WRITTEN STATEMENT by Mayor David L. Raizk, City of Wilmington, Ohio

FOR THE HOUSE JUDICIARY COMMITTEE

HEARING on Sept. 9, 2008, 2 p.m. on Competition in the Air Cargo Industry

Greetings:

I sincerely appreciate the opportunity you have given me today to testify before this important committee. I am always honored to represent the community that I serve, my hometown, Wilmington, Ohio. Wilmington (and Clinton County) is a wonderful place to live, work, and raise your family.

But since May 28, a storm has been hanging over Wilmington. On May 28, DHL, Wilmington and Clinton County's largest employer in the five surrounding counties, announced they were seeking a deal with UPS, their biggest competitor, to handle their airlift operations in the United States, effectively ceasing operations at the Wilmington DHL airport. This was particularly difficult for me as I received this news firsthand in Germany at DHL/Deutsch Poste World Net headquarters. I was in Germany as a guest of DHL, representing the City of Wilmington and the Wilmington Airport, the largest hub in the DHL network, at the Grand Opening of their new hub in Leipzig.

Given the current economic climate, we knew that some restructuring was in the works, and some job loss would be coming, primarily as a result of the standing down of the DC9 portion of the business. But there was reason for optimism concerning the Wilmington Airpark. In February, I hosted a conference call in my office with Governor Ted Strickland, representatives of ASTAR Air Cargo and ABX Air, DHL's partners for airlift and sorting operations in the U.S, and representatives of DHL. At that time, DHL assured the Governor that although there would be some job cuts coming, they were committed to the Wilmington Airpark. In April, in discussions with DHL on possible assistance from the State of Ohio, Lt. Governor Lee Fisher was also assured of DHL's commitment to the Wilmington Airpark.

So it was with some comfort level that I went to Germany to represent Wilmington. That comfort was further enhanced when German Foreign Minister Steinmeier, the keynote speaker at the hub opening, mentioned Wilmington, Ohio! Imagine my shock two days later when I received the news firsthand that DHL was seeking a deal with UPS. Those of you who have played football and have had the wind knocked out of you know how I felt.

What will be the result of this proposed transaction? What will be the impact? The job loss alone, which includes DHL, ABX Air, ASTAR Air Cargo, and 18 companies located in and around the airpark with direct or indirect relationships with the operations there would be almost 10,000 (9,786.) The annual payroll is over $257 million. Healthcare benefits provided are another $63 million. These employees provide 9% of revenue to our local hospital or a loss of $7-8 million, plus the resulting increase in charity care when these benefits cease. It would put them out of business.

This transaction would bankrupt the state's unemployment insurance fund. The impact to the schools, city and county government, non-profits, and local business would be devastating. Our data analysis indicates that one in five small businesses will fail. If I sound alarmist, it is because we are facing an economic catastrophe of unparalleled proportion. We are not trying to save old technology jobs that have failed to keep pace with the new economy. These are 21st century jobs, supply chain and logistics, airframe and aircraft mechanics, and conveyor engineers. This isn't rust belt vs. sun belt; these jobs simply disappear. In 2004 we welcomed DHL and ASTAR Air Cargo into the Wilmington family. ABX Air and its predecessor, Airborne Express, accounting for over 6,000 of these jobs, have been with us for 30 years. They are part of the fabric of our community. There is an airpark employee in one of every three houses in Wilmington. Many husbands and wives both work at the airpark. Many family farms are saved because part-time work at the airpark provided the healthcare they needed. Students at Wilmington College (many the first in their family to go to college) can reduce their indebtedness by working at ABX. In short, these jobs just didn't appear in 2004. Over the last 30 years the community has grown with the growth of the airpark. This proposed transaction literally rips the fabric of our town.

Now I don't know what the definition or criteria is for antitrust. I am a simple mayor from a small town in southwestern Ohio. DHL and UPS say this is a contractor/vendor relationship. If the freight is collected, sorted and the UPS planes stop in Wilmington to pick it up, then maybe, maybe you could make the case for contractor/vendor. But to abandon your largest hub, and deliver the freight to your #1 competitor, then I say it is a de-facto merger. Given the recent history of acquisitions of smaller air carriers by both companies and the significant anti-trust waivers embedded in the Open Skies Agreements, a picture starts to form. In Wilmington, a foreign-owned company, with huge assistance from the state and local government, took over ownership and operations of the largest private airport in the United States, a state-of-the-art facility. In a little over three short years, if they complete this transaction, they will have taken two American companies that had significant market share off the board. In the process, they will displace almost 10,000 American jobs. For at the end of the day, this is about people. These are not just numbers; these are our friends and neighbors, our families. How will they pay their mortgage? How will they feed and clothe their kids? How will they educate their children?

Please think about these hardworking Americans as you consider these issues.

Thank you.

David L. Raizk, Mayor
69 N. South Street
Wilmington, Ohio 45177

Fact Sheet
Wilmington Economic Task Force
August 27, 2008

On May 28, 2008, DHL announced it is negotiating with its competitor United Parcel Service (UPS) to have UPS replace DHL's U.S. airlift and hub operations based in Wilmington, Ohio. If it goes through, this deal will economically devastate the economy in Wilmington and seven southwest Ohio counties through the loss of at least direct 8,200 jobs and many more indirectly. Of the 8200 jobs, 6000 ABX, 1200ASTAR Air Cargo and 1000 DHL employees could be affected. According to one economic model 9,736 jobs will be lost, directly and indirectly, by a complete DHL closure of business at the Wilmington hub.

History and Current Operations

A former World War II Air Force Base, the Wilmington Airpark is now the largest privately-owned airport with a category 3 radar in the United States. The Airpark has two landing strips with the capability to handle simultaneous incoming and outgoing flights, making it ideal for air cargo operations. In the early 1970's when the based was closed by the United States government, a group of local businessmen who formed a statutory Community Improvement Corporation purchased it for $1.2 million. The CIC began selling parcels for economic development shortly thereafter.

The Wilmington Airpark has been a regional cargo freight hub and the area's largest employer since the mid-1970's when Midwest Air Charter purchased a large amount of the real estate at the Wilmington Airpark. Midwest Air Charter operated out of the Airpark until it was acquired in 1980 by Airborne Express.

In 2003, DHL acquired the real property holdings of Airborne Express and, with it, ownership of the Wilmington Air Park. ABX Air was "spun off" from Airborne Express as an air service provider because DHL, being partly German-owned, could not own an American airline. ABX Air is a subsidiary of Air Transport Services Group, Inc. (NASDAQ: ATSG). More information is available at www.atsginc.com and www.abxair.com. Currently, DHL contracts with ABX Air, Inc. ("ABX Air") to perform its air lift and cargo sorting operations.

ABX Air has two contracts with DHL. The Aircraft, Crew Maintenance and Insurance (ACMI) contract covers air cargo flights and associated operations. Under a separate Hub Services contract, ABX handles DHL's package-sorting operations at Wilmington and in 15 hubs around the country.

DHL also contracts with another airline, ASTAR, to carry a portion of its air cargo. Formerly known as DHL Airways, ASTAR is headquartered in Miami, Florida. DHL owns 49 percent of ASTAR. More information is available at www.astaraircargo.com.

In 2004, in order to encourage DHL to relocate its hub from CVG to Wilmington, the State of

Ohio offered $422 million in incentives to DHL based on its commitment to maintain and expand jobs. One of the incentives was the construction of a 6.1 mile bypass around Wilmington known as the relocation of S.R. 73 at a cost of $100 million.

Economic Impact

Based upon 2006 data, the DHL Air Park is the largest employer in a six-county southwestern Ohio area that includes Clinton, Fayette, Highland, Brown, Ross, Greene and Adams counties. Air park employees come from 45 of Ohio's 88 counties.

