

Market Flash

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Top story

Royal Mail's GLS teams up with Chinese operator

Royal Mail's European parcels business, GLS, is to form an alliance with ZJS Express, a Chinese express company, to provide a new tracked, business-to-business parcel service from China to Europe.

The alliance will trade as Euro Business Parcel, one of GLS's established brands. Parcelforce Worldwide will act as the delivery company in the United Kingdom.

Royal Mail said Euro Business Parcel would offer value-for-money express services targeting less time-sensitive shipments and offering delivery from China to Europe in three to five working days.

GLS will provide the gateway for Chinese exporters into Europe while ZJS will provide coverage across China and local knowledge. Royal Mail said the alliance was in line with its overall parcel strategy. In the last financial year, Royal Mail's parcels networks generated a combined £4.2bn (€5.3bn, US\$6.7bn) in revenue accounting for 48% of group revenue.



■ USPS SUFFERS HEAVY LOSSES IN ITS THIRD QUARTER ■ MOUNTING LOSSES AT CANADA POST HIGHLIGHT THE NEED FOR CHANGE ■ DEADLINE EXTENDED FOR ENTRIES TO E-COMMERCE AWARDS ■ USPS PROMOTES DIRECT MAIL ■ RING SCANNER SPEEDS UPS PACKAGE HANDLING ■ DHL GLOBAL FORWARDING AIDS FULFILMENT IN THE AMERICAS ■ UPS GAINS INTELLIGENCE ON KEY LOGISTICS SECTOR ■ FEDEX RATED TOP IN QUALITY AWARD CATEGORIES

Americas

USPS suffers heavy losses in its third quarter

The United States Postal Service made a net loss of US\$11.6bn (€9.2bn) in the first nine months of its fiscal year (September 2011 to June 2012) compared with a loss of US\$5.7bn (€4.5bn) in the same period last year.



Announcing a US\$5.2bn (€4.1bn) loss for the third quarter, the Postal Service again called for legislative changes in line with its business plan. It said that large losses would continue in the absence of an US\$11bn (€8.7bn) refund of pension plan overpayments, a transition to five-day delivery and the elimination of mandatory prefunding of retiree health benefits.

A US\$3.1bn (€2.5bn) expense for prefunding retiree health benefits contributed to losses in the third quarter. Owing to insufficient cash, the Postal Service was forced to default on its US\$5.5bn (€4.3bn) retiree health benefit prefunding payment on 01 August; in the absence of the legislation it seeks, it will also default on a second payment of US\$5.6bn (€4.4bn) due on 30 September.

Current projections show very low cash levels and no remaining borrowing capacity at the end of this fiscal year in September and into October. The Postal Service said it would prioritise payments to employees and suppliers in order to ensure it fulfilled its mail service mission.

Acting chief financial officer Stephen Masse said the Postal Service had removed almost US\$14m (€11m) from annual costs in the past five years.

During the third quarter, shipping services and package revenue rose 9% to 3.3bn, which, however, failed to offset the impact of a 3.6% decline in total mail volume compared with the same period last year and a 4.4% decline in First-Class Mail.

Operating revenue was US\$15.6bn (€12.3bn), less than 1% below revenue in the previous third quarter. However operating expenses increased year-on-year by 10.2% to US\$20.8bn (€16.4bn), driven by the US\$3.1bn (€2.5bn) mandated retiree health benefit prepayment.

IN BRIEF

FedEx Corp's keys to success

FedEx Corp chairman, president and chief executive officer, Frederick W Smith said in the company's annual 2012 report that the three keys to success would be to take advantage of scale to improve efficiency, remain nimble and responsive to customers and run a lean, flexible organisation.



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Mounting losses at Canada Post highlight the need for change

Canada Post Group increased its losses in the second quarter with a pre-tax loss of CA\$10m (€8m, US\$10.2m), bringing the pre-tax loss for the first half year to CA\$13m (€10.4m, US\$13.2m), a CA\$17m (€13.6m, US\$17.3m) deterioration on last year.

The corporation said the financial losses added impetus to its need to transform the business and address labour costs which currently account for 71% of expenditure.

The Canada Post segment of the group, comprising mail, parcel and digital delivery services, lost CA\$34m (€27.3m, US\$34.6m) in the second quarter and CA\$23m (€18.4m, US\$23.4m) in the half year. Domestic letter volumes dropped by 4.8% in the second quarter, bringing the decline during the half year to 4.9% below the previous year.

