

POSTAL NEWS

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1. Liberalised Postal Service Not Offering Choice

01 February 2009 by Editors Comment (Steve Lawson) - © Hellmail.co.uk

Jon Kaila in The Mirror today, contributed what seemed to be a misinformed article on the privatisation of Royal Mail, suggesting that the Post Office would not be privatised if the idea of a 'peoples bank' were brought into play.

Privatised post office? Thats a new one. The Post Office and Royal Mail are not the same entity, even if both sit under the Royal Mail umbrella, and no one has so far even suggested privatising the Post Office. Besides, post offices are a sensitive area between the government and the electorate, and despite a move to put the post office card account out to tender, the government was forced to back down and award the account to the post office to ensure its future and negate the mounting backlash from, well, just about everyone.

To be fair to Kaila, the relationship between Post Office Ltd and Royal Mail is a close one, and even after deregulation, the post office network still depends heavily on Royal Mail for business, but that still leaves subpostmasters heavily tied into Post Office Ltd (ask any subpostmaster that has tried to go it alone), and in a liberalised letters market, I'm not convinced that its good for either customers or subpostmasters. With the network reduced though, its good for Royal Mail.

For the moment though, the government says it is committed to retaining the few post offices left as a publicly owned network, but with the row over plans to privatise RM, and postal deregulation having so far seen no gains for average consumers, who knows what scheme may emerge. In fact the idea of a part-privatisation of Royal Mail, described loosely as a 'strategic partnership', isn't exactly gaining huge support. The list of names of MPs against it, is growing by the week, and the vast majority, bizarrely, are Labour MPs.

No one seems entirely clear on how much money Royal Mail is making or losing either and where we go next, but there is ample criticism of postal deregulation itself and with such big disasters in the banking world in more recent months, 'privatisation' isn't the most popular word being bandied around. Mandelson's whispered support for the idea of a 'People's Bank' is probably more an attempt to soften-up those MPs putting their name to an outright rejection of his part-privatisation plans. In fact I'm sure it is.

As for a 'strategic partnership', few can be in much doubt that it would bring about a rapid acceleration in delivering more for even less. Lets face it, there would be little appeal for a part share without a real prospect of making substantial money, plus shifting the problems on to someone else and perhaps saving the government a few quid into the bargain must be high on Mandelson's agenda. There is the tiny matter of the massive pension deficit, but the government plan is to dump that one on the tax payer. Hmmm, deregulation really worked then.

CWU leaders, who generally like to call a spade a spade, select committee or not, are strongly against the idea of privatisation. Deputy leader Dave Ward seems positively passionate about it and has good reason to be. If this plan goes ahead, postal workers will most certainly see a massive wave of job losses in a relatively short space of time, and a complete re-write of workers terms and conditions in order to force the business into greater profit under what will essentially be a completely new regime. It is unclear at this stage how a partnership might work, but if it is Dutch-owned TNT for instance, don't they themselves have sorting equipment in the UK which could feasibly help reduce the head count?

However you look at it, staff will be reduced and as jobs go, so does the CWU's membership. As with all unions, strength, and indeed revenue, is wholly reliant on numbers. Once Royal Mail adopts a shareholder basis, whether that be on a 20%, 30% or even 49%, Royal Mail's status as a wholly publicly-owned business would come to an end, and with it, union influence in the workplace.

Fine words from government on a determination to keep Royal Mail in public ownership won't count for much once the ideas men move in. This isn't one rung on the ladder of privatisation, its several in one go.

There are of course those that much prefer nationalised industries. For one thing it ensures a rate of pay whether the business is profitable or not. Those in favour of privatised industries however, insist that it drives efficiency and growth. To be honest, neither concept is too hot. They each have their failings. The post office network, in my opinion, suffers terribly from the restrictions placed on subpostmasters working under the Post Office logo. When deregulation was introduced in the UK, the post office network wasn't deregulated at the same time. Instead, a massive cull operation took place, weakening the network enormously and affecting many thousands of other businesses located close by.

The post office cull was based around a need to save money of course. Post offices had for some years been systematically raped of what were lifeblood contracts and with little or no scope for owners to be anything other than shop counters for the few remaining products left, the cost of maintaining the network soared to unbelievable

proportions. In short, we let the post office network die through neglect and lack of innovation. The Italians by comparison, liberated their post offices by turning them into key service points selling just about everything and they run at a healthy profit too.

