

POSTAL NEWS

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1. The Perfect Storm: How everything is coming together to take the Postal Service apart

August 16, 2011

[The following article was written by a postmaster. "Save the Post Office" is proud to present it as our first "guest blog post." Although the author was perfectly willing to have his name published, it did not seem prudent, given the possibility of trouble with USPS management. When you read it, you'll understand why I asked the author to remain anonymous.—SH]

Patrick Donahoe may be the last of the Postmaster Generals. He will certainly go down in history as one of the worst.

The United States Postal Service isn't dying because of its fiscal deficit. It is being systematically dismembered by a management team that lacks vision, soul, and ethic. It is being taken down by calculating politicians looking for short-term political gain, who see advantage in pandering to the new American ethic of "beggar thy neighbor." And eventually, it will probably be taken apart and sold off in pieces to private corporations more interested in personal profit than public service, and that will be the end of the Postal Service.

Pushing things to the brink

Postmaster General Donahoe and the USPS Board of Governors have been playing the worst kind of brinksmanship. As pushback against post office closings has intensified, the latest announcement of cutting the workforce and pulling out of federal benefit programs seems designed to throw a hand grenade into the crowd.

Donahoe had announced months ago the board's intention to forgo the retiree health payment. This newest announcement actually only rehashes what's been out there for months, but it does so in the

most inflammatory way possible. It transparently bows to the right wing anti-unionists in Congress (ironically those most likely to have offices being shuttered in their district), while virtually marginalizing any oversight by the Postal Regulatory Commission.

Sadly, it looks like what the PMG may have accomplished is to short-circuit any meaningful conversation about the value and the future of the Postal Service. The arguments now become about how and when it gets taken down, not what it's supposed to be and what it could become.

By pushing employees out the door, Mr. Donahoe is only adding to the economic woes of small communities across the country. Postal workers are paid decently, and their pension and health benefits are fully funded. These good jobs solidify middle-class communities. Two hundred thousand fewer jobs will have a measurable economic impact. And if Mr. Donahoe also succeeds in undermining access to the Federal retirement and healthcare systems, he will have helped cut a gaping hole in the country's safety net.

It's a perfect storm, and everything is coming together to take the Postal Service apart. How in the world could we have arrived at such a moment?

The Post Office Becomes The Company

After the Postal Reorganization Act of 1971, it became increasingly fashionable to think of the Postal Service as a business. This thinking really took off in the mid-eighties, and by the mid-nineties we were "the company" and everything was redefined in corporate speak.

It was during this period that the large mailing companies began to organize and assert themselves as stakeholders. Automation took off, the complicated rate system grew, and the tendency to see the Postal Service as "the linchpin of a trillion dollar mailing industry" became more ingrained.

The 2006 Postal Accountability and Enhancement Act (PAEA) was another step toward the business model. It's PAEA that mandated pre-payment of retiree health benefits. The goal, as conceived by Senator Collins and other drafters of PAEA, was to create incentives for efficiency within senior management. Pre-funding was just supposed to force the Postal Service to improve its efficiency and find ways to save money.

Now that the pre-funding requirement has put the Postal Service in a hole so big the PMG is talking about cutting a third of the workforce and closing half the post offices, the drafters of PAEA appear to have succeeded in making the Postal Service "efficient" in a way beyond anything they could possibly have imagined.

While it's important for any institution to perform effectively, viewing the Postal Service strictly as a "business" causes several problems. First and foremost, the idea of the Post Office as simply a mailing company is completely antithetical to the universal service mandate. Congress and people in the industry focus too much on what they see as the "monopoly" of the Postal Service. And they don't give enough consideration to the financial burdens of providing service to parts of the country — small towns and struggling neighborhoods — where a post office costs more to operate than they could possibly

bring in as revenue. That's especially true given the way the Postal Service does its books. A post office only gets "credit" for the revenue it brings in and nothing for the mail it delivers.

Unfortunately, beginning with the Reagan era, the country lost sight of the value of government as providing an underlying foundation, and instead took the cynical view of government as an impediment. The dance of deregulation from Reagan to Clinton has eroded a view that sees the true potential of government to do something good — the view that dominated thinking during the New Deal.

Smaller government can be a good thing, but it has to be an effective government, and it should be a government that fulfills its responsibility to provide a fundamental physical infrastructure as well the intellectual infrastructure embodied in maintaining the rule of law and a set of regulations that holds markets accountable. Even Adam Smith, hero of the "free market," recognized this, and a few paragraphs after his description of the "invisible hand," he points to these responsibilities of government.