A DHL-UPS contract would result in the direct loss of 8,000 area jobs – with nearly 2,000 more indirect job losses. The economic impact from salary loss for ABX alone, in a worst case scenario, would be follows [jobs numbers in brackets]:

Clinton County* – $80.81 million [2,311]
Highland County* – $54.25 million [1,549]
Fayette County* – $12.28 million [351]
Brown County* – $5.5 million [158]
Adams County* – $5.4 million [184]

Other counties with significant potential job loss numbers include:

Montgomery -- 443
Greene -- 573
Warren -- 316
Ross County* – 102

*DHL/ABX/ASTAR is the largest employer group for this County

The economic impact on **Clinton County** alone would be as follows:

Loss	Description	Annual Amount Lost
Payroll	ABX Air, DHL, ASTAR, US Customers and other air park	$257,100,000
City of Wilmington	1% income tax	$2,571,000
Clinton County	Sales tax revenue	$1,600,000
Wilmington Public Schools	1% income tax	$562,500
Local Business	Includes area business impact	$160,000,000
Employee health coverage	Estimate based upon	$63,000.000
TOTAL (APPROXIMATE, ESTIMATED)		$421,896,500

The sales tax revenue losses to the various counties is also expected to be significant. For Clinton County and the State of Ohio along the loss figure is:

	Sales Tax Loss Yearly	
Clinton County	$ 945,278	
State of Ohio	$8,372,760	

The deal would have far-reaching implications for Ohio's logistics industry as a whole. Ohio currently is a U.S. logistics leader, and DHL's national sort facility in Wilmington is a key asset in a logistics management network that encompasses the entire spectrum of the industry. Ohio's central location and transportation strengths, including DHL, means that companies located in Ohio are within one day's drive of 62 percent of U.S. manufacturing facilities and within 500 miles of 59.5 percent of the U.S. population. DHL is crucial to maintaining Ohio's edge in the logistics industry.

The Wilmington Economic Task Force

Ohio's elected officials are spearheading efforts to avert the potential economic disaster that could follow if DHL is successful in negotiating a deal with UPS. On June 6, 2008, Mayor David Raizk, with the support of Ohio Lt. Gov. Lee Fisher, formed a broad-based task force spearheaded by Mayor Raizk created to preserve jobs and craft economically feasible solutions stemming from the potential deal.

Since the announcement in May, the task force has convened every other week to report progress. Individual committee meetings have been held weekly.

Lt. Gov. Lee Fisher recently confirmed that the Ohio Attorney General has put DHL and UPS on notice that they will be looking closely at this transaction for compliance with the state's antitrust law.

The U.S. Department of Labor and Commerce is also aware of the situation. Robert Sawyer, Regional Director and Robert Hickey, a local representative from the U.S. Department of Commerce Economic Development, visited Clinton County and discussed federal Economic Development Assistance grants with city and county officials.

U.S. Sen. Sherrod Brown has emphasized the importance of the issue in communications with White House Advisor Karl Zinsmeister and has set up a Web site for affected families to share their stories at http://brown.senate.gov/ohio/constituent_services/wilmington_families/.

On July 28, 2008, Sen. George Voinovich visited Clinton County to meet with members of the Economic Task Force Steering Committee to update them on his activities in Washington on this matter and to hear from community leaders.

Several public meetings have been held where workers, residents, business owners and others in the affected region have expressed their concerns to Cong. Mike Turner, Sen. Sherrod Brown, Lt. Governor Lee Fisher and Governor Ted Strickland, Sen. Barack Obama (July 11, 2008) and Sen. John McCain (Aug. 7, 2008). Presidential candidate Ralph Nader is also expected to visit Wilmington on Sept. 8 to talk with affected workers.

The Ohio Department of Development has set up a website, too, at www.AirParkHelp.org. Save Ohio Jobs, a union-backed effort to raise awareness about this issue has also established a website, www.SaveOhioJobs.com.

State Rep. Dave Daniels and State Sen. John Carey held an informal hearing at the Wilmington Airpark on August 19, 2008 to inform the Ohio Senate Finance and Financial Institutions

Committee and the House State Government Committee to discuss the potential impact to the area and possible solutions should DHL end its contract with ABX and ASTAR Air Cargo.

On August 25, 2008, the first WARN notice was issued by ABX Air for 235 employees, mainly those affected by the retirement of the DC-9 fleet, an expected adjustment in ABX operation. Severance for these workers is expected to be two weeks pay (at least 1 yr) then an additional week for each year worked after one year. Health insurance would be carried through the severance period. Persons working at ABX less than one year do not receive severance.

The United States House Representatives Judiciary Committee, Anti-Trust Task Force, and the House Transportation Committee will hold hearings on September 9 and 16, 2008, respectively on anti-trust and transportation policy issues raised by this proposed transaction between DHL and UPS.

The State of Ohio, through the work of the ODOD and the Economic Task Force, has applied for a phased National Emergency Grant for workerforce transition expenses. 1st phase = $6.7 million. The State has asked that each person who left after the announcement on May 28 would be considered a displaced worker.

Submitted by Mayor David L. Raizk
Co-convener, Wilmington Airpark Economic Task Force

CHRONOLOGY OF EVENTS

- **March 26, 2003:** DHL buys Airborne Express ground assets for $1.05B; ABX Air is spun off due to US foreign ownership of US airlines restrictions. (20)

- **August 2003:** DHL opens new $220M sort facility at Cincinnati/Northern Kentucky Airport. DHL had received $17M from the state of Kentucky to help build ramp space and de-icing pads when it built this facility. Also, the state legislature agreed to cap the state jet fuel tax collected from airlines to $1M per year per carrier, down from $4M a year. (13)

- **December 19, 2003:** Department of Transportation Administrative Law Judge (ALJ) in a formal "citizenship test" decides foreign ownership status (DHL ownership interest) of Astar Air Cargo (successor to DHL Airways) based on several indicia of control. Based on application of several ownership indicators to the new ACMI agreement between DHL and Astar, the ALJ determines that Astar is a US citizen. (DOT Docket No. OST-2002-13089)

- **June 25, 2004:** DHL announces that it will consolidate its domestic sort operations in Wilmington, Ohio, effectively closing its Cincinnati facility just completed the prior August. More than 1800 jobs were affected. (13)

- **October 5, 2004:** UPS announces the purchase of Menlo Worldwide Forwarding Inc., a subsidiary of CNF, for $150M in cash and the assumption of $110M in long term debt. Menlo was the successor company to Emery Worldwide, an air cargo company which had its sort facility at the Dayton International Airport in Dayton Ohio. This purchase adds heavy air freight capabilities to UPS capabilities. At the time Bob Stoffel, UPS senior vice president stated: "Menlo Worldwide Forwarding is a well-established global air freight forwarder, with international trade capabilities, all of which compliment UPS's existing operations". (17)

- **February 26, 2005:** UPS announces plans to spend $82.5M to expand its air hub in Louisville. The 700,000 square foot facility is to be used as its main heavy airline-freight sorting site. UPS also announces that they will close their Dayton, Ohio sort facility (acquired in the Menlo deal) in 2006 eliminating 1,400 jobs. (18)

- **Sept, 2005:** DHL completes expansion of Wilmington sort operations and consolidation of operations previously located in Cincinnati.

- **Nov 7, 2005:** The U.S. Department of Transportation (DOT) issues a notice of proposed rulemaking (NPRM) that would liberalize the current law that forbids foreign ownership of U.S. airlines.

