Delivering solutions – first class

Global Logistics & Post capability statement
Welcome to this new capability statement, showcasing our commitment to serving Logistics & Post companies. Here at PricewaterhouseCoopers (PwC) our industry practice has grown in step with the sector, supporting our clients through market restructurings, regulatory transformations, technological advances, changes in financial reporting and new corporate governance requirements.

In this document, we discuss a number of important trends and key challenges facing the sector, and detail some of the services and solutions we can provide to help you address these key issues. Also, each of these 10 chapters includes:

- Case studies of work that our dedicated industry practitioners have performed tailored to the specific needs of national and multinational Post companies and logistics service providers
- PwC’s relevant thought leadership publications
- Tips for thriving during the tough times we are experiencing today

Our investment in the Logistics & Post sector provides you with professionals who understand the nuances and challenges of your industry and who bring an experienced and fresh perspective to your company - PwC’s response to your challenges.
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Introduction

The Transportation & Logistics (T&L) industry forms the backbone of global supply chains. Postal operators as well as large logistics providers play a dominant role as key stakeholders in the T&L industry. In recent years some former national Posts have undergone an extensive transformation to emerge as multinational providers of complex logistics and financial services. These evolved entities face new competition in their core markets of mail delivery through the liberalisation of markets and privatisation. At the same time, former Posts may be able to leverage their years of experience in collecting, processing, transporting and delivering national and international mail in order to develop and provide a broader palette of logistics-based services, upstream with direct mail activities and downstream with package delivery and payment services. Further, many existing logistics and express companies have expanded well beyond simple delivery services and are now managing all aspects of the supply chain. These ongoing trends have changed the face of an industry which has become increasingly focused on serving customers in all parts of the world.

Liberalisation and privatisation are one starting point that is driving change in this complex, rapidly changing sector, but many other forces are also at work. Internet advertising, e-substitution of mail and e-commerce are radically transforming document and goods flows. Trade routes are shifting. Networks have become increasingly complex, as have the operating agreements between companies sharing resources. We discuss some of these issues - and how we can help you address them - in the first of the following sections on navigating complexity and planning for change (chapter 1). Finding the right partners through mergers & acquisitions is also vital, an issue we address in chapter 2.

Regulatory requirements have changed substantially in recent years. In an interconnected world where companies are operating across national boundaries and together with many local partners, accounting and governance issues are becoming more complex, as is customs and tax compliance. Chapters 3 and 4 describe how we can help.

People are key to driving every business, but are particularly critical in the service-oriented Logistics & Post sector. We devote chapter 5 to some important concerns around managing your people. Ensuring that employees feel valued is one way to decrease your company's risk of economic crime. We set out some other strategies for how to guard against fraud in chapter 6.

Companies looking to build a durable business need to continuously offer added value. Leaner, more efficient business processes can help accomplish this goal, so we provide some insights in this area in chapter 7. As business models change in the industry, many companies are evolving from forwarding and warehouse managing companies to highly industrialised, IT driven supply chain providers. Maintaining a robust IT function is accordingly a core competence of the Logistics & Posts sector and chapter 8 takes a look at how we help companies make the most of their IT investments. Most Logistics & Post companies have also made substantial capital investments in a wide range of assets, and companies need to know how to make the most of these, be they delivery fleets or extensive property holdings such as retail outlets, an issue we address in chapter 9.

Companies are facing a very difficult balancing act. In some cases short-term survival concerns will no doubt be paramount. At the same time, companies need to continue to take a longer-term view and work towards building business practices and values which are durable. Accordingly, we devote the final content chapter of this document to issues around creating a sustainable business for the future (chapter 10).

Globalisation and outsourcing of logistics services created double digit revenue growth in the industry in the early part of the 21st century, however the economic downturn which made itself felt across the world in 2008 will result in a dramatic drop in the sector’s growth in 2009. The industry was suddenly faced with some of the most difficult market conditions in history. A tightening global credit crunch and an economic recession that began in the US, but quickly spread throughout the globe, impacted many companies in nearly every aspect of their business. Changes in consumer buying patterns led to smaller transport volumes, and shifts to less expensive delivery modes, with a substantial impact on the express business. All of these forces have put enormous pressure on the industry. Our tips for thriving during tough times, featured in every chapter, provide some ways to cope.
Our response to your challenges
Navigating complexity and planning for change

Strategic, scenario and options analysis and planning

Developing a vision and strategy is the first step towards building a durable business. Strategic, scenario and options analysis and planning can help companies identify possible challenges - and maximise opportunities.

Post operators which undertake strategic planning purely as an exercise in compliance, either with new government regulation or a government-provided direction, may find their efforts are no longer adequate. Organisations which add scenario planning and simulation exercises to strengthen their strategic input are better able to address the complexity and uncertainty in their market. These powerful tools allow organisations to combine and manipulate data to highlight the many complex issues affecting their businesses, including local and international policies, taxes, and regulations; supply chain and network operations that span the globe; and environmental, political, and economic risks and shocks; for example. By building and comparing multiple scenarios, leadership can make more informed strategic decisions to guide their organisations.

A well thought-out strategic planning process can also help ensure successful execution. Strategic planning, like enterprise risk management, should be an ongoing process in which an organisation’s mission, vision, goals and objectives are linked to business units and individuals, and an active performance management programme ensures transparent performance assessment and continuous improvement.

Supply chain collaboration, network operations and optimisation

Logistics service providers and Post operators historically developed their own supply and logistics chains and networks to deliver goods to and for their clients. Now many have started to look at ways to extend these networks without taking on additional risk. Some providers have refocused on core business processes and capabilities and no longer see the value of owning the end-to-end supply chain, and adding value to wider post office networks also remains a challenge.

PwC has helped organisations assess the benefits, risks, and costs of engaging in supply chain collaboration. Working with our clients, we have helped establish shared business objectives and trust, two of the cornerstones of successful collaboration. As a result of our efforts, clients have been able to reduce the cost of expansion into new markets, increase the pace of innovation through increased collaboration and reduce supply chain complexity. We also help organisations focus on core strengths to achieve mutual benefits.

We can also support companies in improving network efficiency and delivery performance. Forward-looking organisations are increasingly engaging in network simulation exercises that use complex data sets (e.g., demographic, economic, and political data and trends) and analysis. Network simulation allows market leaders to test scenarios without changing and disrupting the existing network, thereby reducing the risks previously associated with network operations redesign and implementations. Network simulation also enables market leaders to pinpoint bottlenecks as well as inefficient processes and structures to address, and then optimise operations and performance.

Relevant PwC services and solutions:
- Strategic & Scenario planning
- Modelling and simulation
- Organisational assessment, design, and restructuring
- Business plans
Greater levels of interconnection and sharing of networks means organisations must devote an increasing amount of time and effort coordinating all parties using the network. Developing detailed service-level agreements is critical to this success.

Ensuring quality of service

Timely and reliable delivery service is absolutely paramount to maintaining competitiveness. This task can prove more challenging with shared networks and the use of subcontractors, so quality monitoring systems are vital for postal operators. The use of analytics and real time monitoring can bring immediate insights to performance results, helping carriers to target service failures proactively. Techniques such as statistical modelling can help postal operators estimate and plan for mail volumes more accurately. Quality and performance management across networks may also be facilitated using technologies such as Radio Frequency Identification (RFID) and the Real Time Location Systems (RTLS) variant thereof. For example, dynamic assignment of increased volumes of RFID tags in regions with poor performance may enable postal operators to effectively understand and improve service performance in problematic regions. These new technologies enable additional data capture as well, such as vibrations, shocks, and temperature - all very important details when shipping fragile or sensitive materials.
Restructuring & privatisation opportunities

Liberalisation will undoubtedly continue to drive the postal sector towards partial or total privatisation. This process has the potential to generate much-needed revenue for federal governments, and can be done through an IPO or selling shares to a strategic or financial investor. Bringing in new shareholders who are strategic operators will help in the change management process, and facilitate the transfer of know-how. Posts are valuable assets for the national economy and hence, any changes in ownership need to be considered carefully and cautiously.

There are many views on how postal assets can be structured. Financial and legal restructuring of a postal operator is a complex procedure with many decisions to be taken. PricewaterhouseCoopers has a unique ability to offer the required blend of specific skills to structure and transfer ownership of the assets.

Our industry specialists have a profound knowledge of the various concepts of privatisation, corporatisation, commercialisation, and deregulation. These concepts rely on instruments such as licenses and concessions, leasehold contracts, Build-Operate-Transfer, Build-Operate-Finance-Transfer, Build-Operate-Own, and other arrangements. Our approach for restructuring is a process which aims to balance the interests of many different stakeholders – including trade unions, customers and the national government and economy – and maximise the shared benefits.

Tip for thriving during tough times: Do not make the mistake of assuming that the current marketplace uncertainty means you should forego rigorous planning processes. Scenario and options analysis can help ensure that your company is flexible enough to respond as conditions change, ensuring that you weather the current storm and are prepared to take advantage of the upswing when it arrives. If the use of subcontractors or non-proprietary networks is an important part of your business model, you’ll also need to monitor the commercial health of these partners and make contingency plans in the case of their failure.
Case study:

Impact assessment of full market opening on postal universal service

The issue
The European Commission was required to submit a study to assess the impact the full accomplishment of an internal postal market will have on universal service. The agreed objectives of the study included:

• To assess whether the Universal Service Obligations (USOs) as laid down currently will still be relevant and appropriate in an open market;
• To evaluate risks and opportunities for the current universal service model and any proposed changes to the USO that might result from or be desirable under liberalisation;
• To assess how universal service can be safeguarded in an (open) internal market and assess whether any flanking measures would be considered appropriate.

