

***Case No IV/M.1549 -  
DEUTSCHE POST /  
ASG***

Only the English text is available and authentic.

**REGULATION (EEC) No 4064/89  
MERGER PROCEDURE**

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Article 6(1)(b) NON-OPPOSITION  
Date: 08/07/1999

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## COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 08.07.1999

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EEC) No 4064/89 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE  
ARTICLE 6(1)(b) DECISION

To the notifying parties

### **Subject: Case No IV/M.1549 – Deutsche Post/ASG**

Notification of 7 June 1999 pursuant to Article 4 of Council Regulation No 4064/89

1. On 7 June 1999, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 (Merger Regulation) by which the German undertaking Deutsche Post AG (Deutsche Post) intends to acquire sole control of the Swedish undertaking ASG AB.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation (EEC) No 4064/89 and does not raise serious doubts as to its compatibility with the common market and the functioning of the EEA Agreement.

### **I. The Parties and the Operation**

3. The primary activity of Deutsche Post is the provision of the national postal service in Germany comprising mail, parcels and over the counter services. Deutsche Post also provides value-added services in Germany such as international and domestic express delivery services, logistics as well as an international and domestic parcel delivery service in a number of other European countries. Deutsche Post is also active in freight forwarding and logistics throughout Europe, primarily through its recently acquired subsidiaries, Danzas and Nedlloyd ETD.
4. ASG and its subsidiaries provide road transport (including parcel delivery, full load and part load freight), air and sea freight and logistics services primarily in Sweden, Norway, Finland and Denmark. ASG also owns a number of specialist companies engaged in furniture logistics, mail order deliveries and similar niche services in Sweden. The

company has further road transport operations in the Baltic States and – to a minor extent – in the Hamburg area in Germany as well as in the United Kingdom and Ireland.

5. Deutsche Post intends to acquire ASG through its subsidiary Danzas Sweden. Danzas already purchased 40.6% of the voting rights in ASG on the market. On 26 April 1999, Danzas made a public bid for all outstanding ASG shares.

## **II. Concentration**

6. Deutsche Post intends to acquire sole control of ASG by means of a public bid. Therefore, the proposed transaction is a concentration within the meaning of Article 3 (1)(b) of the Merger Regulation.

## **III. Community Dimension**

7. The combined aggregate world-wide turnover of the parties to the concentration exceeded EUR 5,000 million<sup>1</sup> in 1998 (Deutsche Post: EUR 14,590 million<sup>2</sup>, ASG: EUR 1,342 million) and each of the undertakings concerned had a Community-wide turnover of more than EUR 250 million in 1998 (Deutsche Post: EUR [...] million<sup>3</sup>, ASG: EUR [...] million). They did not achieve more than two-thirds of their respective aggregate Community-wide turnover within one and the same Member State. Hence, the notified operation has a Community dimension.

## **IV. Relevant Markets**

### **A. Relevant Product Markets**

8. The parties to the present operation are active on a number of markets within the following sectors: international parcel services, expedited transport services, logistics and freight forwarding. The Deutsche Post group (including in particular DHL, Danzas, Nedlloyd ETD and Securicor as well as a number of other subsidiaries of smaller dimensions) is extensively present throughout the various sectors. ASG's services focus on national and international road-based freight forwarding and parcel services as well as logistics.
9. The Commission examined these sectors in a number of past cases, where it noticed a certain mobility of the boundaries between the various services (express, parcels, freight, etc.). In fact, different providers may design and offer special packages of services so as to meet the specific needs of certain types of clients (*e.g.* certain industries or certain clients with particular requirements as to timing or delivery points). These packages may take a form that includes various services to be classified under different product

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<sup>1</sup> Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Notice on the calculation of turnover (OJ C66, 2.3.1998, p25). To the extent that figures include turnover for the period before 1.1.1999, they are calculated on the basis of average ECU exchange rates and translated into EUR on a one-for-one basis.

<sup>2</sup> Without DHL, Ducros, Danzas and MIT.

