



Newsletter



TNT EU Information Bulletin

2009, Delivering Postal Liberalisation on Time

Alliance of postal operators supports open market

Five major postal companies, together representing around 60 percent of postal mail volume in Europe, have formed an alliance in support of an open and competitive EU postal market. At an event in Brussels on October 17th, they gave a strong signal to European decision-makers that they backed the Commission's proposal to fully liberalise the market by January 2009.

The "2009 – Delivering Postal Liberalisation on Time" conference took place at Brussels' Residence Palace on the evening before the Commission presented its proposal. Attended by many MEPs, the media and representatives of the Member States, the Council and the Commission, the event was organised by TNT, Deutsche Post, Royal Mail, Finland Post and Posten of Sweden. TNT and Deutsche Post had originally joined forces in June 2005 to support the accomplishment of a true internal market for postal services. A year later they were joined by the Swedish and Finnish postal operators, and now by the UK's Royal Mail. TNT CEO Peter Bakker told the

press that other postal operators were welcome to join them.

The conference opened with perspectives on the issue from Jürgen Thumann, President of the Federation of German Industries (BDI), Professor Paul Kleindorfer of INSEAD and European Commissioner Charlie McCreevy. The CEOs of the postal operators then presented their views and participated in a Q&A session, together with the Commissioner.

Better services and innovation

Peter Bakker told the conference that more than fifty percent of the market had already been liberalised in the

Netherlands. "It makes us more alert and forces us to strive for efficiency levels that match the best practices in the market," he said. "Competition in the addressed mail market is already leading to a number of nationwide networks in our country and in adjacent countries." As TNT viewed mail as just one of the elements of the broader communications market, their

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ability to innovate in service and price levels was good for the sector as a whole. “Better services and innovation is not just good for the incumbent or its competitors,” he added. “It will also benefit our customers and industry as a whole. We’re here today to support liberalisation. The first steps were taken fifteen years ago. That’s given everyone enough time to prepare, and we’re ready to go on January 1, 2009.”

Universal service is an asset

Representing Posten AB of Sweden was Viveca Bergstedt Sten, General Counsel and Senior Vice President. She said that Posten’s experience was that it was perfectly possible to operate the universal service in an open market, even though Sweden’s large size and sparse population represented a challenge for postal operations. “We believe that liberalisation creates new incentives for our company to provide better solutions for our customers,” she continued. “We see the universal service as an asset rather than an obligation. We haven’t financed it with any aid or compensation payment at all, but with the profits that we’ve managed to earn during the thirteen years of working in an open market.”

Competition is invigorating

While the UK postal market began to be opened up much later than Sweden’s, Royal Mail’s CEO Adam Crozier was equally enthusiastic about the results. “Many of you will know the state that Royal Mail was in three or four years ago,” he told the conference. “As you can imagine, my initial reaction to competition coming in was a very supportive ‘You’ve got to be kidding!’” He explained that the opening of the UK market to date had in fact helped Royal Mail to provide a much better service with fewer but more satisfied employees. He told postal operators who were still nervous about the prospect of competition that Royal Mail had found it to be invigorating. “It’s liberating – not just for the market, but for the company itself,” he said. “If we can achieve what we’ve achieved, then I believe lots of other markets and organisations can do the same.” He agreed with Peter Bakker that

‘Pay or play’ would be a barrier to competition



Peter Bakker told the conference that TNT viewed ‘pay or play’ as a strong barrier to competition. This would require a new entrant to perform the same service as the incumbent or be made to pay a penalty.

“We recognise that a USO is required to protect consumers and

possibly small businesses,” Peter Bakker said, “and if it is lean enough we believe it is financially manageable. Should funding be required, it should be spread fairly between all players and managed by an independent body. It should be done in total transparency to avoid any risk of cross-subsidising or of paying for inefficiencies of incumbents.”

TNT has consistently supported the liberalisation of the European postal market. The company believes that liberalisation will reduce the sector’s inefficiencies in a way that current regulator-managed models have been unable to do.

With the removal of the reserved area, TNT feels that the alternative methods of financing the USO now proposed by the Commission would not distort competition, if appropriately implemented.

The draft Directive does not eliminate the so-called ‘pay or play’ option, however, which has been supported by La Poste.

independent regulation was vital, to ensure a level playing field for everyone, and that a USO limited to consumer protection could at least cover its costs. There could be no cross-subsidisation in a competitive market, and cost had to be reflected in the price of all products.

Light and flexible regulation

Electronic communications was a stronger competitive factor than liberalisation of the postal market, said CEO of Finland Post Jukka Alho.

“Internet-based communication has already largely replaced consumer-to-consumer postal mail, and in Finland around half of invoices and bank statements are now sent electronically.” These developments had encouraged them to develop their service portfolio to meet real customer needs, however. With regulation that was light and flexible enough, he argued that operators should be able

to provide the universal service without any need for extra funding.

