

# POSTAL NEWS

No. 118/2009

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

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June 26, 2009

## 1. Americans OK With Fewer Mail Days to Fix Postal Budget

Most oppose raising stamp prices and cutting postal services to solve budget woes  
by Lydia Saad

PRINCETON, NJ -- U.S. Postmaster General John E. Potter recently asked Congress for permission to cut the number of postal delivery days from six to five as a way to save his cash-strapped agency up to \$3.5 billion annually -- a proposal that seems acceptable to most Americans. Sixty-six percent of Americans whom Gallup polled June 17-18 are in favor of that fiscal remedy.

The United States Postal Service is being squeezed by the economic slowdown on one side, and competition from the Internet and private carriers on the other. The resulting decline in mail volume is the main reason the Postal Service is projected to lose more than \$6 billion this fiscal year, but rising gas prices threaten to make matters even worse.

Still, three in four Americans say it is "very important" to them that the U.S. Postal Service remain in business. The traditional post office is more important to women than to men, and to older than to younger Americans, but the large majority of every demographic group calls it very important. (See detailed table at end of this report.)

As for how to maintain the Postal Service, Gallup asked Americans about nine possible remedies that have been floated. Public support is highest for reducing mail delivery from six days a week to five, as well as for reducing to five the number of days that local post offices are open. Both measures are favored by 66% of Americans.

The only other solution backed by a majority of Americans is renting out post office buildings on nights and weekends for other uses -- however, just a bare majority favors this (51%), while 46% are opposed.

Americans are evenly divided at 48% over providing federal funding for the Postal Service, which until now has been self-supporting -- reliant solely on income from

stamps and other postal products and services. Even fewer Americans, 38%, are in favor of raising stamp prices; 60% oppose that remedy. This may reflect public displeasure with the steady pace of recent price hikes for stamps -- rising by one or two cents in each of the last four years. Alternatively, it could indicate a more general desire to see the Postal Service tighten its belt even as many Americans are doing the same.

Just over half of Americans (54%) are opposed to closing some Postal Service offices, while 44% support that idea. At the same time, 88% are opposed to closing their own post office -- indicating that the customary "not in my back yard" mindset could very well limit the political feasibility of broad-based branch closures.

Last month, the Postal Service announced it had cut staff by 25,000, reducing its overall workforce to below 635,000. Eight in 10 Americans currently say they are opposed to laying off more postal service employees. Americans also object to reducing the services offered at post offices. Only 31% favor this option while 66% are opposed.

### Strong Opposition to Closing Local Branches

Americans' detailed responses to each proposal provide another way to assess the political viability of the various ways of keeping the Postal Service solvent. In fact, few Americans feel strongly about most of the proposals -- saying they either strongly support or strongly oppose them.

The highest level of strong support is seen for reducing the number of mail delivery days and days that branches are open to the public. Slightly more Americans strongly favor these proposals than strongly oppose them.

With only 2% of Americans strongly in favor of having their local post office branch closed versus 37% strongly opposed, public opinion speaks loudest against this proposal. Attitudes are also substantially more negative than positive when it comes to laying off more postal employees and raising stamp prices.

### Bottom Line

Americans want to continue receiving the postal services they are accustomed to, and they don't want to see their local post office branches boarded up, but they are willing to live with a shorter postal week if that's what it takes to keep the U.S. Postal Service in business. Congress and direct-mail marketers have reportedly been cool to the idea of reducing mail delivery days, but it sounds like the best solution to taxpayers.

### Survey Methods

Results are based on telephone interviews with 992 national adults, aged 18 and older, conducted June 17-18, 2009, as part of Gallup Poll Daily tracking. For results based on the total sample of national adults, one can say with 95% confidence that the maximum margin of sampling error is  $\pm 3$  percentage points.

Note: These questions were asked of random half-samples for two nights of Gallup Daily polling, which interviews 1,000 U.S. adults each night.

Interviews are conducted with respondents on land-line telephones (for respondents with a land-line telephone) and cellular phones (for respondents who are cell-phone only).

In addition to sampling error, question wording and practical difficulties in conducting surveys can introduce error or bias into the findings of public opinion polls.

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## **2. Retailers gain new options for navigating the last mile**

June 27, 2009.

Internet retailers place a heavy emphasis on building relationships with consumers, investing in expensive technology and employee training to provide the best online shopping experience, deploying sophisticated supply chains to fill their warehouses with the right products at the right time, and building customer service staffs that cater to customers' every need.

