POSTAL NEWS
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1. Rate cheer for postal savings

14 May, 2008, 0549 hrs IST,Niranjan Bharati, TNN

NEW DELHI: Good news awaits investors in post office small savings schemes. The Centre is considering a hike in interest rates offered by these schemes to bring them on par with fixed deposit rates of commercial banks. Minister of state for communications Jyotira ditya Scindia and finance minister P Chidambaram are discussing the issue.

Interest rates of post office small savings schemes range from 3.5% to 7%, depending upon the term, while banks offer about 8.5% interest on similar schemes. While post office schemes can earn over 8% only for terms of six years and above, for similar terms, banks offer up to 10%.

In an attempt to win market share and improve balance-sheets, commercial banks have been offering higher interest rates. This has led to a gradual migration of funds from post office savings schemes to bank deposits. Apart from depleting funds for the post office schemes, this migration has led to an increase in money supply, fuelling inflation.

“In the past three years, there has been a consistent, sharp fall in post office small savings schemes, particularly in the term deposit, monthly income account and senior citizens’ savings schemes. As rates are one of the main factors attracting savings, we are persuading the finance ministry to raise interest rates at least for small savings schemes,” a senior official in the Department of Posts (DoP) said.

Rising inflation has also trimmed the real interest offered by postal savings. Post offices offer an interest of 6.25% for one-year deposits. A similar investment in commercial banks yields a return of 8.5%. For senior citizens’ savings schemes, post offices offer 9%, but only with a lock-in period of five years. In contrast, banks offer 9.5% to 10.5% for senior citizens, even if the term of deposit is only one year.

“Unless interest rates of small savings schemes are revised upwards, there may not be any change in the present situation, due to which post office small savings schemes will keep losing their attractivity,” Mr Scindia wrote to Mr Chidambaram recently.

In February, the DoP secretary had written to the finance secretary, seeking steps to make the post office small savings schemes more attractive.

The government has recently taken some steps to make postal savings attractive and this includes a 5% bonus on monthly income scheme (MIS) and tax exemption on investment in five-year term deposits and senior citizens’ schemes.

These measures, however, have not been sufficient to revitalise post office small savings, Mr Scindia emphasised. Very few people in rural areas come within the income tax net and tax benefit does not appeal to them, it is felt.

Savings under the monthly income scheme has come down to Rs 26,460.37 crore in 2006-07 as against Rs 47,272.63 crore in 2005-06 and Rs 48,691.8 crore in 2004-05. Under the senior citizens’ savings scheme, deposits have come down to Rs 7,238.19 crore in 2006-07 as against Rs 7,435.42 crore in 2005-06 and Rs 8,818.14 crore in 2004-05. For the time deposit schemes, savings have been at Rs 19,799.86 crore for 2006-07 against Rs 20,526.45 crore during 2005-06 and 20,429.29 crore during 2004-05.

Performance of special schemes like the Kisan Vikas Patra (KVP) and the national savings certificate (NSC) has been worse. KVP witnessed a deposit of Rs 23,495 crore in 2006-07 against Rs 29,281 crore in 2005-06, while NSC witnessed a deposit of Rs 8,971 crore during 2006-07 against Rs 10,539.91 crore during 2005-06.

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2. Abolish the postal monopoly now!

Mathieu Laberge, Financial Post
Published: Wednesday, May 14, 2008

Bill C-14, the examination of which resumed last week at the House of Commons, could open a small crack in the monopoly of Canada Post. If this bill is adopted, it will serve to abolish Canada Post's exclusive privilege in the sending of letters abroad.

In an interview published on April 28, Canada Post president Moya Greene recognized that some of the corporation's equipment is ageing -- the United States Postal Service has actually relegated similar equipment to the National Postal Museum -- and that decision-making processes in the public sector are more ponderous than in the private sector.

A few days after, in response to a recent controversy over the awarding of lobbying contracts, another Canada Post official stated in the Montreal daily La Presse that this organization "does not operate like other government departments because, in principle, it is a commercial Crown corporation" and is "a self-sufficient and competitive business." If all these statements are true, why maintain a public monopoly on postal delivery?

The change involved by Bill C-14 is timid, however. Why not go further and challenge the entire Canada Post monopoly? The corporation itself does not necessarily seem opposed to this. In an opinion piece published in the National Post earlier this year, Canada Post's president stated: "If the delivery of letters were opened to competition, we would respond to that challenge, too -- as long as we were given the means and the same freedom to compete as others in our markets."

Other countries, including Japan, Sweden, the Netherlands, New Zealand and Germany, have succeeded in reforming their postal monopolies while continuing to provide service everywhere within their borders. In New Zealand, for example, the government has opened all of the public corporation's services to competition. The corporation must maintain its universal postal service, but is not required to keep prices uniform. In Japan, the government set up a fund to absorb the deficits of regional post offices. In every instance, there were improvements in productivity and in the quality of service.

By 2011, all postal services in European Union countries will be fully open to competition. This decision, taken last year, means that the last sector still reserved for the former public monopolies, non-express letters under 50 grams, will soon disappear.

In our era of Internet and wireless phones, the traditional post office is no longer an essential service, as it might have been in the 19th century. It should also stop being seen as a privilege of national sovereignty. Such symbolic concerns should be left to stamp collectors. These anachronisms must no longer serve as a pretext for blocking a fuller modernization and liberalization of postal services.