Direct marketing performed below expectations, achieving only flat volumes in the first two quarters compared with 2011. Direct mail volume was 5.5% below its level in 2010.

Parcel volumes reflected the strong growth in e-commerce but were not sufficient to offset poor performance in the rest of the Canada Post business.

The corporation continues to face a volatile solvency deficit of about CA\$4.7bn (€3.8m, US\$4.8m) in its pension plan. It is responsible for funding shortfalls and the growing obligations of the plan continue to present a major financial challenge, according to the corporation.

Canada Post has stressed the need to secure collective labour agreements that will enable it to respond to an increasingly competitive business environment. It made a new offer to the Canadian Union of Postal Workers for urban employees on 19 July, aiming to reduce costs and position the company for the future.



Deadline extended for entries to e-commerce awards

Canada Post extended the deadline for entries to its E-commerce Innovation Awards until 31 August, stressing that the prizes on offer to winners would provide an estimated CA\$1m (€0.8m, US\$1m) worth of free shipping, direct marketing and advertising.

The competition, launched earlier this summer, is designed to boost Canada's digital economy by recognising successful innovation in e-commerce. It is open to large and small businesses shipping to Canadians.

The five award categories cover: multi-channel and online retailing; new e-businesses; 'outside the box' achievement, and the consumer champion. The winning entries will be announced on 16 October.



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IN BRIEF

UPS supports the Paralympics

As official logistics supplier to the Olympic and Paralympic Games, UPS completed transitioning of venues for the Paralympics in less than two weeks. The company also handled hundreds of thousands of items, including official team kits, and removed and stored 3000 seats from coaches in order to make room for wheelchairs.

USPS promotes direct mail

The United States Postal Service promoted its direct mail products during August, releasing information on their benefits, offering tips on how to optimise their value and encouraging political campaigning to exploit the medium fully.

The Postal Service offered a 2% discount to mailers signing up before the end of August to a two-dimensional barcode or technology include in the mail piece allowing direct mail to be read or scanned by a mobile device.

Two other aspects of direct mail received a promotional boost: Every Door Direct Mail, an unaddressed product allowing mailers to leaflet every household within a specified ZIP code or neighbourhood, and the use of variable data to customise the message on each mailpiece in a mailing to provide personalised messages.

Releasing tips on effective mailing, the Postal Service offered advice from Magna Advertising Group's manager for direct mail and periodicals, Tom Foti, who said that said direct mail provides a powerful element of an integrated marketing campaign allowing advertisers to target individuals most likely to purchase, track response and monitor return on investment. According to Magna Advertising Group direct mail spending rose 2.9% in 2011 to US\$21bn (€11m).

Ring scanner speeds UPS package handling

UPS has introduced a 'wearable' scanning system for package handling in order to speed loading and transmit information to customers more quickly.

The device, from Motorola Solutions, is a hands-free imager worn as a ring connected to small terminal attached to the employee's wrist or hip. UPS said the ring imager automatically scans using label sensing technology and sends tracking information via Bluetooth to the terminal worn by the employee. The data is then transmitted by WiFi to UPS data centres.

The system, called link and load, captures data from two-dimensional and one-dimensional barcodes on UPS shipping labels, also reading the service level for the package and the ZIP code of its destination. An audible and visible alert identifies any package that is about to be loaded on the wrong vehicle, UPS said.



IN BRIEF

UPS declares its dividend

The UPS board of directors declared a regular quarterly dividend of US\$0.57 (€0.46) per share on all outstanding Class A and Class B shares, payable on 05 September to shareholders of record on 20 August 2012.



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DHL Global Forwarding aids fulfilment in the Americas

DHL Global Forwarding said it has expanded its International Supply Chain (ISC) services in the Americas in response to customer demand for an order fulfilment partner that can harmonise requirements on a single operating platform.

It said customers across the Americas have been looking for fulfilment capability for their e-commerce, mobile and direct-to-consumer sales.

ISC was established to link customers' domestic supply chains with their requirements for international destinations. The unit offers purchase order management, supplier management, origin logistics services, transport management, visibility and information management, and supply chain consultancy.

UPS gains intelligence on key logistics sector

UPS has issued its fifth annual "Pain in the (Supply) Chain" healthcare survey results, showing that senior decision makers in the healthcare sector are cautious about investment owing to the difficult economic environment, pressures to reduce cost and increasing regulation.

UPS said the information gained from the survey has been critical to its success in healthcare logistics, one of the key growth sectors it is global targeting.