But all those efforts and more to build customer relationships can come to naught if an online retailer can't deliver the goods—the right package, in good condition, and when and where the customer expects it.

Moreover, customers often expect to get their goods delivered free of charge. Indeed, many retailers have been providing generous shipping offers as part of standard operating procedure and have stepped it up even more during peak holiday shopping seasons.

“There is pressure to provide free shipping as part of an overall hyper-promotional environment,” says Paula Rosenblum, managing director of research and advisory firm RSR Research LLC.

### **Delivering margins**

Although shippers this year aren't facing the same fuel surcharges that hit their wallets last year, the costs of providing shipping services may become still more of a challenge in the 2009 shopping season as retailers compete with promotional pricing on products as well as on shipping.

At the same time, many retailers this year, concerned about a decline in consumer spending, appear to be planning to stock less inventory than usual for the peak holiday shopping season, Rosenblum says. That will make it more difficult for retailers to sell

much merchandise at good margins while trying to cover the costs of running product promotions and free-shipping offers, she adds.

Such challenges will also make it more important for retailers to take advantage of a growing number of options for getting goods delivered to customers.

Retailers, for example, for years have used manual or automated, software-based systems to choose the best mix of carrier rates and routes—an alternative to going with one carrier for the volume discounts. The evolution of web-based systems is making such carrier-shopping tools more accessible through web browsers as well as more integrated across a larger number of carriers.

Many of the best practices in handling delivery services can address many delivery-related issues, including some that only come up occasionally, such as how to account for fuel surcharges in selecting carriers. For example, more delivery companies are basing their rates on a combination of package dimensions and weight instead of weight alone.

Retailers are responding to these requirements with systems that can quickly figure overall package dimensions to ensure products are shipped in the least costly packaging materials, and they are using more flexible packaging like vinyl pouches to avoid more costly boxed dimensions.

#### Flexible shipping

Retailers are also finding it pays to be flexible in how they pass shipments on to carriers. By forwarding packages to a local U.S. Post Office for local delivery, for example, shippers can take advantage of rate incentives.

Other delivery companies that partner with the U.S. Postal Service will pick up packages from a retailer and forward them to a U.S.P.S. facility for local delivery. The cooperative service covers packages up to 70 pounds, provides online tracking of delivery status, and provides standard delivery within two to four business days.

FedEx Corp.'s SmartPost service, for example, which is a part of FedEx Ground, specializes in the delivery of low-weight, less time-sensitive business-to-consumer packages, using the U.S. Postal Service for the final mile to residences.

The U.S.P.S. also cooperates with other delivery companies on providing package-return services, with the Postal Service picking up packages from consumers' homes and forwarding them back to a retailer or to the retailer's supplier through a partner's long-haul system.

The U.S.P.S. has also upgraded its web site, USPS.com. The site has been designed to make it easier for direct-to-consumer retailers to find information and services ranging from bulk mail center locations and domestic and international postal rates to certified vendors of shipping software, the Postal Service says.

A new business section on the site, for example, provides information on shipping payment options and rates, web-based tools for checking the accuracy of residential

addresses, and lists of software vendors certified by the Postal Service for providing systems for managing lists of business and residential addresses. Shippers can use that software to confirm which addresses are residential as opposed to business-related, and thereby avoid shipping to residential addresses through carrier services that impose surcharges on shipping to homes.

“We are committed to making USPS.com one of the best government web sites, and one of the best web sites in the nation,” says Robert Bernstock, president, U.S.P.S. Shipping and Mailing Services. “These changes help guarantee that our web site is relevant, customer-focused and, most important, easy to use.”

### Going global

Retailers also have a broader range of services for expanding their presence in foreign markets. FedEx SmartPost, for example, has expanded its service into Canada for U.S. shippers by using the residential delivery capabilities of Canada’s national postal system.

The SmartPost integration with the Canadian system provides shippers with trans-border features including paperless electronic customs clearance, package scanning sorting technology, and an intra-Canada returns service that includes refunds of cross-border duties and taxes.

“The success of FedEx SmartPost in the United States has been driven by our unique, economical service offering for catalogers, e-retailers and other companies that ship low-weight packages,” says Ward B. Strang, president of FedEx SmartPost. “We are expanding service into Canada based largely on requests from existing shippers who are looking for the same value, plus the added benefit of a comprehensive customs clearance solution.”