To have a fully deregulated market, customers need choice. That is the whole point of deregulation. Other operators could have made good use of such a network of access points, but instead we concentrated on collections and deliveries and forced competition through via these insane access agreements. As customers, we are all paying more but with fewer post offices, tied into basically one supplier, with fewer deliveries. You can't deregulate one part of a postal service and hope that the rest will somehow cope, and that delivering and sorting mail with fewer postal workers will magically transform the entire industry.

No, if you're going to deregulate, you have to do all of it. Subpostmasters need the freedom to become the face of several operators, not just a people's bank. They need the freedom to introduce services based on local need, not an assumption (as now) that selling some travel insurance package will stave off closure.

Anyone who has ever lived in a rural location with few amenities, much less shops, will tell you that timing is everything. You have to ensure you fill up with fuel somewhere on the way to work and that you need to pick up sausages somewhere else on the way home. It's a whole different lifestyle. The local shop (if you still have one) probably won't have a cash machine so you have to trundle off to nearby Concreton for that. If post offices are to survive, let them sell what customers actually need. Without a radical approach to the role of Post Offices, we are simply supporting the role of the car at a time when we urgently need to reduce car use and fuelling the supermarket sweep bonanza.

Do I think privatisation is a good thing? No, I think it's a desperate last resort in a series of failed attempts to force the transformation of postal services in the UK. Royal Mail needed modernising ten years ago. The regulator, Postcomm, has been under massive pressure to make deregulation work but in the end, all the new operators have been pitched at the business end of the market and all too many of those are small players. The CWU's assertion that Royal Mail's approach to modernisation has been piecemeal, may have merits, but the piecemeal approach has been endemic throughout all the organisations involved in this so far. The vision just hasn't been there.

Do I think privatisation will happen? Sadly, yes. It may be dragged out longer than planned for, but ultimately there won't be any choices or ideas left and it will be a matter, in the end, of hard cash or lack of it. However, I do believe we can turn things around but it will need the CWU and RM working together, pricing stamps at a level that is reasonable, reassessing access agreements, providing deliveries at more sensible hours, and allowing post offices to be important community focus points that provide access to all government services, not just banking, and a wider choice of postal and parcel operators via the counter. Give the customers what they actually need - on a local basis.

The idea of a 'Peoples Bank' isn't new. Hellmail has been calling for a broadening of the services offered by post offices for the last four years, particularly banking, and the Federation of Subpostmasters has been equally vocal about a need for an enterpreneurial spirit within the network. I'm just not sure it can ever really work whilst post offices remain entirely the remit of the Royal Mail group. Postal services are only partly liberalised and not that well even then. Creating 'choice' needs genuine competition, not simulated competition.

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2. Postal voting in Sri Lanka PC polls to begin tomorrow

Sunday, February 1, 2009, 16:39 GMT, ColomboPage News Desk, Sri Lanka.
Feb 01, Colombo: Casting of postal votes for the upcoming Central and North Western provincial council election is to commence tomorrow, the Election Secretariat said.

According to the schedule postal voting is to end on 3rd of February.

Sri Lanka Election Secretariat has received nearly 85,000 postal vote applications from the government sector for the upcoming provincial council polls.

The Election Secretariat said that the highest number of applications was received from the Kurunegala District with the total number of 33,556 applications.

Meanwhile the security forces have casted their postal votes on January 27th and 28th as they have currently been deployed to provide security for the country's Independence Day celebrations.

The election for the North Western and Central provinces is scheduled to be held on the Valentine Day, 14th of February.

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3. FG To Set Up Postal Sector Regulator

February 1st, 2009

The Bureau of Public Enterprises (BPE) said it has completed the design for the establishment of an independent postal sector regulator, together with the implementation programme.

Director General of BPE, Mrs Irene Chigbue disclosed this when she led her management team on a courtesy visit to the Minister of Information and Communication Prof Dora Akunyili.

She described as unacceptable a situation where NIPOST is both an operator and a regulator, stating that a commission, National Postal Commission (NPC) would be set up to regulate the industry. The director general added that being a statutory corporation restricts NIPOST's access to loan capital and also restrict business possibilities.

But she however noted that setting up of an independent postal regulator will require a lot of resources, adding that another challenge would be the establishment of an effective post code system given the unplanned rural and urban settlements in Nigeria.