Two areas for investment cited by 83% of respondents are new global markets and new technologies. The top four countries where healthcare companies are seeking to expand are Brazil, China, India and the United States. The main barrier to global expansion is country regulation, cited by 46% of respondents. Other barriers include concerns about protection of intellectual property, security and product quality.

FedEx rated top in quality award categories

FedEx Corp subsidiaries have received high ratings in seven categories of Logistics Management magazine's 29th Annual Quest for Quality Awards; in five categories, subsidiaries gained number one rating.

The awards are based on ratings given by Logistics Management's 4,700-plus readers on five criteria: on-time performance, value, information technology, customer service, and equipment and operations. Ratings for third-party logistics providers are based on carrier selection and negotiation, order fulfilment, transportation and distribution, inventory management, and logistics information systems.

IN BRIEF

Presidential advisor joins UPS board

Kevin M Warsh, a former central banker and presidential advisor, has joined the UPS board of directors. He has taken up his appointment immediately and will stand for election to a regular one-year term at UPS's annual shareholders' meeting in May 2013, as well as serving on the board's audit committee.

IN BRIEF

DHL automotive centre in Brazil

DHL Global Forwarding has opened an automotive competence centre in São Paulo, Brazil, to bundle its automotive activities for the local market accounting for almost 2,000 shipments a month.



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Asia Pacific

Return to profitability for New Zealand Post

New Zealand Post Group returned to profitability in 2011-2012 but cautioned that the turnaround was due largely to a significant improvement in Kiwibank's performance and a gain arising from acquisition of the remaining 50% of Express Couriers Limited from its former joint venture partner, DHL.

Group earnings before interest and tax (EBIT) were NZ\$204.7m (€129.6m, US\$165.5m) compared with a loss of NZ\$25m (€15.8m, US\$20.2m) the previous year. Revenue totalled NZ\$1.31bn (€0.8bn, US\$1.1bn) compared with NZ\$1.27bn (€0.8bn, US\$1bn) and expenditure was NZ\$1.22bn (€0.8bn, US\$1bn) compared with NZ\$1.3bn (€0.8bn, US\$1.1bn). The net profit after tax was NZ\$169.7m (€107m, US\$137m) against a loss last year of NZ\$35.6m (€22.5m, US\$28.8m).

Kiwibank emerged from two difficult years to achieve an after-tax profit of NZ\$79.1m (€50.1m, US\$64m) compared with NZ\$21.2m (€13.4m, US\$17.1m) the previous year.

In the postal business, letter revenue dropped by NZ\$17m (€10.8m, US\$13.7m) while volume declined by 54m letter items. Group chief executive Brian Roche said the company had exhausted all short-term fixes and now had to proceed with fundamental change.

He said much work lay ahead to design a sustainable, viable physical network and an improved service delivery network. New Zealand Post needed regulatory change to release it from commitments to service obligations and network design that pre-dated the digital revolution.

New Zealand Post sells non-core subsidiary

New Zealand Post Group has sold its wholly owned subsidiary, The ECN Group, to business solutions company B2BE.

The company said ECN was no longer a strategic fit for the group. Its activities involve developing and supplying software that supports business-to-business messaging, supply chain systems management and integration.

Online offers one-stop e-commerce service

Japan Post and its subsidiary, JP Media Direct, have launched Online, a service to support small- and medium-sized retailers to set up an e-commerce business.

The one-stop service offers database creation from customer lists, shipping label management, personalised web pages for direct mail recipients and support for taking orders.

Japan Post is providing sales support as well as parcel and direct mail delivery, while JP Media Direct is handling system development and operations.

Online was launched in three regions on 06 August and is planned to roll out nationwide by the end of the year using local print and business partners.

IN BRIEF

New weekly flight improves Pacific connections

FedEx Express has launched a weekly direct flight from the United States to New Zealand and onwards to Australia and China in order to improve its air connections in the Pacific region. The new flight also offers more capacity for trans-Tasman shipments.



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DHL works with Tokyo Customs to speed clearance

DHL Express Japan and Tokyo Customs have signed a memorandum of understanding to improve customs clearance of international express cargo.

Tokyo Customs has opened an office at DHL's Tokyo distribution centre stationing customs officers on-site for a limited period to gather information on selected import cargo. The move is part of the Authorised Economic Operator (AEO) programme under which DHL is certified for its freight transport security management and compliance system.

DHL Express Japan said the collaboration with customs would improve the effectiveness and efficiency of cargo inspections and reduce the time needed for customs clearance.