The Vision Thing

So, the paradigm of the Postal Service as a mailing company rather than an essential component of the country's infrastructure was faulty in its basic conception. But there was another problem: the insular management culture of the Postal Service has been completely unable to objectively evaluate its own plans and objectives, to articulate a vision that would move the institution forward, and to sustain the morale of its workers.

Over the past twenty years, the managers of the Postal Service have consistently confused short-term tactical goals with long-term strategy. There really has been no vision other than somehow turning the Postal Service into something more corporate in its behavior, outlook and performance — without recognizing how completely unrealistic this was, given the regulatory requirements and the universal service obligation.

Postal management never really appreciated the ultimate weight of the pre-funding requirement and didn't do much to bring costs in line. When the recession hit, they scrambled and actually did a reasonably good job of getting costs down. But as we can see with the economy as a whole, too often the cuts were penny wise and pound foolish, since they undermined the ability of the institution to move forward.

The original role of the Postal Service as a guarantor of the free flow of information and as a medium of communication infrastructure is still valid. The print medium is not going away over night, and there will be plenty of mail to deliver for the foreseeable future. While everyone reading this article may be hooked up, the internet is still a couple of generations from being universal in the same sense as electricity or the mail system.

But the leaders of the Postal Service don't just lack vision. They seem blind, and their actions will, in the end, destroy the entire enterprise. They are hell bent on converting an essential piece of the national infrastructure, an integral component of our democratic institutions, into a privatized purveyor of low

level marketing materials. They have treated the beauty, brilliance and foresight expressed in the universal service mandate into little more than an obstacle to be gotten around.

The idea embodied in the concept of “binding the nation together” has driven much of the economic success of this country. Thankfully those with foresight and vision won the debates on internal improvements that took place in the 1820s and 30s. And although the execution led to much excess, the vision of a nationwide network of railroads supported economic growth and opportunity, as did the idea of land grant colleges and other embodiments of infrastructure that were designed to increase not merely the incomes of a few but the participation of the many in a sustainable national commerce.

The Postal Service as Infrastructure

Rather than looking at the Postal Service simply as a mailing company like FedEx and UPS, it would be better to see it as a complex infrastructure — a network of physical nodes (post offices and processing facilities) connected by a fleet of vehicles, with everything kept in motion by an army of postal workers. In its early years, the Post Office even built post roads — many of them are still the main artery of a city — and helped develop the country’s airline system.

A postal system for the 21st century will need to understand its role as infrastructure. We need to see the legacy network of post offices, processing plants, vehicles, real estate, and workforce as an asset, rather than as overbuilt industrial capacity that needs to be “right-sized” and “optimized” down to bare bones.

We have always had a tension between those who would hoard economic benefit as personal treasure and those who understand that broad access and participation in the economy result in growth and plenty across social and class lines. The ideal of an America with unlimited potential for social and economic mobility was built on the understanding of a robust national infrastructure — internal improvements, rural electricity, the interstate highway system and one of our greatest gems, a national means of communication and commerce that served universally and equitably, that bound the nation together in a grand idea of shared prosperity.

Viewing the Postal Service as infrastructure, a network with many nodes and the virtually unlimited capacity to bring both intellectual and physical property to every physical corner of the nation, is a grand idea that transcends changing technological capabilities. Universal service and the presence of government as an effective service provider in every hamlet, small town, suburb and urban neighborhood is an idea without an expiration date.

The challenge is to find utility in the network of buildings, people, vehicles, and technological capacity that we have created. And that utility exists whether it be in assisting challenged state and local governments or other Federal agencies, or perhaps in using ubiquity to collect detailed and specific data, or in providing a backstop for those communities and individuals who have not made the jump into cyberspace. The American way is not to leave our fellow citizens behind but to give them a leg up and a hand over, because in our brighter moments we have understood that a rising tide must lift all boats not swamp our neighbor.

At some point several years ago senior Postal leadership abandoned the idea of the postal network as essential infrastructure and jettisoned the promise of universal service. The blame is not entirely theirs. They have enablers in Congress, and the entire culture has more and more come to define success as instant gratification — what were this quarter's profits? — and nothing more.

If only we were more focused and businesslike, we have been told. And so the country spurned manufacturing in favor of the instant profits to be garnered from financial manipulation. And we ignored our infrastructure, both physical and intellectual, because the costs of real investment led to future payments, not immediate returns. Success is no longer determined by what we build but by how well we cut and trim.

