

# **POSTAL NEWS**

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### **1. TNT Profit Drops on Cost of Cutting Dutch Postal Jobs (Update5)**

By Jann Bettinga and Jeroen Molenaar

Feb. 18 (Bloomberg) -- TNT NV, Europe's second-biggest express-delivery service, posted the first profit decline in five quarters because of the cost of cutting jobs and quitting U.K. parcel services.

Fourth-quarter net income fell 22 percent to 148 million euros (\$217 million), or 40 cents a share, from 189 million euros, or 46 cents, a year earlier, Hoofddorp, Netherlands-based TNT said today. Sales rose 8.6 percent to 3 billion euros.

TNT put aside 110 million euros in the quarter to prepare for eliminating 6,500 jobs over the next three years at its mail business in the Netherlands, which has been struggling with rising competition and the substitution of personal letters by e-mail. TNT also said it may exit the German mail business in a dispute over minimum wages for letter carriers.

``2007 was a year of heavy underperformance for TNT," Thijs Berkelder, an Amsterdam-based analyst at Petercam SA with a ``buy" recommendation on the stock, wrote today in a note to investors.

TNT shares rose 24 cents, or 0.9 percent, to 27.48 euros in Amsterdam. The stock has dropped 2.7 percent this year.

#### **Labor Talks**

Talks with unions on the workforce cutbacks are likely to conclude in the second quarter, Chief Executive Officer Peter Bakker said at a press conference today. TNT probably won't cut more than 6,500 positions, he said.

The provision is only a ``first step" and the reorganization, including spending on retraining, may cost the company as much as 175 million euros between 2007 and 2009, Bakker said. The program is designed to achieve annual cost savings of 85 million euros by 2010.

TNT also took a 28 million-euro charge in the quarter for exiting a parcel-delivery contract in the U.K.

Analysts surveyed by Bloomberg had estimated net income would rise to 249 million euros. Sales matched the median estimate. Earnings before interest and taxes fell 29 percent to 253 million euros, counter to analysts' prediction of an increase to 378 million euros.

The postal operator plans to increase the 2007 dividend by 16 percent to 85 cents a share.

TNT has bought express-delivery companies and mail carriers abroad, including stakes in two German regional services in 2007, to prepare for the country's market opening last month.

#### Considering German Future

The Dutch company may withdraw from Germany after the government set a minimum wage for letter carriers, Bakker said.

Parliament approved a pay rate in December for about 200,000 German postal workers of between 8 euros and 9.80 euros an hour. That's ``much too high" compared with the 7.50 euros called for by TNT, Bakker said.

``There's a chance we will leave Germany" in the event TNT loses a court case against the minimum wage and should a sales-tax exemption for Deutsche Post AG, the country's biggest mail carrier, remain in place, Bakker said. ``If we have to pay 9.80 euros, that would be an enormous shock to our business model, concerning a huge jump in costs."

TNT expects an outcome to the court case in April, Chief Financial Officer Henk van Dalen said in an interview today.

The Dutch government in December postponed plans to open the country's postal market to competition following Germany's minimum wage decision, which critics say puts competitors such as TNT at a disadvantage to Bonn-based Deutsche Post, Europe's largest postal operator.

#### No 'Major' Slowdown

``So far, TNT sees no evidence of a major slowdown in its business, which primarily is focused on European markets," the company said. While aware of risks stemming from a possible recession in the U.S., the Dutch company ``is strongly positioned to respond as appropriate and is confident about its performance for the year 2008."

The express unit's international and domestic operations will generate ``high single-digit organic revenue growth" and a ``low double-digit operating margin" this year, TNT said. The mail unit is forecast to produce ``low single-digit organic revenue" growth and an operating margin of about 16.5 percent.

The postal service said in a separate statement that it will recommend reappointing Bakker and Marie-Christine Lombard, head of the express division, for another four years at the annual shareholders' meeting in April.

### Mail-Market Opening

The Dutch government opened the market in 2000 for handling mail items weighing more than 50 grams (1.8 ounces), retaining TNT's legal monopoly on lighter letters. Since then, TNT has faced increasing competition from Deutsche Post and local operators such as Apeldoorn, Netherlands-based Sandd.