Our approach
In order to provide a reasoned assessment to inform policy choice underlying these objectives, a survey instrument was designed to gather necessary data on the scope of the USO in various Member States (as well as other interdependent States such as EEA and EU-candidate states), on the specifics of each country concerning the readiness of the Universal Service Provider (USP) and the National Regulatory Authority (NRA) for full market opening (FMO) as well as on the views of the different stakeholders.

The preliminary report drew upon background research as well as the results of this survey, both of which were then used to generate extensive discussion within and across a number of countries, allowing for the development and refinement of detailed conclusions.

The outcome
The outcome was well received by the European Commission, but also in the European Postal sector. It was presented on many occasions, and in many member states. The European Commission proposed a new Postal Directive based on the resulting discussions. The directive was debated in the European Parliament in 2007. The third Postal Directive was adopted in early 2008, and has now to be transposed in the national regulations of all member states.

Relevant publications

12th Annual Global CEO Survey - Transportation & Logistics
The PricewaterhouseCoopers 12th Annual Global CEO Survey – ‘Redefining Success’ – was launched at the World Economic Forum in Davos, Switzerland in 2009. Along with the general results, a Transportation & Logistics (T&L) sector cut has been prepared based on interviews with sector specific CEOs, to find out how their organisations are meeting the challenges of the unprecedented economic and financial turmoil facing the world today.

Sourcing and Logistics in China: Costs, processes and strategies of German companies procuring in the Chinese market
This study looks at how economically companies are procuring goods and products in China in real terms, once transportation and land other related costs are taken into account. It is based on a survey of German executives responsible for sourcing in China and was conducted in collaboration with the BME (the German association for materials management, purchasing and logistics).
Finding the right partners

In the Logistics & Post industry, bigger is often better. Critical mass can create substantive economies of scale. Further, many shippers and customers are looking for a one-stop-shop; providers that can deliver a wider range of services thus often have a competitive advantage. In addition, the regulatory move toward liberalisation and privatisation has created the opportunity for many public or formerly public entities to grow, add services and enter new markets. Many logistics & post companies have expanded their services footprint and are preparing to compete more effectively in the global marketplace.

Sector consolidation likely to continue

We believe this consolidation in the Logistics & Post industry will continue in the future. There are numerous market players, with few entities possessing dominant market shares. As markets change and geographies grow in prominence related to global distribution and communication channels, there will be pressure to grow by acquisition to keep up with the change and with the competition. In this environment, entities must find new and innovative ways to reinvent themselves and change quickly, even in the traditional services of moving freight and mail around the world. Moreover, tough economic times may spur many logistics & post companies to enter into merger talks. For some it’s a perfect time to cement their leadership position, while for others, it may be a question of survival.

There are some signs that M&A activity will continue in the Transportation & Logistics industry as a whole, particularly outside of the US. In PricewaterhouseCoopers’ 12th Annual Global CEO Survey, 19% of CEOs report having completed a merger or acquisition in the past 12 months, and 25% expect to complete a merger or acquisition in the next 12 months. In our 4Q2008 M&A report for the sector, Intersections, we described reduced activity in 4Q 2008, but noted that deal activity outside of the US was still relatively strong. Indeed, the number of deals announced in 2008 exceeded 2007, and represented a larger share of total announced deals. While deal activity will remain constrained in the first half of 2009, if financing remains unavailable and economic conditions worsen, we do expect a number of divestitures as companies need to sell assets to raise cash and optimise their footprint for operations. Because of the large fixed costs and footprint of major transportation companies, recessions are often a time of consolidation.

Making the right deal

How do you make a smart deal in the Logistics & Post industry? First, begin with a robust strategy - one that considers growth targets, risk attributes, funding availability and future forecasts. The deal strategy must be flexible enough to adjust for the unexpected, disciplined enough to meet the objectives, aggressive enough to win highly competitive business terms and broad enough to envision the challenges that will be confronted from the moment the contract is signed. The path towards reaching an agreement on the deal will require the right information at the right time with the proper degree of review and due diligence. Tax issues, legal risks, conflicts of interest, business sustainability and regulatory restrictions all must be taken into consideration with each decision that is made.

Post-merger integration issues

The work doesn’t stop when the deal is signed. Merger integration needs to be planned up-front and executed efficiently from day one to ensure a successful transaction. An entity’s ability to assimilate the target’s customers and employees is often decisive. Issues ranging from the combination of employee compensation and benefit plans, integration of disparate IT systems, merging of customer contracts, consistency of customer service products, understanding of controls and financial statement consolidation and branding pose unique challenges, each of which must be addressed even before the ink is dry.

At PricewaterhouseCoopers, we offer a full range of tax, financial, business assurance and advisory capabilities to address these issues, as well as provide advice on listed company transactions, financing, and public/private partnerships. We are able to deploy experienced deal teams with industry knowledge and local market expertise all over the world and at very short notice. We have performed extensive work for the most acquisitive entities in this industry and understand the criteria that will make the evaluation and integration as successful as possible (see deal continuum graphic on page 10).
Relevant PwC services and solutions:

- Accessing the capital markets and IPOs
- Acquisitions, joint ventures, and alliances
- Downsizing and carve outs
- Transaction risks
- Deal execution
- Deal origination
- Valuation of assets
- Preparing of business plans and financial modelling of projections
- Capital raising, debt raising and private equity financing
- Project managing other advisers (e.g., lawyers, due diligence providers, etc.)
- Exit strategy reviews
- Due Diligence

**Tip for thriving during tough times:** Now may be the right time to consider a transaction, either to take advantage of distressed valuations to enhance an existing portfolio, or leverage non-core assets to improve cash flow. Our experienced transaction services specialists can help clients re-evaluate acquisitions strategies and assess opportunities for divesting non-core divisions to streamline operations.
Case study:

**Delivering the benefits of post M&A integration**

**The issue**
The client, a major logistics and post operator with a global presence, has acquired over 100 businesses of varying sizes in recent years. Acquisitions have not followed a consistent approach, leading to varying degrees of success. To counter this, a core methodology applicable to all acquisitions was packaged into a usable tool. Together with practical training, templates, guidance and tracking capability, this was seen as a way of improving consistency and delivery of integration benefits.

**Our approach**
Our challenge was to develop methodology and tools for use across industries, geographies and different acquisition types. The tool had to be used by a variety of users – integration managers, sponsors, functional coordinators and corporate HQ users tracking progress etc. Another challenge was to gain agreement and acceptance from the multiple corporate, regional, BU stakeholders of a global business. We developed best practice merger integration methodology together with practitioners guide, tools and templates and previous examples. We built up tracking mechanism for use by corporate headquarters to monitor progress across the integration portfolio. PwC provided Post Merger Integration (PMI) specialists to develop the tool, methodology and detailed guidance and more importantly to tailor their best practice PMI approach to the client needs.

**The outcome**
The PwC team has set up a pragmatic, practical tool capable of being used by all parties involved in an integration – with detailed guidance setting out the Why, What, How, Who, When for each of the 252 activities across 14 merger integration phases. This tool will enable the business to increase the speed and minimise the risk and cost of integrations in the future.

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**Intersections**
This report on the analysis of global Transportation and Logistics transactions is published on a quarterly basis. It examines global trends in the industry and provides charts and commentary that support our point of view on these issues. An EMEA focused supplement is planned beginning in 2009.
3 Responding to accounting and governance challenges

Accounting Policies and Financial Reporting

Many companies in the Logistics & Post industry operate in multiple countries, so awareness and compliance with several generally accepted accounting principles (GAAP) and financial reporting requirements is paramount. Treatment of issues specific to Logistics & Post companies such as timing of revenue recognition, recording of revenue as gross sales (principal) or on a net basis (agent) and valuation and impairment of long lived assets, may vary. Other important areas where discrepancies can occur include restructuring provisions, the consolidation model and purchase accounting. We have specialists for different GAAPs available, all with deep knowledge in the Logistics & Post industry. As the market leader in the Logistics & Post sector and large-scale GAAP conversions, we are committed to helping companies like yours maximise the benefits of a certain GAAP and improve the quality of your GAAP reports.

In addition to local GAAPs, the International Financial Reporting Standards (IFRS) are becoming accepted practice in countries around the world. IFRS adoption in the US is a near-inevitability, but moving to a single set of global accounting standards and reporting comes with challenges. Within our global network, we also have extensive knowledge of IFRS gained through deep experience assisting Logistics & Post clients with conversion and implementation. This knowledge base can be leveraged by other countries currently in a transitional stage through our global knowledge sharing platforms and cross-network collaboration.

A critical part of the financial reporting process is staying current with all the changes and proposed changes to GAAP and IFRS. We have various resources available, such as CFO Direct and Comperio, which allow our clients to be at the forefront of the more challenging accounting issues that affect the Logistics & Post industry.

High quality corporate reporting is too important to be determined solely by the shape of externally-imposed regulation. To stake their own claim to reporting excellence and public trust, Logistics & Post companies must foster a culture that views reporting transparency as a worthy end in itself, independent of rules and regulations.

At PricewaterhouseCoopers, we know what it takes to meet both the high standards of today’s regulatory reporting requirements and the even higher expectations of your stakeholder community. Wherever your company does business, we offer a wide spectrum of services to ensure your corporate reporting is clear, complete, and relevant.

