

POSTAL NEWS

No. 4/2009

**Formulated by UNI-Japan Post in cooperation with UNI-Apro,
ASPEK Indonesia and SPPI**

- 1. FedEx May Cut Jobs, Add Fewer Stores as Demand Wanes (Update2).Dec 17, 2008.**
- 2. Ask the President. Jan 16, 2009.**
- 3. UPS cuts flights and lays off 250 part-time workers in S. Carolina. Jan 15, 2009.**

1. FedEx May Cut Jobs, Add Fewer Stores as Demand Wanes (Update2)

Dec. 17 (Bloomberg) -- [FedEx Corp.](#) stunned investors a week ago by slashing its annual profit forecast, sending the stock down the most in 21 years. Job cuts may be next at the shipper, a proxy for the U.S. economy.

With the recession deepening, the second-largest package delivery company must trim labor costs, speed retirement of older jets and halt expansion of its FedEx Office printing shops, said [Dan Ortwerth](#), an Edward Jones & Co. analyst.

The Memphis, Tennessee-based company may say tomorrow in its [quarterly earnings](#) report that U.S. express and freight volumes fell at least 10 percent amid the longest U.S. slump in a quarter-century, Ortwerth estimates.

“Even in a best-case scenario, they’re still going to suffer a lot,” said Ortwerth, who is based in St. Louis. “FedEx is a premium services company and a transportation company, and both of those sectors get hit badly in an economy like this.”

He still [recommends buying](#) the stock, because he says it is undervalued and package demand will rebound when the economy recovers. FedEx has tumbled 28 percent this year, compared with a 38 percent drop for the Standard & Poor’s 500 Index.

The shares rose 58 cents to \$63.97 at 4 p.m. in New York Stock Exchange composite [trading](#).

No Holiday Forecast

FedEx and larger competitor [United Parcel Service Inc.](#) both broke with tradition this year and didn’t project peak holiday shipping volumes, saying the soft economy made forecasts too difficult. Higher fuel surcharges and pressure to trim costs have prompted some customers to switch to less-expensive delivery options, FedEx has said.

FedEx's earnings projection last week of \$3.50 to \$4.75 a share for the fiscal year ending in May, down from as much as \$5.25, suggests "unprecedented" declines in volumes, said [David Campbell](#), a Thompson Davis & Co. analyst in Richmond, Virginia.

"If they're implying that, they should be doing something with costs," said Campbell, who also rates FedEx as "buy."

Profit for the year will be \$4.37 a share, according to the average estimate of 16 analysts surveyed by Bloomberg. FedEx may say tomorrow that fiscal second-quarter earnings were \$1.58 a share, according to 12 [analysts](#) surveyed, compared with \$1.54 a year earlier. Spokesman [Maury Lane](#) declined to comment.

Cuts Under Way

Express air envelopes and packages account for about [64 percent](#) of FedEx's total revenue, or \$24.4 billion. Many of those items are sent on short notice, curbing the company's ability to forecast demand.

"FedEx doesn't have visibility beyond Monday," said [Art Hatfield](#), a Morgan Keegan Inc. analyst in Memphis who rates the shares as "market perform."

Tomorrow's conference call with investors will be "a lot of 'we don't know and we're expecting the worst,'" Ortwerth said.

Chief Financial Officer [Alan Graf](#) told investors in September that bonuses and other variable compensation already have been pared, and that flight time for its jet fleet and labor hours were cut "significantly." FedEx's global [workforce](#) numbers about 290,000 people, including 13,000 contractors.

Last week, FedEx Freight employees were told that 540 jobs would go, and more than 650 jobs were eliminated at the FedEx Office unit. FedEx is closing more than 35 Office retail stores and said in June it would add 70 locations in fiscal 2009, down from 300 the previous year.

Parking Planes

Ortwerth suggested further trims to the payroll and shutting underperforming FedEx Office outlets. FedEx said in June it had a \$696 million non-cash charge to write down the value of goodwill from the 2004 Kinko's [acquisition](#), and changed the chain's name to FedEx Office.

"FedEx realizes that by taking some pain and continuing to serve the customer, it's going to pay off in the long term," Ortwerth said. "I don't think there's anything about this downturn that changes their long-term prospects."

FedEx also should accelerate plans to ground more of its inefficient [Boeing Co.](#) 727s beyond the 5 slated for retirement in fiscal 2009 and 40 more over the next 3 years, Ortwerth said. The company has 80 of the three-engine jets in service, averaging 29

years old, according to the Ascend Online Fleets database. [FedEx said](#) its fleet totaled 672 planes as of August.

