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BEFORE THE
U.S. DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.

DEPT. OF TRANSPORTATION
DOCKETS

2003 MAR 26 P 4:17

In the Matter of the)
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CITIZENSHIP OF DHL AIRWAYS, INC.)
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Docket OST-2002-13089 - 40

MOTION OF UNITED PARCEL SERVICE CO.

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Dated: March 26, 2003

**BEFORE THE
U.S. DEPARTMENT OF TRANSPORTATION
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CITIZENSHIP OF DHL AIRWAYS, INC.)	Docket OST-2002-13089
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MOTION OF UNITED PARCEL SERVICE CO.

United Parcel Service Co. (“UPS”) hereby moves that the Department of Transportation (the “DOT” or “Department”) immediately inquire into the recently announced transaction in which DHL Worldwide Express, Inc. (a company wholly-owned by the German postal monopoly, Deutsche Post) is acquiring the ground operations of Airborne, Inc. (“Airborne”). In fact, the reports are that DHL Worldwide Express, Inc. is acquiring everything except the aircraft. In addition, Deutsche Post is entering into various contractual business relationships with Airborne’s U.S. certificated air carrier subsidiary, ABX Air, Inc. (“ABX”). The public was unaware that these events had transpired until the press reports first appeared on March 24, 2003.¹

1. Because the ABX transaction involves, as does the captioned docket, relationships between Deutsche Post and a U.S. air carrier, the DOT should consider this matter in this docket,

¹ It is UPS' position that this document is authorized pursuant to Rule 302.11 of the Department's procedural rules. If, however, the Department deems this document to be unauthorized, UPS requests that it be received as an otherwise unauthorized document. The matters discussed in this document only became known to UPS within the last few days, and this document is being filed at the earliest possible time after UPS learned of the matters discussed herein. It would be in the public interest for the Department to have all views before it in considering the issues raised by this Motion.

and UPS requests that it do so. In the alternative, UPS requests that the Department institute a separate public docketed proceeding to investigate the foreign control aspects of this transaction. In addition, UPS is considering filing a petition to institute a proceeding to examine the degree of control that Deutsche Post exerts on the domestic express package and cargo market through its existing foreign air freight forwarding licenses.

2. On March 25, 2003, DHL Worldwide Express, Inc. announced that it had reached a definitive merger agreement to acquire the ground operations of Airborne for approximately \$1 billion. According to the joint press release, attached hereto, on completion of the transaction ABX and DHL Worldwide Express will enter into various commercial agreements. Such agreements include an aircraft, crew, maintenance and insurance (“ACMI”) agreement under which ABX will provide air service for all of the U.S. ground delivery business of DHL Worldwide Express (which will then also include all of the business formerly conducted by Airborne Express, Inc.). Although the joint press release states that foreign control will not be an issue with ABX, it is well-founded DOT precedent that the customer-airline relationship can give rise to control of that airline.²

3. Also, statements made at a recent joint DHL/Airborne conference call for analysts indicate that DHL will be paying the expenses of ABX Air, Inc., and will in some way be involved in the financing of the aircraft of the airline. This all sounds very familiar—these are precisely the arrangements that Deutsche Post is using to control DHL Airways, Inc.

² See, e.g., *In re Revocation of Part 289 Authority of Air-Evac Air Ambulance, Inc. Pursuant to 49 U.S.C. 41110*, Order 95-3-3 (Mar. 2, 1995); *Executive Air Fleet, Inc.*, Order 92-9-46 (Sept. 22, 1992); *Third Party Enforcement Complaint of Alas de Transporte Internacional SA against Challenge Air Cargo, Inc.*, Docket 46489, Order 91-4-32 (Apr. 22, 1991); *Willye Peter Daetwyler, d/b/a Interamerica Airfreight Co.*, Foreign Permit, 58 C.A.B. 118 (1971).

4. There apparently have been various meetings between Deutsche Post, Airborne and the Department on this subject. Carl Donaway, the CEO of Airborne, admitted this in a press conference on March 25, 2003. At the press conference, he said, “We have discussed this with the Department of Transportation; we’ve shown them the materials and the structure, and I can’t speak for the Department of Transportation, but I can tell you—I don’t believe that there will be an issue.”³

5. Mr. Donaway's remarks raise a number of important questions:

- What documents did Airborne and Deutsche Post provide to the Department?
- Who represented Airborne and Deutsche Post before the Department?
- Who at the Department met with them?
- What was Department’s basis for giving the impression to Mr. Donaway that “there will not be an issue”?