- **May 17, 2006:** UPS announces another much larger expansion to its Louisville Hub adding more than 5,000 new jobs. The $1B investment is to add 1,284 full-time and 3,787 part-time positions. The project includes adding more than one million square feet to its existing facility with 334,000 square feet to be renovated with new technology and equipment. Several ramps will be built or altered adding over 1,500,000 feet in an airfield expansion. Expansion to be completed by 2010. (19)

- **July 20, 2006:** Congress acts to prevent DOT from implementing the NPRM. (11,12)

CHRONOLOGY OF EVENTS

- **August 21, 2006:** Audit of Astar landings at San Francisco International Airport by the San Francisco Airport Commission for the period Nov 1, 2003 through June 30, 2005 indicated that: DHL incorrectly included 405 landings of **Ameriflight** aircraft as landings of Astar and paid the related landing fees of $44,145. It was noted also that Astar contracts with DHL to pay its (Astar's) landing fees which amounted to $835,943 for this same time period. (15)

- **April 2, 2007:** UAS Transervices, Inc. sells its ownership interest in **Ameriflight,** LLC (www.ameriflight.com) to Gary Richards, the former president of Ameriflight. As a Part 135 operator of about 180 feeder type aircraft a large portion of **Ameriflight**'s daily activity provides small package feeder aircraft for overnight parcel carriers. (14)

- **March 8, 2007**: DHL (www.dhl.com) announces that it is buying six Boeing 767-300 extended range freighters valued at $894M which, according to DHL Express CEO, John Mullen, were likely to be dedicated to US routes. This order followed another larger order valued at $3.9B for 27 767's placed by UPS. (9)

- **April 10, 2007**: **Kalitta Air** (www.kalittaair.com) which operates approximately 16 +/- Boeing 747 aircraft announces that Kalitta, in cooperation with DHL, provides mail transportation, security and all terminal handling services to the DHL Bahrain hub as well as other Defense Department locations throughout Iraq, Afghanistan and Kuwait. (1)

- **April 30, 2007**: The United States and European Union sign Stage One of the Open Skies Agreement creating a single transatlantic Open Aviation Area in place of the existing individual bi lateral agreements between 27 EU members and the US. (2) This agreement includes among other foreign US airline ownership guidelines that: "ownership by nationals of a Member State or States (EU) of 50% or more of the total equity of a US airline shall not be presumed to constitute control of that airline. Such ownership shall be considered on a case by case basis."

- **May 2, 2007**: DHL consolidates all local Louisville operations in a newly opened $2.7M service center near the Louisville International Airport. (9)

- **May 23, 2007**: US State Dept. Deputy Secretary for Transportation Affairs, John Byerly, announces that the second round of Open Skies negotiations (Stage Two) will focus on easing foreign control restrictions. (10) As of August 2008, these Stage Two negotiations are underway. According to the Stage One agreement, the agenda for Stage Two discussions is to include: further liberalization of traffic rights and additional foreign investment opportunities among other issues.

- **June 8, 2007**: DHL acquires 24.9% voting interest and 49% minority interest in **Astar** and extends ACMI agreement to 2019. (www.astaraircargo.com)

- **June 25, 2007**: DHL acquires a 24.9% voting interest and 49% equity interest **in Polar Air Cargo Worldwide,** a subsidiary of Atlas Air Worldwide. (www.atlasair.com)

- **June 28, 2007**: Astar offers to purchase all outstanding shares of ABX Air for $7.75/ share.

- **July 16, 2007**: Atlas Air Worldwide announces that former DHL Express executive, Randy Clark, was named Chief Operating Officer for Polar Air. Olivier Alexandroff, the former

president of Controlling for DHL Express U.S. was named Chief Financial Officer for Polar Air. (16)

- **July 25, 2007**: Astar withdraws ABX purchase offer.

- **August 8, 2007**: Astar purchases two DC8-73 aircraft that it had been previously leasing from Boeing Capital. A year earlier, Astar purchased 20 Boeing 727-200A freighters.

- **Sept. 14, 2007**: Astar announces that it has secured an Indefinite Duration Indefinite Quantity (IDIQ) with the Department of Defense. (Allows Astar to compete with eight other air cargo carriers for DoD business, initial award to Astar was $2,500.)

- **Sept .19, 2007:** DHL claims that ABX Air's third party revenue (that generated from customers other than DHL) exceeded 10% of its overall revenue and therefore certain professional fees incurred by ABX were not recoverable under the ACMI agreement.

- **Nov. 3, 2007:** ABX announces that it intended to buy Cargo Holdings (www.cargoholdings.com), Inc.

- **Nov. 5, 2007**: DHL withholds $8.8M in amounts due ABX under the ACMI agreement due to disagreement with ABX over third party revenue issues previously surfaced.

- **Jan. 14, 2008**: DHL demands full payment of amounts due DHL under the DHL Note valued at $92.5M. Note originally came into existence when DHL merged with Airborne Express and ABX Air was spun off. DHL claimed at the time that the note was now due because of certain "change of control" events relating to ABX purchase of Cargo Holdings.

- **Jan. 31, 2008:** The National Foreign Trade Council (NFTC) (www.nftc.org) appoints John Mullen, chief executive officer for the Express division of Deutsche Post World Net (parent of DHL), its new chairman. The NFTC is a business organization founded in 1914 by a group of American companies which advocates a rules-based world economy and supports an open-world trading system. It currently has more than 300 member companies. (8)

- **Mar. 17, 2008:** DHL Express validated for the Customs-Trade-Partnership Against Terrorism (C-TPAT) which is a joint government-business initiative designed to protect the physical security of the USA supply chain. DHL Express originally validated in 2003.(3)

- **Mar 30, 2008:** The Open Skies Agreement, Stage One becomes effective.

- **May 28, 2008:** DHL announces that it plans to partner with UPS (www.ups.com) for North American air shipments and announces that it is removing 39 ABX dedicated DC-9 aircraft from its airlift operations.

- **June 10, 2008:** **Airnet Systems**, (www.airnet.com) based in Columbus, Ohio, completes a $34M deal resulting in its being acquired by **HIG Capital** (www.higcapital.com) (Bayside Capital) ,(www.bayside.com) a Miami based private equity firm. Airnet uses a fleet of approximately 90 smaller feeder-type aircraft in providing bank and express services. Airnet ceased to be a publicly traded corporation at this time. In its Preliminary Proxy Statement

(Schedule 14A) filed with the Securities and Exchange Commission announcing its acquisition, Airnet also announced that it "is implementing growth plans to expand its express, dedicated and on-demand cargo charter services for customers in niche markets requiring high control, rapid delivery and non-conforming delivery times and for large integrated express packages carriers such as DHL and United Parcel Services."(4)

- In addition to Gemini Air Cargo, listed below, HIG Capital also has an ownership interest in a third US air cargo airline, **Amerijet International**. (www.amerijet.com) Amerijet is a privately held worldwide, multi-modal cargo solutions provider, offering worldwide transportation via land, sea (ITN - Amerijet sister Company) and air as well logistics services. Amerijet operates a fleet of all-cargo Boeing 727-200c aircraft.

- **July 16, 2008**: FedEx Corporation reports Net Income after taxes of $1.125B for the fiscal year ended May 31, 2008. This compares with after tax net income of $2.016B for the year ended May 31, 2007; a decrease of about 45%. (16)

- **June 18, 2008: Gemini Air Cargo** (www.geminiaircargo.com) files for Chapter 11 bankruptcy protection. Gemini provided airport-to-airport air freight services primarily under renewable long term contracts. It had originally filed for Chapter 11 in 2006 emerging that same August having reached an agreement with its largest lender, Bayside Capital.(5)

- **July 21, 2008**: **Kittyhawk Airlines'** (www.kha.com) Chapter 11 liquidation plan becomes effective, grounding all its aircraft. Kittyhawk provided overnight and second morning air and ground freight services for various customers. (6)

- **July 25, 2008**: **Tradewinds Airlines** (www.tradewinds-airlines.com) files for Chapter 11 bankruptcy protection in Miami, Florida. The freight airline had operated 6 A300 and an undisclosed number of 747 aircraft with major operations in Puerto Rico and Miami International Airport.(7)

WITNESS INFORMATION FORM

PLEASE COMPLETE THE WITNESS INFORMATION FORM BEFORE TESTIFYING

NAME: Mayor David Raizk DATE OF HEARING: Aug. 19, 2008

MAILING ADDRESS: 69 N. South St., Wilmington, OH 45177

CITY/STATE: _____ ZIP: _____ TELEPHONE: 937-382-5458

ARE YOU REPRESENTING: YOURSELF_____ YOUR ORGANIZATION X (SEE BELOW)

ORGANIZATION: City of Wilmington

ADDRESS: 69 N. South St., Wilmington, OH 45177

POSITION/TITLE: Mayor

PLEASE GIVE A BRIEF STATEMENT OF THE GROUNDS ON WHICH YOU PLAN TO TESTIFY: THe effect of the proposed DHL-UPS deal on the regional and local economy, on the people in in this community. Request that the State provide transition and redevelopment assistance if needed.

