

POSTAL NEWS

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1. Royal Mail - The Universal Service Fixation

23 October 2010 - Steve Lawson - Editors Comment - © Hellmail Postal News.

As the arguments over privatisation of the Royal Mail continue, the Hellmail mailbag is seeing a flurry of concerns by private operators and independent consultants who fear that not only will the switch from Postcomm to Ofcom weaken strides to encourage competition, but that it places just too much emphasis on the universal service. Moreover, the feeling on the ground is that there are few if any fast-track channels to voice opinion on the changes ahead.

On that last point I couldn't agree more and I'm acutely aware that the voice of Hellmail is just as important as ever, and probably more so given the pace at which digital technology, regulation and competition are impacting on the entire postal market. The loss of Postwatch, and soon Consumer Focus and Postcomm, makes it much more difficult to know exactly who to talk to, particularly with respect to policy.

I know what you're thinking, surely we need to protect the universal service - that is, the one price anywhere, one collection and one delivery, five days a week thing. Well yes, there should be (if I put my consumer-driven head on for a moment), an obligation to ensure that rural areas don't lose out in the name of profit, but consider for a moment that unlike the UK, Germany does not impose a requirement on any single operator to provide the universal service. It is assumed that this is a joint obligation although the regulator can intervene where the market fails to provide full coverage - quite a different scenario from the UK where Royal Mail is virtually the sole provider and therefore having to operate under tight guidelines. Sweden of course, was the first country in the world to abolish the postal monopoly back in 1993, although Swedish Post is obliged to provide the universal service and still dominates the market.

However, global mail volume is in fact in decline, and likely to be for some time. Some estimates predict a fall of 40% or more in the UK over the coming years and our dependence on paper-mail is already waning. Estonia, part of the Baltic region and bordered by Finland, is one of the few countries that has effectively stopped trying to battle it out with the digital revolution and is now actively encouraging business to switch to e-invoicing. I suppose if the future is likely to be a digital mail

service (and I believe it will be), then it makes sense to be at least first on the block rather than squeezed by a competitor. This shift is also happening in other European countries with some operators buying in platforms or else developing their own but as with any technological shift, operators are largely having to respond on the fly, as the market demands.

Every operator I've spoken to in the UK firmly believes that Royal Mail will always remain the main delivery agent - so does the regulator, unless through privatisation all operators somehow have a stake in it, or we adopt the German model where effectively anyone can pitch in providing the ground is covered. However, true competition is about choice and while Royal Mail remains tied to Post Office Ltd it still has a long way to go before every consumer can make an informed choice over which operator they would like to use. Whilst bulk mailers could make use of say TNT Post, that choice is not available to all under the present structure and even if one accepts that it is big business that is driving change, liberalisation is of little benefit to the man in the street. True competition will only ever really happen when post offices become access points to a plethora of mail operators rather than effectively, just the one. Without a rethink on access points, only big business really stands to gain from competition.

The last couple of years saw the abolition of Postwatch, mostly because it had been so successful it was no longer needed but at the same time a new obligation was placed on Royal Mail to deal with any complaints in a more forthright and timely fashion. By and large it has lived up to that although there is some evidence that compensation payouts are falling compared to the actual level of complaints. Consumers do however have the means to escalate a complaint that they feel has not been adequately addressed. Then came Consumer Focus which essentially dealt with larger issues but took some time to gather steam and some felt it was just a little too close to government to be truly effective and lacked the regional presence of Postwatch. Now the consumer end is being shunted to Citizens Advice and Trading Standards, both of which have good national coverage and greater independence but with regulatory control being transferred to Ofcom, which incidentally is planning for budget cuts, I think there is a real likelihood that feedback will be lost.

What is urgently needed is an industry panel that can collectively push liberalisation forward without being strangled by regulation. Neither Royal Mail nor its competitors want more regulation but it is important that all players have a say in the way the market develops. The new Postal Services Bill, no matter how carefully worded cannot hope to keep pace with the changes ahead and apart from a few requests by Postcomm on the future of regulatory control, at the moment there seems to be no mechanism for postal operators to contribute to the shaping of the new Bill, not helped by a government that has mixed political ideals.

