

In this issue

EUROPE

- Air Express Growth Expected with Improving Economy
- Poste Italiane Signs MOU for Cyber-Security
- UK Postal Workers Strike
- Correos Predicts Losses in 2010
- German Party Seeks End to VAT Exemption
- Itella Modernises Mail Sorting
- La Poste Transformation to Go Ahead
- Swiss Post Customers Highly Satisfied
- Itella Germany Gets Its Message Across
- DHL Secures UK Business Worth GBP 54M

AMERICAS

- Fred Smith Keeps His Dual FedEx Role
- FedEx Installs Aircraft Fire-Fighting System
- Madison Awards DHL a Global Contract

ASIA-PACIFIC

- Australia Post Profits Decline
- DHL Invests in Life Science Units
- New Zealand Post Promotes Business Ideas
- TNT Sees Growth in High-Tech Sector
- Toll Buys Japanese Express Company

www.ipc.be

To access breaking news on the postal industry, visit our website www.ipc.be and subscribe to the RSS feeds. News archives and reports can also be accessed from our on-line media centre. *IPC Market Flash* readers who have not yet requested a password, can do so by contacting:

britt.janssens@ipc.be

Air Express Growth Expected with Improving Economy



The air express industry is likely to gain a higher proportion of international trade in value in the medium term when credit is once more freely available and trade rebounds.

That is one of the key conclusions in a joint study by Deutsche Post DHL and the London School of Economics: *"International Trade, Express Logistics and Globalization: Part and Parcel of the Solution to Current Economic Challenges."*

The study analyzed the cost and quality of logistics in Brazil, Russia, India and China and found that the cost and air freight in these countries is relatively constant compared to the cost of sea transport.

Countries wanting to attract businesses shipping by air express need to ensure reliability and timeliness, the study finds. "In particular, countries where traders can ask for low cost, transparent review of any decisions made on the ground will have a higher share of world trade," it states.

(Air Express Growth Expected with Improving Economy continued)

Commenting on the study findings, Frank Appel, chief executive of Deutsche Post DHL, said: "Transport and logistics costs in particular, outweigh tariffs as the greatest barriers to trade by a factor of 9:1. The study shows that countries which seek to be at the forefront of the next wave of globalization need to benchmark themselves against global best practices. Emerging economies reliant on exports can improve trade conditions to strengthen their international trade levels when the global economy rebounds."

The study singles out three major areas of potential expansion in the air express industry: individualised health care; documents transfer in international service industries and spare parts for equipment.

Europe

Poste Italiane Signs MOU for Cyber-Security



Poste Italiane has entered into a memorandum of understanding with the International Multilateral Partnership against Cyber Threats (IMPACT), establishing an international process for the information exchange and notification of alerts. Impact is a public-private body that brings together specialist IT companies with institutions to guarantee global security of IT communications.

The collaboration between Poste Italiane and IMPACT will focus on applied research; training and skills development; international cooperation and security policy drafting; and encouraging an IT security culture among institutions, enterprises and individuals.

The Italian government is supporting the collaboration, in particular the development of policies aimed at guaranteeing the security of digital communication.

The signing ceremony in Geneva was attended by the secretary general of the International Telecommunications Union, the UN agency specialised in information and communication technology, and Edouard Dayan, director general of the Universal Postal Union International Bureau.

UK Postal Workers Strike

The UK postal union, the Communication Workers Union (CWU), announced on October 15 that a national strike would begin on October 22 if no last-minute agreement was reached.

On the first day, 42,000 nationwide mail centre staff and network drivers would stay at home; on the second day, about 78,000 national delivery and collection staff would strike.

The rolling action is designed to inflict maximum disruption on mail operations with minimum loss of pay for workers.

Condemning the union's position as a "blatant and deplorable attack on customers and the future of the UK postal service," Royal Mail claimed that a so-called peace offer from the CWU on October 14 was in reality a series of fresh demands.

Its managing director, Mark Higson, referred to Royal Mail's promise that there would be no further changes in work practices this year (*Market Flash No 398*). He said the CWU had repeatedly asked for a pause in change in exchange for a moratorium on industrial action but had failed to deliver on its promise.

