

POSTAL NEWS

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Posted at 11:22 AM ET, 08/09/2011

1. 1. More on European postal privatization

By Brad Plumer

Yesterday, I noted that the U.S. Postal Service is facing default and may have to contemplate cutting back on services (closing more than 3,000 underutilized post offices, paring back delivery to five days a week, and so on). It's worth noting that many countries in Europe have gone even further in this regard, partially or fully privatizing their postal services. For an upbeat look at this experiment, here's a Businessweek rundown. For a more critical take, James Meek had a longer and unexpectedly fascinating piece in the London Review of Books on the Dutch experience with privatization:

Somewhere in the Netherlands, a postwoman is in trouble. When I visited her, bad health, snow and ice and a degree of chaos in her personal life had left her months behind on her deliveries. She rents a privatised ex-council flat with her partner and so many crates of mail had built up that it was getting hard to move around. Twice a week one of the private mail companies she was working for, Selektmail, dropped off three or four crates of letters, magazines and catalogues. She was sorting and delivering the fresh crates but the winter backlog was tough to clear. I counted 62 full mail crates stacked up in the hallway.

The postwoman had a similar problem with the other private mail company she works for, Sandd, a few years back. "When I began at Sandd in 2006, I delivered about 14 boxes of mail every time," she said. "I couldn't cope and at Christmas 2006 I had about 90 of these boxes in the house. By New Year's Day we had 97. There were even boxes in the toilet." The postwoman is paid a pittance to deliver corporate mail. She hadn't done her job well, yet so few people complained about missed deliveries that she hadn't been found out.

Across the world, postal services are being altered like this: optimised to deliver the maximum amount of unwanted mail at the minimum cost to businesses. In the internet age, private citizens are sending less mail than they used to, but that's only part of the story of postal decline. The price of driving down the cost of bulk mailing for a handful of big organisations is being paid for by the replacement of decently paid postmen with casual labour and the erosion of daily deliveries.

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2. Dutch postal company posts large Q2 profit

by Associated Press | Aug 8, 2011 3:30 AM ET

AMSTERDAM — The largest Dutch postal company, PostNL NV, has reported a second quarter profit of euro1.77 billion (\$2.54 billion), with results dominated by effects of the spin-off of its express delivery arm, TNT Express NV.

The profit compares to euro2 million in the same period a year ago, but was influenced by both a one-time gain of euro2.11 billion on TNT Express and a euro397 million write-down on the value of its remaining 29.9 percent in the express company.

The pair were separated in May, with PostNL receiving TNT shares to leave it with a fairly strong balance sheet. However, TNT performed poorly since then, prompting the writedown.

PostNL says its own sales were up 3.2 percent to euro1.02 billion, and profit without the one-time effects would have been euro54 million.

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3. Russian Post Awaits Postal Reform

08 August 2011 - Steve Lawson

Russian Post, once the only mail provider in Russia, is now subject to the same pressures as European operators with the Russian government rolling out competition across a range of industries, but these changes could spell disaster for some citizens, particularly those in the north.

Russian Post became a part of the Ministry of Communications in 1993, then a unitary enterprise in 2002 as part of the restructuring of the federal postal communication agencies.

However laying the groundwork for a completely competitive postal sector brings a whole new set of problems, and all too familiar to postal regulators across much of Europe. How exactly do you encourage competition whilst maintaining the universal service? After all, new operators want to make a profit and target the big cities accordingly whilst the incumbent operator is obliged to deliver to loss-making areas and facing rapid shrinkage in the process.

The Russian postal service said earlier this year that whilst it welcomed the development of a competitive postal sector, existing plans by the Federal Antimonopoly Service did not go far enough or take into account the responsibilities placed on Russian Post to deliver a universal service. Moreover, it said that any changes "must consider the needs of people, organisations, and ensure equal access to postal services throughout the country."

The comments followed accusations by the head of FAS who suggested that Russian Post lacked a reform program and was resistant to change. Russian Post dismissed this, pointing out that it had actually been part of a working group to prepare a concept paper on reforming the postal sector but that it could not continue to deliver services to remote areas if its most profitable business was being taken away. A moot point.

