

POSTAL NEWS

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1. TNT targets parcels arm in bid for Royal Mail

TNT, the Dutch postal group, is demanding control of Royal Mail's profitable parcels delivery arm as part of a multi-billion pound proposal that Government ministers insist is crucial to securing the British company's future.

By Mark Kleinman

Last Updated: 8:44AM BST 10 May 2009

TNT's desire to gain control of General Logistics Systems (GLS), which is headquartered in Amsterdam, was contained in an outline plan submitted to the Government in recent weeks, according to people familiar with the Dutch company's bid.

Insiders said this weekend that ministers were unhappy with the valuation attached to Royal Mail in TNT's proposal and warned that the board of Royal Mail would not willingly surrender control of GLS, the European parcels operation that is viewed by the company as critical to its growth prospects. The impasse could threaten Government plans to secure a sizeable external investment in Royal Mail.

TNT's proposed offer is understood to have fallen well short of the £3bn valuation that ministers are thought to be attaching to a 30pc stake in Royal Mail. The Dutch group is facing its own financial difficulties and earlier this month reported that recessionary pressures were hurting its performance.

Among the other conditions proposed by TNT is a demand to have the ability to install several of its executives on the British company's board. Another is that it would have significant influence over all boardroom decisions.

The scale of TNT's demands is understood to have alarmed ministers, who are already facing a furious backlash from backbench Labour MPs and trade unions who have vowed to block efforts to sell a minority stake in Royal Mail to an overseas competitor.

This week, the Bill containing proposals to pave the way for a restructuring of Royal Mail's ownership will pass its first and second report stages before it receives its third reading in the House of Lords later in the month.

GLS, which employs 14,500 people and handles more than 1m parcels every day, is viewed by analysts as the jewel in Royal Mail's crown.

TNT is understood to be keen to integrate GLS with its own parcels business, a move that would effectively mean Royal Mail losing control of the operation.

As part of the Government's proposals to offload a minority stake in Royal Mail, which are being led by Lord Mandelson, the Business Secretary, it has pledged that

the taxpayer will take on the company's vast pension deficit. An actuarial valuation, which is under way and is likely to report back by the end of the summer, is likely to show that the deficit now tops £9bn.

This weekend, it emerged that the Government was planning to account for the £24bn of assets in Royal Mail's pension scheme as a one-off windfall on its books, a move criticised by John Ralfe, one of Britain's leading pensions experts, as "a huge fiddle". Although a number of other parties also expressed initial interest in acquiring a stake in Royal Mail, only CVC Capital Partners, the private equity group, has tabled a formal proposal to ministers. CVC's offer has been crafted in conjunction with De Post-La Poste, the Belgian post office, in which it is a major shareholder.

Lord Mandelson has also been urged to consider a so-called "John Lewis-style" solution that would see Royal Mail's employees given shares in the business.

TNT is being advised by Goldman Sachs, UBS is advising the Government and Rothschild has been hired to advise Royal Mail. All of the parties declined to comment.

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2. Forever Stamps not lasting long

Brisk sales before rate hike

Droves of people rushed to local post offices this week to buy Forever Stamps before the price for first-class stamps goes up Monday.

The cost to mail a 1-ounce letter first-class will rise by 2 cents to 44 cents. Postage rates are reset each May, based on the rate of inflation.

Forever Stamps, introduced by the postal service in April 2007 as a generic stamp that can be used on a first-class letter no matter what the postage rate is, depicts the Liberty Bell but no numerical value. The post office sells them only in books of 20.

Mail customers at the Winterville Post Office purchased thousands of the Forever Stamps this week, said Winterville Postmaster Lynn Jarrard.

"I guess we sold 500 at one time to one customer, and others are buying 100 at a time and 200 at a time," Jarrard said. "Our revenue has definitely been up this week."

On Tuesday, for example, the Winterville Post Office sold about \$900 worth of Forever Stamps - about 2,100 stamps, or 107 books.

Normally, the office sells 20 to 30 books a day, Jarrard said.

The UPS Store at Georgetown Square on Barnett Shoals Road has seen a similar run on Forever Stamps, said store manager Abram Rogers.

"Ten to 15 people a day have come in just to buy four or five books of the Forever Stamps," Rogers said.

When the postal service announced price increases in February, postal officials estimated the hike will cost the average household \$3 a year.

Postal customers will pay the new 44-cent rate for the first ounce of first-class mail, each additional ounce will continue to cost 17 cents.

The postal service also plans several other price increases Monday:

- ▶ Postcard stamps, rising 1 cent to 27 cents.
- ▶ Postage on the first ounce of a large envelope, up 5 cents to 88 cents.
- ▶ The cost for mailing first ounce of a parcel, rising 5 cents to \$1.22.

