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## **Parcel shipping: DHL to discontinue domestic-only air, ground services, will cut 9,500 U.S. jobs**

*Patrick Burnson – Logistics Management, 11/10/2008 7:27:00 AM*

SAN FRANCISCO—In a move anticipated by many industry analysts, **DHL** announced today that it will discontinue its domestic-only air and ground services. Beginning January 30, 2009, the carrier's express business will focus entirely on its international offerings. Spokesmen for Deutsche Post World Net, parent company of DHL U.S. Express, said that the company will nonetheless retain a strong international presence and capability in the U.S. "going forward."

"This is the right move for our U.S. Express operations given the current economic climate and for the long run," said John Mullen, global CEO of DHL Express. At a press conference held in Bonn, Germany, Mullen added that the company "remains committed to the U.S. express market." Mullen will address the U.S. press corps this afternoon.

Shippers had already received a glimpse at the future with UPS' announcement of the 2009 ground rate increase, said Gerard Hempstead, president of Hempstead Consulting.

"This is the largest increase in recent memory from UPS since it had been in negotiations with DHL last May. UPS knew that DHL was not going to be a domestic challenger in the upcoming year," he told LM. "Now it's a two horse race," said Hempstead. "FedEx will set the pace of the air express pricing and UPS will dictate where ground prices go."

Meanwhile, DHL Express will close its U.S. ground hubs, and reduce the number of stations from 412 to 103. This will result in an additional reduction of 9,500 U.S. jobs at DHL Express on top of the approximately 5,400 positions already reduced since January. The company will retain 3,000 to 4,000 U.S. Express employees, tailored to the needs of international express customers.

These measures, said spokesmen, will allow DHL's U.S. Express business to reduce its operating costs from \$5.4 billion to under \$1 billion, a decrease of over 80 percent.

DHL also stressed that it will maintain its international express service in the U.S. at present levels and the U.S. will remain an integral part of DHL's global network. All international shipments to and from the U.S. will still be delivered, while 99 percent will be picked up.

"DHL remains committed to the U.S. express market," said Mullen. "A continued U.S. presence is essential to our entire global Express network: Close to half of our top 200 customers are based in the U.S., and U.S. trade lanes make up close to half of our global volume, and half of our global shipments touch the U.S. We are here to stay."

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