

POSTAL NEWS

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27-01-09

1. US small businesses optimistic, UPS survey finds

A large majority of US small businesses are surprisingly optimistic about the future despite the grim state of the country's economy, according to recent UPS-commissioned surveys.

As many as 86% of US SMEs said in mid-December that they expect their businesses to be in the same or better financial shape in one year's time, the UPS Business Monitor United States found.

In an earlier UPS Business Monitor United States, conducted between September and October last year, 91% of small-business owners or managers said they expected their company to be in the same or better financial shape 12 months on. There was thus only a slight fall in confidence despite the worsening economic conditions late last year.

Importantly, this optimism is rooted in realism as small-business owners surveyed do not project a speedy economic recovery. In the first survey, almost half (47%) of small-business owners said they believe that the US economy will begin to improve in 2010 or later. That number climbed to 67% in the December survey.

"Despite incredible changes in the economy, small businesses still see vibrant opportunities," said Jim Beach, a professor of entrepreneurship at the University of

Tennessee. "That eternal optimism and entrepreneurial spirit in the face of adversity is an asset that bodes well for the future of our economy."

Small-business owners who engage in international trade were more likely to project that their business would be in a better economic position 12 months from now compared to those who did not, the UPS surveys showed.

In the first survey, 56% of small-business owners who engage in cross-border trade expect their company to be in a better economic position in one year, compared to 41% of companies that did not trade. This gap widened in the second survey, with 62% of small-businesses owners who trade internationally expressing optimism compared to 39% of non-traders.

Despite this trade-related optimism, the majority of small businesses surveyed aren't exporting. Almost three-quarters (73%) of respondents do not engage - and do not plan to engage - in international trade. Unfamiliarity with global markets, language barriers and apprehension about preparing customs and other documents were among the main reasons why small-business owners say they aren't trading across borders.

"This survey shows that the vast majority of small-business owners are missing out on the key opportunities offered by international trade," said Alan Gershenhorn, UPS senior vice president of worldwide sales and marketing. "By expanding opportunities in new markets, cross-border trade can help small businesses diversify, buffering them against risk, and helping them stay strong in tough times."

The UPS Business Monitor surveys small business decision-makers in the United States, Canada, Latin America and Asia to monitor their opinions on a range of business issues. The US survey was conducted by TMS with 600 telephone interviews between Sept. 19 and Oct. 13, 2008, for the first survey, and 151 telephone interviews from Dec. 15-19, 2008, for the follow-up survey.

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2. International express market stagnates in 2008

The international express market stagnated in 2008 with low growth of 1.4% until mid-year and then declining volumes in recent months, according to an in-depth annual study of the international air cargo market. A recovery is not expected this year.

The newly-released study "International Air Freight and Express Industry Performance Analysis 2008" from US-based Air Cargo Management Group (ACMG) found the year just ended to be one of the most challenging ever for participants in the global airline industry, with record-high fuel prices followed by recession-induced traffic declines. Air cargo traffic levels showed modest year-over-year increases through mid-year, but turned decidedly negative later on.

“All indications are that international air freight for 2008 will show a decline of 2%-4% compared to the results for 2007,” said Robert Dahl, ACMG Managing Director. “November results showed double-digit declines, and early reports indicate that the December figures will come in even lower.”

International express grew just 1.4% to reach 2.144 million shipments per day in mid-2008, and express traffic also fell in recent months, according to ACMG. Some retrenching is apparent, including the deferral of freighter deliveries and some planned reductions in air operations, the organisation noted.

Those looking for a turnaround in 2009 are likely to be disappointed, as global air freight traffic is expected to drop another 5% before a recovery begins in 2010. “This is clearly disappointing news for an industry where 6% annual growth is the norm,” commented Dahl. “On the other hand, air freight tends to be a leading economic indicator, so when the recovery does come, air freight companies will be among the earliest beneficiaries.”

Over the long term economists predict global GDP will exhibit 3% annual growth, and ACMG finds that this, coupled with further globalisation, will support a return to 6% average annual growth for air freight.

“Things to watch for in 2009 include further consolidation in the airline, freight forwarding and express sectors, and more concern about shippers switching to the ocean mode as they seek to cut their transportation costs. Hopefully by mid-2009 we will see the first signs of a market recovery, although we don’t expect a major turnaround in the near term,” Dahl added.

Combined annual revenue for participants in the international air cargo market (airlines, forwarders and express companies) now exceeds \$87 billion based on results for the most recent financial year, ACMG said.

The international express market segment generally outgrew the overall air cargo market in recent years. It averaged 9.5% growth per year since 1992, but a less impressive 6.3% per year since 1997. UPS now has the largest share of the international air express market at 24.7%, followed closely by DHL and FedEx, with TNT and the Express Mail Service of the Universal Postal Union rounding out the top five, according to ACMG.