The BPE boss said her organisation is in the process of instituting economic reform in the Nigerian postal sector and also to reposition NIPOST for optimum operational efficiency.

"NIPOST is currently being prepared for restructuring. In this regard, the modified business plan, draft memorandum describing the functions of each NBU and the financial due diligence report has been completed".

Mrs Chigbue however disclosed that there is no sector policy/strategy, stressing that existing law is outdated. She maintained that the incumbent operator, NIPOST cannot meet the demands of the market and services as operators and regulator. She stated that NIPOST has not been able to provide the basic services.

The director general pointed out that the objective of the postal reform is to ensure that postal service are available to all Nigerians at affordable cost and in timely and efficient manner; align the postal sector to global development in information communication technology; institutionalise commercial practices in the sector and introduce private sector participation and create an enabling and competitive environment with independent regulation, broaden the scope and depth of services provided to include savings mobilisation, micro credit administration, payment and funds transfer system for the entire country through vast post office network.

The BPE boss revealed that the reform process of the postal sector was initially scheduled for commercialisation in Part 1, Schedule 2 of the commercialisation and privatisation Act of 1999, but the position was later modified to partial privatisation when it became very clear that any attempt to sell a substantial stake in NIPOST without extensive restructuring would fail.

The director general told the minister that the new approach towards postal sector reform recommended three phased process. According to her, phase one is expected to review the postal sector policy and develop an effective policy framework for creating efficiency and effectiveness in the sector.

Phase two, she said, consists of an assessment of the existing legal, regulatory and organisational framework governing the postal sector in relation to the achievement of the Federal Government, while phase three of the programme involves the restructuring of the Nigerian Postal Service (NIPOST) into new business units (NBUs).

She said BPE has formulated a postal sector policy/strategy which has since been approved by the National Council on Privatisation to be forwarded to the Federal Executive Council (FEC).

"The draft postal sector bill is also ready and has since been approved by the NCP. It is currently awaiting FEC approval for an on-forwarding to the National Assembly", she said.

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4. Axes Banking showcases the Azerbaijan Postal Banking Case-Study Event, Presented by Experts from the World Bank

DUBAI, UNITED ARAB EMIRATES--(Marketwire - Feb. 2, 2009) - Axes Partners presents its integrated banking solution, featuring Colvir's automated banking and financial technologies with localized and tailored Islamic banking and core banking capabilities. Axes Banking will showcase solutions powering financial and government institutions worldwide, featuring the end-to-end integrated solution for the World Bank- sponsored automation of postal-banking in Azerbaijan.

The presentation entitled 'Azeri Post Case-Study - Enabling Postal Banking' will unveil insights into the successful Azerbaijan Post banking solution deployment, extending rural financial connectivity to underserved areas, enabling private and smaller business financial transactions, and expanding the variety of banking services offered.

The presentation will be held on Tuesday, February 10 at 11:30, stands P1&P4. To receive an invitation, please send an email to: meftec@axespartners.com. (Advance booking required)

In addition, visitors to the booth are invited to discuss the benefits offered by the Axes Banking group to financial institutions wishing to employ advanced core banking solutions and Islamic banking services. These benefits include adapting current IT systems to support the introduction of new Islamic banking products, as well as enabling the flexibility to offer services bundled with core banking practices.

Axes Banking brings forth turnkey software, integration & implementation strengthened by global hands-on field expertise.

About Axes Partners

Axes Partners is a global consulting firm specializing in national development. The Axes Paradigm is derived from the partners' rich experience in the field of national competitiveness, and strives to enable national leaders with next-generation power-tools for economic development.

About Colvir

Colvir Software Solutions Ltd was established in 2000 by a group of experts with unique experience in banking and financial technologies automation. The company's experts have experience in successful implementation of more than 20 projects in Eurasia; some of the largest are the projects of National Bank of Kazakhstan, State Bank for Foreign Economic Activity of Turkmenistan, Halyk Bank of Kazakhstan, Kazakhstan State Treasury, Central Bank of Turkmenistan and 'KazPost' Public Company. The company's head office is located in the United Kingdom, with main offices in Moscow, Minsk and Syktyvkar. Additional subsidiaries are located in Sweden, the United States of America and Kazakhstan. For additional information: www.colvir.com.

