

In this issue

Europe

- Hooper supports IPO for Royal Mail
- TNT Post stresses its service quality record
- Swiss Post agrees to pay and retirement deal
- Deutsche Post still to get €5bn for Postbank
- SPI offers international returns solution
- bpost aims its fixed-rate pack at e-sellers
- DHL to partner with Western Union in Europe
- Norway Post appeals EFTA fine
- Discounts cleared by German regulator
- Yodel's brand identity hits the streets
- Commission rejects delay to liberalisation
- Paper statements still top in the UK
- Flash Europe builds its air cargo services
- SPSR raises revenue with new services
- DPD Russia increases volume

Americas

- Canada Post's Ombudsman gets gold award
- FedEx shares drop despite doubled profit
- UPS repositions as logistics specialist
- UPS delivers faster door-to-door by sea
- DHL offers frozen shipping with CryoPort
- FedEx ranking boosted by SenseAware

Asia-Pacific

- DHL disaster team stays on in Pakistan

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Hooper supports IPO for Royal Mail

A stock market flotation coupled with employee share ownership has moved to the top of the list of options for the future of Royal Mail.

In an update to his 2008 report on the future of Royal Mail, Richard Hooper states that the company no longer needs the management expertise of a strategic investor.

"The specific need for corporate experience is reduced today in the light of the good progress made with modernisation at Royal Mail since 2008 and the arrival of new management," Mr. Hooper said. Mr. Hooper is the former deputy chairman of the regulator Ofcom.

He pointed out that Royal Mail's new chief executive, Moya Greene, has spent five years dealing with modernisation and postal unions as head of Canada Post.

However, in contrast to optimism about the expertise of Royal Mail's management, Mr. Hooper warned that the company's financial health has worsened and that growth in parcel revenues will not compensate for declining mail volume.

The postal market and Royal Mail's share of it continue to decline. More modernisation is needed despite good progress to date and the pension deficit has increased to GBP 8bn.



Europe

Issue 416 | 29 September 2010

Americas

Asia-Pacific

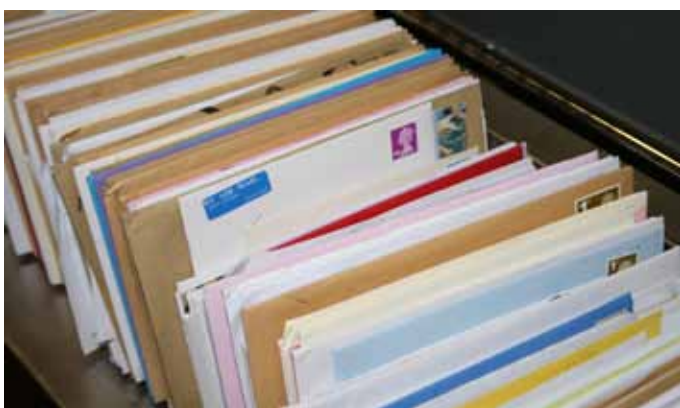
The report, "*Saving the Royal Mail's Universal Service in the Digital Age*," states that Royal Mail is unlikely to generate sufficient cash to finance the modernisation it still needs and that the company will not survive in its current form without serious action.

Private sector capital would inject discipline into the company and reduce the risk of political intervention in commercial decisions. "The much needed equity capital could, for example, be raised by means of an IPO (initial public offer) turning Royal Mail into a publicly listed company," the report states.

Mr. Hooper acknowledges that new factors are in play following the change of government in the United Kingdom. First, stronger emphasis on reducing public spending will make it harder for Royal Mail to compete for government capital. Secondly, employee ownership alongside private capital is a key aspiration of the new administration.

Legislation is expected to be introduced this autumn. The UK Government's minister for business, Vince Cable, said the new postal bill would draw heavily on Hooper's recommendations and the government's wider objectives, including the need for employees to have a real stake in the future of the business.

The updated report reiterates Hooper's original recommendations that the state should take over responsibility for Royal Mail's pension deficit and that a new regulatory framework should be created to provide greater certainty for investors in the postal services sector.



Europe

TNT Post stresses its service quality record

TNT Post has publicly refuted claims in a Dutch newspaper that it is facing structural problems with the quality of postal deliveries. It has clarified its position on job cuts in light of union claims that 8,000 employees could be made redundant.