Relevant PwC services and solutions:

- Audit of financial reports
- IPO advice and assistance
- Compliance with regulations and laws
- IFRS requirements
- Non-financial and sustainability reporting (Environmental, safety and social responsibility issues)
- Sarbanes-Oxley
- Transparency and increased disclosure
- Transaction accounting and reporting
- Understanding trends in corporate reporting
- XBRL

Costing and funding of the Universal service obligation (USO)

The liberalisation of the Postal sector will have a major impact on costing and pricing. In the past monopoly situation, the so-called “reserved” area, uniform stamp rates across the country involved cross-subsidisation of expensive mail flows, for example single letter mail in rural areas, by profitable flows, such as bulk mail in the cities. Full open markets will allow the operators to offer new products and services, and to price them with a better reflection of costs. Regulators and competition authorities will have to monitor incumbent postal operators to ensure they don’t abuse their dominant position, and that universal service is provided at an affordable cost.
For example in Europe, a new EU directive envisages that the USO could be funded either via a public company, or through compensation funds. In some countries, the latter involve the whole range of postal, courier and express services. This new regulation will require the set-up of new regulatory accounting systems, and of mechanisms for calculating the cost of USO, after deducting intangible benefits and assets.

Enterprise Risk Management (ERM)

An Enterprise Risk Management (ERM) process supports the integrated management of risk, compliance, and governance of a company. A number of factors are driving the implementation of ERM systems, including regulatory requirements and updated internal audit standards. Further, rating agencies (S&P, Moody’s) evaluate risk management capabilities, and in today’s tough credit environment, no company can afford to ignore their requirements.

In addition to compliance and reporting benefits, companies which implement ERM may achieve important strategic and operational advantages. ERM can help companies to link growth, risk and returns – enhancing the capacity to align risk appetite and strategy, to explicitly balance risk / return decisions, and set risk tolerances consistent with growth and return objectives. It can also offer potential cost savings, as areas may be identified where it is possible to rationalise resources and allow management to deploy resources more effectively. Other operational benefits include an enhanced ability to exploit opportunities – helping management identify and take advantage of positive events – and a concomitant earlier recognition of potential adverse events.

Achieving all of these benefits is not without some challenges. Companies looking to successfully implement ERM must be sure to articulate, measure and report the benefits of ERM, integrate risk management into their existing business processes and culture, and quantify risk. Appropriate information flows throughout the company are also a must. An ERM process is an evolving one that involves many members of management from cross functions at the entity level, division or subsidiary level and the business unit level. The success of an effective ERM is seen over time and is ongoing as a company’s risks and compliance matters undergo constant change.

Tip for thriving during tough times: In many cases, improving and aligning the risk management function can not only help in ensuring that your company’s risk matrix is aligned with its strategic direction – it can also point out possible areas for cost savings. If you’ve already implemented ERM, take a close look to make sure you leverage the resulting capabilities.
Meeting the challenges of the current financial crisis: Managing risks and capitalising on opportunities

The world has changed, and changed abruptly. The credit crisis in the US has shaken financial markets, undermined consumer and investor confidence, and is threatening economies around the world. We have identified seven key steps that companies should take today in order to position themselves to successfully navigate the rough waters and emerge victorious – identifying and managing risk to survive today and capitalising on market opportunities to gain and sustain competitive advantage over time.

Case study:

IFRS Conversion

The issue
The company was instructed by its stakeholder (the government) to prepare its next annual financial statements in accordance with IFRS. The company decided three months before its year end to undertake an IFRS conversion. It was imperative to the reputation of the company to meet this requirement.

Our approach
PwC were engaged to advise and assist the company in meeting this tight deadline. PwC commenced the engagement with an analysis of local GAAP to IFRS (in order to identify the GAAP differences), as well as an IFRS 1 – First time adoption of IFRS, analysis (in order to determine the impact of the exemptions under IFRS 1 on the company). Workstreams per accounting area (e.g. revenue recognition, financial instruments, property, plant and equipment, etc) were then set up with a PwC and a company representative taking ownership of each workstream. This was crucial to the success of the project, as it enabled knowledge gained through the project to remain within the company following the successful completion of the engagement.

The outcome
Within five months, the company produced its first set of IFRS annual financial statements. The company was also able to integrate its strategic goals into the conversion process. PwC is continuing to assist the company in building further on the initial conversion by embedding IFRS into its business as usual activities as well as ensuring sustained reporting under IFRS. As such, the financial reporting capability of the company has improved substantially.
Maximising opportunities from customs and tax compliance

Managing International Tax
Emerging governance and ethical standards require Logistics & Post companies to put more emphasis on managing risk. At the same time, regulatory pressures related to accounting and reporting transparency have made timely disclosure of liabilities, contingencies and internal control processes an issue of the highest importance. Surprisingly though, tax all too often remains a ‘black box’ – impervious to close scrutiny by investors and analysts. Nevertheless, a company’s approach to tax strategy and risk management has an important impact on its perceived value and should be a key area of focus for any company concerned about maintaining its reputation.

Unfortunately, for a variety of reasons, tax matters are often not dealt with in a systematic way. There may not be clear tax strategy in place; or any tax objectives or related policies or manuals; or the tax function itself may be poorly organised. As a consequence, tax opportunities are lost and risks are identified too late. This is a particular danger in Logistics & Post, where exposure to corporate tax claims is often high and non-compliance with transaction taxes such as VAT and customs rules can effectively put a company out of business.

Our Logistics & Post industry experience and expertise can help you address some of these key tax challenges.

VAT and other indirect taxes
Value Added Tax (VAT) is a broadly-based transaction tax on goods and services, and all European Union (EU) countries are required to operate a VAT system as part of their membership obligations. Many non-EU countries also operate a VAT system. The VAT issue can be extremely complex, due to constant changes in legislation which may lead to unforeseen liabilities. A particular concern in the Postal sector remains the VAT exemption, which may be applicable either to the Postal operator as a whole, or for the reserved area. This exemption provides an incumbent postal operator a competitive advantage over new entrants who are fully VAT submitted. Moreover, Logistics & Post companies are potentially subject to a number of other indirect taxes such as freight taxes. Unless Logistics & Post companies manage their VAT and other indirect taxes, their profitability will decrease whilst working capital requirements (cash flow) and risks increase.

Relevant PwC services and solutions:
- Review of the compliance of your import/ export flows with the VAT obligations and the existence of planning opportunities
- Assistance in the application/implementation of VAT procedures and processes

Relevant PwC services and solutions:
- Optimising your worldwide tax position by taking a global view of your business
- Managing company and employee taxation risks associated with cross-border operations and employment
- Developing a company’s global tax strategy and designing a tax risk management model
- Assessing tax risks in M&A situations
- Enhancing control of your compliance globally
- Lowering the cost of capital
International Mobility and Cross-border Employment

Enterprises active in the Logistics & Post industry sector are typically faced with cross-border employment as a consequence of the multinational nature of their activities. An increasingly mobile workforce can create tax residence or permanent establishment problems. Every cross-border worker should be evaluated for immigration compliance to ensure the business is not inadvertently allowing staff to work abroad illegally. What’s more, cross-border employment involves a real risk of creating a permanent establishment, triggering severe tax reporting and financial repercussions. Sending employees abroad can be costly, but understanding specific local wage tax and HR legislation can often lead to the identification of substantial savings.

Relevant PwC services and solutions:
• Advice on the most tax efficient HR solutions
• Development of tools to manage international mobility
• Outsourcing of the international employment process – from work permit tracking over immigration case management to tax return preparation

Transfer Pricing (TP)

Inter-company transactions across borders are growing rapidly and are becoming much more complex. Transfer pricing is an important issue for the Logistics & Post industry. When crossing international boundaries, compliance with the differing requirements of multiple overlapping tax jurisdictions is a complicated and time consuming task. Tax authorities from many countries are imposing stricter penalties, new documentation requirements, increased information exchange and increased audit/inspection activity, so accurate compliance is critical.

At PricewaterhouseCoopers, we have a strong international network of dedicated transfer pricing specialists with advanced training in economics, accounting, law and project management – and highly experienced in the Logistics & Post industry – ready to work with you.

Relevant PwC services and solutions:
• Assisting companies with the development and implementation of a global customs compliance management strategy
• Helping companies to develop insightful import and export strategies which may reduce customs liabilities, while integrating the compliance process into overall business operations

Customs compliance

For logistics companies and liberalised postal operators involved in international trade, proper management of customs compliance is critical to a successful operation. Accordingly, companies must develop comprehensive guidelines for compliance with import and export requirements, while employing strategies to reduce the costs of compliance on a worldwide basis. One of the common challenges facing logistics companies and postal operators is the inability to determine a complete and current “footprint” of their import and export compliance. This is, in part, due to the decentralisation of customs compliance within most companies and the use of independent customs brokers, which results in the inability of implementing uniform control procedures. If a company does not have a comprehensive understanding of its customs function, it may experience many customs claims, more supply chain interruption, increased overall costs and an inability to systematically identify cost saving opportunities and potential areas of risk.

Relevant PwC services and solutions:
• Assisting companies with the development and implementation of a global customs compliance management strategy
• Helping companies to develop insightful import and export strategies which may reduce customs liabilities, while integrating the compliance process into overall business operations
Authorised Economic Operator (AEO)

AEO is a European Commission (EC) initiative that requires companies to maintain high levels of security throughout their supply chain in order to gain recognition from customs that they are a secure trader and obtain associated privileges. The EC has issued guidelines that allow logistics companies to carry out detailed self-audits to demonstrate that they comply with the requirements before submitting a formal application. This will often be followed by a detailed audit from the corresponding customs authorities. Companies are also likely to be asked to demonstrate that there are adequate controls and processes in place to manage declarations of valuation, origin and classification.

