

POSTAL NEWS
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1. How Poste Italiane is truly delivering

By Guy Dinmore

Published: January 3 2008 02:00 | Last updated: January 3 2008 02:00

Massimo Sarmi, who says he is running Europe's most profitable postal service, does not want to crow too much but he is amazed at how the UK tax authorities lost two computer discs with data on 25m people through the mail.

"Primitive . . . prehistoric," says the chief executive of Poste Italiane (PI). Throwing up his hands in amazement, he asks why TNT, the Dutch courier group that runs the UK government's internal mail service, should carry the discs rather than send the data electronically through secure communications, as PI would have done.

"It is unbelievable they physically moved the hardware," he said, referring to the loss in October that obliged Paul Gray, chairman of HM Revenue & Customs, to resign and Gordon Brown, prime minister, to apologise to parliament.

Although Italy is not exactly known for never losing a letter and its post offices are famous for queues that can require a morning's devotion, Mr Sarmi's previous 24 years in telecommunications have paid off in making PI profitable and ready for privatisation - should that day ever come.

Interviewed in his Rome office, Mr Sarmi cites figures showing that in its European sector, PI, largely because of its financial services divisions, has the highest earnings before interest and tax rate of 16 per cent, compared with TNT's 12.7 per cent, and minus 0.1 per cent for the UK's Royal Mail.

Fortune magazine ranked PI in the top 10 "most- admired companies in the world" for logistics, while Cisco in 2007 gave the Italians the "best corporate IP network" award this year, describing them as "the European leader for hybrid electronic mail and document processing".

In terms of volume of transactions, PI's Banco Posta in effect ranks as the number one retail bank in Italy although it is still waiting for its licence from the treasury.

It holds €300bn (\$441bn) in savings. The life assurance division ranks number two or three, says Mr Sarmi, who has also just launched a mobile phone service that aims to attract 2m users in three years.

"We are considered as a strange animal in the Italian environment," he comments.

While Royal Mail plans to close 2,500 branches across the UK over the next 18 months, PI - which has roughly the same number, about 14,000 - added 100 more this year.

"Delivering a letter for €0.60 over the Alps in one day is not so profitable," he says grumbling at the "universal service" demands that require 88.5 per cent of mail to be delivered within one day, with no distinction made between a "bill and a love letter" (the last being more important, he says). So the strategy has been to add value by making branches "one-stop" shops for banking, bill paying, insurance, e-commerce and e-government - hence the queues.

Mr Sarmi, who joined PI in 2002, wants liberalisation as soon as possible, but he says the French and Italian governments want the target date put back from 2009 to 2011. The UK market was liberalised in 2006.

Privatisation remains the Italian government's stated goal, but Mr Sarmi sees no decision on the horizon.

Rome is trying to offload the state's 49.9 per cent stake in Alitalia, the national carrier that is losing about €1m a day. But at the same time it fears that privatisation of PI would hit the quality of services offered across the country.

Investment banks have valued the company at €14bn to €15bn.

Not all is high-tech, however. Last month, Mr Sarmi was having to resolve an old-fashioned, partial strike by mail deliverers in Milan and surrounding areas led by one of six unions he has to deal with. The strike was triggered by his restructuring plan that redefined postal delivery areas across Italy.

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2. Domestic postal rates stay the same; international stamps rise (0)

(Breaking News) Wednesday, 02 January 2008, 10:14 PST
Citizen Staff

The price of a stamp for a regular letter up to 30 grams for delivery within Canada will stay the same this year at 52 cents, says Canada Post.

However, if you include more than about six pages in the letter or include inserts that make it heavier, the rate for an envelope weighing more than 30 grams and up to 50 grams goes up Jan. 14 to 96 cents from 93 cents at present.

Rates for mail going out of the country are going up, too.

A stamp for a standard letter of up to 30 g for a U.S. address rises Jan. 14 to 96 cents from 93 cents currently. If the letter is bulkier and weighs between 30 g and 50 g, the cost of postage will be \$1.15, up from \$1.10 at present.

A stamp for a standard letter going to other international destinations rises Jan. 14 to \$1.60 from \$1.55 now. A heavier letter between 30 g and 50 g going to Central or South America or overseas will require \$2.30 in postage.