6. UPS urges that the Department's review of this transaction be transparent—with all interested persons being able to review and comment on all relevant documents and other information pertinent to the substance of the transaction. It is only from a transparent review process that the fundamental questions can be answered regarding the relationship among Deutsche Post, its subsidiaries, and ABX.

7. Another company controlled by Deutsche Post, DHL Holdings, Inc., recently acquired an interest in the U.S. air carrier DHL Airways, Inc. Upon review by the Inspector General of the procedures used by the Department for processing that transaction, the Inspector

³ This conference call and webcast held for the investment community was conducted on Tuesday, March 25, 2003, at 8:30 a.m. EST. A replay of this call is available thru April 25, 2003, at 1-888-203-1112 pass code 66047.

General found that the private *ex parte* procedures were "not well suited" for the case. The same considerations which applied in that case apply here as well.

8. Although the joint press release states that foreign control will not be an issue, it also states that there will be certain very close relationships between DHL Worldwide Express and ABX. For example, there will be an ACMI agreement and it appears that DHL Worldwide Express will be the major, if not the only, customer of ABX Air, Inc.

9. On March 11 and 14, 2003, UPS filed Motions objecting to the confidential treatment of certain documents pertaining to the relationship between companies controlled by Deutsche Post and DHL Airways, Inc. UPS hereby incorporates the contents of those Motions herein by reference. The same reasoning with respect to why those documents should not have been kept confidential applies in the instant case where a company controlled by Deutsche Post is entering into controlling business relationships with another U.S. air carrier, ABX.

10. As is well-known and well-documented, Deutsche Post has a history of misusing its profits from its monopoly on first-class mail to cross-subsidize other segments of its organization in competing against private companies. The DOT should require a full disclosure of the source of the funds being used to finance the Airborne acquisition, paying particular attention to whether government sanctioned monopoly revenues are financing the transaction. It would be contrary to the public interest to allow such unfair competition.

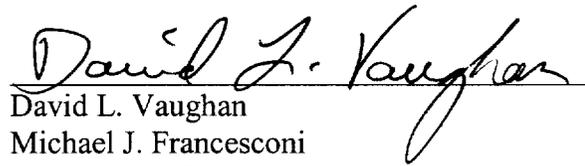
11. What is becoming apparent here is that Deutsche Post has a strategy of rapidly increasing its investment in the domestic transportation infrastructure of the United States. Documents filed with the Department indicate that Deutsche Post has access to monopoly profits and state aid, unavailable to U.S. companies. Further, this docket contains evidence of how

Deutsche Post has, in the past, employed clever corporate organizational structures to avoid governmental ownership and control requirements, or, at a minimum to confuse the situation so that review of their actions would be difficult. Given this history of Deutsche Post's past practices, the United States Government should desire a broader understanding of what is transpiring in the case of DHL Airways and ABX, collectively, rather than viewing these situations on an individual case by case basis.

12. Even if these transactions may be acceptable taken separately, reviewed together, they might raise significant issues relevant to the public interest that the DOT is required to protect. Deutsche Post's broad strategy demands broad review. We would not expect the working staff of the DOT to have the resources to unravel this series of transactions. This appears to be exactly what Deutsche Post is counting on. Rather, a hearing conducted by an Administrative Law Judge where all parties could present expert testimony and cross examination, is the forum most appropriate for a review of this fact-intensive situation.

WHEREFORE, United Parcel Service Co. respectfully requests the Department of Transportation to publicly disclose all information regarding the contacts between Airborne and Deutsche Post (and any of its controlled entities). Second, UPS requests that Department refer to an Administrative Law Judge the examination of the citizenship and foreign control issues raised by the Deutsche Post/DHL Worldwide Express—Airborne merger transaction as it relates to the potential unlawful control of a U.S. airline by Deutsche Post. In addition, UPS also requests that the Department grant such other and further relief as may be deemed just and necessary.

Respectfully submitted,



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Counsel for
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Date: March 26, 2003

CERTIFICATE OF SERVICE

I hereby certify that on this 26th day of March 2003, a copy of the foregoing document was sent, via first-class mail, postage prepaid to the following:

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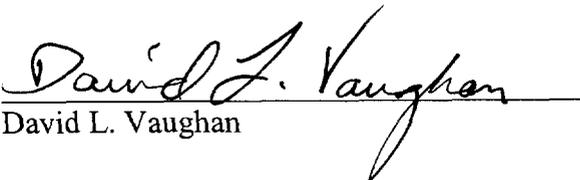
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About Airborne: Company Information > Press Releases**DHL TO ACQUIRE GROUND OPERATIONS OF AIRBORNE, INC.****SEATTLE, WA AND BRUSSELS, BELGIUM -- March 25, 2003**

DHL TO ACQUIRE GROUND OPERATIONS OF AIRBORNE, INC. TO
CREATE
STRONGER THIRD COMPETITOR IN U.S. EXPRESS DELIVERY MARKET

AIRBORNE AIRLINE OPERATIONS TO BECOME
INDEPENDENT PUBLIC COMPANY, ABX AIR, INC.