In a detailed statement, Harry Koorstra, group managing director mail, said a constant survey of delivery quality by an independent research firm showed that more than 96 percent of all domestic mail is delivered on time the day after posting. The *De Telegraaf* newspaper had reported problems with deliveries in Rotterdam and southern Netherlands.

Mr. Koorstra said: "Each one of our 40,000 employees does everything possible, every day, to ensure that the mail is delivered on time. Of course, this is "people work" so now and again something may go wrong. Our people correct one another in such cases, especially in order to guarantee the high delivery standard."

Following an announcement in June that TNT Post will cut 11,000 jobs from its full time workforce within three years, unions claimed that up to 8,000 people could be made redundant.

Prior to new talks due to begin between unions and the company on September 21, a TNT Post spokeswoman said the company expected it would need to make at most 4,500 people redundant. The remaining 6,500 jobs cuts would be achieved by natural wastage and employees transferring to other positions through the TNT Mobility scheme.

TNT Post aims to save about €430m by 2017 through its restructuring. The most dramatic changes planned are to replace full-time delivery staff with part-time workers and to reduce the number of mail delivery days each week. The plan will increase the number of part-time mail deliverers from the current 13,000 to 35,000 in 2013.

Europe

Americas

Asia-Pacific

Issue 416 | 29 September 2010

Swiss Post agrees to pay and retirement deal

Swiss Post has reached agreement with employee representatives on a package of measures to secure employment during a period of operational change.

The company will allocate CHF5m to further training for employees needing to find alternative jobs. Employees aged 58 or older earning a maximum of CHF85,000 will be offered partial retirement co-financed by Swiss Post and employees aged 62 or more will be able to take early retirement.

The wage increase of one percent will be paid in 2011 to employees in the mail business. In addition, Swiss Post will again pay the one percent employee contribution towards restructuring the company's pension fund. It is also setting aside 0.8 percent of the total salary sum for individual pay awards.

The Swiss Post board of directors and unions' conferences now need to approve the outcome of negotiations.

In a separate agreement with social partners, a new redundancy plan guarantees uniform treatment of employees in the event of corporate restructuring.

Deutsche Post still to get €5bn for Postbank

Deutsche Bank's announcement on 13 September that it will spend €6.3bn to gain full control of Postbank has no effect on the agreement already in place with Deutsche Post for the transfer of its shares.

As part of Deutsche Post's strategic withdrawal from the banking business, Deutsche Bank agreed to buy all Deutsche Post's shares in Postbank in three stages at guaranteed valuations and prices.

Deutsche Post will earn €5bn for its Postbank shares; it has already received €4.2bn for the first tranche and an advance payment.

SPI offers international returns solution

Swiss Post International (SPI) has introduced an international returns service for mail order and online traders in the United Kingdom.

The service for small items up to 2 kg covers 18 European countries. UK-based distance sellers can enclose SPI's return label with their international consignment, or customers wishing to make a return can download a pre-paid label from the internet.

SPI said consumers returning goods could either take their packages with the return label attached to a post office in their own country or post them in their local post box.

bpost aims its fixed-rate pack at e-sellers

bpost has launched a fixed-rate pack into the online sales market.

Taxipost 24 Mini is aimed at power sellers and traders using online auction sites such as eBay. It is designed for small items that can be placed in consumers' letter boxes, bridging the gap between letters and parcels, bpost says, by offering delivery receipt and track and trace.

Prices for a single postage-paid pack are €3.70 for CDs and DVDs; €4.50 for the A5 size and €5.50 for the A4 size. The price per pack reduces if traders buy five or more.

DHL to partner with Western Union in Europe

DHL Express and Western Union plan to expand their cooperation by introducing an international business payment service to DHL customers in Europe. In addition, customers making cash transactions will be able to access Western Union at DHL's 5,000 locations in Europe.

A new memorandum of understanding will extend to Europe an existing alliance between the two companies in Latin America and the Caribbean.

Europe

Issue 416 | 29 September 2010

Americas

Asia-Pacific

Under the deal, DHL's business-to-business customers will be able to access foreign exchange services provided by Custom House, a company bought by Western Union in September last year.

Custom House claims to provide small and medium-sized businesses with simple and reliable cross-border payment solutions.

