



**State and partly-state owned companies  
distort competition in the European freight  
forwarding and logistics market**

The consequences which threaten the existence  
of privately financed companies

Published by

---

Verein zur Förderung des Wettbewerbs und lauterer Verhaltens im  
Speditions-, Logistik- und Transportgewerbe e.V., Köln,

and

H.A.L.T.E., Honorable association de transporteurs et logisticiens européens, Paris

## WHITE PAPER

State and partly-state owned companies distort competition in the  
European freight forwarding and logistics market

The consequences which threaten the existence of privately financed companies

### Contents

<b>1. Introduction</b>	<b>2</b>
<b>2. The threat to privately owned freight forwarding and logistics companies in Europe through partly-state owned and state owned companies</b>	<b>4</b>
<b>3. Examples for the trend towards monopolies in Europe</b>	<b>7</b>
3.1 European mergers and acquisitions (M&As) in the forwarding and logistics sector from 1998 to 2002/2003 by partly-state owned and state owned companies	7
3.2 The example of ABX Logistics NV	9
3.3 The example of Deutsche Bahn AG	10
3.4 The example of Deutsche Post World Net AG	11
3.5 The example of La Poste SA	15
3.6 The example of SNCF SA	16
3.7 The example of TNT Post Groep NV	17
3.8 Cross-subsidisation and state support lead to distortion of competition – only a sluggish EU reaction	19
3.9 Finance requirement means more state funds expected	21

<b>4. The concentration process with examples of market leaders in Germany, France, Scandinavia and Benelux</b>	<b>22</b>
4.1 The German forwarding and logistics market	22
4.2 The French forwarding and logistics market	22
4.3 The Benelux forwarding and logistics market	24
4.4 The Scandinavian forwarding and logistics market	25
4.4.1 Sweden	25
4.4.2 Finland	25
<b>5. The consequences for the European economy from distorted competition in the forwarding and logistics market</b>	<b>26</b>
<b>6. Measures required to re-establish a situation with fair competition</b>	<b>28</b>
<b>7. Index of sources used</b>	<b>31</b>
<b>8. Imprint</b>	<b>37</b>

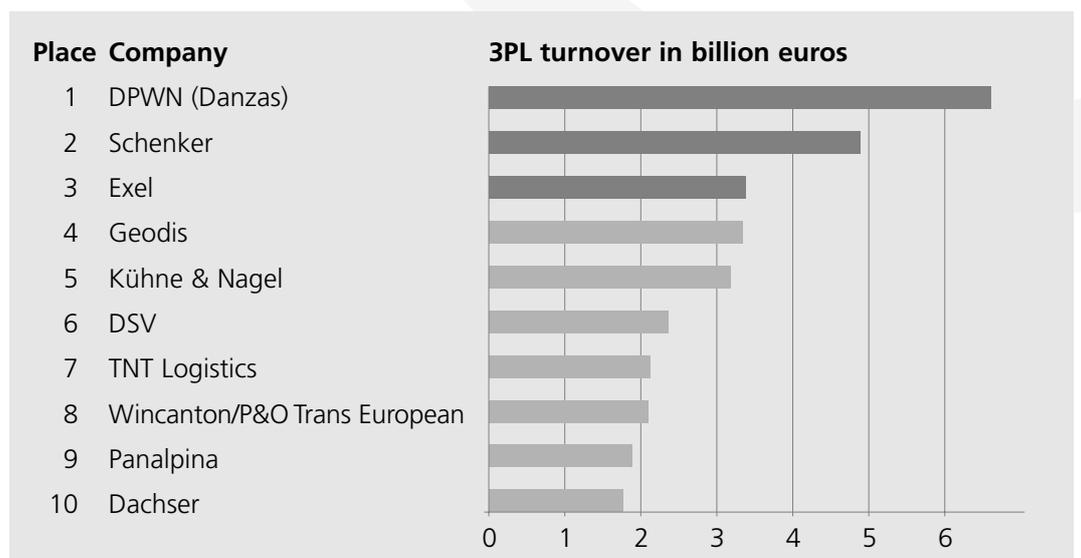
# 1. Introduction

The goal of this white paper is to draw the attention of decision makers in politics and public administration in EU member states to the dramatic distortion of the competitive situation in Europe's forwarding and logistics market caused by state-owned and partly-state owned companies. It will also explain the consequences of this distortion to companies in the private economic sector with statistics and facts.

Such a presentation was not in existence before. In view of the threatening situation, the initiators of this white paper have decided to go public: This white paper will make Europe's forwarding and logistics market transparent, with the main focus on Germany and France, to show the market power which partly-state owned and state owned companies have already built up, for example through mergers and acquisitions. It will also show the danger this presents to private sector forwarding and logistics providers, large, small and mid-size companies.

A first impression about the concentration process can be gained with the following graphic:

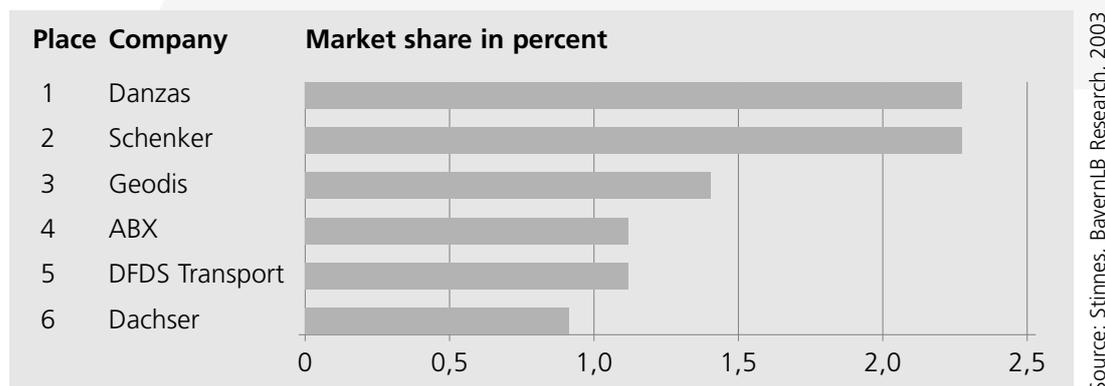
## The largest third party logistics providers (3PL) in Europe in 2002



*In the business sector third party logistics companies provide logistics services for their customers using their own capacity and resources. Among the top 10 of this important sector (which comprises about 80 percent of the turnover of logistics providers) are four partly-state owned or entirely state owned companies: Deutsche Post World Net (DPWN) , Schenker, Geodis and TNT Logistics.*

## Market share in European land transport 2002

*Even more serious is the market power clearly held by partly-state owned or entirely state owned companies in European land transport – Even though this market appears different: Danzas belongs to Deutsche Post World Net, Schenker to Deutsche Bahn AG, Geodis to the French state railways and ABX to the Belgian state railways.*



The publishers of this white paper are not seeking to critically examine the competitive behaviour of large privately-financed transport and logistics companies such as UPS, Dachser or Kühne & Nagel. These companies operate, like small and mid-size firms in the sector, according to the rules of the free market economy. They are also affected by the distortion to competition. It is also not the aim to complain about the existence of partly-state owned and state owned companies as such. This white paper is about the unfair competitive conditions which are to the advantage of those state owned companies created through non-permitted subsidies and use of revenues from state-protected monopolies.

A selection of partly-state owned and state owned European companies are shown in this white paper with their ownership and shareholding structures to make clear how advanced monopoly and market domination already is.