AEO is of major interest to Logistics & Post companies importing or exporting goods into and outside the EU. A company must be established in the EU and have a good compliance review record to qualify. Companies must consider whether AEO is appropriate to their model and if it is, should consider when they want to be authorised.

Benefits will be provided to those operators who comply with the security and safety requirements contained in the AEO legislation. Benefits include customs simplification and security facilitation. An Authorised Economic Operator must comply with financial and customs reliability in order to benefit from customs simplification. Compliance with the customs simplification in addition to specific security standards and requirements is necessary to benefit from security facilitation.

Tip for thriving during tough times: If you have internationally mobile employees, ensure that you are tracking the true costs of international assignments and taking advantage of relevant local legislation to save on wage tax and other costs. Now may also be the right time to consider streamlining your compliance function to achieve cost savings – and greater transparency.
Relevant publications

**Tax Benchmarking Survey for the Transportation & Logistics Industry: December 2008/2009**
A current challenge for the tax professional is to identify the right balance when planning for taxes. On one side of the balance, taxes are a significant cost to the corporation and should be controlled and managed in the quest to create shareholder value and maximise earnings per share. On the other side, the amount of tax paid by large corporations is coming under increasing scrutiny and stirring public debate. This study will give insight to tax departments as they review their tax strategy, provide information on where they stand compared with their peers, and allow them to compare the drivers of their effective tax rate with other companies. Our survey panel comprises 58 of the largest transportation & logistics companies. This report summarises the findings from benchmarking key financial indicators for tax for the past three years.

**Task Risk Management Guide**
This guide outlines firstly the issues that need to be discussed when a company is deciding on its policy and addressing its approach to tax risk management, secondly a framework for managing the risks and finally some specific tools and techniques that can be used in doing so. The guide addresses the need for key stakeholders to be comfortable that there is a tax risk management policy in their organisation, that tax, as one of the key costs in the business is being properly managed and that the inherent risks in the tax position of the organisation are being both understood and properly controlled.

**Customs Bulletin**
PricewaterhouseCoopers distributes a Customs Bulletin on a monthly basis.
Case study:

Incorporating an effective tax risk management framework

The Issue
The client, a multi-national logistics company, lacked a coherent internal structure for setting tax policies and objectives including tax risk management. In the absence of a solid tax risk management framework, the client was at risk of identifying worrisome tax matters too late and failing to calculate and report tax liabilities correctly.

Our approach
PwC was engaged to address these issues and help formulate a long-term tax strategy for the company. We began by conducting client interviews and an analysis of the company’s business plans in order to clarify the company’s risk environment and general appetite for risk. We then built a tax risk “matrix” that mapped and prioritised tax risks associated with the company’s various business segments and regions. This matrix indicated the different areas of exposure for the company and their relevant importance in terms of reputation and potential direct profit impact. Additionally, in light of the tax risks faced by the company, PwC helped define new roles and responsibilities for company tax staff.

The outcome
In the final phase of our work, PwC helped our client communicate a revised tax strategy and risk management framework throughout the company’s organisation. Implementation of the tax risk management framework allowed the client to also identify tax exposures relating to VAT & customs representation activities, in addition to exposures on potential permanent establishment due to the presence of commercial staff at warehouses. Additionally, a monitoring system was created that led to the elimination of late filings. As an outcome of our approach, the client now has a framework in place with clearly identified roles and responsibilities including instructions on when and how to escalate issues up to appropriate management levels. The result: no more unpleasant surprises and full compliance with statutory, tax and accounting legislation.
Managing your people

Human Capital Management

Today organisations face some of the greatest long-term human capital management challenges: the talent crisis; an ageing workforce in the Western world; the rising demands for global worker mobility as well as the organisational and cultural issues emerging from the dramatic pace of change in the past ten years. At the same time, a turbulent economic situation is bringing people related costs into sharper focus than ever before.

Transportation & Logistics (T&L) executives, like most of their peers in other sectors, recognise the importance of people to the success of their businesses. Leaders in this industry must implement human capital strategies that support the organisation’s business objectives and increase accountability and transparency around human capital management and reporting. Workforce planning strategies must be capable of responding to the dynamic needs of the business environment, while also remaining appropriately focused on employee performance, recruitment, development, and training. Having the right people, with the right skills, in the right jobs, at the right time directly impacts the bottom line.

In some cases, though, there may be no option but to reduce staff levels. Almost a third of T&L CEOs anticipate that their companies will reduce headcount in the next twelve months (Source: PwC 12th Annual Global CEO Survey 2009). If layoffs are unavoidable, companies should review organisational plans to attract, engage, and retain qualified staff to ensure that key talent is retained within the business during a downturn and beyond by managing communications and interactions with trust and integrity.

Relevant PwC services and solutions:
- Integrated human capital strategies tailored for optimal organisational and workforce performance
- Organisational design services to support the achievement of corporate objectives
- Global and regional human capital and human resource measurement
- Advice on legal and tax issues related to staff reductions
- Global workforce mobility and expatriate planning
- Transaction-related human resource issues
- HR function effectiveness and service delivery

Compensation concerns: salaries, benefits and pensions

Logistics & Post organisations need to receive the most value for their human capital investment. Although there is an increasing awareness that human capital represents an investment and not just a cost, compensation and benefits remain a large part of any organisation’s budget. A key to effectively manage this investment is to leverage and maintain a robust performance management system. One component of that system is to establish productivity measures that help executives develop strategies to increase productivity and performance. In some cases, companies may need to revisit retention strategies with respect to incentives, training opportunities or other benefits. Executives should review remuneration structures and consider an increased variable element or deferral.

At the top end, there is now more than ever, increased scrutiny on board level pay and remuneration. In the current climate, companies need to understand the long and short term implications of their senior executive reward strategy to ensure they can still attract and keep top talent, but do not attract criticism from shareholders, the media, regulators and other stakeholders.

Human capital costs including employee benefits are critical to review and benchmark for cost and tax efficiency. Companies should ensure salary sacrifice cost reduction opportunities have been fully explored. They should also keep an eye on tax risks, to avoid unexpected liabilities and penalties. As a staff intensive industry, Logistics & Post organisations should have an understanding of pensions and pension issues. In many cases, former government-owned Posts have to manage legacy costs resulting from pensions and other benefits for civil servants. There may be opportunities to redesign benefits to reduce cost and risk, or improve management of scheme funding. Cross-industry benchmarking of current performance may also help to pinpoint potential cost savings include absenteeism and expense policies.

Relevant PwC services and solutions:
- Benchmarking using hundreds of workforce and human resource metrics and benchmarks that help clients quantify the value of their workforce
- Rigorous data validation methodology
- Employee benefits and compensation programmes
- Pensions management and pension scheme consulting
- Executive compensation and HR governance
Organisation Design & Workforce Planning

Logistics & Post executives need to have an organisational structure supporting the achievement of business objectives and aligning with the organisational mission and strategies. This includes assessing specific factors influencing organisational structure, governance, workload, process, organisational size and technology infrastructure. Additionally, determining if the organisation’s goals support the structure, as well as confirming that the roles and responsibilities within the organisation are clearly defined, communicated and critical functions are identified.

Workforce planning provides a holistic approach and framework for staffing decisions and resource allocations based on the organisation’s mission, strategic plan, resources and objectives. The development of a standard competency model enables the organisation to provide a baseline of skills and behaviours. Organisations should identify workforce needs and characteristics required to accomplish current and future organisational priorities and link them to recruitment, development and training decisions to close skill gaps against the standard competency model.

Relevant PwC services and solutions:
- Conduct organisational design assessments and recommend revised organisational structure
- Identify and develop a programme to align recruitment, development and training with workforce strategies
- Develop standard competency models to meet organisational objectives
- Conduct skill gaps assessment and provide training to close those skill gaps

Building knowledge – equipping staff for the Knowledge Economy

Many companies also have high cost associated with training and development programmes. Our experience shows that the training budget is often one of the first areas to be cut when times are tough. But companies need to think carefully about the implications for cuts on training. For example, could customer service levels suffer if employees do not have the right training? Robust training programmes are critical for Logistics & Post organisations to maintain their competitive advantage. Companies need to continue to invest in designing, developing, and implementing programmes that build strategic thinking, leadership skills, personal awareness, and emotional intelligence using practical and tested adult learning theories and approaches in mentoring, coaching, training, and e-learning programmes.

Effective knowledge management programmes are vital to understanding and coping with rapidly changing market conditions. There is an increasing risk of lost knowledge to organisations due to talent turnover, reduction in force and succession management. It is imperative for Logistics & Post organisations to manage their intellectual capital to mitigate this risk.

The development of a knowledge management programme should include strategy and policy, business and process, technology and infrastructure, and human capital components. An important part of any successful knowledge management programme is the identification of knowledge at risk. A knowledge retention focus can prioritise information critical to achieving corporate objectives and establish knowledge sharing behaviors across the workforce.

Relevant PwC services and solutions:
- Development of training solutions that support change initiatives and broader career development of the workforce
- Strategy development to define the knowledge management programme
- Knowledge management assessment and identification of knowledge at risk
- Knowledge management retention programme to sustain intellectual capital
- Implementing collaboration tools and processes to infuse innovation and knowledge across the organisation

Tip for thriving during tough times: Make sure you have good data on your people costs, and the ability to interpret the data to identify where savings can be made with minimum impact. Also look for creative strategies to reduce costs in new ways. Headcount reductions and changes to compensation may not be the only way to improve your bottom line. Some companies may be able drive cost savings by implementing programmes around flexible working, such as part-time working opportunities, policies supporting unpaid leave, career breaks and sabbaticals, and creative use of secondments and staff outplacement. These types of opportunities may increase employee job satisfaction and deliver a true win-win.
The people agenda: Optimising Performance at the frontline
This report identifies three major dimensions of managing people that are likely to determine how successful a CEO can be in realising their strategic objectives:
- Attracting and retaining the right talent
- Increasing the effectiveness of people in the business
- Managing people through change
It offers some brief perspectives on each of these issues to help build a picture of the people management challenges facing organisations and how they might begin to address them.

