POSTAL NEWS
No. 21/2008

Formulated by UNI-Japan Post in cooperation with UNI-Apro, ASPEK Indonesia and SPPI

1. Portuguese postal unions to strike. UNI demands Portugal Post (CTT) start proper negotiations

02/22/2008
- Labour news from UNI global union - for trade unions in a global services economy.
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Two of UNI's Portuguese affiliates, SNTCT and SINDETELCO, are taking strike action Monday 25 February to protest against work deregulation and to demand the renegotiation of a decent collective agreement. The unions action is taken to try and stop CTT – Correios de Portugal, S.A (the Portuguese Postal Service) from destroying the benefits of the workers that have been gained in the past through negotiations.

UNI Post & Logistics has sent a message of solidarity to the workers and has called on CTT to immediately start meaningful negotiations with the trade unions.

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2. German PIN Group to pay statutory postal minimum wage

Feb 24, 2008.
PIN Group, the German mail delivery company is to pay the statutory postal minimum wage to its workers.

The decision was made by the company's new management led by Horst Piepenburg and will who said it will be announced within the next few days.

Accordingly, the wages will be increased as at the moment the company pays its employees an average wage of Euro7.50 per hour. Since Jan 1 in Germany the statutory minimum wage for postal workers is Euro8-9.80.

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3. Why are SMEs so reluctant to switch postal operator?

Precision Marketing Magazine
ByLine:
David Reed
Publication date:
25 Feb 2008

Two years after the market for postal services was liberalised, it is not just the funding for the Mailing Preference Service which is under threat. Royal Mail is also starting to feel the impact. At the same time as mail volumes declined by 2 per cent in 2006/07, downstream access (DSA) licence holders accounted for 11.8 per cent of volume.

The effect of competition is disproportionate at this early stage - those DSA-mailed items accounted for 19 per cent of Royal Mail's revenues. The reason why revenue share is higher than volume share can be found in the Business Customer Survey carried out by Postcomm in December 2007.

It found that among all mail users, 15 per cent were using multiple service providers. In the top segment, this figure was 35 per cent. Indeed, large business have been the quickest to switch, with 41 per cent using more than one mailing service provider.

Among SMEs, the picture is different. Postcomm found 21 per cent of medium-sized businesses were taking advantage of multiple mail providers, while only 17 per cent of small businesses were doing so.

This may explain why the IDMF in April will feature a Postal Switch Centre. Both DSA licence holders and overseas postal services will be grouped together in a specific area of the exhibition to try to encourage the mid-market to look at using rival postal services.

As Graham Cooper, managing director of OnePost, which is exhibiting in the switching centre, says: "There is a whole heap of activity in the mid-market company area and using an organisation like ours takes the pain out of it."

His business is attracting 18 new clients per month and has passed the 10 million items monthly mark. "They are not all major direct mail users," Cooper points out. Significantly for the opening up of the market, the DSA licence holders went for the big mailers first.

The early days of competition did bring with them anecdotal evidence of problems. Prime among these was a lack of logistical resources within the DSA operations. Two years on, investment has filled these gaps and mailing houses have learned to work across multiple providers efficiently.

End users are generally unaware of these problems. Instead, their focus has been principally on price and secondly on service and quality of service. For the mid-market, the answer in both of those areas is not that switching would lead to improvements.

Ben Allan is managing director of Tilt, an agency which publishes the collaborative marketing title Asrecommended. "We have looked at the postal services market from a cost perspective and no-one has got close to Royal Mail's Mailsort 3," he says.

With something like nine out of ten cold acquisition items being sent via this service, Royal Mail may have grounds for feeling secure in its market share. "The others are about 1p per item off," says Allan.

He believes the significant account wins by rivals have been in other mailstreams. "Switchers appear to be those with time-sensitive items, like bills and statements. They are going to rivals which are competitive from a cost point of view. For direct mail prospect mailings, they are not competitive," he says.

One service offered by DSA licence holders which has gained attention is the two-day delivery guarantee. Where a campaign is likely to trigger a high volume of calls, clients need to ensure they have the right resource in place. Knowing on what days a mailing will arrive is helpful and can lead to cost-savings.

But Allan argues that many acquisition campaigns do not need this: "The two-day drop is not useful to us. Mailsort 3 drops over a ten-day period which is more than sufficient."