Through a constructive list of measures/requirements listed in this white paper it aims to correct the distortions described and so protect privately owned companies – and the entire private sector – from the impact of distorted competition caused by subsidies and monopolies given to partly-state owned and state owned companies.

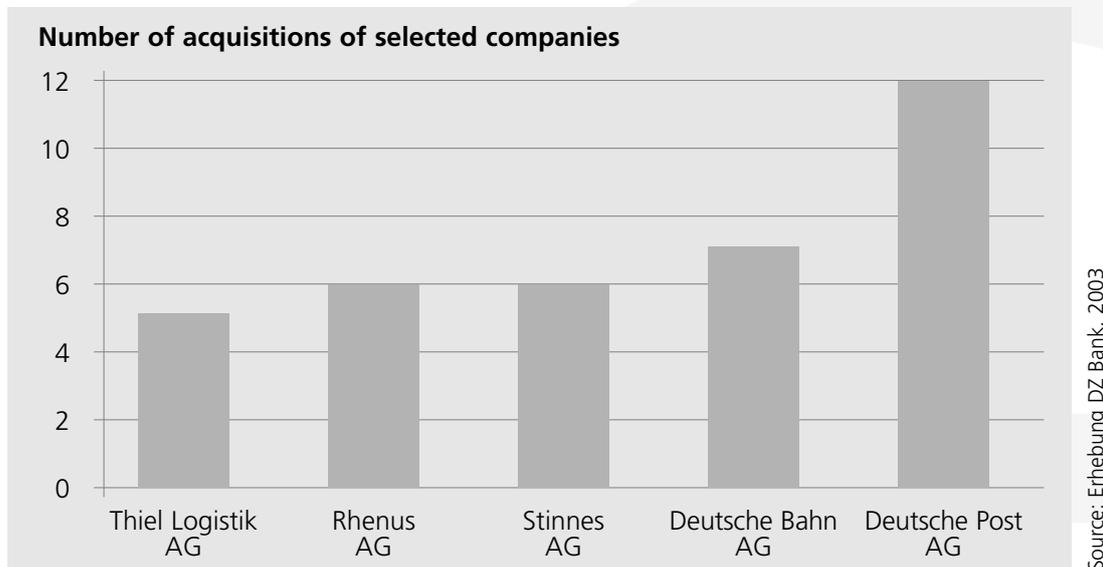
## **2. The threat to privately owned freight forwarding and logistics companies in Europe from partly-state owned and state owned companies**

The partly-state owned and state owned companies in the forwarding and logistics sectors have for many years used their financial and political advantages, not available in any way to private sector companies to aggressively

- Take over private sector competitors or logistics service providers used in the transport chain before or after their own market position with the goal of creating complete market cover at almost any price (predatory competition) and
- Gain market share so that existing or newly-acquired capacity is fully used even at the lowest prices (price dumping)

The partly-state owned and state owned companies, mainly railway and postal service operators, have caused serious distortion to competition by using state finance or revenues from state-protected monopolies such as letter deliveries.

## Number of acquisitions of selected German companies in 2002



*The rankings of most acquisitions are led by Stinnes AG, today part of the Deutsche Bahn group, Deutsche Bahn AG and Deutsche Post AG.*

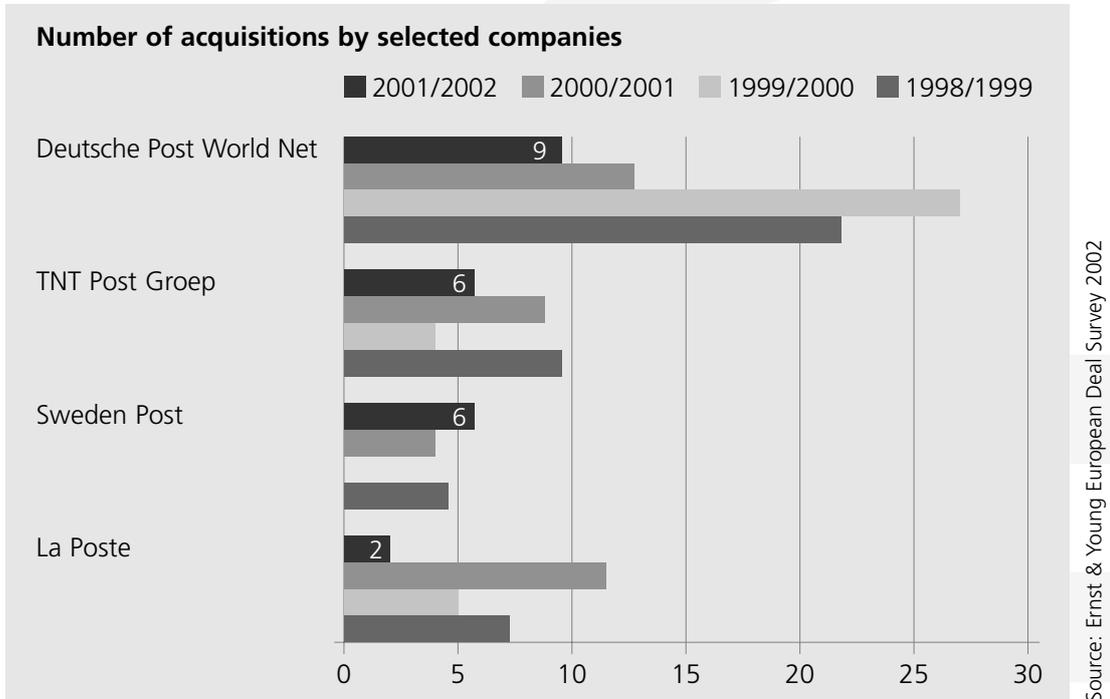
In Germany this mainly involves Deutsche Bahn AG and Deutsche Post World Net; in France SNCF AG and La Poste SA and in Belgium SNCB and its subsidiary ABX Logistics NV. In comparison to partly-state owned and state owned companies, private sector firms must generate their own finance in the market using their own performance. They cannot use state-guaranteed sources of finance such as profits from state-protected monopolies and cross subsidies.

As already stressed, this affects not only small and mid-sized companies but also the large privately-financed corporations.

The very future of private sector forwarding and logistics companies in Europe is so in danger.

This dramatic transformation process running through the forwarding and logistics industry is without precedent. It requires rapid corrective action by the relevant political and administrative decision-makers on a European and national level.

## Development of acquisitions of selected European postal companies from 1998/1999 to 2001/2002



*The largest European postal operators have already undertaken their largest acquisitions in past years.*

### **3. Examples for the trend towards monopolies in Europe**

#### **3.1 European mergers and acquisitions (M&As) in the forwarding and logistics sector from 1998 to 2002/2003 by partly-state owned and state owned companies**

In Europe today partly-state owned and state owned companies control to a large extent the market for forwarding and logistics services because of the developments in recent years. The trend is speeding up: Against the background of increasing liberalisation of the postal and railway markets these companies are expanding their international activities rapidly through takeovers, mergers and cooperation agreements.

The study "Ernst & Young – European Deal Survey 2002" speaks fundamentally of an "all time high" in M&As in the logistics sector. In the period examined between September 2001 and August 2002 the number of M&As in Europe in this sector was at the high level of 354 transactions (previous year-ago period 436 transactions). Especially strongly involved were the state-owned rail and post service operators (see previous graphic). Of the 354 transactions referred to, 50 transactions involved state postal services. Of these, the Deutsche Post World Net was involved in nine deals while six deals each involved the Dutch TNT Post Groep NV and the Norwegian postal service.

