

PostKundenForum >>>

EDITORIAL



Dear Reader,

Postal customers in Germany still are not able to simply switch postal service providers if they are dissatisfied. Due to Deutsche Post's letter monopoly, customers cannot respond in the same manner as is done in

Information for postal customers regarding postal services

other markets. In light of the fact that they have to pay the highest postage fees in Europe (see chart and main topic), it is even more infuriating that the German postal customers have had to accept a decline in service over the past few years.

The postal customers' expectations for the German government are clear: they must end the letter monopoly and create conditions for fair and effective competition in the German letter market as soon as possible. Increased competition in the letter market will lead to more service and customer-oriented products at appropriate prices. Many alternative postal service providers are in their starting

blocks waiting to provide their innovative services to German postal customers.

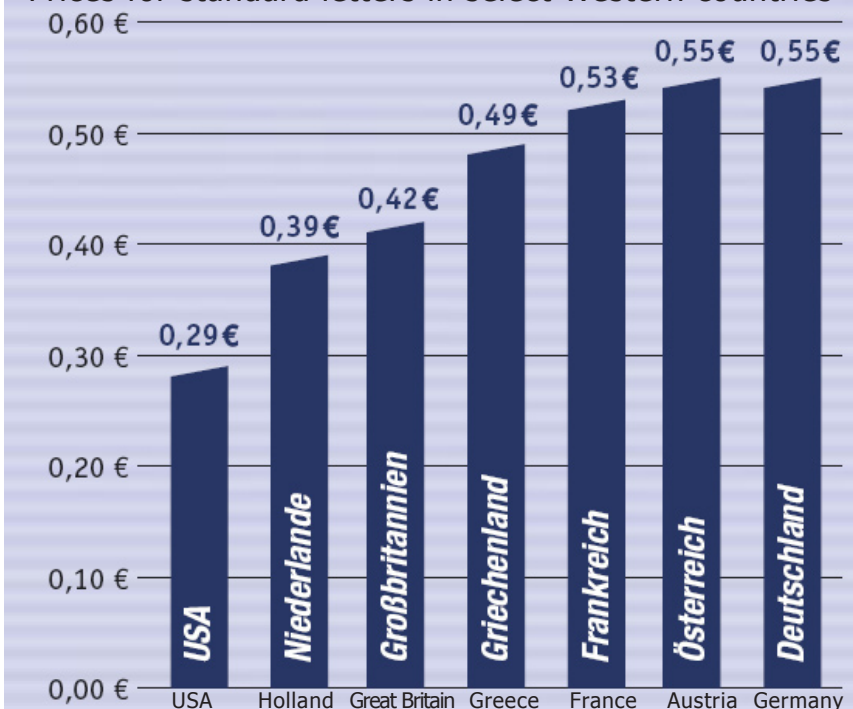
We are thus very pleased that the federal government has made the first step by finalizing the date for the liberalization of the letter market for January 1, 2008. Now it is up to them to create fair conditions for competition so that the new postal companies can have a chance to get on their feet and join in the competition. The postal customers should have a choice.

Sincerely,

Elmar Müller

Chairman of PostKundenForum

Prices for standard letters in select Western countries



Standard letters up to 20 grams

Source: Federal Network Agency Activity Report 2004/2005

Table of Contents

Page 1 Editorial

Page 2 Main Topic

Expensive postage in Germany – assuring less expensive and customer-oriented postal services through more competition

Page 3 In Brief

Letter monopoly expiring
The example of the parcel market
Breach of contract proceedings against Germany
Postal customers to save billions
Deutsche Post AG: Record profits and service cutbacks

Page 4 In Our Own Matters

PostKundenForum e.V. – Consumer platform now a registered association (e.V.)

[Imprint](#)

PostKundenForum >>>

MAIN TOPIC

Expensive postage in Germany – Assuring less expensive and customer-oriented postal services through more competition

Postage in Germany continues to be especially expensive in international comparison, as the current activity report of the Bundesnetzagentur clearly shows. The letter monopoly for letters up to 50 grams excludes competition and allows Deutsche Post AG to achieve especially high profit margins—at the detriment of postal customers.