TNT Hoau gains e-commerce deliveries in China

TNT Hoau, the Chinese subsidiary of TNT Express, will deliver e-commerce orders for the Tencent internet portal, providing domestic road delivery services to customers of e-commerce platforms under Tencent.

Tencent had revenues of CNY28.5bn (€3.5bn, US\$4.5bn) in 2011 from diverse internet-based services; it is targeting e-commerce.

TNT Haou has also secured partnerships with business-to-business e-commerce operators Alibaba.com and Youshang.com (Kingdee).

DHL to reduce its Blue Dart shareholding

DHL Express has decided to reduce its shares in India's Blue Dart rather than take over the whole company.

DHL currently has an 81% stake but new regulations governing companies listed on the Bombay Stock Exchange will limit majority ownership to 75%.

DHL said future collaboration with Blue Dart Express would be unaffected by the sale of a 6% stake and Deutsche Post DHL remained committed to the Indian market.

Blue Dart acts as the local collection and delivery provider for DHL consignments across India and cross-sells DHL's international express services. Increasingly the two companies have also been cooperating on joint air facilities and Blue Dart has expanded its chain of "Blue Dart – DHL One Retail" stores.



IN BRIEF

Happier times for Australian exporters

The ninth annual DHL Export Barometer reports that Australian exporter confidence has recovered after a significant dip in 2011, thanks to strategies including exporting to new markets, product innovation and order growth from existing destinations.

IN BRIEF

NZ Post expands its literacy support

New Zealand Post has expanded its support for literacy and education to prisoners serving a short sentence or awaiting trial. It is partly funding a scheme using retired primary school teachers to deliver basic literacy programmes. Meanwhile, the New Zealand Post Book Awards have been announced in seven literary and non-fiction categories.



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Two new board members join Australia Post

Australia's minister responsible for postal services has appointed two new members to Australia Post's board; both will serve a three-year term.

Susan Bitter is currently chief operating officer of Corrs Chambers Westgarth and a director of the Industry Superannuation Property Trust where she is chair of the audit compliance committee.

Talal Yassine is the founder and managing director of Crescent Wealth and was previously chief commercial officer and co-founder of Better Place Australia, a provider of electric vehicle services.

DHL to invest in Saudi Arabian terminals

DHL Express is to invest more than US\$20m (€16m) in terminals at two Saudi Arabian airports to support trade expansion by increasing connections between Saudi Arabia and the United Arab Emirates, Asia and the United States.

The terminals at King Khalid International Airport in Riyadh and King Fahd International Airport in Dammam will occupy more than 20,000m², according to DHL.

FedEx goes mobile on more platforms

FedEx Express has expanded its mobile website to 30 markets in the Asia-Pacific region making it available to iPad and Android users as well as iPhone, iPod Touch and BlackBerry.

The company's smartphone applications allow its customers to obtain rates, track shipments, schedule a collection and locate the nearest FedEx branch or drop-box.



IN BRIEF

New line-haul from Vladivostok to Hong Kong

DHL Express Russia has launched a twice-weekly, direct, international line-haul service from Vladivostok to Hong Kong and an import service providing a single customs clearance for multiple shipments. It claims the new line-haul route has reduced delivery times from Russia's Far East by one day.



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Europe

VAT payment depresses EBIT for growing Deutsche Post DHL

A VAT payment provided the main cause for a 3% fall in group earnings before interest and tax (EBIT) for Deutsche Post DHL in the second quarter. The company said the payment had a one-time negative impact on second quarter earnings of €181m (US\$231m), depressing EBIT to €543m (US\$695m) compared with €562m (US\$719m) in the same period last year. The group's growth was, however, reflected in a 7.3% increase in revenues to €13.7bn (US\$17.5bn).

The DHL divisions accounted for most positive development. The company said at an investor meeting that its time-definite international customers sent 9.1% more shipments a day in the second quarter and its time-definite domestic business increased by 8.5%.

The company claims to have increased its share of the time-definite international express market by 2% to 3% compared with last year and said its customers were not down-trading.

Express revenues rose by 10.7% to €3.2bn (US\$4.1bn) in the second quarter compared with the same period last year, with all regions except Europe recording double-digit growth. EBIT jumped by 50% to €367m (US\$231m) but would have risen by 5% without the one-time effects.

The VAT payment had a one-time negative effect of €30m (US\$38m) on express profitability. Positive effects were the reversal of restructuring provisions and the sale of domestic express businesses in Australia and New Zealand which brought in a total of €143m (US\$183m).

