

Brown Calls on Bush Administration to Consider Proposed DHL Deal When Negotiating Open Skies

August 14, 2008



WASHINGTON, DC—U.S. Senator Sherrod Brown (D-OH) today called on the Bush administration to take into account DHL’s recent actions as the administration negotiates Stage II of the Open Skies agreement with the European Union. In a letter to Secretary of State Condoleezza Rice and Transportation Secretary Mary Peters, Brown urged that they consider DHL’s proposal to outsource air cargo services to major competitor UPS when negotiating Open Skies.

“It is important that U.S. negotiators take into account the lessons learned from DHL’s actions [when negotiating the Open Skies agreement],” Brown wrote today in a letter to Rice and Peters. “Before the Administration agrees to weaker oversight and regulation over foreign stakeholders who already exert extraordinary influence over U.S. markets and our economy, it is essential that you have adequately assessed the likely impact, both positive and negative, of your actions.

The Bush administration is currently negotiating Stage II of the Open Skies agreement with the European Union, an agreement that would ease restrictions on international air transportation. This includes passenger, cargo, and chartered flights.

Today, Brown called on Rice and Peters to evaluate the effects of the DHL proposal when negotiating the Open Skies agreement. On May 28, DHL’s parent company, German-based Deutsche Post World Net (DPWN), announced a proposal to outsource the aviation services currently provided by ABX Air and ASTAR to its competitor UPS.

Brown, along with federal, state, and local officials, is working to save more than 8,000 area jobs that would be lost if DPWN finalizes a deal with UPS. Last month, Brown convened a meeting with Sandy Baruah, Assistant Secretary of Commerce for Economic Development, on the DHL proposal. In the meeting, Brown and Senator George Voinovich stressed the magnitude of the situation and ways to prevent job loss. They also raised the anti-trust implications of the DHL proposal and requested that the Economic Development Agency assign staff to work on-the-ground in Wilmington. Baruah committed to assigning a full-time employee to work in Wilmington. Also in July, Brown delivered more than 9,000 petitions to the DHL Director of Hub Operations for Wilmington and unveiled a new DHL page on his Senate Web site. This page serves as a news and information source for families affected by the possible DHL deal. The Web page, on Brown’s Senate Web site www.brown.senate.gov, allows visitors to read stories and news about the issue and to submit their own stories. Brown will use the stories to educate his colleagues and continue to raise awareness. A full copy of Brown’s letter to Rice and Peters is below:

August 14, 2008

The Honorable Condoleezza Rice
Secretary of State
State Department
2201 C Street NW
Washington, DC 20520

The Honorable Mary Peters
Secretary
Department of Transportation
1200 New Jersey Avenue SE
Washington, DC 20590

Dear Secretary Rice and Secretary Peters:

As negotiators from the State Department and the Department of Transportation (DOT) plan Stage II of the U.S.-European Union Air Transport Agreement (“Open Skies”), please take into account recent actions by Deutsche Post World Net (DPWN), the German-based parent company of DHL Express U.S. On May 28, DPWN announced that it planned to terminate long-term contracts with U.S.-based express package delivery airlines ABX Air and ASTAR, and to outsource the aviation services provided by those airlines to competitor United Parcel Service (UPS).

The proposed agreement with UPS, if completed, will mean the direct loss of more than 8,000 Ohio jobs and potentially thousands more downstream jobs in the region. Adding insult to injury, the city of Wilmington and the state of Ohio extended more than \$400 million in tax incentives to DPWN to solidify the establishment of DHL operations there.

I raise these impending layoffs in Ohio in the context of the next stage of Open Skies talks because it is important that U.S. negotiators take into account the lessons learned from DHL’s actions. In 2003, when DHL purchased Airborne Express, DHL said the transaction would: 1) increase profitability and market share for both companies; and 2) enhance free market competition by creating a new entrant into an express delivery market dominated by two major carriers: UPS and FedEx.

Unfortunately, that has not been the experience of DHL in the U.S. market.

Before the Administration agrees to weaker oversight and regulation over foreign stakeholders who already exert extraordinary influence over U.S. markets and our economy, it is essential that you have adequately assessed the likely impact, both positive and negative, of your actions.

U.S. negotiators have cited an analysis conducted by Booz Allen Hamilton to project the creation of 80,000 new jobs in both Europe and the United States through the treaty. That same report cites many other likely economic benefits of Open Skies, but does not

highlight a single negative impact, potential or assured, of the Open Skies Initiative. I am confident the Administration is not relying on this single report, prepared not for the U.S. but for the European Commission, to assess the economic implications of this initiative. I request that you provide the other analyses that underlie your pursuit of the Open Skies Initiative.

It may well be that an additional stage of Open Skies with Europe would be a beneficial step for our country, but with DHL threatening to devastate Ohio's economy and reduce competition in the U.S. express carrier market, it is clearly crucial for our nation to enter Open Skies fully informed and with our eyes wide open.

My staff will follow up with you to determine how to minimize the burden on your offices as you convey the analytical information I have requested in this letter. I have appreciated the willingness of the Bush Administration to work with the Ohio delegation on matters surrounding the proposed DHL-UPS deal, and I thank you in advance for your cooperation.

Sincerely,

Sherrod Brown
United States Senator

Press Contacts:
(202) 224-3978

SHERROD BROWN
OHIO

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AGRICULTURE, NUTRITION,
AND FORESTRY

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AND URBAN AFFAIRS

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VETERANS' AFFAIRS

United States Senate

WASHINGTON, DC 20510

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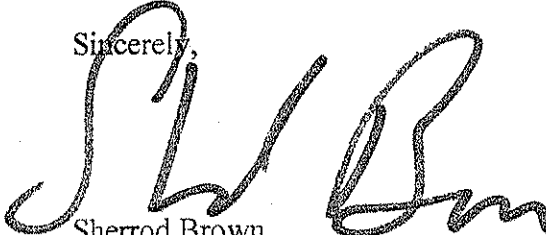
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Sincerely,

A handwritten signature in black ink, appearing to read 'S. Brown', written in a cursive style.

Sherrod Brown
United States Senator