POSTAL NEWS

No. 67/2011

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1. Divisions among Japan Post companies hobbling recovery efforts in disaster areas

(Mainichi Japan) May 25, 2011

Strict legal divisions between the smaller companies under Japan Post Holdings Co. have seriously hobbled the company's efforts to restore full postal services in disaster-struck northeast Japan.

"Sorry, but Japan Post is in charge of deliveries. This is the Post Office, so I can't answer your question."

"But why? You're both part of the postal service, aren't you?"

This is just one example of the calls to the post office inquiries hotline that started at the end of March in tsunami-devastated Ishinomaki, Miyagi Prefecture. The hotline takes as many as 100 calls a day from people asking about deliveries or how to pick up mail. The problem is the Japan Post Holdings subsidiary in charge of post offices is different from -- and has no information about -- the subsidiary for mail delivery, meaning those 100 or so customers can't get the answers they need.

"It's very distressing that we can't help victims of the disaster in real trouble," said Ishinomaki post office chief Akihiro Nikaido.

The Ishinomaki branch of the Japan Post deliveries subsidiary is actually in the same building as the post office, but they can't exchange information freely because of personal information rules. The two firms also can't borrow one another's vehicles without official permission -- permission requested of Nikaido by the head of deliveries after the March 11 catastrophe destroyed more than 450 delivery vehicles. Despite the crippling loss, and despite the post office's vehicles being left untouched by the quake and tsunami, Nikaido loaned the deliveries firm just one motorbike. According to Nikaido, he wasn't being stingy by choice, but was forced to be by the wall of red tape separating the post office from the deliveries firm.

"We couldn't contact Japan Post Holdings in Tokyo, plus a contract would have been required, not to mention what might have happened had there been an accident. Thinking of all these things, I couldn't simply decide to lend out our motorbikes," he told the Mainichi.

The Japanese postal system was privatized in 2007, its functions distributed by law among four companies beneath Japan Post Holdings. The Japan Post subsidiary took

over mail delivery and collection, while the post office firm was charged with accepting mail at the counter, as well as dealing with walk-in customers of postal savings and insurance services.
According to sources, however, these rigid divisions have meant that temporary post offices set up to let customers in the disaster area withdraw money from postal accounts have been unable to accept mail, while mail carriers have been forced to refuse help to people on their routes who need access to their savings. Furthermore, when the delivery firm tried to send out 11 vehicles as roving post offices, the entire process was delayed to update insurance on the vehicles to cover employees of the post office firm needed to man the savings account counter.
Restoring service at post offices themselves has faced its own division-of-labor headaches. Out of the 83 post offices partially or entirely destroyed by the disaster, 15 shared quarters with the mail delivery and collection firm. However, a bill to reintegrate Japan Post Holdings with the post office and delivery companies is stuck in Diet deliberations with no prospect for quick passage in sight.
The holdup on the bill, which also includes cuts to sorting centers operated by the money-losing delivery firm, has also spelled serious snags for building replacement post offices, with designers unable to answer questions like, "Will we need an office for both the post office chief and the deliveries chief or not?"
"Without knowing what shape the management of the postal system will take, it's impossible to formulate an effective reconstruction plan," Japan Post Holdings Co. President Jiro Saito stated recently, calling on a political resolution to the problem as soon as possible.

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2. TNT shareholders give go-ahead to demerger

Wednesday, May 25th, 2011
Shareholders of TNT have approved the demerger of the company's Express and Mail businesses.
TNT confirmed the separation had been given to go-ahead during an Extraordinary General Meeting of Shareholders (EGM) earlier today (25 May).
The demerger of the Express Business will create a newly listed company, TNT Express, whilst TNT will continue the Mail Business under the new name of PostNL – with both companies having their shares listed on the stock exchange in Amsterdam.
TNT said the main reasons for separation were "the increasingly divergent strategic profiles of the two businesses and the limited synergies between them". The company added that "separation will enable greater focus, transparency and two distinct investment opportunities for shareholders. It will also facilitate participation in possible sector consolidation".
A TNT spokesman said: "The demerger will create two strong, independently listed companies, with solid funding positions, clear strategies and strong management teams.
"In Europe, TNT Express offers profitable growth through its existing core business and through the development of high-end B2C parcels, freight and in sector-specific value-added solutions. In emerging markets, TNT Express will continue to lead the way in the development of day-certain domestic express services and further grow its intercontinental activities on the China-Europe lane. In the medium term, TNT Express' Europe Middle East and Africa revenue is to grow organically and through

