defined at national level. This minimum consists of minimum wages in line with the skills required and the market. We also want to avoid a great deal of the employment contracts having to make way for piecework agreements with the self-employed.”

The Netherlands: transitional model for new entrants

Since 1 April this year, postal companies other than TNT have also been permitted to deliver letters weighing up to 50 grams. Other types of post had already been opened up to competition. A condition imposed by the government for complete liberalisation of the postal market is that the postal companies should eventually conclude an employment contract with at least 80% of their mail deliverers. Most of the employees of the new postal companies now earn less than the minimum wage because they are paid according to how many items they deliver, under a “contract to perform services”, while TNT pays its postmen well above the minimum wage. The government has approved a “transitional model” whereby at least 80% of mail deliverers must have an employment contract by October 2012. The transitional model is laid down in the collective labour agreement for the sector that the companies agreed on early this year. For companies that do not apply the collective labour agreement for the sector, the government has drawn up a General Administrative Order that will compel them to operate on the basis of employment contracts.

Consortium promotes production TNT buys electric cars

A consortium of companies including Eneco, TNT, and ABN AMRO, has put out a call for tenders for the supply of 3000 electric cars. The participating organisations see this as a way of encouraging the mass production of this kind of vehicle. The currently restricted range is in fact a major obstacle to large-scale introduction.

By creating sufficient demand, the pioneers hope to ensure that high-quality, affordable electric vehicles come onto the market more quickly, and that the necessary infrastructure (charging stations) is developed. In the first instance, TNT is buying 600 electric vehicles for its fleet; these will include both passenger cars and small and large commercial vehicles.

Encouragement

The pioneers, which are already investing heavily in electric vehicles, hope that politicians will support their initiative by means of incentives so as to speed up the introduction of electric cars. The purchasing consortium has been established

under the supervision of the Urgenda Foundation, which wants the Netherlands to have one million electric cars by 2020.

Regulations

Besides providing subsidies, the government can speed up the introduction of electric transport by making changes to the regulations. Many electric cars are heavier than the maximum weight of vehicle (3.5 tons) that someone can drive if they have only a normal driving licence. Lifting that restriction for electric cars (in the same way as for security transport vehicles) will remove a major obstacle to buying an electric vehicle for both companies and private individuals.



German Monopolies Commission: “Postal liberalisation is a catastrophe”

In a recent interview, Justus Haucap, Chairman of the German market regulator Monopolkommission, is outspoken about the liberalisation of the German postal market: “To be perfectly honest, liberalisation has so far been a catastrophe. In fact, there has been no real liberalisation at all. By approving the excessively high minimum wage and the VAT exemption for Deutsche Post

alone, the politicians have stifled competition before it really got started.”

Haucap calls the minimum wage agreed by Deutsche Post and the Ver.di union “unbelievable”: “Even the German Confederation of Trade Unions (DGB) originally considered EUR 7.50 to be sufficient. But EUR 7.50 wasn’t enough to force competitors out of the market,

so Deutsche Post negotiated EUR 9.80. The result was that some competitors, for example PIN, gave up, while others, like TNT, put their plans for large-scale market entry on hold. As a result, 19,000 jobs were lost. That was also stupid from the point of view of labour market policy, because most of those jobs were for people with few or no qualifications.”

Rheinische Post, 12 October 2009

Reform of Royal Mail postponed

The partial privatisation of Royal Mail has been postponed until after the coming elections. The British government has been unable to find a strategic partner prepared to pay GBP 3bn for a minority shareholding in the loss-making Royal Mail. The proposed sale has led to deep divisions within the Labour Party.

Selling 30% of the company to a private partner was intended to provide the expertise and capital that Royal Mail needs if it is at last to modernise its operation. That was also the main recommendation by the Hooper Commission, which last year carried out an independent

study of the postal service for the British government. The Hooper Commission also found that the pension deficit – which has now risen to some GBP 10bn – needs to be made up, and that the regulations should also be revised. The Commission believes that if the whole package

of measures is not implemented as soon as possible, provision of the universal service will be at risk.

Fierce opposition

Business Secretary Lord Mandelson and Prime Minister Gordon Brown both welcomed the Commission's proposals. Despite fierce opposition from Labour MPs and union leaders, Mandelson presented a parliamentary bill last February for the partial sale of Royal Mail. In July, it became clear that more than 140 Labour MPs would vote against the bill. Mandelson has emphasised that he still shares the conclusions of the Hooper Commission but that it would not be opportune for the sale to go ahead in the current economic climate.