"Globalisation is changing the way businesses operate," said Hikmet Ersek, Western Union chief executive. "More and more businesses are making payments across borders, and this phenomenon is only expected to grow. DHL has an established base of business customers who have a need for these types of services. By working together, we can introduce a convenient tool to support these businesses as they grow."

Norway Post appeals EFTA fine

Norway Post is to appeal against a decision by the EFTA Surveillance Authority (ESA) that it excluded a competitor from the parcels market.

The ESA has fined Norway Post €12.89m for infringing the European Economic Area (EEA) Agreement by abusing its dominant position. The penalty relates to parcel delivery services for mail order and e-commerce companies between 2000 and 2006. The ESA found that Norway Post negotiated exclusivity agreements with retail companies in order to establish its parcel delivery network, thereby preventing competitors from establishing similar networks.

Announcing its intention to appeal, Norway Post said the country's parliament had decided in 2000 that a network of 1,200 Post-in-Shop outlets should be established to offer basic postal services.

That, said Norway Post, was a formidable task. "While rolling out a new sales network nationwide through 1,200 new Post-in-Shops, Norway Post was to maintain and safeguard the range of services that the country's inhabitants were used to at post offices. Delivering parcels, which is the core of the ESA case, was only one element of this," said Dag Mejdell, chief executive of Norway Post.

The ESA believes that clauses in agreements with three grocery chains infringed competition rules, but Norway Post claims it had Post-in-Shop agreements with less than five percent of 30,000 possible parcel delivery sites in Norway.

The complaint against Norway Post was made by logistics company Schenker, which claimed it had been excluded from Norwegian shops as a result of Norway Post's agreements.

"Instead of developing its own parcel delivery network and starting to compete openly, Schenker has spent time and effort trying to win in the court system," said Norway Post. Norway Post said it never intended to exclude any party from any of the markets in which it operates and did not believe it had done so.

The appeal now goes to the EFTA Court.

Discounts cleared by German regulator

Germany's postal regulator, the Federal Network Agency, has ruled that Deutsche Post did not distort competition by increasing its "partial workload" discounts to mailers delivering pre-sorted mail directly to sorting centres.

The regulator began an investigation in July after Deutsche Post raised its discounts. Announcing the decision, regulator Matthias Kurth said: "The partial workload prices do not contain any discounts that abuse or impact on competition and do not conflict with the ban on discrimination since they are offered to all customers at the same level."

Both retail customers and postal companies operating downstream access are eligible for discounts.

The German Couriers Association (BdKEP) and the International Express and Courier Services Association (BIEK) both expressed disappointment at the decision. BdKEP said it would appeal, accusing the regulator of "burying postal competition" by permitting discounts of up to 35 percent for large customers. The regulator said it would continue to monitor Deutsche Post and would "look very critically" at price increases for private consumers.

Europe

Issue 416 | 29 September 2010

Americas

Asia-Pacific

Yodel's brand identity hits the streets

Yodel, the new parcels operation in the UK, is rolling out its brand identity from October on more than 400 new Mercedes Sprinter vans.

The brand results from the purchase by Home Delivery Network of the DHL Express business and consumer parcels operation in the UK.

The Yodel brand name was introduced in May and now covers a range of services including next day, 48-hour and 72-hour delivery, timed and Saturday delivery and returns. The business is expected to deliver more than 200 million parcels a year with annual revenues of GBP600m.

Commission rejects delay to liberalisation



The European Union's Internal Market Commissioner, Michel Barnier, has promised to look at the social impact of postal liberalisation.

Rejecting demands during a European Parliamentary plenary session for a moratorium on the introduction of full liberalisation, the commissioner said he would establish a dialogue group next year to enable all stakeholders to discuss social issues.

But he made it clear that legal uncertainty at this late stage in the liberalisation process caused by any delay would be detrimental to the entire postal sector and new market entrants.

Supporting the call for a moratorium on the postal directive, Dutch MEP Dennis De Jong said no study had been provided analysing the social consequences or the regulatory measures taken by member states to ensure full accessibility to postal services. "Since this was set as a precondition in the directive, the Commission should bear the consequences," he said.

British MEP Brian Simpson asked how the Commission would protect working and social conditions and how it would ensure the universal service. He wanted to know when the Commission would provide studies on the costs of the universal service.

Concerns raised by MEPs echoed those of postal unions protesting outside the parliament building in Strasbourg.