Managing Restructuring in a Downturn
Turbulent economic times are making many organisations that have European operations consider restructuring. Are you trying to establish how best to handle the paradigm of growing parts of your offering while contracting others? Have you invested heavily in accessing talent and building an employer brand but are now considering where these challenging times place you? Are you imposing hiring freezes; looking at across the board reductions in discretionary spending; or confronted with the reality of restructuring across multiple European countries and markets?

Managing People in a Changing World: Key Trends in Human Capital
Discusses the critical issues and new developments of major interest to all executives involved in people management. The paper, unlike many other human capital reports, focuses in particular on financial results and their direct relationship to human capital performance. It is primarily based on data collected from our Saratoga international human capital database, supplemented by additional research such as findings from the PricewaterhouseCoopers 10th and 11th Annual Global CEO Surveys.
Managing Tomorrow’s People: The Future of Work in 2020
Uses scenarios methodology and the results of a global survey of 3,000 “millennials” from the US, China and the UK who represent a generation just joining the workforce, to discuss key issues related to the future of work and their potential impact on future people management.

Case study:

Roadmap to improve capabilities of the B2B channel organisation of a major postal service provider

The issue
PwC was engaged by a large postal service provider to review the roles and responsibilities of its Business to Business (B2B) channel organisation. The objective of the engagement was to assess the development needs and define a roadmap to improve capabilities, know-how and performance of 98 Key Account Managers and 70 Channel Managers.

Our approach
PwC initiated the engagement by conducting a number of structured interviews. These interviews clearly indicated a diffused lack of clarity and understanding of roles, existing development plans, and the link between performance and remuneration. Required and current knowledge levels also varied widely.

The outcome
The team redesigned the roles with a “solution oriented” approach (compared with the existing “product oriented” one), developed new job descriptions and produced a new development roadmap. This engagement resulted in the client becoming significantly more competitive in the B2B channel.
6 Guarding against fraud

Managing fraud risks in the Logistics & Post industry

Fraud has continued making headlines into the 21st century, yet many executives still believe that “fraud can’t happen in my company”. But fraud does happen, and often – 37% of organisations in the Transportation & Logistics industry report having experienced fraud over the past two years, and the actual incidence of fraud may be even higher, as detection can be difficult.

There are a wide variety of fraud schemes in the Logistics & Post industry. Straightforward examples such as manipulation of financial statements, commercial bribery and cash skimming may occur as in any other industry sector and need to be addressed at the top management level. More specifically, the Logistics & Post industry is susceptible to:

- Cargo theft and other types of misappropriation of assets – the most prevalent type of fraud in this industry
- Revenue leakage – likely to happen if shipping, billing and revenue recognition functions are not linked for all operations
- Unsupported payments – as many logistics providers operate in a large number of countries with various business cultures, there is an inherent risk of these kinds of payments, which may be in contradiction to laws and regulations
- Falsification of shipping and customs papers – leading to logistics providers finding themselves liable for VAT, import duties, excise and even penalties on shipment
- Carousel fraud, also referred to as the “VAT merry go-round” – taking advantage of the opportunities for falsification which arises when goods are shipped across borders

Managing the threat – how to take action against fraud

Executives can reduce the risk of serious fraud by fostering a culture of honesty and high ethics, implementing a code of conduct supported by a whistle blowing system, evaluating and improving anti-fraud processes and control activities – as diverse as approvals, authorisations, verifications, reconciliations, segregation of duties, reviews of operating performance and security of assets – and developing an appropriate oversight process. Management should evaluate whether appropriate internal controls have been implemented in any area identified as posing higher risk, as well as controls over the financial reporting process. Designing, monitoring, and improving controls is a core competence of PricewaterhouseCoopers. Combined with our profound understanding of the industry, we can support boards of directors and management in designing and implementing appropriate risk management and control systems. In addition, our risk management and forensic experts can help you minimise the risk of fraud and deal with it effectively once a case of misconduct is presumed or has occurred.

Relevant PwC services and solutions:

- Identification and assessment of fraud risk using a specially developed analytical tool, Fraud Scan®
- Expert investigation where fraudulent (suspicious/criminal) actions are suspected
- Forensic acquisition and analysis of electronic evidence and document management
- Quantifying losses
- Analysis of the company’s individual risk structure
- Restructuring of business processes for crime prevention
- Design and improvement of internal control mechanisms
- Optimisation of sensitive IT systems
- Introduction of communication and prevention strategies
- Internal staff training on actions to take when fraud is suspected
- Advice and assistance on securing and recovering assets
- Analysis of cash and payment flows
- Preparation of factual statements that are admissible to court
- Investigation into potential breaches of the laws against money-laundering
- Presentation of independent expert evidence
- Support in drafting company specific codes of ethics

Tip for thriving during tough times: Companies facing reduced cash flow may look towards internal administrative functions to reduce costs. If cuts in these areas reduce the stringency of internal controls, these companies may find themselves facing an increased risk of fraud. Good employee relations are especially vital when times are tough, as staff who feel they have been treated unfairly are more likely to commit fraud. Tone at the top is also critical to deterring economic crime, so top executives need to ensure that they continue to show that their organisation takes a tough line on fraud.
Global Economic Crime Survey
PricewaterhouseCoopers regularly surveys companies’ experiences with economic crime. The biennial Global Economic Crime Survey is the most comprehensive investigation of this kind. With over eight years of data on trends, perceptions and incidents of fraud, PricewaterhouseCoopers’ Global Economic Crime Survey 2007 points to the continued evidence of the intractability of fraud. Entitled ‘Economic crime: People, culture and controls’, the report reveals that internal controls alone are not enough to fight it. Instead, controls must be backed by a strong ethical company culture, a broad risk management programme, and “zero tolerance” of executives or other employees who commit economic crimes. This edition of the survey is based on months of interviews of over 5,400 companies located in 40 countries.

Economic crime: people, culture & controls: The 4th biennial global economic crime survey:
Transportation and logistics industry supplement
Industry-specific insights from the results of our Global Economic Crime Survey 2007: Economic crime: People, culture & controls. In this industry supplement we examine data from 191 Transportation and Logistics (T&L) companies in 35 countries and compare and contrast their views with those of executives across all industries (as well as T&L executives interviewed in our 2005 survey).

Protect your shipment: Supporting Transportation & Logistics companies in managing fraud risks
Report outlining some of the most common fraud schemes in the Transportation & Logistics industry and providing suggestions on combating fraud. Where relevant we have also incorporated industry-specific insights from the results of our Global Economic Crime Survey 2005.
Case study:

Safeguarding against fraud in the payroll process

The issue
A very visible public company operating in a highly unionised environment began having trouble calculating its pension plan retirement payouts. Then, in connection with a payroll system change, payroll and expense checks of company senior executives were miscalculated. With the spotlight turned on them, the company’s payroll managers went on the defensive. In response, senior management decided to review the payroll system’s implementation and document all internal controls in the human resources and payroll functions.

Our approach
As the company’s external auditor, PwC was called in to assist in internal control documentation and to make recommendations about improving the documentation process. We were also asked to investigate the errors that had occurred in calculating retirement payouts and payroll. In response, a member of PwC’s fraud risk and prevention group joined our audit team for purposes of fashioning control recommendations and data analysis tests for use in identifying evidence of fraud.

The outcome
Subsequently, our team provided the company with numerous avenues to pursue in terms of investigating suspicious activity. PwC also recommended several new fraud-related controls be built into the company’s business processes. Management now has a well controlled and effective payroll process – and one which is better protected from occurrences of fraud.

Predicting the unpredictable: Protecting Transportation & Logistics companies against fraud, reputation and misconduct risk

The potential for corporate fraud and misconduct to easily spread from a small brush fire into a full-blown firestorm has garnered the attention of regulators, with the Unites States SEC, the Public Company Accounting Oversight Board and the Federal Sentencing Commission all having recently addressed this topic. While it may not be possible to eliminate the risk of fraud altogether, a company can at least identify it early and minimise its damage with proper planning, policies and procedures. This report provides step-by-step guidance on how to develop an effective antifraud program that addresses not only financial statement risk, but equally important reputation, operational, legal and strategic risks. In addition, it provides a summary of fraud schemes that are common to the Transportation & Logistics industry.
Operating more efficiently is an essential part of delivering long-term value. Revenue growth and acquisition of customers are some of the factors driving strategy, but profitable and consistent execution of day to day transactions are equally important. Many organisations are burdened by ineffective and inflexible organisational design and outdated bureaucratic structures that hinder growth and responsiveness in an increasingly competitive business environment. Companies must engage and assess their structure and operations, streamline back office functions, cut costs, improve performance, and increase revenue through transformations of their business processes and operations. Realising the benefits of these sorts of disparate and often uncoordinated activities can pose substantial challenges. Fortunately, rigorous processes – and PricewaterhouseCoopers – can help.