Global Forwarding Freight revenues climbed by 5.7% to €4bn (US\$231m5.1bn). The EBIT jumped by 19.1% compared with last year to €137m (US\$175m) owing to improved currency effects and purchasing conditions.

The supply chain division saw revenues 12.5% above the previous second quarter at €3.5bn (US\$4.5bn) EBIT fell by €10m (US\$12.8m) to €101m (US\$129m) owing largely to a €23m (US\$29m) net gain on the disposal of a US subsidiary included in last year's figure.

Mail division revenue rose by 0.9% to €3.3bn (US\$4.2bn). Parcel revenues rose by more than 12% to €797m (US\$1bn), and now account for a quarter of total mail division revenue.

The division's reported EBIT decreased to €38m (US\$48.6m) from €186m (US\$238m) on account of the VAT payment which had a negative effect of €151m (US\$193m); without that effect, the company said the mail division's EBIT would have risen by 2%.

Deutsche Post DHL has made an upward adjustment to its earnings guidance for the full year and now expects to generate a group EBIT of between €2.6bn (US\$3.3bn) and €2.7bn (US\$3.5bn).



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New chief named at Itella Corporation

Heikki Malinen is to be the new president and chief executive of Itella from 11 December, replacing Jukka Alho, who will retire after having been in the position for 12 years.

Heikki Malinen was president and chief executive of consulting and engineering company Pöyry from 2008 until June this year. Before that he was executive vice president of strategy and a member of the executive committee at UPM-Kymmene, a fibre- and biomass-based group of businesses.

Between 1997 and 2005, Heikki Malinen worked in the United States spending time with consultants McKinsey & Company. Itella said his experience of executive tasks at major international companies would support its internationalisation and help it meet the challenges of international competition.

Le Groupe La Poste raises half-year operating profit by over a quarter

Le Groupe La Poste achieved 26% year-on-year growth in its operating profit in the first half of 2012 at €632m (US\$810m). Consolidated revenue rose by a marginal 0.9% to €10.89bn (US\$14.93bn).

The mail business saw its revenue drop by 1.9% to €5.83bn (US\$7.46bn) and its operating profit by €19m (US\$24m) to €470m (US\$601m). Volume dropped by 5.8% but was partially compensated for by election mail, good international performance and new products.

Colis-Express achieved a 7.6% revenue increase to €2.7bn (US\$3.5bn) and a 1.7% increase in operating profit to €210m (US\$269m).

Sofipost generated revenue of €557m (US\$712m), 11% more than last year, while the domestic consumer parcel service, ColiPoste, grew by 2.6%. The international holding company, GeoPost, saw its revenue rise by 9.6% and volume by 6.3%.

La Banque Postale, the group's banking business, increased its operating profit by 41.6% to €352m (US\$450m). Net banking income was €2.67bn (US\$3.41bn), virtually unchanged on last year's €2.65bn (US\$3.39bn). Expenditure was €2.23bn (US\$2.85bn) and the cost of Greek risk dropped 57.6% on last year to €352m (US\$450m).



IN BRIEF

Itella signs purchase agreement for takeover
Itella Logistics and VR Group have signed an agreement for the purchase of VR Transport's groupage logistics business in Finland plus the entire share capital of PT Logistiikka Oy. It aims to complete the acquisition on 01 October.



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IN BRIEF

New marketing chief to join Itella

Pirjo Kaasinen has been appointed vice president, marketing and strategic sales at Itella Group. She will take up her position on 08 October, moving from Digi TB Plus Oy where she is sales director. She will be responsible for developing and executing marketing and branding strategy, for sales process development and strategic customers.

TNT grows income in 'challenging' times

TNT Express has reported second-quarter results showing a revenue increase of 1.7% to €1.83bn (US\$2.34bn) and operating income up 67.4% at €77m (US\$98.4m).

The profit increase came from a doubling of income from Asia Pacific compared with the second quarter last year, as well as from a halving of losses in the Americas where performance in Brazil improved but remained challenging. Europe and the Middle East-Africa (MEA), however, generated €14m (US\$18m) less income than the same time last year, a drop of 13.7%.

The company commented that volume growth was good despite demanding economic conditions in Europe and MEA. Customers were increasingly opting for non-premium products but cost control was mitigating the impact.

Chief executive Marie-Christine Lombard said she expected the regulatory process prior to a planned UPS takeover to be completed by the fourth quarter and stressed the strategic rationale for merging the two companies.

At an Extraordinary General Meeting a week after the quarterly results announcement, shareholders voted to accept three proposed UPS candidates to the TNT Express board, assuming the takeover goes ahead.

