International Post Corporation

Market Flash

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In this issue

Posten Norden Publishes First Results

Posten Norden has published its first set of figures combining results from Posten AB of Sweden with those of Post Danmark.

The newly merged group announced net sales for the nine months from January to September of SEK 32.99 billion, SEK 750 million lower than the same period last year.

Operating earnings SEK 969 million, a significant decline on the SEK 2.5 billion achieved in the same period last year.

Earnings before tax were higher at SEK 3.13 billion compared with SEK 2.84 billion. The group enjoyed a SEK 2 billion capital gain arising from the sale of Post Danmark's stake in De Post/La Poste of Belgium.

In a separate announcement, Post Danmark released figures for the first nine months, revealing a profit after tax of DKK 1.71 billion compared with DKK 666 million in the same period last year. That profit was due entirely to proceeds from divestment of the stake in De Post/La Poste.

Post Danmark's operating profit after tax for the nine months was DKK 235 million compared with DKK 726 million in the same period last year. It said operating profit had reduced, owing to heavy decline in letter and parcels volumes.

Letter volume dropped by nine percent in the past 12 months while parcels declined even more sharply.

Posten Norden's logistics businesses in Denmark, operated by Post Danmark and DPD, have sold some customer contracts for standard business-to-business parcels to GLS in accordance with a prerequisite for the merger stipulated by the European Commission.

(Posten Norden Publishes First Results continued)

GLS is acquiring contracts representing about ten percent of the Danish domestic standard B2B parcel market. The transferring contracts were selected randomly against criteria such as geography, customer size and line of business to represent a mirror image of the Post Danmark/DPD customer base.

Europe

Cost Control Aids Deutsche Post DHL

Strong cost management softened the impact of economic downturn on Deutsche Post DHL's business in the third quarter.

Revenue fell 18.6 percent year-on-year to EUR 11.2 billion, but cost control limited underlying earnings before interest and tax (EBIT) to ten percent below the previous year's level at EUR 378 million. In fact, the company said that underlying EBIT actually rose by about 25 percent if the negative EUR 146 million related to the insolvency of customer Arcandor were excluded.

"With our cost management bearing fruit we are able to mostly offset the negative effects of the crisis," said chief executive Frank Appel.

The group is confident it will reduce indirect costs by EUR 1 billion by the end of 2009, a year earlier than originally planned. In the first nine months, Deutsche Post DHL achieved savings of EUR 720 million.

Reported group EBIT for the quarter was EUR 231 million compared with EUR 953 million in the third quarter last year. The steep decrease resulted mainly because last year's figure included EU state aid repayments.

The lower value of put options on shares of Deutsche Postbank also had a negative impact on consolidated net profit after minorities. In the third quarter, the mail division achieved revenues of EUR 3.3 billion, 3.9 percent lower than last year. EBIT was EUR 323 million, 6.1 percent lower than the same period last year.

The company said cost control was particularly successful in the express division where revenue fell year-on-year by almost EUR 1 billion to EUR 2.5 billion. However, profitability actually rose to produce an underlying EBIT of EUR 131 million compared with EUR 24 million last year.

Deutsche Post DHL is now targeting a full-year EBIT of EUR 1.35 billion, higher than the EUR 1.2 billion previously forecast. It continues to expect a positive net profit for the full year.

TNT Sees Signs of More Stable Conditions

TNT emphasised its strong cash position as it announced third quarter profit from continuing operations ten percent below the same period last year at EUR 102 million.

Chief executive Peter Bakker said the trading environment had stabilised during the quarter and EBIT from both divisions was satisfactory. The rate of decline in express volumes had improved modestly, although price pressure remained. Mail had achieved a solid result, helped by savings during the quarter.

Earnings before interest and tax (EBIT) were 14.4 percent below the third quarter of 2008 at EUR 179 million, but at constant currency the underlying EBIT figure was EUR 194 million, the company said.

Group revenues were 7.6 percent down year-on-year at EUR 2.48 billion, but the underlying revenue figure was EUR 2.53 billion, 5.8 percent below the third quarter of 2008.

Mail revenue was stable at EUR 956 million compared with EUR 964 million with mail EBIT down 1.7 percent at EUR 114 million. Express revenues, however, dropped by 11.4 percent to EUR 1.47 billion with EBIT declining by 36.4 percent to EUR 63 million.

