

# Newsletter

TNT EU Information Bulletin



## Dutch Rabobank starts with 'Notabox' TPG Post enters market of electronic invoicing and payment

As of January 2006, Rabobank offers Dutch consumers the possibility to receive their invoices digitally and pay them instantly with just a few mouse-clicks. This 'Rabo NotaBox', makes use of TPG Post's digital mailbox system. With NotaBox TPG Post shows that electronic substitution is not necessarily a threat to its business but also an opportunity.

Companies such as insurance and postorder companies, publishers' and telecom and energy providers may use NotaBox to send their invoices electronically to the TPG Post digital mailbox. This mailbox is connected to the internet banking systems of the banks involved. Consumers can view their invoices using their 'own' internet banking account and pay them with just a couple of mouse-clicks. This way Notabox provides an excellent alternative

to paper invoices, giro collection forms and paper specifications. All major Dutch banks (ING Bank, Postbank and ABN AMRO) participate in the NotaBox.

Response to consumer demand  
Internetbanking is very popular in the Netherlands. Up to 63% of all Dutch households already uses internetbanking. Normally consumers receive their

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### Electronic substitution forms strategic challenge

Due to electronic substitution and increasing competition, the volume of physical mail decreases every year. This trend is expected to continue. TPG Post therefore needs to create new opportunities for growth. With NotaBox TPG Post links businesses and banks to consumers in the same way as postal companies have always done: consolidating, sorting and distribution. The major difference is that the collection and distribution of data is done digitally. The Notabox also provides TPG Posts' subsidiary Cendris (data and document management) with additional volumes.

invoices per mail. Invoice data then have to be re-entered every time a payment is made. Recent research found that 77% of the internet users would prefer to use digital giro collection forms, for reasons of convenience and speed. The NotaBox concept responds to these needs.

#### Benefits for businesses

Companies seem very interested in the NotaBox since considerable cost savings can be realised through automation of paper invoice flows and processing operations. Additional cost savings result from a reduction in errors. The risk that consumers will incorrectly retype payment data is eliminated by the NotaBox system.

### Dutch consumers prefer digital mail

Percentage of customers who would prefer to receive their mail digitally

Mail from	2001	2004
telephone company	52	72
public utilities	49	76
banks	48	73
cable provider	54	77
insurance company	38	74
mobile phone company	52	72
credit card company	–	73
public authority	–	65

Source: *interviewNSS*

## Special postal event in Brussels TNT and DPWN look 'Beyond 2009'

In June 2005, European postal stakeholders gathered in Brussels on the invitation of TNT's CEO Peter Bakker and DPWN's CEO Klaus Zumwinkel. Around a hundred representatives of the EU institutions, national governments, trade associations, interest groups and the industry participated in the event 'Beyond 2009'. Next to the key note speeches of Peter Bakker and Klaus Zumwinkel, two new studies conducted on behalf of TNT and DPWN were presented.

DPWN and TNT organised the event as a first contribution to the upcoming EU debate on further postal liberalisation. The European Commission will confirm by the end of 2006 whether to fully liberalise the EU postal market in 2009 or to propose any other step. TNT and DPWN are probably amongst the fiercest of competitors in many markets around the world. But their vision on the future of European postal regulation is similar. Both companies strongly believe that a healthy future of Europe's postal industry can best

be guaranteed by further liberalisation of the sector.

#### Innovation necessary

Speakers at the event emphasized the effect of new developments in technology and the economy on the traditional postal market. "This is a shrinking industry," stated Peter Bakker. "Due to the emergence of e-mail and the internet, people communicate more and more by electronic means. And the only way an industry can effectively respond to this trend is by innovation."



*Klaus Zumwinkel*

Also Klaus Zumwinkel pointed at the effects of technological developments. "Information and Communication Technologies are driving markets to converge. Postal markets are becoming part of a broader communications market that includes advertising and media as well as transport and logistics." For that reason the postal sector has to modernise and to become more



*Peter Bakker*

competitive or its long-term future, including its employment, will be threatened.

