

# POSTAL NEWS

No. 114/2009

Formulated by UNI-Japan Post in cooperation with UNI-Apro,  
ASPEK Indonesia and SPPI

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## 1. Secure the future with Postal life insurance policies

22 Jun 2009, 0444 hrs IST, Pallavi Mulay, ET Bureau

Postal Life Insurance (PLI), a 125-year-old life insurance scheme run by the department of posts, is a good option for people eligible for it More Pictures as it charges lower premiums and offers higher returns than comparable policies of life insurers.

The policy, started in 1884 for the employees of Posts & Telegraphs Department, has since been extended to cover all central and state government employees and those working in staterun companies, or about 70% of organised sector employees in the country. In 1995, the department launched Rural Postal Life Insurance to take the benefits to all villagers who account for 60% of India's population.

It offers better returns than other comparable products. For example, Postal Life Insurance has announced a bonus of Rs 70 per Rs 1,000 sum assured on its endowment policy – where the insured gets the sum assured plus annual bonuses when the policy period is over – irrespective of maturity since 2003.

In contrast, average bonus announced by the Life Insurance Corporation (LIC), India's largest life insurer, for endowment policies was in the range of Rs 30-48 in past five years.

Let's take the example of a 30-year old government employee.

If he buys PLI's endowment policy called Santosh for risk cover of Rs 1 lakh for a period of 20 years, he will be paying a premium of Rs 400 every month. For a similar policy offered by LIC, the Endowment Assurance Plan, the monthly premium is Rs 442.

At the time of maturity, after 20 years, he will receive a total of Rs 2,40,000 at the current bonus rate of Rs 70 per Rs 1,000 sum assured. His net earnings, if subtracted total premium paid during the policy, will be Rs 1,44,000.

In the case of LIC Endowment Assurance Policy, the proceeds could be Rs 2,04,000 (sum assured + accrued bonus + terminal bonus) at the current bonus rates.

The rate of reversionary bonus is Rs 42 per Rs 1,000 sum assured, while terminal bonus is Rs 200 per Rs 1,000 sum assured. Thus, the net earnings in the LIC scheme will be much lower at Rs 98,000.

The next obvious question is its tax treatment. Investment in PLI gets all tax benefits any life policy is entitled for. The returns are tax-free and premium payment is subject to tax exemption under 80c.

A policyholder can pay the premium at any post office across the country. Some selected government departments have the facility of recovering premium from salary. But it is better to take a premium passbook.

Postal Life Insurance, however, is not for investors who are looking for new-age products like unit-linked insurance policies (ULIPs) and pension plans. The postal department offers six plainvanilla plans: Suraksha (whole life assurance), Santosh (endowment assurance), Suvidha (convertible whole life insurance), Sumangal (anticipated endowment assurance), Yugal Suraksha (joint endowment) and Children's Policy.

These policies just offer death cover while LIC and other insurance companies offer accidental death benefit with extra premiums. So, if you are interested in a plain vanilla insurance and if you are eligible for it, then Postal Life Insurance is a great value proposition.

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## **2. Too Big to Mail?**

The U.S. Postal Service, losing business and money, must take radical steps to survive in the 21st century.

Monday, June 22, 2009

THE POST office may be the next too-big thing. If it continues on its present course, the U.S. Postal Service stands to post \$6 billion to \$12 billion in losses by the end of the fiscal year. By the end of the second quarter of fiscal 2009, it had racked up an operating loss of more than \$2 billion, almost equal to its total losses last year. So far, the Postal Service has depended on loans from the Federal Financing Bank, a federal borrowing agency, to help make up the difference, but it is fast approaching its \$15 billion credit limit. Something has to give.

The Postal Service has asked Congress to omit a rider on an annual appropriations bill that mandates six-day service, opening the possibility of five-day delivery as a cost-cutting measure. It has also requested a temporary relaxation of its obligation to its pension program, enabling it to put nearly \$2 billion toward breaking even.

Both these short-term fixes fail to address the challenges facing the Postal Service. Before computers, people depended on the mail to maintain relationships and conduct

business. No longer. Overall mail volume has been in a nosedive for seven years. It plummeted 14.9 percent in the last quarter alone, outpacing the service's grimmest forecasts. Postal officials blame the economy. But the recession has only accelerated a transition to newer forms of communication that was already underway. For instance, one of the biggest declines in first-class mail last quarter was from people filing their taxes online.

The Postal Service has made valiant efforts to improve customer service and build its market share in shipping. But all its recovery plans revolve around increasing the volume of traditional mail. Suggestions for how to "Use the Full Potential of the Internet" in its Vision 2013 plan were limited to steps such as revamping its Web site and encouraging business sites to offer to mail information to customers. The service must adjust to changing times -- and fast.

Europe's increasingly privatized mail services offer exciting examples of postal possibilities in the 21st century. They are leaner and greener than the U.S. service because they work with, not against, the Internet. Switzerland's Swiss Post, for example, employs green technology, providing customers with secure, address-linked online mailboxes where they can view scanned images of their mail and decide whether to virtually "open" it, discard it or have it physically mailed to them. This system has greatly increased efficiency, promoted recycling and decreased junk mail.

Such are the steps the U.S. Postal Service might take if it were a real company and not a hybrid hamstrung by a large and heavily unionized workforce, congressional management, and an antiquated business model. Instead of its short-term cost-cutting measures, it needs to reduce its giant fixed costs to continue its appointed rounds. The Postal Service must reinvent itself for the 21st century, starting with a plan that doesn't rely on the resurgence of traditional mail. To do this will require innovative leadership, freedom from congressional micromanagement and an understanding of the possibilities of new technology that goes beyond building a better Web site.