Despite the gains by the express companies, however, airlines and forwarders retain control of 89% of the tonnage of air cargo handled in the international market, and account for about 63% of market turnover. Non-express airlines have 46% (about \$40.1 billion), with freight forwarders having an additional 17% (\$14.8 billion).

27-01-09

GLS Austria records strong growth in export volumes

GLS Austria has recorded 15% growth in overall export volumes due to growing demand for deliveries to Eastern Europe.

The parcel company said its export volumes to Eastern Europe rose by 29% in 2008 compared to the previous year. It did not release any total figures for volumes or revenues.

Managing Director GLS Europe South, Klaus Schädle, said: "Eastern Europe has great potential for the future and we expect the market to grow faster than the western European market. Our export volumes to this region will rise accordingly stronger than import volumes."

GLS Austria said that about one fifth of all export parcels are destined for the Czech Republic, Hungary or Romania. The amount of parcels exported to Romania has doubled compared to the previous year. Since the establishment of GLS Romania in August 2007, the country has been fully integrated in the GLS network with 16 depots.

With its European express service "Euro Business-Parcel", GLS offers 48-hour delivery to the main capitals of the EU and neighbouring countries, and 72-hour delivery to the big urban areas. Deliveries to certain countries requiring special customs formalities take up to 120 hours.

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3. Could The Six Day Postal Service Be Lost

28 January 2009 by David Lynch - © Hellmail.co.uk

The US postal service is seeking to reduce its commitment to a six days a week service as a way to reduce its deficit. The Saturday delivery, which for many operators is an important to advertisers for junk mail, is apparently not on the hit list and it has been hinted that another day in the week could be dropped.

As the idea has only just been put to Congress, it is unclear whether the one-day delivery suspension would be on a local or national basis according to demand, but the postal service is under increased pressure to reduce costs or face a net loss of \$6bn in 2009 and dropping a day may be enough to stop it drifting further into the red.

An ongoing fall in stamped mail and a tighter squeeze on many other posted items as the recession continues to bite, is becoming a global issue.

Steve Lawson, editor for Hellmail, said:

"Whilst the US postal service is difficult to compare directly with that provided in the UK, both are having to find innovative products and ideas to halt the ongoing contraction of stamped mail. Online auction sites have been a wonderful thing for many operators in recent years but even Ebay has seen a decline in profits of some 16%. Consumer spending is down, and you can't magic post out of thin air."

Postmaster General John E. Potter said:

"The ability to suspend delivery on the lightest delivery days, for example, could save dollars in both our delivery and our processing and distribution networks. I do not make this request lightly, but I am forced to consider every option given the severity of our challenge,"

In the UK, the government is seeking private investment as a way to accelerate modernisation of Royal Mail and transferring the cost of the pension deficit to the electorate, but unions and some Labour party MPs are rejecting the idea completely. The Universal Service, the guaranteed one-delivery, one-collection service is also under threat despite Royal Mail posting an apparent profit for the last nine months of 2008 equating to around £900,000 day.

Asked whether he thought the UK might move to a five-day delivery, Lawson said:

"Flexibility is going to be key. There seems little sign that the decline in stamped mail is slowing down and I would be very surprised if Royal Mail, if it is partly sold off, would be able to sustain a six day domestic service in the longer term, but small businesses, many of which operate from home and are reliant on regular deliveries and collections would be hit incredibly hard if that were to happen. Increasingly its been an important source of revenue for Royal Mail.

"The US postal service has been looking for ways to slash operating costs for some time including encouraging redundancies but the problem is really a global one, and not helped by the damage to consumer spending and confidence since the credit crunch began. It could be ten or twenty years before we can say we're completely out of this recession and hard choices will have to be made."

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4. UPS names new top executives

UPS has appointed a new chief for its US package operations and named two experienced executives to head its expanding freight forwarding and logistics businesses.

Myron Gray, currently the head of UPS's regional operations in Canada and all of Latin America, has been named as the new senior vice president of US package operations. He will succeed Jim Winestock who will retire in February after four years in the post.

In his new position, the 51-year-old Gray will join UPS's Management Committee, comprised of the company's 12 most senior executives. Gray joined UPS in 1978 as a part-time package handler and has worked his way up through the US organisation with a series of managerial responsibilities. He took command of UPS's Americas Region in January 2008.

"Jim Winestock leaves a tremendous legacy of leadership and service excellence to our company," said UPS Chairman and CEO Scott Davis. "Myron has decades of experience in the package operation, but also has worked in industrial engineering and business development in addition to his international experience heading the Americas Region."