PostFinance Boosts Swiss Post Figuress

Swiss Post has announced nine month figures and a restructuring of its corporate governance that includes board oversight of PostFinance's transition to an autonomous public limited company.

PostFinance boosted Swiss Post's group profit for the nine months to end September to CHF 553 million, compared with CHF 496 million in the same period last year.

Group operating profit for the first nine months, however, was CHF 559 million, compared with CHF 499 million last year, while operating income fell by 2.5 percent to CHF 6.3 billion.

PostMail was particularly hard-hit, achieving an operating surplus of CHF 141 million compared with CHF 155 million last year. Letter postage rates were reduced in July 2009, and letter volume has declined by 4.9 percent year-on-year.

The retail network suffered an operating loss of CHF 94 million, CHF 19 million more than in the same period last year. PostLogistics saw its operating surplus drop by CHF 1 million to CHF 26 million.

Swiss Post International enjoyed strong growth, raising its operating surplus from CHF 21 million to CHF 39 million.

Star performer PostFinance lifted its operating income by 76 percent from CHF 199 million to CHF 351 million owing to above-average growth in new customers and deposits and smaller write-downs.

The board of directors has announced it is clarifying its role to exert greater influence on Swiss Post's development in line with the corporate governance process favoured by the Swiss Confederation.

Two new board committees will oversee mergers, acquisitions and alliances, and PostFinance. The PostFinance committee will support its transition into an autonomous public limited company.

Norway Post Results Show Improvement

Norway Post improved its position in the first nine months of the year, increasing earnings before non-recurring items and write-downs from NOK 345 million in the first three quarters last year to NOK 647 million this year.

Reasons given for increased profitability was the Spinnaker efficiency programme, which achieved savings worth NOK 563 million in the nine months, and a payment by the Norwegian state for mandatory, unprofitable services in accordance with licence conditions.

Letter volume was 13.5 percent lower at the end of September than at the same time last year. Addressed mail fell by 8.6 percent, but unaddressed direct mail declined by 17.5 percent.

Revenue from the ErgoGroup IT business fell by six percent owing mainly to a slump in the Swedish market. So far this year, however, the business has won new contract worth NOK 2.14 billion, NOK 136 million more than in the same period last year.

In the logistics business, branded 'Bring', operating revenues were three percent lower in the first three quarters. Poorer capacity utilisation had a negative effect on profitability.

Norway Post announced that the mail distribution business, Bring CityMail Danmark, is being closed down with the loss of 440 jobs.

The company has distributed business mail in the Copenhagen area since 2007. It blamed the economic downturn and its requirement to charge VAT on its failure to achieve profitability. The operation has made a total loss of about NOK 500 million.

Bring CityMail in Sweden will continue. After 18 years of operation, Norway Post said the business had a stable customer portfolio. It has implemented a cost-cutting programme.

Senate Approves La Poste Status Change

The French Senate has adopted the draft measure to transform La Poste into a state-owned limited company and incorporate the EU postal directive into French law.

It made two changes to the original draft: it ensured that a minimum of 17,000 postal outlets are maintained offering full postal and banking services, and guaranteed financing for the service point network.

Once the transformation has taken place, La Poste will receive EUR 2.7 billion in state funds to finance its strategic growth.

The Senate voted 183 in favour and 152 against, with socialists, communists, greens and other smaller parties opposing. Despite pledges that La Poste will remain wholly in public ownership, the opposition said the draft cleared the way for total privatisation.

Following the vote, five unions representing about 95 percent of French postal workers declared a strike on November 24 in protest against the transformation. The unions said they would hold another strike in the week beginning December 13 if the government continued with the draft law.

UK Postal Strikes Suspended for Talks

The UK's Royal Mail and the Communication Workers Union (CWU) have agreed on a "period of calm" until the end of the year that will allow negotiations to resume and the Christmas mail to be delivered without further strikes.

On November 5, Royal Mail and the CWU reached an interim agreement, just before two days of national strike were due to begin. The CWU said the deal would guarantee the introduction of modernisation with agreed job security and improved terms and conditions.

