# POSTAL NEWS
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23-01-09

### 1. FedEx switches domestic airline partner in China

FedEx has contracted cargo airline Yangtze River Express to provide domestic flights within China following the cancellation of its contract with former partner, Okay Airways. The US integrator is focusing strongly on developing its domestic express services within China.

Yangtze River Express (YRE), part of the HNA aviation group, is operating flights on domestic routes to transport FedEx shipments between inland cities, and to link up with FedEx's international air network at its key China hubs. The cargo carrier has a fleet of three B737-300 freighters, three B737-300 Quick Change planes, and three B747-400 freighters for long-haul routes.

YRE announced that it launched services for FedEx on December 17 with a fully-loaded flight from Guangzhou via Hangzhou to Beijing. The FedEx contract was a rare opportunity to broaden the customer base against the background of the severe economic environment, the Chinese airline pointed out. It had worked closely with FedEx to launch the service at short notice, it added.

FedEx terminated its five-year agreement with Okay Airways after the latter ran into financial difficulties and temporarily suspended its passenger flights in December, the South China Morning Post reported earlier this month.

In June 2007, FedEx had agreed to hire three B737 freighters from Okay in order to provide domestic express services. The monthly revenues from the FedEx contract amounted to about 13 million yuan (€1.5 million), according to the Hong Kong-based newspaper.

FedEx launched domestic express services in China in June 2007 by opening a domestic air hub at Hangzhou Xiaoshan International Airport and using Okay to fly two nightly circular routes covering the country's major airports. Initial coverage of

19 cities on a next-day basis and 200 cities on a second-day basis was extended in June 2008 to 40 cities for the next-day service while transit times for key major cities were improved.

23-01-09

2. **DHL expands Mexico capacity with new gateway and customer service centre**

DHL Mexico yesterday opened one of the industry's most advanced gateways in Latin America and a customer service call centre expected to increase its shipping handling capacity by 300% and to double customer service capacity.

The $6.2 million facilities are part of the company's strategic five-year investment plan for Mexico worth $112 million and are designed to strengthen DHL's domestic and international network enabling trade with the United States, Europe, Latin America and the rest of the world. The expansion coincides with DHL Express' 30th anniversary in Mexico.

With daily international flights arriving from the United States, Europe and Central and South America, the new gateway uses the most advanced technology and automated systems to sort packages and state-of-the-art equipment to automatically classify pieces according to their declared value, optimizing custom clearance processes and enabling increased productivity.

The 2,600 sqm state-of-the art gateway is built over a 1,323 sqm surface area in two levels increasing the operating area over the installed capacity by 80%. This expansion provides a greater capacity to simultaneously unload up to three air shipment containers at a rate of approximately 1,500 pieces per hour. The handling capacity is expected to increase to 100,000 shipments per month, representing a 300% growth in its operating capacity, DHL Express International Americas said in a statement.

The new 2,430 sqm customer service call center, located within DHL' main hub in Mexico City, is one of the company's largest and most sophisticated centres in Latin America. The contact centre handles over 18,000 daily calls and provides proactive tracking to over 40,000 shipments. Nearly 93% of the incoming calls are answered in less than 15 seconds, minimising any wait time.

The centre uses advanced technology to guarantee optimal customer service including advanced IT systems, specialised customer service software and customised areas for the staff's comfort and well-being. Services available at the call centre include import and export expertise, pick-up requests, tracking and tracing in-transit shipments and information about DHL products and solutions.

Roger Crook, CEO of DHL Express International Americas, said during the opening ceremony. " Investing in expanding our operating centres reinforces the fact that DHL facilitates trade to the United States and the rest of the world like no one else. We are the only express service company with a truly international footprint and these investments further strengthen our intra-regional and inter-continental network."

“These important investments enable us to respond quickly and effectively to the rising commercial activity in Mexico, not only domestically and with our US neighbour but also with the rest of Latin America, Europe and Asia,” added Luis Eraña, General Manager, DHL Express Mexico. “ The opening of these two facilities places us at the forefront of our competitive industry and, most importantly, provides us with a solid foundation to provide the best service and response time to our customers.”

In 2008, DHL Express Mexico invested in key areas including the expansion of the Hangares Hub which increased its logistics service and shipment handling capacity by 20% as well as the replacement of DHL’s ground fleet with environmentally friendly pick-up and delivery vehicles.

