

Press Release

The Monopolies Commission presents its 13th sector report on competition in the postal markets

"Renewing the postal service by enhancing competition!"

- **The German Postal Act, which came into force in 1998, is long overdue to be renewed. The current draft of the German Federal Ministry for Economic Affairs and Climate Action is a good starting point. It should be enacted as soon as possible.**
- **Universal service obligations, which define the minimum level for postal services, should reflect society's needs. This is currently not the case and should be corrected.**
- **The benefits of competition should be utilized in densely populated regions, even in the declining mail sector. Where necessary, deliveries from different providers can be bundled.**
- **The enforcement of labour and social law in the postal sector is mandatory. To this end, employees should be empowered to identify and report violations anonymously.**

Twenty-five years have passed since the Postal Act has come into force. The society's needs for postal services have changed fundamentally since then. Market data shows an ongoing decline in mail volumes and an increase in parcel volumes. The current German Postal Act is increasingly failing to meet the needs of people and companies. **The draft of a new Postal Act, published by the German Federal Ministry for Economic Affairs and Climate Action on 28 November 2023, takes up many of the proposals made by the Monopolies Commission in earlier reports.** It is essential that this draft is implemented. **"Strengthening competition through a new postal act will help to ensure a high quality of postal services in the long term, both for mail and parcels,"** says Professor Jürgen Kühling, Chairman of the Monopolies Commission.

Adapting the universal service to society's needs

The universal service requirements define the minimum level of postal services to be provided to the general public. Particularly in the mail sector, the lack of reforms result in requirements that no longer correspond to **society's** needs. **"Outdated universal service requirements lead to high costs for the consumers,"** says Professor Kühling. Currently, 80 per cent of all mail has to be delivered within one day. In the future, different delivery times could be offered: the current fast, expensive time on the one hand and a low-cost, slow time on the other hand. In addition, it should be considered to reduce the number of postal delivery days from six to five days a week and replace individual post offices with self-service machines. Furthermore, the legislation allows Deutsche Post AG to levy excessive profit margins on universal services, inflating the cost of postage even more. Legislation should return to the established method of calculating profit margins based on an appropriate return on equity.

Strengthening mail delivery by enhancing competition

With a market share of 85 per cent, Deutsche Post AG dominates the sector for mail items requiring a licence. This includes letters up to 1,000 grams. However, competitors are exerting disciplinary pressure on Deutsche Post AG. **"Without competition, Deutsche Post AG would be able to offer lower quality services at higher prices,"** says Professor Kühling. In densely populated regions, competition between mail service providers is possible and should be fostered. In sparsely populated areas where only one postal operator can cover the cost of delivering mail items, mail from different postal operators should be bundled and delivered by one postal operator. This improves the reliability of supply and the diversity of services in these areas. Regulated wholesale access allows competitors to hand over mail to Deutsche Post AG in such regions. Strengthening this access should be a major concern of the new Postal Act. The Monopolies Commission welcomes the inclusion of such strengthening of competition in the present draft. However, the fact that some of Deutsche Post AG's services are still exempt from value added tax, and the attempt to extend this exemption, needs to be critically reviewed. This gives Deutsche Post AG a competitive advantage, as its competitors' services are not exempt from value added tax.

Ensuring effective enforcement of employee protection

The effective enforcement of employees' rights ensures fair competition between companies. In the past, the parcel service has been the subject of numerous cases of labor law violations. Whether the measures taken since then by legislators and parcel service providers have improved the situation is still under investigation. **If further action is needed, the Monopolies Commission recommends to start by informing employees about their rights.** They should also be able to easily report violations to the Central Reporting Office at the Federal Office of Justice. To this end, the Central Reporting Office needs to be better known to the public and has to be multilingual. The Monopolies Commission believes that banning subcontracting, as currently publicly discussed, is inappropriate. For example, it would impede future market entry if parcel services were not allowed to use regional subcontractors who bundle postal items from different providers.

The Report is available as of now on the [Homepage](#) of the Monopolies Commission.

The Monopolies Commission is a permanent, independent expert committee, which advises the German government and legislature in the areas of competition policy-making, competition law and regulation. Its legal responsibilities encompass, among others, the preparation of biennial reports analysing the development of competition in the postal markets. The Monopolies Commission has five Members appointed by the Federal President based on a proposal of the German government. Prof. Dr. Jürgen Kühling, LL.M., is the chairman of the Monopolies Commission.