Meanwhile, Ken Torok, most recently head of the company's Asia-Pacific region from 2003 to mid-2008, has been named president of global freight forwarding operations. In his new capacity, Torok, 55, will direct the UPS global organisation responsible for strategy, performance and revenue growth for forwarding services. He will oversee commercial air and ocean carrier relationships as well as coordinate trade lane development and international freight sales.

"Ken brings a wide range of knowledge and experience to the job," said Dan Brutto, president of UPS International. "During his 33 years with UPS, Ken successfully directed many UPS operations outside the United States, developing important relationships in the process that will serve us well in his new capacity."

Torok spent several years in Europe where he held various managerial posts and played a key role in the integration of the company's ground and air operations in Europe, Middle East and Africa. In 2003, he was named president of UPS Asia Pacific, where he oversaw all of UPS's operations in that region.

In a third senior appointment, Brad Mitchell has been named president of UPS Global Logistics and Distribution. He was formerly operations manager for the business and joined UPS in 2000 when it acquired Canadian healthcare logistics company Livingston, Inc.

In his new role, Mitchell directs distribution services and post-sales services worldwide, including warehousing, order fulfilment and delivery and returns processing for mission critical parts. He also leads UPS Mail Innovations, offering customers postal services through the USPS work share programme.

Mitchell's primary focus is to provide service part logistics for aerospace and high tech industries as well as for the medical devices sector of the healthcare industry. These services include asset recovery, recycling management, field tech support, returns and repair management to customers, large and small, around the world.

"The post-sales supply chain is becoming increasingly important in today's complex marketplace and UPS is a leader in the space," Mitchell said. "We have the specialised experience, dedicated management team, global capabilities and systems needed to help our customers improve the performance and efficiency of their post-sales supply chains and turn them into a competitive advantage."

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5. Royal Mail heads for part-privatisation with new chairman

The British government today appointed Donald Brydon, head of a large technology group, as the new chairman of Royal Mail to steer the postal operator through further restructuring, modernisation and planned partial privatisation.

Brydon will join the board of Royal Mail with immediate effect and then replace chairman Allan Leighton in March. Leighton is stepping down after seven years in the post which saw the company gradually improve its performance and financial results but also close down a large number of post offices and suffer industrial disputes.

Brydon, who will earn £200,000 per year in the new post, been appointed for three years from 26 March 2009. He is currently chairman of Smiths Group plc, a global technology group with over 20,000 people in over 50 countries, and is also chairman of the London Metal Exchange. He previously worked for many years in the financial services sector, including with Barclays and AXA.

The UK Business Secretary Peter Mandelson said: "Royal Mail is now at a crucial stage in its transformation as it strives to improve efficiency and deliver an even better service to customers. I'm delighted to have a man with Donald Brydon's skills and experience to lead the board in this next phase. He is a proven business leader and successful chairman."

"There is no doubt that Royal Mail faces many challenges -the company has a volatile multi billion pound pension deficit and letter volumes are falling dramatically as people turn to email. But the company has a positive future if the right action is taken. Outside investment and management expertise, action on the pension deficit and on regulation is the way to transform Royal Mail and secure its future in public ownership," the minister added.

Donald Brydon commented: "The Royal Mail is one of Britain's great organisations and I am honoured to be asked to lead it in the next phase of its continuing modernisation. There is clearly a big challenge ahead but also great opportunities to meet our customers' needs. I am delighted to be joining the board at this time and look forward to a positive involvement which will benefit our customers, employees and the taxpayer."

Commenting on the appointment, Allan Leighton, outgoing chairman, said: "I warmly welcome this appointment. Donald has a strong track record across a range of business sectors and clearly has the skills and experience to support Adam (Crozier) and the team as they take the business through the next crucial stage of its development."

He added: "It has been a privilege for me to have been the Chairman of Royal Mail for the last seven years and to have seen the company through a period of enormous change - with a turnaround from losses of more than £1 million every working day to today's position where all four businesses in the Group are profitable at the same time for the first time in 20 years

28 January 2009 by Mark White - © Hellmail.co.uk

The Communication Workers Union made it clear today that it was determined to see Royal Mail remain in public ownership after the announcement today that Donald Brydon is to replace Allan Leighton as chairman of Royal Mail. The CWU raised some concerns that Brydon had a wholly commercial background rather than public sector experience.

Billy Hayes, general secretary of the CWU said:

"The Hooper Report said that expertise in network transformation and modern postal systems is essential to the success of Royal Mail. This post has instead been given to a man with excellent private sector and private finance credentials, with no network or public sector experience."

Both Billy Hayes and deputy Dave Ward, recently put their case to the Business and Enterprise Committee, saying that Royal Mail could deliver a tailored service for business, and still remain in public ownership rather than a sizeable stake sold to an outside investor.