<sup>3</sup> Without DHL, Ducros, Danzas and MIT.

markets (for example parcels and groupage services to be offered as integrated solutions). The dynamic evolution of the services offered has an impact on the market definition, in that it tends to blur the boundaries between the different markets. Also, it creates the possibility that certain niche markets for specialised services develop.

10. In line with its past decisions<sup>4</sup> concerning express and parcel services the Commission found a number of distinctions:

- between parcels and freight services, according to weight, format and the handling equipment needed (parcels services are to handle high volumes of items that must be of limited weight and standardised format, whereby handling and transport are standardised to achieve low unit costs);
- between express parcel (and document) delivery and standard parcel delivery, according to the time sensitivity of the shipment and the guarantee attached by the service provider (express services are "time certain" while standard services contain no time guarantee but a general indication of the time laps, e.g. 24 hours, for the delivery);
- between domestic and cross-border delivery, by reason of the national nature of the network infrastructure used for transport services (which leads to important differences as regards time of delivery and price), which still prevails on the internationalisation process led by large groups that are establishing their own networks throughout several countries/regions. In particular, several features distinguishing domestic from international services still persist, i.e. separate operational organization of suppliers and customers, the presence of many local and national suppliers for domestic deliveries, and product differentiation by customers.

11. As regards freight forwarding and in particular land transport the Commission had found in previous decisions<sup>5</sup> that international and domestic forwarding (transport) services by land were separate relevant product markets, but did not find it necessary to decide upon any further segmentation (*e.g.* between road and rail transport). The market investigation in the present case suggested an even further segmentation according to the mode of transport (*i.e.* rail, road) and, within road transport, according to categories such as "less than truck load or groupage (LTL)", "semi truck load or part load (STL)" and "full-truck-load (FTL)". The parties define LTL as everything bigger than a parcel but not big enough for an economical direct load (less than 2000 kg). STL would cover freight above 2000 kg up to a full truck load. FTL includes any freight that fills a whole truck. The transportation of LTL requires another infrastructure as the consignment is not transported directly from sender to recipient as in the case of FTL, but needs a more sophisticated handling. The freight has to be collected, transported to collection hubs, consolidated into full truck loads, transported to delivery hubs, broken up into smaller consignments and delivered to the recipient. The different handling requirements suggest separate product markets as the infrastructure and market participants are different.

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<sup>4</sup> See in particular cases no. IV/M.1347 – Deutsche Post/Securicor and no. IV/M.1405 – TNT/Jet Service.

<sup>5</sup> Case No. IV/M.1056 – Stinnes/BTL; Case No. IV/M.1170 – Dan Transport/Inter Forward.

12. The parties claim that the Nordic countries present certain particularities suggesting a different market segmentation for transport services in the Nordic area. Because these countries are huge and sparsely populated the parties argue that companies generally can not afford to maintain separate dedicated networks for parcels and freight since the volumes necessary to make such separate dedicated networks viable can not be generated. Therefore ASG's operations for parcels and freight are closely linked and transport of both parcels and freight are carried out on the basis of the same infrastructure. Several companies active in the Nordic countries confirmed that they transport both parcels and freight on the basis of the same infrastructure, thus indicating a wider market comprising parcels and freight for reasons of supply-side substitutability. There are doubts, however, whether the infrastructure is apt to handle the transport of all kinds of freight (*i.e.* FTL, STL or LTL) or whether freight transportation is only partly carried out on the basis of the same infrastructure.
13. It is not necessary in the present case to exactly delineate that market, because even by focussing on the narrower product markets as described in paragraphs 11 and 12 there have been no indications that the parties would become dominant.
14. The assessment will in the following focus on the markets affected by this operation, *i.e.* the markets for international parcels, the markets for international express delivery and the markets for domestic and international freight forwarding.