WILL YOU HAVE A WRITTEN STATEMENT, VISUAL AIDS, OR OTHER MATERIAL TO DISTRIBUTE?

YES X NO____

(IF YES, PLEASE PROVIDE COPIES TO THE CHAIRMAN OR SECRETARY)

HOW MUCH TIME WILL YOUR TESTIMONY REQUIRE? 10 minutes

The City of Wilmington, Ohio

69 North South Street, Wilmington, Ohio 45177
Telephone: 937-382-5458 Fax: 937-382-0931
Email: mayor@ci.wilmington.oh.us

August 18, 2008

John A. Carey, Jr.
State Senator
Ohio 17th Senate District
State House
Columbus, OH 43215

David T. Daniels
State Representative
Ohio's 86th House District
State House
Columbus, OH 43215

Mayor
David L. Raizk
(937) 382-5458

Director of Law
Kathryn Hapner
(937) 383-2067

City Auditor
David Hollingsworth
(937) 382-6604

City Treasurer
Geoffrey A. Phillips
(937) 382-6515

President of Council
Fred S. Ertel
(937) 382-5458

Members of Council
Rob Jaehnig
Mark W. McKay
Sandra Mongold
Cindy Peterson
Leilani H. Popp
Mike Wallace
Donald E. Wells

Clerk of Council
Laura A. Curliss

Director of Public Service
Lawrence D. Reinsmith
(937) 382-6509

Director of Public Safety
C. Nick Babb
(937) 382-6509

Re: House State Government and Elections Committee and Senate Finance and Financial Institutions Committee Hearing, Tuesday, August 19, 2008l, at 1:00 p.m. at Building 2, ABX Air Park Facility, Wilmington, OH.

Dear Sen. Carey and Rep. Daniels,

In order to provide your committees with as much relevant information as possible, I am enclosing a briefing paper regarding the potential consequences of a DHL-UPS contract and the closure of much of the business DHL now conducts at the Wilmington Airpark.

I am also including all of the official letters that I am aware of that have been written related to the DHL-UPS announcement. These letters will provide you with a great deal of background on the current situation.

Finally, as co-convener along with the Lt. Governor, I am enclosing the list of members of our bipartisan, regional and diverse Economic Task Force for the DHL hub. The Economic Task Force was formed shortly after the May 28, 2008 announcement by DHL of an expected contract with UPS and the Task Force has been working diligently since then. They do their work through the following committees: Retention, Redevelopment, Economic Impact and Data, Workforce and Outreach. To date, the committees have been focusing on retention while preparing for other possible outcomes.

I will be testifying before you tomorrow and at that time will provide a written copy of the remarks I plan to make. Thank you for inviting me to provide this important information to your committees.

Sincerely yours,

David L. Raizk

Briefing regarding the situation at the DHL/Wilmington Airpark
August 8, 2008

On May 28, 2008, DHL announced it is negotiating with its competitor United Parcel Service (UPS) to have UPS replace DHL's U.S. airlift and hub operations based in Wilmington, Ohio. If it goes through, this deal will economically devastate Wilmington and seven southwest Ohio counties through the direct loss of at least 8,200 jobs and many more indirectly.

History and Current Operations

The Wilmington Air Park has been a regional cargo freight hub and the area's largest employer since 1980, when Airborne Express bought the former Clinton County Air Force Base, creating the largest privately owned airport in the U.S. The air park has two landing strips with the capability to handle simultaneous incoming and outgoing flights, making it ideal for air cargo operations.

In 2003, DHL acquired Airborne and, with it, ownership of the Wilmington Air Park. Soon afterward, DHL received $422 million in incentives from the State of Ohio and local governments based on its commitment to maintain and expand jobs.

Currently, DHL contracts with ABX Air, Inc. ("ABX Air") to perform its national cargo sorting and air freight operations. ABX Air, which was created during the Airborne acquisition, is a cargo airline that operates out of Wilmington. It is a subsidiary of Air Transport Services Group, Inc. (NASDAQ: ATSG). More information is available at www.atsginc.com and www.abxair.com.

ABX Air has two contracts with DHL. The Aircraft, Crew Maintenance and Insurance (ACMI) contract covers air cargo flights and associated operations. Under a separate Hub Services contract, ABX handles DHL's package-sorting operations at Wilmington and in 15 hubs around the country.

DHL also contracts with another airline, ASTAR, to carry a portion of its air cargo. Formerly known as DHL Airways, ASTAR is headquartered in Miami, Florida. DHL owns 49 percent of ASTAR. More information is available at www.astaraircargo.com.

Economic Impact

Based upon 2006 data, the DHL Air Park is the largest employer in a seven-county southwestern Ohio area that includes Clinton, Fayette, Highland, Brown, Ross, Greene and Adams counties. Air park employees come from 45 of Ohio's 88 counties.

A DHL-UPS contract would result in the direct loss of 8,000 area jobs – with nearly 2,000 more indirect job losses. The economic impact from salary loss for ABX alone, in a worst case scenario, would be follows [jobs numbers in brackets]:

Clinton County* – $80.81 million [2,311]
Highland County* – $54.25 million [1,549]
Fayette County* – $12.28 million [351]
Brown County* – $5.5 million [158]
Adams County* – $5.4 million [184]

Other counties with significant potential job loss numbers include:

Montgomery -- 443
Greene* -- 573
Warren* -- 316
Ross County* -- 102

*DHL/ABX/ASTAR is the largest employer group for this County

The economic impact on **Clinton County** alone would be as follows:

Loss	Description	Annual Amount Lost
Payroll	ABX Air, DHL, ASTAR, US Customers and other air park	$257,100,000
City of Wilmington	1% income tax	$2,571,000
Clinton County	Sales tax revenue	$1,600,000
Wilmington Public Schools	1% income tax	$562,500
Local Business	Includes area business impact	$160,000,000
Employee health coverage	Estimate based upon	$63,000.000
TOTAL (APPROXIMATELY, ESTIMATED)		$421,896,500

The deal would have far-reaching implications for Ohio's logistics industry as a whole. Ohio currently is a U.S. logistics leader, and DHL's national sort facility in Wilmington is a key asset in a logistics management network that encompasses the entire spectrum of the industry. Ohio's central location and transportation strengths, including DHL, means that companies located in Ohio are within one day's drive of 62 percent of U.S. manufacturing facilities and within 500 miles of 59.5 percent of the U.S. population. DHL is crucial to maintaining Ohio's edge in the logistics industry.

Efforts Underway to Address the Issue

Ohio's elected officials are spearheading efforts to avert the potential economic disaster that could follow if DHL is successful in negotiating a deal with UPS.

On June 6, 2008, Mayor David Raizk, with the support of Ohio Lt. Gov. Lee Fisher, formed a broad-based task force created to preserve jobs and craft economically feasible solutions stemming from the potential deal. Since the announcement in May, the task force has convened every other week to report progress. Individual committee meetings have been held weekly.

The Ohio Attorney General has put DHL and UPS on notice that they will be looking closely at this transaction for compliance with the state's antitrust law.

State Senator John Carey (R- Wellston) and State Representative David Daniels (R- Greenfield) have called for a joint meeting of the House State Government & Elections Committee and the Senate Finance and Financial Institutions Committee, to be held in Wilmington, to hear testimony on the issue and address ways the state of Ohio can help in the matter. The meeting

will be held on **Tuesday, August 19, 2008 at 1 p.m. in Building 2 of the ABX Airpark facility.**

The U.S. Department of Labor and Commerce is also aware of the situation. Robert Hickey, a representative from the U.S. Department of Commerce Economic Development, visited Clinton County and discussed federal Economic Development Assistance grants with city and county officials.