The union said it accepted that job losses would come with modernisation but rejected the findings of the Hooper report that suggested that part-privatisation was the only way forward for Royal Mail.

"We hope Mr Brydon will be able to adapt to a public service with a unionised workforce, a trusted brand and a great deal of affection from the general public. There are high expectations on this company role to deliver a modern and successful publicly-owned Royal Mail." said Hayes.

Dave Ward, who raised concerns to the Business and Enterprise Committee that the rapid change of RM board members made it difficult for the union to maintain stable communications with the company, said:

"We want a Chair who is committed to the delivery of successful public services. We expect the new Chair to be committed to Royal Mail and be in for the long-haul. There has been too much turnover of senior management at the company and this undoubtedly affects the operations of the company."

The CWU and Lord Mandelson remain at loggerheads over the government's plan to sell a 'minority stake' in Royal Mail to an operator with experience of transforming a postal service. Mandelson refutes suggestions that it is privatisation and that the government is committed to keeping Royal Mail a public service. The CWU has in more recent months threatened to cease funding of the Labour party if the government tried to privatise Royal Mail. The union's view is shared by over 100 Labour MPs which could scupper Mandelson's plan altogether unless backbenchers decide to tow the party line.

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7. Union, Postal Service differ on cutting job hours

By KITTY CAPARELLA

Philadelphia Daily News

If the U.S. Postal Service cuts workers' hours, customer service will suffer and the mail will be delayed, says the president of a national postal workers union.

Not so, says the USPS in response to William Burris, president of the American Postal Workers Union.

"Our continuing effort to reduce cost has not hurt customer service," said Gerald McKiernan, manager of USPS media relations.

They are the two sides of a debate about the deficit-ridden postal service, and its recent problems in delivering mail service to the public in a timely fashion.

Today, postal officials will spell out their financial troubles before a Senate subcommittee on federal financial management, an oversight committee of the USPS, headed by Sen. Tom Carper, D-Del.

Last year, the Postal Service lost \$2.8 billion, even though it cut \$2 billion in expenses. In the past four years, 100 million work hours have been eliminated.

But this year, USPS plans to cut 100 million work hours and still projects an even higher deficit than last year.

Postal officials hinted last February they may need a bailout due to the sagging economy.

Yet, the USPS Board of Governors gave Jack Potter, the postmaster general and chief executive officer, a performance bonus of \$135,041, and other compensation that more than tripled his \$263,575 annual salary.

Other top officers also received bonuses.

In a Jan. 7 column on the union's Web site, Burris blamed the \$2.8 billion deficit on the decline in mail volume due to the nation's economic crisis. "Volume will not increase until the economy recovers," he added.

Burris credited local APWU president Gwen Ivey's "spirited fight to inform the public that smoke and mirrors do not deliver the mail; you need workers."

And he cited recent exposés by the Daily News about "acts of deception" by postal managers "to mask the delay of the mail and perhaps even cover up the destruction of mail."

McKiernan, who responded to Burris' column in a Jan. 16 letter, said "record high national service scores in 2008 for the delivery of first-class mail."

In an effort to stanch "bleeding red ink," Burris suggested raising postage for major mailers who now receive discounts for pre-sorting their mail, a program called "worksharing."

"As a result of this practice," said Burris, "large mailers rates are at the same rate as average Americans paid in 1995."

McKiernan defended workshare discounts:

"Mailers can earn postage discounts by barcoding and presorting mail and other mail preparation work that we normally do."

Worksharing "saves us processing costs and the savings are passed on to the customer," McKiernan said.

The program is for large volume customers and shipping consolidators.

Burris said that "Some members of Congress have questioned whether the USPS is in compliance with its own service standards."

New standards, such as how fast a First Class letter should arrive at its destination, are to be announced next month. *

French Postal Workers To Join General Strike
27 January 2009 by Franz Groter - © Hellmail.co.uk

French postal workers are to join many other public sector workers by striking in protest over what they see as poor leadership from the French government over the economic downturn.

Others expected to join the general strike include journalists and car workers. The action is backed by the major unions as the French and other European governments desperately try to minimise the damage of what looks likely to be a prolonged recession.

In the UK, Prime Minister Gordon Brown said that doing nothing during the downturn was not an option and only by maintaining a fiscal policy across Europe could European countries see a faster return to stability and growth. Opposition leaders say that massive borrowing will only create an extended period of high taxes later on and would do little to stimulate the economy, drawing attention to the recent drop in VAT rates which they say has so far not seen a resumption of consumer confidence.

Growing unemployment and a fall in growth in France has fueled the protest which could yet escalate into further protests.

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