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## Loss-making Correos Gives 2010 Warning



Correos of Spain suffered a net loss in 2009 and has warned it could suffer greater losses in 2010.

Despite EUR 2 million net loss, the postal operator did make an operating profit of about EUR 29 million, which still is considerably less than its 2008 operating profit of EUR 81.3 million.

Correos revenue fell by 4.5 percent to EUR 2.04 billion owing mostly to a 9.6 percent drop in letter volume; in 2008, volume dropped by 5.2 percent.

Express volumes at the Chronoexpres subsidiary fell by 2.4 percent to 29 million items and revenue fell by eight percent to EUR 132.5 million. The express business ended 2009 with a net loss of EUR 4.7 million.

Correos Group, which includes all subsidiaries, achieved a net profit of EUR 3 million on total revenues down 4.8 percent to EUR 2.19 billion.

The company said it would continue its diversification, expanding domestic and international parcels services, online products and financial services. It said, however, that the outlook is poor: it expects total revenues of EUR 2.1 billion in 2010 but has not released an updated profit outlook for the full year.

Correos president, Sixto Heredia, is stepping down, to be replaced by Alberto Lafuente, who has been director general of the Spanish state lottery technical system since 2005.

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### An Post Reports Group Pre-Tax Loss

An Post has reported a EUR 5.7 million operating profit for 2009 but a group pre-tax loss of EUR 25.6 million, owing in large part to a EUR 20.5 million pension-related charge and losses of EUR 10.6 million at Postbank.

The company's pension fund is below the Minimum Funding Standard with a deficit of EUR 403 million.

Turnover in the full year was down by 5.4 percent to EUR 804.2 million. The company reduced operating costs by EUR 20.3 million, while continuing to invest in its transformation programme.

Mail volume declined by ten percent, although that was offset in part by increases in revenue from the retail business with post office-based financial services driving growth.

Describing 2009 as a difficult year, An Post chief executive Donal Connell said the company had worked with staff and suppliers to achieve immediate cost savings in response to a significant drop in mail revenue.



The company is broadening its revenue base by expanding its products and services, including Postfone, a value-for-money mobile phone service.

In 2009, An Post wound down its Postbank joint venture with BNP Paribas and took back into full ownership the One Direct insurance and PostPoint e-top-up businesses.

Mr. Connell said: "Our focus remains firmly on extending our revenue base and last year we purchased a majority shareholding in the Gift Voucher Shop which trades very successfully in Ireland. It is now investing heavily in the UK following the signing of an exclusive distribution agreement with the British Post Office. Also, our wholly owned and strongly performing UK subsidiary, Air Business, acquired a key competitor, Jordan and Co International Ltd., which will allow it to further grow its mails fulfilment and distribution revenue."

### Itella Seeks USO Clarity

The president and chief executive of Itella Group has voiced concern about upcoming Postal Services Act in Finland.

Jukka Alho says that clear and unambiguous guidelines are needed on the definition of the universal service, the financing of postal services in sparsely populated areas and the allocation of costs incurred by the shared delivery network for regulated and non regulated products.

Itella is to transfer all operations associated with postal services in Finland to a new subsidiary, Itella Posti Oy, at the beginning of 2011. The company said the new structure would simplify management and increase the financial transparency of its operations.

In the first quarter of 2010, the group achieved an operating profit of EUR 18.3 million compared with EUR 19.9 million the previous year. Excluding nonrecurring items, the operating profit for the quarter was EUR 17.6 million.

Net sales were EUR 453.9 million, with international operations accounting for 31 percent. Sales at Itella Information were largely unchanged year-on-year, but Itella Logistics and Itella Mail Communication both witnessed a decline.

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**Deutsche Post DHL Sees Brighter Future**

Deutsche Post DHL first quarter postings saw consolidated revenue up by 4.4 percent to EUR 12 billion year-on-year, and group underlying earnings before interest and tax (EBIT) improved by 81.4 percent at EUR 566 million.

Reported EBIT was EUR 512 million compared with EUR 27 million in the first quarter of 2009. The company said operating gains and a significant reduction in nonrecurring expenses contributed to the result.