## **B. Relevant Geographic Markets**

15. The parties contend that the relevant geographic market for all services relevant to the present operation, *i.e.* freight forwarding, express services and international parcel delivery service is increasingly European. According to the parties this is due to the development of global accounts and by virtue of players entering into European alliances and partnerships.
16. The Commission has considered in the past that, despite this trend, the relevant geographic market for parcels and express delivery services, including both national and international services<sup>6</sup>, could be characterised as largely national in scope. This consideration was based on the following factors: i) the perception of customers of it as a local service, ii) the national nature of both pick-up and delivery, iii) different pricing levels (particularly due to difference in labour and fuel costs), iv) different marketing in different countries, v) variations in market share distribution of the main suppliers across the different member states, and vi) the different stages of product development from country to country.
17. As regards freight forwarding, the Commission has considered in the past<sup>7</sup> that the relevant geographic market in international land based forwarding services could be appropriately defined by considering routes or bundles of routes that are substitutable, *e.g.* routes between Sweden and Germany or even narrower areas such as Benelux ports and Southern Sweden. The definition of the relevant geographic market was however

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<sup>6</sup> Case No IV/M.1347 – Deutsche Post/Securicor; case No.1513 – Deutsche Post/Danzas/Nedlloyd.

<sup>7</sup> Case No IV/M.1056 – Stinnes/BTL.

left open in that case. The Commission finds that there is no need to define the market further for the present case either.

18. As the operation does not raise any competition concerns with regard to the different services concerned, whether assessed at a national, Scandinavian or European level or regarding routes or bundles of routes, it is not necessary to define the scope of the relevant geographic market more precisely in the present case.

## **V. Competitive Assessment**

19. By means of the present transaction Deutsche Post pursues its intention to establish a pan-European network for all of its transport services. While Deutsche Post is active in a number of countries, where it operates networks through companies already belonging to the group, it has so far only minor activities in the Nordic countries. On the other hand, ASG's main activities, i.e. domestic and international freight forwarding services, are essentially limited to the Nordic countries. For its activities in extra-Nordic countries at present ASG relies on cooperation agreements with business partners. ASG thus extends and reinforces Deutsche Post's network for freight forwarding already in place through the activities of Danzas and the recently acquired Nedlloyd ETD.
20. The present decision is based on the parties' claim that trans-o-flex is not part of the Deutsche Post group.

### *The markets for international parcels*

- 21 The parties' activities overlap to a minor extent on the markets for international parcels in Denmark and Sweden. According to its own figures, ASG has a market share not exceeding 5% in any of these countries, whereas Deutsche Post only has minor activities arising from cross border trade without having any local operations. The investigation has provided no indications that the parties' market shares would differ from the figure above to such an extent as to raise competition concerns under the Merger Regulation. Thus, the market position of the merged entity will not give rise to any competition concerns on the markets for international parcels.

### *The markets for international express delivery*

22. Deutsche Post is active in international express delivery services in the Nordic countries primarily through its DHL joint venture. DHL has a strong market position in the Nordic countries being reflected by the following market share figures. For ASG, international express delivery services are a marginal area of activity. The company does not own or operate a separate network or infrastructure for the provision of express delivery services. It offers these services to complete its product range. For this purpose it has sub-contract agreements with DHL (in Denmark), Airborne (in Finland) and UPS (in Sweden) to provide transport and delivery. The following table gives a picture of the parties' market position:

|                | <b>Deutsche Post/DHL</b> | <b>ASG</b> |
|----------------|--------------------------|------------|
| <b>Denmark</b> | [40-50%]                 | [<5%]      |
| <b>Finland</b> | [55-65%]                 | [<5%]      |
| <b>Sweden</b>  | [45-55%]                 | [<5%]      |

23. The markets feature a high degree of concentration. The main players are integrators such as DHL, *i.e.* companies active on a global basis that own their own aircraft fleet. They usually perform all aspects of the delivery process themselves. The main competitors to DHL in all of the above mentioned countries are UPS and TPG. Their respective market share ranges from 10 – 15% (TPG) and 15 – 25% (UPS) on all the Nordic markets.
24. Even if DHL had a dominant position on the Nordic markets, this position is not likely to be strengthened by the present operation. As regards Denmark, ASG offers its express delivery products by using DHL as subcontractor. Therefore, in fact DHL's market share already includes ASG's activities, so that no increment arises. On the market for express delivery services in Finland and Sweden, ASG subcontracts the transportation and delivery services to companies competing with DHL. Although ASG offers express delivery services to its customers, it doesn't have its own dedicated network for these services and is therefore unable, alone, to provide effective constraints to the competitive behaviour of other service providers. Thus, the acquisition of ASG will not remove an active and viable competitor to DHL from the market.
- 25 The market inquiry has confirmed this picture, *i.e.* competitors do not perceive ASG as an active player on the express delivery markets. They do not view ASG's product range as including services competing with those offered by DHL and they generally consider the operation as complementary in this respect. Moreover, the market shares' increment will be minimal and therefore unlikely to strengthen DHL's position. Hence, no serious competition concerns arise from the concentration with regard to this market.