In-depth negotiations are now taking place under an independent mediator. The Trade Union Congress general secretary Brendan Barber, who mediated the interim agreement, said there remained "an immense amount of hard work" to hammer out the final way forward in a company facing a period of dramatic change.

Deutsche Post Pay Deal Brings Cost Saving

Deutsche Post DHL has reached a pay agreement with German postal union Verdi. The deal is designed to protect jobs and stabilise costs and includes a wage freeze in 2010 and 2011 after a three percent pay increase on December 1 this year.

The cost reduction measures in the current collective bargaining agreement will be extended for up to two years. This includes keeping Christmas Eve and New Year's Eve as work days. In return, employees covered by the agreement will receive a lump sum payment of EUR 320 in March 2011.

The new agreement retains the reduction in paid breaks contained in the present agreement until December 2011. This results in an additional 50 minutes working time without extra pay. Deutsche Post's promise not to lay off any employees for business reasons is also extended.

The union has agreed to further negotiations aimed at solving the structural problems at Deutsche Post should the business situation deteriorate further.

In a package of measures, Deutsche Post DHL has obtained agreement from the union to expand its use of outsourcing in parcels and transport. It will appoint partner companies to an additional 166 parcel delivery districts, bringing the total number outsourced to 990. For transport between mail centres, an additional 550 drivers can now be replaced by service partners.

Overall, Deutsche Post DHL said the agreement would result in cost savings of EUR 140 million in 2010 and EUR 230 million in 2011.

Chief executive Frank Appel said: "We have achieved a stage win in our work to stabilise earnings at the mail division and to secure jobs. We believe that we have made a significant contribution to bolstering earnings at mail for the next two years."

TNT Proposes Pay Cut to Save Jobs

TNT has made a new proposal to its postal unions in the Netherlands, offering job security for most staff in return for a general pay cut.

The move came after union leaders accepted that staff would have to choose between securing jobs with a pay cut and maintaining pay levels with heavy redundancies.

In a letter to employees, TNT said it wanted pay reductions between 2 percent and 3.5 percent; a reduction of 3.5 percent would limit the number of redundancies to 1,000.

P&T in ICT Research Partnership

P&T Luxembourg has signed a research partnership with the University of Luxembourg's Interdisciplinary Centre for Security, Reliability and Trust (SnT).

The partners will research new information and communication technologies (ICT), focusing on innovative projects in the areas of the internet, vehicle networks, machine-to-machine communications, logistics and sustainable development.

P&T sees the partnership as an opportunity to accelerate its strategy of technological diversification and to develop both its know-how and equipment.

The SnT partnership programme forms a platform for cooperation with industrial and governmental bodies. Partners provide finance and know-how and contribute to strategic planning.

Deutsche Post DHL Signs Telecom Contract

Deutsche Post DHL has signed a five-year contract for T-Systems to provide connectivity between its data centres and to manage telecommunications across the world.

The contract is part of a global efficiency programme that Deutsche Post DHL says has achieved savings of EUR 190 million over five years.

T-Systems currently supplies telecoms services to Deutsche Post DHL in Germany. It is now responsible for connecting data centres in Prague, the Czech Republic, Malaysia and the United States to the worldwide telecommunications network. It will also manage services provided by regional telecoms vendors to ensure a seamless global network.

PostFinance Offers Products for SMEs

PostFinance of Switzerland has launched the first products to come out of the alliance it formed with Valiant on September 1.

The products are aimed at small and medium sized enterprises (SMEs). Initially, PostFinance will offer a current account credit line and a fixed advance as classic corporate loans. In addition, it will offer a loan providing long-term finance for investments.

From mid-2010 more products are expected to launch, including commercial mortgages and mortgages for private customers.

PostFinance said the establishment of a joint loan processing centre with Valiant was on track with an initial team drawn from both financial institutions already working together.

DHL Enhances e-Commerce Services

DHL plans to enhance its parcel services to the e-commerce sector in Germany in order to capture its share of expected 14 to 15 percent growth in business-to-consumer business.

"In the past service providers were focused on shippers; today there is more pull from customers," said Andrej Busch, head of marketing at DHL Parcel Germany.

Next year, the company will introduce an SMS messaging service to inform consumers in advance when goods will be delivered. "Recipients will have the option of changing the time of delivery," said Mr Busch. He said that re-routing option for deliveries could follow a year later.