AIRBORNE SHAREHOLDERS TO RECEIVE \$21.25 PER SHARE IN CASH
AND FULL OWNERSHIP OF ABX AIR, INC.

COMBINATION EXPECTED TO BRING INTENSIFIED COMPETITION AND
IMPROVED SERVICE TO A BROADER RANGE OF CUSTOMERS



Seattle, Washington and Brussels, Belgium, March 25, 2003 - Airborne, Inc. (NYSE: ABF) and DHL announced today that they have entered into a definitive merger agreement that will create a stronger third competitor in the U.S. express delivery market and bring the benefits of intensified competition and enhanced service to millions of small- and medium-sized businesses that purchase expedited door-to-door delivery of small packages and documents.

Under the terms of the agreement, DHL will acquire Airborne's ground operations (1) for \$21.25 per share in cash, or a total equity value of approximately \$1.05 billion. Upon conclusion of the acquisition, Airborne's air operations will be separated from its ground operations and will become an independent public company, called ABX Air, Inc. ("ABX Air"). ABX Air will be wholly owned by Airborne's current shareholders, who will each receive one share of ABX Air for every Airborne share they hold.

"The UPS/FedEx duopoly has a 79%(2) share of the U.S. express delivery market, and the combination of DHL and Airborne will enable us to create a much stronger competitor, which will benefit a broader range of express delivery customers," said Carl Donaway, Chairman and CEO of Airborne, who will become the CEO of the enlarged DHL business in the U.S. "In the markets we compete in today, made up primarily of large, corporate accounts, Airborne's price levels are substantially lower than our competitors. The expanded DHL business will have the capital and resources to leverage this value into the small to mid-sized marketplace.

"This is a pro-competitive transaction that has compelling benefits for shareholders, customers, and employees," continued Donaway. "Although Airborne has been adjusting to a dynamic and changing marketplace, this merger will bring the company to another level of competitiveness in an industry that badly needs more competition. We will be able to provide better value to customers today while investing in expanded service, new products and innovative technology in the future."

"This combination will strengthen DHL's presence in the U.S., and our global presence will bring significant benefits to Airborne customers," said Uwe Doerken, CEO of DHL Worldwide. "We see great opportunity for DHL to build on the capabilities of the new combined company in the U.S. market, especially in the under-served small- and medium-sized business segments, and we are prepared to make a substantial long-term marketing investment to build a strong competitor able to provide increased value for U.S. customers."

Airborne is the third largest air overnight parcel carrier in the United States, with an 18.8%(2) market share in the air overnight category, delivering approximately 356 million domestic parcels in 2002. DHL has the world's most extensive international parcel delivery network, with service to 120,000 destinations in more than 220 countries worldwide. Although DHL has the leading market share in international express delivery outside the U.S., it has less than a 2% share of the U.S. air overnight domestic market today.

The U.S. ground operations of Airborne and DHL will operate under the DHL brand. "We will seek to build on the best of both companies while maintaining our focus on superior service, performance and productivity. The combination of Airborne and DHL will result in increased opportunity for employees of both companies because the combined U.S. operations will be able to compete more effectively and pursue a more aggressive growth strategy," said Donaway.

The transaction, which is subject to shareholder and regulatory approvals, is expected to be completed during the summer of 2003.

ABX Air will have its own Board of Directors, management, independent auditor and SEC financial reporting requirements. The Chief Executive Officer will be Joe Hete, who is currently the senior operating executive of Airborne's airline operations. To ensure ABX Air continues to meet U.S. citizenship requirements, its certificate of incorporation will include standard mechanisms to prevent foreign entities from gaining a control position, including share ownership limits and foreign owner share registry.

On completion of the transaction, ABX Air and DHL will enter into arms-length commercial agreements that will govern their relationship, including an aircraft, crew, maintenance and insurance (ACMI) agreement under which the new airline company will provide air service to DHL's ground business. It will also provide these services to third parties.

Goldman, Sachs & Co. is serving as financial advisor to Airborne and O'Melveny & Myers is serving as legal advisor. Deutsche Bank is serving as financial advisor to DHL and Simpson Thacher & Bartlett is serving as legal advisor.