White House Chief of Staff Joshua B. Bolten has been appointed as the White House liaison for this issue.

Congress of the United States

Washington, DC 20510

July 15, 2008

Thomas O. Barnett
Assistant Attorney General
Antitrust Division
U.S. Department of Justice
950 Pennsylvania Avenue, NW
Washington, DC 20530

William E. Kovacic
Chairman
Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, DC 20580

Dear Assistant Attorney General Barnett and Chairman Kovacic:

We are writing to draw your attention to a May 28 announcement by Deutsche Post World Net and its wholly-owned U.S. subsidiary, DHL Express U.S. (collectively "DHL"). According to a press release issued by the company, DHL intends to enter into a contract with one of its principal competitors, United Parcel Service, Inc. ("UPS"). We believe that any DHL/UPS agreement raises substantial antitrust issues under Section 1 of the Sherman Act and Section 7 of the Clayton Act. As a result, before DHL and UPS complete contract negotiations, we strongly believe the Department of Justice, Antitrust Division ("DOJ") and the Federal Trade Commission ("FTC") must examine any agreement, giving close scrutiny to the contract's harm to competition and consumers.

In its press release, DHL announced a plan to restructure its U.S. business "by working with UPS." Based on various press reports, as well as discussions with DHL and UPS, it appears that DHL and UPS will enter into a long-term contract under which UPS will provide air transportation services for DHL within North America. In sum, this agreement will allow for UPS and DHL to integrate key strategic assets.

We understand that the air transportation segment is a key component in the delivery of packages within the United States market. In addition, we also understand that the air transportation segment of the package delivery service appreciably impacts the cost and quality of the service.[1] If a final agreement is reached, DHL will surrender control over cost and service quality to one of its chief competitors, UPS, one of the two largest package delivery companies in the U.S. market. Consequently, we are concerned that if DHL ceases to control such a significant segment of its U.S. business operations, consumers will suffer in terms of the cost and the quality of the service provided.

[1] Attached as Exhibit 1 is a document that we understand was generated by UPS. In the document, UPS states that "Single carrier handling of shipments – from pickup to delivery" is a competitive strength to be used to its advantage.

Sherman Act Section One Issues

Based on the *Antitrust Guidelines for Collaborations Among Competitors* (the "DOJ/FTC JV Guidelines"), your agencies' guidance indicates that an agreement that limits the independent decision making or combines control over key assets is prone to result in situations that "reduce the ability or incentive [for competitors] to compete independently." In addition, the DOJ/FTC JV Guidelines also note that competitor collaboration "may increase the likelihood of an exercise of market power by facilitating explicit or tacit collusion."

We are very concerned that any agreement between DHL and UPS in such a concentrated market increases the likelihood of anticompetitive collusion in that market. Our concern arises because it is inevitable that any agreement between DHL and UPS will require the sharing of competitively sensitive information. In addition, if DHL and UPS agree to an air transportation services agreement, DHL will surrender cost and quality control to UPS over a significant part of its U.S. operation. Outside of any cooperative agreement such as the DHL/UPS contract, we do not believe these competitors would share such information, nor would a company cede operational control over such an important part of its business.

While the DOJ/FTC JV Guidelines point out that information sharing is often reasonably necessary to implement agreements, the guidelines also note that in some cases in which the participants are actual or potential competitors, sharing information increases "the likelihood of collusion on matters such as price, output, or other competitively sensitive variables." As a result, such an agreement should be scrutinized closely to ensure that it does not lead to consumer harm in terms of increased costs or decreased services. Finally, although neither UPS nor DHL has been publicly implicated, the DOJ's investigation into criminal antitrust activities by certain global freight carriers evidences the need for the antitrust authorities to scrutinize any agreement between competitors.

Clayton Act Section Seven Issues

While we recognize that Section 7 is generally applied to mergers and acquisitions that substantially lessen competition, Section 7 has also been applied to the formation of joint ventures and other business combinations. We believe the application of Section 7 to this transaction is appropriate. If a DHL/UPS agreement is consummated, then the two companies will combine air transportation assets. These assets are a key element of package delivery services. In our opinion, this agreement will result in the de facto merger of the companies, resulting in the elimination of a significant competitor in the market for package delivery services. The DOJ and FTC must ensure that any DHL/UPS combination does not harm consumers, particularly given the limited number of competitors in the relevant market and the significant barriers to entry for potential new competitors.

Conclusion

As the nation's antitrust enforcement agencies, the DOJ and the FTC should immediately open an investigation into the proposed agreement between DHL and UPS to ensure that consumers are protected from any actual or potential anticompetitive harm. We welcome the opportunity to

provide additional assistance and request that you respond to this letter with all deliberate speed in light of the parties' stated plans to complete an agreement quickly.

Respectfully,

George V. Voinovich
United States Senator

Sherrod Brown
United States Senator

Michael R. Turner
Member of Congress

Ralph Regula
Member of Congress

Tim Ryan
Member of Congress

Robert Latta
Member of Congress

David Hobson
Member of Congress

Patrick J. Tiberi
Member of Congress

Betty Sutton
Member of Congress

Charlie Wilson
Member of Congress

Jim Jordan
Member of Congress

Jean Schmidt
Member of Congress

Steven C. LaTourette
Member of Congress

Steve Chabot
Member of Congress

Zack Space
Member of Congress

John A. Boehner
Member of Congress

Marcy Kaptur
Member of Congress

cc: Honorable Michael Mukasey, United States Attorney General
Neelie Kroes, European Commissioner for Competition
Dr. Bernhard Heitzer, President of the German Federal Cartel Office

[illegible]

GOAL: Help customers understand the impact the DHL changes will have upon their business

Potential impact areas that DHL customers may be experiencing:

- Potential rate fluctuations
- Potential pickup and delivery time issues
- Single carrier responsibility
- Customer service

Changes DHL is making:

- Closing more than 34% of its operating centers in the US
- Eliminating more than 17% of its pickup and delivery routes
- Utilizing UPS to fly their air packages

Focus on UPS Strengths:

- Consistent, competitive rates
- Reliable pickup and delivery times
- Single carrier handling of shipments – from pickup to delivery
- Customer service support that is recognized as the best in the industry
- Industry-leading technology for easy shipment processing

Exhibit 1

JOHN McCAIN
ARIZONA

COMMITTEE ON ARMED SERVICES
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION
COMMITTEE ON INDIAN AFFAIRS

United States Senate

241 RUSSELL SENATE OFFICE BUILDING
WASHINGTON, DC 20510-0303
(202) 224-2235

5353 NORTH 16TH STREET
SUITE 105
PHOENIX, AZ 85016
(602) 952-2410

4703 SOUTH LAKESHORE DRIVE
SUITE 1
TEMPE, AZ 85282
(480) 897-6289

407 WEST CONGRESS STREET
SUITE 103
TUCSON, AZ 85701
(520) 670-6334

TELEPHONE FOR HEARING IMPAIRED
(602) 952-0170

August 12, 2008

The Honorable Herb Kohl, Chairman
The Honorable Orrin Hatch, Ranking Member
Senate Committee on the Judiciary
Subcommittee on Antitrust, Competition Policy and Consumer Rights
United States Senate
Washington, DC 20510

Dear Subcommittee Chairman Kohl and Ranking Member Hatch:

I am writing to request your Subcommittee hold an oversight hearing on the proposed contractual agreement between DHL Express US (DHL) and United Parcel Service, Inc. (UPS), whereby, according to press reports and concerned citizens, UPS would become the exclusive provider of air transportation for DHL's North American package delivery service for a 10 year period.

While I am in no way passing judgment on the legal merits of the proposed transaction, I do support your call for the agreement to be subject to a thorough federal antitrust review by the Department of Justice. Further, I believe that it is appropriate for the Congress to consider the antitrust issues surrounding this matter and its impact on consumers' costs and quality in services, and urge your Subcommittee to conduct such a review as soon as possible.

Thank you for your time and consideration of this request.