► Higher postage for international mail, with a one-ounce letter costing 75 cents to send to Canada, 79 cents to send to Mexico and 98 cents to send to other countries. Several post offices in the Athens area are open for limited hours today: 196 Alps Road, 9 a.m. to 3 p.m.; Georgia Square Mall, 3700 Atlanta Highway, 11 a.m. to 3 p.m.; and Winterville, 125 Avery St., 8:30-11:30 a.m.
Originally published in the Athens Banner-Herald on Saturday, May 09, 2009

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3. Deutsche Post DHL - 12.9 Percent Drop In Revenue

07 May 2009 by Franz Groter - © Hellmail.co.uk

Deutsche Post DHL has announced an acceleration in cost reductions after posting a first-quarter revenue decline - a 12.9 percent drop in revenue to 11.5 billion euros in the first quarter of 2009. In Europe, Express corporate revenue fell by 16.9 percent, due to reduced shipping volumes. Revenue in the MAIL Division fell by 4.5 percent to 3.49 billion euros.

It said the decrease was the result of an unprecedented plunge in demand across all regions and sectors as well as reduced volumes and higher wages in the MAIL Corporate Division.

Reported EBIT on Group level totaled 27 million euros compared with 539 million euros in the previous year mainly because of non-recurring charges tied to the restructuring the Group's DHL Express business in the U.S.

"We have to act now to secure our profitability and jobs over the long term. There can't be any sacred cows," said Chief Executive Officer Frank Appel.

"While the latest data seem to indicate that we have reached a bottom in terms of shipping volumes, we are preparing to deal with a longer period of weak demand all across the world and therefore will relentlessly focus on reducing our cost base - particularly in MAIL and EXPRESS - as well as securing our solid cash position. For us, the crisis is also an opportunity: We are the global market leader and therefore have the necessary size and financial muscle to present ourselves very aggressively in the market." In that context, Appel referred to 1 billion euros of new business that the Group secured in the first quarter.

Challenges being tackled

The global economic crisis has uncovered weak spots in the company, which it said would be tackled systematically over the coming weeks and months.

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4. Lower mail volume forces Postal Service to regroup

BY LAURIE WHALEN

Posted on Saturday, May 9, 2009

LOWELL - As the price to mail a letter is set to increase on Monday, mail volume at the U.S. Postal Service continues to drop.

To counter the tough times, the government-run service operating 579 post offices across the state will continue to reconfigure its work force and its ability to compete for customers.

Brian Watson, 37, of Lowell, said he's getting ready to make the jump from putting his bills in a mailbox to completing the transaction online because of the cost to use the postal system.

The small-business owner in the automotive repair field said the stack of bills he goes through takes him a long time to complete.

"And I'm assuming there's no stamps involved with paying online," Watson said outside the Lowell post office.

Watson picked up a book of "forever" stamps, which will cover the 2-cent increase in the amount it costs to mail a firstclass letter that takes place on Monday.

Erin Thompson, 26, said she had no idea postal rates were increasing.

Standing outside the Lowell post office, Thompson, 26, said she hardly ever used stamps since all of her bill paying activity took place over the Internet.

"I don't write checks anymore," said Thompson, ticking off direct-payment arrangements for bills such as her utilities and mortgage and holding a strip of "forever" stamps. "It's cheaper to go online."

Scott Schuh, president and owner of LSC Marketing in Little Rock, said while traditional mail has been losing out to the Internet for transactional kinds of uses for years, using the postal system remains a great way to market and advertise.

Schuh's direct mail and communications business patronizes the Postal Service, mailing off about 25 million pieces a year.

"Mail as we know it is still a very viable mechanism for getting out a marketing or communication" piece, he said.

It's an easy way to get a potential customer's attention and "not have to have them print off 12 pages of advertisement coupons or instructions.

"Here's everything you need," in a direct mail piece, said Schuh, a former national chairman of the Mailing & Fulfillment Service Association.

While the Postal Service continues to have its fans, more users are turning to alternative sources of delivery.

Postal Service mail volume totaled 43.8 billion pieces in the second quarter that ended March 31, down 7.5 billion pieces, or 14.7 percent, compared with a year ago, the Postal Service said Wednesday in announcing a \$1.9 billion net loss.

The Postal Service has incurred net losses from operations in 10 of the past 11 fiscal quarters.

As a result, the cost-reduction efforts will continue.

Adjustments to letter carrier routes and reductions in overtime and in regular hours are examples of the steps taken to help the government-run service recover financially, said Stephen Seewoester, a regional spokesman for the Postal Service in Dallas.

"All of these things should be transparent to the customer," Seewoester said.

In Arkansas, the Postal Service cut 4 percent, or 227 people, from of its work force comparing the April year-over-year data.

The Postal Service employed 6,235 people in April 2009 compared with 6,462 people in April 2008.

Seewoester said the workforce reduction did not involve layoffs, but was a combination of attrition and retirement.

The Postal Service's work force, which has seen work hours reduced proportionally to the reduced mail volume, is expected to give up 100 million hours for the entire year. Nationally, the Postal Service employed 638,000 people in April, a 5 percent decrease compared with the same yearago period.

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