European Union lawmakers passed legislation in late January to open local mail service to competition starting in 2011. Under an agreement with national governments, 11 countries, including Greece and several new EU members in eastern Europe, can wait until 2013 to admit competitors. Germany eliminated Deutsche Post's monopoly on 50-gram letters at the beginning of this year.

Letters make up two-thirds of the EU's 88 billion-euro mail market and offer twice the profit margin of packages and express delivery, according to the European Commission.

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## 2. Postal Service Sees Simplicity in 31 Digits

By Stephen Barr  
Monday, February 18, 2008

The U.S. Postal Service is launching a 31-digit bar code that will permit business customers -- advertisers, catalogue and credit card companies -- to track their mail, from the drop-off at a post office to delivery at a home or office.

The project is called Intelligent Mail, and it holds the potential to let companies know if customers are telling the truth when they say the check is in the mail.

"Intelligent mail is like having a GPS system for mail," Postmaster General John E. Potter said when he announced the project last year.

Potter has pushed since the summer of 2002 for a way to track commercial mail as it travels through the postal network. The effort is on the fast track now, and the Postal Service plans to launch the system in January 2009. A federal notice has been published, and the public has until Thursday to file comments and concerns.

Big bucks are riding on the bar code. The nation's business mailers qualify for less-expensive mail rates if they bundle their letters, packages and magazines in ways that reduce sorting and delivery time for the post office. Bar codes are the key to getting the discounted postage rates, currently valued at about \$18 billion.

With the new bar code, companies will be able to track mail delivery and know when their customers got a bill, solicitation or product, and the Postal Service will have another way of checking that mail is being delivered on time.

Companies also will be given a chance to buy data collected by the post office that will give them insights into how customers respond to advertising and marketing. A company, for instance, can buy a television or newspaper ad to tout a new product, follow up with an announcement in the mail and get a sense of how well the ad is connecting with customers.

The data, postal executive Thomas G. Day said, should help companies answer such questions as: "When I get it to you on this day, what is your response? Do you actually go to my Web site that day? Do you go to my retail store that day or within a day or two?"

The Postal Service's primary interest, however, is in using the intelligent mail bar code to bring more efficiency to its operations and increase the value of mail for companies that are tempted to hawk their wares through e-mail and Internet ads.

At the start, the bar code project involved officials in the Postal Service's technology, engineering, operations and marketing divisions, who were basically working on their piece of the project without much coordination. Potter quickly saw that such a fragmented approach carried too much risk.

"Jack was the visionary here," said Day, senior vice president for intelligent mail and address quality. "He understood he needed a particular focus on this to drive it forward, because it was such a cross-functional activity."

Although some commercial mailers sending letters, magazines and catalogues have been using the intelligent mail bar code for the last two years on a voluntary basis, the Postal Service intends to make the 31-digit code mandatory next January.

Eleven of the digits will show the destination Zip code. Companies also can use from six to nine digits to identify themselves as the sender and assign a number to each of their customers.

The new bar code will consolidate information carried in other bar codes used by the Postal Service for the last two decades. Those codes are used for certified mail, for automated sorting of letters to the exact sequence used by the letter carrier when delivering mail, to identify the sender of a piece of mail and to provide certain services.

With all those codes, it "was beginning to be a pretty ugly-looking piece of mail," Day said. "It just had a lot of stuff on it, and it was getting to be complex, in managing the systems. So the vision was, let's get out of this multiple code environment and down to a single code."

The mailing industry is looking forward to the new bar code, said John Campo, vice president for postal relations at Pitney Bowes, which specializes in mail technology. "The service that the Postal Service provides is not always consistent across the board, and this will allow them to focus on areas of weak performance as compared to their stellar performance," he said.

Under current plans, large volume mailers, such as credit card companies, retailers and magazines, will send the Postal Service an electronic manifest, describing what they will be mailing. They also will make an electronic appointment, so the Postal Service knows which mail center will be getting the mass mailing and at what time.

The new bar code will be on trays, sacks and tubs used to hold mail in postal facilities and on large pallets and containers used for shipping mail. Mail handlers, using handheld scanners, will be able to more quickly direct mail to the right truck for the right destination. They will get an electronic alert if the manifest suggests mail did not get put on a truck.