Net profit was EUR 1.7 billion compared with EUR 944 million the previous year, and net financial income more than doubled to EUR 1.3 billion from EUR 618 million. That increase included positive effects of about EUR 1.4 billion from first-time mark-to-market valuation of financial instruments related to the sale of Postbank.

The company said it expected global transport volumes to increase. Its guidance for underlying EBIT in 2010 was between EUR 1.6 billion and EUR 1.9 billion.

Deutsche Post DHL repeated its prediction that the DHL and mail divisions would contribute roughly the same amount of earnings for the first time this year.

**TNT Focusing on Costs to Improve Full-Year Results**

TNTs overall trading conditions improve in the first quarter with operating income reaching EUR 251 million compared with EUR 163 million in the same period last year, although the quarter did benefit from extra working days.

The company said it expects express volumes, revenue and its full-year result to be well above 2009 levels. It warned, however, of continuing yield pressure and cost inflation. It expected mail volumes to be below 2009 levels and said it would focus on costs and cash.

Chief executive Peter Bakker warned that improvements in express volumes had been driven in part by companies restocking their supply chains.

Addressed mail volume was 9.7 percent below the first quarter of 2009, although the companies "emerging mail" and parcels improved their performance.

**Demand Still Weak for Posten Norden**

Posten Norden said its first quarter in 2010 was characterised by continuing weak demand and consequent adjustments to capacity.

The company's net sales of SEK 1.92 billion were below last year's first quarter figure of SEK 11.78 billion. Operating profit was SEK 532 million compared with SEK 601 million in 2009 and pre-tax earnings were SEK 542 million compared with SEK 699 million. Net earnings were SEK 422 million compared with SEK 531 million.

The merged group said it expected structural measures to continue having an impact during this year. The highest priority in achieving synergies would be to coordinate the IT and procurement activities of the former Posten AB and Post Danmark.

Traditional postal volume is expected to continue declining. The group commented that "re-regulation of postal markets in Denmark and Sweden" presented risks to the universal service and its continuing effort to adapt and develop operations for customers' changing needs.

**National Strike Day Planned in France**

French postal unions are planning a national strike day at the beginning of June to protest La Poste's restructuring, job cuts and increased workload.

The union action follows local postal strikes across France. The five unions involved in calling for the national strike issued a series of demands ranging from an end to restructuring and outsourcing of some activities, to improvements in living and working conditions, better salaries and redistribution of wealth among postal workers.

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### Swiss Post Issues Digital IDs

Swiss Post has begun issuing the Swiss Post SuisseID, a digital proof of identity that can be used over the internet.

The digital ID is an initiative of the Swiss government's economic affairs department. It is available from Swiss Post's website and requires users to complete a personal identification procedure at any post office or municipal office.

SuisseID is designed to provide reliable identity authentication on the internet, allowing individuals or businesses to present electronic proof of identity and make legally binding signatures on documents such as contracts and licences.

The system operates using a PIN number. It can be supplied as a card, a USB stick or a SwissStick, which, says Swiss Post, provides secure access, digital signature software and secure mail plus other applications. The SwissStick works on PC and Mac computers without any further installation, leaving no trace of personal data behind.

From June, holders of a SuisseID will be able to log in to a personal Swiss Post electronic mailbox, where they can receive and process mail electronically.

### PostFinance Raises First Quarter Profits

Swiss Post's PostFinance made a CHF 130 million profit in the first quarter of 2010, increasing the 2009 first quarter figure by 50 percent.

The postal bank said the improvement resulted from a reduction in writedowns and an increase in average customer assets, despite somewhat lower margins.

Assets increased by CHF 7.1 billion to CHF 80.3 billion. A total of 38,521 new accounts were opened in the first quarter to bring the total number of accounts managed to 3.9 million.

### AGM Approves Eco-Performance Pay

Shareholders at Deutsche Post AG's Annual General Meeting endorsed the modified remuneration system for members of the board of management. The package now contains an additional component on achieving sustainability improvement (*Market Flash No 409*).

Shareholders also resolved to pay a dividend of EUR 0.60 per share. The dividend is tax-free for shareholders living in Germany.

