



***Country reports on liberalisation and privatisation processes
and forms of regulation***

***Liberalisation, privatisation and regulation
in the German postal services sector***

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INTRODUCTION

The public monopoly in the German postal sector had already been called into question in the public debate in the 1980s. In 1985 the German government, which at that time was composed of a coalition of the Christian Democratic Party (CDU) and the Liberal Party (FDP), established a government committee that dealt with possible forms and steps of privatisation and liberalisation concerning the postal and telecommunications sector (Wehner 2005: 5, 6). The official start for the privatisation and liberalisation of the German Post (*Deutsche Bundespost*) was in 1989. Through the first postal reform (*Poststrukturgesetz/Postreform I*) the German Post was divided into three sectors: postal service, postal banking and telecommunications. The political functions (regulation of the monopolies) were separated from the entrepreneurial ones. In the course of the second postal reform (*Postreform II*), which came into force at the beginning of 1995, the three postal corporations were transformed into incorporated companies. In the first instance the German Federal Government retained all shares of the German Post which was renamed the Deutsche Post AG (DPAG). These two steps were affected by the (partial) privatisation and the preparation of further liberalisation measures. The process of liberalisation reached its preliminary climax in 1998 when a new Postal Act (*Postgesetz*) came into force. Via this Act the postal market was gradually opened to competition by successively restraining the exclusive license of the DPAG; the end of the exclusive license was originally planned to be in 2002 but was lengthened until the end of 2007. Moreover, the rules for licensing were laid down and the terms for the access to the market were defined.

In November 2000 the material privatisation of the DPAG began with its initial public offer (IPO). In the course of the IPO the DPAG was renamed as the Deutsche Post World Net (DPWN). In order to prepare for the imminent end of its monopoly the DPWN made several acquisitions abroad.

Table 1: Liberalisation and privatisation of the German postal services – an overview

1989	First postal reform (<i>Poststrukturgesetz/Postreform I</i>): Separation of the German Post into postal service, postal bank and telecommunication
1989	September: 1 st reduction of the items in the “reserved area” (letters where the postage price exceeded the decuple of the price of a standard letter, were excluded from the monopoly)
1995	Second postal reform (<i>Postreform II</i>): Transformation of the three postal corporations into incorporated companies
1997	1 st EU Postal Directive (97/67/EC) of 15 December 1997
1998	Postal Act (<i>Postgesetz</i>) and 2 nd reduction of the “reserved area”: items of correspondence to 200 grams and info post to 50 grams come under the exclusive license
1998	Post-Universal Services Order (PUDLV): Defines the quality characteristics of the universal postal service
2000	Initial Public Offer (IPO) of the German Post
2001	1 st Amendment Act concerning the Postal Act: Prolongation of the exclusive licence until the end of 2007
2002	2 nd Amendment Act concerning the Postal Act: Finalisation of the PUDLV and adjustment of the Postal Act to the new legal position after its first amendment
2002	2 nd EU Postal Directive (2002/39/EG) of 10 June 2002
2003	3 rd reduction of the “reserved area” through the 3 rd Amendment Act concerning the Postal Act: the weight limit for items of correspondence was lowered from 200 to 100 grams; complete opening of cross-border mail
2005	Private investors hold a majority of shares of the Deutsche Post World Net
2006	4 th reduction of the “reserved area”: lowering of the weight limit for items of correspondence to 50 grams
2008	End of the exclusive license

1. MARKET STRUCTURE

One characteristic of the postal system is that (in contrast to the electricity or telecommunications sector) one cannot separate the physical network from the services that are rendered via this network. Indeed, physical facilities such as letter boxes or post offices exist, but these are merely intersections of the postal network. The actual connection of these intersections, quasi the creation of the particular networks happens anew every day through the portage of the postal items. There is an exact equivalence of the activity required for the creation of the postal network on the one hand and the original activity on the particular postal market on the other hand (Staab 2000: 121).

According to the Postal Act of 22 December 1997 (§ 4 No.1) two fundamental postal services can be distinguished. The first service is that of portage of letter post items, whilst the second service is that of portage of postal packages. In this case “portage” means clearance, sorting, transport and delivery of the named items. To that effect the postal sector consists of two superordinated markets: the letter post market (divided into

three sub-segments: infopost, press mail and items of correspondence) and the courier, express mail and parcels market (CEP-market) (ibid.: 126). For reasons of simplicity a distinction will subsequently be made only between the letter post market and the CEP-market.

1.1. *Market structure before liberalisation*

In order to truly understand the process of liberalisation it is necessary to examine the market structure, the actors active on the market and their market share before the process of liberalisation. Before the liberalisation of the postal sector began, the Postal Act of 1969 had granted the German Post (Deutsche Bundespost) a monopoly, so that this public actor occupied a factual and legal monopoly, which, however, was linked to an obligation to provide universal services (that included the obligation to convey commodities up to a weight of 20 kg). Besides this operation the installing of institutions, which serve the valuable portage of a communication in written form, was prohibited. The exclusive license of the Deutsche Bundespost extended to the activity of clearance, sorting, transport and delivery of letter post items to the addressee. Furthermore, all cross-border mail was in the frame of this exclusive license and thus monopolised. In the light of all these aspects it can be stated that the Deutsche Bundespost exerted strong dominance in all areas of the market. This monopoly and a market share, that included nearly the whole market, made it almost impossible for other competitors to achieve a decisive role.

Table 2: Market structure

	Before the process of liberalisation (before 1989)	Status quo of the process of liberalisation (since 2003)
Letter post market	Deutsche Bundespost	DPWN (94,9% market share concerning revenues in the licensed area) Especially local providers (rest) (State: 2005)
CEP-market (Courier, Express mail, Postal packages) (unlicensed area)	Deutsche Bundespost (market leader) Hermes (active since 1972), DPD (active since 1976), UPS (active in Germany since 1976)	DPWN Group (Post-subsiaries, DHL) (26%), UPS (11%), DPD (LaPoste) (10%), GLS (The Post Office) (5%), Hermes (4,8%), Trans-o-flex (with DHL Worldwide: 4%) (4.7%) TNT Post Group (TNT Logistics, TNT Express) (3%), other local providers (rest) (State: 2003)

Source: RegTP (2005), Klaus (2004: 130)

1.2. *Steps and processes of liberalisation*

The process of liberalising the German postal market began in the late 1980s and is officially planned to be complete in 2008. The process of liberalisation and privatisation began in 1989 with the first postal reform and proceeded with the second postal reform in 1995. In 1998 the Postal Act transposed the first European Postal Directive (Directive 97/67/EC of the European Parliament and of the Council of 15 December 1997 on common rules for the development of the internal market of Community postal services and the improvement of quality of service) into national law. Since that time the Postal Act has been amended three times (in 2001, 2002 and 2003) in order to transform and liberalise the German postal sector in accordance to the EU directives. Whereas the whole German CEP-market is open to competition, in 2006 merely circa 41% of the letter post market was open to competition (RegTP 2005: 61). However, in 2008 the complete letter post market will be opened to competition as this date marks the end of the DPWN's exclusive license.