PostNL to restructure its senior management

PostNL is planning to modify its senior management structure to create a board of management of just two people: chief executive Herna Verhagen and chief financial officer Jan Bos. Other management functions will be led by a four-member executive committee.

The company said the new structure would provide better connection with the challenges facing the business. The functions covered by the executive committee will be: parcels; operations mail Netherlands; commercial mail Netherlands; international.

The present human resources director, Gerard Aben, will retire in the first quarter of 2013 and his successor will not be a member of the board. Two other executives have decided to leave: Pieter Kunz, head of operations for the Dutch postal business, and Ger Jacobs, commercial director.

Herna Verhagen said the structural changes would provide a catalyst for desired changes in the company's culture.

The restructuring follows announcement of weaker than anticipated results for the second quarter which saw additional costs arising from quality of service issues.



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IN BRIEF

Deutsche Post DHL to sponsor festival

Deutsche Post DHL is again the main sponsor of this year's Beethovenfest in Bonn running from 07 September to 07 October. The main focus of the festival is to promote young talent and engage young people interested in the arts.

In April, soon after Herna Verhagen took up her position, the roll-out of PostNL's letter mail reorganisation was postponed until at least the fourth quarter of this year. Herna Verhagen said her priority had been to improve quality and retain customers.

Operating income for the quarter was down 15.1% to €79m (US\$101m) compared with €93m (US\$119m) the previous year. Revenue was €1.04bn (US\$1.33bn) compared with €1.02bn (US\$1.31bn) in 2011.

Underlying cash operating income was €10m (US\$13m) compared with €25m (US\$32m) the previous year.

The company reaffirmed its underlying cash operating income outlook for the year but said it expected the full-year result to be at the bottom half of the range. The outlook was sensitive to further developments in the rollout of cost-saving Master plans and the sale of real estate.

An interim dividend of €0.181 (US\$0.232) per ordinary share was announced, payable fully in ordinary shares with one new PostNL share being given for every 16 dividend rights.

Austrian Post raises revenue and profit in the half year

Austrian Post's earnings before interest and tax improved by 13.5% to €92.2m (US\$118m) in the first six months of 2012, with revenue up 3.1% to €1.17bn (US\$1.5bn).

The company said revenue developed in line with expectations against a backdrop of uncertain economic conditions. It had strengthened its foothold in the Austrian parcels market and had a new performance-oriented remuneration model for delivery staff.

The newly merged mail and branch network division improved its EBIT by 10.1% to €135m (US\$173m) and revenue rose year-on-year by 2.1% to €741.6m (US\$949m).

Substitution and economic conditions dampened volume development, according to the company, while there was a perceptible shift from direct mail to higher-quality letter mail products. Growth in online shopping meant that products were increasingly being sent as letter mail items rather than parcels.



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The parcel and logistics division achieved an EBIT of €11.4m (US\$14.6m). Revenue rose by 4.9% to €430.8m (US\$551.1m) with highest growth being generated in the Austrian parcels market, followed by the German market. Some revenues from Benelux subsidiaries disposed of during the first half year were included in the income statement.

The company said the full-year result in 2012 would be impacted by a 'restrained' economic environment, but it expected to achieve stable or slightly rising revenue development on a comparable basis.

Restructuring impacts on PostNord's quarterly result

PostNord made an operating loss of SEK179m (€21m, US\$27m) in the second quarter compared with a profit of SEK211m (€25m, US\$32m) in the same period last year, however, before restructuring costs and non-recurring items, PostNord produced an operating profit in the second quarter of SEK127m (€15m, US\$19m) compared with SEK290m (€34m, US\$44m) before non-recurring items last year.

Chief executive Lars Idermark said the group was going through a major conversion involving rationalisation coupled with investments in many business segments. The second quarter consequently sustained significant restructuring costs totalling more than SEK300m (€35m, US\$45m).

Net sales were 2% down in the second quarter at SEK9.49bn (€1.1bn, US\$1.4bn) owing mainly to continued substitution that resulted in a 7% decline in mail volume.

In the logistics business, Lars Idermark said the company was implementing end-to-end solutions and cross-border capacity under its strategy for profitable growth. Logistics in Norway was growing steadily and the Swedish business was developing well, but the group continued to be challenged by tough competition in Denmark.

During the second quarter, PostNord established new funding sources in the form of a commercial paper and a bond programme in order to introduce more flexibility to the financing of changes and continued acquisitions.



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Norway Post announces new group structure

Norway Post has announced a new group structure which will come into effect in October.