### UK Mailing Partnership Tops 100 Members

112 mailing houses in the United Kingdom, have signed up to the Strategic Mailing Partnership, a joint initiative between Royal Mail and the mailing industry designed to develop products and drive forward modernisation.

Royal Mail launched the partnership in January this year with a 12-person board chaired by Judith Donovan, the former vice-chair of consumer body Postwatch. The partnership held a conference on May 13 to debate the future of the mailing industry.

Mailing houses handle about 90 percent of all Royal Mail's bulk mailings.

### Post in Impossible Position, Says Finger

The European Commission has shied away from redefining the universal service leaving incumbent operators in an almost impossible position, Professor Matthias Finger told delegates at a special conference parallel to the UPU Postal Operations Council (POC) plenary.

Postal operators have been more vulnerable to competition than other public services, such as railways, Prof Finger said, "The historical operator is handicapped due to its public service obligation in the face of competitors which cherry-pick the most lucrative business segments."

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*(Post in Impossible Position, says Finger, continued)*

European liberalisation was eliminating the postal monopoly and thereby removing its traditional financing mechanism for the universal service, said Prof. Finger, "This leaves the historical operator in an almost impossible situation: it still has the universal service obligation but not the monopoly to finance it."

At the POC plenary forum, United States Postmaster General John E. Potter said in a video message that postal operators need to support businesses such as eBay traders on the internet.

Korea Post outlined how it expects parcels and EMS to make up 53 percent of its overall postal business by 2020; it is boosting its parcel and EMS business through greater automation and e-commerce initiatives.

**Call Centre for Secure Internet Letter**

Deutsche Post is creating up to 700 jobs at its new customer service centre in Fürth, Bavaria, which will be dedicated to handling enquiries about the new secure internet letter service that Deutsche Post is due to launch this summer.

**City Link Reduces Losses Further**

UK parcels operator City Link reported reduced adjusted operating losses in the first quarter of 2010 owing to cost savings.

The operating loss was GBP 4.4 million compared with GBP 5.2 million in the first quarter last year. Revenue dropped by 1.8 percent in the quarter to GBP 83.5 million even though volume improved by 2.2 percent.

During the quarter, the company streamlined its network and plans to migrate from two hubs to one. Employee numbers dropped 7.6 percent to 5,300.

High subcontractor costs had a negative impact in the first quarter, causing City Link to review the balance between employee drivers and subcontractors.

**Measures Planned to Beat Ash Disruption**

Following disruption to European air services caused by volcanic ash from Iceland, the European Commission has proposed measures that include revising international procedures.

An extraordinary Council meeting on May 4 discussed medium-term measures including accelerating the implementation of the Single European Sky to introduce some elements by the end of this year.

The Commission also wants pan-European crisis planning for transportation and a European aviation platform involving all stakeholders.

**Aramex Raises Profit and Revenue**

Dubai-based freight group Aramex has announced first quarter figures to end March that reveal a ten percent increase in net profits to AED 47.5 million.

Revenue rose by 14 percent to AED 530 million with all key products showing growth. The revenue increase was driven by double-digit growth in freight forwarding business with a significant contribution from Europe, the company said.

Aramex said its strong cash position of AED 500 million placed it in an ideal position to support its expansion in emerging markets primarily through strategic partnership with local companies.



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**Denmark to Leipzig with DHL**  
DHL Express has a new air service from Billund, Denmark, to its European hub in Leipzig. It says pick-up is one hour and 20 minutes later and delivery 45 minutes earlier than previously.

### Getting Urgent Parts to the Farm

TNT Innight has launched a weekend service specifically for urgent deliveries of machine parts to farmers needing to have their harvesters operational at all times during the summer season. Delivery is made to predefined sites without a receipt.

### DPD Linehaul Saves Costs

DPD Netherlands has launched a direct linehaul service to Switzerland, cutting transit times to allow delivery within two days. The service operates at lower costs than air express. DPD is planning similar linehaul services from the Netherlands to Norway and Poland.