Webcast/Teleconference Information

A conference call and webcast will be held for the investment community on Tuesday, March 25, at 8:30 a.m. EST/5:30 a.m. PST. The dial-in number for domestic callers is 1 (800) 946-0783. The dial-in number for international callers is 1 (719) 457-2658. A replay of the call will be available for 30 days beginning approximately four hours after the call's conclusion. The replay number for domestic callers is 1 (888) 203-1112 using the passcode 666047. The replay number for international callers is 1 (719) 457-0820, also using the passcode 666047. Live audio of the conference call will be simultaneously broadcast over the Internet and will be available to members of the news media, investors and the general public. Access to live and replay audio of the conference call will be available by following the appropriate links at www.dhlairborne.com. The event will be archived and available for replay for 30 days beginning approximately four hours after the call's conclusion.

About Airborne, Inc.

Airborne, Inc. is the holding company for Airborne Express. For more than 50 years, Airborne Express has served the shipping needs of business customers around the world. Today, Airborne offers total distribution solutions by providing customers time-sensitive delivery of documents, letters, small packages, and freight to virtually every U.S. ZIP code and more than 200 countries. Customers can select from a variety of services including same-day, next-morning, next-afternoon or second-day delivery, air freight, ocean service, and logistics management. Airborne employs over 22,000 people worldwide and achieved total revenues of US\$3,348 million in 2002.

About DHL

DHL is the world's leading express and logistics company offering customers

innovative and customized solutions from a single source. With global expertise in solutions, express, air and ocean freight and overland transport, DHL combines worldwide coverage with an in-depth understanding of local markets. DHL's international network links over 120,000 destinations in more than 220 countries and territories, and employs 71,000 people, over 10,000 of which are based in the U.S. Total revenues in 2002 accounted for US\$1,046 million in the U.S., and approximately US\$5.8 billion(3) worldwide. DHL is majority owned by Deutsche Post World Net.

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Forward-Looking Statements

Except for historical information, the matters discussed in this release contain forward-looking statements that Airborne, Inc. and DHL intend to be covered by the safe harbor provisions for forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause the Companies' actual results or performance to differ materially from the results discussed in the forward-looking statements. Specifically, there are a number of important factors that could cause actual results to differ materially from those anticipated by any forward-looking information, including, but are not limited to, gaining regulatory and shareholder approval to complete the transaction, the possibility that the transaction may not close or that the companies may be required to modify aspects of the transaction to achieve regulatory approval, domestic and international economic conditions, the impact of war and terrorism on the air package delivery business, the ability to mitigate rising fuel costs, competitive pressure, maintaining customer relationships, successful integration of the two companies, cost cutting initiatives, improving operating margins and productivity, realignment and overhead reduction efforts, changes in customers' shipping patterns, the ability of the combined entity to expand into the small-business and consumer markets, the ability to make planned capital expenditures and other risks and uncertainties that are described in the reports that the Companies file with the Securities and Exchange Commission, including Airborne's Annual Report on Form 10-K for the fiscal year ended December 31, 2002. Additional risks include the ability of ABX Air, Inc. to successfully operate as an independent company, ABX Air, Inc.'s ability to gain additional business, to react to changes in economic conditions, risks associated with maintaining a fleet of aircraft and the trading liquidity of ABX Air, Inc.'s shares.

Additional Information and Where to Find It

Information contained in this press release is not a substitute for the proxy statement/prospectus that that companies intend to file with the Securities and Exchange Commission in connection with the proposed transaction. SHAREHOLDERS AND INVESTORS ARE URGED TO READ THE PROXY STATEMENTS/PROSPECTUS WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION, INCLUDING DETAILED RISK FACTORS ABOUT THE PROPOSED TRANSACTION. The proxy statements/prospectus and other documents, which will be filed by Airborne with the Securities and Exchange Commission, will be available free of charge at the SEC's website (www.sec.gov) or by directing a request when such a filing is made to Airborne, Inc. at 3101 Western Avenue, PO Box 662, Seattle, Washington 98111, Attn.: Chief Financial Officer, or by telephone at (800) 830-1592 or email at investor_relations@airborne.com.

Airborne, DHL, their directors and certain of their executive officers may be considered participants in the solicitation of proxies in connection with the proposed transaction. Information about the directors and executive officers of Airborne and their ownership of Airborne stock is set forth in the proxy statement for Airborne's 2002 annual meeting of shareholders. Investors may obtain additional information regarding the interests of such participants by reading the proxy statements/prospectus when they become available.

- (1) Ground operations defined as all non-airline related activities of the company
- (2) Source: Colography Group U.S. Domestic and Export Air Traffic and Yield Analysis for 3Q02 YTD
- (3) Exchange rate used is .944 Euros per U.S. Dollar

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