Now I don't pretend for a minute that I can possibly encapsulate the present state and future of an industry as complex as the mail business. Neither am I able to offer pearls of wisdom with respect to whether privatisation will be a good or bad thing, even after reading all the studies and listening to all the many so-called 'experts'. I fully accept and understand that feelings do run high on this - very much so and not least with postal workers themselves, but the postal market is in urgent need of reform.

There are however, few industries that have not been touched, changed or crushed by the digital revolution. I started my working life in the print trade where Litho relied on Letraset and Letterpress on cast typefaces. Within a few years the print trade was transformed by the development of computer fonts and today many print-houses operate as design and direct mail consultants, feeding directly into the mail industry. Likewise the rapid development of digital technology and greater use of the world-wide web and mobile phones to communicate has had a massive impact on traditional mail services too and personally I think it will continue to do so until we reach a point where the 'universal service' either becomes a no-brainer (at least for anything smaller than a parcel) and/or virtual mailboxes become accepted as the norm. Advertising (direct mail) will continue to be viable but whether Royal Mail can retain a sufficient monopoly on that remains to be seen.

I remain concerned though (with the exception of private industry forums) that some of the best minds in this industry are not really being heard in the development of the mail industry. The biggest bone of contention and arguably a barrier to a more competitive market seems to be access pricing - the cost of feeding into the Royal Mail network. Other operators are keen to see that cost fall but equally Royal Mail are keen to raise it. As a colleague pointed out, the right price has to be somewhere between wholesale and retail but as yet, there is no real consensus as to what it should be, with both private operators and Royal Mail saying the playing field is far from level. Postcomm itself has come in for criticism, serving as it does, the role of universal service protector and champion of competition - arguably a conflict of interest, but postal liberalisation in the UK has tended to be a sticking-plaster affair anyway with regards to regulation and change, with no one particularly happy about any aspect of it.

If the coalition government are able to forge ahead with selling the Royal Mail, and its as well to note that the Communication Workers Union is fiercely opposed to the entire plan, the treasury strapped for cash and fewer willing investors around, the reshaping of the UK postal market will need the sharpest tools in the box to make it work and our fixation on the universal service may leave us struggling to make the right decisions at a time when they are most needed. .

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2. Nothing new in going postal Chris Zappone

October 22, 2010

For People. Not Profit. Better rates + lower fees = big savings!

The idea of a postal bank in Australia, suggested this week by the head of the Future Fund, has plenty of international precedent.

Post offices have provided retail banking services for many years in Europe and Asia.

Great Britain's Post Office, a subsidiary of the Royal Post, offers savings accounts, bonds, credit cards and mortgages.

Advertisement: Story continues below This week Future Fund chairman David Murray revealed he was in talks with the government about having Australia Post offer a range of banking and financial services. Such a move would create a so-called “utility” bank to compete with Australia's major banks.

Since the emergence of the financial crisis, critics overseas have called for a split between the risk-taking and the routine retail activities of banks. In Australia, where the banks weren't hurt by the financial crisis, criticism has centred on the level of competition, hefty fees and out-of-cycle interest rate rises.

Should Australia Post expand its retail bank services, there would be numerous overseas examples for it to look to.

In addition to Britain's Post Office, Germany's Deutsche Postbank provides full retail banking services ranging from home loans to asset management. The Postbank was spun off from the Deutsche Post in 2004.

Japan Post offers savings accounts and life insurance, according to business information service Hoovers.com.

New Zealand's Kiwibank opened up counters in PostShops nationwide in 2002, “putting us in more locations than any other bank in New Zealand literally overnight - without wasting millions on new premises,” according to its website.

The post bank now has more than 650,000 customers.

BBY banking analyst George Gabriel said a move by Australia Post into retail banking would solve two fundamental issues in banking today: competition and the need for a structural separation of banking activities.

After the global financial crisis, Westpac's acquisition of such banks as St George, or Bankwest by Commonwealth Bank, have lessened competition, he said.

“This could be one way of improving competition,” he said.

At the same time, the dramatic collapse of banks during the financial crisis, underscored the benefit of a division between retail banking services and riskier institutional investment activities, he said.

