Market Flash

International Post Corporation

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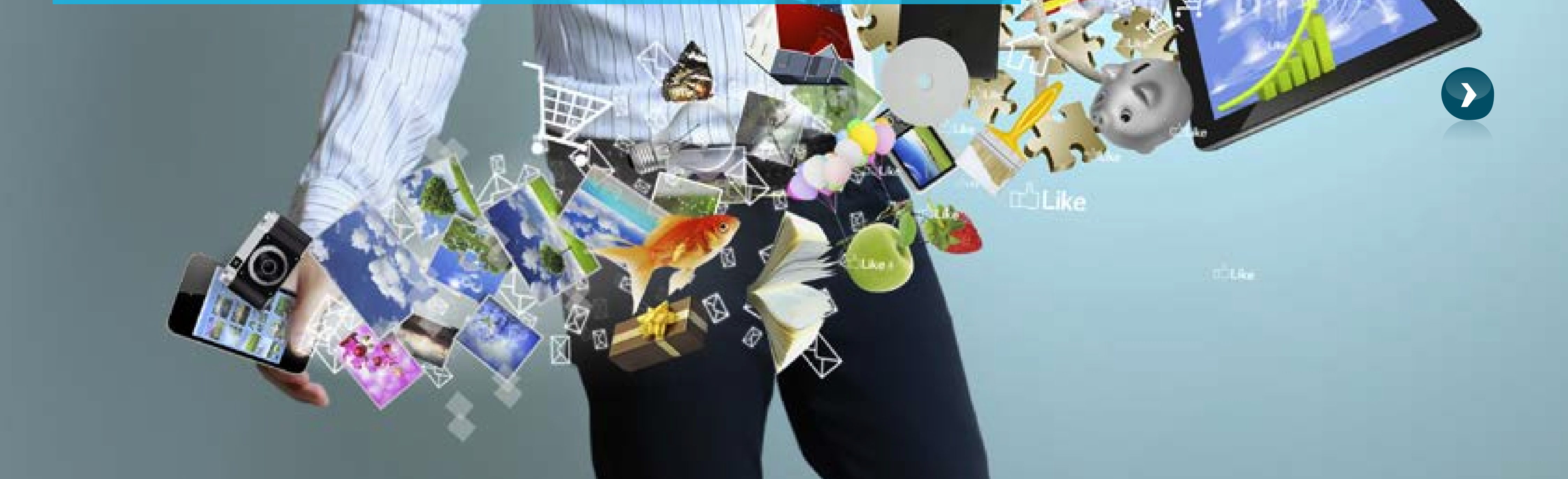

Top story

Globalisation weaker now than in the past

The world today is less connected globally than five years go according to the second edition of the DHL Global Connectedness Index (GCI).

The report draws on more than a million data points from 2005 to 2011, measuring global connectedness by international flows of trade, capital, information and people. It documents how global connectedness grew strongly between 2005 and 2007 but dropped sharply with the onset of the financial crisis. Global connectedness has yet to regain its pre-crisis level despite modest gains since 2009, DHL said.

Deutsche Post DHL chief executive Frank Appel said the report indicated the "volatile and uncertain" business environment. He called on all governments to resist protectionist measures that hinder cross-border interactions.

The Netherlands retained their 2010 position as the world's most connected country in the second edition of the GCI; nine of the 10 most connected countries are in Europe reflecting the achievements of European integration.

Within the least connected region, Sub-Saharan Africa, five countries made the largest increases in their global connectedness scores from 2010 to 2011: Mozambique, Togo, Cana, Guinea and Zambia.

The GCI's author, Pankaj Ghemawat, said that a study of globalisation on a country and regional basis reveals two critical factors: cross-border flows are significantly lower than commonly perceived; all countries have untapped potential to benefit from more connectedness. "At a time of economic weakness, this represents one of the most powerful levers available for boosting growth", he said.

