

Departures

Opinions On Current Issues In Aviation

Money, Not Patriotism, At Issue In DHL Case

By David Bolger, Director-Public Affairs, UPS

John Dasburg, new chairman of DHL Airways, complains that someone is questioning his patriotism (*Departures*, June 13). What is at issue is not patriotism, but money, the money upon which DHL Airways depends for its existence.

For DHL Airways, that flow of funds comes from a conglomerate called Deutsche Post World Net, a German government-owned postal monopoly and by far the biggest presence in the global express delivery business. It enjoys an enormous annual infusion of funds as a result of its monopoly position in German mail delivery. It has been on a multi-billion euro global expansion spree. And its business practices — including purposeful deception of authorities — have been found wanting by the European Commission.

	Revenue		Operating Profit	
	in EUR (millions)	in %	in EUR (millions)	in %
Mail	11,666	27.7	1,658	60.4
Express	12,489	29.6	243	8.8
Logistics	9,152	21.7	224	8.2
Financial Services	8,872	21.0	621	22.6
Total for Corporate Divisions	42,179	100	2,746	100
Other/Consolidation	-2,924	-6.9	-325	-11.8
GROUP	39,255	93.1	2,241	88.2

Source: Deutsche Post 2002 Annual Report

A quick glance at the Deutsche Post World Net 2002 annual report shows that it is very big business — EUR42.2 billion in revenue — and, interestingly, its most profitable divisions by far are those involved in mail delivery, for which Deutsche Post has a monopoly, and postal banking, both of which are firmly rooted in the old German postal system.

It is the oldest Washington PR trick in the book: when you've got something to hide, wrap yourself in the flag and dare anyone to raise a question. If Mr. Dasburg is certain of the citizenship fitness of his company, then there should be no problem cooperating with a full, public and fair airing of issues surrounding who effectively controls DHL Airways, as recommended by the DOT inspector general and required by

Congress.

In his letter of March 4, 2003, DOT Inspector General Kenneth Mead was clear in questioning the closed nature of previous reviews of DHL's citizenship and in noting the importance of a full airing of the effective control issue. Mr. Dasburg might like to distract our attention from that, but he can't.

Nor do FedEx and UPS need to be lectured about competition. They have been at it tooth and nail with all variety of competitors for decades and today engage in one of the fiercest head-to-head competitions in U.S. business. So when a government-sponsored enterprise comes along that already has a monopoly in its own market and 38% of the global express delivery business — more than UPS and FedEx combined — and then tries to portray itself as just a little new guy on the block, it is time for a reality check.

When that same enterprise, with its government-sponsored, monopoly-funded resources, buys a second "little guy" (Airborne), it is time for a double reality check. Indeed, the two "little guys" together will have a significant percentage of the domestic air express delivery market and the massive resources of the German government-owned Deutsche Post World Net to draw upon.

Mr. Dasburg's company may have a goal of establishing a broader business base, but the reality is that DHL Airways depends on one customer — Deutsche Post and its deep pockets — for 90% of its revenues, and its dependence doesn't stop there. Not only does it have to answer first to Deutsche Post, but, according to the DOT inspector general, an arm of Deutsche Post reimburses DHL Airways for costs associated with leasing and financing aircraft, cockpit crews and compensation for officers and employees, maintenance and repairs, taxes on property, insurance and fuel, to name a few.

Effective control is the test here, and it is a test DHL Airways can't pass in an open and transparent setting. Perhaps that is why Mr. Dasburg is wrapping himself in the flag.

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