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21-01-09

**3. British postal union CWU officially opposes Royal Mail privatisation**

The British postal union Communications Workers Union (CWU) yesterday explicitly declared its opposition to Royal Mail’s privatisation plans at a meeting of the parliamentary BERR Select Committee.

British business secretary, Lord Mandelson, has already given his backing to the recommendations of an independent review of the UK postal sector that the government should take responsibility for the group's rising pension fund deficit and that it needed to recruit a strategic partner. This was presented in a report by Richard Hooper, the Chairman of the Government Postal Review.

CWU general secretary Billy Hayes claimed that there was a successful model for a fully publicly owned Royal Mail provided proper investment and commitment was secured. Rejecting the suggestion to bring in a strategic partner, Hayes told the cross-party business and enterprise committee of MPs that the government would in effect be removing the pension fund liabilities from Royal Mail’s balance sheet, improving the financial health of the company and making it more attractive to an outside investor.

He attacked Mandelson's support for bringing in an outside minority shareholder: "Why should we nationalise the debt (in the form of the pension deficit) and privatise the profit?”

Dave Ward, CWU deputy general secretary, said the report lacked financial transparency preventing plans for a successful future for Royal Mail. "We need to know that the management of the Royal Mail is committed to sorting out the problems faced by the company in the increasingly turbulent mail market. We welcome modernisation and continue to call for better equipment and automation to allow our members to compete more effectively with other operators,” he said.

Responding to Hooper's statement that a partner was needed to bring expertise into the company, Roger Berry, one of the MPs, asked: "As you have identified a skills

gap, why not buy in that expertise in the form of consultants or management? It's a skills deficit; why do you need a private company to have a stake in the business to solve that?"

Roger Berry also questioned the recommendation for private finance at a time when public bodies have to bail out other sectors. "In the present climate and given the urgent need for investment, isn't it a bit optimistic to expect the private sector to provide the funds?" he asked.

20-01-09

Royal Mail universal service should stay VAT-exempt, EU court advocate says

Royal Mail should keep its VAT exemption for its universal postal services but be liable to charge VAT for individually negotiated delivery contracts, the EU's highest court has been told.

Even though the British postal market is now fully liberalised, Royal Mail remains the universal service provider, Juliane Kokott, advocate-general at the European Court of Justice (ECJ), said. As a result, it should continue to benefit from VAT exemption granted to public postal services, she stated.

As the universal service provider in Britain, Royal Mail had to provide nationwide postal services at uniform and affordable tariffs, had to provide a nationwide network for the general public, and had to comply with other conditions, Kokott told the court.

However, she took the view that not all services provided by the Royal Mail are, of necessity, exempted from value added tax. Rather, the exemption applies only to those services which are provided in the public interest. The exemption cannot, in any event, apply where items are carried at individually negotiated prices, she said.

The advocate-general was giving her legal opinion in a long-running case brought by TNT Post UK which had challenged Royal Mail's VAT-free status. The Dutch mail group had claimed that the status could no longer be justified in a fully liberalised market. TNT Post has to charge Britain's 17.5% VAT rate on all services while Royal Mail is exempt from the tax.

Although the case specifically refers to the situation in the UK, it may set a precedent for the rest of the EU where the former national monopolist will remain the de facto universal service provider even after full liberalisation in 2011. Competitors in many countries complain that they suffer competitive disadvantages from having to charge VAT while the public postal operator can operate at lower prices.

The ECJ will now consider the Advocate General's opinion. A verdict is expected later this year.

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January 26, 2009

## 4. PMG Potter to Address Worsening USPS Finances Wednesday

Rumors have been swirling throughout the Postal Service in recent weeks about big changes coming: significant plant consolidations, area and district staffing reductions, craft work-hour cutbacks, the list goes on. The Postal Service has remained mum about these rumors. One union president has been particularly candid about the prospects for significant change. Mailers are concerned about the possibility of USPS filing for an emergency rate increase in 2009, to supplement the annual rate hike available in May.

Greater clarity should come about on Wednesday afternoon when Postmaster General Jack Potter appears before a Senate postal oversight panel to testify on the deteriorating financial health of the Postal Service and what can be done to stabilize the ship.