Americas

USPS plunges into record loss in fiscal 2012

The United States Postal Service made a record net loss of US$15.9bn in its fiscal year to 30 September. By far the greatest portion of the loss was US$11.1bn in mandated payments to prefund retiree health benefits on which the Postal Service was forced to default.

Operating revenue for the fiscal year was stable at US$65.2bn compared with US$65.7bn last year. Operating expenses, including the US$11.1bn in mandated payments, were US$81bn compared with US$70.6bn.

USPS repeated it urgent call for legislation to resolve its prefunding requirement and provide it with more commercial flexibility. Postmaster General and chief executive Patrick Donahoe said it was crucial for Congress to pass legislation before it adjourned this year.

He said the Postal Service was growing revenue and reducing expenses by making its operations more efficient and providing new and expanded services. It was expanding its use of technology and making better use of digital tools and mobile technology in order to give business mailers new ways to connect with their customers.

The package business is growing thanks to the boom in e-commerce and Postal Service marketing. Revenue from package services increased by U$926m (8.7%) while volume increased by 244m pieces compared with last year.

Growth in packages was not enough to offset declines in First-Class Mail and Standard Mail. First-Class Mail revenue dropped by US$1.16bn (3.9%) while Standard Mail revenue declined by US$747m (4.3%). Total mail volume declined further to 159.9bn pieces compared with 168.3bn in fiscal 2011.

The Postal Service's chief financial officer, Joseph Corbett, said cost savings and productivity improvements continued. The number of work hours had dropped by a further 27m (2.3%) compared with last year and they continued to decrease despite an increase in the number of delivery points.

At the end of fiscal year 2012, the Postal Service reached its statutory debt ceiling of US$15bn for the first time; liquidity is a major concern, according to Joseph Corbett.

Canada Post records third quarter losses

Canada Post Group made a record pre-tax loss of CA$75m in the third quarter ended 29 September with the core mail, parcels and digital delivery business suffering a pre-tax loss of CA$91m. The cumulative loss for the first three quarters is CA$88m.

The corporation said mail substitution was the underlying cause of losses. The biggest mail revenue earner, transaction mail, saw volume drop 9% (119m pieces) below the third quarter last year; volume is expected to decline further quickly.

IN BRIEF

New chairman for USPS governors

The United States Postal Service (USPS) Board of Governors has a new chairman, Mickey D Barnett, the current vice-chairman. He succeeds Thurgood Marshall Jr this month. James H Bilbray has been elected vice-chairman. Mickey Barnett is a former New Mexico state senator and James Bilbray is a former member of the US House of Representatives from Nevada.

IN BRIEF

UPS raises rates in 2013

UPS will introduce an average net rate increase of 4.5% on all UPS Air and United States origin international services from 31 December. UPS Ground services will rise by 4.9%. Next day, second day and three day freight rates for shipment s within and between the US, Canada and Puerto Rico will also rise by 4.9%

Domestic letter volume decreased by 9.5% (116m pieces) and direct marketing mail volume fell by 7.3% (113m pieces) year-on-year.

As at other postal companies, Canada Post experienced parcels growth linked to a strong e-commerce market. Parcel revenue rose by 7% year-on-year and volume by 6.8% (7m pieces) but not enough to offset losses resulting from mail volume decline.

Canada Post employees are voting on pay deals tentatively agreed by their union representatives. The voting deadline is 19 December; Canada Post said a failure to ratify the agreements could worsen the challenges faced by the corporation and make aspects of the tentative deals unaffordable.

The corporation's pension plan is burdened by a deficit on a market value basis of about CA$6.6bn (at 31 December 2011). The corporation faces a volatile solvency deficit which was about CA$4.7bn (based on a three-year average solvency) at the end of 2011.

CANADA POST POSTES CANADA

From anywhere... to anyone *De partout... jusqu'à vous*

Integrators help boost US exports for small businesses

FedEx and DHL continue to cooperate with United States Government initiatives to boost exports, particularly in the small to medium-sized enterprise (SME) sector.