The Postal Service joined that culture wholeheartedly and began dismantling itself and its ideal. The businesses that grew and thrived because of the growing postal network — the so-called “stakeholders” like FedEx and the bulk mail companies — began to believe that they were the engine that drove the train.

Where we are, and where we're going

Today we have 200,000 fewer good, middle-class postal jobs than we had only a few years ago, and we are likely to have 200,000 fewer within a couple more years. Without jobs and incomes, who will buy things and provide the demand that drives economic growth?

And now, in his most cynical act yet, Mr. Donahoe presumes to take the Postal Service out of its federal benefit programs. Pull half a million people out of the health plans and see what happens to premiums. Watch as a plan that could have been a model for healthcare is undermined.

My grandfather fought in WWI. He served proudly because of an innate love of country and community. The country often failed him. He lost most everything in the Depression, and he watched with sadness as MacArthur rode down his former comrades in the Bonus Army. He often hated things his government did, but he never hated his government. He understood the fundamental brilliance of the American experiment — the government is us, we are the lifeblood and sustenance of our institutions.

If the Postal Service is going to survive, it's not going to be thanks to draconian cuts to the workforce and the legacy network of post offices. It's going to be because the American people demanded that their government preserve an infrastructure that's taken centuries to build, that has served the country well, and that still has the capacity to bind the nation together. Take that institution apart, and you'll be doing irrevocable damage to the nation.

2. The USPS Survival Plan and How It Impacts Bulk Mailers

The Titanic hit an iceberg and ultimately sank because it moved too slowly to change course in time; the USPS is a very large organization facing similar challenges due primarily to dramatic decreases in mail volume.

According to a recent study conducted by The Boston Consulting Group, overall USPS mail volume has declined by 17% since 2006.

The encouraging news is that over the course of the last 12 months the USPS has taken some common-sense steps that are encouraging to business mailers. This post will share insights on what other changes you can expect from the USPS right now and in the near future, and how they impact business mail and bulk mail marketing.

Small Business Mail Pilot Program: In Raleigh, North Carolina and Austin, Texas the USPS created a new beta program called "Direct Mail Hub." In a nutshell, this new program is a web-based program that takes a stab at simplifying the bulk mail process. The USPS has indicated that this template-based system is specifically designed to get more small businesses using direct mail.

The next phase of this test system is scheduled to launch this August and it's called "Direct Mail Quotes." This program pairs small businesses with local bulk mail vendors who already have the necessary equipment to print and process bulk mail campaigns.

Finally, there's an online educational component tied to this new micro-site that offers advice on applying marketing strategies to small business direct mail campaigns.

Reply Rides Free: This year, the USPS also tested a pilot program for high-volume bulk mailers called "Reply Rides Free." This particular program applies to 1st class bulk mail only; it allows mailers to mail up to 1.2 ounces for the price of 1.0 ounce. The concept here is that the additional weight from the response card or reply envelope will not result in extra postage. Perhaps the USPS will expand this program next year to include small businesses too.

Reducing Post Offices: Even Postmaster General Donahoe knows that he needs to continue to reduce post office locations. A recent Business Week article compares the USPS to mail carriers in different European countries to see if any of their models could be applied in the US.

Many European countries rely almost exclusively on private companies to receive mail. For instance, in Sweden only 12% of mail is goes through a post office. All but 2% of Germany's mail is handled by private enterprise. The most common model in Europe is to use existing businesses like grocery stores and convenience stores to process the mail dropped off by consumers.

Europeans also spawned some creative ways for their post offices to generate revenue. For instance Sweden's Posten built a smartphone app that creates instant postcards using digital photos captured on users' phones. They are also experimenting with different techniques that allow smartphone users to pay for postage using their phones.

Elimination of Saturday Delivery: While the majority of business mailers are not concerned about this, the postal unions are aggressively fighting elimination of Saturday deliveries. The truth is that this is one of the least disruptive ways for the USPS to save money.

Here's a link to an article that shows examples of PR and marketing campaigns launched by the postal union to fight this. What's your opinion on the elimination of Saturday delivery?

In earlier posts, I talked about encouraging steps that the United States Post Office has taken already this year for business mailers including the expansion of saturation rate, the launch of a simplified bulk mail program called, Every Door Direct Mail, and finally the three percent summer QR Code bulk mail discount. Can the USPS continue to take business-friendly steps like these that simplify bulk and make it more cost effective? I believe that the survival of the USPS depends on it.

Like what you're reading? Have you signed up for my weekly e-newsletter yet or are you following my blog's rss feed?

What steps could the USPS take that would get you more excited about bulk mail? Please share your comments below.