The study said a larger number of takeovers was expected in 2003.

This means a strong tendency towards monopolies in the European transport and logistics sectors will continue to exist in the future. The study did apparently not examine what the negative impacts would be of this development. However, this white paper will outline them in detail.

This monopoly tendency is also illustrated by other sources. According to the "Top 100 in Logistics", third edition, published by German specialist newspaper DVZ Deutsche Logistik-Zeitung and logistics association Bundesvereinigung Logistik, in the three year period between the end

of 1999 and the start of 2003, almost 100 large mergers, acquisitions and similar strategic activities involving over 50 million euros each of transferred turnover took place in Europe's transport and logistics sector. The total of the minimum transferred turnover reaches the enormous sum of at least 28 billion euros.

In a basically comparable three year time span between 1997 and 1999, about 26 billion euros of turnover was transferred, according to the second edition of the "Top 100 in Logistics". This shows that merger activities have continued at a high level.

Calculations by the same study say that between 2000 and 2002/2003, the Deutsche Bahn's cargo transport division took over transferred annual turnover of at least 8.41 billion euros, the Deutsche Post took over at least 6.58 billion euros (so far as is known, partly realized through previously acquired companies). These sums – which could be considerably higher because of the unknown turnover of some acquisitions – underline the increasing market power of the partly-state owned and state owned companies.

With the following companies and the many acquisitions they have made, the monopoly tendency and the associated market power is especially clear:

- Belgian railway company SNCB and its internationally-active subsidiary ABX Logistics.
- Deutsche Bahn AG and its subsidiaries Stinnes and Schenker
- Deutsche Post World Net with numerous units including DHL and Danzas
- French postal service La Poste and its controlling shareholding in Germany's DPD

- French railways SNCF and its subsidiaries or shareholdings Sernam, Geodis and Calberson etc.
- Dutch postal service TNT Post Groep with its subsidiaries In-Night-Express (Previously NET-Nachtexpress and NVS), Schrader Group, Jet Service and Wilson Group

### **3.2 The example of ABX Logistics NV (Belgium, 100 percent subsidiary of Belgian railways SNCB)**

ABX Logistics NV is a 100 percent subsidiary of Belgian railways SNCB NV. The company was established in 1993 and was at that time purely responsible for domestic Belgian cargo transport for SNCB. In 1998 it started an aggressive international expansion with extensive and multi-million acquisitions of international logistics service operators including

- Dubois (France) with about 3,500 personnel, about 518 million euros turnover, 95 branches (at the time of takeover in 1999)
- Saima Avandero (Italy) about 2,500 personnel, about 511 million euros turnover, 14 branches (at the time of takeover in 1998)
- Bahntrans (Germany) about 3,750 personnel, about 550 million euros turnover, 36 branches (at the time of takeover in 1998)
- Kersten Hunik Holding BV (Netherlands)
- Cors de Jongh BV (Netherlands)
- Bode Scholten Utrecht BV (Netherlands)
- WT Shipping (United Kingdom)
- Wegtransport (Netherlands), with four branches in the Netherlands.

Goal was to build up a European network for groupage cargo. ABX's financial development in recent years has shown that the company cannot operate profitably. Press reports say the company alone in 2002 suffered a net loss of 254 million euros. Losses in 2003 according to preliminary information will reach between 70 and 80 million euros on a turnover of around 2.5 billion euros. ABX has announced regularly that it will achieve profits in the near future, but in fact only losses are reported.

The question so arises how such a loss-making company could have undertaken the acquisitions listed adhering to the criteria that of the privately financed transport and logistics sector is subjected to.

### **3.3 The example of Deutsche Bahn AG (Germany, 100 percent state-owned)**

The transport and logistics sector of Deutsche Bahn currently sees its main task as globalisation through the integration of international partner companies in the European rail company Railion and expansion of its logistics activities. This goal was massively moved forward in summer 2001 by the takeover of the Stinnes concern for the unprecedented sum of around 2.5 billion euros. The group logistics company Schenker AG in 2001 achieved turnover of about 6.1 billion euros and employed about 32,000 personnel.

Since September 2003, Stinnes has been the leader company in Deutsche Bahn's new corporate division Transport and Logistics. In this division the previous Stinnes subsidiary Schenker and the Deutsche Bahn's own freight activities have been combined. Stinnes plans targeted expansion of its presence in Europe, the USA and Asia. Necessary investment has already been approved by the owner Deutsche Bahn. In Europe the network will be especially expanded in the Iberian Peninsular, the United Kingdom and East Europe. But it is still open whether this will be undertaken by opening more branches of group companies or by further takeovers of private logistics companies. Apparently further acquisitions are planned worldwide.

Methods of obtaining finance are highly questionable. Press reports say the Deutsche Bahn group in 2002 made a loss of 454 million euros, in 2003 it made a (preliminary) loss of 177 million euros. According to a German news magazine, Deutsche Bahn again has debts of 26 billion euros only 10 years after its debts were removed in 1994 as part of railway reform. Deutsche Bahn is also the largest receiver of state subsidies in the transport sector. The German federal government has paid Deutsche Bahn about 198 billion euros of support since 1994. Losses raise the question about how the group was able on the basis of its own operations to raise finance for past and planned acquisitions.

The strategy of expanding Deutsche Bahn's freight transport activities by buying the transportation concern Stinnes/ Schenker will lead to an unavoidable intensification of competition with mid-size and small private forwarders in the classic forwarding sector.

In comparison with other partly-state owned and state owned companies there is another strategy in this type of concentration. Deutsche Bahn is seeking to expand its position into market domination not by taking over a series of small companies but by the takeover of the logistics giant Stinnes. It should be pointed out that Stinnes had previously (in the early nineties) belonged to the former German state railways Deutsche Bundesbahn.

### **3.4 The example of Deutsche Post World Net AG**

(Germany, 50 percent in state ownership, 18.8 percent in ownership of the federal industrial development Bank KfW\*, rest freefloat)

\* (In turn 80 percent owned by German federal government, 20 percent by German state governments)