Michael Ducker, the chief operating officer and president, international, of FedEx Express described during a panel discussion how FedEx had supported a small company, OtterBox, to expand and do business on three continents.

The panel discussion provided a launch platform for a FedEx study: "Globally Engaged US Companies: Engines of US Economic Growth and Job Creation". This describes how globally engaged US companies provide growth and employment opportunities at home in the US.

The study's author, Dr Matthew Slaughter, used economic data, academic and policy research and case studies to show how smaller companies benefit when larger companies achieve global success.

DHL has signed a Global Buyer Initiative (GBI) which is one of a series of partnership programmes under the US Government's National Export Initiative.

Through the GBI, DHL is supporting the expansion of US exports by matching its customers outside the US with small and medium-sized business suppliers in the US. It is launching the programme initially in Colombia, Panama and Canada.

IN BRIEF

FedEx Ground announces rate increase

FedEx Ground and FedEx Home Delivery rates will rise by a net average of 4.9% on 7 January. A full average rate increase of 5.9% will be partially offset by an adjustment to the fuel price threshold for surcharges.

FedEx campaign aims to reach SMEs

FedEx Express has launched a marketing and advertising campaign directed at small and medium-sized businesses SMEs.

The campaign in print and online media focuses on FedEx employees, stressing that they build strong relationships and help SMEs overcome challenges.

USPS promotes its website to consumers

The United States Postal Service is promoting the shipping and delivery services and shopping opportunities provided by its website during the holiday season.

Its Package Pickup service allows individuals to send packages from home by giving them to their letter carrier when he or she delivers the mail. The service is free for packages sent via expedited services (Priority Mail, Express Mail, Global Express Guaranteed or Merchandise Return Services).

Consumers can pay for postage, print labels and track their package shipments from the usps.com website. They can locate their local post office and calculate the postage to pay on items they wish to send. The usps.com online shop sells stamps, shipping supplies and holiday gifts.

DHL taps into Latin American growth

DHL has opened a modernised 13,000m2 hub and airline facility at Miami International Airport to process shipments to and from Latin America and the Caribbean and support growth in import and export volumes along the United States-Latin America trade lane.

The hub has new conveyor systems and additional space for both DHL operations and US Customs processing. It provides extra handling and storage space for dry and perishable foods and upgraded shipment scanning technology.

Asia Pacific

Blue Dart share offer over-subscribed

Deutsche Post DHL has raised €39m from the sale of a 6.03% stake in India's Blue Dart in a heavily over-subscribed offer.

The company had to reduce its holding from 81.03% to 75% in order to comply with new rules governing companies listed on the Bombay Stock Exchange. These limit majority ownership to 75% by requiring companies listed on the exchange to ensure they have at least 25% of their shares in public ownership by 3 June 2013.

The 1.43m shares sold at an average price of INR1,833 each, well above the minimum price set at INR1,720 per share.

Cross-border e-commerce drives depot upgrade

DHL Express has invested AU$4.5m in upgrading its facilities in Port Melbourne, Australia, to provide handling capacity and storage space for a growing volume of goods ordered in cross-border e-commerce.

The new facility will accommodate 50 delivery vans. It will operate an upgraded materials handling system and high speed re-weigh technology.

Industries such as engineering, manufacturing and apparel are based in Melbourne alongside some of DHL's major global customers including Quicksilver and Nissan.

Australia Post opens a superstore in Canberra

Australia Post has opened one of its new, flagship superstores in Canberra following an AU$1.5m upgrading.

The superstore is one of 31 operating across Australia designed to facilitate e-commerce shopping and delivery by answering the needs of changing consumer habits.

The Canberra superstore has a zone that is open round-the-clock providing parcel lockers, self-service terminals for bill payment and parcel shipment, vending machines for stamps and packaging materials and a cash ATM.