As for the general public, Day said he is uncertain as to whether individuals see any need for real-time tracking of first-class letters, noting that the Postal Service already provides delivery confirmation for packages and that most bill payments and birthday cards arrive on time.

"The question is, do we need to build an intelligent mail, unique solution for individual customers?" he said. "We can. I don't yet see the reason to do it. But if the demand is there, we'll build it."

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### **3. Technology Can Be a Blessing for Bored Workers**

Hiroko Masuike for The New York Times  
(February 18, 2008)

Unlike sewing clothes, mining coal or forging steel, it was blessedly quiet. And thus cigar workers, whether in Chicago or Havana, were the first ones in their time who managed to introduce that vital commodity — distraction — onto the work floor.

Using their own wages, and backed by a powerful union, they paid for a “reader” who sat in an elevated chair and began the morning with the news and political commentary. By the afternoon, he would usually have switched to a popular novel. The 100 or so rollers on the floor were his captive audience, listening as they worked.

Today, the outside world has managed to sneak into the workplace through personal music players and cellphones, not always with official consent. But discussion of the effects of technology on our working lives is almost always restricted to office workers, who often see cellphones and BlackBerrys as emblems of their busy lives.

For blue-collar workers in many occupations, however, cellphones and music players have also had profound effects — including escape from the tedium or the physical isolation of their jobs. Unlike white-collar workers, many of these workers face restrictions from employers or objections from customers.

New Yorkers like to complain about cabbies talking on cellphones, but they rarely ask themselves why someone driving a cab late at night far from home needs the phone in the first place.

Music helps many postal workers stay sharp during what is often repetitive work. Giselle E. Ambursley, part of a group of five or six who work on a mail-sorting machine at the Postal Service's Morgan Processing and Distribution Center in Manhattan, said that on a typical day, "four out of five" listen to music. "It helps most of us get through the day."

"I remember when I first got a Walkman," she said. "I was excited, especially about using it at work. I bought tapes galore. I have thousands of dollars worth of tapes." Ms. Ambursley, a shop steward in the American Postal Workers Union, now uses a Microsoft Zune and says she intends to convert those tapes into digital files for her player.

Cellphones are another matter. Cellphone conversations are not tolerated while working because supervisors see them as a distraction, Ms. Ambursley said, and when a call comes in, it can be returned only when off the floor. It is a shame, she said, because for night workers, the calls are often short — wishing a good night or helping with homework — and some people can easily use a hands-free cellphone while working. The time spent leaving the work floor is a waste, she said. "They keep bringing up safety, but I bring up productivity."

David White, a freelance truck driver from Amherst, Mass., said his Treo 700 — a phone with an Internet connection — made the many days he spends away from home more comfortable. While he recognizes that truckers are not the stereotypical users of a Treo, he thinks they are ideal users. "Getting my Hotmail — now Yahoo mail — on my P.D.A., that made a world of difference," he said. "It didn't matter if I was living in a truck."

His iPod is another critical gadget. He says he downloads audio books from Audible.com and listens to them through an adapter in the tape deck in his truck.

His job does have advantages, he says. "You've got no boss, no one bothering you. You just have to show up," he said, but even so, "if I didn't have the books, I couldn't do it."

Last Christmas season, however, he worked as a temporary employee for United Parcel Service, moving packages — but not making deliveries — and he found that

the trucks had no tape decks. There were speakers, he said, and he saw that some full-time employees had rigged CD players and radios to connect to the speakers. He was leery, however, of using them without permission. He was left, he said, to listen to the G.P.S. road directions. “It was a little British voice,” he said. “Even that much was enough.”

Truckers and mail sorters have an advantage, however, that other workers do not: they largely do not deal with the public. Cab drivers, for example, are the most widely vilified users of cellphones in the workplace because they use them in front of customers. In New York, cabbies are not permitted to use cellphones while driving. The city has been sending undercover inspectors to ticket them.

Likewise, U.P.S. delivery drivers are not permitted to listen to music. Nor are trainees at the Ready, Willing and Able program in New York who clean the streets. The program’s spokesman said they “are learning how to be responsible workers, which includes balancing work and personal life.” He said they are highly visible, so “New Yorkers can see them on their cellphones or listening to music, as opposed to interacting with each other and the public.”