DHL is also considering the use of electronic ID that would enable consumers to create profiles giving information about their preferred delivery address and times. The ID could also be used for a secure email system being considered by Deutsche Post DHL.

The network of secure Packstation parcel drop-off and collection points now has 2,500 locations and 1.2 million registered users. DHL believes the customer base could eventually be ten million German households.

DHL is also building an online shipping community through its Mienpaket portal, which has a product search engine, exclusive offers and price comparison services, as well as features including online ordering and delivery to Packstation.

GLS Enhances its Service Offer

GLS has introduced new enhancements to its parcels services in Germany, Belgium and Austria.

In Germany it has launched Easy-Start, an online service for small volume shippers, offering label printing, parcel pick-up, address management and tracking.

In Belgium, the company offers a business-to-consumer returns option for mail order goods. Consumers can drop off return parcels at one of 150 GLS parcel shops free of charge for onward shipment to the mail order company.

In Austria, GLS has increased its express volumes by offering optional before-noon delivery in addition to guaranteed next day delivery.

DPD Gains ISO 14001 across the UK

DPD has gained ISO 14001 environmental management accreditation in the UK for all of its 42 depots, hubs and central departments in the country.

UK chief executive Dwain McDonald said: "To have gained this accreditation in just eight months is a remarkable achievement. We know our employees want us to be environmentally responsible and it is also of increasing importance to our customers, so it's a win-win situation."

Elsewhere in Europe, DPD has renewed contracts in the Netherlands with child safety product manufacturer Dorel, health specialist Herbalife and sportswear manufacturer Helly Hansen.

In Estonia, the company has a new online ordering service that allows non-contract shippers to pay by bank link and order parcel collection.

Chronopost Links to Exporters

Chronopost is to build closer relationships with small and medium-sized French enterprises wishing to export their products. It has formed a partnership with government agency UBIFRANCE, whose clients are interested in exporting their goods.

The partnership will provide greater visibility for Chronopost's international services, including same-day collection, connection to its international hub at Roissy and assisted Customs clearance through its dedicated customer service department.

Prepare for Permanent Volatility

A report commissioned by DHL Supply Chain warns that technology industries must prepare for "permanent volatility" as the future global business environment will be defined by risk and uncertainty.

The report, entitled: "*Embrace Volatility - A route to steer technology supply chains out of the recession*", is written by the independent think tank, FreshMinds.

It indicates ways for companies to manage their way through an unstable future marketplace where erratic consumer demand, supplier solvency risk, fluctuating exchange rates and increased transportation costs are expected to require fundamental shifts in technology business models.

One contributor to the report, Yossi Sheffi, director of the Centre for Transportation & Logistics at MIT, says: "The problem is that many issues that make supply chains really more responsive require long-term investment and, in fact, we see some of the opposite - people are not putting in long-term investment."

To prepare for and manage a state of permanent volatility, the DHL report pinpoints diversification and agile supply chains as critical to the future strategy of all technology companies.

>>In Brief - Europe

DHL Supply Chain Wins UK Contracts
DHL Supply Chain has won two major five-year contracts in the UK, one to transport News International newspapers from printing plants to wholesalers, and the other to provide warehousing and distribution services for polymer processing supplier REHAU

Itella Bond Oversubscribed
The issue of Itella Corporation's EUR 150 million, seven-year domestic bond with an annual coupon of 4.375 percent was oversubscribed. The proceeds will be used for general corporate and refinancing purposes.

Aramex Builds Dubai Logistics Centre
Middle East transporter Aramex has begun constructing its new AED 120 million logistics centre, located in Dubai Logistics City (DLC), close to the emirate's new international airport. The 43,000sq metre facility is due for completion in the first quarter of 2011.

UK Post Office Best for Travellers
The UK Post Office has been named Best Travel Insurance Company in the British Travel Awards for the fourth year running and Best Foreign Exchange Company for the third consecutive year.

Correios Handles Cash for Billers
CTT Correios de Portugal handles cash amounting to almost 15 percent of Portuguese GDP, according to a statement from the company. Its postal payment system services 400 of the country's biggest billers to execute almost 30 million transactions a year.

