



BRUSSELS, SEPTEMBER 7TH 2011

THE FREE AND FAIR POST INITIATIVE WELCOMES THE EXTENSION OF THE INVESTIGATION OF THE EUROPEAN COMMISSION CONCERNING AID TO DEUTSCHE POST AND THE POSSIBILITY FOR THIRD PARTIES TO COMMENT

The FFPI welcomes the Commission's extension of the 2007 investigation on state aid to Deutsche Post to examine whether Deutsche Post AG and its predecessor received excessive compensation for universal postal service from the government budget from 1990 to 2007 and hopes for a quick and clear resolution of the case. Today's publication of the Commission's letter to Germany and DPAG in the Official Journal allows for third parties to provide feedback on the case in the coming month.

With the full liberalisation of the postal market having kicked off in January 2011, it is important that the Commission continues to tackle obstacles to the actual liberalisation of the market, establishing a level playing field for all postal operators. *"Cases such as the one regarding Deutsche Post are essential to provide the framework for a successful postal liberalisation. It is important that Commission takes action against cross-subsidization at the expense of the customers, reducing competition in the market"*, says Philippe Bodson, President of the FFPI.

The letter of the European Commission to Germany and DPAG as published in the Official Journal of the EU outlines that the extension specifically concerns the subsidies paid by the State to cover the costs of the pensions of those employees with civil servant status. Germany claims that pension subsidies compensate 'legacy costs' from the time when Deutsche Post was a postal administration and are compatible with EU State aid rules. However, Germany also allowed an increase in regulated letter prices specifically to cover these costs. The Commission is concerned that this translates into overcompensation of those 'legacy' pension costs for Deutsche Post to the detriment of competitors. Especially important is the fact that DPAG was compensated for costs not only for the provision of regulated letter services but also costs that were incurred for the provision of non-regulated universal services as well as commercial services. The regulated letter services therefore finance costs that were incurred for non-regulated universal and commercial services.

In this context, it is interesting to note that stamps in Germany were some of the most expensive amongst the EU Member States expected to fully liberalise their market in 2011 while at the same time compensation payments were given by the German government. As a result, German consumers are the first to suffer from this (cross)subsidisation of costs and the European Commission has an important role to play in ensuring that consumers get a fair deal. The compensation together with raising the price of stamps could therefore have paid for other activities in which Deutsche Post faced more competition, such as the transport and delivery of packages, for which Germany is one of the cheapest countries.

FFPI would like to stress once more that a swift decision on this case is key in order to ensure legal certainty in a liberalised market and to help market players to understand to which extend resources granted by the State are/are not compatible with EU competition rules.

The Free and Fair Post Initiative (FFPI) is a unique European initiative that brings together users and competitors of the public postal operators who strongly believe in the benefit of a liberalised and more competitive postal market. The FFPI key objectives are to secure full liberalisation of postal services and a fair playing field in the postal sector to prevent public postal monopolies to turn into private ones.

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