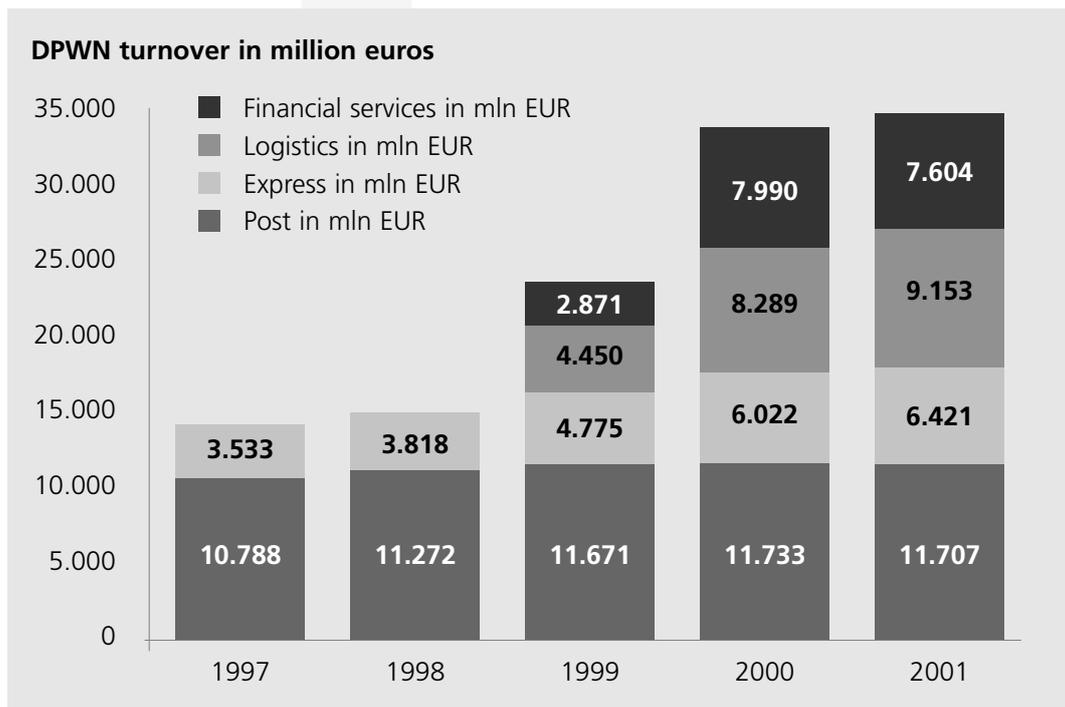
With the brands Deutsche Post, DHL, Danzas and Postbank, the group has expanded to become one of the largest logistics companies in the world via a heavy use of finance including earnings from its national monopoly on letter deliveries.

Following is a selection of the group's most important acquisitions and shareholdings:

- DHL International (globally active company), about 49,000 personnel, about 2.29 billion euros turnover (at the time of the original purchase by Deutsche Post of a 22.5 percent shareholding in 1998)
- Danzas Holding AG (Switzerland), about 16,000 personnel, about 3 billion euros with activities in 150 countries (at the time of takeover in 1998)
- Via Danzas: Danubiasped (Hungary)
- Via Danzas: Hammond International Ltd (New Zealand)
- Via Danzas: ASG AB (Sweden), about 9,500 personnel, 1.26 billion euros turnover (at the time of takeover in 1999)
- Via Danzas: Koninklijke Nedlloyd Groep NV (Netherlands), about 14,000 personnel, about 1.56 billion euros turnover (at the time of takeover in 1998. The Nedlloyd ocean container shipping line was not part of the deal.)
- Via Danzas: Nedlloyd Unitrans GmbH (Germany), about 2,700 personnel, about 500 million euros turnover (at the time of takeover)
- Via Danzas: DDF Logistica (Brazil)
- Via Danzas: Star SA (France)
- Via Danzas: Meadowsfreight IRL Ltd (Ireland)
- Via Danzas: Scandinavian Garment Services (Denmark)
- Via Danzas: Universal Air (Sweden)
- Via Danzas: Cargo Partner Exhibition (Norway)
- Via Danzas: Swisscom Fixnet Logistics Segment (Switzerland)
- Global Mail Ltd. (USA)

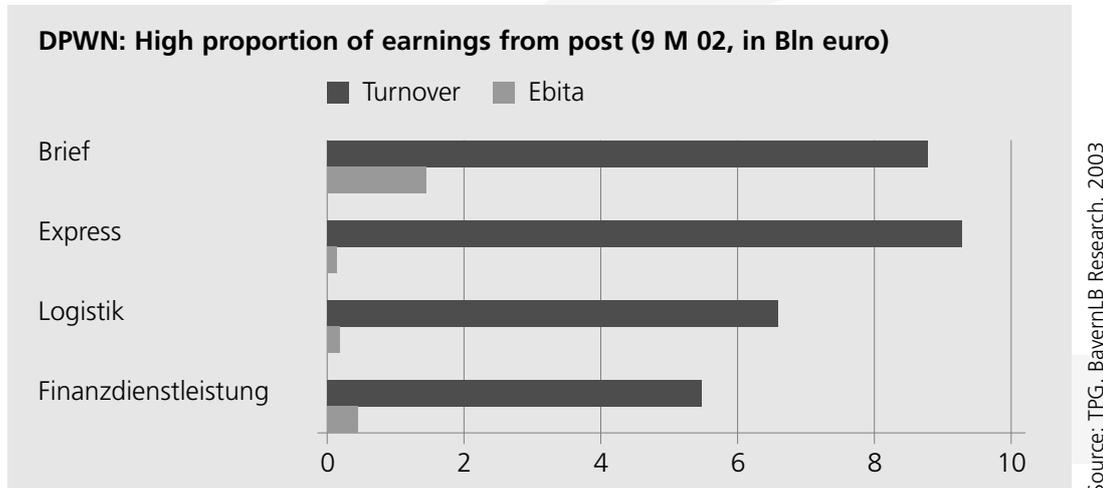
- Securicor PLC Distribution Division (United Kingdom)
- Ducros Services Rapides SA (France)
- MIT (Italy)
- ITG (Germany)
- Guipuzcoana (Spain)
- Cargoplan Spedition (Austria)
- Servisco (Poland)

### DPWN turnover according to business sectors from 1997 to 2001



*Within a period of only a few years, the Deutsche Post World Net (DPWN) has enormously expanded its business sectors logistics and express on the basis of surplus profits of its stagnant but protected monopoly on letter deliveries. The jump between 1999 and 2000 makes the large acquisitions clear.*

## Ebita\* and turnover by DPAG business sector, 1st to 3rd quarter 2002



*The postal sector remains the group's dominant cash cow. This sector is threatened with pressure from further liberalisation. Despite high turnover in other business sectors (see graphic above), their Ebita is relative small.*

\*) Ebita: Data/measurement to judge financial development

Press reports say many takeovers were made at "moon prices" to keep competitors away. The group's financial power was and is generated by the price for letters. Deutsche Post is protected from competition from private competitors. Deutsche Post's charge for letter deliveries was described as "significantly over-priced" by a recent study by the British economic research institute NERA commissioned by the German association for post and telecommunications DVPT.

### **3.5 The example of La Poste SA (France, 100 percent in state ownership)**

The 100 percent state owned French national postal organisation has developed into one of the largest European postal organisations through takeovers including

- Germany's DPD, about 21,500 personnel including subcontractors, about 1.7 billion euros turnover in 2002
- Further shareholdings in logistics-active companies in France including Colipost and Digipack
- Parcelline (United Kingdom)

To handle takeovers, the Holding Geopost was set up to combine the European parcel activities.

In view of the complete opening of national postal services to competition from 2009, the French government has allocated 1 billion euros over the next seven years for the technical modernisation of the postal sector. Mail presently still contributes 60 percent of group turnover. The investment is supposed to come from La Poste itself through higher debt. Currently losses in this business sector run to around 250 million euros annually. It is therefore questioned how such an investment sum could be generated under commercial principles. The danger is again created of state finance, because commercially-generated profits are not expected. But Geopost is working profitably. In the express sector acquisitions are again likely, mainly in east European growth markets.

### **3.6 The example of SNCF SA (France, 100 percent in state ownership)**

The state-owned French railway company handles classic rail-based freight transport services. Through its shareholdings it has become one of the largest diversified European logistics concerns. Main shareholdings include

- Logistics service operator Geodis SA, about 17,000 personnel, about 3.5 billion euros turnover along with various subsidiaries
- Sernam SA, about 3,800 personnel, about 534 billion euros turnover (2001), handles groupage and express transport.

