

POSTAL NEWS

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1. The United States Postal Service Uses Transportation Modeling to Reduce Transportation Costs

Savings of over \$10 million in two years since the model was deployed in 2006

Last update: 1:00 a.m. EDT Sept. 9, 2008

SUNNYVALE, Calif., Sept 09, 2008 /PRNewswire-FirstCall/ via COMTEX/ --

ILOG(R) (ILOG:

13.63, -0.23, -1.7%) today announced that the United States Postal Service (USPS) has realized over \$5 million in annual savings through a strategic transportation management initiative. Developed by USPS and IBM using ILOG CPLEX(R) optimization software, the Highway Corridor Analytic Program (HCAP) uses advanced technology to analyze USPS highway transportation scenarios and identify cost saving opportunities. The HCAP model examines routing and scheduling options to minimize costs while meeting business goals -- leading to a savings of over \$10 million in the two years since the model was deployed in 2006. The USPS transportation network is large and complex -- including responsibility for shipping over 200 billion pieces of mail per year through a system of transportation networks -- and accommodates many different levels of services to its customers. The USPS network must consider different classes of mail, including Priority, First Class, and Standard, as well as different types of mail, such as letters, flats, and parcels. These complexities of various mail sizes, weights, and classes, coupled with the large scale of the USPS network, create a challenging environment in which to plan and manage transportation.

To address these challenges, the HCAP model uses specialized optimization technology to identify the best allocation of mail among transportation resources. Optimization technology enables quick calculation of the best possible utilization of resources -- including vehicles, people, time, processes, equipment, raw materials, supplies, capacity, and securities -- needed to achieve a desired business result, such as minimizing cost or process time or maximizing throughput, service levels, or profits.

"The United States Postal Service operates in a very unique business environment, where the overall size of operations and the inherent logistical complexities create significant challenges in managing the transportation network," said E.J. Matto, Associate Partner, IBM. "Using optimization technology for the transportation model helps the USPS uncover opportunities to streamline areas of long-haul transportation through consolidation."

The HCAP initiative helps to identify opportunities to consolidate trucks to maximize use of resources without sacrificing service levels. In addition, USPS is provided with the most efficient plan for utilizing existing transportation assets, accounting for specified parameters, such as routes, delivery time, truck capacity restrictions, and mail class. The size of a typical scenario is bound by approximately 15,000 business constraints and 3,200 variables. The program's model can be applied to a wide variety of scenarios to ensure timely delivery of mail, while not exceeding truck capacity or violating routes.

About USPS

For more information about USPS visit <http://www.usps.com>.

ILOG

ILOG delivers software and services that empower customers to make better decisions faster and manage change and complexity. Over 3,000 corporations and more than 465 leading software vendors rely on ILOG's market-leading business rule management system (BRMS), supply chain planning and scheduling applications, as well as its optimization and visualization software components, to achieve dramatic returns on investment, create market-defining products and services, and sharpen their competitive edge. ILOG was founded in 1987 and employs more than 840 people worldwide. For more information, please visit <http://www.ilog.com>.

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SOURCE ILOG

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2. Antique Biplane to Fly Mail Cross-Country 80 Years After Crash

Last update: 5:57 p.m. EDT Sept. 8, 2008

FARMINGDALE, N.Y., Sept 08, 2008 /PRNewswire-USNewswire via COMTEX/ --

The following is being released by the U.S. Postal Service:

What:

Reenactment of the first transcontinental airmail flight from Long Island to San Francisco in a restored airmail biplane after a crash in 1928.

Who:

Aviation Historian/Antique aircraft restorer and Boeing 40C Pilot Addison Pemberton

Antique aircraft restorer and 1927 Stearman C3B Pilot Larry Tobin

Antique aircraft restorer and 1930 Stearman 4E Speedmail Pilot Ben Scott

Tom Gaynor, U.S. Postal Service, 631-582-7506 email: Tom.Gaynor@usps.gov

When:

9 a.m.

Sept. 10, 2008

Where:

American Airpower Museum at Republic Airport

1230 New Highway
Farmingdale, NY 11735 (on Long Island)

Background:

A restored airmail passenger biplane that crashed in 1928 will navigate America's first transcontinental airmail route and depart from Republic Airport in Farmingdale, NY on September 10. Mail on the six-day, 15-stop flight will fly on the nation's oldest operating passenger airliner -- a restored open cockpit Boeing 40C biplane that has interior seating for four passengers.