new initiatives, with an operating margin increasing to 10-11%. Asia-Pacific and Americas are to realise double-digit revenue growth and to provide a solid contribution to profitability.
"PostNL is one of the best postal operators in the world, with a proven track record in operational improvement. In the rest of Europe PostNL has leading positions in Germany, the UK and Italy. Growth will be realised through Mail's highly successful Parcels unit and the International activities. PostNL's target in 2015 is a stable cash operating income (including cash pension contributions and restructuring cash flows) of EUR 300 – 370m."
Prior to demerger, the Express Business is held by TNT Express Holdco B.V., a direct wholly owned subsidiary of TNT N.V. TNT Express N.V. is also a direct wholly owned subsidiary of TNT N.V. The demerger, which will result in the separation of TNT Express N.V. from TNT N.V., will be executed in two steps.
First, a demerger will take place on 30 May in which 70.1% of the shares in TNT Express Holdco B.V. is demerged by TNT N.V. to TNT Express N.V. As part of the legal demerger, TNT Express N.V. will allot ordinary shares to the existing shareholders of TNT N.V. TNT shareholders will receive one ordinary share in the newly listed TNT Express N.V. for each one ordinary TNT N.V. share currently held. The demerger will become effective immediately after 00.00 CET on 31 May.
Second, on 31 May the demerger will be followed by a merger between TNT Express N.V. and TNT Express Holdco B.V., after which TNT Express Holdco B.V. will cease to exist.
As part of the legal merger, TNT Express will allot such number of shares to TNT N.V. for it to hold 29.9% of the ordinary shares of TNT Express N.V. This minority stake is to be a financial shareholding to cover equity and funding requirements. It is governed by an agreement that provides for the terms and conditions on lockup and orderly market arrangements, subject to which Mail will reduce its shareholding over time. The merger will become effective immediately after 00.00 CET on 1 June.
As from 1 June the issued share capital of TNT Express N.V. will consist of 542,033,181 ordinary shares.
Ahead of the execution of the demerger, trading of the TNT Express N.V. shares on NYSE Euronext Amsterdam is expected to commence tomorrow, 26 May 2011, at 09:00 CET under the symbol "TNTE" on an "as if and when issued" basis. The "ex spin off" date of the shares in TNT N.V (to be renamed PostNL N.V. following the demerger) – then to be traded under the symbol "PNL" – will also be 26 May 2011. Initial settlement of trades on 26 May 2011 is expected to take place on 31 May 2011, before opening of business at NYSE Euronext Amsterdam. This is also the first day of irrevocable trading of the shares.
With the demerger approved, the current CEO's position will become redundant and Peter Bakker will leave TNT after almost 20 years of service, of which the last 14 years as a member of the Board of Management.
Within the applicable original arrangements, in addition to the contractual notice period, the Supervisory Board and Bakker have agreed a compensation equal to two times his annual base salary for the termination of his employment. Bakker will step down as CEO and leave TNT effective 1 June 2011.

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3. DP DHL to "take advantage" of economic recovery