Measures urgently needed

Further detailing of the proposals in the Commission's report will be postponed until after the British elections, which will need to take place by no later than June 2010. Depending on the results of the elections, the Hooper report may well be back on the political agenda. There is in fact broad consensus in the British Parliament that measures are urgently needed to prevent the insolvency of Royal Mail.

Lord Peter Mandelson



Final mile brings British postal service to a standstill

The nationwide strikes at Royal Mail again show the vulnerability of the British postal market. Royal Mail's de facto monopoly on final mile deliveries means that mail conveyed by other market parties will not be delivered either. This not only hits Royal Mail's own customers but means that competitors are also unable to provide British senders with a proper alternative.

The current regulatory regime, which includes downstream access conditions, gives Royal Mail a monopoly for the final mile. Other market parties, such as TNT Post UK, UK Mail and Citipost, still have to rely on Royal Mail to actually deliver their mail. The wholesale rates imposed by Postcomm, the postal services regula-

tor, are so low that it would not be cost-effective for them to set up their own delivery network. The exclusivity clause in the wholesale contracts also prevents them from doing so: if they want to deliver some of the mail themselves or have it done by a third party, they have to pay a huge surcharge.

Real alternative

In response to the strike disruptions at Royal Mail, TNT would like to be allowed to provide its own final mile delivery service. Nick Wells, chief executive of TNT Post UK, says the company is prepared to provide an end-to-end service during the strikes: "It's a massive challenge on a huge scale but we have the customers, appetite, and resources. It's a shame that there are barriers in the market that have prevented us from offering a real alternative." TNT had already run a final mile pilot in Liverpool, Manchester and Glasgow, but like other operators, such as Deutsche Post, has found that it is not financially viable.

Implementation of European Postal Directive

Serious impediment to market forces

Throughout the EU, Member States are working towards national implementation of the Third European Postal Directive, which aims to liberalise the European postal market from 2011 on. This looks, however, like liberalisation without the scope for market forces to operate. New companies on the postal market will be subject to so many restrictive conditions that any real competition will be effectively stifled.

Belgium: unrealistically rapid growth required

In December 2008, the Belgian government reached political agreement on implementation of the European Postal Directive. The relevant parliamentary bill is expected towards the end of 2009. But Belgium is setting such stringent requirements for companies entering its postal market that there will be no scope for competition to develop.

New providers on the Belgian postal market will be required to set up a distribution network very rapidly. Within three years, they will need to achieve 40% coverage of each region (Flanders, Wallonia, and Brussels) and within five years they must be in a position to deliver mail to 80% of households. Two years after entering the market, competitors will also be required to deliver mail at least twice a week. However, deliveries may only be carried out by persons who are actual employees of the company concerned.



"The obligations to which new postal companies will be subject are relatively strict and will enable De Post/La Poste to defend itself against its competitors." (De Tijd, December 2008)

France: La Poste firmly in charge

Create the best possible competitive position for La Poste on the liberalised European Post market – that is the basic principle behind the draft postal act for consideration by the French Senate and National Assembly. Competitors can only enter the French postal market if they apply the same collective labour agreement as La Poste. That measure is already enough to prevent actual market forces operating.

In January 2010, the French postal service will become independent so as to make possible a capital injection of EUR 2.7bn. This government-provided sum will enable La Poste to implement its plans for modernisation and strengthen its parcels and express services before the French postal market is liberalised on 1 January 2011. The aim is for the company – which will remain entirely in the hands of the State – to grow to become one of Europe's leading postal companies.



"If we don't want to see the German or Dutch postal service doing our postmen's work in the future, we must give La Poste the means it needs to modernise." (French Industry Minister Christian Estrosi)

La Poste will be given a guarantee that it can continue to provide the universal service in France for the ensuing 15 years. A compensation fund will be set up to finance the cost of providing the universal service. Other postal companies will be able to operate on the French postal market if they are licensed to do so. To qualify for a licence, however, they will be obliged to operate with the same terms and conditions of employment as La Poste.

Austria: existing situation will be made worse

When it was published in April 2009, the draft of the new Austrian Postal Act led to a storm of protest from the market parties and large-scale mailer organisations. According to the critics, the interpretation of the Third EU Postal Directive in the draft act prevents any operation of market forces or competition on the Austrian postal market.