Americas

UPS is Looking for More Acquisitions

UPS has stressed that it is looking for acquisitions to grow its supply chain and freight forwarding activities. Its top priorities for expansion are China and the Middle East and the healthcare sector.

"We're strengthening ourselves in emerging markets, the Middle East, Asia and areas where we think we can invest and grow," chairman and chief executive Scott Davis said in an interview with Bloomberg.

Chief financial officer Kurt Kuehn pointed out that company valuations have fallen to more "realistic" levels owing to the recession.

The executives made their comments on the 10th anniversary of the company's initial public offer. Mr Davis said that the IPO had allowed UPS to use its financial strength to expand its business.

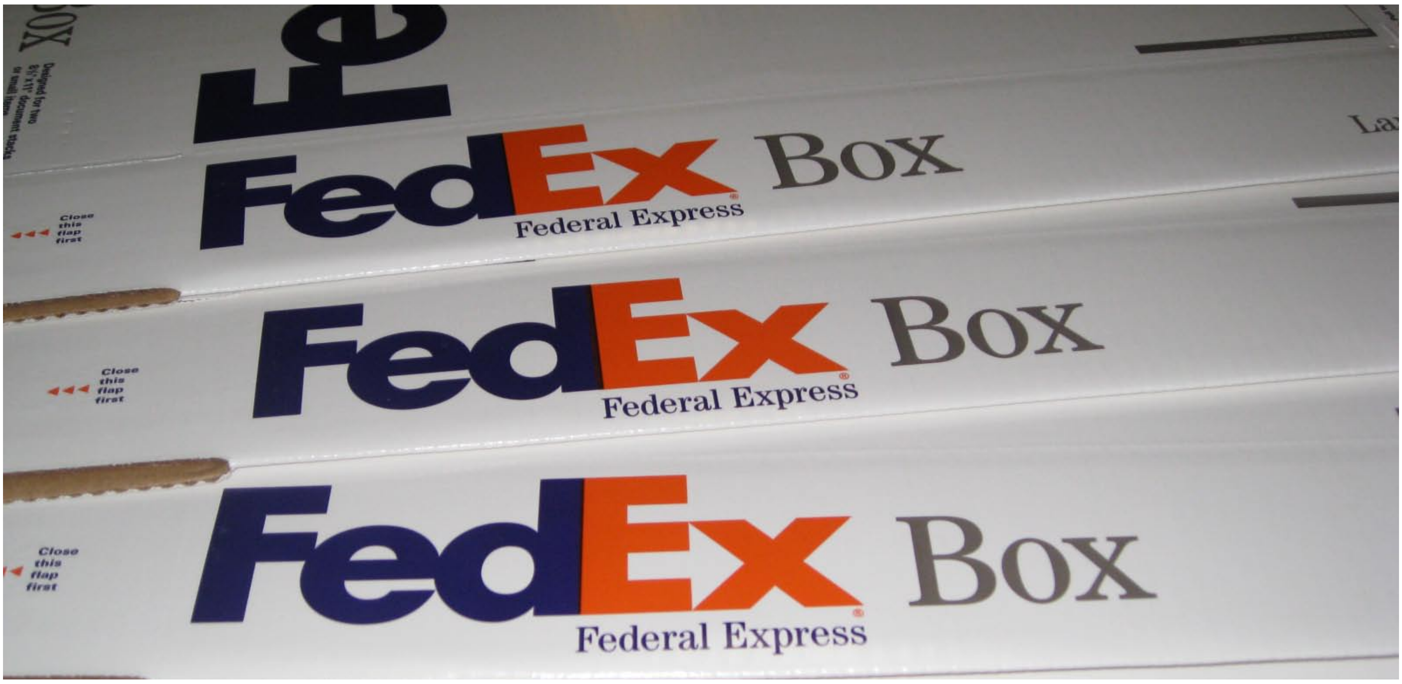
The company is in a strong financial position for potential acquisitions. In the first nine months of 2009, it generated USD 3.4 billion in free cash flow and ended the third quarter with USD 2.8 billion in cash and short-term investments.

IRS Clears FedEx Contractors

FedEx Corp has welcomed a decision by an audit team for the United States Internal Revenue Service (IRS) not to assess any tax or penalties with regard to independent contractors working for FedEx Ground, including FedEx Home Delivery independent contractors.