In a ballot, 61,623 of the 80,830 postal workers voted in favour of a strike, however, Royal Mail claimed that 60 percent of the total workforce had not voted to strike.

The union insists the company is imposing changes on postal workers - cutting jobs and pay - that were leading to a worsening service.

Denying the claim, Royal Mail argues that its managers are implementing a deal agreed with the union after the last national industrial dispute two years ago. In that deal, Royal Mail said, the CWU accepted job cuts needed to modernise the service.

Correos Predicts Losses in 2010

Correos has announced that it expects to make a loss of EUR 150 million next year.

A budget for 2010 presented to a committee of the Spanish parliament was described by Correos president Sixto Heredia Herrera as "prudent regarding revenues, realistic in terms of expenses and moderate in investment spending."

In 2008, Correos made an operating profit of EUR 81.3 million on revenues of EUR 2.23 billion, and its pre-tax profit was EUR 107.1 million.

This year, volumes are down about ten percent and a further decline in pre-tax profit is expected. In 2010, Correos is forecasting a pre-tax loss of EUR 151.5 million on revenues of EUR 2.1 billion.

Chronoexpres, the express unit, expects to fall into loss this year as a result of the impact of the recession, but forecasts it will achieve a profit of EUR 1.1 million in 2010.



German Party Seeks End to VAT Exemption

A desire to speed up the removal of Deutsche Post's VAT exemption has been expressed by Germany's designated coalition party in the newly formed government.

Gudrun Kopp, an FDP member of the German parliament, has told the media that her party will seek to cut Deutsche Post's tax advantage as soon as possible. The previous government had agreed to end the exemption at the end of next year.

The FDP's stance is supported by private postal operators, who called earlier this month for an effective level playing field in the liberalised German market. Four associations held a joint press conference where they called for removal of competitive barriers such as VAT exemption, unregulated pricing at Deutsche Post and the sector-wide minimum wage.

Removal of the VAT exemption is seen as good news for TNT Post, which has an estimated three percent of the mail market and remains loss-making in Germany. TNT announced on October 12 that it would team up with other mail operators in Germany to create a national delivery organisation called Mail Alliance.

The organisation would coordinate the services of TNT Post Germany, Berlin-based PIN Mail (the key remaining business of the former PIN Group) and regional distribution companies owned by German media groups.

Deutsche Post has high wage costs and is locked into a wage agreement that prevents it from cutting jobs before mid 2011. It is in talks with trade union Verdi about requiring employees to work more hours with no extra pay. It wants also to defer a planned wage rise by one year. If the talks fail, Deutsche Post says it could outsource some services or terminate mail delivery on Saturdays to reduce costs.

Itella Modernises Mail Sorting

Itella is to cut 360 jobs from its mail sorting operations in Finland next year following installation of new technology, the opening of two new centres and the expansion of two existing centres.

The job losses, representing just over two percent of the total workforce, are expected to be largely absorbed by natural wastage and redeployment.

Statutory labour negotiations have begun and will continue to the end of January. "We have listened to and heeded society's messages regarding preserving jobs," said Jukka Alho, president and chief executive of Itella. "Nevertheless, Itella has had to and will have to reduce its workforce. We have to stay competitive otherwise customers will choose another service provider."

The EUR 160 million modernisation plan will be completed by the end of next year. All domestic addressed direct mail, second class letters and some magazines will be handled by four new upgraded sorting centres alongside first class letter processing. Other sorting centres will concentrate on first class letter sorting.

Itella announced on October 8 that it would suspend the temporary lay-offs affecting 140 employees at its Vantaa logistics centre until the end of 2009. Previously, the company had planned to continue laying off employees for up to 30 working days up until the end of April 2010.

La Poste Transformation to Go Ahead

The French Government has confirmed its intention to transform La Poste into a limited company following an "anti-privatisation ballot" conducted in public squares and outside post offices by a coalition of trade unions, left-wing political parties and other organisations.

