

POSTAL NEWS

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1. Russia eyes postal bank to rival Sberbank

Fri Dec 18, 2009 2:56am EST

MOSCOW, Dec 18 (Reuters) - Russia plans to secure the future of bankruptcy escapee Svyazbank by turning it into a postal bank with twice as many branches as current largest lender Sberbank (SBER03.MM).

Financials

The future of Svyazbank, which counts the Russian Post among its clients, was discussed at a recent board meeting of VEB, the government's bank and the distributor of state anti-crisis funds.

"At a meeting of the supervisory board of VEB on Dec. 17, 2009, the strategy of development for Svyazbank was approved, which features the creation of a Russian Federation Post Bank on the basis of Svyazbank and with the participation of Russian Post," VEB's press service said late on Thursday.

The board -- presided over by Russian Prime Minister Vladimir Putin -- decided to form a working group to prepare by April 1 the necessary events for the creation of such a bank.

The Russian Post has 42,000 branches, employs 415,000 people and handles 190 million money transfer operations a year.

Sberbank in comparison has 19,050 branches, employs around 270,000 people and holds half of Russia's retail deposits.

Both companies plan job cuts. [ID:nLB226840] [ID:nGEE5AM0GT] (Reporting by Darya Korsunskaya; writing by Toni Vorobyova; editing by Simon Jessop)

2. Shares of FedEx Fall After It Posts a 30% Decline in Profit

By THE ASSOCIATED PRESS

Published: December 17, 2009

FedEx said on Thursday that its second-quarter profit fell 30 percent on a 10 percent decline in revenue and issued a disappointing forecast for the current period, setting off a 6 percent decline in its share price.

Although FedEx expects a modest economic recovery to continue next year, the company said “there is some uncertainty regarding the sustainability of current demand trends after our peak shipping season.”

The company predicted earnings of 50 to 70 cents a share in the current quarter, well under analysts’ expectations of 84 cents a share. Despite the cautious near-term forecast, the company said many economic indicators appeared to be turning positive.

The chief executive, chairman and president, Frederick W. Smith, said in a conference call he believed that the nation’s economy “reached a turning point” in recent months. Mr. Smith noted that industrial demand turned positive compared with last year and that manufacturers started buying again.

In the quarter, FedEx earned \$345 million, or \$1.10 a share, compared with \$493 million, or \$1.58 a share, in the period a year earlier.

Sales in the period, which ended Nov. 30 and was the second quarter of FedEx’s fiscal year, fell to \$8.6 billion, from \$9.54 billion.

Shares of FedEx, which is based in Memphis, fell \$5.48, to \$84.47.

FedEx reported sales declines of more than 10 percent in major segments, including express, freight and services. But revenue in the company’s ground segment rose 3 percent, mostly because of added volume from a partnership with the United States Postal Service and DHL’s exit from the United States market.

FedEx is adding more flight hours to meet international demand in the current quarter, which will increase its costs. The company cut flight hours by 6 percent during the last quarter as it used fewer and more fuel-efficient airplanes. But as package volume started picking up in the quarter, especially in Asia and Latin America, FedEx scheduled more flights.

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3. Why do we always prefer the private, high cost option?

by Charles Trentelman - Dec 21st, 2009

It’s fun to slam the US Postal Service, but I’ve never been quite clear on why we do.

After all, if you know of a private commercial carrier who will deliver something for you, in two days, to a location across the nation 2,400 miles away, for 47 cents, I'd like to know the name of it.

And its not as if the alternatives are either faster or cheaper. I'm on day 9 of waiting for a UPS ground package I ordered from the midwest more than a week ago. I suppose it will get here, but if the shipper, the Signals Catalog, had used USPS it would have been here a lot sooner for the same money. Sadly, they didn't offer that option.

An article in today's NYTimes (here) talks about the pricing practices at UPS stores in New York, but they're similar all over. They have fewer work days than the Postal Service, they are slower and cost more — and if you send a USPS letter or package at a UPS store you pay a surcharge — and yet I still never hear UPS, or FedEx, or any of the others, come in for the abuse the USPS does.

Why is that? Is it because they're apparently optional?

If so, you might want to ponder this article, a column, by LATimes writer Davis Lazarus discussing efforts by some to privatize the Postal Service. A lot of people say the way to avoid subsidizing the Postal Service is to let private enterprise run it, making it supposedly "run like a business," but I wonder if those people realize that private business, now, cannot do what the Postal Service does.

But of course, USPS is "government" and government is always evil. Better to have private, competition, so prices will be kept low.

Just like in the medical industry.

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DAVID LAZARUS

4. Time to privatize the Postal Service?

Perry Escoto wraps a present before putting it in the mail in New York on Monday, the U.S. Postal Service's busiest day of the year. (Mario Tama / Getty Images / December 14, 2009)

David Lazarus

Should the Postal Service be privatized?

Yes. A private company could do a better job.

