

POSTAL NEWS

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1. Pos Malaysia stake goes to industrial conglomerate

The Malaysian government will sell a 32.21% stake in Pos Malaysia to a leading industrial conglomerate for the equivalent of €142 million to enable the postal operator to develop its mail, courier and logistics businesses.

Khazanah Nasional, the government's investment holding for state-owned assets and strategic investments, will sell the holding for RM 622.8 million via a share sale to the DRB-HICOM group, which is one of Malaysia's leading conglomerates. The deal is due for completion in the second quarter of the year.

Khazanah's managing director, Tan Sri Dato' Azman Haji Mokhtar, said: "DRB-HICOM was chosen based on their overall bid, which offers not only a defined strategy but also an executable business plan and an acceptable offer price. Their proposed strategy and business plan in turn provides an effective platform for POS's growth, if adopted by the Board of POS as a whole."

DRB-HICOM's group managing director, Dato' Sri Haji Mohd Khamil Jamil, explained: "The proposed investment in Pos Malaysia is in line with DRB-HICOM's overall strategy to enhance the services sector in the Group in its quest to expand its horizon. We are optimistic that Pos Malaysia with its extensive network will provide us with the right platform to expand our businesses locally and overseas. Apart from new businesses and expansion programme, the synergies that can be created within the group are vast."

DRB-HICOM's Group Director, Corporate & Services, Dato' Khalid Abdol Rahman, added: "We share the same aspirations of POS Malaysia but we intend to take POS Malaysia to a greater height. Amidst the changing landscape, we want POS Malaysia to maintain its leading position in the mail business, expand its market share in the highly competitive courier segment and turn around its retail business by becoming a virtual retail network and be able to reach out extensively to the public. Another goal is to revitalise the logistic business in POS Malaysia, of which the domestic logistics' market size is over RM27 billion. POS Malaysia can pursue strategic alliances with domestic and global players to achieve a quicker entry into the logistics sector."

He added: “POS Malaysia is a natural fit to our businesses, especially for our extensive products and services in the Group. Our banking and insurance businesses can leverage on the extensive postal network which can serve to reach the Rakyat, especially those in the rural or remote areas. By making our wide range of products and services available at more than 1,000 postal outlets nationwide, this can further expand our businesses and turn POS Malaysia into a one-stop solution centre for consumers.” According to Malaysian media, DRB-HICOM might combine Bank Muamalat, in which it owns 70%, with Pos Malaysia.

In the year ended 31 December 2010, Pos Malaysia breached the RM1 billion revenue for the first time in its operating history and reported revenue of RM1,104.98 million. Its operating profit rose to RM105.67 million from the previous year’s RM82.35 million. Last year its courier business PosLaju signed a cooperation agreement with UPS for international services.

Khazanah had announced in March 2010 that the stake in Pos Malaysia would be sold as a “non-core” business. Although the postal operator provided an essential public service, most of its activities now provided non-core services due to technological advances in communications and media, it explained. “Pos Malaysia’s unique advantages of location and network also offers strong value creation opportunities in logistics and retail that may be better suited under a different ownership structure provided public and stakeholder interests are properly safeguarded,” it stated at the time.

The government holding stressed that the strategic divestment followed an extensive two-stage process, including open bidding, and a rigorous selection process. The sale was managed in cooperation with CIMB Investment Bank (“CIMB”) and international consultants McKinsey as advisors. Ten potential investors expressed an interest and five of them submitted initial bids. All five bidders then held a series of meetings with Khazanah and Pos Malaysia management before submitting binding bids. A selection panel shortlisted two bidders and then unanimously recommended DRB-HICOM as the winner.

Tan Sri Azman explained: “There was a fit and proper test of the new majority shareholder which includes promoting the sustainable development of the Universal Service Obligations (“USO”), as well as the commitment to retain existing staff in their business plan.” The commitment to fulfil the social obligations under the USO (as required under the Postal Services Act, 1991) is crucial as postal services have an impact on the Rakyat, especially for those residing in remote or rural areas.

He concluded: “As a responsible seller to stakeholders including minorities and the Rakyat, our emphasis on business strategies and credibility of the bidders was to ensure that the successful bidder, via the Board members they intend to proportionately install with their 32% stake, have a robust business plan to both deliver on their USO and unlock value and for them to discuss at the POS Board.”

DRB-HICOM, which is listed on the Malaysian Stock Exchange, is one of the country’s major industrial conglomerate and owns a broad portfolio of companies. Key business areas include the automotive industry, where it helped developed

Malaysian-manufactured cars and trucks, as well as the service, property and construction sectors.