Improving financial effectiveness

How can you determine if your business is operating efficiently? One of the first steps is to develop efficient metrics to measure relevant aspects of the business. This is no small task given the pace of change in products, services, prices and systems. Improving financial effectiveness is key, by which we mean building the processes, controls, systems and staff capabilities that ultimately help to manage the business both for now and for the future. While increasing financial effectiveness necessarily enhances a company’s ability to prepare timely financial statements for external reporting and regulatory compliance, the benefits only begin there. A financially effective entity will obtain more value from the finance function and pursue, as its primary purpose, the support of business operations and network management. It will also be better able to identify and address the key financial risks faced by the entity. Achieving this means being able to efficiently process, retrieve and report financial information, meet all compliance requirements, and fill the right roles with the right people to do the required tasks.

At PricewaterhouseCoopers, we have worked with logistics & post companies to improve the effectiveness and timeliness of their reported financial information. Our accounting, and technology skills have helped to improve the transaction processing and reporting capabilities of the finance function. Entities can only achieve what they can measure with accuracy.

Maximising revenue

Improvement of financial effectiveness often reveals gaps, such as revenue leakages. For many Logistics & Post companies, rapid growth in products and services and the addition of a significant number of new billing systems from acquisitions have created significant challenges in recording and collecting all of the revenues to which they are entitled. This is especially true because of the high volume of small monetary transactions and the decentralised nature of the service delivery. In even the best planned and executed revenue systems, leakages can occur at the following key control points:

- Billing and transportation terms are commonly tailored to fit customer needs. However, volume pricing, incentives and discounts are not always communicated accurately and in a timely manner between sales, operations and accounting functions, resulting in errors and customer disputes.
- Complex billing and mail terms may not be accepted by downstream systems without significant set up and programming time. Errors and time delays related to work-arounds or manual adjustments can result in lost revenue or additional costs.
- Failure to reconcile order-specific quantities, size and weight with actual picked-up and delivered items can result in unbilled revenue or costly claims. This can be especially problematic when there are handoffs between inter-company locations or joint service partners, or for cross-border mail.
- Incomplete or inaccurate shipping information often results in items not progressing to the next stage of delivery. Unresolved errors or omissions result in billing and collection difficulties, often threatening important customer relationships.
- Unclear or inaccurate terms result in disputes over volume discounts and surcharges.

Relevant PwC services and solutions:

- Development of key performance indicators (KPIs)
- Provide supporting data for other types of change programmes, including network optimisation systems, incentive compensation formulas, etc.
At PricewaterhouseCoopers, we have helped companies to identify weaknesses in capturing revenue and to improve the processes for more complete revenue recognition.

Relevant PwC services and solutions:
- Identifying where leakage is occurring and diagnosing the critical problems
- Quantifying the revenue capture potential and measuring the return on investment related to improvement
- Identifying revenue growth opportunities and sales strategy improvements
- Executing the process improvements to capture both past and future revenue

Shared service centres, outsourcing and off-shoring

Centralising traditional back office functions such as finance, HR, and IT can often be an effective cost reduction strategy. For Logistics & Post companies which are operating in a large number of locations, centralising may be a good alternative to improve overall quality of services and make processes more efficient. Operators may also want to consider off-shoring in a country with relatively low labour costs.

Centralising services and off-shoring are extremely complex projects which require significant advance planning. Management needs to consider how to make the case for shared services, determine which processes to include and identify the appropriate location for the shared service centre. These projects are often seen as large-scale solutions to systemic, more tactical business issues. Many transformations, however, are not capturing the full benefits of restructuring efforts. Traditional systems integrators continue to “lead with IT” instead of tailoring solutions to meet actual business needs or reengineering business processes to make effective changes for full realisation of new technology solutions. Further, effectively managing contractors, especially in a globally disbursed environment, requires detailed contracts with effective service level agreements, specific service targets, and performance-based rewards and penalties. Staff need new skills to successfully manage these large contracts, and drive the efficiencies and cost savings desired from these arrangements. PwC can assist with all of these aspects of cost reduction and performance improvement.

Relevant PwC services and solutions:
- Feasibility study
- Selection of possible locations
- Developing implementation plans
- Performance reviews (post implementation reviews, benchmarking, audit and redesign of shared services centres)
- Dismantling of shared service centres
- Training of staff to manage large contracts
**Internal restructuring, transformation and change management**

Many organisations are looking to better manage large-scale transformations using program management offices (PMOs). These can help eliminate redundant functions across geographies, improve demand and supply planning, manage inventory, and reduce labour costs.

PwC regularly supports organisations in these efforts by conducting innovative analysis and applying industry best practices. PwC has established and run PMOs to drive organisation-wide acceptance of new business practices and also to ensure close coordination of large-scale transformation efforts and systems implementations. These efforts have included analysis of distribution centres, IT programme management, advising on supply and demand planning, outsourcing and off-shoring entire functions, and warehouse reconfiguration.

PwC also supports all areas of business process reengineering (BPR) efforts by leveraging deep industry knowledge and our Performance Improvement Through Benefits Management Methodology (PITBM). PwC designed and developed PITBM to help organisations assess, redesign, measure, value and implement business changes that achieve lasting benefits. By working closely with clients, PwC has helped increase process visibility and transparency, improve performance, streamline processes, reduce complexity, reduce process cycle-time, eliminate non-value added activities and strengthen accountability.

**Tip for thriving during tough times:** When demand shrinks and the need to conserve cash increases, executives need to make smart choices about which types of restructuring will bring the necessary return on investment. For some companies, timing may actually be optimal for considering solutions like shared service centres or improving financial effectiveness as staff may have more time available to implement new systems which will help the company achieve long-term cost savings. Revenue maximisation may provide one way to free up additional working capital to fund these types of projects – but effective project management is critical.

**Relevant PwC services and solutions:**
- Establishment and maintenance of a corporate transformation agenda
- Use of Performance Improvement Through Benefits Management Methodology (PITBM) to manage large change projects
- Conducting a change management readiness assessment
- Providing communications and stakeholder management support for a change initiative
Case study:

Business-to-business sales force effectiveness

The issue
We were appointed by a large national postal service operator to identify best practice in business-to-business sales force effectiveness. The company was looking to leverage best practice knowledge nationally and analyse and review sales performance data. They also needed an assessment of the national view of the sales force.

Our Approach
PwC examined current B2B selling processes across states and territories, analysed the sales force efficiency, or return on investment achieved by sales force. PwC also considered the efficiency, or market-facing impact, of sales force activities and made recommendations on a road map to help the postal operator prioritise the recommended changes.

The outcome
PwC helped this national postal operator to identify and to prioritise quick-win, 12-month and long-term opportunities, created a culture of learning, standardised its national sales force processes, capabilities and roles, built national consistency across segments, and created KPIs to increase transparency of activities and reduce cost of report production. As a result, the postal operator experienced a 5 to 10% lift in B2B sales team revenue and substantial national sales uplift.

Relevant publications

Confidence in the face of turmoil: Making sourcing decisions in an economic downturn
The current economic conditions have had both a direct and indirect impact on sourcing practices. Many organisations appear to be in a state of paralysis in terms of effective decision making. There are nevertheless specific actions that organisations can take to review, refresh and reshape their sourcing strategies, contracts and relationships to reflect new economic and market realities. These economic conditions have encouraged many executives to look at alternative service delivery models like outsourcing and offshoring as a means of addressing various short and long-term business concerns. We believe that these models provide significant opportunities, but recommend taking additional care to assess and understand the complexities of an increasingly volatile market. Only then can executives make effective decisions that will stand the test of time. In this paper, PwC examines how the economic downturn impacts on new decisions to outsource and decisions to renew outsourcing and offshoring arrangements.

How to succeed in outsourcing through strengthened governance
Although the number of companies pursuing strategic outsourcing initiatives continues to rise, studies reveal that as many as half of these investments fail to return the benefits executives expect. Even a quick glance at the portfolio of risks that can derail an outsourcing initiative begins to provoke questions about how to manage outsourcing uncertainty – across political and country risk, contractual risk, operational risk, and cultural risk. Common reasons for outsourcing failures vary widely, but each can be traced back to a fundamental lapse in managerial oversight and control – in effect, to a failure in governance. In this whitepaper, we examine the most effective way to manage outsourcing risk. The white paper outlines the steps for establishing these centres of excellence and how to improve the overall value of outsourcing initiatives.
Improving IT effectiveness

IT Effectiveness and integration

Logistics & Post providers continue to integrate and streamline their supply chains using information and communication platforms. These systems use online information and communication services to boost efficiency and service delivery performance. Legacy software is increasingly being integrated with newer applications, or replaced wholesale with enterprise-wide systems. Achieving the grand cost saving and performance improvement opportunities outlined in technology pamphlets and brochures has proven challenging to most organisations – an issue which is even more relevant when the economic environment dictates a conservative approach to capital expenditures.

When cash is tight, IT performance gains even greater importance as a key element for assessing the value which IT brings to the business. Furthermore, IT performance serves as a trigger in driving cost efficient IT operations. Following the principles of Service Orientated Architecture adds a further component to align and integrate business processes with the IT landscape. Other new concerns, such as privacy and security, are also receiving greater consideration.

Successful business and IT alignment remains a strong differentiator in the Logistics & Post markets, so improving IT effectiveness continues to make sense. Most organisations need tighter business unit linkages, planning, and coordination with IT units to deliver improved applications, systems and infrastructure that support enhanced business results. Increased IT outsourcing, while often providing significant cost savings and performance improvements, requires robust vendor management programmes with service level targets and agreements, active management and oversight.

Logistics & Post supply chains are complex, dynamic and increasingly global – so accurately tracking and managing products is a challenging activity. The multi-party and multi-modal nature of global supply chains increases risk and complicates accurate revenue capture. Increased IT network bandwidth and availability, the growing ubiquity of the internet, and format standardisation (e.g. XML) are making it possible for information to become available sooner and to be shared more easily. Increased access to real-time data provides a competitive advantage to those who figure out how to instil a performance management culture within their organisations.

