

# POSTAL NEWS

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- 1. FedEx strengthens presence in Mexico with MultiPack acquisition. June 26, 2011.**
- 2. UPS launches new express flights into Chengdu. June 26, 2011.**
- 3. UPDATE: UPS 2Q Net Grew 26% On Strong Growth In China, Europe. June 26, 2011.**
- 4. FedEx CEO's Total Fiscal 2011 Pay Falls 2 Percent. June 25, 2011.**
- 5. Brussels 2011: Hear the key messages from the World Mail & Express Europe conference on Post&Parcel now. June 27, 2011.**
- 6. PMG to Meet With Management Associations Presidents Tomorrow. June 26, 2011.**
- 7. Postal Service names 3,700 post offices that could be closed. June 27, 2011.**

## **1. FedEx strengthens presence in Mexico with MultiPack acquisition**

Tuesday, July 26th, 2011

FedEx Express has completed the acquisition of Mexican domestic carrier MultiPack. The US-based carrier said that the acquisition will strengthen the FedEx network in Mexico to meet growing customer demand.

This transaction will allow FedEx Express to provide a wider range of domestic and international transportation and logistics solutions in Mexico.

The company said the move reinforces its commitment to the Mexican market by facilitating access of local businesses to advanced technology, expanded services to meet their transportation and logistics needs, and an extensive retail presence throughout the Mexican Republic.

Michael L. Ducker, chief operating officer, FedEx Express, said: "The acquisition of MultiPack further solidifies our long-term presence in the market.

"FedEx is expanding its footprint in order to better meet the demands of Mexican businesses, and responding to the growth potential of this dynamic economy. The integration of the companies will create a winning combination of global reach and national expertise, backed by a commitment to service excellence."

From yesterday (25 July), FedEx started incorporating MultiPack's existing operations and infrastructure into its network, with the company stating that full integration will be achieved in phases.

MultiPack's existing operations include its pick-up and delivery network, warehousing and logistics services, 48 distribution centres, 13 warehouses and more than 500 retail outlets, all of which will be consolidated into the FedEx business. FedEx aims to achieve a seamless transition for employees and customers in Mexico.

"Nothing changes for customers today and business continues as usual with no modification to points of contact or services. As integration progresses, customers in Mexico will have direct access to a complete portfolio of domestic and international transportation and logistics solutions under the trusted FedEx brand, allowing them to reach all the states of the Mexican

Republic and more than 220 countries and territories worldwide, ultimately improving Mexico's competitiveness in the global marketplace," a FedEx statement said. The FedEx workforce in Mexico now accounts for more than 5,000 dedicated employees across the country.

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## **2. UPS launches new express flights into Chengdu**

Tuesday, July 26th, 2011

UPS has introduced new flights into Chengdu, China, which will expand the company's connections between Asia, Europe and the US.

The "around-the-world" flight through Chengdu will originate in UPS's European hub in Cologne, Germany, and make a stop in Warsaw before transiting Chengdu's Shuangliu International Airport, China's sixth largest cargo and passenger facility. It then will operate to UPS's Asia hub in Shanghai.

The daily MD-11 flight began Monday, UPS confirmed.

"China's 'Go West' programme is making it very attractive for companies to move production facilities to inland cities like Chengdu and we believe the area is poised for accelerated growth in express shipping," commented UPS International president Dan Brutto. Chengdu is the capital of China's western Sichuan province and is growing rapidly. Gross Domestic Product in the city of 13m has grown by approximately 15% each of the past two years and the province's retail sales swelled nearly 19% in 2010. Its foreign trade surged 36% in 2010 to \$32.78bn. In addition, the Chinese government declared the area an export processing zone in December 2010.

With the Chengdu flight, UPS now will connect Europe and Asia with a total of 24 flights per week, providing more next day options than any logistics carrier.

The Chengdu flight represents another step in UPS's growing portfolio in China. The company serves 330 cities in China and operates 200 weekly flights connecting China to markets around the world.

On Tuesday, UPS revealed a 25% growth in earnings for Q2 as company performance was boosted by "quality of revenue in US Domestic, superior export volume growth in International, and record Supply Chain & Freight results".

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## **3. UPDATE: UPS 2Q Net Grew 26% On Strong Growth In China, Europe**

By Bob Sechler

United Parcel Service Inc. (UPS) executives on Tuesday voiced frustration at the ongoing U.S. political stalemate, while broader economic uncertainty continues to weigh on shippers and logistics companies.

The company reported a 26% increase in second-quarter profit, buoyed by growth in China and Europe, but warned that U.S. economic uncertainty is constraining consumers and businesses.