### Post Office Waives Fee for Currency

The United Kingdom Post Office has said it will not charge the 2.5 percent standard cash advance fee on its credit card for the purchase of foreign currency through its own Travel Money service.

### GLS to Double Danish Capacity

GLS Denmark has opened its new, 2,000 sq metre depot in Aarhus and has announced expansion plans that will double handling capacity to 20,000 parcels a day in future with a new, second terminal.

### Flashline Becomes Flash Europe

German courier Flashline has rebranded as Flash Europe following its acquisition by French-owned Flash Europe group. Flash Europe was created by the acquisition and subsequent merger of French courier Taxicolis from La Poste and Flashline in Germany.

### DPD Continues Growth in Russia

DPD has continued its growth in Russia with a 22 percent increase in parcel volume in 2009 and expanded transport and logistics services. The company expanded geographically in Russia and enhanced its services and network capabilities.

## Americas

### Potter Repeats Request for Change

The United States Postal Service could save more than USD 8.5 billion in one year through implementation of two measures: restructuring the prepayment of retiree health benefit payments and eliminating one delivery day a week.

That was the message repeated by United States Postmaster General John Potter when the Postal Service announced that its net losses for the first six months to end March would be USD 1.9 billion due to a dropping of mail volume of 88.1 billion pieces.

Mr. Potter commended postal employees for continuing to remove costs from the business. Chief financial officer Joseph Corbett said the Postal Service had reduced full time employees by more than 120,000 since 2008 but it was still experiencing unsustainable losses.

"Quite simply, the business model is broken, and laws, regulations and contracts must be changed to provide the commercial operating flexibility needed for financial stability," Mr. Corbett said.

### UPS in E-Commerce Alliance

UPS has formed a strategic alliance with AliExpress, a new online marketplace that offers smaller-quantity orders, instant online transactions and an escrow service to protect buyers and sellers.

Under the alliance, UPS had integrated its shipping technology into the AliExpress platform so that users can manage their shipping, track processes online, print shipping labels and request pick-ups.

"Our partnership with UPS is crucial to the success of AliExpress as one of our main goals is to make international trade for our buyers and sellers as easy, safe and convenient as possible," said David Wei, chief executive of Alibaba.com, the parent of AliExpress.

## FedEx Poll Finds Small Businesses Optimistic

FedEx Office, the FedEx Corp's retail network, has conducted its third annual "Signs of the Times" survey of small businesses across the United States.

The survey found that 51 percent of the small-business owners who completed the online poll said they had already recovered from the economic downturn or would do so by the end of the year. Their optimism contrasted with last year's survey when 54 percent of respondents said they were concerned about the economy's impact on their business.

Willingness to invest in staff showed a more marked recovery with 18 percent of respondents thinking of increasing their budgets for staffing and HR activities, compared with just nine percent last year.

About 42 percent of respondents were considering spending more on marketing and advertising this year, with 30 percent saying they would increase spending on sales initiatives.

## FedEx to Buy 38 B777Fs

FedEx is to buy six more B777 freighters to increase its long-range, high-capacity cargo fleet to 38 in the next ten years.

It will purchase four B777Fs from Boeing for delivery in fiscal year ending May 2012 and three for delivery in fiscal 2013. The other two aircraft will be purchased from another party.

Of the original fleet of 32 B777F aircraft, most will be delivered over the next five years with the remaining ten scheduled for delivery after 2015.

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### International Mail Resumes in Haiti

Haiti has taken another step towards recovery from the devastating earthquake in January with the resumption of international postal services. It started to exchange mail with France and the United States on May 3 following the UPU's notification to France and the United States on April 30 that they could release mail held since the earthquake.

### FedEx Extends in Newark for 20 Years

FedEx has renewed the lease for its Metroplex facility Newark Liberty International Airport for another 20 years. The deal will bring USD 352 million in lease payments;

FedEx has also promised to spend USD 30 million on improving its site. Newark is a US and international hub for FedEx.

### UPS Sets Dividend

The UPS board of directors has declared a regular quarterly dividend of USD 0.47 per share on all outstanding Class A and B shares, payable on June 2.

