

# POSTAL NEWS

No. 34/2010

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

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April 15, 2010

## 1. DUE DILIGENCE ON POS MALAYSIA LAND

BY B.K. SIDHU

Properties may be converted to unlock value

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KUALA LUMPUR: Pos Malaysia Bhd is exploring ways to unlock the value of the land on which its post offices and other operations are located, including conversion of its use and ownership transfer to the postal company.

The 697 post offices, 32 mail-processing centres and over 300 delivery centres that Pos Malaysia operates in the country occupy over 250 acres of land, the bulk of which belongs to the Federal Land Commissioner.

“The charter says we can only operate postal services on these locations but we are thinking of a conversion and a change in ownership. The idea of conversion is to re-develop some of the parcels so that we can sell (them) and re-invest the funds in the company,” Pos Malaysia group managing director/CEO Datuk Syed Faisal Albar said.

As some of the land parcels are not deemed to be in strategic locations for postal operations, they could be leased out or hived off and even redeveloped.

“We will seek guidance on how to get around this land issue. We cannot at this juncture say exactly what the value of the landbank is as we need to conduct a due diligence for each property,” Syed Faisal told StarBiz in an interview.

He said globally, many of the postal companies, including those in Germany and Singapore, had rights to the land on which they operated and had in the past sold part of that land and redeveloped other portions for recurring income purposes.

Prime Minister Datuk Seri Najib Tun Razak recently announced as part of the New Economic Model that Khazanah Nasional Bhd would divest its 32.2% stake in Pos Malaysia. The Government will also look to revising the restriction on the usage of the land occupied by Pos Malaysia.

Conversion of land is not entirely new as it has been done in the case of KTM Bhd where parcels of land were converted for commercial development.

In Pos Malaysia’s case, the due diligence may well take up to three months and it will have to look at a model that best suits its needs and propose to the Government what can be done to unlock the value of the land and also ensure it provides recurring income to mitigate the declining volumes of its snail mail business.

Analysts view the conversion or transfer of land to Pos Malaysia as a sweetener to potential investors for Khazanah's stake in the company. It is unclear at this juncture if Pos Malaysia has to pay for the land but experts believe any payment would involve a lump sum at preferential rates. Syed Faisal said there was "great" potential for the land but he would not elaborate. "Getting the land will be a bonus as it is not featured in our three-year transformation plan," he added. The plan, which began last August, is intended to transform the group into a more agile postal organisation that is cost efficient and customer-centric.

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**2. Japan May Ease Rules on Postal Bank, Life Insurance, Asahi Says**  
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By Yoshiaki Nohara

April 11 (Bloomberg) -- Japan's government is considering easing regulations to allow the nation's postal bank and "kanpo" postal life insurance to enter new businesses, the Asahi Shimbun reported today.

Current regulations require the government-owned entities to get permission from the Ministry of Internal Affairs and Communications and the Finance Ministry, which gauge the impact on private financial institutions. A new proposal would allow the postal bank and life insurance to enter new businesses just by making an application, the newspaper reported.

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Last Updated: April 10, 2010 21:33 EDT

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**3. Analysis: Change the role of the Postal Service to keep it viable**  
April 16, 2010 - 4:45pm  
Phil Herr, GAO  
The United States Postal Service is facing some difficult challenges when it comes to its budget.

Federal News Radio told you on Monday that the Government Accountability Office released a report which said that the Postal Service would need to make deeper job and wage cuts if it is going to remain viable in the 21st century.

Phil Herr is director of Physical Infrastructure Issues at the GAO and explained that the report syncs with a recent report done by the Postal Service itself.

"If you look at the demand for mail and the projected demand for mail over the next 10 years, it's hard to escape the conclusion that something really fundamental has changed in terms of the demand and the projected demand, and what's needed to support that in terms of an infrastructure."

In the report, the GAO took data from 2000 to 2008 and examined a variety of issues, such as the percentage of household bill payments made by mail versus those done electronically.

In 2000, 79 percent of American households sent bills in via traditional mail. In 2008, that number dropped to 56 percent.

Herr noted that data is now two years old. Last year alone, two-thirds of the American public had access to broadband, which means between 2008 and the present, even more people have the means to pay their bills electronically.

These numbers, however, don't necessarily mean that USPS is obsolete, but the role of the Postal Service might need to change.

"The Postal Service still plays an important role in our economy. There's still envisioned to be 150 billion pieces of mail in 10 years. Mail is measure in billions of pieces yet. One of the things I came away from this study with was the conclusion that it's really important to realign what we have in terms of the Postal Service -- in terms of facilities, retail outlets and employees to this changed demand for mail."

According to projections, USPS will handle the same amount of mail in 2010 as it did in 1992. By 2020, the Postal Service will be dealing with bulk levels equivalent to those of the mid-1980's.

"Part of it is really, like any business -- and the Postal Service was set up to be self-financing -- [it needs] to put itself in a position where the revenue is [and] cover its costs."

It might not be as simple as that, though.

When compared to operations in the private sector, such as UPS and FedEx, the Postal Service is faced with a heavier burden. It must deliver everywhere six days a week, which makes it hard to compete with private companies that can set their own rules.

"The thing I ask people is, 'What other business comes to your home six days a week regardless of whether they have something to give you or you have something for them to pick up?' I've never heard that there is another one. Of course, these are contiguous routes and things like that, but, nonetheless, no other institution does the kind of thing that they do day in and day out."

Herr explained that, because of this, it might be time to redefine what the United States Postal Service is.

"You need to have initiatives that are going to either be generating revenue that should be measured in the hundreds of millions, if not billions [of dollars], or reductions that will lead to cost savings. . . . There used to be mail delivered twice a day, and, at some point, a decision was made to change and -- I wasn't involved in the work at that time, so I don't know if it was that difficult to make that kind of change. I think the other side of it is, that because it keeps happening and no one sends you a check for the cost of mail delivery, it's something people take for granted."

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