In the superstore, seven counters are each dedicated to different services and a "digital essentials" zone provides Apple Macs and iPads for customers to shop online. Dedicated travel services provide passport renewal, insurance, currency and travel goods.

Australia Post completes purchase of StarTrack

Australia Post has acquired 100% ownership of express operator StarTrack, having finalised its purchase of the 50% stake held by Qantas. At the same time, the company has sold its 50% stake in Australian Air Express to Qantas.

The acquisition of StarTrack is part of an AU$2bn investment by Australia Post in its national logistics and retail network. StarTrack is viewed as a key strategic investment offering Australia Post express freight capabilities that complement its parcels business both domestically and internationally.

IN BRIEF

Australia Post takes action on accessibility

Australia Post marked International Day of People with Disability by launching its first Accessibility Action Plan focusing on increasing workforce participation, providing accessible products and services and raising community awareness through education, partnerships and workplace giving.

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Europe

IN BRIEF

PostNord issues bonds

PostNord issued bonds totalling SEK540m on 22 November under the Medium Term Note programme established in June 2012 to provide the group with greater flexibility to finance conversions and further acquisitions.

Bpost expands trials for its home delivery service

Bpost has expanded its pilot testing for a planned new grocery home delivery service to the region of Brabant in Wallonia.

The "bpost by appointment" service provides home delivery at pre-determined times of weekly shopping items ordered from participating retailers. Orders made before 13.00h will be delivered between 17.00h and 21.00h during a pre-selected two-hour delivery slot.

Brabant joins trials in Sint-Niklaas, Turnhout and Grammont where bpost says results so far have been positive. During the test phase, the price charged to consumers for the service is €39.95 a month for one delivery a week payable at the end of the month. The consumer is not charged if one week they do not make an order.

Bpost is offering retailers a range of price packages based on whether or not they are using frozen or fresh produce boxes or a collection service operated by bpost.

A new pilot test in Sint-Niklaas and Brabant will determine consumer interest in same day home delivery for bread, fruit and meat.

In Sint-Niklaas, bpost is working in partnership with www.nuvonet.be which allows consumers to order shopping online from 26 participating retailers. A supermarket, a drugstore, a traiteur and several boutiques have recently joined the scheme.

In Turnhout, a trial focusing on people with reduced mobility, is being carried out in partnership with nine local service providers and the municipality. In Grammont, bpost is delivering hot meals prepared by contract caterer Compass Group and is negotiating to expand the test.

Deutsche Post DHL mechanises parcel delivery sorting

Deutsche Post DHL has begun its first mechanised delivery operation at a former freight depot in Braunschweig. The 16,500m2 site is the first of at least 25 mechanised delivery centres across Germany planned for operation by the end of 2014.

The "MechZB" centres are one of the pillars of Deutsche Post DHL's new parcel concept. They automatically pass parcels to the relevant delivery person via box chutes each holding up to 200 parcels. The company said it would save time and provide for faster delivery by processing parcels directly at the delivery base.

Deutsche Post DHL's new parcel concept focuses on technology and IT applications and improved processing techniques.

At 19 of the 33 parcel centres in Germany, sorting capacity has been increased to 28,000 parcels an hour and 30,000 an hour at peak times. Construction has begun on a parcel centre in Obertshausen, near Frankfurt, with a sorting capacity of 40,000 parcels an hour.

DPD UK invests in home delivery

DPD is investing UK£175m in the United Kingdom in expanding its capacity to meet growing demand for consumer deliveries of e-commerce orders.

The company plans to build a new, UK£100m parcel sorting hub in the East Midlands and is refurbishing two other hubs to increase its nightly parcels handling capacity. It is also spending UK£12m on building 10 new depots in the next 15 months.