In an interview with the Frankfurter Allgemeine Zeitung, the Deutsche Post board member responsible for the letter sector, Hans-Dieter Petram, recently confirmed that the internationally active company yields much higher profits with letters in Germany than abroad. According to Petram, Deutsche Post AG has to deliver twice as many letters in other countries to achieve the same revenues as in Germany.

A glance at the Bundesnetzagentur's current comparison of postage costs demonstrates why that is so. The Bundesnetzagentur has created an international comparison of letter postage fees. Once again, the German postage fees are among the highest. If one compares the cost of sending a standard letter with Deutsche Post AG (up to 20 grams) with the respective product in Great Britain, the postage required in Germany is about 30 percent more than in Great Britain.

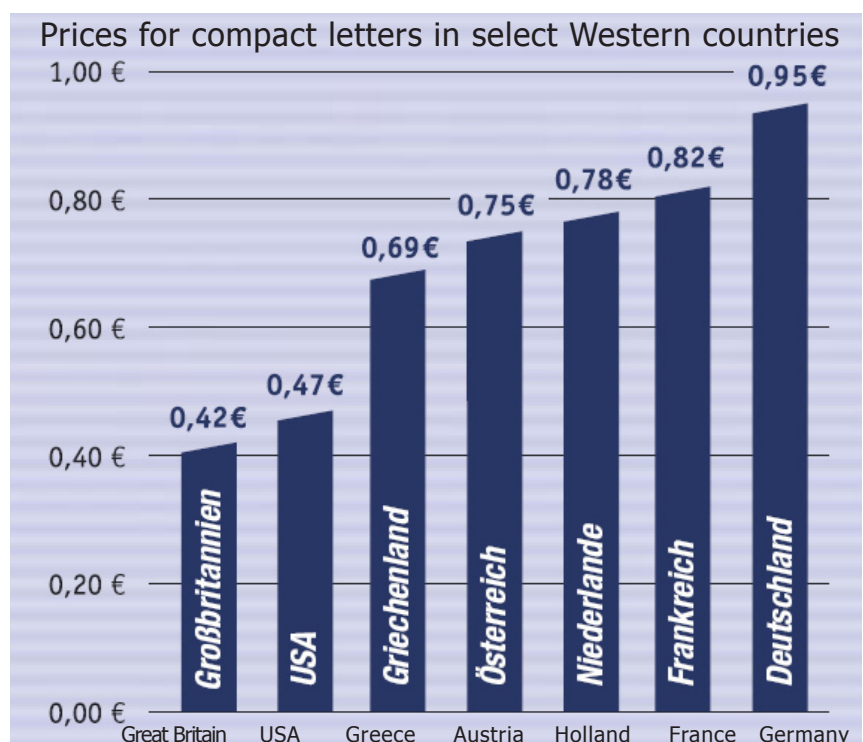
The picture is similar for compact letters (up to 50 grams). A compact letter in Germany costs more than twice as much as a comparable letter in Great Britain. Not only are the nominal prices for letters

in Germany the highest in international comparison; even under consideration of the various parities of purchasing power, the price level for letters with Deutsche Post AG also lies at the top internationally.

The Bundesnetzagentur calculated a price level for all of the countries of comparison that takes all of the various products, weighted by volume, into consideration. These prices were then recalculated according to each country's parities of purchase power, which were provided by the Statistisches

Bundesamt (Federal Office of Statistics). At 72.5 cents, the price level in Germany is thus considerably higher than, for instance, in the USA (52.5 cents) or Great Britain (45 cents). It is interesting to see that the price level in New Zealand, where the postal market has long been open to competition, is the lowest, at about 24 cents.

The Bundesnetzagentur explicitly states that some recently published price comparisons distort the results, as they integrate not only consumer spending, but also costs and salaries into the calculations.



Compact letters from 21 to 50 grams

Source: Federal Network Agency Activity Report 2004/2005

PostKundenForum >>>

IN BRIEF

> Letter Monopoly Expiring

Competition in the Letter Market is coming – Letter Monopoly to end in 2007

On May 17, 2006, in response to reports by the Monopoly Commission and the Bundesnetzagentur, the Bundeskabinett (Federal Cabinet) finalized the decision to definitively end Deutschen Post AG's letter monopoly on December 31, 2007. In doing so Germany is moving in step with other European countries such as Great Britain and Sweden, which have already taken advantage of the liberalization to create a customer-oriented environment.