UNI europa Post&Logistics is demanding a stop to full market opening until social regulation is guaranteed, financing for the universal service is clarified and "sustainable, reliable, quality services" are ensured.

Claiming that liberalisation will mean a "race to the bottom" involving cost and salary competition and social dumping, Neil Anderson, head of UNI Post&Logistics, said the Commission had done nothing to protect EU citizens and ensure working standards.

Paper statements still top in the UK

Royal Mail is publicising the findings of research it commissioned into consumer preferences for paper bills and statements.

Currently, more than 75 percent of customers are choosing to receive their bills and statements on paper, according to the research; 81 percent of respondents said they were more likely to read paper than online statements and 70 percent said they were more likely to notice advertising on paper statements.

Of the customers who preferred paper bills and statements, 65 percent said they would consider moving to a competitor if a company removed the paper option.

Europe

Issue 416 | 29 September 2010

Americas

Asia-Pacific

Flash Europe builds its air cargo services

Flash Europe has opened an air freight office near Frankfurt Airport to expand air cargo services for customers increasingly demanding intermodal solutions.

The express company that acquired La Poste's Taxicolis and German-based Flashline is a longstanding partner to the automotive industry specialising on just-in-time supply in Europe and North Africa.

SPSR raises revenue with new services

Russian operator SPSR Express says it increased its revenue by more than 25 percent year-on-year in the first half of 2010, helped by new services including next day delivery by 18.00h, solutions for online and mail-order traders and a logistics service for the telecommunications industry.

In August, SPSR launched a next day before 13.00h delivery option that it plans to expand to additional towns and cities.

DPD Russia increases volume

DPD Russia says it has increased its shipment volumes by 84 percent in the first half of 2010 compared with the same period last year. The operator has expanded geographically and has noticed a trend from pallets to parcels as customers move to smaller, more frequent shipments.

>> In Brief - Europe

DHL Express announces price rises

DHL Express is making its annual price adjustment, increasing average rates by one to four percent in western Europe; by up to four percent in Asia-Pacific and by three to seven percent in eastern Europe, the Middle East and Africa.

New UPS facility opens in Israel

UPS has opened a US\$2m, 5,000 sq metre logistics centre near Ben-Gurion airport in Israel through its authorised service contractor, OPSI (International Handling).

Americas



Canada Post's Ombudsman gets gold award

Canada Post's complaints handling service, the Office of the Ombudsman, has been awarded the Gold Trophy for quality in the Public Sector – Small Organisations in the Canada Awards for Excellence.

The awards are administered by the National Quality Institute and recognise business excellence in quality, customer service and a healthy workplace.

"The Ombudsman's Office plays an important role in helping Canada Post improve its service to all Canadians," said Marc A. Courtois, chairman of the board of directors of Canada Post.

The office is the final appeal authority for postal service complaints operating at arm's length from Canada Post and reporting directly to the board of directors. It is run by Nicole Goodfellow, who pointed to her team's success in changing its processes to create a truly customer-centred operation, generating meaningful data and insights.

In 2009, the office responded to 6,209 requests for assistance, carrying out in-depth investigations into 3,708.

Europe

Issue 416 | 29 September 2010

Americas

Asia-Pacific

FedEx shares drop despite doubled profit

FedEx Corp doubled its operating income to US\$628m in the first quarter of its fiscal year and raised its net income by 110 percent to US\$380m.

The result failed, however, to excite stock markets, and FedEx shares dropped 3.75 percent to US\$82.72. Analysts had anticipated an even stronger improvement in the company's results and were disappointed by a second quarter earnings forecast below their previous estimates.

Revenue in the first quarter to end August rose by 18 percent to US\$9.46bn. The company said its earnings increased on account of growth at FedEx Express and FedEx Ground and the net impact of higher fuel surcharges.

Profits were dampened, however, by the reinstatement of employee compensation programmes; higher pension, medical and aircraft maintenance expenses; and an operating loss at FedEx Freight.

The company announced it would combine its Freight and National LTL operations from the end of January in order to increase efficiencies and reduce operational costs. The move will offer customers priority, economy and less-than-truckload freight services from one integrated company for all journey lengths.

Revenue at FedEx Express was up on last year by 20 percent at US\$5.91bn while operating income more than tripled to US\$357m. Operating margin went up from 2.1 percent last year to six percent.