The company reported that half-year earnings before interest and tax (EBIT) were just NOK 37m (€5m, US\$6m) against NOK243m (€33m, US\$42m) last year on account of restructuring provisions, mainly for the conversion of 149 post offices to agencies.

However EBIT before non-recurring items and write-downs rose by 29% to NOK 381m (€52m, US\$66m) while revenue was flat at NOK11.36bn (€1.55bn, US\$1.98bn).

Revenue from the mail division was also flat at NOK5.2bn (€0.7bn, US\$0.9bn) in the half year while operating profit of NOK94m (€13m, US\$16m) was depressed by restructuring provisions. Addressed mail volume declined by 6% but unaddressed advertising mail grew by 4.6%. In total, Norway Post has lost about a third of its addressed mail volume since 2000 and chief executive Dag Mejdell said he expected to lose two-thirds by 2018.

The company said Bring CityMail Sweden increased its volumes in the first half and had restructured to improve profitability.

The logistics division had flat revenues of NOK7bn (€1.2bn, US\$0.9bn) but reduced half year operating losses to NOK7m (€1.2m, US\$0.9m) from NOK41m (€5.6m, US\$7.1m) last year.

Parcels volume fell by 4.4% in the first half although cross-border volumes grew. The company introduced faster delivery times for its main online shopping product, Service Parcel.

The new group structure will create an e-commerce division and two geographically-based logistics divisions covering Norway and the Nordic region, designed to benefit from economies of scale.

The post division will cover mail activities in Norway and Sweden and will be headed by Gro Bakstad following Tore K Nilsen's move to the new Norway Logistics Division.



IN BRIEF

DHL Express increases air capacity

DHL Express Norway has launched a new flight between Oslo and Leipzig deploying an Airbus A300-600 freighter to modernise its fleet and increase capacity by 10%.



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From October the executive management will comprise the chief executive Dag Mejdell, the chief financial officer, human resources director, communications director and the executive directors of the four operating divisions.

Swiss Post strong despite profit drop in half year

Swiss Post Post's half-year results showed a year-on-year reduction in earnings before interest and tax (EBIT) to CHF448m (€370m, US\$473m) from CHF550m (€455m, US\$581m) last year. Group profit was about 17% down on last year at CHF459m (€379m, US\$484m) against CHF550m (€445m, US\$581m).



The company said the figures were strong and within group objectives. The decline could be attributed to low interest rates, the resulting increase in employee benefit expenses and reduced income from disposal of property.

Operating income (sales) fell slightly to CHF4.29bn (€3.55bn, US\$4.53bn) from CHF4.3bn (€3.55bn, US\$4.54bn), but all four areas of operation registered positive results.

In the communications market covering PostMail, EBIT was CHF61m (€50m, US\$64m) on sales of CHF2.42bn (€2bn, US\$2.56bn). The volume of addressed letters fell by 1.8% in the first half last year, while unaddressed mail volume increased by 47% as a result of the takeover of DMC Group.

Swiss Post Solutions produced an EBIT of CHF2m (€1.7m, US\$2.1m) on sales of CHF276m (€228m, US\$292m), while the retail network Post Offices & Sales made an operating loss of CHF53m (€44m, US\$56m) on sales of CHF828m (€684m, US\$875m).

PostLogistics achieved an EBIT of CHF73m (€60m, US\$77m), below last year's CHF78m (€64m, US\$82m). Sales revenues were CHF761m (€629m, US\$804m) and volume rose 4.4% owing to e-commerce business and partial recovery of import parcel processing from Germany.

PostFinance achieved an EBIT of CHF295m (€244m, US\$312m) on sales of CHF1.17bn (€0.97bn, US\$1.24bn). Profits were down on last year's CHF330m (€273m, US\$349m) owing mainly to low interest rates.



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IN BRIEF

DHL Express increases air capacity

DHL Express Norway has launched a new flight between Oslo and Leipzig deploying an Airbus A300-600 freighter to modernise its fleet and increase capacity by 10%.

PostBus recorded an EBIT of CHF18m (€15m, US\$19m), marginally less than last year, on sales of CHF377m (€312m, US\$398m).

Swiss Post said it was unlikely at year end to match its financial performance of last year; however it expected to produce a strong result in 2012.

GeoPost invests in international e-commerce delivery

GeoPost has invested an undisclosed sum in Worldnet Direct, a UK-based start-up company offering international delivery to online retailers. The investment follows GeoPost's decision to increase its stake in Shutl, a UK same-day delivery operator with sights on expansion in the United States (see Americas section).