Russian Post warned that existing FAS initiatives to reform the postal sector would leave a significant portion of Russia's population without access to postal services, increase social tensions and threaten social stability. It said the proposals supported the interests of private business but at the expense of ordinary citizens

Alexander Kiselev, General Director of Russian Post said:

"We operate not just for profit, we also serve an important social mission. In the most remote corners of our country, we deliver mail, press, products, accept payments and transfers, not because it is profitable, but because it is necessary for people. Competitors are only interested in the more profitable areas such as the big cities. They are not interested, for example, in the Far North which is unprofitable.

"Russian Post balances the two, the profitable and unprofitable, and we cannot have a truly competitive market whilst we are required to provide a service to all. We are ready for a competitive market but for that to happen, the government will need withdraw from the company this social burden" he said.

Russian Post currently offers services at rates established by the state at below cost. At the same time losses on regulated activities are only partially compensated from the federal budget - just 7% in the case of public postal services in the Far North, leaving Russian Post to make up the difference with revenues derived from profitable commercial services.

Russian Post provides access to postal services to more than 37 million Russians, often in remote areas. It has more than 3.5 thousand post offices in the Far North, and in areas that lack any other services and to more than 3,000 Russian settlements with difficult transport links.

It said the 2009 Plan included provisions to improve the efficiency of the postal network and to achieve high international standards of quality postal services throughout the country and whilst the document was supported at governmental level, the allocation of budget co-financing of its implementation had not yet been resolved.

Russian Post said it was already trying to modernize the infrastructure at its own expense including a network of automated sorting centres, post offices, modern IT systems and vehicle fleet updates. But it warned that continuing to improve quality would not be sustainable if profitable areas were lost to competitors.

This all sounds somewhat familiar but Russia does possess some of the most remote areas, often with little more than rough tracks (if that). Then there are the Russian winters. Balancing competition and providing unity could be a tall order to say the least.

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4. DHL given Terry De Havilland distribution deal

Tuesday, August 9th, 2011

DHL has been awarded a 12 month contract with Terry De Havilland, the high fashion shoe designer, to fulfil end-to-end supply chain requirements for their recently launched ready-to-wear line.

DHL Supply Chain, Express and Freight divisions will work together to provide a tailored solution fulfilling the transportation, storage and delivery of Terry De Havilland's designer footwear.

The product will be collected from point of manufacture in Spain and delivered directly around the world to consumers purchasing online, as well as to selected retail outlets where the shoes are stocked, or to DHL Supply Chain's facility in Barking, London for onward distribution within the UK.

Terry De Havilland's recent growth led to the decision to outsource its Logistics for the first time, allowing the brand to focus on its core business. In the process, Terry De Havilland's customers will benefit from increased service levels and improved product availability.

Darren Spurling, managing director of Terry De Havilland said: "The agreement with DHL marks a new era for us. The professionalism and quality of DHL's solution is synonymous with our own product, and has given greater accessibility and availability to the recently introduced Terry De Havilland ready to wear line."

Speaking on behalf of DHL Fashion, Roger Burns added: "This deal demonstrates our capacity to support international retailers who are offering high quality product at lower volumes. By combining our global scale with an intimate local knowledge, we are able to create cross border synergies which are a real benefit to our customers."

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5. Brazil's postal service takes on first of 9,200 new staff

Tuesday, August 9th, 2011

The first of 9,190 new postal workers being taken on in Brazil signed their contracts on Friday.

Brazil's national postal service, ECT, ran into a major staff shortage in the last year, after its day-to-day recruitment programme ground to a halt suffering various administrative problems and delays from a change in the Post's leadership.

With the continuing natural attrition of workers, ECT has seen its service levels suffer, but launched a major recruitment campaign back in March.

On Friday, the Post held a celebration as the first 15 employees of the new recruitment campaign signed their contracts – 10 clerks and five top-level staff – in the city of Vitória, Espírito Santo.

