

SAVE OHIO JOBS

The Save Ohio Jobs coalition is a nonpolitical, nonpartisan coalition made up of concerned citizens, residents, employees, families, government officials, businesses, churches, government entities, hospitals and healthcare institutions, nonprofits, and service organizations. The coalition was formed to proactively communicate locally, nationally and internationally the severe impact of DHL's proposed restructuring of its US operations and is working to save more than 8,000 area jobs that would be lost if DHL-parent company, Deutsche Post World Net (DPWN) finalizes a deal with UPS. German-based DPWN announced a tentative agreement on May 28 to transfer operations from Wilmington to a UPS facility in Kentucky.

There are many myths that are surrounding the potential DHL/UPS agreement; the myths run the gamut from ridiculous to simply untrue. The proposed agreement is not a good deal, not for UPS, not for DHL, not for consumers and certainly not for the residents of Wilmington, Ohio.

It is imperative that stakeholders are aware of the truths surrounding this agreement before it is complete. We have presented some of the myths and the facts surrounding this proposed agreement below:

- **MYTH:**

The UPS contract is a "win – win" proposition for both DHL and UPS.

FACT:

The UPS contract is a "win – win" proposition for UPS, but not DHL. UPS will receive approximately a billion dollars a year in additional revenue while DHL will be paying UPS a billion dollars a year to sort and transport its freight. However, DHL will still be responsible for the maintenance, taxes, insurance and other associated costs for the buildings, airport, and land that comprise the Wilmington hub.

- **MYTH:**

DHL will reach an agreement with UPS, and thus, there is no need to have an emergency or back up plan should it fail to reach an agreement.

FACT:

Representatives from both political parties have called upon the U.S. Department of Justice to conduct an anti-trust investigation into the proposed DHL-UPS agreement. Both candidates for the Presidency of the United States have publically addressed this issue. It will continue to draw the attention of the national media as well as elected representatives in both

the United States Senate and House of Representatives. The Director of the White House Domestic Policy Council has characterized the closure of the Wilmington hub “as the largest economic impact issue currently in the country.”

This is far from a done deal. As the negotiations proceed it is most likely that both airlines that had been providing air transportation for DHL freight will be winding down their operations and will soon be furloughing pilots, mechanics and other related personnel. These airlines will also be parking or otherwise disposing of the aircraft. It will not be a simple matter to re-start the air operations should DHL find it necessary to do so.

In the longer term, should an agreement with UPS take effect but later fail to achieve the desired results, DHL will have no viable option other than UPS. Reportedly, once the agreement with UPS is in effect, ASTAR Air Cargo will no longer exist and ABX Air will not have the requisite air lift capacity to service DHL freight. Simply put, the DHL-UPS agreement is an irrevocable step.

- **MYTH:**

The UPS-DHL arrangement is similar to a common practice in the airline industry known as code-sharing.

FACT:

This is not a code-sharing agreement. Code-sharing is, for example, when two airlines agree to sell seats on each other’s flights on certain routes or at certain times. UPS will be performing all of the air transportation of DHL’s freight-there will be no “sharing” of customers.

One point, worthy of consideration is the DHL customer information and DHL pricing that will be readily available to UPS by virtue of the bar code system that is utilized for sorting packages.

- **MYTH:**

The agreement with UPS will not result in a loss of DHL customers.

FACT:

DHL began losing customers shortly after the restructuring announcement. Reports have surfaced indicating that UPS drivers are discussing certain “talking points” with the DHL customers that they also serve. The talking points include advising present DHL customers that there are potential issues with rate fluctuations, pick-up and delivery times, single carrier responsibility and customer service. The talking points then outline the strengths of UPS. A copy of the talking points is attached.

- **MYTH:**

DHL must take radical action to avoid additional losses in the U.S. market

FACT:

DHL needs more customers in order to avoid additional losses in the U.S. market. When DHL acquired Airborne Express in 2003, Airborne’s share of the U.S. express delivery

market was more than 18%; while DHL's market share was about 2%, for a total market share of just over 20%. Five years later and after spending billions of dollars, DHL's market share has reportedly decreased to approximately 6%. No company in any industry can invest billions of dollars, lose a majority of its market share and make a profit. The problems run much deeper than which airline is sorting and flying the freight.

- **MYTH:**

Without the agreement with UPS it would be necessary for DHL to make additional capital expenditures to upgrade aircraft

- **FACT:**

During this period of high fuel costs and lower freight volumes DHL has the ability to delay additional expenditures for aircraft by continuing to utilize the DC-9 aircraft presently in operation. This aircraft is more fuel efficient, requires a two person crew and is a far better fit for the amount of freight that is flown.

In addition, many of the aircraft that UPS presently utilizes are the same or similar type of aircraft that is presently flown out of the Wilmington hub. It is difficult to determine just how a cost savings, based on the type of aircraft utilized by UPS, will be realized.

- **MYTH:**

While the U.S. restructuring represents radical action, it is a necessary step to become profitable in the U.S.

- **FACT:**

This agreement may very well result in a further erosion of DHL market share. An open dialogue with all of the stakeholders is necessary to avoid additional losses in the U.S. Elected officials on virtually every level of government are willing to facilitate discussions with organized labor, the management of the airlines, and members of the community to develop a plan to maintain DHL's operation in Wilmington and enhance DHL's ability to become profitable in the U.S. market.

For questions or more information contact Collette Tucker at ctucker@saveohiojobs.com.