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June 21, 2009

### **3. Postal Service chugs on**

By Edward Peeks

CHARLESTON, W.Va. -- Despite increasing competition in the information age and the ravishing effects of the recession, the U.S. Postal Service, better known as the post office, keeps chugging in the promising light of the future.

Still, the post office has cut back employment in West Virginia and across the country like private businesses of late. But it has not gone bankrupt like General Motors or gone busted like some banks.

Nevertheless, the postal service has seen the need to cut staff by 25,000 in the country this year. In Charleston, the remote mailing process center will lose about 300 employees by Thanksgiving. About 85 are full-time workers and the rest are part time, according to postal officials.

Ups and downs are nothing new to the national post office. It has confronted changes and challenges since the first mail carrier on horseback completed a route. Before and since the Great Depression, the postal service has been a rouser run by and for political patronage and later under modern civil service.

I remember in the 1950s when advocates pushed to privatize the post office for the claim of better service. The most frequently named to take over were Sears Roebuck and Montgomery Ward.

Well, Ward is now gone and Sears has been eclipsed as No. 1 retailer in the nation, trusted and respected by millions of consumers.

The post office relies on similar trust today. It competes with such private carriers as FedEx and United Parcel Service. They deliver for online merchants everything from DVDs to medicine.

Public concern grows over the failure of online merchants to collect sales tax on goods they sell. The tax is 6 percent in West Virginia and helps pay for public services in city and county.

Private and public studies say that most Internet shopping is by the affluent with credit cards and computers. But the less affluent also shop online, which means no sales tax paid by them either.

The post office and states feel the lack of this revenue. The price of a first-class stamp is up by 2 cents to 44 cents, but the postal service debt remains awesome almost like the national debt.

Postal management wrestles with the problem. They make changes in the system to meet the challenges of the uphill climb from increasing demand for service and solvency.

Another matter is a national survey by the post office says, "Two-thirds of all consumers do not expect to receive personal mail, but when they do it makes their day."

Yet, 55 percent in the survey look forward daily to see what the mail holds for them, indicating the mail's importance in American daily life, with no apologies to cell phones and other competitors.

A West Virginia task force has filed a national plan with the Congress to enforce collection of the sales tax on Internet purchases. It's estimated that the annual loss of tax revenue to the state is \$50 million and \$16 billion to the nation.

Plainly, the post office is in no fix to compete with tax dodgers in good times or bad times. But it keeps chugging to reach millions who wait daily to see what the mail brings.

Peeks is a retired business/labor editor of the Gazette.

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#### **4. I've got the blue postal box blues**

Posted: Jun. 20, 2009

Tom Lynn

The Milwaukee area — every ZIP code beginning with 532 — is dropping 200 postal boxes.

A friend of mine in Wauwatosa wants to know who is killing off all the mailboxes and why.

"Once you realize it and are looking for boxes where you've seen boxes for zillions of years, you realize how naked all the corners look," Mary Klinger said.

She went to mail some letters the other day and pulled up in front of the bagel shop near N. 84th and W. Blue Mound. The familiar blue mailbox out front was missing.

Mary headed down Glenview Ave. looking for another receptacle she had used before.

"The box is gone. Only pathetic rust marks on the concrete," she said.

So she drove around the village area of Tosa but never did find a mailbox.

"No pun intended, but have you addressed this issue already?" she asked me.

Mary is not imagining it. Mailboxes are dying faster than houseflies that mess with Barack Obama.

The U.S. Postal Service has taken a use-it-or-lose-it approach to the collection boxes. If a box can't attract at least 25 pieces of mail a day on average, it's toast. There's no hiding from the density tests that are being conducted.

"We're the same as any business. In this economic slowdown, we need to look at cost efficiencies as well as our effectiveness as a business," said Marge Oehlke, local postal spokeswoman.

We're not just talking about a few disappearing boxes. The Milwaukee area - every ZIP code beginning with 532 - is dropping by 200 boxes, leaving about 600. And it's not surprising that Mary Klinger found herself boxless in Wauwatosa. That suburb is surrendering 40 of its 86 boxes.

It's no secret that the Postal Service is losing its shorts, which creates an itchy situation in those wool pants.

First we all started communicating by e-mail and paying our bills on the Internet. Most of my snail-mailing these days is Netflix returns.

Then the economy tanked. The next thing you know, the post office is losing \$2.8 billion a year and raising its stamp prices every 20 minutes.

They worry if we'll accept five-day-a-week mail delivery as a cost-saving option. Personally, three days a week of getting bills and junk mail would be plenty.

But it's sad to think of the familiar blue boxes slowly vanishing from the landscape, just like the phone booths before them.

Oehlke said some of the underused boxes go to hotter mail neighborhoods, perhaps new subdivisions. Or they are used to replace worn-out mailboxes, which are scrapped.

You may be feeling nostalgic about these icons, but don't bother asking for an old mailbox for a yard decoration or to put in your rec room. There's too much potential for mischief by people who might try to set up their own little fraudulent post office.

Oehlke had two suggestions for living in a world of fewer mailboxes. One is to visit the Web site at [usps.com](http://usps.com) to find the collection locations that haven't been box-napped. Careful, though, because the list is not always current.

Or just leave the outgoing mail in your own mailbox. I always feel lazy when I do that, and I'm afraid my letter carrier holds it against me.

"I was a carrier for five years. Believe me, it didn't bother me a bit," Oehlke said.

Besides, the carriers empty many of the street boxes anyway, so either way they're picking up your letters.

Maybe it's because I work in an endangered industry, too, but someday I'll miss the sound of the mailbox lid slamming shut and my letters settling safely inside.

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