Wealth for everyone

Klaus Zumwinkel, CEO of Deutsche Post, warned the conference that there was significant opposition from many quarters, and he admired the Commission for tackling it. He went on to stress the need for competition in the postal market, as it provided wealth for everyone rather than monopolies, and that only consumers and small businesses needed the protection of a universal service obligation. “Everybody has to join the club,” he argued. “Otherwise it would be like some countries saying we’ll send you our Fiats or Renaults for sale in Germany, but you can’t sell Volkswagens in Italy or France.”

Markets, not micro-management

The most important precondition for success in postal liberalisation is to embrace a market-based culture, says Dr. Paul Kleindorfer. In his address to the conference in Brussels he argued that to remain fixed on either institutions or constraints arising from the history of postal services would be a mistake.

Postal and delivery markets worldwide were being affected by trends such as globalisation and technology changes, explained Dr. Kleindorfer, Professor of Management at INSEAD and the Wharton School and co-organiser of the annual International Conferences on Postal and Delivery Economics. The way to embrace them was through markets rather than micro-management by regulators. Instead of rigid public service objectives, he said, the universal service obligation (USO) should focus on real customer needs.

Key drivers

The key drivers that would enable individual Member States to profit from full market opening were the nature of the national market, the incumbent's operational preparedness, the scope and characteristics of the USO and regulatory policies. "All of these are important and interdependent," he told the conference, "and will

require fine tuning as the market is fully opened. In doing so, flexibility rather than rigidity should be the rule of the day." The USO can and should continue to ensure that a set of standard end-to-end services is provided to every citizen, but the market should provide business services.

Although there would be differences between countries in terms of what needed to be done to achieve the benefits, Kleindorfer stressed that full market opening was both feasible and desirable. Workable competition could be attained in each national market and an internal market across the European Union could be created. Without this change in culture and outlook, he said, we would still be looking backward with hope a decade from now rather than looking forward with the creative energy that drives progress.



Thumann: 2009 must be minimum target

"In our view, any reform that does not meet the minimum target of 2009 does not deserve that label," Jürgen Thumann, President of the Federation of German Industries, told the conference. "We need a timetable that specifies a date in the near term for abolishing protected postal monopolies and that is binding on all Member States."

Some believed that protectionism was the answer to globalisation, he argued, but Europe needed more competition and the continued development of the Single Market. "There have been some great success stories," he said, "such as the liberalisation of the telecommunications market. Innovation has acceler-

ated, new technologies and markets have emerged and prices have decreased as a result." The postal market could and should follow this example, as it would have a positive impact on the entire European economy.

“No reward for sitting on the fence” says Commissioner McCreevy

Full market opening feasible for all

The five postal operators supporting full market opening in 2009 are “at the forefront of postal reform” says Charlie McCreevy, the European Commissioner for Internal Market and Services. “All have shown not only that market opening is feasible, but that those who opened more and started early have gained the most. There is no reward for sitting on the fence.”



McCreevy warned the ‘Delivering Postal Liberalisation on Time’ conference that full market opening was not a foregone conclusion, however. He hoped that the five’s success stories would give strong encouragement to those companies and countries that still had serious doubts about the compatibility of gradually increased competition and a high quality affordable universal service.

Overwhelmingly positive

“Market opening is not an end in itself,” he said. “It is the means through which we pursue the broader objective of a high quality, highly efficient and sustainable postal sector adapted to the needs of the 21st century.” He stressed that the opening of the market that had happened so far had been overwhelmingly positive. Efficiency, quality and performance had substantially increased and so had the profitability of the sector.

While assuring individuals and small customers that the Commission’s commitment to the universal service would be uncompromising, McCreevy pointed out that national regulations would be given at least as much weight as those at the European level. He agreed that financing the universal service is an important issue, but that it was sometimes over-emphasised. He believed that the universal service could be judged to be more an asset than a burden, and said the Commission would seek to give the broadest possible flexibility to share out any unfair burden or organise compensation mechanisms when monopolies were removed. These would guard against disproportionate safeguards that simply substituted one form of monopoly for another.



Risk of standing still

While McCreevy admitted there was still much to do in the coming two years, he is convinced that full market opening is feasible for all Member States on January 1st, 2009. He described the reforms that have already taken place as “truly remarkable”, and said they are the best evidence that the remaining part can be completed on time. “I ask all who may have doubts to compare the challenges of the changes that lie ahead not with the status quo,” he says, “but with the risk of standing still.” Doing nothing could lead to increased electronic substitution, less innovation and a weaker focus on consumer needs.

McCreevy is convinced that completing the Internal Market for postal services in 2009 is vital for the postal sector. Customers would continue to benefit from a high quality universal service at affordable prices, and operators would continue to improve efficiency and profitability. Postal employees would also share in the success of reform, as only this could guarantee a viable postal sector and sustainable employment.

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TNT Post
P.O. Box 30250
2500 GG The Hague
The Netherlands

For information, please contact:
TNT Post
E-mail: publicaffairs@tntpost.nl
Tel: +31 70 3343012
Fax: +31 70 3343016

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