SNCF also has shareholdings in

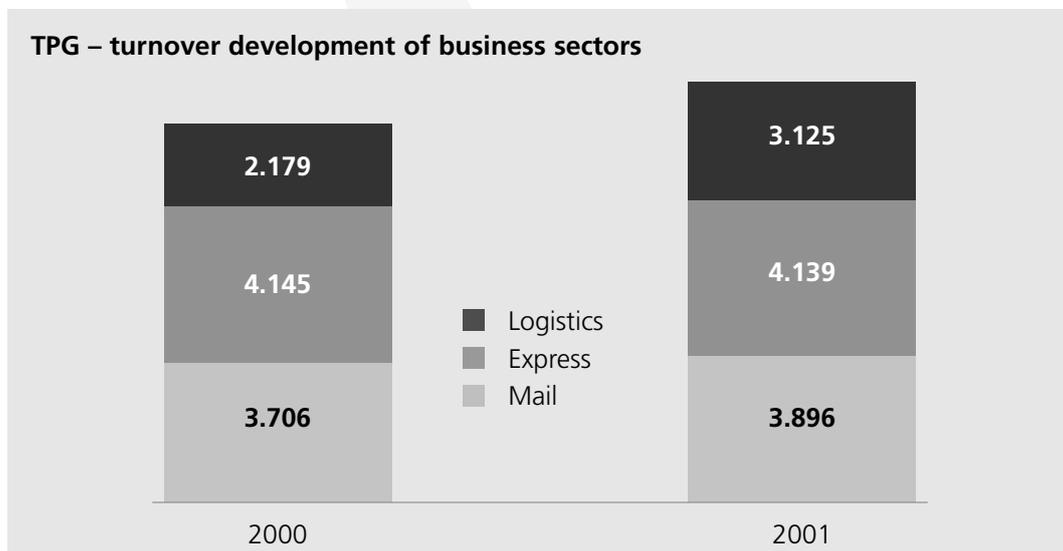
- Combined transport operator Novatrans.
- Via Geodis SNCF also has shareholdings in
- Borghi Transporti (Italy)
- Züst Ambrosetti (Italy)
- Calberson (France)
- Bourgey-Montreuil (France)
- Tailleur (France)

### 3.7 The example of TNT Post Groep NV (Netherlands, 43 percent state ownership)

The Dutch state has a 43 percent shareholding in TNT Post Groep (TPG) via the national postal service Royal PTT Post. The first privatisation stages took place in 1994 and 1996. In late 1996 it fully took over the globally-active express service TNT.

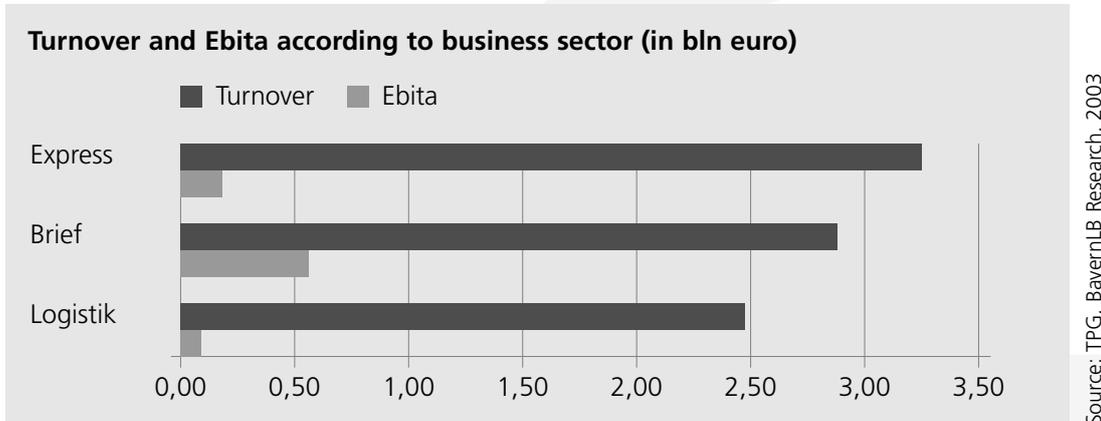
Along with the original express and letter deliveries, TNT also offers contract logistics services. The TPG group was created in 1998 when the Netherlands divided post and telecommunications services. The group has a monopoly in the Netherlands for delivery of letters up to 100 grammes. TPG pursues aggressively acquisitions to expand its sectors mail, express and logistics, especially in Germany and the United Kingdom. However, its net debt currently stands at an enormous 1.5 billion euros.

#### Turnover development of TPG's business sectors 2000 to 2001



*While the sectors mail and express are stagnating, TGP's logistics activities have been strongly expanded through acquisitions.*

## TPG's turnover and Ebita according to business sector, 1st to 3rd quarter 2002



*The monopoly letter delivery sector is still TPG's most profitable business sector – despite higher turnover in other sectors generated by acquisitions.*

Expansion in past years is only marginally due to organic growth. Most has been achieved through acquisitions of logistics companies including

- Jet Services (Germany), about 400 personnel, about 86 million euros turnover (at the time of takeover in 1999)
- Cargotech (Turkey)
- Lason UK Group (United Kingdom)
- Schrader Group (Germany)
- Barlatier (France)
- Convoi (Netherlands)
- In-Night-Express (formerly NET-Nachtexpress and NVS)

### **3.8 Cross-subsidisation and state financial aid lead to distortion of competition – only a sluggish EU reaction**

The use of earnings from monopolies for cross-subsidisation plus use of state subsidies such as described in the examples of Deutsche Post World Net or ABX Logistics have led to massive distortions of competition to the disadvantage of privately-owned forwarding and logistics companies. The EU Commission has only made a tentative reaction to non-permitted cross-subsidies and illegal subsidies such as in the cases of ABX and Deutsche Post World Net.

In late July 2003 the EU Commission decided to investigate state subsidies of 252 million euros given by state owned SNCB for the restructuring of ABX. This sum comprised a bridge loan of 140 million euros and the switching of 112 million euros of debt into equity. This investigation was started after pressure from the association for the promotion of fair competition (Wettbewerbsverein).

As soon as late August 2003 the EU concluded that this involved non-permitted state subsidies, which would distort competition and give an unfair competitive advantage to ABX companies in Germany, France and the Netherlands. In a first step, the EU stopped further financial support from the parent company SNCB. The Commission is currently investigating financial support previously paid to by SNCB to ABX in Germany, France and the Netherlands.

In March 2001, Deutsche Post World Net had to pay a 24 million euro fine to the EU because for 26 years it had given large customers volume and loyalty rebates to push private express parcel services out of the market. The rebates were financed using profits from the letter delivery monopoly. With this decision, the EU Commission was reacting to a complaint from the express service UPS, which as long ago as 1994 had complained to Brussels about Deutsche Post's price dumping. The EU described the rebates as "misuse of a position of market domination."

In addition, the EU decided in July 2002 that the group must repay non-permitted subsidies totalling 572 million euros as between 1994 and 1998 it had undertaken predatory pricing in parcels services, covering losses with profits from its state-protected monopoly on letter deliveries. EU research showed that “aggressive rebates” were used with the help of cross subsidies to undermine private parcel delivery services. The “Wettbewerbsverein” (Association for the promotion of fair competition) was also involved in this process and provided the Commission with information to process the complaint.