The Postal Office Department played a vital role in developing the nation's commercial aviation industry. United Airlines, American Airlines and other commercial carriers first got off the ground as contract air mail carriers. To keep the mail moving by flying at night the Post Office installed radio stations, towers, beacons, searchlights and boundary markers. The Post Office also equipped planes with luminescent instruments, navigational lights, and parachute flares. Once the public recognized the mail got there safely, passenger service began. Today, the Postal Service continues as the airline industry's largest customer and invests more than \$3 billion of its \$6.5 billion annual transportation costs to air transportation. First-class letters traveling coast to coast today are transported by air and take three days to deliver. In 1928, depending on the weather, delivery could take five to 10 days. Airmail delivery started in 1918 at a cost of 24-cents, or \$3.43 in today's dollars. For more information on postal aviation visit:

http://www.usps.com/cpim/ftp/pubs/pub100/pub100_026.htm

Transcontinental Air Mail Route Schedule, Sept. 10-15, 2008

Due to possible weather-related or other delays, please contact George Perks at 509-979-1616 or by email at perkspatch@comcast.net to confirm on site interviews.

-- Wed., Sept. 10 -- Depart New York Republic Field 9:30 a.m. Arrive Bellefonte, PA late morning. Depart and arrive Cleveland, OH Burke Lakefront Airport (BKL) late afternoon/early evening. Overnight stop.

-- Thurs., Sept. 11 -- Depart Cleveland (BKL) 9:30 a.m. Arrive Bryan, OH (OG6) late morning. Depart and arrive Chicago, IL Lansing Airport (IGQ) late afternoon. Arrive Iowa City, IA (IOW) early evening. Overnight stop.

-- Fri., Sept. 12 -- Depart Iowa City 9:30 a.m. Arrive Omaha, NE (OMA) late morning. Depart and arrive North Platte, NE, (LBF) late afternoon. Overnight stop.

-- Sat., Sept. 13 -- Depart North Platte 9:30 a.m. Arrive Cheyenne, WY (CYS), late morning. Depart and arrive mid-afternoon Rawlins, WY (RWL). Depart and arrive Rock Springs, WY (RKS) early evening. Overnight stop.

-- Sun., Sept. 14 -- Depart Rock Springs 9:30 a.m. Arrive Salt Lake City, UT (U42) late morning. Depart and arrive Elko, NV (EKO) late afternoon. Depart and arrive Reno, NV (RNO) early evening. Overnight stop.

-- Mon., Sept. 15 -- Depart Reno 9:30 a.m. Arrive Hayward, CA (HWD) late morning. Depart Hayward mid-day for San Francisco (SFO or Chrissy Field). Return to Hayward. Overnight stop.

Note: Media requests to fly in Boeing 40-C will be considered on a space available basis by contacting Addison Pemberton, 509-995-6240. Postal officials will provide b-roll of early mail sorting and airmail flight operations and footage of today's high-tech mail sorting and transportation operations.

An independent federal agency, the U.S. Postal Service is the only delivery service that visits every address in the nation, 146 million homes and businesses. It has 37,000 retail locations and relies on the sale of postage, products and services to pay

for operating expenses, not tax dollars. The Postal Service has annual revenues of \$75 billion and delivers nearly half the world's mail.
SOURCE U.S. Postal Service

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3. Blowing the whistle on postal service

MARK WILLIAMSON September 08 2008

AS regulators try to encourage investment in the postal service, giants such as TNT are licking their lips at the idea of further liberalisation of the service.

Unions worry that private sector players will be given an unfair advantage over the Royal Mail.

This week's SME Focus shows that it is not only big fish which have tried to take advantage of deregulation. As the book says, former Royal Mail insider Gary Sweeney advises all who are thinking about striking out on their own to "feel the fear and do it anyway".

Name: Gary Sweeney.

Age: 41.

What is your business called? Altus.

Where is it based? In Glasgow.

What does it produce, what services does it offer? We work with clients to identify potential savings and improve efficiency of their postal system covering everything from physical distribution of letters and parcels to production of what they're sending out.

To whom does it sell? Any business that counts postal expenditure as one of their key costs. Our main focus is on financial, utility or public sector organisations spending large amounts on customer communications, contact data management, print, mail production and postage. We work closely with postal suppliers such as Royal Mail, TNT and others.

What is its turnover? We aim to break the £1m barrier this year.

How many employees? Six and normally an average of four freelance procurement/project specialists.

When was it formed? In 2004 - the company was formerly known as Two 006 in recognition of the original date for the deregulation of the postal market.

Why did you take the plunge? Working as a director of Royal Mail, I was becoming increasingly frustrated at my inability to bring about change in the organisation.

I worked alongside a lot of talented people, but no matter how good you were at your job and how committed you were, you couldn't make a real difference because the organisation was too big.

The whole culture had changed - we're talking about a business which had gone from making £800m per year at one stage to one which was losing £1m per day. The strategies for the future development of the business were all wrong but criticism was falling on deaf ears.

They chose to invest heavily in a number of different strategies, all of which I felt were either misguided or unnecessary and I believe were the nub of why the business changed from being the most successful post office in the world to one that was struggling badly.

Without any research being done to assess whether there was customer demand for it, a decision was taken to spend £200m to ensure that mail would be delivered by 9.30am - a year later it was decided that sometime between 9am and 4pm would be acceptable.