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5. Postal Service: Next for a bailout?

By Dennis Cauchon

USA Today

Published: Monday, Feb. 2, 2009 1:12 p.m. MST

GRANDVIEW, Ohio - The temperature is 12 degrees below zero. Snow crunches under Shawn Carter's boots. Yet the 13-year veteran mail carrier trudges on, as he does every day, delivering various forms of paper to 400 homes and businesses.

"My bag doesn't feel any lighter," says Carter, 35, warmed by five layers of clothing. "But I know things are changing."

These days, the check isn't in the mail. It's increasingly on the Internet - and that's bad news for the U.S. Postal Service. Electronic communication and a withering economy have pushed the Postal Service into its worst financial crisis since Benjamin Franklin founded the institution in 1775.

The Postal Service has lost \$7.9 billion in the past two years. It has borrowed money to pay its bills. Mail volume fell 4.5 percent last year and the Postal Service expects a bigger drop this year. Last week, the agency asked Congress for permission to consider reducing delivery from six days a week to five.

Most Americans realize the Postal Service they've known for generations has to change. A new USA TODAY poll indicates that most support cutting back mail services - closing post offices, trimming deliveries from six days a week to five - rather than raising stamp prices or using taxpayers' money in a huge bailout. Story continues below

"We have to make adjustments quickly to keep the ship afloat," Postmaster General John Potter says. "We have to weather the storm of the bad economy first and figure out how traditional mail fits into an electronic world."

The Postal Service has withstood challenges from the telegraph and telephone. It has adapted to stagecoaches, railroads, airplanes and other innovations that quickened the pace of American life.

Now, it's facing a range of modern problems that could cause it to run out of cash this year or early next.

"The last thing we want to do is not be able to make payroll and provide service to the American people," Potter says.

The Postal Service's biggest challenge: the cost of providing health care to current and future retirees. Its \$53 billion obligation is greater than those of the Big Three automakers. The service owes its retiree health fund \$7.4 billion this year.

"We have all types of legacy issues - work rules, routes that need to change, the health fund - that need to change for us to change with the times," Potter says.

Last week, Potter asked Congress for permission to delay \$2 billion in health-care payments until after 2016. Without that break, the Postal Service could run out of cash Sept. 30, when a lump sum \$5.4 billion retiree health fund payment comes due.

The Postal Service has been an independent agency of the U.S. government since 1971. It hasn't gotten a direct taxpayer subsidy since 1982. By law, it's supposed to break even or make a small profit to reinvest in its operations.

Congress regulates the Postal Service heavily. By law, the agency must deliver mail six days a week. It must deliver across the U.S. at the same price, even to distant parts of Alaska. It can't close post offices for economic reasons. Stamp prices can rise only at the inflation rate, except in emergencies.

The Postal Service says it doesn't want big rate hikes, and Congress has renewed the six-day delivery requirement annually for many years.

"Things are changing fast, and the Postal Service has limited options," says Postal Regulatory Commission Chairman Dan Blair, its top regulator.

A huge workforce

In a wireless age when billions of communications are delivered daily - and almost instantly - by computers, the Postal Service may seem a grand anachronism.

"Every day, a government official goes to your door. That's pretty amazing and valuable when you think about it," says William Burrus, who started work at the Postal Service in 1954 and is now president of the 225,000-member American Postal Workers Union.

With 650,000 workers, the Postal Service is the U.S.'s third-largest employer, after Wal-Mart and the Defense Department. It has the nation's biggest vehicle fleet - and high gas prices cost it \$500 million last year.

Story continues below

Union contracts make layoffs rare. Raises are automatic. Labor costs have been reduced through early retirement packages and cutting back hours. The Postal Service has trimmed its workforce by 120,000 since 2002. It wants to cut 100 million work hours this year. The average unionized postal worker made \$66,929 in wages and benefits in 2008, the Postal Service says.

This month, the Postal Service will request a 1- or 2-cent increase in the price of a first-class stamp. The change, matching inflation, would take effect in May. The price of a first-class stamp has risen a little slower than inflation: from 25 cents in 1988 to 42 cents today. Potter doesn't plan to invoke the emergency clause that lets the agency seek a bigger rate increase.

"If we raise prices too much, we hurt the economy and our own business," he says.

The Postal Service is projecting another multibillion-dollar loss in 2009.