Sincerely,

John McCain
United States Senator

PRINTED ON RECYCLED PAPER

Congress of the United States

Washington, DC 20515

August 12, 2008

Dr. Frank Appel, Chairman
Deutsche Post World Net
Charles-de-Gaulle-Str. 20
53113 Bonn
Germany

Dear Dr. Appel:

We are writing in regard to the proposed contractual agreement between DHL Express US (DHL) and United Parcel Service, Inc. (UPS), whereby, according to press reports and concerned citizens, UPS would become the exclusive provider of air transportation for DHL's North American package delivery service for a ten year period.

Recently, we had the opportunity to hold a meeting that was attended by many citizens from Wilmington, Ohio, and learned about a wide-range of concerns surrounding this proposal, including the potential loss of thousands of jobs in the local area. While we are in no way passing judgment on the merits of the proposal, we do urge you to visit Wilmington, Ohio, in the very near future and take the opportunity to hear first-hand the many important issues of concern to the affected community.

Thank you for your time and consideration of this request.

Sincerely,

John McCain
United States Senator

Mike Turner
United States Congressman

PRINTED ON RECYCLED PAPER

Deutsche Post World Net

MAIL EXPRESS LOGISTICS FINANCE

Frank Appel
Chief Executive Officer
Deutsche Post

Senator John McCain
United States Senate
241 Russell Senate Ofc. Bldg
Washington, DC 20510
Fax + 1 202 228 2862

18. August 2008

Dear Senator McCain, Dear Congressman Turner,

Thank you very much for your letter dated August 12, 2008. I appreciate your concern with regards to the proposed contractual agreement between DHL Express US and UPS.

The proposal currently on the table is by nature a pure commercial outsourcing contract for services between two separate companies, limited to DHL's airlift in America, and would not diminish the competitive situation between DHL and UPS in the U.S. in any way. I can assure you that all other options had been thoroughly reviewed before the decision as it stands today was made. I am very aware that the plan will have significant impact on the people working at the air hub in Wilmington. However, there is no alternative to taking this drastic measure. DHL Express U.S. currently incurs annual losses of $1.3 billion. This leaves me no other choice than to proceed as planned, also considering my overall responsibility as Chief Executive Officer of a global company and to safeguard as many jobs as possible in the U.S.

DHL top management has in the past months had extensive contact with decision-makers on the local and national level concerning this issue. I have personally held detailed phone conversations with Ohio Lt. Governor Lee Fisher and U.S. Ambassador William R. Timken, Jr. in June, John Mullen (DPWN management board member and DHL Express CEO) and his team met on two instances in early June with U.S. Senators Sherrod Brown and George Voinovich; Congressman Michael Turner, Governor Ted Strickland, Lt. Gov. Lee Fisher and several Ohio State Legislators. Follow-up communications took place between our team and officials in Ohio.

Postal address
Deutsche Post AG
Headquarters
53250 Bonn, GERMANY

Business address
Deutsche Post AG
Headquarters
Charles-de-Gaulle-Straße 20
53113 Bonn, GERMANY

Visitors' address
Deutsche Post AG
Headquarters
Platz der Deutschen Post
53113 Bonn, GERMANY

Phone +49 228 182-9000
Fax +49 228 182-7060

www.deutschepost.de

DHL has already committed to fund a triple-digit million-dollar amount on planned severance, retention, and health-benefits for the workforce in Wilmington – that includes ABX, ASTAR and DHL employees – and other U.S. locations. I have a dedicated team with senior members from across the company acting on my behalf to ensure the proper implementation of these mitigation efforts in direct conversations with representatives of the community. All details regarding the mitigation review process will be brought to my personal attention and I will continue to be personally involved in the process. I want to give the team time to determine the effectiveness of the ongoing mitigation efforts and other initiatives, if any, that may be appropriate for DHL to help in Wilmington. Once that plan is established, I plan at the appropriate time to travel to the U.S. to discuss how we can implement it in close cooperation and in open dialogue with local authorities and other stakeholders. I will be happy to keep you informed on progress.

Again, the DHL family and I personally deeply regret that this unavoidable and irreversible decision will cause severe hardships to many families in Wilmington and Ohio. My colleagues and I will do our best to be of help.

Sincerely

Frank Appel

BARACK OBAMA
ILLINOIS

COMMITTEES:
HEALTH, EDUCATION, LABOR AND PENSIONS
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
FOREIGN RELATIONS
VETERANS' AFFAIRS

United States Senate

WASHINGTON, DC 20510

July 29, 2008

Karl Zinsmeister
Director of the Domestic Policy Council
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear Mr. Zinsmeister:

During my recent travels, I visited with the mayor of Wilmington, Ohio and workers who would be affected by a proposed DHL-UPS agreement for services that would lead to the closing of the DHL facility in Wilmington.

I write to you in my capacity as a U.S. Senator because I believe that the Administration must act now on two fronts: first, the Department of Justice should examine the transaction to ensure that it is not in violation of antitrust laws and second, if it is not, then the government must work to ensure that these workers and this community are not left without assistance in finding new work for its people and new use for the existing infrastructure. I am pleased that you and Assistant Secretary of Commerce Sandy Baruah have been tasked with coordinating the government response to the situation and wish to offer any assistance I or my staff can provide.

As a matter of antitrust law, the proposed consolidation of DHL's domestic airlift operations under a competitor, UPS, raises concern. At the very least, the DOJ should examine whether having two competitors in a fairly concentrated market act as partners would have anti-competitive effects.

If the deal proceeds, Governor Strickland and Senator Brown have both told me that the DHL facility in Wilmington would likely cease operating. That would eliminate at least 8,000 jobs in Ohio and impact an estimated 41 counties. That level of concentrated job loss strongly weighs in favor of the government assisting them through the difficult time that will follow.

I understand that you are working with the Department of Labor and the Department of Commerce to coordinate a rapid response to what could be a crisis for the communities involved. As a Senator on the committee of jurisdiction over the Department of Labor, I would appreciate additional detail on your efforts and how responding to this situation could serve as a model for other communities where concentrated job loss is occurring due to plants moving overseas or increasingly consolidating markets.

Sincerely,

Barack Obama
United States Senator

Cc: Sandy Baruah, Assistant Secretary of Commerce for Economic Development

THE WHITE HOUSE

WASHINGTON

August 14, 2008

Dear Senator Obama:

Thank you for your interest in the possible closure of the DHL facility in Wilmington, Ohio that could lead to significant layoffs.

Since early June, the Administration has been working with Senators Brown and Voinovich and Congressman Turner on a coordinated effort in the event this proposed consolidation is completed and assistance is needed. Representatives from the Departments of Labor and Commerce plus the Small Business Administration visited the area on June 29 to brief community leaders on federal assistance capabilities.

The Department of Labor and Ohio's Rapid Response team have laid the groundwork for Rapid Response services to DHL workers in the event of a shutdown. The Department has also worked closely with the state of Ohio to prepare a National Emergency Grant application that would fund special services for affected workers. These preparations will allow a brisk response if layoffs occur.

Simultaneously, the Economic Development Administration at the Department of Commerce has begun to formulate mid- and long-term recovery plans. The agency is hiring a full-time recovery coordinator for Clinton County (Wilmington), who will work from the offices of the Ohio Valley Regional Development Commission for up to three years, collaborating with officials in a three-county area on an economic development plan for the affected region.

One of EDA's immediate goals is to bring to Clinton County community leaders from other areas of the country who have experienced similar economic dislocations, so they can brief local officials on lessons learned on the recovery path. Should layoffs occur, EDA will fund projects ranging from strategic planning to paying for certain public-works investments.

In addition, Small Business Administration senior officials have toured the region and are preparing to aid displaced workers with technical assistance and access to capital to start businesses. SBA regional and field offices have briefed local leaders on SBA's program tools.

As you are aware, on antitrust matters the decision of whether to initiate an investigation must rest wholly with the Department of Justice. Assistant Attorney

General Thomas Barnett has recently assured Members of Congress concerned with this case that "whenever a proposed transaction raises significant competition issues, the Antitrust Division conducts a thorough investigation. If the Department determines that a proposed transaction would substantially lessen competition in violation of the antitrust laws, we take appropriate enforcement action."