Wednesday, May 25th, 2011
Deutsche Post DHL expects to continue its "significant revenue and earnings growth" during the rest of 2011.
The admission, made by CEO Frank Appel at the company's AGM today in Frankfurt, came in light of a successful financial year 2010, and a "dynamic" Q1 for 2011.
"As the world's largest logistics provider, we profited particularly strongly from the ongoing positive growth of the global economy last year because we positioned ourselves at an early stage to be fit for the upswing," Appel explained. "Thanks to our excellent position, we can and will continue to take advantage of the continuing recovery of the global economy: our future will be all about profitable growth."
Despite the current economic risks, the further recovery in transport volumes observed during the first months of the year would point to a continuation of the economic upswing, the chairman of the company's Board of Management said. In light of this, the Group continues to project an EBIT of between EUR 2.2bn and EUR 2.4bn for the current financial year. The MAIL division is expected to contribute between EUR 1bn and EUR 1.1bn to this result. For the DHL divisions, the Group expects operating earnings to improve to between EUR 1.6bn and EUR 1.7bn, the company said.
Appel also revealed the Group's mid-term targets: "We want to significantly improve our earnings in the coming years and reach a leading position in our industry in terms of profitability, too."
In the DHL divisions, the Group aims at generating an average annual earnings growth of 13% to 15% through 2015. In the MAIL division, the objective is to stabilise EBIT at a sustainable level of about EUR 1bn.
"I am convinced that we will continue to outgrow our market over the medium term as long as we set our sights on the key drivers of our business success: satisfied customers, dedicated employees and loyal investors," Appel said. The critical factor for the future success of the Group would be the company's strong presence in all regions where growth is being generated, he added. "The excellent position of DHL in the world's growth markets and our dynamic parcel business in Germany create the ideal conditions for sustainable revenue and earnings improvements," Appel said.
In the financial year 2010, the Group benefited substantially from the recovery of the global economy. The successfully completed restructuring measures also contributed to the Group reaching or exceeding all the financial targets it had set for itself: revenues recorded a measurable increase, climbing by 11.4% to EUR 51.5bn. The slight drop in revenues in the MAIL division could be more than offset by strong growth in the DHL divisions. At EUR 2.2bn, underlying EBIT exceeded the upper end of the upgraded guidance for the company's operating earnings by more than EUR 100m and was nearly 50% higher than the previous year's level. For the very first time, the DHL divisions contributed more to the Group's operating profit than the MAIL division.
In combination with the positive effects stemming from the sale of Postbank, the volume growth realised in the DHL divisions and efficiency improvements produced a fourfold increase in the company's net profit to EUR 2.5bn. Earnings per share climbed from EUR 0.53 in 2009 to EUR 2.10 in 2010. Appel said: "With our Strategy 2015, we have charted a clear course for our future development, and we have already made significant progress on this path during the past year."
In light of the good results of the past financial year, the Board of Management and Supervisory Board proposed a dividend of EUR 0.65 per share for 2010 to company

shareholders. This represents an increase of EUR 0.05 per share from the EUR 0.60 per share that the Group paid its shareholders last year.
Based on the company's consolidated net profit adjusted for non-recurring items this dividend proposal reflects a payout ratio of 59%. This is within the range of 40% to 60% that the Group set as a target corridor for future dividend payments in its finance strategy that was published in March last year.
Based on the year-end closing price of the Deutsche Post DHL share, dividend yield totals 5.1%. The Group's dividend policy would be a clear signal for the high level of continuity and predictability that the company set for itself with the new finance strategy, Appel stated.

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Wednesday, May 25, 2011

4. Deutsche Post's Strategy for Mail

In response to two questions as part of an interview posted on the company's website, Deutsche Post CEO Frank Appel provides a description of Deutsche Post's strategy for mail.

How do you intend to achieve the stabilization of the traditional letter business?

Of course, in this division we can see far-reaching structural changes that relate to electronic forms of communication. We have reacted to this with a range of e-products, such as the e-Postbrief. Such products are only one element of our strategy to offer innovative solutions in digital and traditional physical communications and, with this approach, to permanently defend our position as THE postal service for Germany. Moreover, one fact is frequently overlooked: we are also one of the big winners of the e-commerce boom because of the strong growth we have achieved in our parcel business. The parcel business now already accounts for around one-fifth of the MAIL division's total revenue and these revenues are seeing highly dynamic growth: 9 percent in the first three months of 2011 alone.

Like I said, we have set ourselves a target of achieving underlying EBIT of around EUR1 billion in the MAIL division. We need this amount to be able to make the necessary investments in an efficient network. The dynamic parcel business will contribute to this goal and help us to achieve it. The extent to which the traditional letter business will be in a position to contribute will depend on a number of external factors that we are unable to influence.

I presume you are referring here to the procedure for setting the price of letters?

This is definitely one important aspect. Consider this: the price for sending a standard letter in Germany has not been raised for 14 years. Our prices are low in European comparison - although the quality of service is extremely high. At the same time, earnings in the letter business have almost halved within only three years.

The discussion about a possible increase in the price of a letter, then, is not about maximizing our profit, but rather about maintaining the current status and a good

infrastructure. At the end of the day, the Federal Network Agency will not only be deciding the future procedure for setting letter prices. In fact, it will also be part of the decision on whether or not Germany will still have a modern and efficient postal network in ten years.