Relevant PwC services and solutions:
- IT strategy and roadmap design and development
- Enterprise architecture
- Process improvement and IT organisation streamlining
- Post-merger IT function reorganisation and rationalisation
- IT Effectiveness - business and IT alignment, using COBIT and IDOL frameworks
- IT Performance - evaluation of the costs of IT and performance
- SAS70 Certification for outsourcing IT services
- IT Security and Controls
- Pre-implementation assurance - an independent assessment of IT projects
- Technology review - software and technology partner independent review and selection
- Project support, project management, change management

Tip for thriving during tough times: IT is a core competence of many logistics service providers, so ensuring that these capabilities are maintained continues to be vital during a downturn. Effective project management is critical to getting the most value from IT expenditures.
IT Governance in Practice – Insight from leading CIOs
PricewaterhouseCoopers has interviewed a number of CIOs worldwide to obtain their views on IT governance, their experience in implementing IT governance, and what it takes to make IT governance work.

From our interviews it is evident that most organisations recognize the importance of IT governance. However, a “holistic” view that considers all dimensions of IT governance is not widely found. The concept of IT governance as an umbrella framework encompassing a wide spectrum of arrangements, including the measurement of benefits, has yet to emerge. We have included in our report some examples of best practices we have identified.

A united front – Post-merger or acquisition alignment of IT cost management
As soon as the deal has been closed the real work starts: the integration. This is a much-heard comment in the world of mergers and acquisitions. A study by PwC shows that in 89% of merger and acquisition cases, the IT function is subject to post-deal integration in some form or other. IT integration issues will be the order of the day in the next few years considering the expected wave of mergers and acquisitions. The positive effects of this integration will, however, have to be manifest. Financial alignment within the information and communications technology (ICT) organisation is an important tool for achieving transparency, cost awareness and focus on the best price/quality ratio of ICT services.

PwC white paper on findings of the Global State of Information Security 2008 Survey: Safeguarding the new currency of business
Information has become the new currency of business; it’s one of the crucial components of a globally connected business world. But, protecting corporate information assets is equally critical. Just how well are companies worldwide addressing these challenges this year? This new survey offers an overview of the critical areas we believe deserve your attention.
Case study:

Driving greater value and service levels from outsourcing

The issue
A major national postal operator wanted to improve the service delivery from its outsourced IT service providers. The relationship between the retained IT function and its suppliers was deteriorating leading to inefficient and lengthy service delivery. The IT function itself needed to transform to serve the business better.

Our approach
PwC’s approach was structured around a number of phases. The first of these was to conduct a current state assessment of the IT function, to understand current issues and what the key improvements were. We then challenged the client to change its behaviours, for example during requirements definition and project management. After market testing new approaches with service providers for effectiveness and value for money, we then helped the client adopt the new way of working on 12 key projects.

The outcome
By bringing new ways of thinking and working to the organisation we were able to effect significant change. The postal operator’s board saw measurable and observable improvements in IT performance levels as well as associated cost improvements. With better service reporting and information management the business was able to increase the value of its existing technology. By encouraging a more open, positive working environment and addressing key personnel problems, the business also re-engaged disaffected IT partners.
Making the most of your assets

Asset Management

Many Logistics & Post companies have significant assets, such as extensive networks of retail outlets, delivery fleets, etc. Using these assets efficiently can be a significant source of cost savings. Further, smart planning can help companies realise new ways to generate revenue from existing assets.

Many Logistics & Post companies will need to start by doing a rigorous assessment of their existing asset management processes, including a comparative benchmarking with peers and an assessment of the value drivers of their business. The next step may be to create a master plan. Master planning is a process that provides scenarios and opportunities to envision the financial results and requirements of a company. It considers the current state and future needs to support the company’s initiatives and business plan. It takes a holistic approach and considers organisation, processes, people, and technology. Master planning can help companies make decisions such as whether to lease, own, or outsource key assets to help in achieving and sustaining profits and maximising cash flows. It can provide a framework to define specific roles and responsibilities within an organisation. Effective planning can also aid in identifying the amount, timing, and source of financing and capital expenditures which are integral in managing a company’s financial resources, especially vital in today’s difficult credit and economic environment.

One significant asset for many companies in the Logistics & Post industry is a large delivery fleet. An effective fleet management strategy will lead to increased profitability and a strong competitive advantage. The integral components of an effective fleet management strategy include: different options for ownership (ownership, leasing, outsourcing), utilisation, maintenance, productivity and operational effectiveness – all of which can make a substantial difference to the bottom line.

Most providers are enhancing and extending existing products and services to meet changing customer needs. Where providers have existing assets, such as extensive postal retail outlets, leadership is actively looking for creative solutions to increase revenue through collocation and retail space multi-use. Many providers are also developing new products and services. PwC can assist in formulating plans to maximise the use of existing assets and reduce the cost of providing services.

Relevant PwC services and solutions:
- Benchmarking of asset, maintenance and service Management practices
- Analysing and independent insight into the value drivers of the asset intensive business and the underlying performance model
- Visioning the overall asset, maintenance and service Management function including organisation, processes, people and technology
- Designing and implementing asset, maintenance and service Management organisations, including roles and responsibilities
- Identifying specific restructuring and privatisation projects to enhance revenues derived from existing assets
- Facilitating the appropriate technological framework by selecting enterprise asset management systems and simulation (risk analysis) tools
- Supporting communication and change management work streams

Property Management

Another significant class of asset for many Logistics & Post companies is real estate and commercial property. Managing real property for large global organisations is complex and requires specific skill sets and knowledge of real estate markets in many regions throughout the world. Property management includes capital planning, understanding the needs and space requirements, cost analysis, and developing an overall strategy for owning or leasing real property. Managing an existing portfolio of real property includes, understanding the actual asset portfolio, having an adequate real property inventory tracking and reporting system, consistency in policies and procedures, clear or centralised decision-making process, accountability, and maintenance including necessary funding. An appropriate maintenance program contributes to preventing unnecessary repairs which can lead to considerable savings.
An integral part of effectively managing real property is the reporting system used to manage the property. A reporting system that meets all reporting requirements, whether public or private, and has the capability of managing both leased and owned real property is extremely valuable. A system assisting in identifying surplus and unproductive assets, may aid the company in making more timely decisions which can lead to increased profitability.

Relevant PwC services and solutions:
- Effectively and efficiently managing real property portfolios to meet and exceed strategic business objectives
- Embedding real property management across the organisation through our stakeholder management efforts
- Identifying and disposal of surplus assets, reducing costs, and proactive life-cycle asset management
- Promoting resource stewardship
- Maintaining and reporting an accurate asset inventory

Tip for thriving during tough times: Managing your assets efficiently is even more vital during an economic downturn. Logistics operators should pay attention to their property and consider the need to write-down their own sites, as well as analyse whether or not accruals for contingent execution need to be made. Further, this is an excellent time to look for ways to generate revenue from existing assets, such as delivery networks or retail outlets. You should also take a close look at how efficiently you are tracking the cash flowing into your organisation and ensure that you are addressing any sources of revenue leakage. Further, you may need to anticipate a lower degree of creditworthiness of clients and thus a higher risk of loss of receivables, so optimising your management of accounts receivable may be an important additional step.
Case study:

Process improvement at central postal hub improves capacity of this key asset

The issue
A major national postal operator was looking to better manage a central hub and 50 depots. The central hub was approaching full capacity. There were also high levels of product damage, delivery failure, missed deadlines, and product loss. Consequently, the postal operator received a query for one in every 10 items delivered. Also present was an internal culture of audit and punishment.

Our approach
Three work-streams were put in place to address the issues; operational, HR and customer Management. The PwC team also built cross functional project teams to identify problems and causes. Various initiatives were instituted as a result of our involvement, including: launch of an end to end process mapping of product and information flows; installation of a new labelling system for all the consignments including new cage design to better protect consignments; installation of a new, more efficient sortation belt at the hub. We also reconfigured the central hub into four sorting zones.

The outcome
As a result of our changes, the board of this postal operator saw measurable and observable improvements. In fact, depots reported a 20% reduction in their freight sorting times, the central hub reduced freight processing times by 17%, the damage reported by customers fell by 30% and the central hub now has capacity for growth.
10 Creating a sustainable business

Enhancing sustainability in your business

Shareholders expect your company to generate profits. At the same time, though, they want your company to make a positive contribution to society while minimising any negative effect it might have on the environment. This approach to business – balancing economic interests against social and environmental concerns – is commonly known as sustainability. Over the past decade, sustainability has moved from the fringes of the business world to the top of shareholders’ agenda. The concept of sustainability has gained traction among corporate employees, regulators, and customers. Consequently, any miscalculation or misjudgement of matters related to sustainability can have serious repercussions on how the world judges your company and values its shares.

For corporate management, finding the right balance among competing economic, social, and environmental goals is the essence of “responsible leadership”. In practice, responsible leadership means integrating ethical considerations into company decision-making, and managing on the basis of personal integrity and widely-held organisational values. Responsible leaders manage for the common good and gain authority and legitimacy in direct proportion to their success in serving clients and leading their people. They also need to choose the right partners for their companies. Logistics & Post companies generally rely heavily on subcontractors in their operations, so its critical that effective systems are in place to monitor their supply chain to ensure that subcontractors are also operating sustainably.