Regarding important drivers of the liberalisation process it can be stated that it is characteristic for the German case that the liberalisation of the network sectors is highly affected by the external impact of the EU (Lippert 2005: 54; Christmann 2004: 35).¹ Via a policy of a gradual opening of the market the postal sector was liberalised in consistence with the EU time frame. However, Germany went further than it was obliged to do. It did so in 1998 by lowering the weight limit for the letter post market down to 200 g instead of the required maximum limit of 350 g (Haas et.al. 2004: 19). In this context it has to be taken into account that the relationship between the European Union and its member states normally is not a unilateral but a reciprocal one. Correspondingly the European Union is not only the driver (or sometimes inhibitor) in the process of liberalisation but also the platform on which the member states try to assert their interests and by means of this shape the European policy. This phenomenon has to be considered in the context of member states that refer to European policy when they justify more extensive liberalisation steps.

Besides the EU the technological progress was considered to be an important driver of the process, as partly old, partly new communication services, such as telephone, telex, fax machine and, above all, electronic-mail (e-mail), produce increasing substitution (Neu 1998: 4). Concerning the technological progress it is worth mentioning that private providers offered transport services since the beginning of the 1970s and thus competed with the public providers (Pieper 1992: 46). Additionally the globalisation of the market for postal services and the supply-side economics practised in Germany has forced the deregulation and privatisation of the postal sector since the beginning of the 1980s (Cox 1999: 73). Another stimulus to the liberalisation in Europe is the fact that the USA has imposed trade political pressure upon the European markets (Jäger 1994: 71).

¹ The (partial) privatisation is, however, not ascribed directly to European legislation for the EC contract does not stipulate the privatisation of public enterprises; nevertheless the declaration of postal services as a basic private sectoral function does rather justice to the European competition philosophy (Cox 1999: 85).

Additionally, the extensive liberalisation policy of the United States influenced the developments in Europe through international political “spill-over-effects” and conformation pressure as the USA were the centre of the campaign that claimed a privatisation of this parts of the economy that so far were in public ownership (Wehner 2005: 5).

Before analysing the forms and steps in the process of liberalisation it has to be mentioned that until 1989, that means before the process of liberalisation began, the Deutsche Bundespost consisted of the postal sector, the postal bank as well as of the telecommunication sector. Another specific characteristic of the postal sector is the fact that *unbundling in the classic sense* is not necessary; there is no legal basis or necessity in the EU for a suchlike unbundling. In fact, in the postal sector different horizontal services such as standard letters, express services and postal packages became horizontally de-cartelized. A demarcation between the reserved area of the letter post market and the non-reserved area of the postal packages services is made by means of the content of a certain item: a letter contains communications from person to person, whereas a postal package contains goods (Neu 1998: 2).

Before the process of liberalisation formally began several liberalisation steps were executed. For instance, in 1984 the German authorities opened the express business market to competitors, and since 1985 the monopoly area has no longer been extended to the sector of cross-border express and courier mail (Busch 2001: 19). In the forefront of the privatisation and liberalisation of the German postal sector controversial discussions between the government composed by the Christian Democratic Party (CDU) and the Liberal Party (FDP) on the one hand and the German Postal Workers Union (*Deutsche Post Gewerkschaft*, DPG) and the opposition led by the Social Democratic Party (SPD) on the other hand emerged. Whereas the trade union even started a campaign in order to prevent a privatisation of the German Post, the Social-Democrats finally agreed to the government’s intention to privatise the monopolist (Wehner 2005: 5-12).

Through the first postal reform in 1989 (*Poststrukturgesetz/Postreform I*) the official green light for the liberalisation process was given. The Deutsche Bundespost was restructured and prepared for its following liberalisation and privatisation. On the basis of the legal status quo the first postal reform led to the disconnection of the three sections and formation of three autonomous units (postal services, postal bank, and telecommunication) as part of the federal administration. The sovereign/political functions (regulation of the monopolies) were separated from the entrepreneurial ones, whereas the former remained in the competence of the Federal Ministry of Post and Telecommunication and the latter were delegated to the three units. The monopoly of the Deutsche Bundespost was maintained and persisted for the Deutsche Bundespost Postdienste. The monopoly legislations of the Federation are only assigned to the German Post as long as these rights are compatible with European legislation (Cox 1999: 84). These exclusive rights were connected with an obligation; the so called universal service obligation (USO) obligated the universal service operator to provide universal services even in areas where the incumbent competes with private providers

(ibid.: 82). The USO did not include the postal packages service over 20 kg and the newspaper service; already before 1989 these segments were areas of competition. Since 1985 the cross-border courier and express mail segment has been open to competition (Braubach 1992: 27). The reason for this market opening was extensive pressure from the European Commission. Postal items whose portage price was at least ten times the price of a standard postal item were excluded from the monopoly by 1 September 1989 (Busch 2001: 19). Via this private courier and express mail providers received the possibility to provide their services in this segment of the German postal market. This first postal reform was more a reform of the organisation than a reform of the competition order (Cox 1999: 81). This reform was limited since the monopolies were maintained; nevertheless it was the precondition for further liberalisation steps as e.g. a first reduction of the “reserved area” was carried out as letters, whose portage price exceeds the decuple of the price of a standard letter, were excluded from the monopoly.

The subsequent postal reforms proceeded under the increasing liberalisation pressure of the EU and its Community law. The second postal reform, which came into force as from the beginning of 1995, aimed at a national and international improvement of the competitiveness of the postal operators. In order to achieve this objective - among other things- a change of the German constitution (*Grundgesetz*, GG) was needed. Originally, article 87 GG and article 143 GG determined that the German Post was a public body. Therefore, the government proposed a constitutional amendment of the relevant articles which was also supported by the Social Democrats, although there was a strong counter pressure from the German Postal Workers Union (Wehner 2005: 9). The new Article 87f GG defines postal services as private sectoral activities, and by means of this makes it possible that these activities in the future can be provided by the incumbents as well as by other private competitors. Article 143b GG was added to the constitution and ruled that the German Post was no longer a separate estate of the state and was transformed into an incorporated company. The constitutional amendment was the precondition for the formal privatisation of the three postal corporations. This formal privatisation was followed by a material privatisation of the German Post which started its initial public offer in November of 2000. Parallel to the reform of the organisation a policy of a gradual opening of the market was pursued by opening niche markets of the postal sector to competition (BMWi 2002: 2, 3). The second postal reform was predominantly an administrative reform and transferred the postal corporations into incorporated companies (Haas et.al. 2004: 25). In accordance with this the second step in the process of liberalisation was affected by the (partial) privatisation and the preparation of further liberalisation measures. A sale of the shares was to be carried out slowly and gradually (ibid.: 8). This “gradual privatisation” was claimed by the social-democrats for they feared enormous lay-offs and the withdrawal of the post from rural and structurally backward regions; these fears did partially prove true (Cox 1999: 85).