DPD said business-to-consumer growth was being driven by its Predict service. Since its launch in March 2010, Predict had generated more than UK£70m of new business from e-retailers. The service utilises GPS tracking technology to provide consumers with a one-hour delivery window. DPD claims it achieves a successful first delivery service level of more than 97% for Predict.

Royal Mail chief cautious on IPO timing

Royal Mail Group chief executive Moya Greene has dampened speculation that the company will be floated on the stock exchange in the second half of 2013.

She commented at the "Future of UK Postal Services" conference in London on 5 December that markets remained "skittish and volatile" and Royal Mail's Initial Public Offer (IPO) might not go ahead as planned next year.

She said price increases in April for parcels and letters had affected Royal Mail's business positively. Letter volumes were declining by about 7% but revenues were now up for the first time in a long time.

Moya Greene said prices in the United Kingdom parcels market had been "almost dysfunctional" if looked at in terms of the cost of providing the service. She had not understood why there was price control on parcels given the number of operators in the market.

"We have corrected a lot of that", she said. "I would say that we were a very big subsidy in this country on the fulfilment side to e-retailing generally and we are starting to bring things more into a new and better equilibrium."

IN BRIEF

Royal Mail supports prostate cancer campaign

Royal Mail supported the Movember campaign with its charity partner, Prostate Cancer UK, during the month of November. The campaign asks its supporters to grow a moustache during November; Royal Mail postmarked mail with a Movember postmark and raised awareness of prostate cancer among its employees.

IN BRIEF

Austrian Post parcels top in consumer test

Austrian Post says it achieved the highest score in a parcel delivery test conducted by consumer association VKI. The company scored highest for average delivery time (1.4 days) at lowest prices.

Turning to the universal service obligation (USO), Moya Greene said the time was right to ask whether the obligations placed on Royal Mail should be applied to other players entering the end-to-end mail delivery market.

She called for a wider debate on the USO. "If you 'cherry pick' the profitable parts of the business with no obligation to honour delivery in other parts of the country...it won't be long before the universal gets into a grave position financially. So it's the right time to have the debate on what's appropriate, so the playing field is reasonably level", she said.

Austrian Post's profits rise in third quarter

Austrian Post increased its third quarter profits by 18.3% to €33.3m despite an underlying 2.1% fall in revenue to just under €550m.

The parcel and logistics division made a strong recovery, achieving a €5m operating profit compared with a loss of €15.9m in the same period last year. Austrian Post attributed the turnaround to the sale of loss-making trans-o-flex businesses in Benelux earlier this year.

In the first nine months, parcels and logistics revenue rose by 2.3% to €632m, an underlying increase of 5.1%, according to the company, when adjusted for the sale of the loss-making Benelux business. The division made a nine-month operating profit of €16.4m compared with a loss of €5.7m in the same period last year.

Standard parcels, used mainly for domestic shipments to private individuals, increased revenues by 7.7% to €126.8m in the first nine months.

The mail and branch network division achieved third quarter revenues of just under €350m and lower operating profits of €53.9m. Profit margin dropped from last year's third quarter high of 19.4% to 14.7%. Over the nine months, divisional earnings before interest and tax (EBIT) were 4% down at €189m on flat revenues of €1.1bn.

In the first nine months, letter revenues improved by 3.4%. Austrian Post said electronic substitution was offset by volume shift from direct mail to higher quality letter products and e-commerce deliveries via letter rather than parcel services.

The company said it expected a further decline in addressed letter mail volume but increasing e-commerce was expected to result in parcels growth. It forecast "slightly positive" revenue development in the full year.

IN BRIEF

Swiss Post improves online access

Swiss Post has optimised access to its websites for people with disabilities. It provides access to its customer care team via sign language input through a webcam and has redesigned its postshop site to remove barriers for people with disabilities.

Swiss Post profits dip in first nine months

Swiss Post generated a group profit of CHF712m in the first nine months of the year, about 1% less than the CHF721m achieved in the same period last year.