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3. Retail lobby blasts Australia Post, ecommerce carriers

Tuesday, August 16th, 2011

The domestic retail lobby in Australia has attacked Australia Post as playing a "key facilitative role" in the growth of foreign online retailers at the expense of the country's domestic retailers.

Other ecommerce carriers, credit card firm Visa and ecommerce marketplace eBay were also accused of harming the country's retailers because of tax and duty exemptions on imported goods.

Submitting its view to the Australian Government's Productivity Commission this month, the National Retail Association claimed Australia's taxpayers were "subsidising" the transport cost of items sold into the country by foreign online retailers.

This was because the Post is restricted in the delivery charges it can impose by international agreements, the Association said, something Australia Post commented on in its submission to the Commission.

The Association, the largest lobby group for the retail industry in Australia, said foreign online retailers were also given an advantage by Australia Post because of its streamlined security procedures for “low risk” shipments, in which items do not need to be x-rayed.

The inquiry being undertaken by the government’s Productivity Commission is proposing to lower the threshold for goods and services to be subject to Australia’s 10% goods and services tax (GST).

The Commission’s draft report issued earlier this month suggested the tax exemption was only a “minor” factor in encouraging consumers to shop through online retailers overseas.

It suggested collecting taxes and duties on imported low-value items could prove more difficult than it was worth.

But the National Retail Association said Australia was losing out hundreds of millions of dollars with ecommerce imports being exempt from GST.

Australia Post should be required to report “extensively” on the nature and value of goods entering the country through the mailstream as “low risk” items, it said.

The NRA also said in its statement that Australia Post should explain to the Productivity Commission and retailers how its state-owned status fitted with “practices which will have the effect of facilitating the growth of foreign online retailers at the expense of Australian retailers with consequences for business viability and job opportunities in Australia.”

“Widespread business failure”

NRA executive director Gary Black said: “The cost of inaction on this issue will be widespread business failure, and around 80 thousand Australian jobs moving offshore. This would in turn result in substantially lower business and personal tax receipts, and falling GST collection.”

Australia Post handles around 36m low-value packages imported into the country each year, while express carriers including UPS, DHL, FedEx and TNT bring in a further 44m low-value goods into the country, with growth rates presently around 10% a year.

The NRA said the express carriers – represented by the Conference of Asia-Pacific Express Carriers (CAPEC) group – and Australia Post were failing to report accurately the value of goods being shipped into the country – costing Australia around \$600m (\$627m USD) in sales taxes a year, along with \$150m a year in import duties.

The Association suggested that if lost customs fees were added in, Australia could be losing a total of \$1bn (\$1.04bn USD) a year from ecommerce imports.

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4. UPS adds 1,300 zip codes to early-morning delivery service

Tuesday, August 16th, 2011

UPS has expanded its Next Day Air Early A.M. service in the United States.

The guaranteed early morning delivery service has been rolled out to a further 1,300 zip code areas, the company said yesterday.

UPS said it now serves more zip codes than any other carrier in the “critical arena” of 8am deliveries.

Myron Gray, president of US operations at UPS, said that the expanded service would help more businesses gain competitive advantage in their marketplaces.

He said: “Earlier deliveries help our customers across the country meet urgent deadlines faster. This could mean a legal contract arrives in time for an early client meeting, a diabetes pump is delivered to a patient faster or a factory assembly line gets the critical part it needs to get back into operation more quickly.”

The 15-year-old Next Day Air Early A.M. service now covers more than three out of four businesses in the US.

The expansion of the Next Day Air Early A.M. service comes following a year of enhancements to the UPS global air network, which has seen a new intra-Asia air hub opened in China, express freight services expanded into Israel and Slovakia, next-day services launched from Hong Kong to Europe and a direct flight established between Guam and Hong Kong.

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August 16, 2011

5. U.S. Postal Service will always be relevant

The health and future of the U.S. Postal Service seems to be a hot topic of late. Some speculate that in the age of instant communication and the Internet, postal services are no longer necessary.

To those that speculate of our demise, I offer the following:

Few institutions touch more Americans than the U.S. Postal Service, which delivers mail to 150 million homes and businesses in big cities and remote areas.

And we do more than link the country; we become part of the local communities we serve.

Our charter began before the United States of America was formed; for over 235 years we have been connecting family, friends, businesses and customers.

In the year 2011, our dedication to our mission of providing universal service has never been stronger.

We recognize Americans' needs have changed; we've changed too. Our customers can now access postal services at over 100,000 retailers, on our website at usps.com or through mobile applications.