> The Example of the Parcel Market

Customers profit from competition in the parcel market

The German parcel market is a good example of how customers profit from intensive competition. Customer-orientation is the primary concern for the various service providers. Customers are solicited through a wide variety of products and new innovative services. Additional services such as parcel tracking and transport insurance are now standard for most companies. Not only businesses but also private customers can enjoy the advantages of the competition, as they continue to expand their networks and offer special services.

> Breach of Contract Proceedings against Germany

VAT: Breach of Contract Proceedings initiated against Germany

Because the VAT exemption for Deutsche Post AG is greatly hindering competition in the postal market, the European Commission has initiated proceedings against the Federal Republic of Germany for breach of contract. Deutsche Post AG is exempt from paying VAT (turnover tax) for all universal services – and thus also for those universal services that are open for competition. Other postal companies are responsible for paying the full VAT and thus are at a disadvantage vis-à-vis customers who cannot reclaim the tax, such as banks, insurance agencies, and public offices. The federal government must now take a position on the accusations.

> Postal Customers to save billions

Postal Customers to save billions after the letter monopoly expires

Business customers and public authorities can count on the largest savings after the end of Deutsche Post's letter monopoly. According to a study by the consulting firm Putz & Partner, the price drops could be as much as 30 percent. Private customers can expect savings, as well. Since some senders pass on the costs of postage, such as for the mailing of bank statements and bills, there is a potential indirect savings of 13.50 Euros per person in Germany after the letter monopoly has been terminated.

> Deutsche Post AG: Record profits & service cutbacks

Deutsche Post AG yields record profits—while the service cutbacks continue

Deutsche Post AG once again thinned out its network of branch offices last year and closed 348 locations, mostly in rural areas. At the same time the letter business, which is protected through the exclusive license, has once again proven to be the main pillar of the company. The EBIT for the entire letter sector was more than two billion Euros and thus contributed more than two-thirds of the company's total earnings. As in the previous years, for the same period Deutsche Post AG suffered losses of several hundred million Euros in the North American express and logistics markets. Due to critical reports, in the future Deutsche Post AG no longer wants to disclose the numbers for North America separately, as had been customary.

PostKundenForum >>>

> In Our Own Matters

PostKundenForum e.V. –
Consumer platform now a registered association (e.V.)

In October 2002, PostKundenForum (Postal Customer Forum) was brought to life by several individuals, associations, and companies. The joint platform by and for postal customers has since been active for an efficient and high quality postal infrastructure. In numerous discussions with representatives from the government and media over the past few years, PostKundenForum has brought the grievances and suggestions for the improvement of postal services to their attention and has called for more service and customer-orientation.

In July 2006, PostKundenForum became a registered association (e.V.). Under the leadership of the honorary chairman, Elmar Müller, who as a former member of the German Bundestag and of the advisory council of the Regulatory Agency for Telecommunications and Post (since July 2005 called the Bundesnetzagentur for Electricity, Gas, Telecommunications, Post, and Railways) has years of experience in postal matters, PostKundenForum hopes to remain a neutral contact point for complaints and suggestions for improvement in mail

services for both individuals and companies.

From the vantage point of PostKundenForum, the only way for postal companies to provide innovative and customer-oriented service at an appropriate price-performance ratio is through the introduction of competition in the postal market.

For this reason, PostKundenForum is championing a quick Europe-wide liberalization of the postal markets.

It has been demonstrated in

the parcel and express sectors, as well as in telecommunications, that consumers profit from competition. Postal customers need a strong voice to represent them in the incipient debate on the future design of the postal infrastructure in Germany. Only when private and business postal customers bundle their interests and join together vis-à-vis postal service providers, politicians, and the media, will the customer once again become king.

That is what PostKundenForum stands for.

> Become a Member!

Do you share the views of PostKundenForum and would like to support us?

Then become a member! The membership fee is 20 Euros per year. If you would like to become a member, please fill our out contact form on the internet.

We will contact you.

www.postkundenforum.de

IMPRINT

PostKundenForum
Kontorhaus Mitte,
Friedrichstraße 186
10117 Berlin
Spokesperson: Elmar Müller
Tel.: 0 30-59 000 20 15
Fax: 0 30-59 000 20 20
info@postkundenforum.de
www.postkundenforum.de

July 2006