His response raises a couple of questions for those thinking about ensuring a self-sufficient United States Postal Service.

- What should the financial goal of the Postal Service be? Deutsche Post believes that the financial health of its mail business requires $1 billion in EBIT (earnings before interest and taxes.) This is about a 7.8% margin before interest and taxes are determined.
- What is the role of e-Products for the USPS and can it survive delivering only print-communications and parcels? Deutsche Post apparently believes that it has to provide both print and delivery options to survive.
- How much capital does the United States Postal Service need to make the investments necessary to handle restructuring the network to deal with changing levels and mix of volume? Deutsche Post believes it needs $1 Billion Euros EBIT for a much smaller network.
- With declining volume, can the Postal Service continue to hold all rate increases below CPI, or will some rates need to increase at a faster pace to generate the cash needed to cover the transition costs that will be required to shrink the workforce and network as First Class volume decreases? Deutsche Post believes that it can no longer continue to meet its long-term commitments if there is not a change in regulatory pricing policy of the past 14 years.
- What impact does rate changes in any particular year have on the long-term viability of the Postal Service? Deutsche Post looks at rate setting policy having an impact not just on immediate results, balance sheets, and cash flow but also the long-term viability of the enterprise.

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5. What does Postal Service-APWU contract mean for other postal unions?

MAY 23RD, 2011

The U.S. Postal Service and its largest union have made it official, tying the knot on a contract that will run until May 2015.

"We worked together to negotiate a responsible agreement that is in the best interest of our customers, our employees and the future of the Postal Service," Postmaster General Patrick Donahoe said in a statement noting that the agreement with the American Postal Workers Union took effect Monday. The APWU's membership overwhelmingly ratified the agreement in a vote announced May 11.

"I am pleased that we were able to negotiate a contract that will strengthen the Postal Service for the future and protect the job security of union members," APWU President Cliff Guffey said in his own statement.

The lengthy contract contains provisions allowing both sides to claim gains. But its most notable feature is the creation of a two-tier wage structure that, according to the Postal Service, will mean an average of 10.2 percent less money for new hires. Historically, unions have been leery of these kinds of arrangements because they risk driving a wedge between older and younger members. But with the Postal Service in

undeniably awful financial shape, it's easier to push the pain off on to people who aren't even part of the bargaining unit yet. And the Postal Service may not want to stop there, Donahoe suggested at a congressional hearing last week.
The mail carrier is still negotiating with the National Rural Letter Carriers' Association to replace a contract that formally expired last November; agreements with the National Postal Mail Handlers Union and the National Association of Letter Carriers are up for renewal this November.
"We expect to see the same type of framework in those contracts that we've been able to negotiate with the APWU," Donahoe said. Asked later if Donahoe sees a similar wage fork as part of that framework, USPS spokesman Mark Saunders said only that "we're looking into negotiating contracts that are in the best interests of our customers, our employees and the future flexibility of the Postal Service."

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6. Postal Strikes In London Threatened

23 May 2011 - Sarah Sharpe
Postal Deliveries in and around London could be severely disrupted in the coming weeks after it was announced today that one in four postal workers in London (79%) have voted in favour of strike action. The ballot is in response to plans by Royal Mail to shut three mail centres and one delivery office in London.

The Communication Workers Union said it is concerned that the closures will lead to compulsory redundancies and said that up to 3,500 Royal Mail staff will take strike action unless reassurances are given over job security and concerns of bullying are addressed.

Martin Walsh, CWU divisional rep, said: "London postal workers have sent a clear message to Royal Mail in this ballot that they will not be bullied or intimidated by the company.

"Royal Mail's closure plans are a clear threat of compulsory redundancy and this is completely unacceptable. In their race to push services to the bottom Royal Mail will eventually provoke a reaction wider than London."

Mark Palfrey, CWU Divisional Rep, said "This result tells Royal Mail in no uncertain terms that they as an employer are completely out of step with their employees.

"We urge Royal Mail to engage with the union to address the real concern of postal workers across the capital."

The ballot closed today (Monday) and of the returned ballot papers 79 per cent voted in favour of strike action with only 21 per cent voting no.