A further point of concern is the personnel pensions provided by Deutsche Post World Net. Germany’s federal government is covering 96 percent of the pension liabilities of the new companies set up to replace the old post office government department. Investigations have been underway since 2001 into whether this involves unlawful subsidies. A programme of early retirement for personnel was paid for by Germany’s national social security system. While other companies must pay for expensive compensation programmes to reduce personnel numbers themselves, the federal budget is carrying the burden of Deutsche Post’s personnel reduction. Previous plans to use profits from the Deutsche Post’s stock market floatation to reduce pension liabilities were abandoned because of the low share price.

Following a complaint, the EU Commission is currently examining financial help provided in 2001 by French state railways SNCF to its subsidiary Sernam. This was sparked by a complaint by members of French groupage cargo companies in the organisation H.A.L.T.E. the Honorable association de transporteurs et logisticiens européens. The 448 million euros provided was linked to certain conditions. The EU Commission discovered that the payment range it had approved was exceeded by at least 42 million euros and started an investigation. Now the legality of the support and its use will also be investigated as there is doubt about this.

### **3.9 Finance requirements means more state support expected**

The finance required for expansion plans held by the many companies described means that payment is expected of more state support to partly-state owned and state owned companies. This will lead to continuation of competition distortion.

Competition associations believe that the trend to monopolisation will increase in the approach of full or partial privatisation of state-owned companies. The bigger and more successful the companies can be made with the help of state subsidies/support or monopoly profits the more the same state will benefit through larger profits from share sales. This means there is little hope national governments will take action on the problem.

## **4. The concentration process with examples of market leaders in Germany, France, Scandinavia and Benelux.**

### **4.1 The German forwarding and logistics market**

It is Deutsche Post World Net which with the help of profits from its letters monopoly has undertaken an unprecedented series of acquisitions, shareholding purchases and new company setups. A similar strategy can be seen with the Deutsche Bahn. The takeover and cooperation activities of both companies have already been extensively described.

The combined turnover of the Deutsche Bahn, DB Cargo, Deutsche Post World Net/Frachtpost and Schenker according to The Top 100 in Logistics was 6.996 billion euros in 1998. By 2001 it had risen to 9.829 billion euros, an over-proportional rise. This increase, way above market average, was not achieved by organic growth and performance but largely through acquisitions. The concentration process at the top of the league table has accelerated rapidly. Deutsche Post World Net and the freight transport section of Deutsche Bahn head the turnover rankings by a large margin.

A further analysis of the study confirms this concentration process. Turnover growth among the large state controlled trusts is substantially larger than with privately financed large or mid-size companies in the transportation and logistics sector.

### **4.2 The French forwarding and logistics market**

The logistics services market in France has been undergoing a turbulent process of restructuring and concentration in recent years, as is the case in other European countries.

French state railways SNCF is also the main shareholder in the diversified logistics group Geodis. Geodis has large numbers of shareholdings including the leading international forwarder Calberson and is seeking to become one of the leading European logistic operators. So at the time of publication of this white paper SNCF's entire cargo sector is the biggest player in the French forwarding and logistics market.

Another important player owned by the French state is the postal service La Poste which through purchasing shareholdings in Germany's DPD organisation via the intermediate holding Geopost has bought its way into the European market for courier, express and parcel services.

The concentration process means that many market leaders in classic forwarding and logistic services, previously in private ownership, are now increasingly controlled by partly-state owned or entirely state owned groups. The Danzas group, which holds a strong position in the French international forwarding and consumer goods distribution markets, is part of the Deutsche Post group. The forwarding group Dubois (about 3,500 personnel, about 430 million euros turnover at the time of takeover in 1999) belongs to ABX, in turn controlled by Belgian state railways (SNCB).

The study Top 100 in Logistics previously quoted also expects the turbulence caused by restructuring processes in the French logistics services sector to continue for many years to come.

As in Germany, France's market displays a concentration process towards partly-state owned and state owned groups. This is made very clear by the following overview:

### Comparison of ownership of the top 12 in France

(partly-state owned and state owned companies in bold type)

1995	2001
1 <b>Geodis-Calberson (SNCF, France)</b>	<b>SNCF (France)</b>
2 Danzas France (DANZAS, Switzerland)	<b>Dt. Post (Germany)</b>
3 Gefco (PSA Peugeot-Citroen, France)	PSA (France)
4 Mory (Novalliance, France)	90 Per cent Financegr. (UK)
5 <b>Sernam (SNCF, France)</b>	<b>SNCF (France)</b>
6 Dubois (Dubois family, France)	<b>SNCB/ABX (Belgium)</b>
7 JET Services (Caille family)	<b>TPG/TNT (Netherlands)</b>
8 Heppner (Schmitt family, France)	Schmitt family, (France)
9 Ducros (Finanzgruppe Matignon, France)	<b>Dt. Post/Danzas (Germany)</b>
10 Graveleau (Matignon finance group, France)	Dachser (Germany)
11 Joyau (Joyau family, France)	<b>DB AG/Schenker (Germany)</b>
12 Grimaud (Grimaud family, France)	Ziegler (Belgium)

This development shows that the share of partly-state owned or entirely state owned companies among the top 12 has risen from 17 percent in 1995 to 58 percent in 2001.

### 4.3 The forwarding and logistics market in Benelux

The Benelux countries (Belgium, Luxembourg and the Netherlands) have especially large transport volumes in relation to their populations. By far the largest Benelux logistics company is the Dutch TPG group, created from the Dutch state postal organisation PTT and the former Australian group TNT. It has three business sectors: mail, express and logistics. TPG has announced it plans to supplement its portfolio with forwarding companies, so further takeovers are strongly expected. In second place is Belgian state railways SNCB, which among others owns ABX Logistics.

## **4.4 The forwarding and logistics market in Scandinavia**

### **4.4.1 Sweden**

In Sweden the concentration process in the forwarding and logistics industry is especially advanced. The two groups Deutsche Post World Net/DHL and the Deutsche Bahn subsidiary Schenker Stinnes Logistics have according to a report in specialist newspaper DVZ a 70 percent market share. A major reason for this was the dismantling of forwarding company ASG, which via Danzas became part of DHL. Both are Deutsche Post subsidiaries. The fundamental importance of truck transport has increased in recent years and the market is highly concentrated. Sweden is consequently an important market for Deutsche Post World Net, whose declared aim is to become the largest logistics service operator in the Scandinavian countries.

### **4.4.2. Finland**

Finland has the second highest transport intensity in Europe. The logistic service operators with the highest turnover are Finnish railways VR Cargo and the Finnish postal service.

Finland Post Oy is 100 percent state-owned. In 2001, a 51 percent share in its contract logistics business was sold to Danzas, which today belongs to Deutsche Post World Net.

Finland Post has according to press reports raised its group turnover by 3 percent in 2003 to 1.14 billion euros (operating profit rose by 33 percent to 73.7 million euros, group net profit rose by 28 percent to 46.8 million euros). Now the Finland Post is considering more takeovers to develop new business sectors to at least compensate for the falling turnover in the letters sector. Through purchase of a controlling shareholding in North Euroway Oy in early October 2003, the post office expanded its position in short distance transport.

Finland post also acquired the 50 percent it did not already own in warehousing company Logia Oy while a logistics and internet consultancy was also taken over.

## **5. The consequences for the European economy from distorted competition in the forwarding and logistics market.**

To achieve the rapid transfer of cargo, comprehensive supporting services, exchange of associated information between all areas, flexibly and according to customer wishes, the availability of efficient forwarders and logistic service operators is required on the basis of private enterprises. This is essential for the entire European economy.