Climate change and emissions trading

Climate change has emerged as one of the most important political and business issues of our time. Business leaders agree that coordinated, collective action is needed to address the challenges it poses. Eighty-eight percent of CEOs in the Transportation & Logistics industry believe that a clear and consistent policy framework by the government is critical or important to helping them adapt their business to the issues raised by climate change (source: PwC 12th Annual Global CEO Survey 2009).

Transportation accounts for a substantial portion of greenhouse gas emissions caused by energy consumption. Governments are increasingly taking measures to promote emission reduction initiatives, such as environmental taxes, subsidies and incentives, negotiated agreements with industry, or emission trading schemes. Logistics & Post companies are prime users of all modes of transport, so the increasing attention being paid to carbon dioxide emissions from various modes of transport will have a significant impact on their cost structures – and potentially on their corporate reputations as well.

PricewaterhouseCoopers has been working with policy makers and companies since 1997, helping to analyse issues and develop practical solutions for our clients around the climate change agenda.

Relevant PwC services and solutions:
- Strategy formulation
- Carbon finance and transactions
- Clean development mechanisms and joint implementation
- Project design and development
- Carbon risk management and health check
- Greenhouse gases data management, reporting and verification
- Public policy and delivery
Towards a greener supply chain

Leading corporations across sectors are facing increasing pressure from investors to prove sustainable business strategies and operations. Many of them are now taking action and introduce procedures to measure, report and make carbon reduction commitments. However, when it comes to making it happen in the supply chain, companies find it difficult to measure and decide the correct balance between the impact on profits and losses and the environmental benefit (the “lean and green” dilemma).

Supply chains are generally complex and involve several players from suppliers to customers. Logistics service providers act as the key enablers of global supply chains for their manufacturing customers. They must be prepared to design their own logistics services in a way that they meet all requirements regarding speed, quality, costs as well as environmental sustainability. They may also be required to assist their clients in optimising their supply chain accordingly. Development of ‘green products’ – like CO2-neutral parcel delivery – is increasingly gaining an importance that far exceeds mere marketing.

PricewaterhouseCoopers has developed a solution to assist clients to incorporate carbon emissions into the design of their business models alongside financial costs. The levers of cost and carbon can then be examined and judged as a whole to give tangible client results. Also, the increasing use of tax as a control by governments can be modelled and included. Carbon to serve™ is a modelling approach that will make explicit the carbon and cost trade-offs and synergies in the supply chain. It will also enable the identification of “win-win” carbon/cost reduction opportunities.

Tip for thriving during tough times: Sustainability isn’t just good for the environment – it’s good business, even during tough times. Just one example – reducing energy consumption can bring substantial savings, so continuing to increase operational efficiency makes good economic sense, while at the same time reducing your company’s carbon footprint. Climate change may well be the next global crisis, and no CEO can afford to lose sight of the need for a pro-active sustainability agenda. Failing to develop a clear vision and act upon it now could undermine a company’s future.

Relevant PwC services and solutions:

• Supply-chain risk assessment and risk mitigation
• Design of frameworks for supply-chain risk management
• Modelling of costs of carbon, including government taxes, using the Carbon to serve™ approach
• Identifying carbon and cost reduction opportunities
Relevant publications

The Sustainability Yearbook 2009
For the fifth consecutive year, PricewaterhouseCoopers and SAM Group have launched *The Sustainability Yearbook 2009*. It is one of the world’s most comprehensive publications on corporate sustainability and the related challenges and opportunities for companies. The 2,500 largest companies in the world are invited each year to participate in SAM’s Corporate Sustainability Assessment. Only the top-scoring 15% of the companies in each of the 57 sectors assessed are eligible for inclusion in *The Sustainability Yearbook*. The best companies from each sector qualify as a “SAM Sector Leader”.

Building Trust in Emissions Reporting: Global Trends in Emissions Trading Schemes
This report highlights the key characteristics of the world’s main emission trading schemes, presents a new vision for compliance in emissions trading and calls for global action to develop this. Key to this trust are the three central criteria of transparency, accountability and integrity. The PricewaterhouseCoopers report looks at how the patchwork of trading schemes that are emerging around the globe stacks up against these criteria. Despite good intentions across the board, the general picture is one of new and immature markets, inconsistent and complex compliance frameworks and risk. PricewaterhouseCoopers makes the case for urgent and coordinated action to develop a framework of generally accepted principles and practice that will underpin trust and efficiency in these new markets - in effect, a new Global Emissions Compliance Language.

Case study:

Development of a corporate responsibility strategy

The issue
A major logistics company was unable to verify whether its suppliers were operating according to principles of environmental and social responsibility. Management elected to develop a full-fledged corporate responsibility strategy in order to fully address these important issues.

PwC approach
PwC was engaged to assist the company in developing its overall strategy. We developed employee workshops which enabled staff to contribute to shaping the main aspects of the strategy, while at the same time heightening their own awareness of sustainability concerns. Devising appropriate metrics and using them to measure Corporate Responsibility performance was also critical throughout the process.

The outcome
The company strengthen its position as a leader on sustainability issues while increasing the transparency of its sustainability-related reporting processes and controls. As a further benefit, our work provided the company with the tools needed to streamline and automate its sustainability data tracking and reporting mechanisms.
PwC
at your doorstep
PwC is the leading consulting and accounting firm in the Logistics & Post industry sector. Worldwide we provide Logistics & Post clients with the confidence to succeed by helping them anticipate create and manage change. Being independent auditors of many of the world’s largest Logistics & Post organisations, we take the leading position with a market share of approximately 35% (weighted by the total group revenues of these companies).

Our customers include large and medium-sized, state-owned and private postal, express and logistics service providers as well as regulatory bodies of the postal sector, such as:

- An Post (Ireland)
- Australia Post (Australia)
- La Poste-De Post (Belgium)
- Brambles (Australia)
- Brenntag (Germany)
- Canadian Post (Canada)
- CEVA (USA)
- Correos (Spain)
- Deutsche Post (Germany)
- European Commission
- Expeditors (USA)
- Hellmann (Germany)
- Kühne & Nagel (Switzerland)
- Macsteel International Holdings (South Africa)
- Nippon Express (Japan)
- Norwegian Post (Norway)
- Pacer International (USA)
- Panalpina (Switzerland)
- Poste Italiane (Italy)
- Rethmann (Germany)
- Ryder System (USA)
- Schenker (Germany)
- Singapore Post (Singapore)
- Sinotrans (China/HK)
- Slovak Post
- Swiss Post (Swiss)
- Logwin (Luxembourg)
- TNT (the Netherlands)

(Audit clients are indicated in italics)
What differentiates us

Thought leadership

We help you objectively assess the various opportunities in your reach. Our approach is based on in-depth industry knowledge and helps you to be realistic about specific industry changes. Our expertise is an integrated part of the PwC collaborative network of Transportation & Logistics consultants with various publications in the fields of Shipping & Ports, Rail & Infrastructure, Logistics & Post, Airlines & Airports.

Our Logistics & Post experts have performed assurance and advisory work for EU authorities and industry operators worldwide. We are also active participants at industry conferences, with speakers from our global T&L team regularly appearing on industry podiums.

Our integrated network of industry specialists

No other firm is able to draw upon such a pool of connected expert resource. Our global industry group ensures knowledge exchange, learning & education as well as industry-related research.

The combination of our global and local knowledge, first-hand experience and linkage with functional PwC specialists allows us to efficiently address all aspects of the business.

Our practical and logical approach

PricewaterhouseCoopers uses its expertise to develop a pragmatic approach which is tailored to support each type of complex business decision. We provide guidance in the decision process by structuring, assessing, and prioritising the alternative strategic responses turning your strategy into reality.

Specialists on site

The vast network of worldwide PricewaterhouseCoopers offices allows us to call upon additional expertise where needed. Backed by high quality professionalism, we can offer a complete consultancy package to provide our clients with the specialist advice they expect from the leading international adviser. Our deep local knowledge of your specific marketplace supports a wider global perspective to provide advice and solutions tailored to your needs.

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North America & the Caribbean
500 Transportation & Logistics industry professionals

Europe
2,000 Transportation & Logistics industry professionals

Asia
1,100 Transportation & Logistics industry professionals

Middle East & Africa
200 Transportation & Logistics industry professionals

South America
200 Transportation & Logistics industry professionals

Australia & Pacific Islands
200 Transportation & Logistics industry professionals
PricewaterhouseCoopers provides industry-focused assurance, tax, and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 155,000 people in 153 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

In FY2008, PwC firms provided services for 425 of the companies in the Fortune Global 500 and 420 of the companies in the FT Global 500.

We are the largest professional services firm. Whilst size for the sake of size is not important to us, what is important is the leverage it gives us for the benefit of our clients. This means that we have a greater range of professionals to call upon to challenge, advise and support you. We see our global reach as an enabler to support the development of your international operations and to build trust and create value for you.

In 2008, we announced some changes to our internal structure designed to improve the integrated services we offer and more closely align our strategy around the world. This change created three major clusters of PwC firms—East, Central, and West—led by the senior partner of the leading national firm in each cluster, namely, China, the United Kingdom, and the United States. Additionally, the standards each PwC member firm is obliged to follow have been updated and expanded to reflect the increasingly global nature of our services and the need for worldwide consistency across an ever-widening range of areas. These changes build on our ten years of growth and reflect the increasingly connected global world in which our clients operate, and expect us to operate.

We demonstrate a strong commitment to the communities in which we operate -- for example, in 2008 we contributed $US4 million to the United Nations Refugee Agencies.

As the world's largest professional services firm, PricewaterhouseCoopers offers you the benefit of insights gained from years of experience working with a broad range of industry clients, a tightly woven global network and an extraordinary breadth of services.

PricewaterhouseCoopers has member firms in 152 countries

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