This week, contracts will be signed by new employees in other regions of Brazil, with 3,116 staff approved for work in Brasilia, Para, Rio Grande do Norte and Santa Catarina.

So far, 34% of expected job vacancies on the recruitment programme have been filled.

ECT said next month it will be carrying out physical evaluations of candidates seeking positions as carriers and mail processing equipment operators. Plans are to have 9,190 new staff in place by the end of October, ECT said. ECT made the equivalent of \$318.65m USD profit in the first half of 2011, a 48% increase year-on-year, on the back of increased service efficiency under new president Wagner Pinheiro.

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6. Saudi Post helps deliver charity meals to pilgrims

By Omar Elmershedi

Dr. Mohammed Saleh Benten, President of Saudi Post

Saudi Gazette

JEDDAH — Saudi Post, the sole provider of postal services in the Kingdom, has joined the ranks of humanitarian organizations during the holy month of Ramadan by enabling Saudis and residents to deliver charity to needy visitors to the Grand Mosque in Makkah.

“The service is now fully implemented after three years of experimentation in different regions of the Kingdom. We are not in competition with charitable organizations already operating; we instead are opening the door wider for charitable giving by Saudis and residents, to share in feeding and comforting visitors to the Grand Mosque,” Engineer Samir M. Nahas, Director-General of Saudi Post in Makkah region, told the Saudi Gazette in a telephonic interview.

Charitable acts of feeding and supplying water to Makkah visitors are deeply entrenched in the consciousness of Makkah residents and were practiced long before the advent of Islam.

“Makkah is the only place on earth where the divine reward of a prayer is equivalent to 100,000 prayers elsewhere. We intend to enable all pilgrims performing Umrah and Haj to devote their time to the reception of divine blessings by easing concerns about getting food and its cost,” said Nahas. Saudi Post in collaboration with Ehsan Charitable Organization (ECO) enables people to pay for selected meals. ECO then delivers the food to the needy.

In addition to Ramadan activities Saudi Post carries out other charitable services throughout the year including providing Eid clothing, Sadakh (sheep, camels and cows), food baskets and Zakat Al-Fitr. ___

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7. Postal Service net loss plummets to \$3.1 billion

Last updated on August 05, 2011 04:57 PM

The US Postal Service continued its downward spiral on Aug. 5, with the agency reporting a net loss of \$3.1 billion for the third quarter of its 2011 fiscal year. The number is a slight improvement compared with the same period in 2010, when the USPS posted a \$3.5 billion net loss, but the agency said that “absent substantial legislative change” it will default on payments owed to the federal government. “We are experiencing a severe cash crisis and are unable to continue to maintain the aggressive prepayment schedule that was mandated in the [Postal Accountability and Enhancement Act of 2006]. Without changes in the law, the Postal Service will be unable to make the \$5.5 billion mandated prepayment due in September,” Joseph Corbett, CFO and EVP of the USPS, said in an earnings statement. A USPS representative referred requests for comment to the earnings statement.

USPS' operating revenue dipped 2% compared with the prior year to \$15.8 billion. Revenue from mailing services, which generated 86% of the agency's total revenue for the quarter, fell by 3% year-over-year to \$13.6 billion. Mailing services includes first-class mail, standard mail, periodicals and package services. Revenue from Shipping Services, which includes Express Mail and Priority Mail, rose by 7% to \$2.2 billion.

At 39.5 billion pieces, mailing services accounted for 99% of total mail volume in the quarter. The USPS said that its total mail volume dropped to 39.8 billion pieces for the quarter, a 3% decline from the prior year, and that the fall was led by a decrease in First Class Mail.

First Class Mail volume was down 6% year-over-year to 17.7 billion pieces, while Standard Mail volume rose 1% to 19.8 billion pieces. Periodicals stayed flat at 1.8 billion pieces. The USPS decreased work hours in the quarter by 9.2 million hours.

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Collected by Chairul Anwar, Bandung, Indonesia.

E-mail address : chairulanwar49@operamail.com, chairulanwar49@gmail.com.