Perhaps, if they can't make any money.

No. The responsibilities are too great for a private company.

The U.S. Mail covers everyone regardless of preexisting conditions (like living in the sticks), a public option that could disappear if contractors took over.
By David Lazarus

December 20, 2009

There's been a lot of talk about a public option for health insurance. But what about the public option for mail?

The U.S. Postal Service offers universal coverage -- that is, it guarantees that mail can be sent and received by everyone, regardless of preexisting conditions, such as living in the boonies.

It also loses tons of money.

In its most recent fiscal year, which ended Sept. 30, the postal service lost \$3.8 billion. That's after losing a total of \$7.8 billion over the previous two years.

Thanks to the sputtering economy and a steady transition of business and personal communications to the Internet, the postal service says it delivered 26 billion fewer pieces of mail this year, a nearly 13% drop from the year before.

It's thus fair to wonder: Can this system be saved?

Put another way, is it time we privatized the postal service?

Richard Maher, a postal service spokesman in Los Angeles, said these are fair questions.

"The postal service is asking for a national dialogue on this," he said. "What is our role going to be in the future? We need to have a conversation about that."

To jump-start that conversation, I stopped by a post office in Culver City, where I found a long line of people waiting last week to mail holiday cards and packages. This was shortly after the postal service faced its busiest day of the year, with about 830 million pieces of mail entering the system last Monday.

I asked whether a private company could do a better job.

Some of those I spoke with, such as L.A. resident Victoria Yambao, 52, said things are fine just as they are.

"It works for me," she said. "I get my mail."

Others -- in fact, most people I met -- were more critical of the federal agency whose very name has become synonymous with murder and mayhem (as in "going postal").

"I'm sure someone else could do a better job," said L.A. resident Ryan Schultz, 30. "The post office employees are extremely rude and don't seem to respect customers very much."

L.A. resident Teresa Lopez, 41, was even more contemptuous. "The postal service is terrible," she said. "I'm sure FedEx could do a better job. They could be competitive."

I called FedEx and asked if they wanted to take over the postal service.

"That's not something we would comment on," a company spokeswoman, Ann Saccomano, cagily replied. "It's speculative."

A UPS spokesman, Norman Black, was more forthcoming when I put the same question to him.

"We believe that the government plays a role in terms of ensuring that every mailbox is reached every day," he said. "That is not a responsibility that UPS would want." That makes sense. The big private shippers probably would be happy to cherry-pick profitable urban routes but would want nothing to do with having to schlep mail up and down unprofitable rural roads.

It seems to me that the only privatization scheme that stands even a remote chance of working would be to break the postal service network into hundreds of regions and territories, and then have local companies compete for mail-delivery rights in each area.

But you'd still have to wonder how any such private-sector players would be more successful at the game than a long-established heavyweight like the postal service.

"If the system was privatized, it might cost 44 cents to get a letter across Los Angeles but \$5 to get it to Connecticut," said Maher, the postal service spokesman.

"When you think about a network that delivers to all homes every day -- it's huge," he said. "Would a private company be able to do that? I don't think so. I think we would lose universal service."

I tend to agree. For-profit, market-driven companies tend to put bottom-line issues ahead of all other considerations -- and why wouldn't they? That's the nature of the beast.

And that's why 47 million people don't have health insurance, and why sick people can't get coverage, and why people get their policies canceled when they need them most.

What private company in its right mind would want the postal service's responsibilities?

That said, we still have a multibillion-dollar matter of how to restore the system to self-sufficiency.

The postal service receives no tax money -- it's required by law to raise enough revenue to cover its costs. Federal law also says the agency can borrow up to \$3 billion a year from the Treasury Department, but its total debt can't top \$15 billion.

The postal service now owes Uncle Sam about \$10.2 billion. It's going to max out its credit card very soon.

For 2010, the postal service is already estimating that it could lose nearly \$8 billion and deliver 11 billion fewer pieces of mail.

To fix that, the agency wants to end a government requirement that it pay more than \$5 billion annually into a fund to cover future retirees' health benefits. It also wants to end Saturday mail delivery.

"We need to find a way to sustain this organization into the future," Maher said.

Higher rates? Guaranteed. Reduced service? Inevitable. Some legislative changes, including, perhaps, billions in bailout cash? Probably unavoidable.

And then what? Considering that the postal service reaches every household in the country, there must be some way this could be leveraged with marketers and other business interests.

Moreover, why limit the system's network of post offices to stamps and boxes? Why not have the post office deal in all manner of communications, from book and cellphone sales to DVD rentals?

Heck, why not sofas, lattes and Wi-Fi access?

There's a role for private companies in the mail business, just as there's a role for private insurers in the healthcare business. But they can't (or won't) cover the entire country.

The postal service isn't perfect. But it shows why public options are important -- and, in some cases, necessary.

David Lazarus' column runs Wednesdays and Sundays. Send your tips or feedback to david.lazarus@latimes.com.

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