In the run-up to the Postal Act of 1998 there was a long-lasting controversy about the letter post monopoly; ultimately the new Postal Act, which amended the Postal Act of 1969, maintained this monopoly for a specific period. The Postal Act emphasised that

after a transition time all postal services shall be liberalised and opened to competition. In order to facilitate the transition from a public body to a modern service enterprise and in accordance with the EU liberalisation policy the exclusive license was lengthened until the end of 2007; from the point of view of the government an advanced end of the legal exclusive license would have led to a unilateral opening of the German postal market (BMW_i 2002: 10); this exclusive license embraces nearly $\frac{3}{4}$ of the sales volume of the letter post service (Haas et.al. 2004: 25) and was first scheduled until the end of 2002. The Postal Act lays down the rules for licensing and by means of this defines the terms for the access to the market. A full market opening will presumably take place in 2008. It can be said that the Postal Act of 1998 is a competition law and at the same time a regulation law as it is emphasised in this law that competition has to be assisted through the regulation of the postal sector (Cox 1999: 93). Via the Postal Act of 1998, which is based upon the EU guidelines concerning the development of the internal market of Community postal services (ibid: 92), the market for postal services was gradually opened to competition beyond the reserved area. The letter post market is not yet fully opened, since the Deutsche Post AG, due to its enclosing exclusive license² which will be maintained until the end of 2007, conveys the gross of the items of correspondence (Haas et.al. 2004: 26)

With regard to the pace and direction of the liberalisation process it can be noticed that the German governments have been geared to the European decisions, whereas they went even further than they were obliged to. The replacement of the coalition of Christian-Democrats and the Liberal party by the coalition of Social-Democrats and the Green Party in 1998 (after the Postal Act entered into force) did not lead to a nameable change in or even reversion of the commenced liberalisation process. When the Social Democrats were in opposition, they claimed a more social orientation of the Postal Act and asserted that a license has to be denied if the applicant falls below the working conditions that are common practice in the licensed area (Atzmüller et.al. 2004: 93). However, they did not put into question the liberalisation as a whole. According to this, the self-perception is that of a country that - without any reservation - lobbies for further market opening steps and for the limitation of all exclusive rights in the letter post market (BMW_i 2002: 10). In July 2006 the chairmen of management board of the German, Dutch, Swedish and Finnish incumbents (Deutsche Post World Net, TNT, Posten AB and Finland Post Corporation), in a common initiative, claimed the full market accomplishment of the European postal internal market in 2009 (DPWN et.al. 2006), whereas the competitors and the monopoly commission claimed an early opening of the postal market (BvDP 2006). The latter could not prevail as the German Government disclaims an early opening of the postal market and adheres to the liberalisation of the letter post market in 2008. In view of this upcoming competition and in order to diminish its dependence on the monopoly in the letter post market the DPWN invested billions in the extension of its worldwide business (ibid.) - in 2005 the

² Exclusive rights shall serve to finance services in deficit that accrue from the universal service obligation through monopoly profits; however these exclusive rights are limited by a specific regulation (Cox 1999: 86).

incumbent invested over 4 billion € (DPWN, annual report 2005: 88). The DPWN tries to use the developing liberalisation of the European postal market to position itself in other member states by buying out diverse private postal corporations in the United Kingdom and the Netherlands (Wehner 2005: 17).

1.3. Current market structure and remaining challenges

Within a period of less than a decade the German sector of postal services has passed through an enormous structural change: The German Post was transformed from a public body into a private corporation that is bound to the realisation of profits on the one hand and for public interest reasons subordinated to the public regulation on the other hand (Cox 1999: 74).

The Postal Act of 1 January 1998 gradually opened the market of postal services to competition. Besides the DPWN, which due to its exclusive license portages the gross of the postal letter items, competitors may become active per license in some areas of the so-called licensed sector (Haas et.al. 2004: 26). The regulatory authority for telecommunication and post (RegTP) had until 2004 awarded 1,861 licenses to private enterprises, albeit 551 of these corporations “left” the market because of their insolvency (RegTP 2005: 55). In the whole postal letter area the DPWN has a market share of circa 95%, and thus maintains its monopoly. Although in 2004 nearly 33% of the whole letter post market were open to competition merely circa 5% of this market were taken over by competing licensees (RegTP 2005: 71).

Table 3: Degree of market opening in the letter post market (in %)

	Until end of 1997	01.01.1998 – 31.12.2002	01.01.2003 – 31.12.2005	01.01.2006 – 31.12.2007	From 01.01.2008
Competition area	< 3%	~ 23%	~ 33%	~ 41%	100%
Reserved area	> 97%	~ 77%	~ 67%	~ 59%	0%

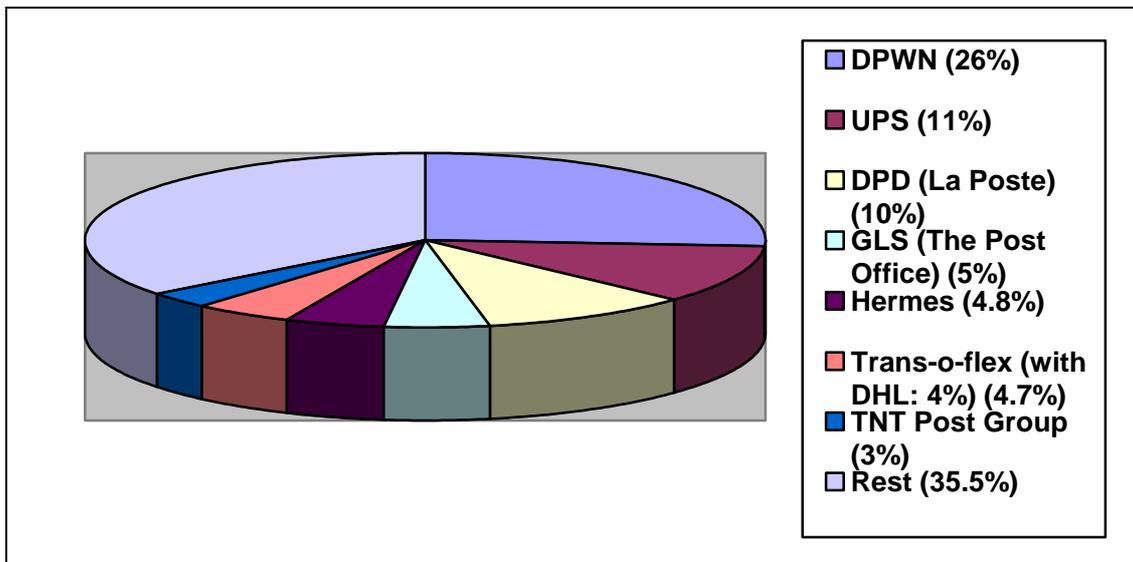
Source: RegTP 2005: 61.

Above all the so-called D-license for high-order services – that means the same-day delivery – is part of controversial discussions as through this license the DPWN is - notwithstanding its exclusive license - exposed to competition in this area (Staab 2000: 137). In view of the upcoming end of its exclusive license the DPWN tries to get more independent from the inland letter post sector. In order to achieve this objective it executed several acquisitions in the United Kingdom (Williams Lea in 2006), Netherlands (Interlanden B.V.) (according to DPWN’s it is the biggest private provider of letter post services in this country) (DPWN Annual Report 2005: 57), and the USA

(Global Mail Inc.)³. On the global cross-border mail market the DPWN had a market share of 14% in 2004 (Liedtke 2003: 164).