However, in a recent article for The Delivery Magazine, the Royal Mail said it expected the number of items posted in London to halve by 2014 and that it was likely that only five mail centres would be needed in Greater London.

The Royal Mail is to invest £69m in Greater London, of which £32m will be invested in the Mount Pleasant mail centre to provide the infrastructure needed to handle a change in the mix of postal items as well as further automation. Royal Mail said that providing workers remained flexible, everyone who wished to remain in the business would be able to do so.

The four workplaces are: Mount Pleasant, Nine Elms (Vauxhall), Rathbone Place and East London.

Royal Mail becomes world's first postal company to offer digital watermarking

Royal Mail has become the world's first postal company to help businesses make their post interactive using digital watermarking technology. Combining state-of-the-art technology with history and heritage enables people to link from their post to a company's online content, such as a website, video or Facebook page, in seconds.

To view the digital content, people who receive a mailing with the digital watermark technology will simply download the free Digital Space App from the Apple and Android App stores. By holding the 3G phone over the digitally watermarked image – which is indicated by a symbol – users are then given instant access to the digital content available.

The solution, launched by Royal Mail's Door to Door unit in partnership with Digital Space, provides a digital watermark that can be embedded into pictures on leaflets and mailings. The watermark enables marketers to integrate their print and online material without the need for barcodes or QR codes.

The digital watermark has no impact on the design and layout of a piece of mail as it is embedded into the existing design and no special inks or changes to the printing processes are required.

Dave Smith, Royal Mail's chief customer officer, said: "Royal Mail is committed to helping make leaflets and mailings increasingly sophisticated and engaging for the people who receive them. This landmark partnership means that Royal Mail is the first postal company in the world to offer digital watermarking technology to its customers.

"This solution combines the strengths of the post and the internet. Digital watermarking technology means that a leaflet or mailing can open the door to a journey in the online world. By using this technology, businesses can ensure their mail campaigns are as effective as possible by linking directly to their websites, videos and even social network pages. By scanning a picture on their post, someone could link through to a video of a holiday destination or a chef preparing their favourite meal. The possibilities are endless."

Alex McIntosh, director of Digital Space, said "Digital Space is looking forward to developing interactive post with Royal Mail so that businesses and consumers can interact with print media in a mobile way to buy services, rate products and share content using their mobile device. This landmark partnership will create added value for both consumers and brands alike."

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7. Canada Post says there's enough time to reach a deal with postal workers

(The Canadian Press) – 25th May 2011

OTTAWA — Canada Post said Wednesday that there is enough time to negotiate a "fair and reasonable" settlement with urban postal workers since there's no potential for a strike this week.
Both sides were back at the table Wednesday to continue negotiations aimed at avoiding a labour disruption.
"With no potential for a strike this week, there is plenty of time to negotiate a fair and reasonable deal," Canada Post said in a statement.
Under labour laws, each side has to give 72 hours' notice before beginning a strike or lockout.
Canada Post rejected its union's latest contract proposal on Tuesday, saying the offer would increase labour costs by $1.4 billion but then made a counter-proposal.
"Even with a continued decline in mail volumes and a $3-billion pension solvency deficit, Canada Post has tabled a competitive counter-offer to CUPW that gives employees better wages and protects their pensions and job security," the Crown corporation said.
Union president Denis Lemelin said that while Canada Post is still willing to negotiate, there are still issues that need to be addressed.
"What we see at this time is that the revised global offer from the employer doesn't solve the real problems that are experienced in the workplace," he said from Ottawa.
Lemelin said the union will have to evaluate whether it needs to issue a strike notice.
"At some point, if nothing gets resolved we'll have to decide on this."
He added that Canada Post has been asked to explain how the union's demands add $1.4 billion in labour costs, a figure he said doesn't add up.
The Canadian Union of Postal Workers represents about 50,000 urban postal workers and negotiations to reach a new collective agreement began last fall.
The Canadian Chamber of Commerce said most companies already have plans in place to deal with a possible strike.
"Most of them would probably offer alternate mail services," said Michel Barsalou, executive vice-president of the organization.
"Most of them, of course, do have a system in place for electronic communications or online communications. Some of our financial institutions have also notified their clients or members and encouraged them to register for direct billing or direct payments."
The Canadian Federation of Independent Business has said even though there are electronic and other alternatives for businesses, a strike would increase costs for business owners.

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