Sen. Tom Carper (D-DE), chairman of the Senate Federal Services Subcommittee, has called the hearing to learn how badly the flagging economy is hurting the Postal Service and whether the Postal Service should receive any kind of relief, and if so, what kind and how much. The Postal Service is Hurting

There's no doubt about it. The worsening economy has thrown the Postal Service into a financial tailspin. Mail volume is declining at a pace not seen since the early 1930's. The business sectors that have provided the greatest amount of mail to the Postal Service – financial services, retail and housing – are among the industries hardest hit by the worsening recession. Direct mail campaigns are being cut back or coming to a screeching halt. In 2008, the Postal Service lost $2.8 billion, and volume declined by 9 billion pieces. Current trends indicate that USPS this year could lose $4 billion or more.

No one knows whether the lost mail volume will return when the economy revives, or how long that will take. Significant structural changes to the Postal Service, even to its business and products model, are inevitable, but those take time and are several years down the road.

The USPS can only do so much in shedding costs, while preserving service quality and its universal service obligation. Given the way the Postal Service is a barometer of the economy, it's no wonder that the Postal Service's finances have tanked.

The House version of the economic stimulus package, set for a vote in the House on Wednesday, does not include relief for the Postal Service. The Senate stimulus measure is still being crafted, but questions remain whether an appropriation for the Postal Service is necessarily the right move.

Reducing the Strangle Hold of Prefunding Postal Service Retiree Health Care

One of the best ways to provide financial relief for the Postal Service is through the reduction of one of the Postal Service's largest costs – its payments toward the future health insurance premiums of its retirees. This prefunding obligation was created by the 2006 postal reform law, with a payment schedule far too ambitious, especially now. No federal department or agency has this kind prefunding obligation, nor are USPS or FedEx required to do the same, nor do they.

In response, Rep. John McHugh (R-NY) and Rep. Danny Davis (D-IL) have introduced legislation, H.R. 22, that will address the USPS prefunding requirement

and make a simple but significant change in the law. HR 22 will permit the Postal Service to satisfy its payment for the premiums of current retirees out of the $32 billion that USPS has already set aside (including the infamous "escrow" lockbox) for future retiree health insurance premiums.
NAPS President Ted Keating and the presidents of the six other postal management associations and postal employee unions urged the Congressional leadership last month to include prefunding relief for USPS in the economic stimulus package.

The change would not affect the health insurance benefits of any retiree. Nor it is a bailout; it simply would revise the payment schedule under which the Postal Service makes down payments for the health insurance premiums of its future retirees.

In these difficult economic times, the question becomes: Should the Postal Service be forced to annually prefund $5.4 billion for future retirees, in addition to paying the $2.3 billion for current employees, when it cannot afford these payments right now and is going deeper and deeper into debt?"
Wednesday's Senate hearing will take a closer look at this issue and others.

Bruce Moyer NAPS Legislative Counsel

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Monday, January 26, 2009, 2:32pm EST

5. **UPS laying off 60 airline mechanics**

Business First of Louisville - by Brent Adams Staff Writer
UPS Airlines, a subsidiary of United Parcel Service Inc., will lay off 60 airline mechanics nationwide in an attempt to reduce costs in response to the economic slowdown.
It is unclear how many of the mechanics will come from Louisville, the home of UPS Airlines. About 590 of the company's 1,363 airline mechanics are located at Louisville International Airport, UPS Airlines public relations manager Mike Mangeot said.
The mechanics make an average salary of $89,400, Mangeot said.
Officials with the International Brotherhood of Teamsters will determine which employees are laid off, Mangeot said. The mechanics are represented locally by Teamsters Local 2727.
"This is something we don't like to do," Mangeot said. "It's not the way we normally do business, but we need to make prudent decisions today to allow us to make it through the tough times."
Because of the economic downturn, fewer packages are being shipped by air and fewer UPS planes are taking to the sky, Mangeot said. He declined to say how many daily flights the company currently makes or how it compares to UPS' flight schedule for January 2007.

Send comments to bsadams@bizjournals.com

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26-01-09

6. **UK B2C leader HDNL to cut nearly 700 jobs**

Britain's leading B2C parcel company, Home Delivery Network (HDNL), has disclosed plans to shed nearly 700 jobs and close seven depots to cut costs as the country's retail sector weakens and B2C carriers increasingly compete on price.