The so-called 'National committee against the privatisation of La Poste' collected 2.1 million votes in response to its question: "The government wants to privatise La Poste; are you for or against this?" More than 90 percent were against.

French Prime Minister François Fillon pointed out to parliament that the government is not planning to privatise. It has pledged that the newly formed limited company will remain 100 percent in public ownership and will receive EUR 2.7 billion of public money for modernisation.

The draft postal law will be debated in the Senate of the French parliament at the beginning of November and in the National Assembly in December.



Swiss Post Customers Highly Satisfied

The latest satisfaction survey of Swiss Post customers has produced a one point increase in satisfaction, with the group as a whole at 80 out of 100.

A new survey of satisfaction levels for postal agencies (post offices operating within shops) produced a rating of 75 points among private customers and 72 among businesses.

The overall score for post offices and sales was 87 points from private customers and 80 from businesses. PostFinance achieved high scores: 84 points from private customers and 83 from businesses.

The external study covered 10,000 businesses and 20,000 private individuals.

Itella Germany Gets Its Message Across

Itella Information in Germany has achieved the highest score for the way it communicates with customers about electronic invoicing, according to a survey conducted by consultancy and e-invoicing firm Billentis.

The survey analysed how e-invoicing companies provide information to potential customers. Billentis wanted to identify whether communications offered users an actual benefit at first glance and if the next steps to take were clearly communicated.

The survey examined the content of press releases, websites and blogs from about 70 European companies. It also included frequency of communication, the Google page rank and the number of unique monthly page views.

Billentis believes that potential e-invoicing customers are bombarded with information, receiving confusing messages. "Stakeholders should jointly develop the market and raise awareness for electronic invoices. The actual benefits for the user should always be visible at first glance," said Bruno Koch, chief executive.



Europe

Issue 399 | 20 October 2009

print | next

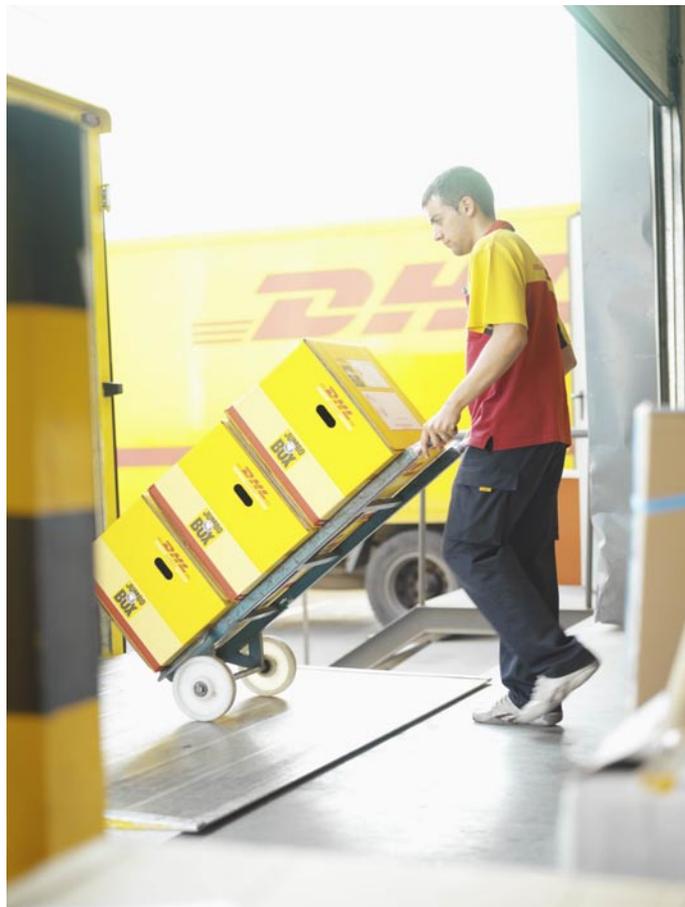
Americas

Asia-Pacific

DHL Secures UK Business Worth GBP 54M

DHL has secured a five-year GBP 20 million contract to provide warehouse and distribution services for global polymer processing supplier REHAU following a 20-year relationship with the company.