In Austria, a large number of residential letterboxes (“Hausbrieffachanlagen”) and letterboxes in rural areas (“Landabgabekästen”) can only be accessed by Österreichische Post, the national postal company. The draft act gives Österreichische Post until the end of 2013, in other words three years after liberalisation of the market, to allow access to competitors. The lack of any transitional arrangement means that gradual or accelerated introduction is impossible. The costs incurred by the postal company for the

“All in all, the draft for the act entirely misses the set target – namely to create a European internal market for postal services – and throws away any opportunity to ensure greater competition, low-cost products, and improved quality in Austria’s postal services.”
(Initiative ZukunftPostmarkt, April 2009)

changeover will be shared out on a per capita basis among all licence holders on the postal market, in other words not according to their market share. This will create a major financial barrier for companies that wish to enter the market. Allowing companies other than Österreichische Post to use post office boxes has not been considered at all.

Alternative providers of postal services will be forced to incur costs in other ways too. Postal companies will be required to contribute to a compensation fund according to their market share. The chosen method of calculation means, however, that alternative providers will contribute disproportionately, up to 100% of their revenue from providing the universal service, which includes all addressed mail. In addition, all licence holders will be obliged to apply the same



Landabgabekästen: only access with a key

terms and conditions of employment as Österreichische Post. That obligation will not apply, however, to subsidiaries of Österreichische Post. This proviso will give an exceptional position to one of the main competitors on the existing postal market. Licences will also be required for areas of the market that have already been liberalised, for example direct mail weighing less than 50 grams.

Slovakia: further monopolisation of the postal market

In mid-2009, after remonopolising its hybrid postal services, Slovakia was ordered by the European Commission to reverse that process and once more open up that market to competition. With support from the Slovak government, Slovenská Pošta decided to commence proceedings against the Commission at the European Court of Justice in Luxembourg. TNT Post Slovensko has also formally joined as a party to the proceedings. At the same time, a draft act of parliament is under consideration in Slovakia – which is not required to liberalise its postal market until 1 January 2013 – that comprises even more anti-competition measures.

Not only is the Slovak government refusing to place hybrid postal services outside the scope of the reserved service again, it is also proposing new conditions for companies providing that service. Added-value services will now also be made part of the reserved service, and only the

“The bill imposes new conditions and duties on alternative operators.”
(Rádiožurnál, May 2009)

national postal company will be permitted to process post from abroad. Even express services will be entirely regulated.

A comprehensive licensing system imposes a large number of requirements for new companies entering the market as regards quality, financial capacity, number of employees, and terms and conditions of employment, which must be in accordance with those at Slovenská Pošta.



European Commission investigating Belgian government support

The European Commission instituted an investigation this summer of all the capital injections, compensation measures, tax advantages, and guarantees provided for De Post/La Poste by the Belgian government. The investigation will cover an unprecedentedly long period, namely from 1992 to 2010.

The Commission aims to determine whether during that period the Belgian government acted as a normal investor or whether it provided illegal government support for the postal company, which has been losing money for years.

Management agreement

For years now, the Belgian government has had a “management agreement” with De Post/La Poste for various public tasks and for the delivery of newspapers. Under the current contract, the company

receives EUR 300m annually (13.4% of its annual revenue). That sum is intended as compensation for the obligations assumed under the agreement, for example maintaining a network of post offices and ensuring the scope and quality of the delivery service.

Government provides financing

The Belgian federal government has indicated that when the market is fully liberalised, it will continue to cover the net cost of providing the universal service as

specified in the EU Directive. This means the extra expenditure involved in providing a mandatory service. In collaboration with KPMG, De Post/La Poste has estimated the annual cost of this at between EUR 29m and EUR 199m, depending on the statutory framework. The Belgian government is assuming that it will be at most “a few tens of millions of euros a year”.

Information provided

TNT, which is seeking a level playing field in the Belgian postal market, welcomed the study. TNT has formally provided the European Commission with information on behalf of its subsidiary Belgische Distributiedienst.

TNT turns it into a game Driving safely and economically

TNT has organised a competition to show drivers that driving safely and efficiently is both challenging and enjoyable. The final of the “Drive Me Challenge” took place at the end of September.

At the national final in the Netherlands, participating drivers received information about how to drive effectively and safely. They were also presented with two challenges, one for safe driving and one for fuel-efficient driving. The winners will go through to the final TNT global challenge.

Eco-driving

The Drive Me Challenge is just one of the ways in which TNT is encouraging people to drive with fuel efficiency in mind. It follows on from the company’s eco-driving courses. Eco-driving is an approach to driving that improves comfort and traffic safety while reducing fuel consumption. It also means less stress for drivers, lower maintenance costs, and less damage.



Strategic cooperation with Von Holtzbrinck

TNT Post expanding its postal network in Germany

TNT Post Germany has acquired a stake in the regional postal companies belonging to the Georg von Holtzbrinck publishing group. With this strategic cooperation, the company is expanding the coverage of its own distribution network in the key economic areas of Germany. The German cartel watchdog has now approved the partial takeover by TNT Post.