### Air Freight Tonnage Rises Worldwide

Airports around the world registered more than 25 percent growth in total freight volumes in March, according to airport association ACI. International tonnage rose by more than 32 percent while domestic tonnage was up by more than 14 percent.



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### DHL Shows Green Credentials at Expo 2010

DHL is participating in the Urban Planet pavilion at Expo 2010 in Shanghai, presenting green solutions and innovation in sustainability.

DHL's exhibition shows examples of its carbon offset GoGreen products and the Deutsche Post DHL group's carbon efficient management, friendly transport technologies and concepts for effective city logistics.

In the "Road to Solutions" section of the Urban Planet pavilion, DHL is presenting ten examples of its carbon-neutral and carbon-reduced products and services, including its smart truck, which calculates the most fuel-efficient delivery route.

### Gati Returns to Profit

Indian express road transport operator Gati returned to profit in the first three months of 2010, the third quarter of its fiscal year.

Operating profit rose 79 percent year-on-year to INR 145 million on a turnover up 22 percent to INR 1.9 billion. Revenue from express and supply chain business increased by 34 percent to INR 1.6 billion with an improved operating profit of INR 185 million compared with INR 49 million.

Net profit for the third quarter was INR 41.1 million compared with a loss in the same period last year of INR 170.6 million.

### FedEx Sweeps the Board as Trusted Brand

FedEx has been named a Trusted Brand in a survey of Reader's Digest readers in Asia-Pacific for the seventh year running.

It won the Gold Award in the overall Asia region category and in the Airfreight/Courier Service category. It also achieved Gold Awards in seven individual Asia-Pacific countries.

The independently analysed survey is based on votes by 7,800 respondents across Asia. In addition to trustworthiness and credibility, respondents are asked about corporate values, understanding customer needs and corporate social responsibility.

### UPS Creates Vietnamese Joint Venture

UPS has established a joint venture company in Vietnam with P & T Express, which is its local partner and a subsidiary of VN Post.

Through the new company, UPS will invest in new facilities in commercial areas and industrial centres across Vietnam. It will extend its express pick-up and delivery service to 63 provinces in the country.

The company provides a single source of contact for express and expedited small packages, transportation and supply chain services including freight forwarding, customs brokerage and contract logistics.

### FedEx in Post Offices Across Taiwan

FedEx is to have access to customers across Taiwan through post offices under a commercial alliance with the official postal operator, Chunghwa Post.

Under the cooperation deal, the FedEx International Priority service will extend to all 1,000 post office outlets from July. The service is already available at 53 major post offices.

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### Acquisition Boosts SingPost Result

Singapore Post's group revenue in the year to end March 2010 was up by 9.2 percent to SGD 425.5 million.

The company acquired its former joint venture, Quantum Solutions, during the previous financial year. On a comparable basis, group revenue declined by two percent owing to the effects of economic downturn in the first half year.

Net profit in the full year rose by 10.9 percent to SGD 165 million; the company said its underlying net profit rose by 0.3 percent.

Mail revenue declined by 2.3 percent to SGD 360.2 million while logistics revenue increased to SGD 173.9 million with the inclusion of 100 percent of Quantum Solutions.

### Stuck for a Carrier? Call Freightways

New Zealand express package company Freightways has a new niche service, Stuck, for time-sensitive consignments that are unusual, hard to solve or require a tailor-made solution.

"We have developed the Stuck service to bundle the extensive capability that exists across our group of businesses to enable us to say 'yes' to almost any express freight challenge a customer may have," said Dean Bracewell, managing director.

The company gave examples of past requests for unusual shipments: moving a lion from North to South Island by air and road; transporting donated organs; getting a laptop from an Australian airport lounge to its New Zealand owner and delivering a passport urgently to an airport departure terminal.



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**Siemens Supplies China Post**  
China Post has ordered sorting equipment worth almost USD 45 million from Siemens for its new Nanjing air express and logistics hub, which is expected to be the biggest express and logistics centre in Asia.

**UPS Shared Service Centre in China**  
UPS will build its largest shared service centre in the Asia-Pacific region in eastern China, where it will outsource some noncore activities.

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#### 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](mailto:publications@ipc.be) or send your submissions to:

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