"Gridlock in the nation's capitol clearly is not helping" the economic recovery, UPS Chief Executive Scott Davis told analysts on a post-earnings conference call. "Consumer confidence is down because of it."

The latest results topped Wall Street's expectations. Davis also stood by the full-year 2011 profit outlook that he raised in April to a range of \$4.15 a share to \$4.40 a share, even though he noted that growth in second-half U.S. gross domestic product had become hard to predict and could come in anywhere from 1.5% to 3.5%.

"The bottom line [is that] economic growth expectations have slowed," Davis said.

UPS and rival FedEx Corp. (FDX) are considered key barometers of global trade because of their broad air and truck delivery networks.

Davis and Chief Financial Officer Kurt Kuehn said they expect U.S. domestic package volume to be flat in the third quarter compared to the year-earlier period in what they called an "extremely sluggish" economic environment, after a rise of only 0.1% in the second quarter. They forecast slightly stronger growth in the fourth quarter, as well as margin expansion.

UPS expects a return to double-digit profit growth on international routes, after the segment's second-quarter earnings slipped 4.6%, weighed on by currency headwinds and fuel costs, even as volume climbed 6.2%.

The company reported second-quarter earnings of \$1.06 billion, or \$1.07 a share, up from \$845 million, or 84 cents a share, a year earlier. Excluding items related to real-estate transactions, earnings were \$1.05 in the latest quarter. Revenue increased 8.1% to \$13.19 billion.

Analysts surveyed by Thomson Reuters expected a profit of \$1.04 a share on revenue of \$13.14 billion.

Operating margin climbed to 12.9% from 11.5%, as average daily volume rose 1% overall.

UPS credited its yield management initiatives for raising average revenue per piece--a broad measure of pricing--by 7.1% overall.

U.S. package revenue increased 6.4% as profit climbed 29%, despite the division's essentially flat volume. In the international package business, revenue was up 13.3%, although profit was down.

Supply chain and freight revenue grew 7.4%.

Shares of UPS were recently down 4.8% at \$70.50, with FedEx off 2.8% at \$ 89.27.

-By Bob Sechler; Dow Jones Newswires; 512-258-1690; bob.sechler@dowjones.com

--John Kell contributed to this article.

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#### **4. FedEx CEO's Total Fiscal 2011 Pay Falls 2 Percent**

By SAMANTHA BOMKAMP AP Transportation Writer  
NEW YORK July 25, 2011 (AP)

FedEx's CEO's compensation fell 2 percent in 2011, mostly because his perks were worth less than in 2010, an Associated Press calculation shows.

Fred Smith, who also is the company's chairman and president, received compensation valued at \$7.3 million for the fiscal year that ended in May, down from \$7.4 million in fiscal 2010, according to a filing the company made Friday with the Securities and Exchange Commission.

Smith's salary rose 4 percent to \$1.2 million, and the value of his stock options rose less than 2 percent to \$5.2 million, the biggest chunk of his compensation.

But his performance-based cash bonus fell 6 percent to \$375,000, and his other compensation slid 37 percent to \$428,061. His perks already had dropped almost by half between 2009 and 2010. In 2011, they included retirement plan contributions, tax reimbursements, jet travel, use of a company car, security services, tax preparation services, financial counseling and insurance premiums.

FedEx Corp., based in Memphis, Tenn., said its 2011 net income rose 23 percent to \$1.45 billion for the year, while its revenue grew 13 percent to \$39.3 billion.

The Associated Press formula calculates an executive's total compensation during the last fiscal year by adding salary, bonuses, perks, above-market interest the company pays on deferred compensation and the estimated value of stock and stock options awarded during the year. The AP formula does not count changes in the present value of pension benefits. That makes the AP total slightly different in most cases from the total reported by companies to the Securities and Exchange Commission.

The value that a company assigned to an executive's stock and option awards for 2010 was the present value of what the company expected the awards to be worth to the executive over time. Companies use one of several formulas to calculate that value. However, the number is just an estimate, and what an executive ultimately receives will depend on the performance of the company's stock in the years after the awards are granted. Most stock compensation programs require an executive to wait a specified amount of time to receive shares or exercise options.

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## **5. Brussels 2011: Hear the key messages from the World Mail & Express Europe conference on Post&Parcel now**

Monday, June 27th, 2011

Video presentations from the industry-leading World Mail & Express Europe 2011 conference are now live and ready to view!

Post&Parcel readers can use our credit system to choose which videos they'd like to see. Credits can be purchased through the 'My Account' option at the top of the Post&Parcel homepage.