International priority average daily package volume rose by 19 percent, led by exports from Asia while revenue per package rose four percent owing mainly to higher fuel surcharges and increased weight per parcel.

Revenue at FedEx Ground was up 13 percent at US\$1.96bn while operating income was 37 percent higher than the first quarter last year at US\$287m. Operating margin rose from 12.1 percent to 14.6 percent.

Average daily volume grew by seven percent, driven by business-to-business and home delivery.

FedEx SmartPost saw average daily volume rise by nine percent with net yield increasing by 19 percent. The increase in SmartPost yield was due primarily to lower postage costs resulting from more deliveries to US Postal Service final destination facilities, plus increased fuel surcharges.

FedEx Freight made an operating loss of US\$16 million compared with a profit of US\$2m in the first quarter last year. Yield dropped by three percent year-on-year owing mainly to discounted pricing in contracts signed in fiscal year 2010.

UPS repositions as logistics specialist

UPS is repositioning itself in a major advertising programme on the theme: "We love logistics," which is designed to highlight the company's competence in transportation and supply chain services.

The campaign, beginning in September in the United States, China, the United Kingdom and Mexico, is being accompanied by new advertising in the US for UPS Store, the first campaign for the retail network to be fully aligned with the corporate platform.

UPS said the logistics focus of its new campaign reflects the company's evolution in the past decade since it became a publicly traded company in 1999. It said it had expanded the scope of its capabilities considerably, mainly through the acquisition of more than 40 companies, including leaders in trucking, air freight, retail shipping, business services, customs brokerage, finance and international trade services.

Europe

Issue 416 | 29 September 2010

Americas

Asia-Pacific

UPS delivers faster door-to-door by sea

UPS has launched an ocean freight service for less-than-containerload shipments that it claims is 20 percent faster door-to-door than competing services.

LCL Ocean Freight combines the company's North American ground network with containerised ocean services to provide delivery to the US from Japan in eleven to 18 days, according to UPS. The company claims the new service will achieve a delivery time to the east coast of the US that is five to six days faster than the current standard service.

"With our Preferred LCL service, companies can bridge the speed and economy gap between air and ocean freight services," said Jimmy Crabbe, vice president of ocean freight service.

DHL offers frozen shipping with CryoPort

The US-based "frozen shipping" company, CryoPort, has signed up DHL Express for international transportation of life science samples.

The deal makes DHL CryoPort's second international partner alongside FedEx Express. It offers DHL customers CryoPort's proprietary transport and packaging system that allows tissue samples, blood and other biological material to remain frozen at minus 150C for more than ten days.

DHL customers will have direct access to CryoPort's internet order entry and tracking portal to order the CryoPort Express Shipper at preferred DHL shipping rates. CryoPort will integrate its web portal with DHL's tracking and billing systems.

FedEx ranking boosted by SenseAware

FedEx has gained a place in the top 100 of the InformationWeek 500, which lists the top technology innovators in the US.

Achieving 83rd place overall, FedEx was congratulated in particular for its SenseAware service giving customers real-time information about the temperature of their critical shipments.

SenseAware integrates a multi-sensor device with a web application enabling customers to monitor their shipments. The device is permitted by the Federal Aviation Administration for use during flight on FedEx aircraft measuring temperature and exposure to light.

>>In Brief - Americas

Supplying made simpler

UPS is one of five large United States companies to launch a joint website that provides a simplified application process for small businesses wishing to become their suppliers.

UPS gains diversity award

The Hispanic Business magazine in the United States has named UPS as one of its Diversity Elite 60 companies for its commitment to Hispanic employees through its hiring, promotion, marketing, philanthropy and supplier diversity.

Corruption scandal at Correios do Brasil

Brazilian postal operator Correios do Brasil is at the centre of a corruption scandal concerning contracts with airlines to fly mail and parcels within the country. Eduardo Artur Rodrigues Silva, Correios operations director, and Erenice Guerra, the chief of staff of Brazil's outgoing president, have both resigned.