A second contract was signed with department store group House of Fraser. DHL will operate a multi-channel contract worth GBP 33.7 million up to 2012. The new commercial agreement extends an existing contract and adds House of Fraser's online shopping and wedding list businesses.



>>In Brief - Europe

Itella Outsources Some IT Development

Itella Information has outsourced part of its IT development work in order to focus on its core business of finding solutions related to invoicing and financial administration services. Nice-business Solutions will take over 29 former Itella specialist employees as part of the deal.

UK Post Office Offers Business Insurance

The UK Post Office has launched a new business insurance product to extend its range of financial services for businesses. The offer includes protection for fire, theft, employee and public liability, professional indemnity plus cover for tools, equipment and business interruption.

Itella Integrates Its Logistics Subsidiaries

Itella Logistics has merged three of its subsidiaries with Itella Logistics Oy to combine domestic warehousing and foreign transport into one legal entity and to clarify operations internally. The three subsidiaries are AW-Store, Kauko Group and SHW Logistikka.

DHL Signs Supplier Deal with Scania

DHL has signed a pan-European agreement with Scania. It will recommend Scania's heavy trucks to its subcontracting hauliers in the DHL PartnerStore programme. Scania will guarantee to supply vehicles that meet DHL's requirements.

Deutsche Post DHL Adds to its eBay Service

Deutsche Post DHL is expanding its partnership with eBay, offering a new online tool, DHL selling manager, to help medium-volume sellers manage their sales processes. Online franking is now integrated in the My eBay application for prepayment and printing.

FedEx Offers Tracking Tool in the Middle East

FedEx is offering its customers in the United Arab Emirates, Bahrain and Kuwait FedEx Desktop, a free download tracking tool that sends automatic, real-time shipment updates to their personal computer until the shipment is delivered.

Europe

Americas

Asia-Pacific

Issue 399 | 20 October 2009

print | next

Americas

Fred Smith Keeps His Dual FedEx Role

The FedEx Corp founder Fred Smith is to remain as both chief executive and chairman of the company following a shareholder vote which rejected a call by the Teamsters Union to split the roles.

The Teamsters wanted the FedEx chairman to be an independent director who had not previously served as an executive officer of FedEx.

The vote took place at the annual general meeting where Mr Smith was in upbeat mood. He told shareholders: "We think we have hit the bottom and traffic is climbing up from a multi-year low."

FedEx Installs Aircraft Fire-Fighting Systems

FedEx Express is equipping its aircraft with what it claims to be the industry's first onboard automatic fire-suppression system (FSS) to increase safety on aircraft flying internationally over water.

The proprietary system took seven years to design and develop. FedEx plans to fit a total of 74 wide-body aircraft, with each installation requiring about 700 man-hours.

The fleet of 59 MD-11 freighters is due to be fitted by early 2011; installation in Boeing 777 freighters will include the technology when they enter service in early 2010.

The FSS features a network of infrared thermal sensors, foaming agent generators and an overhead cargo container injector. If the sensors detect heat, the fire suppressant technology located above each cargo container is activated and the crew is alerted.

The FSS pierces the container and fills it with argon-based biodegradable and non-corrosive foam that is claimed to extinguish the fire in minutes. Cargo in other containers is unaffected.



Madison Awards DHL a Global Contract

DHL is the preferred international express shipping provider for Madison Components, a United States distributor of electronic components used by original equipment and contract electronic manufacturers.

DHL will deliver products between Madison's US and global network of suppliers and to customers worldwide.

>>In Brief - Americas

New Chief Appointed at FedEx Trade Networks

Fred Schardt has been appointed the new president and chief executive of FedEx Trade Networks, the company's international ocean and air freight forwarding arm. He has more than 35 years freight forwarding experience and joined FedEx in 2008.

Asia-Pacific

Australia Post Profits Decline

Australia Post's revenue was stable at AUD 5 billion during its financial year 2008/09 (a 0.5 percent increase) but pre-tax profit declined 35 percent year-on-year to AUD 380.9 million.