The action agencies are the Federal leads in all of this. My role is to break logjams and share information, while making it clear to all Federal partners that this large potential dislocation is a serious concern to President Bush.

Please let me know if you'd like additional details from the agencies overseeing this important effort. I'm copying several of your Congressional colleagues who share our interest in the economic future of the Wilmington area.

Sincerely,

Karl Zinsmeister

Assistant to the President for Domestic Policy
Director, Domestic Policy Council

CC: Senators Brown and Voinovich, Representative Turner

Congress of the United States
Washington, DC 20515

August 13, 2008

Her Excellency
Dr. Angela Merkel
Chancellor of the Federal Republic of Germany
Willy-Brandt-Straße 1
10557 Berlin
Germany

Chancellor Merkel:

We are writing to bring a very serious situation involving Deutsche Post World Net and its U.S. subsidiary DHL Express U.S. (collectively "DHL") to your attention. On May 28, DHL announced it intended to cease its business relationship with ABX Air and ASTAR Air Cargo. Instead, DHL announced it intends to enter into a 10-year agreement with United Parcel Service, Inc. ("UPS") for air transportation services, which if consummated, will result in DHL abandoning a hub in Wilmington, Ohio, resulting in the loss of over 8000 direct jobs and tens of thousands of indirect jobs.

DHL's announcement to partner with UPS is problematic for a number of reasons. First, we believe the contemplated business relationship between DHL and UPS raises significant and troubling competition issues. Indeed, we find it very troubling as to why a company in a concentrated market would turn to one of its chief competitors to find cost savings. As a consequence, we are deeply concerned about the potential for anticompetitive conduct to occur, and we have raised these issues with both U.S. and EU competition authorities.

Second, we are concerned that DHL's decision to abandon the Wilmington facility and the surrounding communities will have consequences in the United States beyond the immediate devastating impact to the Wilmington area. Americans are starting to rethink their views on the benefits of global investment and the interconnected global economic system. If DHL's actions towards Wilmington are indicative, continued erosion in public support for international investment and the global economy is the likely result.

You should note that during meetings with government officials, DHL's senior management indicated that the state of Ohio, the Wilmington-area workers, ABX Air, and ASTAR Air Cargo were all high-quality partners in the operation of the Wilmington facility. The stakeholder commitment to DHL also entailed a significant financial component. The state of Ohio, city of Wilmington, and Clinton County have invested over $400 million into the Wilmington area in support of this hub. In spite of all of the substantial stakeholder commitments to DHL, the company plans to abandon Ohio without giving the stakeholders the opportunity to work as trusted partners to help DHL to succeed.

Moreover, DHL's treatment of the stakeholders in recent months can be described as nothing less than appalling considering the long and friendly relationship between our two nations and the businesses that operate in both countries. For example, in what can charitably be described

PRINTED ON RECYCLED PAPER

as a major error in protocol, DHL made its announcement about the Wilmington facility while it was hosting the Mayor of Wilmington in Germany. When it made this announcement, DHL gave no advanced notice to Wilmington's Mayor or other Ohio political and business leaders.

We raise this issue with you not only out of concern for the Ohio workers that will be impacted by this decision. but also because we are concerned that such dismissive treatment by such a significant German company will not be easily forgotten in the United States. The situation and DHL's indifference could easily undermine U.S. views on matters such as completing the next stage of the Open Skies, how foreign investment into the United States is viewed, and general U.S.-German trade relations. The attention the DHL proposal has drawn from both Presidential campaigns serves to confirm the urgency of this situation.

We understand that there is some surprise about the opposition to this transaction. Our reaction should not come as a surprise. In fact, we understand a similar situation arose in Germany related to the closing of a mobile phone manufacturing facility and the loss of German jobs, and the reaction was equally as strong. At a minimum, in the worst-case scenario, we believe DHL has a social obligation to provide substantial assistance with regard to severance packages, health care coverage, and the redevelopment of the Wilmington facility. DHL owns the Wilmington air facility, and we believe it entirely appropriate for DHL to return the airport to the community, provide the requisite assistance for the city to redevelop this important asset, and allow the community to mitigate this devastating loss should DHL decide not to reconsider its decision.

As a result of the concerns we describe above, we believe it is important that you are aware of this situation. We hope that DHL will reconsider this decision and work with its American partners. We would appreciate your bringing to DHL's attention the international aspect of the decision and would be more than happy to work with your designee if you believe it would be helpful.

Sincerely,

George V. Voinovich
United States Senator

Sherrod Brown
United States Senator

John A. Boehner
Member of Congress

David Hobson
Member of Congress

Jean Schmidt
Member of Congress

Tim Ryan
Member of Congress

Betty Sutton
Member of Congress

Zach Space
Member of Congress

Patrick J. Tiberi
Member of Congress

Charlie Wilson
Member of Congress

Jim Jordan
Member of Congress

Steve Chabot
Member of Congress

Michael Turner
Member of Congress

Robert E. Latta
Member of Congress

cc: Ambassador Klaus Scharioth
Ambassador William R. Timken, Jr.

OFFICE OF U.S. SENATOR SHERROD BROWN

For Immediate Release
Thursday, August 14, 2008
Contact: Meghan Dubyak
(202) 224-3978

BROWN CALLS ON BUSH ADMINISTRATION TO CONSIDER PROPOSED DHL DEAL WHEN NEGOTIATING OPEN SKIES

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

SHERROD BROWN
OHIO

COMMITTEES:
AGRICULTURE, NUTRITION, AND FORESTRY
BANKING, HOUSING, AND URBAN AFFAIRS
HEALTH, EDUCATION, LABOR, AND PENSIONS
VETERANS' AFFAIRS

United States Senate

WASHINGTON, DC 20510

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.

PRINTED ON RECYCLED PAPER

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 underly 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

United States Senate

COMMITTEE ON THE JUDICIARY
WASHINGTON, DC 20510-6275

August 4, 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,

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

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

The New York Times
nytimes.com

PRINTER-FRIENDLY FORMAT SPONSORED BY

August 16, 2008

SATURDAY INTERVIEW

For Deliveries, Speed Not Quite of the Essence

By ELIZABETH OLSON

HIGH fuel prices and a sluggish economy have taken a toll on overnight delivery services, forcing some significant shifts in how the biggest operators do business. DHL Express, the country's third-biggest overnight deliverer, recently hired a rival, United Parcel Service, to handle its air cargo operations in the United States.

While its global business is profitable, the American segment of DHL, acquired in 2002 by Deutsche Post of Germany, is expected to lose $1.3 billion this year.

In an interview from DHL's American headquarters in Plantation, Fla., its chief executive, John P. Mullen, discussed the deal with U.P.S.

Q. What factors drove you to make a deal with U.P.S.?

A. The cost of maintaining our network in the United States has been very painful to us, and it's been exacerbated by the increasing fuel costs. Under the arrangement with U.P.S., if our volume should continue to fall, our costs fall with it. And we have 110 aircraft in the United States, a lot of which are quite old and will need replacement in the coming years. So we avoid that capital expenditure.

Q. What kind of impact have fuel costs had?

A. Very considerable. First, the straight cost burden, and our fuel surcharge does not cover all of it. But more importantly, it starts changing a customer's behavior. When you say there's a surcharge of 5 percent or 10 percent, they read the newspapers and they know fuel is going up. But when you start talking 30 percent and up, which is what we've got at the moment, the customer starts saying: "Well, do I really need the package there tomorrow morning at 10:30?"

Q. Has that translated into less demand for air service?

A. We're seeing that customers are downgrading their service expectations, from air to ground. And once customers change, it's pretty hard to get them to come back again. And even if fuel prices were to come down significantly, we're not sure customers would revert to urgent air express. Our whole industry is going to have to adjust because, while it may not be tomorrow, we're going to see huge amounts of our revenue migrate to ground and other forms of transport.

