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policy measure

Trend Chart on Innovation in Europe

DE 61

General presentation of the measure/scheme/action/regulation

Country

Germany

Geographical coverage, national or regional (state region)

(National)

Title of the measure

Market Liberalisation and Deregulation

Information Source/Reference

Annual report on structural reforms by the Federal Ministry of Economy and Technology: www.bmwi.de/Homepage/download/english/Doku483_E.pdf

Overview (nature, main goals)

The Federal Government attempts to increase competition on those goods and service markets which have been - or are still - dominated by (formerly) state-owned companies such as telecommunications, posts, energy and transport. Market opening concerns privatisation and developing a regulatory framework for competition (free market access, opening of infrastructures to all competitors at same conditions). Progress in liberalisation has been made at different markets to varying degrees, with telecommunication and electricity highly liberalised, and postal and transport markets still little competition intensive.

Action Plan objective addressed by measure

II.1. Competition

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Description of Scheme General Information

Reference to legal basis (e.g. act, public document, ...)

Market liberalisation and deregulation are based on several acts (Telecommunication Act, Postal Act, Associations Agreements, Transport Act etc.) as well as on the Act on Regulatory Authority for Telecommunications and Posts (RegTP) and on legislation concerning the privatisation of publicly owned enterprises in the areas concerned.

Does the measure receive central funding or regional funding?

Central

Start date

1998

Expected date of completion

indefinite

Previous measure (name, date, links with the current measure)

Liberalisation and deregulation of markets is a major issue of Federal economy policy for two decades or so.

Reasons for launching/modifying the new measure

In those markets which have been dominated by state-owned enterprises for long time, competition is low, and the price and quality of products, the level of services provided, and the degree of innovation are perceived of being unsatisfactory. Opening up markets should increase quality, scope and innovativeness and reduce the level of prices by increased competition.

Have any of the main features of the measure/scheme/action/regulation changed during its implementation

There is an ongoing discussion about the level, scope and direction of liberalisation and deregulation, thus individual measures change over time, although the overall approach is not in question.

What is the predominant role of the government?

regulator

Target Group

Who are the target groups of the measure?

SMEs/Industrial SMEs

Individuals

Large Companies/Large Industrial Companies

Public Authorities/Organisations

Other

Organisation and Implementation

Organisation and Structure

Telecommunication: The Deutsche Telekom AG has been partially privatised in two rounds, the public share is now at 60 % (including KfW share). The Regulatory Authority Telecommunications and Posts guarantees a high degree of competition by rules on the unbundling of the local loop, on the free choice of carrier, on the number portability and collection procedures. The UMTS licences have been awarded to six competitors in Aug 2000. Postal services: competition is concentrated so far on the courier, express and parcel sector which are fully liberalised. In the sector of letter deliveries up to 1 kg, 700 licences have been issued to new private providers, but the Deutsche Post AG (29 % of their capital has been privatised in November 2000) still has a monopoly in the field of letters up to 200 g, which was extended until the end of 2007 recently. The Ordinance on Universal Postal Services from Dec. 1999 states quality criteria to be met. Electricity: In 1998, the market was opened, which was dominated so far by regional monopolies, although there always was a large number of enterprises in the market. Liberalisation is based on a negotiated network access concept and a new Associations Agreement in 1999. This new accord provides for a transaction-independent point system that outlines the fees for third-party access on the basis of the electricity transmitted. In autumn 2000, a private electricity exchange at Leipzig was opened. Gas: The gas market opened to competition. An Associations Agreement of July 4, 2000, removed a non-state owned Deutsche Bahn (DB AG) was restructured to a group consisting of several enterprises, one of them is responsible for infrastructure provision. There is non-discriminatory third-party access to the tracks of DB AG although the line usage price system was regarded as distorted competition. Aviation: Aviation markets within the European Economic Area and to/from the USA have been liberalised, which covers 80 % of the market.

What are the criteria for eligibility?

not applicable to this measure

What is the mode of delivery of the measure?

legal acts, regulation infrastructure (regulation authorities)

Financing : Overall budget allocated to the measure

not applicable to this measure

Financing : expenditure per year

not applicable to this measure

Financing : other budgetary sources (additional financing)

not applicable to this measure

Results

Result Measurement

What are the main indicators for the measurement of the results ?

degree of competition, price level, level of innovations, growth in market volumes

Where an evaluation has taken place, what were the main results achieved?

No overall evaluation, but a large number of sectoral studies on the effects of liberalisation and deregulation. The main results for the most liberalised markets are encouraging: Telecommunications: strong decrease in price levels, strong increase in the number of firms operating on the market, in 90 towns there is free choice whether to use Deutsche Telekom or other competitors for all services. Private use of the internet was accelerated by market liberalisation. Electricity: reductions in the electricity prices by 10 to 15 % (private households) and 30 % (industry). 10 % of business customers and 1 % of private customers have changed their supplier so far. A large number of new enterprises have been established.

If no official evaluation has been undertaken, have there been any indicators of success?

see above

Observations

Which mechanisms seem to function well in the measure?

Liberalisation seems to function well with respect to its objectives, especially concerning the strong independency of the Regulatory Authority on Telecommunications and Posts and the "negotiated network access" in the fields of electricity and gas.

Which mechanisms seem to be less successful in the measure?

There is still no competition in the field of standard postal services (letters up to 200 g), which will remain so until 2008 at least. There is a controversy on how to increase competition in the railway sector, i.e. if a strict division between operating firms and the owner of the physical infrastructure capital stock is helpful.

Are there any other measures planned or in operation as a follow up to this measure? Direction of the planned measures? Objectives? Target groups?

there is an ongoing up-dating concerning details and time plan of liberalisation and deregulation policies