"The Postal Service cannot survive as we know it," says Burrus, the union chief.

Building a nation

The Postal Service is older than the United States.

As the first postmaster general, Franklin marked roads, organized routes and ordered mail wagons to ride all night. The result was speedy communication between Philadelphia and New York - less than a week - that helped bind a young nation together.

"The Postal Service was the nation's first communication policy," University of Washington historian Richard Kielbowicz says. "The post office was designed to circulate information so the nation could hang together."

The Postal Service made it possible for the nation to extend its borders to the Pacific Ocean, says historian David Gerber of the State University of New York at Buffalo. "When a person went from Pennsylvania to California in 1850, that was a daunting distance."

The transcontinental railroad in the late 19th century moved letters coast-to-coast in less than a week.

"Mail service helped our nation cohere," Gerber says.

Presidents Abraham Lincoln and Harry Truman once were local postmasters, according to the Postal Service's official history. So were abolitionist John Brown and author William Faulkner.

The Pony Express operated on the frontier for only 18 months in 1860-61 but forever captured a place in the American imagination. The telegraph put the Pony Express out of business.

Trains moved mail first, passengers later. The same was true of airplanes. The Postal Service demanded regularly scheduled flights, so mail cargo created the first passenger airlines.

Story continues below

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During financial crisis, the Postal Service was a national stalwart. Post offices started government-guaranteed savings accounts in 1911 after a banking collapse. When citizens didn't trust banks, they did trust the post office. After the bank failures of the Great Depression, post office deposits grew tenfold to \$1.2 billion. (Postal savings accounts peaked shortly after World War II and ended in 1967.)

Twice-a-day mail deliveries began to be phased out in 1950. The telephone reduced the need for such timely communication.

"Everyone wants the post office to operate like a business," Kielbowicz says. "But they also want it to operate like a public service."

He says threats of ending six-day delivery date back a half-century.

"This time, though, it doesn't look like a bluff."

Future in jeopardy

The Postal Service's financial crisis could lead to a variety of dramatic changes - thousands of post office closings, cutbacks or elimination of Saturday deliveries, significantly higher stamp prices or a direct federal bailout.

"These changes wouldn't be good news for my members or for the Postal Service, and we're not there yet," says Jerry Cerasale, senior vice president of the Direct Marketing Association, a mailers' group. "But the long-term alternatives seem limited, short of a direct appropriation from Congress."

The Postal Service thrived during the recent bubble economy. It reached its financial peak in 2003, when it earned a \$3.8 billion profit. The mail business was boosted by soaring credit and a booming consumer economy. Banks mailed billions of credit offers to Americans. Retail catalogs were fat and profitable.

In 2006, at the peak of the credit bubble, Congress passed its first major overhaul of the Postal Service since 1971. The Postal Service got more freedom to control its prices, especially on packages and overnight deliveries that compete with services offered by private companies.

But the law also ordered the Postal Service to pay \$55 billion over 10 years to create a reserve fund to cover retirees' long-term health-care benefits.

"We did not oppose this," Potter says. "We were well-positioned at the time. We thought we could afford it."

The first payment was made in 2007 and caused a \$5.1 billion loss. Last year, the loss was \$2.8 billion. In both years, the Postal Service would have been profitable if not for its legacy costs.

Ray Jacobs, 53, will retire from the Postal Service on Feb. 27 after working there for 32 years - plus four years in the military, which adds to his federal retirement benefit. Jacobs, who started as a part-time mail carrier and ended as a regional spokesman, estimates his pension's value equal to about a \$1.3 million lump-sum cash payment. He also will receive medical benefits.

The Postal Service already pays the health care costs for 452,000 retirees and their survivors. That burden will increase as an aging, unionized workforce retires and collects the same benefits as other federal retirees.

Story continues below

Oddly, the Postal Service's retirement system is in good shape compared with that of the rest of the federal government. The federal retirement system has an unfunded liability of \$5.3 trillion, including \$1.2 trillion for retiree medical benefits.

The Postal Service's pension obligation is fully funded. Its retiree health care plan has a \$53 billion shortfall.

In 2006, Congress ordered the Postal Service to set aside money to cover the medical costs of its future retirees. But the U.S. government has no plan in place to prepare for the cost of the \$5.3 trillion retirement obligation for other federal workers. That cost will be born by future taxpayers.

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