*The markets for domestic and international freight forwarding*

26. Deutsche Post is active in international freight forwarding through its recently acquired subsidiaries Danzas and Nedlloyd ETD. It operates a network for international freight forwarding in a number of European countries. Prior to the merger with ASG, Danzas and Nedlloyd ETD entered into agreements with DFDS and Dan Transport respectively in order to provide pick-up and delivery services in Scandinavia. Only recently Danzas Sweden started own activities in Scandinavia, which still have to be considered as marginal.
27. ASG on the other hand has its main focus on the Nordic markets where it operates its own domestic networks for road transport in Norway, Sweden and Denmark. In Finland ASG works in cooperation with Transpoint. Up to date ASG cooperates with a number of medium-size and smaller companies throughout Europe (approximately 40) to ensure the pick-up and delivery service for its international freight business outside the Nordic countries.

28. Hence, as regards domestic operations, the concentration does not lead to any substantial overlap between the activities of the parties. Also, no overlaps can be noticed at national level as regards international deliveries. However, because of ASG's important market position in the Nordic region and Deutsche Post's extensive network coverage in continental Europe, the Commission has found it necessary to examine to what extent the operation would affect the services for international forwarding between these two areas.
29. In this respect, several transport companies, mainly German business partners of ASG for the provision of international land-based LTL services, have submitted their concerns regarding the operation to the Commission. They fear that the operation would limit their capacity to offer their services from and to Scandinavia after ASG's integration into the Danzas and Nedlloyd ETD networks and ASG's possible withdrawal as a business partner for Scandinavia. ASG would be particularly strong in the provision of land based LTL services and the degree of concentration would be particularly high in this segment - BTL-Schenker, DFDS and Dan Transport (the two latter currently in the process to merge) being the other large providers - as opposed to a higher fragmentation in the STL and FTL segments. Due to the lack of viable alternatives to ASG as a business partner, most of these companies claimed that they would be obliged to quit this market, which would subsequently be dominated by a few players including the Deutsche Post group.
30. The market investigation carried out by the Commission has concluded that the combination of Danzas, Nedlloyd ETD and ASG within an integrated network will not raise serious doubts as to the creation of a dominant position on the markets for international freight services, and in particular for land-based LTL services, to and from the various Scandinavian countries.
31. With regard to international deliveries from the Scandinavian countries to Germany and other European countries, the operation does not lead to any substantial change in the market: while, as said above, there is no material change in the Scandinavian countries as regards outbound traffic (no overlap between the parties), the markets in Germany and in the rest of continental Europe are still sufficiently fragmented so as to guarantee competition for the delivery of inbound traffic.
32. With regard to international deliveries to Scandinavia, sufficient alternative operators remain available for the delivery of inbound traffic and in particular of LTL shipments. These are in particular BTL-Schenker, DFDS and Dan Transport, which recently announced their intention to merge and both can provide network coverage for all Scandinavian countries, as well as a number of national companies, such as e.g.: Sweden Post, Fraktarna and Trans Fargo in Sweden, Oy Hacklin and Varova Oy in Finland, Danske Fragtmaend, DSB, Transportgruppen A/S in Denmark and DSV Samson in Denmark and Norway. The availability of these various networks will ensure that transport companies other than those groups having integrated European networks such as BTL-Schenker and Deutsche Post are not foreclosed from offering international delivery of LTL and other freight services into the Scandinavian countries. The Commission can therefore conclude that there are no serious doubts that the parties will become dominant on these markets.



## **VI. CONCLUSION**

33. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No 4064/89.

For the Commission,