While structural separation remains a live political issue in the UK, “in Australia that debate hasn't arisen due to the success of Aussie banks in navigating the global financial crisis”.

Brazil's postal bank, Banco Postal, runs in partnership with the nation's biggest bank, Bradesco. There are also postal banks in Norway and France.

Currently, business banking customers can conduct CommBank and National Australia Bank transactions through post office locations. Australia Post said that in 2009-10 year, 23 million bank transactions had been processed through its outlets.

Australia Post and Choice weren't available for comment.

The prospect of Australia Post functioning as a retail bank comes as the Australian Competition and Consumer Commission has flagged concerns that the major banks are signalling their mortgage rate movements, which undermines competition.

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3. Innovation management in postal industry needs improvement: Capgemini

By SiliconIndia

Thursday, 21 October 2010, 13:02 Hrs

Email Paris: The global economic downturn and the popularity of e-mails as a preferred mode of communication are the two major factors that have had significant negative impact on postal operators globally, and the lack of real innovation by postal operators is the driver of this negative growth. Over the past ten years, postal operators have introduced more than 3,000 innovations, out of which only 25 percent of innovations are focused on new products or business modes whereas the remaining 75 percent are targeted at internal functions, mainly service and process optimization, reveals a new study titled "Innovation Management in the Postal Industry - the Key for Business Transformation" by the IT services and business consultancy company Capgemini. Will Indian Americans' win in U.S. polls turn beneficial to India?

According to the report, there are two types of operators in the postal market - Market Shapers and Market Optimizers. Market Shapers have well-organized innovation management but they lack confidence for implementing impactful innovations and as a result have low profits. On the other hand, Market Optimizers may not be well organized, but they have more spontaneous approach to innovation management. They bring high-impact innovations to market and often achieve high profits, the report says.

The findings of the report are based on a survey of 45 postal operators from 28 countries worldwide. Apart from this, in-depth research into postal portfolio diversification and an analysis of the applications for the Innovation Award category of the World Mail Awards since 2001 also contributed to the findings.

The results showed that 61 percent of innovations in the postal industry fall into the core supply chain category with more focus on areas like sorting, transport and delivery. Only 27 percent of the innovations reported were in the product category, with direct mail and hybrid mail making up almost two thirds of those offerings.

The report says that almost two thirds of postal operators have only a partially-implemented, innovation process in place. Moreover, representation for innovation management at the board level is generally less. These are the two main reasons for which implementing new services and diversifying into new modes of business continues to be a key challenge for postal operators.

Although 38 percent of the postal operators surveyed have innovation management teams allocated to innovation departments, investment on postal innovations is still far behind those in other industries, says the report. There is also a gap between the teams involved in idea creation and the ones involved in launching new products and services.

"Many postal operators have made a good start in innovation management, particularly compared to their perceived image in the market," said Dirk Palder, Vice President, Global Postal Leadership Team at Capgemini. However, postal innovations need to be managed more tightly and with an end-to-end perspective if they are to be successful.

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4. .“Bring buddies” Postal Scheme Tested by Deutsche Post

A scheme that will see ordinary people delivering parcels is being tested by the German postal service

By Ellie Duncan | Thu Oct 21, 2010

TAGS: Deutsche Post, DHL, parcel delivery, postal service

The “bring buddies” initiative has been designed to lessen traffic in cities and reduce CO2 emissions, Reuters reported.

It works by getting people on their way to city destinations to deliver parcels and should help DHL, a division of the German postal service, to reach its carbon efficiency target.

DHL aims to improve carbon efficiency by 30 percent before 2020.

The initiative will inform “buddies” online about parcels that need delivering to people who live or work along the route they are planning to travel through the city and then select the ones they want to take.

The “buddies” are sent retrieval codes to their mobile phones telling them where to pick up the packages.

The code helps keep the track and trace system updated along the parcel’s journey.

There is the option to transport the parcel part of the way, or pass it onto another buddy.

There are, of course, potential security and liability issues associated with this method, but Deutsche Post DHL believes these can be ironed out.

The company would oversee operations and would ultimately be responsible for ensuring the privacy of the post is not violated.

Edited by Darrel Moore

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