Alternative providers simply do not exist for national brands that want to use unaddressed mail. "No-one has got the coverage," says Allan. "Free newspapers don't work well for financial services. Consumers respond to them at one-fifth the rate of Royal Mail unaddressed, but the medium only costs half the price, so it is 40 per cent less efficient."

Volume of activity can make the difference between switching or not, but it may depend on the service used. "For one client, we have switched to a DSA licence holder. That has been driven by cost savings - they were able to save £250,000. Also, they are using a guaranteed two-day service," says Chris Arthur, managing director of Perspektiv Marketing Group.

"There is not always a cost benefit - it depends on the service you are using and the volume," he adds. For several clients, there was no advantage to be gained in switching.

The burden of switching is undeniably being felt by suppliers more than clients. "For mailing houses like us, there is more work in using more than one postal provider.

Each one has different contract processes, logistics, collection times. There is a lot of learning linked to that," says Arthur.

This may be one reason why switching activity has cooled recently. "I feel that since the initial spell, the pace of growth has slowed. It is not yet a mature market," says Paul Galpin, sales and marketing director at DsiCMM Group. "However, it is still growing and there are many more opportunities yet to be presented. This is a long-term process that will evolve over the coming years."

In trying to take market share from Royal Mail, the DSA operators have been crying foul over VAT rules. Royal Mail does not have to charge tax on its services, whereas the rivals do. So they have been claiming that they are at a 17.5 per cent price disadvantage.

"One of the major stumbling blocks for new carriers is VAT, which has been particularly problematic for sectors that have trouble reclaiming it," says Galpin. "The issue has recently been only partially addressed, but if a comprehensive solution can be achieved it will allow further changes and opportunities in the deregulated market."

However, among the largest segment of the direct mail market, the price differential does not exist. Clients routinely create zero VAT-rated mailpacks which means mailing costs are not subject to any differential.

That means services and quality of service are more likely to be drivers of switching. Rivals have been able to exploit a well of dissatisfaction with Royal Mail.

Jonathan DeCarteret, senior market analyst at Post-Switch, says that the movement is only one way. "Customers who switch have an exceptionally low attrition rate - once switched, few return. Generally, customers feel they benefit from improved performance, lower costs and greater visibility on service," he says.

"But most SMEs do not understand how their campaigns are conveyed and how simple switching is, or even what the benefits are. The market needs to innovate to encourage smaller companies to switch."

Some indicators can be found in the Postcomm study. Asked what the most important quality of service issues are when considering different postal operators, the leading factors emerged as delivery to the correct address (scored 9.6 out of 10) and delivery reliability (9.3).

Combined with the rating of 9.2 for trustworthiness, this is good news for Royal Mail since it is still responsible for the final mile. Collection issues were rated fourth and fifth, while delivery time came eighth and account management 12th. That means rivals will need to find other ways to demonstrate a point of difference in the mid-stream processes.

"It requires an end-to-end provider to fire the starting pistol for true competition to Royal Mail," says DeCarteret.

That still seems unlikely even though two operators have declared ambitions to set up such networks. Only niche services exist to take items from collection to delivery via private systems. It seems likely that a decade of competition will be needed for rivals to gain sufficient revenues.

For now, switching is possible and often worthwhile, although by no means a foregone conclusion. Any company using direct mail should at the least look at the possibility.

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4. UAE, China look at postal tie-up

Staff Report
Published: February 25, 2008, 23:41

Dubai: A high-level delegation from China Post Group, led by Zhang Yafei, President of the Group, explored the potential for stronger business ties with Emirates Post, at the end of an official visit.

The Chinese officials held talks with Ebrahim Karam, CEO of Emirates Post, Salem Al Shaye'e, Assistant Director General, Operations, Emirates Post and Saif Ali Al Shehhi, Director of Operations, Emirates Post.

The two sides agreed to pursue new business partnerships and agreed there was potential for stronger cooperation.

Karam briefed the visitors on the establishment of the Emirates Holding Group and outlined the responsibilities of subsidiaries.

Al Shehhi referred to the existing cordial relations between China and the UAE.