A sum of £1bn was spent on putting IT infrastructure into the Post Office branch network - a move that didn't make the organisation any more competitive or reduce the cost of transactions.

Royal Mail then cut the price of the second-class stamp, which cost them £500m annually. Part of the strategy also involved major investment in changing the name of one of the world's best brands name to Consignia and embarking on a global acquisition strategy. Of the 22 companies acquired under that umbrella, most were sold on again shortly afterwards.

I also worked alongside Postcomm, the postal industry regulator, which was valuable in that it gave me an insight into what an open market would bring.

I wanted to take responsibility for my own future and the only way to do that was to create my own company.

Royal Mail was a business I spent many happy years in, but it was no longer the company I'd grown up with - I outlined the pros and cons of leaving and decided that the only reason to stay was fear of losing the security of a director's pay package, bonuses and a comfortable lifestyle.

On the other hand, I was literally able to find about 18 reasons why I should leave and once I broke through the fear barrier I knew that it was time to move on.

Although I was only 35 years old when I left, I also didn't want to get to the age of 50 and realise that I regretted not setting up on my own.

What were you doing before you took the plunge? I wasn't academic and I left school at 15 having sat no exams and with no qualifications.

I was the youngest of seven kids and all my brothers were manual labourers, working as joiners and so on. Everybody in my house seemed to wear boiler suits. I knew that wasn't for me and I was determined to prove to people that you didn't have to be academic to be successful in life or in business.

My first job was an office position with John Brown's in Clydebank and from there I joined Royal Mail as a postman, which became my stepping stone to managerial roles.

I worked my way up through the ranks and became Royal Mail's youngest ever senior manager. I then progressed to a director role based in London.

How did you raise the start-up funding? I took a voluntary redundancy package from Royal Mail and started in my attic which I used as my base for the first year.

In the early days, I had little backing from the business support agencies - there was lots of talk but little in the way of genuine interest or financial help.

To be fair, I've had some assistance from Scottish Enterprise with marketing and upgrading my website but I'd have to say that Business Gateway, for example, has been of little assistance to me. I found dealing with them akin to wading through treacle.

I feel there's a lack of ambition there and an inability to recognise the true potential of some of the companies they deal with.

What was your biggest break? Winning a project from one of the big Scottish banks. They were quick to see the savings potential but lacked the skills and knowledge of the postal market to deliver them. We identified seven-figure savings for them and still work with them.

What was your worst moment? We produced a strategy for a very large insurance company. Against our better advice, they decided to implement our plan themselves and we lost out on a healthy savings fee.

What do you most enjoy about running the business? Having come from an environment where decision-making wasn't a quick process, I now really appreciate the fact that I'm in control of my own destiny. I've got a small team around me and being able to bounce ideas off them, get feedback quickly and then make a decision on how to move forward is like a breath of fresh air.

What do you least enjoy? Situations where games are being played or politics are driving agendas. We find that different departments can be very protective of their budgets and the way they work.

What is your biggest bugbear? One of my main issues at present is recruiting the right people. I need individuals with the relevant background in the postal industry but without what I call the public sector, monopoly mentality. I can get people who know

the operational side of mail inside out but who want to treat the job like a nine-to-five clock-watching operation.

What are your ambitions for the firm? To expand across financial services, utilities and the public sector in the UK. Longer term, we see a lot of opportunities for growth in the European and the North American postal markets.

What are your top priorities? Creating more awareness of the opportunities that I think the deregulated postal market brings; to keep knocking at the public sector door in the hope we can get in; to continue to build a team with the specialised skills we require; to know that I'm doing my best by my family, my customers and my staff.

What could the Westminster government and/or the Scottish Government do that would most help? Allow young companies like mine to have easier access to procurement departments within the public sector. It is very hard and time consuming trying to break in.

What was the most valuable lesson you learned? To follow your dream and not be discouraged even when people don't believe in what you're trying to achieve and constantly try to knock you down.

When I was starting out colleagues who I respected and even people close to me urged me to take the safe option and forget any idea of setting up my own business.

How do you relax? A jog in the morning really helps me to get focused on the day ahead.

Having a life/work balance is very important to me.

I work long hours because I genuinely see the business as my baby but my wife Fiona and kids Bethany and Mark bring me down to earth, which is healthy.

I'm also a qualified football referee and run the line most weekends in the Scottish Premier and Scottish Football leagues.

I love football and the passion and emotion that it arouses.

In response to Gary Sweeney's criticisms in this article, a Royal Mail group spokesperson said: "Since 2001 when Royal Mail Group began operating as a plc it has faced major challenges and undergone huge transformation.

"Under the leadership of Allan Leighton and Adam Crozier, the business was turned around from losing more than £1m a day to making a £537m profit from operations in 2004-05.

"In recent years, the company has also delivered the highest levels of quality of service to customers on record.

"The company and its people are now clearly focussed on meeting the challenges posed by the fierce competition that now exists in the postal market."

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