



# *Index of Postal Freedom*

## Germany – Deutsche Post



### *Overview*

**Deutsche Post** -- under the umbrella name Deutsche Post DHL -- is the largest mail operator in Europe, delivering roughly 70 million pieces of mail six days a week in Germany. With about 500,000 employees worldwide, it is also one of the globe's largest employers. Its revenues totaled €64.4 billion (\$82.85 billion) in 2009. Deutsche Post has also become the world's largest logistics company.

The German postal service is unique in being one of the first European services to be converted from a completely state-run organization into a semi-independent, semi-private business. Moreover, as early as the 1990s, Deutsche Post was the first "national" postal service to pursue an aggressive strategy of expansion and diversification beyond its home country.

The growth of Deutsche Post beyond Germany has been controversial. Some maintain that the company's acquisitions and rapid worldwide expansion into the private sector have been paid for by its "trapped" residential mail customers within Germany. DP has long opposed full competition in its domestic market, but Germany was among the first European countries to comply with EU directives to liberalize their postal markets; it did so in January 2008. The European Commission's Third Postal Directive had called for full liberalization of European postal markets by January 2009. Since then, European policymakers have postponed that deadline several times.

DP has received state subsidies. Critics have maintained that these state monies were used to shore up the firm's loss-making parcel service. Legal battles have ensued for the better part of a decade. In 2002, the European Commission ordered DP to return the subsidies. But six years later, an EU court ruled that DP could reclaim the subsidies with interest, as competition authorities had failed to



prove that subsidies were illegitimate. An appeal by the European Commission in 2010 was denied.

DP and its labor unions opposed the opening of Germany's postal market and have gone to great lengths to limit competition, emboldened by the reluctance of other European nations -- notably France -- to revoke their own domestic monopolies.

In November 2007, the German government instituted a minimum wage for letter carriers, with the support of both Deutsche Post and its unions. The minimum wage put competitors at a significant disadvantage by preventing them from paying lower wages, effectively re-granting a letter-delivery monopoly to Deutsche Post.

Competitors led by TNT challenged the law in German court. They were vindicated in January 2010, when a German court nullified the minimum-wage regulation.

There is no doubt that the aggressive Deutsche Post will continue to be a major player in a broad range of world markets -- mail and package delivery, business logistics, banking, communications, and finance. To this point, Deutsche Post has shrewdly grown by leveraging a huge domestic revenue base that few of its competitors -- private or national -- can match.

### *Liberalization and Privatization*

Reform of the post-war German postal service in West Germany was already underway well before the reunification of the two Germanys in 1990. The postal system of West Germany was officially reunited with the virtually bankrupt East German system in 2000.

The postal service was split up in 1989 into three units, but the critical transition came in 1995 -- the so-called "second wave" of the orchestrated German liberalization policy -- when those three units were officially converted into private stock companies -- Deutsche Post AG (DP), Deutsche Postbank AG, and Deutsche Telekom AG (AG stands for "stock company" in German). A large block of DP shares was put on public exchanges in November 2000.



The new "private" Deutsche Post began a whirlwind round of investments and acquisitions beyond German borders, seizing upon new business opportunities across Europe and beyond.

In 1998, DP acquired Global Mail (USA) the largest and fastest-growing private provider of mail services in the North American market. A Swiss logistics company, Danzas, was snapped up in 1999.

Although the traditional German postal bank had been split off from the postal service in 1989, the German government allowed Postbank AG to come back to Deutsche Post AG in 1999 as a subsidiary when Berlin sold its government shares of the bank (both giro money transfer service and the savings bank) to Deutsche Post AG. At the beginning of 2009, DP sold Postbank in order to "sharpen its focus on the core divisions Mail and Logistics."

Although DP officially went public in 2000, share stakes in the company were retained by various government bodies. As a semi-public, semi-private entity, DP acquired a 25 percent stake in DHL International Ltd., the worldwide market leader in international courier shipments.

In 2002, DP was granted a license to deliver mail in the United Kingdom, the first company to break the Royal Mail's long-standing monopoly. That same year DP took over 100 percent of DHL to consolidate its growth strategy in express delivery. But in 2009, the company sold its domestic express business in the United Kingdom.

In a move aimed at breaking into the enormous American market, DP acquired the #3 American delivery company, Airborne Express, in 2003 and integrated it into DHL as DHL Express. DHL itself was rebranded as DHL Global Mail the following year, bringing a broad range of international mail services under integrated control. But in 2008, DHL announced that it would cease domestic delivery in the United States. By 2009, DHL had terminated its intra-American delivery service. However, DHL still delivers international parcels to American destinations and carries American goods to foreign delivery points.