In contrast to this the CEP-market shows in so far a more heterogeneous picture as this market is dominated by seven big groups or rather enterprises:

Figure 1: The German CEP-market in 2003



Source: Klaus 2004.

On the German CEP-market the development of grand CEP groups can be noticed that – except for UPS – in each case include a national European postal association. The DPWN consists of the Post subsidiaries and DHL, the British Post Office Group includes General Logistics Systems Germany (former German Parcel), the French La Poste is represented by DPD, the Dutch TNT Post Group consists of TNT, NET and NVS (RegTP 2000).

On the European CEP-market the DPWN had a market share of circa 18% in 2005 (DPWN, annual report 2005). In the European express mail and logistic sector the German incumbent is active in Great Britain, the Netherlands, France, Italy, Spain and Sweden. The DPWN is a world-wide leader in the cross-border express mail and courier market.

According to this data it can be said that the German letter post sector is still characterised by a monopoly of the DPWN and the postal packages sector is dominated by an oligopoly (Lippert 2005: 58). At the local level there are over 100 private competitors (e.g. Pin AG in Berlin, Cologne, Leipzig, Frankfurt a.M.) that

1. only provide their services in densely, urban agglomerations,
2. do not utilise capital-intensive technologies,

³ For further information see: Handelsblatt 2006.

3. employ cheap part-time employees,
4. exercise an extensive form of “cream skimming”, that means they only serve the most profitable customers (Haas et.al. 2004: 26).⁴

In the context of the current market structure it has to be mentioned that in 1999 the DPWN took over the Deutsche Postbank AG and thus abolished the separation of the two corporations; the DPWN intended to use the liquidity reserves of the Deutsche Postbank for further expansions (Wehner 2005: 15). Hereupon since 1999 the DPWN began its expansion abroad by the take-over of the Danzas Group (one of the worldwide leading logistic companies) and the biggest international air cargo supplier, Air Express International (Hemmer et.al. 2003: 8). In 1999 alone nearly 10 billions were spent in order to take over other companies (Busch 2001: 27).

Some challenges and difficulties were and still are faced with during the process of liberalisation: in 2004 the DPWN employed merely circa 202.000 people whereas in 1990 the Deutsche Bundespost employed nearly 380.000 people (Atzmüller et.al. 2004: 94). This suggests that the privatisation has a negative impact on employment⁵, albeit, it has to be considered that through new private providers new jobs have developed. Nevertheless, it is obvious that these jobs neither in a quantitative nor in a qualitative view can counterbalance the job losses in the former monopolist DPWN (ibid.: 98). A gross of these new jobs concerns atypical or rather precarious employments (ibid.: 97). This development may also proceed in the DPWN (Öfing 2006).

The advocates of the process of liberalisation regard job losses as a necessary consequence of privatisation and a precondition for an increase in the competitiveness of the DPWN. Furthermore, they do not agree to the position that the postal market has passed through an enormous change and want the reforms to be more far-reaching (Busch 2001: 32) – whereupon it remains unclear how these more extensive steps shall look like. In its initiative (DPWN et.al. 2006) the DPWN identifies some remaining obstacles to a full liberalisation and thus claims a “modernisation” of the universal service – that means they assume that such an extended universal service regulation is not necessary - as free competition will lead to an ideal service provision, and a “light-handed”-regulation that should not exceed the consumer protection (ibid: 2). These attempts concerning less regulation and more market orientation should be questioned, particularly in view of the mentioned developments regarding employment as well as the quality of postal services.

⁴ For a description of the most common alternative providers of letter post services see: <http://www.posttip.de/rubrik2/4916/Alternative-Briefdienste.html>.

⁵ In their common initiative the Deutsche Post World Net (since its initial public offering in 2000 the Deutsche Post AG operates under the name Deutsche Post World Net) and three other national, however, postulate that liberalisation includes the possibility to maintain and create employment (DPWN et.al. 2006: 3).

2. REGULATION

2.1. *Instruments before and during the process of liberalisation*

The regulatory form used in Germany before the process of liberalisation began was public ownership. The postal and telecommunications sector was traditionally organised in the form of a national monopoly that was part of the national administration (Hungenberg et.al. 1998: 7). As a national monopoly the postal sector originally served fiscal objectives on the one hand and political ones on the other. Concerning the latter aspect it was said that the postal sector guarantees an area-wide communication network that is important for reasons of local commercial and political distributional aims as well as for reasons of the state's interior and exterior safety, and therefore has to be controlled by the state (Christmann 2004: 33). In the second half of the twentieth century due to the development of alternative communication and transport mediums the economic argument became more important: the postal network was considered a so-called natural monopoly – that means it is assumed that a single corporation is able to provide certain services cheaper than a combination of many corporations (ibid.: 7). This argument was connected to the assumption that it has to be necessary to exclude new competitors from the access to the market; it was feared that they would practice a form of “cream skimming” and thus endanger the finance of the monopoly. Moreover, the necessity of a natural monopoly was justified with the argument that it serves to protect the interests of the employees and the maintenance of the universal service (Neu 1998: 15). However, this was connected to certain obligations: the monopolist was obliged to provide its services area-wide and to create its tariffs consistently. In addition to that it had to transfer its surpluses to the national budgets. Since 1981 the monopolist had to pay 10% of its operating revenues in case these exceeded two billion German Marks (DM) (Jäger 1994: 70). The institution that was responsible for the regulation of the postal sector was the Federal Ministry of Postal and Telecommunications Sector; the post minister had both political and entrepreneurial responsibility (BMWi 2002: 2).

First of all, it has to be considered that the process of the adoption of the German regulatory system to the changed competitive conditions was characterised by a number of conflicts and challenges regarding the steps and instruments as well as between the actors involved. The result was a regulatory system that from an institutional viewpoint has not changed much and thus can be signified as “light-handed” (Lippert 2005: 61). In 1989 the Federal Ministry of Postal and Telecommunication Sector was renamed as the Federal Ministry of Post and Telecommunication (BMPT). In the course of the first postal reform and the associating disconnection of the sovereign and entrepreneurial functions the BMPT became the institution responsible for the regulation of the postal and telecommunications sector. Its task was to define the competitive conditions at the markets for postal and telecommunications services, to decide about the licenses granted to competitors and to observe the competitors and their market behaviour (Hungenberg

1998: 10). Until the second postal reform of 1994 came into force the German Post was in public ownership which means that until then the regulatory instrument of public ownership had been the most used one. By means of the ensuing formal (and later on material) privatisation the basis for further regulation steps were laid down. Regulation in this case is based on the concept that in order to safeguard the transition from monopoly to competition a regulatory authority has to influence the market structure and the competitor's market behaviour. At the beginning of 1998 via the Postal Act – consistent with the requirements of the first EU postal directive of 1997 concerning the establishment of a regulatory authority – the BMPT was replaced by the Regulatory Agency for Telecommunications and Post (*Regulierungsbehörde für Telekommunikation und Post*, RegTP). Since then the RegTP has been part of the Federal Ministry of Economics and Technology (*Bundesministerium für Wirtschaft und Technologie*, BMWi), which bears responsibility for the postal sector (BMWi 2002: 2). The terms used reveal that in Germany a so-called sector-specific regulation is the most common one. In August 2005 the RegTP was replaced by the Federal Network Agency (BNetzA). Since then the BNetzA has been the regulatory authority for the postal sector, which is subordinated to the BMWi and financed by the state. Its functions can be specified as the maintenance and promotion of competition in the electricity, gas, telecommunication, postal and – since 1 January 2006 – railway markets.