And we continue to develop new products and services in response to customer needs, incorporating technology and adapting to a digital world.

If you think mail is passé, you are wrong. Mail is big business.

The U.S. Postal Service is the core of the trillion-dollar mailing industry that employs more than 8 million people.

On our own, we generate over \$67 billion in revenues each year — a figure that ranks us 92nd on the 2010 Global Fortune 500 list. And we do it all without using a dime of taxpayer money.

There is no doubt we face serious challenges. Primarily, we are constrained by legislative mandates regarding delivery frequency, network configuration and financial obligations — imposed on only the Postal Service. But we continue to react appropriately to changes in our business.

In fact, over the last four fiscal years, the Postal Service has reduced its size by 110,000 career positions and saved \$12 billion in costs.

It is anticipated the U.S. Postal Service will deliver approximately 167 billion pieces of mail this year; about 560 million per day.

Each mail piece represents a message, gift, business transaction or commodity, and Americans are entrusting their U.S. Postal Service to get it delivered; a responsibility we take seriously.

Perhaps that's why we have been named the Most Trusted Government Agency six consecutive years and the sixth Most Trusted Business in the nation by the Ponemon Institute.

As long as there is a need to collect, process, transfer and deliver tangible matter, there will be a U.S. Postal Service.

We were relevant yesterday, are relevant today; and look forward to fulfilling an important role in the America of tomorrow.

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6. Deutsche Post DHL boosts profits in the second quarter of 2011

During the second quarter of 2011, Deutsche Post DHL continued the strong performance it showed in the first three months of the year and remained firmly on its growth path. Group revenues climbed 0.3 percent to EUR 12.8 billion from April to June 2011 compared with the same period last year.

Adjusted for inorganic and exchange-rate effects, Group revenues rose by 5.8 percent, driven by the strong growth at DHL and the German parcel business. The DHL divisions continued to benefit from the ongoing global economic growth as well as its exceptional market position in the world's fast growing regions – particularly in Asia. The Group's parcel operations in Germany drew further strength from the dynamic Internet retailing business.

Thanks to continuing margin improvements in all DHL divisions, the Group markedly increased its operating earnings once again: At EUR 562 million, EBIT in the second quarter of 2011 was more than doubled compared with the same period last year. The improvement in consolidated net profit was even stronger. At EUR 278 million, it more than tripled.

"We are continuing to grow and have kept the positive momentum of the last quarters," said Frank Appel, CEO of Deutsche Post DHL. "The second quarter once more proves the quality and sustainable nature of the efficiency gains we have achieved over recent years."

7. Swiss Post Receives Great Scores From Employees

15 August 2011 - Hellmail Postal News

Swiss Post Receives Great Scores From Employees

Scores awarded by around 50,000 Swiss Post employees to their employer at Group level were either the same or better than the previous year.

The record response rate of 76.4% supports this result. Respondents rated their commitment to Swiss Post as high. Their assessment of the corporate strategy scored much higher than in 2010.

Many Swiss Post employees are highly prepared to commit themselves fully to their work, consider their work important to the success of their unit and would still like to be working for Swiss Post in two years' time. Scoring a minimum of 85 points out of a possible 100, these three peak values from the 2011 employee survey are testimony to the overall survey results. Compared to last year's survey results, all scores were improved upon or remained the same at Group level.

Commitment remains high

Scoring 83 out of 100, employees rated their personal commitment as unwaveringly high. The "commitment" index comprises willingness to perform, identification and staff turnover. Identification with the company increased by one point to 81 compared to last year. This demonstrates that employees enjoy working for Swiss Post and believe in its products and services.

Employee satisfaction increased by one point to 75. Customer focus climbed from 78 to 79 points. In particular, more employees rated Swiss Post's good image among its customers. Among the quality factors relating to the work situation, the values of work content (81 points) and goal orientation (80 points) increased while work processes (72) and employment conditions (65) remained lower.

More confidence in management

As in the last two years, the questions on the Swiss Post strategy received medium positive scores (68 points). Nevertheless, with an increase of 4 points, the strategy was the highest climber in terms of points in this year's survey. This included employee confidence in Swiss Post management, which also rose by 4 points to 71.

The anonymized employee survey was sent to around 50,000 employees in 20 countries. At 76.4%, the response rate reached a record high (37,782 responses). The high participation rate supports the results and indicates that the employee survey is well accepted. According to the survey model, ratings between 60 and 74 points represent a medium positive evaluation, and ratings between 75 and 84 points represent a high positive evaluation. Swiss Post is now analysing the results and will use them to derive measures where necessary.

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