Presentations include those of Johnny Thijs, CEO of bpost, who provided an insight into his company's strategy for success; Stefano Gori, head of international business strategy, on Poste Italiane's portfolio; and Omar Farra, director of business development at La Poste, who addressed opportunities in mail.

Each presentation costs 50 credits.

However, to provide you with an insight of what to expect, Post&Parcel has given its readers access to two of the event presentations for free:

To watch Daryl Jackson, director, Deloitte, on “Customer strategy & interactive solutions”, click here.

To watch Ian Snadden, vice president EMEA, Intermec, on “The total customer experience right to the doorstep”, click here.

To see a full list of the video presentations from Brussels 2011, click on the Video tab at the top of the homepage.

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## **6. PMG to Meet With Management Associations Presidents Tomorrow**

From the National Association of Postmasters of the US:

Presidents of NAPUS, The League of Postmasters, and NAPS are scheduled to meet with the Postmaster General on Wednesday, July 27, 2011. NAPUS President Bob Rapoza said that he will ask for time to discuss the impact on Postmasters whose offices were recently identified to be included as part of a discontinuance feasibility study.

A review list for the possible discontinuance of approximately 2800 post offices has raised the anxiety level of impacted Postmasters, who are concerned over what options may be available to them if they receive a Reduction In Force (RIF) notice. As stated on the NAPUS website on Friday, there is no certainty that all of the offices on the list will be closed.

Additionally, the process could take as long as 7-10 months before a final decision would be made to close an office.

Impacted Postmasters are encouraged to check the NAPUS website for updates on discussions with USPS leaders about available options if a RIF notice is received. To see a list of offices under study for discontinuance click here . For information on how the review process works, please go to the NAPUS Action Guide (PDF). Additional information will be provided as soon as it becomes available.

Charlie Moser

July 26, 2011

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## **7. Postal Service names 3,700 post offices that could be closed**

Amanda Voisard/THE WASHINGTON POST - Lori Weinstein and 2-year-old Joshua pass by the Chevy Chase post office, which is on the list of possible closures.

Wednesday, July 27, 11:46 AM

The U.S. Postal Service is targeting 3,700 post offices across the country that could be closed, the largest downsizing in the history of the money-losing agency.

The unprofitable stations, branches and main offices that could be shuttered starting in January account for about 11 percent of the Postal Service’s retail operations. In the Washington area, 32 post offices could be jettisoned, from those servicing Congress in the U.S. Capitol to ones in Silver Spring and downtown Leesburg.

The money-strapped Postal Service is considering closing 3,653 post office buildings and going back to the old ways. (July 26)

Another 124 elsewhere in Maryland and Virginia are on the list, with the rest are scattered across 47 other states. The local post office with an American flag flying overhead has helped define communities — rural, suburban and urban — in many of these areas for more than two centuries.

The Postal Service hopes the contraction will save \$200 million a year. That does not come close to recouping the \$8 billion the agency is expected to lose for the second year running as it fights plummeting mail volume. But postal officials said they intend to review half of their network of 32,000 post offices for closure in the next decade as they try to slash labor costs. “We’ve made heroic efforts to take costs out of the organization while continuing to provide services,” Postmaster General Patrick R. Donahoe said at a news conference, comparing his agency’s financial struggles to the federal government’s effort to stay within its cap on borrowing.

“We have employees waiting for customers to come into their lobbies, and they have less than two hours they’re working,” he said.

A new “Village Post Office”

About 2,500 of the 3,654 sites targeted for possible closure will be replaced by a clerk in a local store, gas station, library or town hall in a new business model the Postal Service describes as a “Village Post Office.”

In January, the Postal Service said it would review 2,000 post offices for closure, but the plan met opposition from lawmakers and in affected communities. About 280 of those post offices have closed, and officials said another 700 are likely to.

Officials said the reduction announced Tuesday could move forward quickly under new rules that give the Postal Service greater authority to act.

Each post office will be evaluated for how much money it brings in, how many hours its employees work and how close it is to other post offices. More than 3,000 of the post offices identified bring in less than \$27,500 in annual revenue, figures from the Postal Service show. Yet many of them cost more than \$100,000 to operate.

Donahoe said the closures would affect the jobs of 4,500 postmasters, station managers, supervisors and clerks. Some would be able to apply for other positions within the Postal Service, but others would lose their jobs.

The Postal Service now sells stamps in thousands of CVS pharmacies, Wal-Marts and other retail stores; the “Village” model would expand those services.

Postal officials said they are soliciting small retailers to fold these Village Post Offices into their businesses in the next year, with its first contract under negotiation in a small town in Washington state.

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