**Consequences for postal regulation**  
Klaus Zumwinkel explained what these market developments mean for postal regulation: “To fully exploit new market opportunities and to meet the challenges of providing Universal Services in a liberalised environment, postal operators should not be discouraged by overly

restrictive regulatory requirements. Liberalisation needs to go hand in hand with deregulation of the sector since the best way to stimulate innovation is through competition. Professor Van Damme's study on 'Light is right' is probably the best illustration of this point.” This study also states that for end-to-end competition a level playing field is a prerequisite. “And that is exactly what is missing,” concluded Peter Bakker. “Particularly VAT is a problem that is still on the forefront. Many postal operators are not obliged to charge VAT for their services making competing, particularly towards customers in the financial sector, next to impossible.”

**Modernisation of Universal Service**  
With regard to the Universal Post Service Klaus Zumwinkel pointed at the need for postal policy to support the new role that postal services play in the communications era. “The new role of postal services needs to be taken into account by the definition of a modern concept for the Universal

Service. 'One size fits all' will no longer be sufficient to fulfil customer needs.

#### Safety net for consumers

In the context of redefining the Universal Service, Peter Bakker emphasised that the business market differs fundamentally from the consumer market. “As soon as the business segment is liberalised, competition will start and grow fast. In the Netherlands we see that our competitors are making triple digit growth numbers annually. They were able to more than double their volume and revenues.” Some form of regulation will probably be required for the consumer segment, maintained Peter Bakker. “Competition is less likely to emerge in the consumer segment. A smaller Universal Service Obligation, as proposed by professor Finger, could serve as a safety net by guaranteeing that all consumers have access to mail services, also in a fully liberalised environment.”

## Professor Matthias Finger:

### “Universal Service needs modernisation”

The Universal Service was defined at a time that Information and Communication Technologies were not as prominent as today. New consumer needs and market patterns make a redefinition of the Universal Service necessary, is the conclusion of Matthias Finger in his report 'The Universal Postal Service in the Communications Era.'

The main principles of the Universal Postal Service - to guarantee the accessibility, quality and affordability of postal services - are still fully valid today. However, the scope of the Universal Service should evolve, says Matthias Finger. The 1997 Directive

defined the Universal Service basically as the traditional postal services that were provided by national public postal operators at that time. Though this was quite an adequate solution then, this definition of the Universal Service is no longer appropriate today.

#### Communications market

Since 1997, electronic communications have replaced more traditional communication means. This major change in consumer behaviour requires that the postal sector should be seen as part of the wider communications market. The same is true for the Universal Service, says professor Finger. The Universal Service needs to be adapted to the substantive transformation of consumer communication behaviour.

## Professor Eric van Damme: “Light is right”

“Regulation in a liberalised postal market should be based on competition law,” states Eric van Damme, professor at the Tilburg Law and Economics Center in the report 'Light is right. Conditions for Competition and Regulation in the Postal Market'. On the basis of theoretical considerations and practical evidence, the authors conclude that there is no justification for detailed access regulation.

The TILEC report confirms that the postal sector is characterised by the absence of monopolistic bottlenecks. Competitors do not have to set up collection, transport, sorting or delivery facilities at the same scale as the incumbents in order to reach profitability quickly. Experiences in the Swedish and Dutch postal markets show that competitors have been able to launch profitable (end-to-end) operations, even on a small scale.

**Negotiations between operators**  
TILEC studied the performance of the postal markets in Germany, the United

Kingdom, the Netherlands and Sweden. In contrast to Germany and the United Kingdom, the Netherlands and Sweden leave access issues to be settled via negotiations between operators. The performance of these markets shows that competitors are able to operate profitably and that the market performs better without regulated access.

### Non-discrimination

The TILEC findings implicate that there is no justification for heavy regulatory intervention. They recommend a more economic approach to regulation, with

### Consumer safety net

In his study professor Finger explains that there is no need for a Universal Postal Service for business customers. The demand for business mail, that already is partly provided in a competitive market, will doubtlessly be met by a dynamic postal sector once fully liberalised. Consumer mail, about 15% of total volumes, is an area where competition is less likely to emerge. Postal regulation should guarantee the accessibility of affordable postal services for individual households and small businesses.

A Universal Service Obligation with a limited scope of single-item letters and parcels could well serve as a safety net, according to professor Finger. However, regulation must exclusively assess whether the three main principles of the Universal Service are being met, and not intervene in the way the provider chooses to meet these objectives.

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competition law serving as a model and a benchmark. Should there be any form of intervention, the principles of adequacy and proportionality dictate that a light regulatory framework based upon the general principle of non-discrimination, is sufficient.