The audit team issued a revised notice relating to calendar year 2002. While similar issues are still under audit for years 2004 to 2008, FedEx said it believed the audit team would reach the same conclusion for those years.

"FedEx Ground's independent contractor model has been tremendously successful for customers, contractors and the company for more than 20 years, and we believe the IRS decision provides further vindication of the model," the company said in a statement.



UPS Launches iPhone Shipping App

UPS has launched a new application for iPhone users enabling them to create and track shipments using their My UPS address book, calculate shipping rates and delivery times and locate the nearest UPS outlet.

Mobile App for iPhone is available for download free and UPS has set up an information page on its website.

"Apple users are an innovative group of customers who appreciate the capabilities that make the most of their devices," said Jordan Colletta, vice president of customer technology marketing at UPS.

FedEx Express Brazil Offers Cheaper Option

FedEx Express has introduced economy services to customers in Brazil offering rates up to 28 percent below charges for its priority services.

It is offering FedEx International Economy to 203 destination countries and FedEx International Economy Freight to 83 destinations. Both door-to-door services offer customs clearance and time-definite delivery with money-back guarantees.

UPS Wins Major Auto Contract

UPS has won a long-term contract to oversee the entire supply chain for automotive remarketing services company Manheim.

Its Automotive Industry Solutions Group will work on behalf of Manheim's customers, including dealerships, auto manufacturers, car rental companies and financial institutions, to arrange pick-up and drop-off of millions of vehicles bound for Manheim's 77 operating locations in the United States.

UPS will coordinate and dispatch requests from all of Manheim's operating locations, consolidating shipments to gain efficiencies. It will also provide Manheim with consistent transport paperwork, payment terms and processes.

>>In Brief - Americas

New Chief for FedEx Freight
FedEx Corp has appointed William J. Logue as president of FedEx Freight Corp to replace Douglas G. Duncan, who is retiring at the end of February. Mr Logue joined FedEx in 1989 through its Flying Tigers acquisition and is currently executive vice president and chief operating officer of FedEx Express United States.

Asia-Pacific

DHL Opens Multi-Purpose Melbourne Hub

DHL has opened its new AUD 35 million airfreight facility at Melbourne Airport to serve international trade in the Victoria and Tasmania region and support its growth in Asia as a whole.

The hub covers 50,000sq metres and has two cool rooms for perishable food and life-science products. Specialist operational and management teams are based at the hub offering international market knowledge, quality control and expertise in the import and export of controlled substances and cool chain products.

DHL has gained TAPA "A" security accreditation for the facility and has incorporated environmentally friendly features into the building, including three rain tanks.

The company's International Supply Chain Services will also operate through the hub and its Door to More service between Australia and New Zealand. This enables shipments to be processed in bulk and consolidated into one consignment for customs clearance and speedy delivery to multiple domestic and retail end users.

FedEx Gains High Ranking in Asia 200

FedEx Express has been ranked 23rd in the *Wall Street Journal Asia 200 Survey* of Asia's most admired companies.

The company has consistently been ranked in the survey since it began in 1993; it said its 23rd place was 20 places higher than the next express company to achieve a ranking.

The survey lists the top 200 multinationals operating in Asia, and corporations headquartered in Asia, according to five attributes: reputation, product quality, long-term management vision, innovation in response to customer needs and financial strength. It is based on survey responses from 2,622 executives in twelve Asian countries.

Toll Acquires Freight Forwarders

Australia's Toll Group continues to expand its freight forwarding with acquisitions in Asia and the Middle East.

It has taken over Japanese express logistics company Footwork Express, which has annual revenue of AUD 775 million.

In New Zealand, the company has acquired for AUD 50 million the freight forwarding company, Express Logistics Group, with branches in New Zealand, Australia and the United States. This company specialises in serving apparel and footwear retailers.

And in the United Arab Emirates, Toll has purchased airfreight forwarder Logistic Distribution Systems (LDS), a private international company with revenues of about AUS 50 million.

"The Middle East, and in particular the UAE, is a key strategic market for Toll Global Forwarding. The acquisition of LDS enhances our existing operations in the Middle East and is consistent with our growth strategy," said Toll Group's managing director, Paul Little.

ABOUT THIS PUBLICATION

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