



**U.S. SENATOR HERB KOHL** WISCONSIN

**FOR IMMEDIATE RELEASE**

Aug. 4, 2008

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**KOHL, HATCH CALL FOR FEDERAL REVIEW OF UPS-DHL DEAL**

WASHINGTON – Today, Senators Herb Kohl (D-WI) and Orrin Hatch (R-UT), Chairman and Ranking Member of the Senate Antitrust Subcommittee, called for federal review of a proposed arrangement between United Parcel Service and DHL Express US, the second and third largest overnight package delivery services in the United States. In a letter to Assistant Attorney General Thomas Barnett of the U.S. Department of Justice’s Antitrust Division and U.S. Federal Trade Commission Chairman William Kovacic, Senators Kohl and Hatch stated the 10-year contract for UPS to become the exclusive provider of air transportation for DHL’s North American package delivery service raises important antitrust and competition issues. The text of the letter follows below.

August 1, 2008

The Honorable Thomas Barnett  
Assistant Attorney General  
Antitrust Division  
United States Department of Justice  
950 Pennsylvania Avenue, N.W.  
Washington, D.C. 20530

The Honorable William E. Kovacic  
Chairman  
Federal Trade Commission  
600 Pennsylvania Avenue, N.W.  
Washington, D.C. 20580

Dear Assistant Attorney General Barnett and Chairman Kovacic:

On May 28, 2008, DHL Express US (“DHL”) and United Parcel Service, Inc. (“UPS”) announced their intention to enter into a contract where UPS will become, for ten years, the exclusive provider of air transportation for DHL’s North American package delivery service. As the Chairman and Ranking Republican Member of the Senate Antitrust Subcommittee, we believe that this proposed agreement raises important antitrust and competition issues that should be examined carefully by the Department of Justice (“Department”) or the Federal Trade Commission (“Commission”).

UPS and DHL are, respectively, the second and third largest overnight package delivery services in the United States. Therefore, if consummated, DHL will become reliant for air transportation on one of its two major competitors. This raises the question if DHL will still be able to effectively compete against UPS, since UPS will now have a large role in determining the cost and quality of DHL's services. In addition, we presume that such a relationship would also require DHL to adopt UPS's package tracking, labeling and hub distribution systems. Whether, and how, DHL packages will receive priority should UPS planes fill to capacity is another concern raised by this deal. As a result, some critics of the proposed agreement contend that DHL will become a captive of UPS, rather than an independent competitor. Further, having only two airlines providing national airlift capacity for overnight package delivery could raise the risk of serious economic disruption should service on one of these two airlines be reduced due to unforeseen difficulties, such as a strike, maintenance issues, weather disruptions or other similar disruptive events.

It has been reported that the parties are close to finalizing this agreement. The prospect of a quick ratification is equally disconcerting since the proposed contract will have a devastating financial impact on DHL's current air transport providers, ABX Air and ASTAR and these airlines' base of operations, southern Ohio.

It should be noted that we have not reached a conclusion as to the legality of this proffered transaction under the antitrust laws. However, due to the issues raised above and urgency of this matter, we respectfully request that the antitrust agencies initiate an investigation into this arrangement immediately.

Thank you for your consideration of this matter.

Sincerely,

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HERB KOHL  
Chairman, Subcommittee on  
Antitrust, Competition Policy  
and Consumer Rights

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ORRIN G. HATCH  
Ranking Member, Subcommittee on  
Antitrust, Competition Policy, and  
Consumer Rights

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# United States Senate

COMMITTEE ON THE JUDICIARY

WASHINGTON, DC 20510-6275

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Antitrust Division  
United States Department of Justice  
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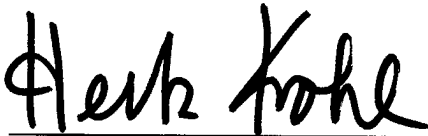
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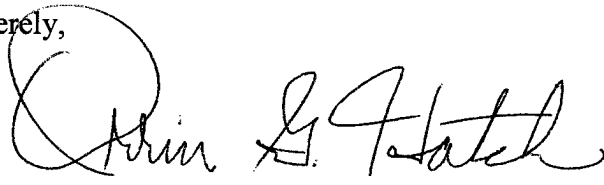
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HERB KOHL

Chairman, Subcommittee on  
Antitrust, Competition Policy  
and Consumer Rights



ORRIN G. HATCH

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