# The express and postal industries, two of a kind?

The new ownership structure of De Post/La Poste asks for an amendment of the postal regulatory framework in Belgium. A core group of Ministers within the Federal Government has been working on a new Royal Decree that not only allows for a partnership between De Post/La Poste, Post Danmark and CVC Partners, but also introduces a system of general authorizations and individual licences to the Belgian postal market.

In addition to a system of authorizations, the measures opt for the establishment of a future compensation fund to finance the Universal Postal Service. TNT understands that the Belgian Government wants to secure the provision of an affordable and high quality universal service, but also warns for the possible negative effects that

this type of measures may have on the express sector.

## Unnecessary burden

Licensing systems and compensation funds are regulatory instruments aiming at guaranteeing the Universal Postal Service. For express services a different regulatory system applies. Additional

requirements deriving from postal legislation would only mean an additional and unnecessary administrative and regulatory burden for the highly competitive and flexible express sector.

## Negative effects

Belgium plays a central role in the operations of all the big players in the express industry due to its strategic location in Europe. Since 1998 the sector has been growing much faster than the European economy in general. The industry is expected to generate more than one million jobs by 2013. Headed by the Belgian Courier Association, TNT joined the sector in a campaign to block specific licensing obligations and possible compensation fund contributions for express operators in Belgium.

## Different opinions?

Opinions inside the Belgian Government seem to differ as to the status and categorisation of express services. Although the European Postal Directive clearly marks express services as “non universal services”, some political forces believe that the measures should not only apply to postal operators, but also to the providers of express services. Although the current text of the new Royal Decree still leaves room for interpretation, it is now widely expected that providers of express services are not bound to any new requirements. The recitals to the Decree clearly state that added value services fall outside the scope of the new law.



## Express services are no universal services

The express market differs in many ways from the market for postal services. Not only is the express market primarily a business-to-business market, also the type of service is fundamentally different.

- **Sending:** an express consignment is collected at the premises of the sender, a postal item is posted in the public letterbox or brought to the post office.
- **Delivery:** contrary to the delivery of postal items, the delivery of express consignments is time-certain.
- **Price:** the prices for express and courier consignments are much higher than postal tariffs.
- **Service:** track and trace services and other value added services are often standard for express services. This is not the case for postal services.

# Full service offering for consumer at all postal outlets

## TPG Post improves access to services

TPG Post reviewed its outlet policy a number of years ago. Many of the services it offers have since been transferred from traditional post offices to TPG Post Service Points in existing shops. Consumers in the Netherlands are satisfied with the change. They can visit a service point for postal services while doing their daily shopping. Most shops housing service points also have longer opening hours than post offices.



Around five years ago, the Netherlands still had 2,000 post offices that the public could visit for both Postbank and TPG Post services. Due to strong growth in debit card payments and electronic banking, the number of transactions at post offices declined sharply and it was no longer viable to operate such a large number of offices. Because TPG Post feels that its services should be available to every-one in the Netherlands, the company revamped its outlet policy five years ago. This involved largely transferring its services to existing shops.

### Better access

The change significantly improved the accessibility of TPG Post's services. The percentage of people in the Netherlands living within five kilometres of a postal outlet rose from 98.5% in 2002 to 99% in 2004. As a comparison, the legal

standard is set at 95%. In less densely populated areas, the percentage of people living within five kilometres of a service point even reached 99.6% in 2004. In 2007, all service points will provide a full range of services for consumers. Dutch consumers will be able to visit post offices and all TPG Post Service Points for any postal product or service.

### Regulator satisfied

The Dutch postal regulator OPTA seems satisfied with TPG Post's outlet policy. OPTA recently confirmed that TPG Post amply satisfies the legal requirements regarding the geographical distribution of service outlets. The newly announced upgrade of numerous service points means that TPG Post will offer its full range of services for consumers at many more locations than required by law.

### Rural areas: special challenges with special solutions

In some rural areas, it is difficult to find an existing shop to house a TPG Post Service Point. To ensure that customers in sparsely populated areas can still use its services, TPG Post is taking part in several innovative service concepts. A good example is the Biblioservice-bus. This state-of-the-art bus visits small villages with few facilities. As well as borrowing books, consumers can use the bus to withdraw cash, purchase stamps, order cinema tickets and for several other services. Visitors can also use an electronic information point and a public computer linked to the Internet via a fast wireless connection.

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