TNT Post already delivers to 40% of German households via its own distribution network. In addition to that network, the company has strategic cooperation agreements with a large number of local distribution companies in Germany. Via this strategically important network, TNT Post delivers addressed and unaddressed mail to some 90% of German households.

Regional postal companies

Georg von Holtzbrinck last year acquired a number of regional postal companies from the PIN Group, companies that had become insolvent after introduction of the high minimum wage in the postal sector. With a total of some 2500 employees, those companies generated a joint revenue of EUR 116m last year.



Strengthen position

TNT Post and Georg von Holtzbrinck are convinced that the partnership will deliver value for money for customers. Harry Koorstra, a member of TNT's Board of Management had this to say: "Although the continuing uncertainties regarding the minimum wage and VAT mean that there is still no level playing field on the German postal market, this distribution partnership is important to maintain and strengthen our position as the leading alternative provider of mail services in Germany."

Verlagsgruppe Georg Von Holtzbrinck (revenue approx. EUR 2.5bn) is a family company publishing books, newspapers (including *Handelsblatt*), and scientific periodicals (including *Scientific American* and *Nature*). In the Netherlands, the company owns 50% of the Bol.com webshop.

TNT supports WFP:

250,000 kilos of biscuits on the move

With a series of natural disasters devastating South East Asia, TNT offered its skills and resources to support the United Nations World Food Programme (WFP) in its relief activities. TNT is helping WFP to move food aid to the people affected by the floods in the Philippines and the earthquake in Padang, Indonesia. At the request of WFP, TNT transported 50,000 kilos of high-energy biscuits to Padang (West Sumatra) and 200,000 kilos to Manila. Besides the airlifts, TNT colleagues from all over the world are



organising fundraising events and collections in support of the victims of these natural disasters.

The "Moving the World" partnership between TNT and WFP started in 2002. TNT has committed its knowledge, skills and resources to support WFP in its life-saving efforts. To date, TNT has invested EUR 38 million in the partnership in the form of hands-on support in emergencies, knowledge transfer projects to help WFP be more efficient and effective, and advocacy and fundraising activities. On top of this, TNT employees have raised an additional EUR 9 million for WFP's School Feeding Projects.

EC will still not allow an international pilot study EC studies positive about ecocombis

The European Commission (EC) still refuses to allow cross-border transport using ecocombi trucks. MEP Corien Wortmann-Kool had pressed for this in the light of the positive results of recent studies of the economic, environmental, and safety aspects of this type of modular freight transport.

Ecocombis – also known as EMS vehicles (European Modular System) – have a larger freight capacity, making them more efficient and less detrimental to the environment. Various studies have shown that they do not have a negative effect on traffic safety.

Encouraging innovation

TNT would like to make use of ecocombis because over longer distances they are an efficient and environmentally friendly alternative to normal road transport. Rail transport is not a real alternative because transporting freight by rail takes too little account of the requirements of modern logistics. Together with a large number of other companies, TNT is therefore calling on the EC to encourage innovation in all types of transport, including transport by road. Recent studies have shown that utilising ecocombis can have beneficial effects for the people of the EU.

Enough studies

Some 35 companies and other organisations have joined together in the EMS Forum and are pressing European regulators to act in the light of the positive results of the various studies and to support a pilot project involving international



transport with ecocombis. The members of the EMS Forum believe that enough studies have now been done. In answer to Ms Wortmann-Kool's questions, however, the EC has in fact announced a further series of studies. The EMS Forum believe that by doing so the EC is unnecessarily delaying innovation in road transport.

Current use

Ecocombis have been successfully used in Finland and Sweden for many years. The Netherlands began a trial at the end of

2007. In mid-2008, Transport Minister Camiel Eurlings increased the maximum permissible weight of ecocombis from 50 to 60 tons after a study had shown that this would not have any negative impact on bridges or viaducts. Ecocombis are currently being tested in Denmark and parts of Germany, and countries including Belgium and France have announced that they intend going ahead with pilots.

For more information, go to:
www.modularsystem.eu.

TNT again number 1 on the sustainability index

For the third year in a row, TNT is number 1 on the Dow Jones Sustainability Index (DJSI) for the global sector Industrial Goods and Services.

TNT's score improved from 92 to 95 out of 100. In order to draw up the DJSI, Dow Jones gives listed companies a score

for their performance in the area of corporate social responsibility based on economic and social criteria. TNT's CEO Peter Bakker is proud that the company once more tops the index: "This award is all the more significant given the current difficult economic situation. It is a recognition of the consistency of our efforts in the area of sustainability."

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