Initially, Worldnet will serve UK retailers from its own operations and via GeoPost's DPD UK and Interlink Express. The plan over time is to roll out the service across Europe.

Worldnet's full launch is planned for early 2013 but a number of online retailers, including fashion company ASOS, are already working with the company. Managing director Stuart Hill was previously manager of international operations at ASOS; he also worked for department store John Lewis.

Commenting on the association with Worldnet, GeoPost International's chief operating officer, Iain Johnson, said: "There is no question that e-commerce will continue to be of increasing importance as a driver of international parcel volumes and staying innovative in the retail space is key."

DPD to deliver online purchases in Russia

DPD Russia has won a national e-commerce delivery partnership and opened two new branches in Nizhny Tagil and Komsomolsk-on-Amur.

The partnership, with online hypermarket Mallstreet, will provide delivery of online purchases to almost 4,000 Russian towns and villages, both regional capitals and smaller regional centres.

Mallstreet.ru's chief executive, Dmitry Shashkin, said delivery to the increasing number of buyers wanting to purchase online had been a major problem. The largest areas were served only by the Russian Post and its monopoly of regional transport had a negative effect on service quality. "Our new delivery partner, DPD, will deliver orders to nearly



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4,000 Russian towns and villages quickly and with a good service", he said.

DPD Russia's two new branches are part of the company's strategy to expand its regional network.

Post Danmark to acquire one of its subcontractors

Post Danmark is to acquire Distribution Services A/S from the ZimmerGroup for an undisclosed sum as part of its effort to adapt operations and create a more efficient and profitable company.

Distribution Services specialises in packaging and handling unaddressed mail and has been a subcontractor to Post Danmark since 2003.

The company will continue operating as before under a chief executive appointed by Post Danmark. Its former distribution activities for time-sensitive goods were transferred to a new Zimmer Holding Group company in May this year after which Post Danmark was Distribution Services' only customer.



Czech Post stresses potential from parcels

Czech Post's profits dropped 32% to CZK460m (€19m, US\$24m) in the first half year while revenues declined by 4% to CZK10bn (€408m, US\$521m).

The company highlighted the positive aspects of its business including electronic and parcel services. Chief executive Petr Zatloukal said Czech Post needed funds to invest in restructuring its logistics network, fleet renewal and new technology.

It is trialling an automated parcel terminal at its main Prague post office and is considering awarding a maintenance contract worth CZK490m (€20m, US\$26m) to one supplier. The company plans to launch the first ten terminals at the beginning of 2013 expanding to 150 machines across the Czech Republic by the end of 2014.

Royal Mail prepares to deliver to neighbours

Royal Mail is preparing to roll out its 'Delivery to Neighbour' option in late September. It has been conducting a national distribution of information leaflets to 29m addresses explaining the Delivery to Neighbour scheme, which will assume acceptance unless addressees opt out.

The company is seeking the right to leave packages with neighbours in order to bring its



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terms and conditions more in line with those of other delivery companies; at present it is not permitted to deliver routinely to a neighbour.

The decision to launch nationally follows a successful six-month trial involving 748,000 homes in seven cities in Great Britain.

Royal Mail delivered 220,000 packages to neighbours and reported a 92% satisfaction rate among package addressees; 90% of the neighbours who took in a parcel were also satisfied with the experience.



Regulator Ofcom is still engaged in a consultation on the proposal but has stated that it expects to grant approval. It has not objected to Royal Mail beginning its leaflet campaign.

DPD extends Predict to Belgium and Luxembourg

DPD has extended its Predict service, which gives advance notification of home deliveries, to Belgium and Luxembourg.

The service was introduced in the Netherlands in April. It provides parcel recipients with a time window for delivery of their purchase, informing them by SMS or email of the delivery time on the planned day of delivery. Recipients can request one of three alternative delivery days.

Predict was first launched in the United Kingdom in 2010 and expanded to Germany under the name 'FlexDelivery'.

In the future, DPD plans to add new features to Predict including options to change the delivery address or indicate another delivery location such as a parcel shop.



DPD Romania offers COD for online shopping

DPD Romania has launched COD International, providing international delivery of online purchases to Hungary and Bulgaria.

DPD couriers collect payment at the time of delivery. COD International guarantees delivery within two days and bank transfers to the online retailer's account within 48 hours. DPD said it offers value-added services including financial reports, shipping status reports, insurance for up to ten times the value of the transport, online tracking and proof of delivery.



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