

## What's the Real Story Behind DHL's Revamped US Plans?

### Company Shrinking Network, Outsourcing Keys Steps to UPS and USPS; Shippers Need More Answers from DHL Now, Leading Parcel Consultant Says

#### SCDigest Editorial Staff

In a move that perhaps tried to find a middle ground, DHL announced last week it was remaining in the US parcel delivery market – but in a scaled-down fashion that would involve potential out-source deals to both UPS and the USPS.

After denying rumors the company would totally leave its money-losing US operations (see [Are Reports of DHL's Possible US Exit Premature?](#)), the company announced plans for a hybrid presence that would lower costs and outsource some operations to rivals.

That includes plans – not yet finalized – to turn over all of its air freight movements to UPS, shutting down DHL's massive air freight operations in Wilmington, OH, facilities acquired when DHL purchased Airborne Express. It said it would also close down 30 of its local operations, and outsource additional local deliveries to the United States Post Office.

Since 2003, USPS has provided last-mile delivery for DHL in more than 20,000 ZIP codes nationwide, primarily in rural areas. The new plans call for using USPS in an additional 3,600 zip codes, including many more populated areas.

So, with these moves, what's really left of DHL in North America, and what can current customers really expect?

#### More Questions Raised than Answers

While the company plans to offer more details, the current announcement leaves shippers a lot of questions and concerns, says **Gerry Hempstead**, a parcel industry consultant at Hempstead Consulting.



Gerry  
Hempstead

"There is much for your readers to be concerned about and little time for many shippers to react," Hempstead told us. "For example, DHL is closing 60 or so facilities on June 30. There is no plan to use UPS in the next 3 months. They hope to get a contract negotiated within 3 months!"

Hempstead says DHL will be pulling down scores of feeder flights - flights from local areas to the Wilmington sortation hub - on July 1. For example, cities like Fort Myers, FL, Corpus Christi, TX or Myrtle Beach, SC will no longer be served by their own DHL plane. That likely means much later arrival times because the shipments will have to be trucked in from somewhere or much earlier pick up times because the freight will have to be trucked to a plane in another city. That may cause shippers problems, if a UPS deal is not negotiated by then.

It is assumed that if a UPS deal is done, UPS planes would move parcels through its hub in Louisville, KY and deliver those packages to remaining DHL stations in local markets for delivery to local

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business and residences – with that last mile perhaps performed by the USPS.

Hempstead says DHL customers need more detailed information from the company: "DHL has no details at this time of what flights are coming down on July 1, nor have they told sales what stations are closing June 30," he said. "What zip codes are being handed off to the USPS? What level of service will be used via the USPS? Tracking within the USPS is almost non-existent except for the final delivery scan" he noted.

Hempstead also wonders if DHL and UPS shipments will be co-mingled in the UPS airline system. If so, that could mean that DHL will have to wait at the destination until all the UPS shipments are sorted before it can receive its parcels to take over to its local terminal.

"If that's the case, then the UPS delivery drivers will have a one or two hour head start on the street making deliveries before the DHL drivers can begin deliveries," Hempstead says.

### **Supply Chain Havoc for Some Companies?**

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"These customers have thousands of air express shipments a day. The red dog flights will be down before the end of this year. These shippers now have no place to go," Hempstead said.

Hempstead also says that there are scores of companies that have put their business at the end of the DHL runway in Wilmington so they can begin their process at 4 AM on inbound or that they can ship as late as 1 AM and make the outbound aircraft.

"The customers using DHL in Wilmington or Columbus just got hit by a bus and nobody saw it coming, nor is anyone communicating with the shippers how DHL intends on keeping them whole," Hempstead adds.

It remains something of a mystery why DHL would make the announcements, especially regarding the UPS piece, before a final deal with its competitor had been finalized.