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3. Postal Inspector Alarmed by Number of People Still Falling for Scam by Scott Leamon / WSLN NewsChannel 10 Jan 3, 2008

The region's top postal inspector said he's alarmed by the number of people still falling for a money order scam.

U.S. Postal Inspector Brett Brumbaugh said most scam artists are sending phony postal service money orders to random people throughout Southwest and Central Virginia.

Most of the fraudulent money orders are in the amount of \$850, Brumbaugh said.

He said the bad guys ask you to cash the money order then send a portion of the proceeds back to them.

Of course when the bank figures out it's a scam, you're stuck with the bill, Brumbaugh explained.

He said legal postal money orders have a picture of Benjamin Franklin inside a white circle area you should see if you hold it up to the light.

You'll also see a small line which reads "USPS" over and over if you hold the order up to a light.

For more information you can link to the sources provided by Brumbaugh below:
<http://postalinspectors.uspis.gov/www.roanokefinancialcrimes.com>
<http://postalinspectors.uspis.gov/radDocs/consumer/moalert.htm>

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4. Postal Volume Continues To Decline

03 January 2008 by David Lynch

One in five businesses are changing the way they communicate and are switching to email and other methods rather than using the post. Royal Mail has seen a decline in mail volumes in real terms of around 2% a year although direct mail shows some growth.

The latest findings are part of Postcomm's annual Business Customer Survey. Postcomm also says that competition is starting to benefit more and more mail users but that all postal operators need to focus on customer service and innovative ideas to fit in with a digital age.

Of the 1,800 businesses surveyed, most predicted a decline or levelling off in mail volumes in contrast to a similar survey conducted in 2006. A large majority felt that the extra competition in the mail market was a positive thing.

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5. FEATURE-Italy's "safe" postal bank ready to float

Fri Jan 4, 2008 5:29am EST

By Deepa Babington

ROME, Jan 4 (Reuters) - Now might not be a great time to launch a financial services stock, but Italy's national postal service -- led by its booming banking unit -- is gearing up for a float.

When that happens depends on the government, but the company -- emboldened by a foray into financial services that turned it around from a loss-making bureaucracy -- is already rivalling more obviously sophisticated institutions for capital.

"At the moment, we are working as if at any moment we would be asked to become public," Chief Executive Massimo Sarmi told Reuters in an interview.

Having rewritten its history as a lethargic administration that could barely be trusted to deliver a letter in time, the post office was valued this year by investment banks at as much as 15 billion euros, said Sarmi. He declined to say which banks had provided the estimate.

That would make it Italy's third-largest retail bank by market value at current share prices and is 50 percent higher than the estimated value Sarmi cited for the postal group more than a year ago.

And while billions have been wiped off banks' market value globally by their loans to 'subprime' borrowers, analysts say the post office -- which in a float would offer

shares to both domestic and foreign investors -- is a banking story that has succeeded by betting on the simple and safe.

Key to Poste Italiane's business model has been a strategy of using its 14,000 outlets across Italy to offer bank accounts and loans, exploiting its reputation as a conservative player that has catered to pensioners and families for decades.

"They're seen as without risk, and close to normal people, and that's something that makes them a strong brand," said Marco Vetulli, senior analyst at ratings agency Moody's.

"Their customers are not people with billions of euros to invest in sophisticated instruments, but normal people who have a high rate of savings."

From tiny Sicilian villages to northern ski resorts, thousands of Italians daily walk into Poste Italiane's slick, yellow-themed outlets to pick up their pension checks or pay utility bills.

Poste has used that relationship as a springboard to sell other services, and grown into Italy's de facto largest retail bank, measured by outlets and number of current accounts.

"It's very safe, the costs are low and they have branches even in very small towns," said customer Marco Pasquale, 55, who has been banking with Poste Italiane for seven years. "Earlier they used to be very antiquated and bureaucratic, but today you can do everything through the Internet with them."

In 2006, about 67 percent of Poste Italiane's revenue came from ventures outside mail.

"It's not an exciting business but it's profitable," said Vetulli.