The trick for [management](#) is to avoid drastic changes that would hamper the ability to win new business once the economy resumes growing, said Morgan Keegan's Hatfield.

"You've got to be able to just ride it out, and that's what they can do," Hatfield said. "They can contain costs on the air side, try to run better operations at their hubs and cut back on white-collar hiring and slow planned spending."

Last Updated: December 17, 2008 16:36 EST

000

<APWU web page, 16th Jan, 2009>

2. Ask the President

Question:

Would you be able to address any of the rumors that are floating around the Postal Service?

Jeff, Nashville Local

President Burrus:

Thank you for inquiry about rumors that are circulating throughout the Postal Service. Your question is timely, given the current events in the USPS and in the nation.

Over recent months I have informed the membership of significant changes that will be made in response to the economic slump and the corresponding reduction in mail volume, which has produced massive USPS deficits.

I am aware that many postal employees and union activists believe there is a union response that can mitigate the impact of these changes or prevent them from occurring. They believe that vigilant contract enforcement or political action can forestall the negative impact that is affecting every other part of the economy.

Certainly, the APWU and the other unions will vigorously enforce all negotiated agreements, and we will engage the public and elected officials in the preservation of postal services; but until the economy recovers and volume returns to its former level, *there will be significant changes*. Postal management has very few options.

The Collective Bargaining Agreement includes provisions that govern the reassignment of employees, protection against layoffs, and the assignment of

employees. Strict enforcement of these provisions will restrict, but not eliminate, the inconveniences that will be fostered on employees.

The APWU Legislative & Political Department has joined with the postal community in seeking relief from onerous provisions of Postage Accountability and Reform Act that require the Postal Service to pre-fund future retiree healthcare liabilities. Legislation is pending that, if adopted, would relieve the Postal Service of the obligation to make annual payments of \$5 billion for the short term. The temporary waiver of this liability is not a long-term answer to significant reductions in mail volume, but it will provide breathing room and time for an economic recovery, which is central to a healthy Postal Service.

Approximately 3,500 APWU-represented employees are exposed to the possibility of layoffs. The remaining APWU-represented employees are protected, but other changes will affect them, including relocations and reassignments. Part-time flexible and light-duty employees will experience work-hour reductions to a level that cannot support a family. The toleration for absences from work will be diminished, so that many absences will be challenged, requiring the application of the contractual “just cause” standard.

Until mail volume returns to previous levels, postal employees should anticipate that many, many changes will be imposed. The union will apply the contractual standards to each change, but many will be beyond the contractual limitations.

The success of the Obama administration in addressing the economic malaise besetting our nation and the world is the key to the future of the Postal Service. While many voters did not apply this standard in selecting the candidate of their choice, all jobs will be affected by his success or failure. Guns, religion, abortion, sexual preference and the other wedge issues that often dominate our political discourse will fade in their importance as the very source of our lifestyle — our jobs — are challenged.

Under the best of circumstances, and no matter how successful the incoming administration is, the economic recovery will not happen quickly. So, in the short term, postal employees and all other employees who work for a living can expect disruption and inconvenience for months to come.

000

3. UPS cuts flights and lays off 250 part-time workers in S. Carolina

15-01-09

UPS will shut down its next-day sorting operations at Columbia Metropolitan Airport, South Carolina, USA, in mid-February leaving 250 part-time employees jobless due to decreasing demand for next day services caused by the worsening US economy, regional newspaper The State reported. Several daily flights will be terminated.

UPS will cut three of its 10 daily flights out of Columbia due to the lower demand for next-day services, the newspaper cited company spokesman Norman Black as saying. "The economic meltdown is causing fewer customers to pay extra money to have packages and letters shipped overnight," he explained.

"Next-day delivery typically costs more than sending a package or letter using a truck. For example, mailing the same package from Columbia to Atlanta would cost \$5 on the ground and \$18.87 on next-day air," Black said. "People are not shipping as many packages for delivery the next day. They're trying to save money", he added.

But customer service will not be affected with next-day delivery items being routed through the company's main hub in Louisville, Kentucky, the UPS spokesman stressed.

According to Black, all of the part-time workers to be laid off will be offered similar jobs at other Midlands UPS facilities. Employees work about 15 to 20 hours a week earning about \$10.50 an hour on average, he said. "Nobody is automatically laid off without having a chance to move to another operation," he added.

The cuts would mean roughly a \$300,000 loss to the airport yearly, airport executive director Mike Flack said. He added that airport officials knew about the plans in time to make up for it when planning the 2009 budget.

"We certainly will regret the loss of those flights because UPS is our biggest client," he said. "Fortunately, we've been able to balance the budget." Landing fees for other airlines have been increased.

Source: The State

000