Europe

Americas

Asia-Pacific

Issue 416 | 29 September 2010

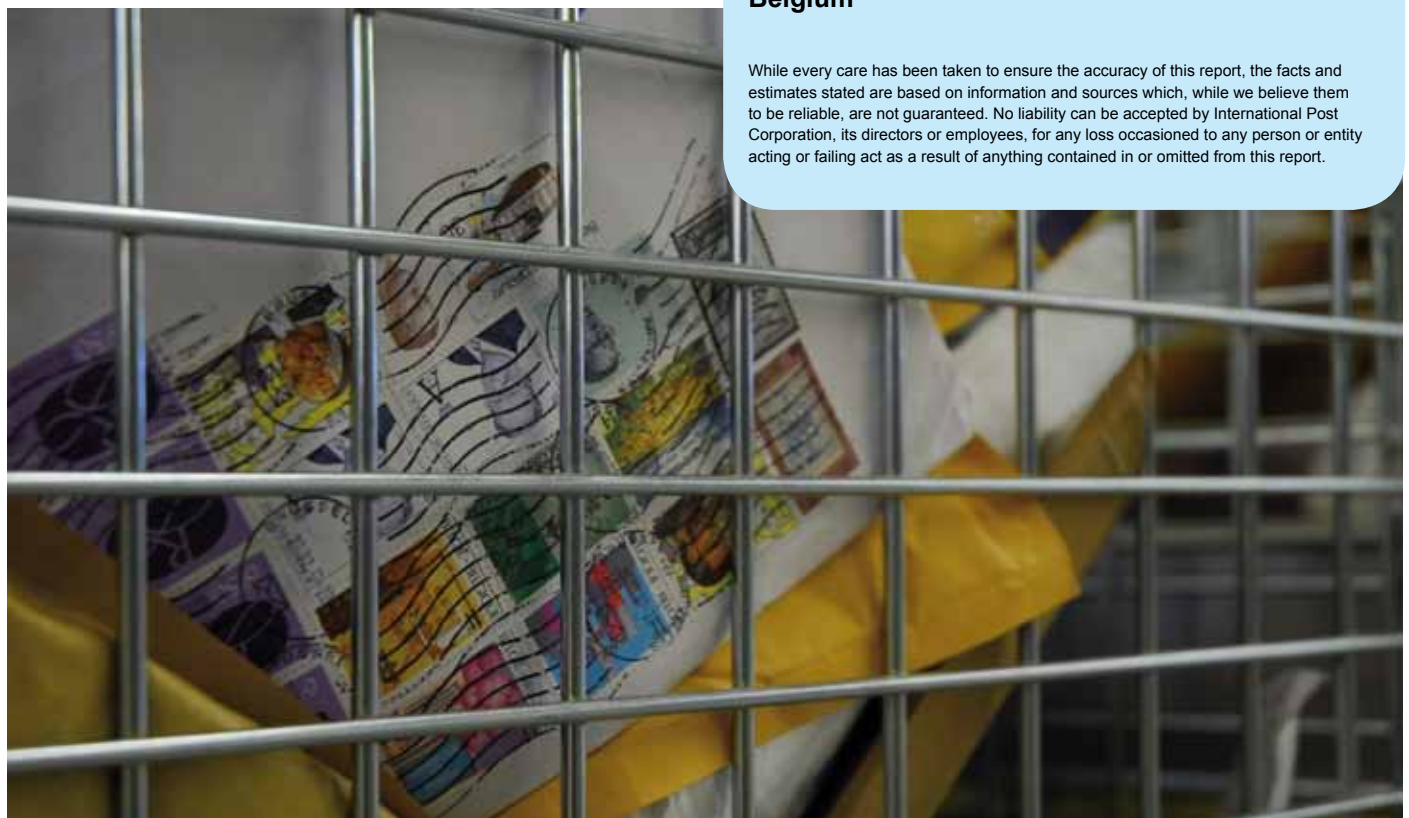
Asia-Pacific

DHL disaster team stays on in Pakistan

DHL has extended the deployment of its Disaster Response Team (DRT) in Pakistan following a recommendation by the United Nations in response to a request by the National Disaster Management Authority.

In the relief effort for flood victims, DHL's DRT has been ensuring efficient unloading of incoming relief goods in the military section of the Islamabad airport since August 26.

"To date, our employees have handled 2,632 tons of relief supplies and assembled 2,500 special emergency packs for remote areas," said Deutsche Post DHL chief executive Frank Appel. "Due to the nature of the disaster, the situation in Pakistan is improving only slowly which is why we decided to keep our Disaster Response Team on the ground."



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