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2. PMG Donahoe: Postal Service May Not Prepay Retiree Health Benefits

May 5, 2011 11:59 AM, By Larry Riggs

The cash-strapped U.S. Postal Service may choose not to pay its \$5.5 billion annual obligation to the Treasury Department this fall. That payment covers the healthcare benefits of retired employees.

The USPS will have to make a decision on this later in the year, said Postmaster General Patrick Donahoe at a press conference at the National Postal Forum in San Diego. But it seems Donahoe has already made up his mind.

“We’ll pay our employees, we’ll pay our suppliers, and we won’t pay the government,” he said. “We have contention as far as owing that. Disruption in mail delivery won’t serve the government or the stakeholders.

Under the Postal Accountability and Enhancement Act of 2006, the USPS is required each year to prepay about \$5.5 billion to cover the healthcare benefits of retired employees until 2016.

He noted the USPS is working with Congress to try and find a solution to this problem.

“We are trying to work this through with the legislators in Washington D.C.,” he said. “From a customer prospective we’d like to get this taken care of before it hurts our brand or hurts the industry. If we can get these mandates resolved, we can focus on growing the industry.”

Here are some of the questions Donahoe took at the press conference.

Q: What is Plan B?

Donahoe: If we move from six to five day [mail delivery]—and some of the other things around the union contracts...if we can get those costs down around \$60 billion. that will make us very healthy. The Postal Service has cut its workforce down to about 400,000 employees, about half of its 2000 levels.

Q: What if Congress does not cut mail delivery to five days?

Donahoe: Here’s the problem: This year, first class mail is down 6% from last year. Last year it was down 6%. Compounded, we know there’s growth in marketing mail and growth in packages. But I can get \$3 billion out of the organization by going to five days.

Q: Will cutting delivery to five days hurt the volume?

Donahoe: No. Very few mailers tell us we absolutely need Saturday delivery. They tell us privately one thing and publicly say another. I believe that Saturday actually is the worst day for delivery, because people are so busy today and don't even look at their mail until Sunday p.m. No eyeballs on mail on Saturday.

Q: What is the major mailers' attitude towards this?

Donahoe: You know it's mixed, we hear both for and against. Privately, I ask people, well, what would you do otherwise? And there's no answer for that.

What we are faced with is: We will deliver mail to 165 million addresses this year. With the volume and revenue that we lose from first class mail, pressure on the system builds. We've lost 23%-24% over last few years.

We run a lot of routes with tight schedules. We've cut a lot of people—\$10 billion of labor costs. There is not a lot of wiggle room, which is why we need to make big changes and need Congressional mandates.

Q: Do we have to give up first class mail?

Donahoe: Realities are changing. The biggest loss we have is people paying their bills. As young people come in, and older pass on, it's just not their nature to [pay bills via the mail]. If we have large customers moving away, mergers, or eliminate mail as advertising, it's our biggest concern.

We don't want people to move away from mail. We want to keep people interested in first class mail. We are rolling out a big TV advertising campaign in September, focusing on the value of mail.

Q: Will getting five day delivery be more difficult with this Congress?

Donahoe: Not more difficult, but there is a certain education needed of Congress. Thirty percent of this Congress is freshman, and others may not know anything about the Postal Service. We have to get people on board with knowledge about us and this obligation.

Guess which age group said eliminate Saturday service rather than raise rates? It was 65-plus age group. Surprisingly, they don't want to waste money. They want to keep post offices open and don't care about Saturday service.

Q: Will the USPS's thousand of vehicles continue to use gasoline?

Donahoe: Our fleet vehicles are kept an average of 25 years. What are our options? Fix or fail with our fleet. Keep the fleet moving.

We test electric, diesel, gas, hybrid, etc.—if you want me to replace our fleet with the most efficient [power], it would still be gasoline. If we have to replace batteries, they are tremendously expensive. Hydrogen is not ready. We want to see clear winners. Replacing the fleet costs \$7 billion. You can't do it bit by bit.

3. Eurogiro: The Annual Meeting on Cross-Border Payment Services for Postal

COPENHAGEN, Denmark and WARSAW, Poland, May 9, 2011 /PRNewswire/ --

- The Meeting Will be Hosted by Poczta Polska SA - Member of Eurogiro Since 2006

Tomorrow sees the opening of Eurogiro's annual Community Meeting, during which more than 60 members of the Eurogiro network, present in 48 countries, will come together to share strategies for the development of the money transfer business throughout the world. Many payments made in Poland and transferred rapidly and reliably to a beneficiary in another country are likely to have been carried out automatically by Eurogiro, a partner of important postal organisations, banks and networks in the international electronic payments business.