## *Ownership and Structure*

Roughly two-thirds of DP shares are "free floating" shares, open to market fluctuations since November of 2000. The remaining third are held by the German government-owned development bank, the KfW or Kreditanstalt für Wiederaufbau (Reconstruction Credit Institute), which dates back to the Marshall Plan after World War II. These latter shares are not on the market.

Deutsche Post DHL is the name under which the company appears in public, e.g. in advertising. Deutsche Post AG is the company's legal name. Dividends on DP stock are tax free for residents of Germany. Shares of Postbank were put on the market in a spectacular IPO in June of 2004. DP retains an ownership stake in Postbank.

DP operates through two brands (DHL and Deutsche Post) and five business divisions.

The mail division delivers approximately 70 million letters six days every week in Germany and provides services across the entire mail value chain, including production facilities at central hubs, sales offices and production centers on four continents, as well as direct connections to more than 200 countries.

The express division -- under the DHL brand -- transports courier, express, and parcel shipments all over the world, combining air and ground transport.

The logistics division -- also operating primarily under DHL brands (DHL Global Forwarding and DHL Exel Supply Chain) -- provides a range of international logistics services via long-term contracts with major multinationals across a wide range of industrial sectors.

The financial services division, which maintains a retail bank network in Germany with roughly 14.5 million customers, operates through its Deutsche Postbank AG subsidiary

The services division includes the corporate center, global business services, and retail postal outlets.



## *Regulation and Universal Service*

At the time of the first postal reform in 1989, the three units of the old Deutsche Post were overseen by a federal ministry -- the Bundesministerium für Post und Telekommunikation. However, that centralized ministry was dissolved in 1998 in favor of a more decentralized new federal "net" agency (Bundesnetzagentur) which reported to the ministry for economics and technology. Other secondary functions from the old regime were split to the federal ministry of finance and the federal ministry of the interior.

A new non-ministerial support institution -- Bundesanstalt für Post und Telekommunikation -- was also created, which is responsible for diverse legal services as well as benefits for former postal civil servants.

Deutsche Post contracts with the government as the nation's universal service provider.

According to the postal administration law (Postverwaltungsgesetz, abbreviated PostVwG), mail service is to be financially self-sufficient and to be administered in "the interests of the German national economy."

## *Competition*

There are hundreds of commercial mail distributors in the country. German mail boxes are not the exclusive property of Deutsche Post. DP's monopoly on letter mail formally ended on Jan. 1, 2008. Actual competition has been slow to take root.

Postage for a standard letter, up to 20 grams, costs the sender €0.55 (US\$0.70), while a letter up to 50 grams costs €0.90 (US\$1.14).

DP lost its exemption from Germany's value-added tax (VAT) in March 2010, but DP executives say that commercial and bulk consumers shouldn't expect to see their product costs increase. Beginning in July 2010, DP will be subject to VAT. If the company carries those new costs itself, analysts project a hit to annual earnings of €150-€300 million (US\$190-US\$381 million) The previous tax



break had given DP an advantage of some €500 million (US\$635 million) over its competitors.

Express delivery and package markets are already open. Competitors including the PIN Group and the Dutch-owned TNT Post maintain a noteworthy presence in the residential mail market, but DP still dominates.

### *Future*

Deutsche Post has ambitious growth plans. It is already a world leader in the market for transport, logistics, and communications services. The company has identified growth opportunities outside Germany and has enthusiastically embraced technology in all parts of its business, from delivery to financial services. With its branded DHL services, DP continues to grow in Asia.

In 2010, DP hopes to expand its network across Germany and to increase its availability to private customers by adding 4,000 additional points of sale, 2,000 additional mailboxes and 150 additional packstations.

Deutsche Post has also made a significant commitment to improving the environment. As part of its GoGreen initiative, DP aims to cut its carbon emissions -- and those of its subcontractors -- by 30 percent by 2020 compared to a 2007 baseline. DP also offers a carbon-neutral shipping service.

As the volume of traditional letter and parcel mail shrinks, Deutsche Post continues to look for new revenue-producing projects. For instance, Deutsche Post has begun selling "Internet letters," which are said to be safer and more reliable than standard e-mails. DP hopes that businesses will turn to Internet letters to send secure official correspondence. A hybrid mail option for printed delivery is also available.

Despite these new offerings, the company's success may ultimately hang on its mail products. Of all the products DP offers, mail posts the highest profit margin. Sustained growth will require fatter profits from its express, logistics, and freight forwarding arms.



## *Useful links*

[Deutsche Post](#)

[IRET Study on Minimum Wage in Germany's Postal Sector](#)

### **Consumer Postal Council**

1600 Wilson Boulevard

Suite 900A

Arlington, VA 22209

Tel 703.312.4563

Fax 703.312.4564

<http://www.postalconsumers.org>