The current regulation structure in Germany turns out to be as follows: The German regulation system concerning the postal sector was only to a minor degree geared to economic criteria until a new price regulation system was implemented. Concerning the forms of regulation the Postal Act of 1998 is focused on the letter post market and the possibilities for competitors to enter this market (licensing), the regulation of the prices of the incumbent DPWN, the regulation of the access for competitors to the networks of the German Post and the universal service obligations (USO) (Christmann 2004: 37).

The *regulation of the access to the letter post market* envisages an exclusive license for the DPWN (regulation by defining the reserved market) and affords competitors only via a license the access to the market. According to this these private providers of postal services need a license to provide letter post items that do not weigh more than 1,000 grams (Cox 1999: 93). Licensing is subject to several conditions (technical qualification, reliability, etc.). Moreover, the granting of a license is bound to the quality of working conditions: The license has to be denied, if the working conditions in the applicant's company "extensively" fall below the working conditions which are "common in the licensed area" (Postal Act 1998, § 6, article 3, 3). However, the quality of the working conditions in the licensed area is not elaborated on.

Table 4: Conditions for the access to the market (Status: 2006)

Access to the market without license	newspapers and magazines cargo items courier services
Access to the market with license	letter post items from 50 grams to 1000 grams info post and direct mail from 50 grams to 1000 grams so called high -order services (e.g. same-day delivery or pick-up of letters at the customer): no weight or price limits document exchange services
Exclusive license of the DPWN	Letter post items and catalogues up to 50 grams Info post and direct mail up to 50 grams

Source: Federal Ministry of Economics and Technology (2002); German version, updated through the editor at the basis of EU data.

The *price regulation* concerns postal services that can only be provided with license in the event of the postal corporation dominating the market. All other postal services (e.g. provision of postal packages) are not subject to a prior price authorisation, but the BNetzA may control the prices retrospectively (BMWi 2002: 7). Until now merely the tariffs of the DPWN have been affected. This form of regulation serves to ensure that the incumbent does not misuse its market position by establishing excessive tariffs, or that the tariffs are that low that the emerging competition is hindered (BMWi 2002: 7). In order to ensure this the DPWN is subject to a prior price authorisation (so-called *ex-ante* price regulation). The common form of price regulation is the price-cap system⁶, which was implemented in a rudimentary form into the universal service of the postal sector in 2003. The reluctance concerning the price-cap system cannot be ascribed to purposeful resistance against this form of price regulation but to the fact that the EU did not lay down extensive specifications for the required form of price regulation (*ibid.*, p. 64). Moreover, pre-setting with regard to the annual price alignment is laid down.⁷

The Postal Act obligates the German Post to grant every competitor - on specific conditions- *access to its own networks* (Hungenberg et.al. 1998: 19). This includes the system of post-office boxes, parts of the DPWN's value chain and the obligation to inform the private providers of change in address of postal customers (Christmann 2004: 41).

The universal service obligation (*USO*) determines that postal services have to be provided area-wide, be of a certain quality and at an affordable price (§ 11 Postal Act

⁶ The price-cap regulation is an *ex-ante* regulation as it sets the incumbents a maximum limit for the allowed price level in advance. Within this frame the corporations may freely choose their price structure (Lippert 2005: 21).

⁷ For a detailed description of this procedure and the different types of licences see Christmann (2004: 38, 39).

1998). Via the second amendment of the Postal Act in 2002 the DPWN was directly obligated to provide universal services during the term of its exclusive license (BMWi 2002: 6). In case of a non-fulfilment of the USO, the BNetzA could oblige one or several corporations to provide universal services. For financing the verifiable deficit the rest of the licensees, provided that their turnover exceeds 500,000 € would have to pay an equalisation tax (ibid.: 7). The quality regulation, that means the content and extent of the universal services, minimal standards of the quality of postal services and the prices for universal services, is defined by the so-called Post-Universal services order (*Post-Universaldienstleistungsverordnung*, PUDLV) of 15 December 1999 (amended in 2002). The PUDLV lays down the rules for the provision of items of correspondence up to 2,000 grams, postal packages that weigh less than 20 kg and newspapers and magazines. 80% of the letters are to be delivered after one day and 95% after two days⁸. Via this order the DPWN is obligated to keep at least 12,000 post offices and thereof at least 5,000 with company-own employees until the end of 2007. In every municipality with more than 2,000 inhabitants there should be one post office, whereas in municipalities with more than 4,000 inhabitants it should be guaranteed that there is a post office within a radius of 2,000 m. In rural districts there should be at least one post office per 80 km area. Furthermore, the PUDLV stipulates that the prices should not exceed the real price level at the end of 1997.

Table 5: Instruments of regulation

	Before the process of liberalisation	Current phase of liberalisation
Postal market	Legal, natural monopoly of the Deutsche Bundespost USO	Horizontal de-cartelization of standard letter, express mail and postal packages, logistic and financial services (accounting separation)
Letter post market	Legal, natural monopoly of the Deutsche Bundespost USO	USO Quality regulation (PUDLV) Price regulation (price-cap system) Licenses Regulation of the access for competitors to the networks of the DPWN
CEP-market	Definition of the reserved market USO	USO Quality regulation (PUDLV) Possibility of subsequent price regulation (in case the provider is market dominating)

The described regulation functions are administrated by the BnetzA, and beyond that it has specific authorisations to control misuse. In this capacity the regulatory authority may impose certain behaviour on corporations that infringe the rules of the Postal Act (Cox 1999: 94). Recapitulating it can be said that new elements of economic regulation

⁸ In fact, at the end of 2004 nearly 88% of the letters were delivered after one day and 98.8% after two days (BNetzA).

have been implemented but these do not exceed the minimal standards of the EU framework targets. Furthermore, it can be noticed that a deregulation of the market is at the same time accompanied by an increase of regulation.