HDNL intends to shut down depots at Daventry (Central England), Sheffield, Burslem (North England), Newcastle, Basildon and Eastleigh by February 22, and close Edmonton (North London) by September as part of a network restructuring. A total of 686 jobs are affected. The company is also reviewing overall staffing levels, and further redundancies are possible this year.

According to union sources, HDNL has lost business to competitors due to aggressive pricing, its peak Christmas season volumes were stagnant and it is currently making a bigger loss than budgeted for. The company is trying to cut costs but also wants to develop new services such as timed deliveries to win next-day delivery volume, and to introduce drop-off and collection points.

The two British unions Unite and USDAW said workers were shocked by the news and the unions would be consulting with the company to find alternative work for the affected staff at other depots.

Unite national officer, Julia Long, said: "We have been working together over the last year putting changes in place to help the business move forward and become profitable after years of what we believe were bad decisions and poor management.

Usdaw national officer, Irene Radigan, commented: "The company has announced a major restructuring programme which will include the closure of six sites. Work will be transferred across the rest of HDNL's network. We are working with HDNL to minimise compulsory redundancies as a result of this restructuring. The home shopping sector has seen a steady decline over the last few years and these redundancies are not a direct result of the economic downturn."

The British retail sector is expected to be hit hard by the recession during 2009, impacting heavily on the home delivery market. HDNL, with 3,500 drivers, has two national sorting hubs, 58 regional depots and four specialised sites. Last June, it opened a new 26,000 sqm sorting centre in Northampton. Formerly part of the Littlewoods group, it is the B2C market leader ahead of Parcelnet, Parcelforce, the Royal Mail subsidiary, DHL and other parcel firms.

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FOR IMMEDIATE RELEASE
Jan. 23, 2009

Greener Computing

7. **U.S. Postal Service Uses Leading Technologies to Reduce, Reuse, Recycle**

WASHINGTON — From server consolidation to ink cartridge recycling, the U.S. Postal Service is using leading-edge technologies to support energy conservation, recycling and waste reduction.

These initiatives also resulted in more than $2.25 million in cost avoidance last fiscal year.

"Going green isn't just good for the environment — it's good business," said George Wright, vice president, Information Technology Operations. "Using technology in creative ways has helped the Postal Service reduce energy consumption levels in facilities, use less paper, lower the time that computers stay turned on, and reduce travel costs."

Over the past three years, USPS Information Technology (IT) has implemented a program to reduce power consumption at data centers using a technology that allows multiple applications to run on a single server. This ongoing process, called "virtualization," maximizes the available resources of each server and has enabled the Postal Service to eliminate more than 1,600 servers and reduce hardware maintenance costs by $2 million. The Postal Service also has converted 40 percent of workstations to power-saving monitors and replaced outmoded equipment with energy-efficient units, earning rebates of more than $250,000 from power companies.

In addition to energy reduction, USPS IT is using fewer printers and less paper as part of the "PRIME" (PRint and IMaging Environment) initiative. IT has reduced the number of stand-alone printers through networking and decreased the number of pages printed by switching the default printer setting to back-and-front printing. Printer paper used is at least 30 percent recyclable and the Postal Service has established a recycling program for ink and toner cartridges. Organization-wide, recycled wastepaper, cardboard, cans, plastics and other materials generated $12 million dollars, an increase of more than 40 percent from the previous year.

Green IT also is helping Postal Service employees and customers improve their carbon footprint. The Postal Service's Wide Area Network (WAN) supports live video multicasts and webinars for more than 250,000 users. These technologies reduce fuel use and carbon dioxide emissions by enabling greater use of online meetings and telecommuting.

"Our mission is to deliver now — and for future generations," said Ross Philo, chief information officer and executive vice president. "By embracing the latest technologies, we can find new and better ways to do business and leave a greener footprint across America."

Employees aren't the only ones who can save fuel. Thanks to the Postal Service's award-winning website usps.com, customers can skip the trip to the Postal Service and ship from the convenience of their home or office. More than 1.2 million customers visit usps.com every day to print postage-paid shipping labels, schedule a free package pickup, buy stamps and order supplies online, change their address, and put mail on hold — while saving time and fuel in the process.

The Postal Service is recognized as an environmental innovator and leader, and has been honored with more than 70 major environmental awards, including 39 White House Closing the Circle Awards for environmental stewardship.

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