

POSTAL NEWS

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- 1. Royal Mail To Keep VAT Advantage As TNT Case Thrown Out. April 23, 2009.**
- 2. UK Postal Union To Hold May Day March. April 22, 2009.**
- 3. China legislature adopts amendment to Postal Law. April 23, 2009.**
- 4. UPS earnings drop nearly 56%. April 23, 2009.**
- 5. More bad numbers ahead. April 23, 2009.**

1. Royal Mail To Keep VAT Advantage As TNT Case Thrown Out

23 April 2009 by Sarah Sharpe - © Hellmail.co.uk

Royal Mail's VAT exemption has been ruled as legally sound, despite a challenge in the European Court of Justice by Dutch-owned TNT Post.

The Court ruled that as Royal Mail provided the Universal Service, its VAT exemption status was reasonable. Rivals of Royal Mail have complained that the exemption gave Royal Mail a competitive advantage.

The complaint was lodged before TNT was rumoured to be one of the frontrunners in the partial sale of Royal Mail.

Steve Lawson, editor for Hellmail postal news said:

"None of Royal Mail's competitors is ever likely to be in a position to compete directly with Royal Mail in terms of providing the Universal Service, and in fact, with a few exceptions, most rivals are actually wholly reliant on Royal Mail through access arrangements. Without Royal Mail's national coverage, I doubt there would be many players in the market at all."

"Liberalisation of the postal market in the UK has materialised almost exclusively on the strength of Royal Mail's coverage and in most cases, it is still Royal Mail doing the delivering, albeit for less money. As rivals are not compelled to contribute to the USO, removing the VAT advantage would if anything, tip the balance in favour of competitors. The alternative is to put a levy on all operators in the UK but that would stifle competition, a sound reason why Postcomm chose not to go that route, but the USO does have to be paid for by someone. The VAT exemption is some compensation for the enormous role that Royal Mail has" he said.

The European Court of Justice ruled that Royal Mail had an important obligation and therefore the role of TNT and Royal Mail were not comparable.

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2. UK Postal Union To Hold May Day March

22 April 2009 by Steve Lawson - © Hellmail.co.uk

The Communication Workers Union is to hold a May Day March and Rally as part of its ongoing campaign to stop the partial privatisation of the Royal Mail.

The campaign, "Keep Royal Mail Public", is also supported by a growing number of Labour MPs, which now leaves the government having to rely on opposition votes to drive through its controversial Postal Services Bill. The Bill could see around 30% of the state-owned operator sold to a competitor.

Earlier this year, MPs and CWU representatives released hundreds of balloons in central Manchester, one balloon for each year the service had been in operation.

Billy Hayes, general secretary of the CWU, said:

"Royal Mail can and must have a successful future in full public ownership. We welcome modernisation, responsibility on pensions and the change of regulator but do not see the need for privatisation. This element of the Bill must be amended to ensure a successful future for the UK's postal industry."

The march begins at Clerkenwell Green EC1 at 12 noon and guest speakers will include Tony Benn, Dot Gibson NPC, John McDonnell MP, Sheila Bearcroft, GMB/TUC President and Steve Hart UNITE.

A Special Evening Celebration event at TUC, Congress House is to follow.

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3. China legislature adopts amendment to Postal Law

BEIJING -- Chinese lawmakers on Friday adopted the amended Postal Law after days of a second reading.

The amendment is one of a series of laws being deliberated by the National People's Congress Standing Committee, which convened its bimonthly session from Monday to Friday.

New stipulations included an article forbidding all organizations or individuals from opening, hiding, damaging or discarding others' letters, instead of just preventing postal workers from doing so.

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4. UPS earnings drop nearly 56%

Bryan Yurcan
April 23, 2009

UPS Inc. today reported first quarter revenue of \$10.9 billion, down 13.7% from the same quarter last year, and saw its earnings fall nearly 56% to \$401 million, compared to profit of \$906 million a year ago.

The company said the drop in revenue stemmed from less people sending packages and using premium services due to the recession.

For the three months ended March 31, consolidated average daily volume totaled 14.5 million packages, a 3.9% decline. Average revenue per piece decreased 6.9%, reflecting changes in product mix, declining fuel surcharges and weight per package and the negative impact of currency, according to UPS.

The January-March profit was 40 cents a share, compared to year-ago earnings of 87 cents a share.

UPS said it expects the second quarter to be as difficult.

"Economic indicators tell us recovery in the U.S. might begin late this year, but more likely not until 2010," said Kurt Kuehn, UPS's chief financial officer, in a statement.

"So we expect the second quarter will be another difficult one. As a result, UPS anticipates earnings per diluted share in a range of \$0.45 to \$0.55."

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5. More bad numbers ahead

APRIL 23RD, 2009

The Postal Service's board of governors is meeting early next month to discuss, among other things, the financial results from the second quarter of 2009. There's not much optimism about the numbers, considering USPS lost \$384 million in the first quarter, which is traditionally the strongest of the year.

Another bad sign: UPS' earnings report. The shipping giant said its first-quarter earnings were down by 56 percent, and it expects the second quarter to be worse than previously expected.

It's not an apples-to-apples comparison between UPS and the Postal Service. UPS is a huge multinational corporation. And its products are more vulnerable to a downturn in the economy: Your bank still mails you statements during a recession, but you probably don't order as many packages from Amazon.com.

Nonetheless: not a good sign for USPS.

On a related note, there's still been no action on H.R. 22, the bill that would give the Postal Service some needed relief from its future retiree health benefit obligations.

The bill has been in limbo before a House committee for two months.

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