Table 6: Regulating actors

	Before the process of liberalisation	During the process of liberalisation	Status quo of the process of liberalisation
Postal market	Minister and Federal Ministry of Postal and Telecommunications Sector	Since 1998: Regulatory Agency for Telecommunications and Post (RegTP); subordinated to the Federal Ministry of Economics and Technology (BMWt)	Since August 2005: Federal Network Agency for Electricity, Gas, Telecommunications, Postal and (since 2006) Railway Markets (BNetzA); subordinated to the Federal Ministry of Economics and Technology (BMWt)

2.2. Problems

The process of regulation is accompanied by certain problems: Specific problems accrue from the connection of competition order on the one hand and regulation on the other hand as the postal market remains - due to its network and public services characteristics - a specific market that in the view of its public service function and the protection of the access to the market needs to be regulated (Cox 1999: 94). It is obvious that this problem results in discussions about the optimal orientation and extent of the functions of the regulatory authority. Critics of the process of liberalisation emphasise that fundamental opposition from the trade unions to regulation as a whole is not promising, whereas a policy of regulated liberalisation does show promise. The gross of the unions for example claims a regulated liberalisation that via social standards prohibits distortion of competition.

Another argument for regulation is the assumption that free competition does not *a priori* lead to optimal results, and that therefore the privatised incumbents underlie the universal service obligations (ibid.: 99).

In opposition to this argumentation stands the argument of the advocates of liberalisation; these advocates (e.g. the incumbents DPWN, TNT, etc.) are at the same time critics of a tight regulation as – apart from the different consequences particular measures of regulation involve – this type of regulation is generally considered to be advantageous for new competitors; whereas a loose regulation benefits more the former monopolist.⁹ Against the background of that assumption four former monopolists (DPWN, TNT, Posten AB and Finland Post Corporation) claimed in a common

⁹ A detailed description of several researches of the European Commission and the German regulatory authority on the market behaviour of the DPWN and the analysed regulation measures can be found in Busch (2001: 26-28). The Federal Cartel Office has also proceeded against the German Post because of distortion of competition (Bundeskartellamt 2005).

initiative the full market accomplishment of the postal internal market for 2009¹⁰ and less or partially even no regulation (DPWN et.al. 2006). Notwithstanding these aspects it has to be considered that former incumbents cannot be generally identified as critics of regulation as a whole as sometimes they try to use the instrument of regulation to prevent competitors from entering the market or to establish themselves in other European countries (Handelsblatt 2006). Another controversial subject is the grade of independence of the regulatory authority. The BNetzA is considered to underlie a relatively high political influence albeit it has to be kept in mind that this influence has *always* been that high (Lippert 2005: 66). Advocates of liberalisation criticise the fact that the German regulation system merely has implemented the minimal standards of economic regulation and thus cannot capitalise on the positive potentials of a competitive orientation. However, advocates of this type of regulation emphasise that this orientation prevents the German system from failures.

Another specific problem accrues from the price-cap system. Whereas the European Commission advocates this form of price regulation by accenting its supposed positive influence on efficiency and its price reduction potential, critics stress that this system has negative consequences for the quality of service as the most common way to reduce costs is to lower the quality of service (ibid.: 22).

3. ACTORS/OWNERSHIP

Table 7: Actors and ownership

	Before the process of liberalisation	Status quo of the process of liberalisation (State: July 2006)
Letter post market	Deutsche Bundespost (Public ownership 100%)	DPWN - shares: 56.5% institutional investors ¹¹ , 35.5% Reconstruction Loan Corporation (KfW), 8% private investors Private local providers
CEP-market	Deutsche Bundespost DPD, Hermes (subsidiary of the mail order company <i>Otto</i>), UPS	DPWN (subsidiaries, DHL), UPS, Deutscher Paket Dienst (DPD) (LaPoste holds 83% of DPD shares), GLS (subsidiary of Post Office), Hermes, Trans-o-flex, TNT (Hermes Logistic Group holds 29% of TNT shares)

Source: Annual reports of the companies.

Before the process of liberalisation started the Deutsche Bundespost was in public ownership (100%) and employed nearly 380,000 people (in Germany) (Atzmüller et.al. 2004: 94). It operated on the whole postal market and was market dominating. In the

¹⁰ The fear that the German market will be opened unilaterally and not consistent with the EU market forms the basis of this notion.

¹¹ The largest institutional investor of the DPWN is DWS, the largest investment fund of the Deutsche Bank (Wehner 2005: 20).

course of the process of liberalisation and (partial) privatisation the ownership/shareholding structure as well as the number of employees and their form of employment changed drastically. Since July 2005 private investors have held a majority of shares and the Reconstruction Loan Corporation (*Kreditanstalt für Wiederaufbau*, KfW), a German credit institution whose capital is owned by the Federal Republic of Germany (80%) and the federal states (20%), merely owns 36% of the Deutsche Post. The gross of the external institutional investors comes from USA (33%) and Great Britain (20%) (www.dpwn.de). In 2004 the total employment in Germany amounted to 202,000 employees (Wehner 2005: 23) – this corresponds a staff reduction of nearly 47%. Besides the number of employees the proportion of civil servants sank from over 50% to 30% (Völlings 2002: 77).¹² Although private competitors of the German Post had added some new jobs the quality of these jobs was often worse since many of them have to be characterised as precarious employment (Atzmüller et.al. 2004: 97).

At the local level the DPWN has about 100 competitors. One major competitor is the TNT Post, a joint venture of the Dutch TPG Post and the mail order company *Otto*, a subsidiary of Hermes, which already operates on the letter post market. It concentrates on business customers and the local postal delivery in urban agglomerations (Reuter 2006: 71). Another actor that is beginning to establish itself on the local letter post market - and after the DPWN is the second largest mail deliverer in Germany - is the Pin AG, a subsidiary of the publishing companies Springer and Holtzbrinck, that operates in four cities/municipalities: Berlin, Cologne, Leipzig and Frankfurt a.M.. The company employs about 1,400 people, albeit it has to be considered that the fluctuation of employees is very high and the wages amount to a mere 1,020 €(for 40 weekly hours of work) and thus are over 700 €lower (!) than the wages of Deutsche Post employees (ver.di 2006; Benedikt 2006; Reuter 2006). Also the British Post is trying to position itself on the German letter post market (Atzmüller et.al. 2004: 100). In view of the upcoming end of the letter monopoly of the Deutsche Post in 2008 the publishing companies Axel Springer, Georg von Holtzbrinck and WAZ, the owners of the Pin AG, want to enlarge the service area of the Pin AG in order to create a company that is able to deliver letter post in the whole Federal Republic of Germany (posttip 2005).