A FINGER IN MANY PIES

Poste Italiane has joined a broader trend of postal groups diversifying out of the low-margin mail business into more lucrative segments, as the rise of the Internet and email challenge the concept of traditional mail.

With banking also using electronic networks, postal groups have found it relatively easy to branch out -- capitalising on numerous outlets that give them a market position other retail operators can only dream of, and an image of reliability.

Germany's Deutsche Post and France's La Poste have similarly expanded into banking: the former listed its banking unit, which is also now the country's biggest retail bank.

In Italy, even the biggest licensed retail bank, Intesa Sanpaolo -- at 5,500 branches -- has well below half of those at Poste Italiane's disposal.

So hard it is to compete with Poste's reach and brand, Moody's Vetulli sees only a limited threat to its core postal business from deregulation in the European postal market -- due to be largely complete by 2011.

The European market for letters weighing up to 50 grams is currently still shielded from competition, while other mail is already liberalised.

MAIL TO MOBILE

After five decades of ending each year in the red, Italy's post office -- whose branches today greet customers with a "Postamat" automated teller machine at the entrance -- is on track for its sixth straight profitable year, said Sarmi.

Tellers at counters where greeting cards and Luciano Pavarotti CDs are also for sale briskly handle deposits and payments for bank account holders. "Years ago I looked at the accounts and realised that as far as the postal market is concerned, it would have been difficult to imagine growth," Sarmi said.

"But exploiting all our existing assets at marginal costs is a business model that has been really appreciated."

Sarmi said he wants to branch out further, and last November announced Poste would become a "virtual" mobile phone operator as well. Poste has bought access on Vodafone's telecoms network so it can offer mobile phone services to its clients, following similar efforts by others including French retailer Carrefour.

Poste is also seeking its own banking licence so it can lend money and offer financial products directly to clients rather than remarketing loans offered by other banks.

Sarmi said that if it is granted the licence, Poste's banking revenues would immediately jump by 20 percent.

Naturally, this is making Italy's banks, who have so far been largely unaffected by the subprime crisis, uncomfortable.

Italy's banking association ABI filed a complaint with the European Commission two years ago accusing Poste of unfair competition.

It says if Poste Italianae wants to offer banking services it should conform to standard banking requirements -- like setting aside money against risk -- and be supervised by the Bank of Italy as well as market and antitrust regulators.

Sarmi is not so concerned by that.

"We're already the No. 1 retail bank in Italy in terms of current accounts," he said. "Since we have attracted this huge number of clients, we are confident we can continue. We are growing." (Additional reporting by Lisa Jucca in Milan and Tom Atkins in Geneva; editing by Sara Ledwith)

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6. Postal player TNT to offer print management after TDG tie-up

Helen Morris, PrintWeek, 04 January 2008

Global delivery services giant TNT Post is offering print management services to its clients after signing a 12-month agreement with TDG Group.

The private-sector rival to Royal Mail will use the tie-up with the London-based firm to offer end-to-end print management services, a creative review process and environmental consultancy to direct mail clients. It will also use TDG's services for its own print.

TNT's agreement makes it the latest postal operator to offer some form of print management. Most notable among those who have moved into the market is Deutsche Post World Net, which in February 2006 bought a controlling stake in Williams Lea.

TDG managing director and founder Tom Gorman said: "We're delighted to be working with TNT and it's a great opportunity for us to showcase our additional capabilities."

TNT Post has recently launched an initiative to cut its carbon emissions and TDG is hoping it can help, having recently been awarded ISO 14001 environmental management accreditation. It also has the ISO 9001 quality management stamp.

"With this agreement, we can advise TNT's clients on how to be greener and open up a creative delivery to ensure they maximise their demands," said Gorman. He added that he hoped to increase turnover from £6m to £8m in 2008.

A spokeswoman for TNT Post said the firm had worked with TDG in the past and the renewed link was "a great opportunity" for the firm. The group had formalised the relationship after TDG, which has recently launched a green audit for suppliers, stepped up its environmental focus.

The spokeswoman said: "While it's not an exclusive agreement, if a client is looking for bulk mailing printing, we will recommend working with TDG because we are happy with their service levels. It's great for TNT to have access to the variety of pricing and services that TDG can offer."

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