The post office really is just a service like any other for which consumers, including those in rural areas, should pay a realistic price set by market conditions. If the government wished for political reasons to continue subsidizing service in these areas for a certain time, it could do so in a more targeted way. Private postal service companies could be required to contribute to a fund to finance maintenance of service at reasonable cost outside urban areas. At a time when computers and cellphones are ubiquitous, consumers should have just as great a choice of supplier when they wish to post a letter as they do when they use these new technologies.

--- - Mathieu Laberge is an economist at the Montreal Economic Institute.

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Wednesday, May 14, 2008

3. **Postal service incurred Rs. 3000m loss last year**

By Kassapa Ellepola

The Minister of Post and Telecommunication Mahinda Wijesekara says the postal department had incurred a loss of Rs 3000 million for the year 2007. He further said that the department was the third most loss making department last year.

“This department is a heavy burden on the government. The people are not happy enough with the service that the department provides and there are problems regarding payments, incentives and promotions within the department. It is with all these problems that we would have to implement new policies for upgrading the service which I have plans to do by June 4,” the Minister said.

The Minister urged the Chief Accountant of the department to investigate the losses incurred by the department.

Deputy Minister M.S. Selvasami meanwhile said that the main solution to overcome this issue is to reduce expenditure and look for more revenue.

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4. **U.S. Postal Services increases prices for various mail services**

By Times Staff
Published: Tuesday, May 13, 2008
Effective May 12, prices for U.S. Postal Service mailing services, including standard mail, package services and special services, went up slightly. The average increase is at or below the rate of inflation as measured by the Consume Price Index.

"The Postal Service developed the Forever Stamp for consumers to ease the transition during price changes," said Postmaster General John Potter. "Like the name suggests, they are good forever."

Consistent with the Postal Accountability and Enhancement Act, prices for mailing service will be adjusted annually each May. The Postal Service plans to provide 90 days' notice before the changes each year.

Some price changes now in effect: First-class letter, 1 ounce from 41 to 42 cents, 2 ounce from 58 to 59 cents; postcard, from 26 to 27 cents; large (2 ounce) envelope, from 97 cents to $1; and certified mail, from $2.65 to $2.70. See the Website usps.com/prices for all postal products and services.

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Tuesday 13 May 2008

5. Competition threatens future of post service

Royal Mail is in crisis yet again. In 2005-6 Royal Mail Group made profits of £355 million. It has seen these shrink to £233 million in 2006-7, and down to £162 million in 2007-8.

Royal Mail Letters made a loss of £3 million in 2007-8, in contrast with a profit of £136 million in 2006-7.

It's hardly surprising then that the initial report from the government's review of postal services says that there is "now a substantial threat to Royal Mail's financial stability and, therefore, the universal service".

It states that the top 50 companies which post 40 percent of mail in Britain have benefitted from being able to switch to Royal Mail's cherry-picking rivals.

But there have been "no significant benefits from liberalisation for smaller businesses and domestic customers".

In January 2006, Royal Mail's monopoly on collecting, sorting and delivering mail was scrapped by the regulator Postcomm.

Since then competitors have taken more and more of the profitable work through downstream access. This is where companies collect mail from big businesses "upstream" (cheap to do), and take it to Royal Mail to be delivered "downstream" (expensive to do).

By last year the likes of TNT had grabbed 20 percent of the profitable upstream market, including 40 percent of bulk mail posted by businesses.

This has been encouraged by a Postcomm ruling that if Royal Mail offers to collect and deliver bulk mail cheaper, then it has to allow rival companies to have cheaper

downstream access to its delivery network as well. No wonder Royal Mail hasn't won a contract for bulk mail since 2006!

This year is crunch time for postal workers and the service we provide. Royal Mail management is already attacking our pensions to cut costs, claiming it can no longer afford them.

We have to fight this, and we will. But unless the dire impact of postal liberalisation is reversed, then we will face repeated attacks on our wages, pensions, and terms and conditions.

The CWU union campaigned for and won the government review of liberalisation. Now it must demand that the result of the review is to stop Postcomm undermining Royal Mail in favour of its competitors.

Otherwise it will be confirmation that Labour no longer represents postal workers' interests, and we must look to others to do so.

Simon Midgley, CWU political representative, Bradford & District Amal branch (pc)

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May 14, 2008

6. Quake delays Sichuan postal services

Mail delivery services including Speedpost to Sichuan and nearby provinces and cities will be delayed as both outbound and inbound postal operations are affected by the earthquake in Sichuan, Hongkong Post says.
The affected areas include Chongqing (post code starting with 40), Gansu (post codes starting with 73 and 74), Guizhou (post codes starting with 55 and 56), Hubei (post codes starting with 43 and 44), Hunan (post codes starting with 41 and 42), Shaanxi (post codes starting with 71 and 72), Shanxi (post codes starting with 03 and 04), Sichuan (post codes starting with 61, 62, 63 and 64) and Yunnan (post codes starting with 65, 66 and 67).

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Collected by Chairul Anwar, Bandung, Indonesia.
E-mail address : chairulanwar49@operamail.com, uyungchairul@plasa.com.