Biju Mathew, a professor of technology at Rider College who has been an advocate for taxi drivers, said cellphones have replaced the citizens’ band radio system. CB was “completely communal,” he said. With the arrival of cellphones, “it was broken down to a series of individual conversations,” he said. But with newer technology, he said, the drivers frequently speak in groups of 6 to 10 drivers in conference calls.

“They found that a single conversation is isolating, and they are back to communal discussions. They have readapted the technology.”

The cigar makers faced restrictions of their own. After a strike in 1931 in Tampa, Fla., failed, said Nancy Hewitt, a Rutgers history professor, the workers returned, but the factory owners had dismantled the readers’ chairs. “They replaced the readers with radios,” she said.

Over the next decade, industrial production came to the cigar factory and the radios were gone, too — no one could hear them over the noise.

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#### **4. Postal Service Tries HBO Tie-In**

By Christopher Lee

Washington Post Staff Writer

Wednesday, February 20, 2008; Page A15

In its latest attempt to stem the decline in first-class mail, the U.S. Postal Service is collaborating with HBO to promote letter writing -- and a television miniseries about one of the most prolific letter writers in American history.

This month and next, about 3 billion pieces of mail will bear a special postmark with a quotation from John Adams, a signer of the Declaration of Independence and the second president of the United States, who famously exchanged more than 1,100 letters with his wife, Abigail.

"Let us dare to read, think, speak and write," reads the Adams quotation from 1765. The postmark, technically known as a "postal cancellation," also bears the address <http://poweroftheletter.com>, which directs readers to a Postal Service-owned Web site promoting next month's "John Adams," a seven-part HBO miniseries based on the biography by David McCullough, who relied heavily on Adams's rich correspondence.

The campaign includes signs and cardboard cutouts in thousands of post offices.

Some experts question whether the arrangement makes financial sense for the Postal Service, which relies on revenue from operations rather than taxpayer funding. HBO, which is not paying the Postal Service a marketing fee, appears to be receiving valuable advertising through a public agency without offering much in return, they said.

"What's next? Does the U.S. Air Force get to make a deal with McDonald's and we can put some golden arches on the sides of our F-16s?" asked Sam Ryan, a senior fellow at the conservative Lexington Institute who has called for privatizing the Postal Service.

Roland Rust, chairman of the department of marketing at the University of Maryland's Robert H. Smith School of Business, said that HBO appears to have gotten the better end of the deal.

"That's advertising that's worth a tremendous amount of money," Rust said. "I don't see the benefit from the miniseries leading to more letter writing. . . . That's just not how people communicate anymore. They are looking at going back in time as a way to promote letter writing, but we don't live in the past. John Adams did, but we don't."

Postal Service spokeswoman Sue Brennan said the agency hopes to piggyback on HBO's marketing and strong brand name to raise awareness of the importance of letter writing, and to capitalize on a related greeting-card giveaway that will provide revenue to the Postal Service in the form of first-class postage. She said the agency is studying whether to charge for special postmarks and promotional messages on receipts in future campaigns.

Visitors to the Web site may order a greeting card bearing a quotation from Adams, which will be delivered with a stamped envelope so the user can personalize the card and mail it, all at no charge.

"The Postal Service is benefiting from this partnership by promoting the power of the written word -- the impact of personal correspondence -- trying a different approach in this day of instant messaging and e-mails to emphasize how much more powerful a hand-written message can be," Brennan said in an e-mail.

Zach Enterlin, vice president of marketing for HBO, declined to say how much money the company is putting into the partnership.

The Postal Service has engaged in similar marketing partnerships before, most recently with the producers of films such as "Shrek 2" and "Star Wars." It also has been active as a corporate sponsor, bankrolling, for example, the professional cycling team that starred Lance Armstrong.

Such activities have sometimes proved controversial. An inspector general's audit in 2003 found that the agency had not effectively managed its sponsorships and was unable to verify the revenue that it claimed from them. Postal managers disputed some of the findings as inaccurate.

Despite its marketing efforts, the Postal Service has experienced an accelerating decline in letters and other first-class mail, its most lucrative line of business, as Americans increasingly turn to the Internet and cellphones to stay connected and pay bills.

Research editor Alice Crites contributed to this report.

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