(Logo: <http://www.newscom.com/cgi-bin/prnh/20110509/452987>)

"It is our firm intention to see to it that members associate Eurogiro with "quality, easiness and user friendliness", confirms Tjeerd Rienstra, CEO of the Copenhagen-based company. In Rienstra's view, this means guaranteeing that all cross-border payments can be processed simply, quickly, cost-effectively and having a REACH all over the world, even in rural areas.

Eurogiro, founded in 1993 by twelve European postal organisations, is a Danish commercial company whose aim is to support and develop worldwide business relating to cross-border payments related to retail and wholesale financial services. The Eurogiro community of members is the driver of business and new developments in cooperation with partners. Over the last twenty years, the company has evolved from a platform formed by postal organisations and banks into a trusted partner for cross-border payments at a global level, processing over 32 million transactions every year.

Poczta Polska S.A. - Eurogiro member since 2006 - is very active in this organisation and has its representative in the Eurogiro Customer Council.

"The organization of this year's Eurogiro Community Meeting is for Polish Post a great honour, but also a part of our permanent efforts to provide our customers with attractive offer of our international money order service" - said Jerzy Jozkowiak, the President of Poczta Polska S.A. "The implementation of Eurogiro electronic money orders enabled us to significantly accelerate the time of performance of the service and to considerably improve its quality."

In the first quarter of 2011, the number of Eurogiro money orders sent abroad via Poczta Polska S.A. increased by almost 30% compared to the relevant period of the previous year. In comparison to the first quarter of 2008, the growth amounts to over 70%.

The most important corridors for the Eurogiro money orders sending from Poland are currently: France, Slovakia, Croatia and Italy as well as recently opened Germany and Vietnam.

In parallel to Eurogiro Community Meeting Poczta Polska S.A. launches the information campaign promoting its international money order service.

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4. Public postal service still viable

Edmonton Journal May 6, 2011

Re: "Privatized mail delivery would put us ahead," by Gary Schaupmeyer, Letters, April 24.

The letter by Gary Schaupmeyer prompted me to formulate a rebuttal.

Yes, the advent of the Internet has changed our lives forever and for the better. But it is not the be-all and end-all when it comes transferring information. The PlayStation Network fiasco is a prime example, with as many as 77 million users' credit-card data compromised by hackers.

Canadians are among the highest users of the Internet, with online billing, banking and shopping. Even Canada Post has joined in with the launch of e-post.

But there are still plenty of individuals who rely on good, old-fashioned "snail mail." One would be surprised at the volume of first-class corporate mail-outs handled by Canada Post. Contrary to popular belief, publication mail and addressed ad-mail, or junk mail as some people call it, is a huge revenue generator for Canada Post. There are parcels and small packets as well, so the loss of unaddressed ad-mail would not see letter carriers sitting by idly twiddling their thumbs collecting their \$40 an hour.

A letter carrier currently makes \$24.15 an hour. It is somewhat misleading for Schaupmeyer to affix a dollar value of benefits and to factor in projected pension income to come up with his rate.

To suggest the hourly wage is more like \$40 an hour is like saying a person in Alberta who gets paid minimum wage, which is \$8.80 an hour, is making \$11 an hour when you factor in the individual's projected Canada Pension and Old Age Security.

Canada Post should be commended and not chastised for making a \$22-million profit in 2008, especially when the world was in the throes of a recession.

In fact, the corporation has been in the black for 15 consecutive years. Canada Post is a blossoming rose compared to its United States counterpart. The U.S. Postal Service reported a \$3.8-billion loss in the 2009 fiscal year, prompting the axing of around 40,000 jobs.

Are you impressed? Japan was cited as a postal privatization success story. It is a very complicated process that started in 2007 and will continue until 2017. In the end, only segments of Japan's service will be completely out of government hands. There are huge logistical differences between Japan and Canada that could inhibit a move to a privatized postal service in Canada.

Geographically, you could put 25 Japans into one Canada. Citizenry -Japan has about 90 million more people than Canada.

As for the salaries of those in charge of Canada Post being a mystery and secretive, in 2009 Canada Post's chief executive Moya Green was eligible for a just over \$600,000 public pay packet in base salary and performance bonus. So it is safe to assume the new CEO, Deepak Chopra, would be in line for the same type of compensation.

How does that compare on the global scene?

Well, Green left her lucrative job at Canada Post to become the head of the Royal Mail. That would be the money-losing British postal service. There she earns a basic salary of \$500,000 UK pounds. That works out to be around \$720,000 Cdn.

To suggest that the only usefulness of a letter carrier is to deliver flyers is somewhat demeaning.

To suggest selling Canada Post is the easiest way to make mail movement in our country more efficient is simplistic.

Change is inevitable. Change is good. The real question is: what would a privatized postal service really put us ahead of?

James Lemiski, Edmonton

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