An enormous contribution is made to wealth and job creation by the forwarding and logistics sectors. In Germany the market volume is around 150 billion euros, in France appr. 100 billion euros and in Benelux about 80 billion euros. Alone in Germany, 2 million people have jobs connected with transport logistics. The monopolistic and concentration trends described means equal business opportunities and freedom of choice have been partially lost. Reason is many successful private companies have been taken over, while other private companies have been forced out of business by the pricing policies and aggressive market pressure from partly-state owned and state owned companies.

The transport and logistics industry has also been put under serious pressure from the European integration process, generally stagnant economic growth and the unfair competition practices of partly-state owned and state owned companies already described.

The attempts by partly-state owned and state owned companies to cement their monopolies have left clear tracks with the following consequences:

- Reduction of logistics services offering complete coverage of all areas, which could for example lead to an inferior service level for rural companies and populations.

- Loss of diversified services as private sector niche operators are pushed out of the market as part of the concentration process.
- Destruction of transport networks built up by private companies (for example the Swedish forwarding company ASG, whose European network of partners was destroyed and operations were taken over by Danzas, a subsidiary of Deutsche Post World Net.)
- Increasing transfer of privately-financed transport and logistics companies into sub-contractor status of large partly-state owned and state owned companies.
- High price and cost pressure creates a danger to the safety and quality of transport and logistics services.

It can be fundamentally seen that the positive impacts sought through liberalisation of transport markets – international, free competition – has not been achieved and because of the monopoly tendencies described is put in question in future.

## **6. Measures required to re-establish a situation with fair competition**

The distortion of competition in Europe's forwarding and logistics market caused by partly-state owned and state owned companies threatens the very existence and future of the privately financed companies in the transportation and logistics industry.

Goal of the EU and all authorities involved must be to prevent a further distortion of competition to the benefit of partly-state owned and state owned companies in the transport and logistics sector.

To stop this fatal development, the German (Wettbewerbsverein) and French (H.A.L.T.E.) associations for promotion of competition and fair trade in the forwarding, logistic and transport sectors, as publishers of this white paper, request the following measures:

1. State support paid to state or semi-state companies in the rail and postal industries, which are seeking to establish themselves in the transport and logistics sectors, must remain an exception. But this must also be subject to strict and permanent controls.
2. If state support or other assistance is paid to help with general economic development of such organisations, this may not be misused for other purposes, such as being directed towards expansion into transport and logistics or building up such existing activities of semi-state owned and state owned companies. Such misuse should be forbidden and closely monitored.

3. Use of revenues/profits from monopolies, state finance or state support for company takeovers or shareholding purchases in the transport or logistics sectors must be closely controlled at national and European levels. Conditions for takeovers of or shareholding purchases in private companies by state owned organisations must be precisely laid down. Takeovers or shareholding purchases by semi-state owned and state owned companies should only be possible when they take place under the same conditions under which privately-financed transport and logistics companies would make such takeovers or shareholding purchases.
4. Equal opportunities between privately-financed transport and logistics companies and semi-state owned and state owned companies must be restored. The previous practice by semi-state owned and state owned companies of purchasing freight forwarding and logistics companies at excessively high prices or buying shareholdings at excessively high prices must be stopped if the finance comes from other sectors, such as from monopoly earnings. If necessary new legislative rules must be created to ensure fair competition in this respect.
5. Takeovers of or shareholding purchases in freight forwarding and logistics companies by semi-state owned and state owned companies should fundamentally not be permitted if the semi-state owned and state owned companies are making losses and can only rise the purchase price by using state loans, guarantees or using other state support.
6. Necessary consequences must be taken against the non-permitted use of state support which has taken place against current EU law. The EU Commission should seek a rapid repayment of non-permitted state support already paid out and ban further non-permitted support. Sanctions should be used when non-permitted state support is not repaid on time and when EU Commission guidelines on provision of state support are not obeyed.

7. Responsibilities of the EU Commission's general directorates for transport, energy and competition must be better coordinated and concentrated in respect of controls on state support, competition distortion and cartel investigations in the transport and logistics sectors.
8. The EU Commission and national governments are called upon to consider much more strongly than before the enormous economic importance of privately-financed transport and logistics companies.
9. The EU Commission and national governments are called upon to take all action to ensure fair competition between semi-state owned and state owned companies on one side and privately-financed transport and logistics companies on the other. Privately-financed companies in this sector should be protected from unfair competition to enable them to be in a position to dynamically develop European transport markets, to finance and implement technical innovations and to create cooperation alliances and competitive transport networks to meet the requirements of the entire European economy.

## 7. Index of sources used

A large number of up-to-date sources were used to research this white paper. They were taken from a series of differing archives and the Internet. The following list shows the comprehensiveness of the information used.

### Deutsche Verkehrs-Zeitung, DVZ

- "Geodis on the way to be a global player";  
DVZ from 8 April 2004
- "DB group reduces losses in 2003";  
DVZ from 23 March 2004
- "Finnish Post makes ground in logistics – takeover in transport and warehousing sector";  
DVZ from 16 March 2004
- "European express congress:  
How far is the liberalisation of the letters market?";  
DVZ from 13 March 2004
- "GeoPost plays the international card – Acquisitions planned";  
DVZ from 13 March 2004
- "Sweden: The Post remains a huge construction site";  
DVZ from 11 March 2004
- "TPG plans to consolidate its logistics sector";  
DVZ from 28 February 2004
- "Logistics firms close Continental gaps – More acquisitions and mergers in Europe";  
DVZ from 24 February 2004
- "Commission stays on the ball with ABX – Background to subsidy investigation published."  
DVZ from 7 February 2004
- "Great Britain: Belgian post office wants to further expand in letters market";  
DVZ from 9 December 2003
- "SNCF to stay in the rest for at least one year longer";  
DVZ from 22 November 2003

- "Company takeovers mostly cross border";  
DVZ from 13 November 2003
- "On the surface route into the future –  
Deutsche Post combines express and logistics activities";  
DVZ from 28 October 2003
- "Railion searches for new Partners";  
DVZ from 20 September 2003
- "Parcel and express sector scoured by postal groups";  
DVZ from 20 August 2003
- "Deutsche Post plans to enter pharmaceutical  
deliveries as logistic provider";  
DVZ from 19 August 2003
- "Deutsche Post increases profit forecast for 2003";  
DVZ from 31 July 2003
- "EU opens investigation of ABX restructuring plan";  
DVZ from 24 July 2003
- "Federal subsidies for railways at historic high level";  
DVZ from 28 June 2003
- "Profits by 2008 - if the state helps SNCB";  
DVZ from 11 June 2003
- "La Poste invests heavily";  
DVZ from 24 April 2003

### **Verkehrsrundschau-E-Mail-Newsletter / TransportWeb**

- "Deutsche Post doubles 2003 group profit";  
Verkehrsrundschau-E-Mail-Newsletter from 10 March 2004
- "France's associations form joint pressure-group";  
Verkehrsrundschau-E-Mail-Newsletter from 21 January 2004
- "Italian government subsidises railways";  
Verkehrsrundschau-E-Mail-Newsletter from 22 December 2003
- "Radical cure for SNCF Fret";  
Verkehrsrundschau-E-Mail-Newsletter vom 25 November 2003
- "Constitutional complaint against post monopoly fails";  
Verkehrsrundschau-E-Mail-Newsletter from 13 November 2003
- "Auditors put La Poste strategy in doubt";  
Verkehrsrundschau-E-Mail-Newsletter from 11 November 2003