The operating result, corresponding to earnings before interest and tax (EBIT) was CHF707m compared with CHF720m last year. Operating income (turnover) rose by CHF43m to CHF6.34bn.

Once again, PostFinance contributed the bulk of group profits at CHF497m compared with CHF464m in the first nine months last year.

PostMail's operating result was CHF139m compared with CHF160m last year. Turnover was CHF2.29bn compared with CHF2.28bn. The volume of addressed letters stabilised at a decline of 1.7% but unaddressed mail volume increased by 48% as a result of Swiss Post's takeover of the DMC Group.

Swiss Post Solutions achieved an operating result of CHF1m on turnover of CHF407m compared with last year's CHF5m operating result on turnover of CHF401m.

The branch network, Post Office & Sales, reduced its loss to CHF84m on turnover o f CHF2.2bn against the first nine months last year when the loss was CHF112m on virtually the same turnover.

PostLogistics' operating result was lower at CHF100m compared with CHF111m. Turnover was CHF1.12bn compared with CHF1.09bn. The company said higher costs for shipping services and a new IT system were mostly responsibility for the profits decline.

DPD widens its Swiss parcel shop network

DPD plans to increase its parcel drop-off and collection network in Switzerland as part of its move into the country's business-to-consumer market.

It will increase its number of parcel shop locations from 62 to 600 by 2014 and will invest in the network's technical facilities.

The company said it would set up a new business development division. It aimed to provide a better infrastructure for growth in business-to-consumer deliveries by developing made-to-measure products and IT-aided services for its parcel shops.

IN BRIEF

MyNewspaper fails to fly for Swiss Post

Swiss Post has abandoned the launch of its personalised MyNewspaper product after a year-long market test failed to generate the level of subscriptions expected. The product invited consumers to choose content from several newspapers

IN BRIEF

DPD Russia launches mobile website

DPD Russia has introduced a mobile version of its website for tablets and smartphones. It has also been recognised as the country's Most Attractive Employer 2012 in an annual study conducted by research portal Superjob.ru.

ColiPoste and Chronopost gear up for Christmas

Le Groupe La Poste's parcels service ColiPoste and its express service, Chronopost, have geared up for even more parcels this Christmas as e-commerce growth boosts volume.

ColiPoste expected to handle up to 2m parcels on 17 December, peaking at double the average daily volume. From November, the company has deployed 199 extra trucks and from December an extra 325.

In the run-up to Christmas, Chronopost experiences a 60% increase in volume, also peaking on 17 December with an anticipated 560,000 express parcels. La Poste said that Chronopost's aims were two-fold: maintain quality of service for business-to-business customers; handle growth in business-to-consumer volume in order to provide unsurpassed service. The company is operating additional transit hubs and has added 250 truck routes and one additional air link.

Deutsche Post doubles pension plan assets

Deutsche Post DHL has successfully placed three bonds with a total volume of €2bn to national and international investors with a view to almost double the plan assets covering its pension obligations.

The company said it took advantage on 4 December of favourable market conditions for companies with high credit quality. It placed one convertible bond with a volume of €1bn and a seven-year term; the two others were a €300m bond with an eight-year term and a €700m bond with a 12-year term.

The company expects its action to improve its operating cash flow in future years and to have a small positive impact on its financial result and net income.

In a separate move, Deutsche Post DHL has cancelled its long-standing rating agreement with rating agency Standard & Poor's (S&P). It will now rely on Fitch Ratings alongside Moody's Investors Service to assess its credit worthiness.

S&P last confirmed its BBB+ long-term rating of Deutsche Post DHL with a stable outlook at the end of August. Fitch has issued an equivalent rating of BBB+ with stable outlook; Moody's current rating is Baa1. The outlook on the Moody's rating was raised to "positive" at the end of September.

Deutsche Post DHL said it had cancelled its rating agreement with S&P for purely commercial reasons.

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About this publication

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