After the formal privatisation of the German Post in 1995 the German Government kept the majority of the shares until November 2003 when it sold nearly 30% of its stake to KfW (www.dpwn.de). Since November 2000 when the initial public offering (IPO) of the DPWN took place, the material privatisation has begun and, albeit the majority of the shares is in the possession of private investors, it is not yet finished. However, the earlier developments (KfW successively sold parts of its shares and in 2006 owns only 36% of DPWN) forebode that the partial privatisation would transform itself into a complete material privatisation. The German Government wants the KfW to sell its

¹² The share of civil servants in the workforce of the former Deutsche Bundespost was weighty. Since the second postal reform in 1994 more than 50% of the employees in the German Post were civil servants. The juridical cause for the fact that such a great many of employees were civil servants was that – according to the Basic Law - employees in the public service basically have to be in an employment status and fiduciary relationship that are under public law (Wehner 2005: 45).

complete Post-shares when the opportunity arises, and the DPWN to be completely privatised (Wehner 2005: 21). Even before the IPO a change in the strategy of the former monopolist was foreshadowed in the minority investment in the world-wide leading international courier- and express mail corporation DHL in 1998 (complete investment in 2002) and in the acquisition of the Swiss logistic corporation Danzas, one of the world-wide leading logistic corporations, in 1999 (Hemmer et.al. 2003: 8). It becomes clear that the corporate strategy was directed at the logistic sector¹³ and aimed at the achievement of a Global Player position (www.dpwn.de, corporate strategy). This development proceeded with the acquisition of the world-wide leading contract logistic corporation Exel at the end of 2005. After the acquisition of Exel DPWN has become a world-wide leading company in the logistic sector. The new name of the German Post “Deutsche Post World Net”, which was introduced during the IPO in 2000, symbolised the company’s ambition to be a global player. Examining the division of the sales volume in 2005 nearly 55% of the sales volume was earned abroad, whereas in 1998 it was merely 2% (Wehner 2005: 19-24). Above all, the IPO has led to a shareholder value orientation and a change in the customer orientation in such a way that the DPWN now focuses on the business costumers and not the private costumers (ibid.: 24-25).

4. *ROLE OF GOVERNMENT AND OTHER STAKEHOLDERS*

4.1. *Role of government*

Before the process of liberalisation began the government’s influence on the shape of the postal sector was very high because the Ministry of the Postal and Communications sector had a direct influence on this market. Even though the national intervention was not as high as in the Keynesian era, due to the fact that the government was the owner of the German Post, (the minister bore political as well as entrepreneurial responsibility and the government itself was the one to regulate the market) – it was able to influence the postal market in a more direct way. However, in the course of social-economic changes, through the transformation of the state in general and the liberalisation and privatisation processes in particular, the role of the state *per se* and the government changed. Via privatisation essential functions of the state have been denationalised. Even if it cannot be stated that the state has become weaker, it has to be considered that the role of the government has changed in such a way that policy serves the creation of necessary conditions for competition and is directed at the market. This regulative policy is, indeed, interventionist in some respects but such intervention is limited to the guarantee of “proper” market conditions (Hirsch et.al.: 2001). According to this the direct political influence on the market transformed into a rather subtle influence on the

¹³ In this context it has to be considered that the DPWN – in view of the uncertainty concerning further liberalisation steps at the EU level – intends to become more independent of the letter post business (bvdp 2006).

founded regulatory authority; the Ministry of Economics is still one of the central actors in the regime (Lippert 2005: 66). In 2000, for example, the Minister of Economics called on the regulatory authority not to modify the postage for letters until the end of 2002 – it was assumed that this action would serve to secure the IPO of the DPWN (Busch 2001: 29).

However, in the shape of the regulatory authority (BNetzA), which is subordinated to the Federal Ministry of Economics and Technology (BMWi), the state has to ensure that the market functions properly and that the competition between the different actors on the market is effective and honest. Thus, the fact that the government is an owner of the incumbent and in this function wants to create “national champions” comes into conflict with the regulatory functions of the state.

The reasons given for the decision to formally privatise the former public body into an incorporated company were predominantly fiscal as the government considered the form of organisation (public body) to be a handicap in the process of procuring sufficient capital (Cox 1999: 83).

In the course of the disputes in the run-up to the second European postal directive in 2002 Germany and some other member states referred to the possible innovation and efficiency benefits and wanted to set a final date for the full market accomplishment (Hemmer et al. 2003: 4). The German Government is trying to present Germany as a member state that lobbies without reservation for a Europe-wide postal market opening in 2009 (BMWi: 2002). Concerning the privatisation of the DPWN the German Government has always argued for a complete privatisation (Wehner 2005: 21).

4.2. *Role of other stakeholders*

The other actors that played and still play a role in the process of liberalisation and privatisation to some extent represent conflicting interests. The fact that *DPWN* claims it will have European-wide full postal market accomplishment in 2009 can be ascribed to similar motives as in the case of the government. One could state that this notion conflicts with the incumbent’s interest to maintain its privileged position as long as possible but in this case it has to be considered that *DPWN* claims a *European-wide* opening of the postal market; it would not advocate a market opening if it had not positioned itself on markets abroad via scores of acquisitions. Moreover it considers a market opening to be advantageous for its further establishment abroad.

In contrast to the government the so-called *monopoly commission*, a semi-governmental institution as it does the preliminary work for the Ministry of Economics, and an advisory body in the area of competition policy and regulation (www.monopolkommission.de), has claimed an early opening of the postal market (bvdp 2006).

A further influential factor in the process of liberalisation and privatisation is the *GATS*; by means of this agreement public services are pressurised and exposed to the market to an increasing degree (Fritz et.al. 2002).

The *European Commission* is another influential actor in the process of liberalisation that via infringement proceedings tries to determine the pace and direction of the liberalisation process by encouraging the member states to create optimal conditions for competition. The youngest proceeding against Germany was launched by the Commission on 10 April 2006 (IP/06/484) and concerned the exemption from value-added tax (VAT)¹⁴. It demands the cancellation of the exemption from VAT.

In this context the European Round Table of Industrialists (*ERT*), a form of elite organisation including the largest European transnational corporations¹⁵, has to be mentioned as – apart from the Union of Industrial and Employers` Confederations of Europe (UNICE) – it is the most influential actor at the European level. Concerning public services in general and postal services in particular the ERT stipulates the completion of the internal market and the full liberalisation of gas and electricity markets and postal services (ERT 2002: 8).

The view of the German trade unions on liberalisation and privatisation has changed in the course of the process: at first they questioned the concepts of liberalisation and privatisation as a whole, referred to the negative consequences involved and even started a campaign in order to prevent the privatisation of the German Post (Wehner 2005: 5-13). However, as it became clear that a fundamental opposition to these processes was hopeless the unions changed their strategy and they began to cooperate - in order to maintain the rights of the post office civil servants (ibid.: 45), prevent operational redundancies and maintain regular labour conditions (Atzmüller et.al. 2004: 103).

4.3. Conflicts

The process of liberalisation came along with serious conflicts of interest. The most common argument against an accelerated liberalisation of the postal sector is the so-called “cream skimming” (Haas et.al. 2004: 17). That means it is feared that in the context of the provision of postal services the private operators will merely be active in those areas in which an activity is - in economic respects - most attractive. This would lead to extensive regional differences in price, or it would implicate that certain rural and structurally backward regions would not be served. In this context it is important to differentiate between the advocates of liberalisation, the critics that merely claim a different - often more social - orientation of the liberalisation but do not question the liberalisation process as a whole and the critics that assume that there is an alternative to liberalisation. Concerning the latter it has to be mentioned that the advocates tried to marginalise them by referring to the inherent necessity of liberalisation – and for the most part they succeeded.

¹⁴ In Germany all postal services of the former monopolist DPWN in the reserved area are exempted from VAT, whereas private providers are fully taxed.