Underlying profit fell fourteen percent, according to Australian Post chairman David Mortimer, owing to pension costs in a tougher financial market, movements in bond rates and property valuations.

"This was a very tough year for Australia Post, as it was for businesses throughout the world, but our underlying profit shows that we are still in a strong position," he said.

For the first time in six years, volume of all items declined from a record high of 5.6 billion last year to 5.3 billion this year.

The volume of letters handled dropped by 4.1 percent, while overall letter revenue increased 0.7 percent to contribute AUD 2.8 billion. Agency services and retail products grew by 3.2 percent to AUD 736 million.

The parcels and logistics business saw its revenue increase by 2.5 percent overall to AUD 1.3 billion.

Australia Post met or exceeded all its service quality obligations in 2008/09. These included a 95.5 percent on-time or early delivery performance for domestic letters.

DHL Invests in Life Science Units

DHL is investing USD 15 million in three life science competence centres in Singapore, Mumbai and Hyderabad to bring its total number of centres to 19 worldwide.

The company said that Asia and other emerging markets were key sourcing, manufacturing and distribution bases for the global pharmaceutical industry and would increasingly be key markets for consumption. The new competence centres will comprise a core team developing solutions to help customers manage their supply chains better.

In a linked initiative, DHL is launching a unit in Singapore for global forwarding of aid and relief. This draws on the company's life sciences expertise to provide logistics solutions for humanitarian organisations dealing with sensitive and life-critical shipments as part of aid and relief efforts.



Europe

Americas

Asia-Pacific

Issue 399 | 20 October 2009

print | next

New Zealand Post Promotes Business Ideas

The New Zealand Post Group is helping employers to encourage entrepreneurship in their businesses through its partnership with Business NZ.

The partners will canvass companies to join the Unleash! It programme which encourages employees to submit their entrepreneurial ideas for Global Entrepreneurship Week from November 16 to 23.

TNT Sees Growth in High-Tech Sector



TNT says it has achieved double-digit growth in the high-tech sector in Asia this year owing in part to accommodating modal shifts from sea to air and sea to road.

The company was awarded the Outstanding Partner in Supply Chain Excellence Award at the SCM Logistics Excellence Awards in Singapore earlier this month. The award recognises innovative supply chain solutions that have improved customers' business performance.

TNT has developed a model to determine the optimal mode of transport for a business. TNT claims its IDEA tool can compute financial savings derived from reducing or eliminating cycle stock and in-cycle inventory; safety stock and dead stock and from avoiding service enhancement stock.

TNT says that businesses in the high-tech and electronics sectors are most concerned about keeping their inventory low to prevent product obsolescence. They are developing a "build-to-supply" model, which requires shorter delivery times and reduced costs.

Toll Buys Japanese Express Company

Australia's Toll Group is acquiring Footwork Express, a Japanese express freight operator employing more than 5,000 people with revenue of about AUD 775 million.

Toll had a minority stake and will pay AUD 95 million for the remaining 64 percent of the company.

"The control that we will gain from the acquisition of the remaining equity will allow us to make the operational changes needed to secure the future success of Footwork within Japan and the region," said managing director Paul Little.



ABOUT THIS PUBLICATION

IPC Market Flash is a bi-weekly newsletter providing a comprehensive look at new developments emerging in the international postal marketplace. It is published by the Markets and Communication Department of the International Post Corporation.

IPC Market Flash is sent out exclusively to IPC member posts. If you would like to contribute an article or photograph to this publication please contact us via email at publications@ipc.be or send your submissions to:

IPC
Head of Communication
Avenue du Bourget, 44
1130, Brussels
Belgium

While every care has been taken to ensure the accuracy of this report, the facts and estimates stated are based on information and sources which, while we believe them to be reliable, are not guaranteed. No liability can be accepted by International Post Corporation, its directors or employees, for any loss occasioned to any person or entity acting or failing to act as a result of anything contained in or omitted from this report.