- "Fast 64 billion euros from federal funds for the rail network";  
VerkehrsRundschau-E-Mail-Newsletter from 10 November 2003
- "New four year period plan for La Poste";  
VerkehrsRundschau-E-Mail-Newsletter from 28 October 2003
- "Post plans to double profit margins in parcel business";  
VerkehrsRundschau-E-Mail-Newsletter from 27 October 2003
- "DHL creates express network in China";  
VerkehrsRundschau-E-Mail-Newsletter from 27 October 2003
- "Bahn plans to serve international cargo better with Stinnes";  
VerkehrsRundschau-E-Mail-Newsletter from 5 September 2003
- "EU Commission stops ABX subsidies";  
VerkehrsRundschau-E-Mail-Newsletter from 26 August 2003
- "EU investigation of ABX support";  
VerkehrsRundschau-E-Mail-Newsletter from 25 July 2003
- "State support for ABX Logistics criticised –  
German competition association intervenes with EU Commission";  
VerkehrsRundschau-E-Mail-Newsletter from 22 July 2003
- "EU rail investigation against Germany started";  
VerkehrsRundschau-E-Mail-Newsletter from 18 July 2003
- "Schenker plans purchases in the USA and Asia";  
VerkehrsRundschau-E-Mail-Newsletter from 15 July 2003
- "Crisis in French transport industry";  
VerkehrsRundschau-E-Mail- Newsletter from 3 June 2003
- "UPS continues with complaint against Deutsche Post";  
VerkehrsRundschau-E-Mail-Newsletter from 2 June 2003
- "Express sector rescues La Poste";  
VerkehrsRundschau-E-Mail-Newsletter from 8 May 2003
- "Brussels investigates state support for SNCF subsidiary Sernam";  
VerkehrsRundschau-E-Mail-Newsletter from 8 May 2003

## **VerkehrsRundschau**

- "Express: La Poste expands network –  
Activities on the Bosphorus and in South East Europe";  
VerkehrsRundschau 9/2004
- "Forwarding: TPG plans to supplement its portfolio  
with forwarding business";  
VerkehrsRundschau 9/2004

- "Letter market: Lack of liberalisation – Experts demand more competition";  
VerkehrsRundschau 5/2004
- "Questionnaire programme: Pampered children against whipping boys";  
VerkehrsRundschau 50/2003
- "Brussels stops ABX subsidies";  
VerkehrsRundschau 35/2003
- "ABX criticised: Competition association turns to EU";  
VerkehrsRundschau 30/2003
- "Overshoots: Without good results from its express and package activities the French post office would have fallen into the red";  
VerkehrsRundschau 19/2003

### **LOGISTIK inside**

- Study: Outsourcing stamps 3PL scene";  
LOGISTIK inside 16/2003
- "The new Stinnes AG";  
LOGISTIK inside 15/2003
- "EU investigation threatens ABX";  
LOGISTIK inside 14/2003
- "Post increases profit forecast";  
LOGISTIK inside 14/2003
- "Bahn gets turnover explosion through Stinnes takeover";  
LOGISTIK inside 14/2003
- "Schenker: The Stinnes subsidiary takes off";  
LOGISTIK inside 11/2003

### **trans aktuell**

- "DHL: The shining brand overshadows quite a few weak points";  
trans aktuell 9/2004
- "The way to save - outsourcing: Deutsche Post awards 600 contracts to transport companies";  
trans aktuell 15/2003

### **Welt am Sonntag; Die Welt**

- "Bahn has 26 billion in debts again";  
Welt am Sonntag from 31 March 2004
- "The Post must purchase companies worldwide";  
Die Welt from 8 November 2003

### **"Financial Times Deutschland"**

- Diverse online reports about European postal and rail companies

### **Other publications**

- "The Bahn becomes a global player: With the takeover of Stinnes AG and its subsidiary Schenker the DB transforms itself into a globally active logistics provider";  
bahn-REPORT 2003
- "EU imposes fine on Deutsche Post";  
berlinonline.de from 21 March 2001
- "DB Cargo no longer exists";  
Internationales Verkehrswesen 10/2003
- "The Post makes the federal government poor";  
FAZ am Sonntag from 6 July 2003
- "ABX finished without state aid?";  
Internationale Transport-Zeitschrift 27-28/2003

### **Company sources**

- Nachrichten-Börse, Information about the Deutsche Post AG share,  
Issues 2/2003, 3/2003 und 4/2003
- Themes – Service for press, radio and television: "Let's go East"  
(Deutsche Post World Net),
- Presentation "Deutsche Post World Net: The new brand DHL";  
Bonn, March 2003
- "The development of DHL 1969 - 2003";  
Image leaflet from the Deutsche Post AG, 2003

- Speech from Dr. Klaus Zumwinkel, chief executive officer of the Deutsche Post AG, 5 June 2003
- 2002 annual report Deutsche Post World Net AG
- Diverse press releases from Deutsche Post World Net AG
- 2002 annual report Deutsche Bahn AG
- Diverse press releases from Deutsche Bahn AG

### **Further sources**

- "Corporate strategies in the deregulated logistics market"; Presentation at the industry sector conference post and logistics sector by trade union ver.di, state section Baden-Württemberg, Stuttgart, 18 January 2003
- "The TOP 100 in logistics"; Deutscher Verkehrs-Verlag, Hamburg, 2nd edition (1999) and 3rd edition (2003)
- "Mergers & Acquisitions: M&A transactions in the German transport and logistics sector 2002"; DZ BANK 2003
- "Transport & Logistics – Accelerated market consolidation and structural changes"; Finance analysis from Bayerische Landesbank, 2003
- "European Deal Survey 2002 Logistics – Mergers & Acquisitions in the Logistics Industry 2002"; Ernst & Young 2003
- "White paper: The European transport policy up to 2010: setting the course for the future"
- "The competitive situation for French transport and logistics companies in the EU"; Speech from Jean Schmitt, President-Director General GROUPE HEPPNER, 2003

## 8. Imprint

### **Publishers:**

Verein zur Förderung des Wettbewerbs  
und lauterens Verhaltens im  
Speditions-, Logistik- und Transportgewerbe e.V.  
Mehlemer Straße 13  
D - 50968 Köln  
Telefon: + 49 (0) 221 / 38 01 31  
Telefax: + 49 (0) 221 / 93 70 17 15

and

H.A.L.T.E.  
Honorable association de  
transporteurs et logisticiens  
européens  
46 Rue de Bassano  
F - 75008 Paris  
Telefon: + 33 (0) 1 55 63 23 - 09  
Telefax: + 33 (0) 1 55 63 23 - 15

### **Autor:**

Behrend Oldenburg  
Mail: oldenburg@bonum.net  
French translation:

### **Layout:**

Ingeborg Schwarz

Hamburg, Köln, Paris, April 2004

### **Translation:**

n.n. (Englisch)  
n.n. (Französisch)

**Disclaimer:**

This white paper serves as a position statement and list of measures required by the publishers regarding the market conditions in the European forwarding and logistics markets presented to European and national authorities.

The publishers and the author have taken and processed the information supporting this white paper from reliable sources in good faith. But no liability can be accepted for the completeness and correctness of the sources given.

The publisher and author have taken every care in preparation of this white paper but cannot accept any liability for any consequences to the companies referred to which could occur following the distribution and use of this white paper.

The information, conclusions and opinions reflect the time the white paper was prepared, so far as they are not given a specific time reference.