¹⁵ For further information see: van Apeldoorn 2000.

Some critics who initially disclaimed the liberalisation and privatisation of the German Post later did not question the process of liberalisation: one example for this development is the German Social Democratic Party (SPD). After the first postal reform the SPD and the German Postal Workers Union (DPG) both disclaimed the privatisation of the German Post (Wehner 2005: 10). However, in the run-up to the second postal reform in 1994 the Social Democrats affirmed a constitutional amendment and thus made the privatisation of the German Post possible (ibid.: 11). It can be noticed that a former general dismissive notion changed into a notion that is characterised through claims for a different (often more social) orientation of the liberalisation process. Many unions also went through this development. In the meantime, the difference between those who questioned the concept of liberalisation as a whole and those who advocated it without reservation has become less relevant or rather postponed because most of the former critics (e.g. the gross of the trade unions) do not question liberalisation any more but accept it and try to form this process in a “socially acceptable” way.

The process of liberalisation involves several social conflicts. In the course of this process the former monopolist reduced nearly 47% of its staff – in spite of increasing market shares. Indeed, since 1998 employment has risen due to the acquisitions and the DPWN today employs circa 450,000 people – although more than 60% of them are employed abroad (Wehner 2005: 239). Furthermore, more than 50% of the new jobs in private companies are part-time jobs (Atzmüller et.al. 2004: 104). The United Services Union (*Vereinte Dienstleistungsgewerkschaft*, ver.di) has tried to unionise the employees in the private postal companies and to improve their working conditions.¹⁶ However, this has proved to be rather difficult because the private postal companies often use a strategy of “wage dumping” in order to gain a competitive advantage over the DPWN. The postal sector has therefore tended to become a low wages sector (ibid.: 100-101). There is also a danger that the Deutsche Post will be geared to the working and income conditions in the private companies if these conditions do not change (ibid.: 100; Wehner 2005: 41-46). In order to achieve the above-mentioned objectives in 2005 the regional ver.di organisation in Berlin started an organising project at the PIN AG. One major aim of this campaign was to regulate and improve the working and income conditions of the employees in the Pin AG through the conclusion of a collective agreement (Benedikt 2006).

Other conflicts occurred between the European Commission and competitors of DPWN on the one hand and the incumbent on the other concerning the market behaviour of the DPWN. The Commission launched several infringement proceedings against the German Post; one proceeding referred back to a claim made by the competitor UPS. The latter wanted the Commission to bar DPWN from financing activities in the private sector through benefits in the monopoly sector (Busch 2001: 27). In this context it is worth mentioning that from 1997 to 2002 DPWN initiated circa 800 legal proceedings against the RegTP/BMWi. Appeals against regulation decisions formed the basis of these proceedings (Becker 2005: 113).

¹⁶ Ver.di was created in 2001 as a merger of five trade unions including the former German Postal Workers Union (DPG). Since then ver.di is the major trade union in the postal sector.

Finally, in the context of the analysis of emerging conflicts the question arises of how far the German Post fulfils its universal service obligation and how far the quality of the postal services is guaranteed. In fact, the DPWN has steadily reduced the number of post offices and thinned out its network of post offices in 2005 to under 13,000 offices – that means within 13 years the German Post cancelled over 9,000 offices (Wehner 2005: 24-26). This development has led, above all, to a reduction in quality in the service in rural areas and urban outskirts. In October 2005 DPWN proclaimed that it wanted to out-source 850 postal offices to the Deutsche Postbank. Indeed, the incumbent announced that all postal services should in future be provided. Nevertheless, it becomes obvious that the focus is changing from letter business to bank business. The background for such a development is the fact that the letter business of the DPWN is stagnating, whereas the bank business of the Deutsche Postbank is prospering. Albeit the Postbank has announced that it will take over the employees of the Deutsche Post, the future of these employees is not clear yet (N24 2005). Another development involved is the fact that to an increasing degree the DPWN is concentrating on business customers rather than on private ones. An expression of this purpose is the thinning of the network of post offices.

CONCLUSION AND OUTLOOK

From a social point of view the liberalisation process has predominantly implicated negative results (e.g. reduction of staff, precarious employment) whereas from the point of view of a small group of (in the first instance institutional) investors, shareholders and the management of DPWN, liberalisation has led to increasing sales, stock profits, major independence from interventions on the part of the state, etc. Concerning the latter it has to be asked whether liberalisation or other socio-economic changes form the basis of these developments, as advocates often try to misuse certain results in order to justify the concept of liberalisation. Notwithstanding the positive results for the advocates of liberalisation, they claim more extensive steps in the process of liberalisation as they consider the level of competition to be still too low and the market shares of the former public corporations to be still too high – however, it remains unclear what the more extensive steps shall look like and why they are supposedly necessary.

In consideration of the end of the DPWN's exclusive licence in 2008 the question arises of how the market structure will develop and how the German incumbent will prepare itself for the time after the full liberalisation. Although these considerations remain speculation there are certain observable and mentioned developments which give substance to the assumptions: the number of acquisitions shows the DPWN is approaching the upcoming end of its exclusive licence with an increasing internationalisation, the strengthening of its logistic sector and a business customer orientation. It can be assumed that the full liberalisation will lead to an increase in competition and thus to losses for the DPWN in the letter post sector. In view of this the

German Post is concentrating on logistic, express and financial service business rather than on its letter post business. Notwithstanding, DPWN tries to promote the European-wide liberalisation of the postal market in order to prevent an unilateral opening of the German postal sector and attempts to position itself on other European markets (United Kingdom, Netherlands, etc.). The DPWN will presumably not withdraw from the letter post market in general but it has to be stated that this sector will become less important. In order to consolidate the numerous companies with the DPWN the incumbent started the “integration and valorisation programme STAR” whose primary objective is an increase in profit and thus serves, in the first instance, the interests of the shareholders, whereas it has negative consequences for the employees (Kocsis 2004: 81-81). The ambition to become a global player is accompanied by several precarious developments that will have negative social consequences. Expression of the mentioned concentration on business customers rather than on private customers is the thinning of the network of post offices that led to bad services in a qualitative as well as in a quantitative sense (Wehner 2005: 24-26). In September 2006 the incumbent announced that after the end of its letter post monopoly it would proceed in closing unprofitable post offices, especially in rural areas (Hennemann 2006). In regard to employment it has to be stated that the postal sector is tending to become a low wages sector. There is the risk that the incumbent will follow the development of its private competitors and reduce full-time employment in favour of part-time employment (Atzmüller et.al. 2004: 99, 100).

It remains to be seen which measures the European Commission will determine by the end of the year 2006 and to what extent the member states will conform to the provisions or even go further. A recent study which was carried out on behalf of the European Commission and should become the basis for further EU initiatives, has argued for the full market accomplishment of the postal market in 2009 (Pricewaterhouse Coopers 2006).

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Posttip: www.posttip.de

Unified Services Union (Vereinte Dienstleistungsgewerkschaft, ver.di) Section for postal services <http://psl.verdi.de/>