Q. By outsourcing your air cargo services to a rival, where does that leave the company? What is the business model now — more ground and less air?

A. Our business model hasn't changed. We're still picking up the package, we're still delivering it. But instead of giving it to one operator who is flying just for us, we're giving it to U.P.S., which, although it is a competitor, is just a service provider. The customers wouldn't actually know whether we used U.P.S. or someone else for the air segment.

Q. What was the price of this deal?

A. U.P.S. will charge us about a billion dollars a year to move our material. Our savings, taking into account other restructuring, including closing 30 percent of our ground stations in the United States, will save us about a billion dollars a year.

Q. How many jobs will you be cutting?

A. We're cutting 1,500 to 1,800 of our own employees, including some at our air hub in Wilmington, Ohio. And these changes will have an impact on our suppliers, which will mean several thousand more jobs will be affected. Our cuts will come in smaller towns, and we'll close stations where there are several in the same area.

Q. What percentage of your business will be affected by these changes?

A. We're estimating that these changes, while they sound fairly large, will only have an impact on about 4 percent of our shipments. In other words, 4 percent of our shipments will go from early morning delivery to maybe afternoon delivery. We'll still be delivering them, but they will be slightly slower than before, but only a small percent.

Q. How does this affect the general landscape in the United States for deliveries?

A. It shouldn't make any appreciable difference, and while the deal should make us both more productive, we remain full-tilt competitors. In the rest of the world, in Europe, Asia and emerging economies — where we are in a much stronger position — we are trying to make life as difficult as possible for them.

Q. How much of a decline in daily package volume have you seen because of the economy slumping?

A. Some customers are not sending altogether. But most are trying to find a cheaper way, such as sending it by ground. We've got the double impact right now of fuel costs and the economic recession because we carry an awful lot of mortgage documents, contracts and so on, and that side of our business is very significantly under pressure. Air express overnight volumes in the industry are down anywhere from 5 percent to 15 percent from this time last year.

Q. When will the new arrangement go into effect?

A. We hope to have a completed agreement with U.P.S. in a couple of months, and we would start to migrate volume across. We would like to see it all in place by mid- to late 2009. But at the end of the year, our busiest season since stores and other parts of industry are ramping up, we will slacken off and try not to make too many changes until the new year.

DAVID L. RAIZK
1088 Xenia Avenue
Wilmington, OH 45177
937-382-4715 Home
937-382-5458 Office

- Lifelong resident of Wilmington
- Educated by the Wilmington City Schools and Wilmington College
- Worked his entire adult life in the Wilmington business community, the last 29 years at Bill Marine Ford
- Served the city as Director of Public Safety, 16 years as President of City Council, the last 8 years as the city's mayor and began his 3rd term as mayor January 2008

Mayorial Accomplishments

See attached pages

Active in Church and Community

Member of the Wilmington Friends Meeting
Chairman of the Board of the Mental Health and Recovery Center of Clinton County
Former Member of the Board of Trustees of Wilmington College (16 years)
Director of the Wilmington Community Improvement Corporation

Personal

He and his wife, Mary Ann, have two daughters, Lauren and Leyla

ACCOMPLISHMENTS DURING MAYOR RAIZK'S TERMS

- **New Four Million Gallon Water Treatment Plant** placed in full operation in 2000
- **Repaired and improved downtown waterline and fire suppression** – summer 2007
- **Water Line Constructed on US 68, N.**, extending our service territory. This proactive move will accommodate future growth
- **S.R. 68 "loop" waterline project approved for completion in 2007/2008** to improve water service to businesses and residents on the south side of town.
- **Completion of New Cell at Landfill** that afforded an additional 15 years of service; planning an additional 12 year expansion to delay need to open a new cell.
- **State Urban Repaving Program** -- $1 million grant paved 4.16 miles of state highway within the city limits
- **Completed lease/purchase for new $400,000 compactor** for more efficient landfill operations.
- **Purchase approved for two snow plough trucks to replace aging fleet** for road safety in winter; dump capacity can be used for general street work in the summer months (delivery in fall 2007).
- **Traffic Light and Roadway Improvements** at Wayne Rd. (SR 73, W.) and Nelson Avenue; new light to be installed at Vine and South (summer 2007) for improved safety
- **Rehab of Traffic Islands and Roadway Improvements** along Wayne Road and Main Street
- **US 68 and SR 134** – The turn lane and new railroad crossing with safety gates completed in 2002.
- **New 19,000 sq. ft. Taxi Facility Opened in 2002** – accomplished with $1.4 million in state funding; continually replenishing fleet with new vehicles as older ones go out of service.
- **Over forty New Handicapped Ramps at Intersections Throughout the City** - Community Block Grant funds utilized
- **Ohio Main Street Community** - Wilmington's designation as a certified "Main Street Community" is a major step in accomplishing downtown revitalization and qualifying the City for revitalization grant funds.
- **2003 Community Housing Improvement Program Grant** - $500,000
- **2004 CDBG Downtown Revitalization Tier II Grant** - $400,000. Money used to assist downtown property owners w/improving their buildings and city infrastructure projects, including new windows for the Murphy Theater, a new roof for the General Denver Hotel and many other façade and code improvements to downtown buildings.
- **2005 Community Housing Improvement Program Grant** - $500,000

- **2000-2007 CDBG Formula Grants – over $300,000 obtained.**

- **2007 CDBG Tier III Grant ($50,000)** for the revitalization of the "Little Giant" diner in downtown Wilmington

- **Main Street Market Mural** – worked with building owner Jim Burnett, an anonymous donor, mural artist Jason Morgan and the mural committee to complete the Main Street Market Mural in downtown Wilmington

- **Lowes Drive** – (the city's first north/south connector since Wall Street) completed in July, 2003.

- **Farquhar Avenue Widened and Rebuilt** for safer access to the hospital by emergency vehicles. This was accomplished in partnership with the CMH Regional Health System, the Ohio Public Works Commission and State Issue II funding,

- **New Kroger Store** - Working with the city, developers relocated and built a 69,000 square foot Kroger store and revitalized and rehabilitated Wilmington's first shopping center.

- **Homeless Shelter Grants** every year

- **Revitalization of and Preservation of Property Values** through property maintenance code actions and demolition of substandard properties

- **Acquisition of 128 acre Lytle Creek Nature Preserve** on S.R. 134, S., the city's first nature preserve devoted to passive recreational activities, purchased through a Clean Ohio Grant ($1,149,390) and partial donation by the landowners

- **Luther Warren Peace Path** (1.2 mile paved surface) dedicated in 1999

- **4-C Bicentennial Trail** (1.3 miles paved surface) dedicated July 2005

- **Urban Bike Route** signed in 2005 to connect the Luther Warren Peace Path & the 4-C Bicentennial Trail creating 3.5 miles of continuous trail for recreational & transportation purposes

- **Judy Gano Trail** (1.0 mile paved surface) dedication expected 2008; will connect the 4-C Bicentennial Trail and Rombach Avenue

- **Established the Eastside Fire Substation** – Station 2 (through the purchase and renovation of the Vectren building (former DP&L building.) The downtown station – designated as Station 1 - was also renovated.

- **Updated Firefighting and Rescue Fleet and Equipment** – Three (3) new engines, the first aerial platform in the history of the department, new rescue boat, trailer, and ice rescue equipment, and a new EMS ambulance added

- **Additional safety services improvements** -- Fully-staffed police department (24 FT officers); re-instituted bicycle patrol; updated tornado sirens and all fire communications (changed away from low-band system to high frequency signal, plus added back-up system).

- **Annexations accomplished** - Worked with property owners and City Council to complete annexation of residential, commercial and industrial property to the City of Wilmington – over 1600 acres, including the DHL Air Park

- **Extension of Davids Drive** -- a landmark cooperative effort between city, county, the CIC and R&L Transport; ribbon-cutting expected September 2007.

- **Commercial development on Rombach Avenue and new Davids Drive extention** – worked with developer to accomplish site development for location of a major clothing and household goods retailer (to be announced)