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5. U.S. Postal Service Undercharged Countries for Mail (Update1)

By Neil Roland

Feb. 25 (Bloomberg) -- The U.S. Postal Service undercharged countries including China, India and Canada by millions of dollars because of errors in processing mail at John F. Kennedy International Airport in New York, auditors said.

The Postal Service may recover $2.2 million of the $3.4 million that it said it is owed by the postal agencies of the other countries, a report by the service's inspector general said. The remainder stemmed from computer, billing and employee errors made in 2006, too long ago to be recovered under law.

``The Postal Service expects to recover the full amount listed some time next year,'' Postal Service spokesman Yvonne Yoerger said today. ``The funds we can't recover is money lost to the Postal Service that we are due.''

The Postal Service's JFK Airport facility made billing errors on 78 percent of the overseas mail received from Oct. 1, 2006, to May 31, 2007, according to a Jan. 24 report displayed on the agency's Web site last week.

About 39 percent of the mail was from China. The JFK Airport facility processes international mail from more than 190 countries, Yoerger said.

The Postal Service is a government agency required by law to set its rates to cover costs. It had $75 billion in revenue last year, and ran a deficit of about $5 billion, Yoerger said.

$12.5 Million Catch

The JFK Airport location, the largest of five Postal Service facilities in the U.S. that process international mail, handles 60 percent of all overseas express mail entering the U.S. If auditors hadn't caught the errors, the facility would have undercharged foreign agencies $12.5 million over two years, the report said.

One problem is that if express mail is scanned through JFK Airport stations on different dates, the system can miscount, the audit said. In one example cited by auditors, a batch of seven letters came in late one night and was immediately processed through the first station. When it reached another station the next day, the batch was counted as a single piece of mail, the report said.

The report followed up on audits of four Postal Service international-mail facilities between 2004 and 2006. The audits found the facilities operating ``in an antiquated, inefficient, and manual work environment,'' the latest report said.

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Last Updated: February 25, 2008 15:47 EST

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6. Cambridge Firm LDS Applies For Postal Operator Licence

25 February 2008 by David Lynch - © Hellmail.co.uk

LDS Cambridge Ltd has applied for a postal operators licence. LDS currently distribute leaflets in the Cambridge area but plan to provide all types of postal service.

Postcomm began a 30-day consultation on the proposed grant of a postal operator's licence to the company. If approved, it will allow LDS to deliver a range of items. The licence would be on a rolling ten year period, requiring LDS to comply with copdes of practice on mail integrity (safety and security of the mail) and common operational procedures (designed to ensure the multi-operator market works well in practice).

The consultation notice and proposed licence can be found on the LDS Cambridge Limited consultation page .

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7. CWU - Full Review Of Postal Liberalisation Essential

25 February 2008 by Steve Lawson - © Hellmail.co.uk

CWU leader Billy Hayes has written to Postcomm in response to Postcomm's ongoing Strategy Review, expressing his concerns over the way in which Postcomm has handled the European initiative to dergegulate (or liberalise) mail services in the UK.

In particular he claimed that Postcomm had elevated the pursuit of competition ahead of its primary statutory duty to safeguard the universal postal service (USO). He also disagreed that competition is necessarily an effective means of safeguarding the USO and that the introduction of competition had benefited customers. He recognised that large bulk mailers had benefited, but said that small business and domestic customers had not, drawing attention to Royal Mail's new 'Pricing In Proportion' (PIP) initiative and the loss of second deliveries.

The CWU felt that Postcomm had introduced competition and was now trying to adapt the USO to fit, rather than making he USO a primary concern. Mr Hayes said that Postcomm's recent regulatory regime had been unsuccessful in terms of introducing fair competition, with access prices 'out of kilter' with costs, thereby impacting negatively on Royal Mail's revenue.

He called for a wider debate about the kind of postal service customers want before cost-reflective pricing measures such as zonal pricing are introduced. He also suggested that there be more local community inclusion rather than a centralised approach to reshaping the market.

The funding for the USO should not come purely from stamp prices and that other sources of funding should be examined. He said that Postcomm's view that asking rivals to contribute to the USO would their ability to invest, was unreasonable given that Royal Mail is being left to shoulder the burden of the USO.

He said he did not believe that there should be further measures to extend competition in the UK until there had been a full and proper parliamentary review of the impact of liberalisation to date.

The full text of the CWU's response can be found on the Postcomm web site.

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