The service is available to all residential addresses, including P.O. boxes, in Canada and includes around-the-clock shipment tracking status updates via [fedex.com](http://fedex.com), FedEx says.

FedEx Express, which provides one- and two-day delivery services, recently increased its presence in Mexico. It is expanding its air cargo terminal and bonded warehouse facility at Miguel Hidalgo y Costilla International Airport in Guadalajara, Jalisco, which serves as a principal center of operations for FedEx Express international and domestic shipments in Mexico.

In addition, FedEx has opened a new hub in San Luis Potosi to support FedEx Express Nacional, the company’s domestic express service in Mexico that it launched in October 2008.

“FedEx is focused on improving its global portfolio through smart and strategic investments in key markets that demonstrate strong growth potential,” says Michael L. Ducker, president, international, FedEx Express. “Our expansions in Guadalajara and San Luis Potosi are designed to meet the demand for domestic service in Mexico and the increasing opportunity for international trade that the country must leverage to

grow. Ultimately, our investments reflect the company's confidence in—and commitment to—facilitating Mexico's growth and role in global commerce.

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### **3. Obama and health care reform**

June 26, 12:29 PM

In several speeches in that last few weeks President Obama pressed the need for health care reform. An issue Hillary Clinton once championed, she was perhaps beset with other duties as Secretary of State and or the accident to her elbow for much participation in these latest rounds.

Understanding insurance

The mathematical function that makes insurance a practical solution is the division of risk. If the likelihood of a particular disease is one in one hundred then the risk is divided by one hundred. If the cost of the cure is \$500 dollars then insurance against the disease can be sold for \$5, or slightly more than \$5 considering the expenses of operating the insurance company. If the actual number of cases of the disease is as expected then the insurance company can maintain itself. While this principle of operation should be within the grasp of elementary math students there have been indications that it is not understood even by some adults. Years ago there was an effort to make insurance companies pay the cost of mammograms at the same time there was an effort to make those tests required. Checking the math on that if one hundred percent of people who buy the insurance need the test then the insurance company must charge each person one hundred percent of the cost of the test, plus a small part of the operating expenses of the insurance company. Observe that there are no savings at all to the insured in that scenario. Evidently the proponents of those requirements were depending on some other principle by which insurance companies would find the money needed.

Another example indicating that people do not understand how insurance works is the extent to which they believe insurance companies should cover conditions that existed before the insurance is purchased. If people can wait until they get sick before they buy insurance why would anyone not sick buy it? And how can the risk be divided if again in this scenario one hundred percent of people need to be paid by the insurance company? Perhaps there are particulars about just what sort of pre-existing conditions should be covered and just how that make the idea sensible to its proponents.

And still another example that the principle is not understood is the belief that insurance costs can be lowered if more people are insured. Take another look at the example disease that costs \$500 to cure and appears in about one in a hundred cases. It makes no difference how many people buy the insurance the risk is still one in a hundred and the charge to the insured is about one hundredth the cost of the cure. At extremely low levels of participation the insurance company might take a huge loss or perhaps make a huge gain because the small number of cases does not reflect the wider population, but the risk is basically the same one in a hundred.

Of course there are other reasons for wanting everyone insured. Some people for example have difficulty calculating risks and preparing for them. And perhaps that is obvious.

In Virginia you may not drive without automobile insurance unless you pay the state a fee to be excused from having insurance.

What is new

The troublesome point for many about the president's new ideas is the "public option." That doesn't mean the option to have that medicare deduction on your paycheck or not. It means a government operated insurance company. The theory is that an insurance company run by the government might have such sterling performance and low costs that the private companies would be forced to compete in the marketplace with similar performance and costs. Is that supposed to be like the run the United States Postal Service is giving private carriers?

And the perhaps tainted profit motive would interfere less with the publicly run company somehow. Wary of government operation of anything, many voiced concerns that such an option would be error prone and unfairly compete having access to money in ways non-governmental agencies cannot. The president acknowledged risks in the funding but was not clear exactly what he could do about them.

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Collected by Chairul Anwar, Bandung, Indonesia.

E-mail address : [chairulanwar49@operamail.com](mailto:chairulanwar49@operamail.com), [uyungchairul@plasa.com](mailto:uyungchairul@plasa.com).