POSTAL NEWS
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1. Japan's debt team taps up Europe for new buyers

By Robin Harding and Lindsay Whipp in Tokyo

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The Japanese finance ministry's debt management team is in Europe this week on its first investor relations trip of 2010 and is seeking new investors for the developed world's most indebted government.

With nearly 95 per cent of its debt snugly held at home - helping to keep benchmark 10-year yields at a negligible 1.34 per cent - it would hardly seem worthwhile for the ministry to make such an effort, particularly at a time when the Greek crisis has shaken investor confidence in sovereign debt.

However, it wants to secure future investors for good reason.

The share of Japan's $9,670bn (£6,242bn) national debt owned by Japan Post Bank and Japan Post Insurance is in decline despite the postal system devoting ever more of its balance sheet to government bonds.

A Financial Times analysis of the postal bodies' accounts shows that while they continue to buy more government bonds and financing bills, their share of the market peaked at 29 per cent in September 2008 and has already fallen by almost a full percentage point.

The publicly-owned postal system has been the largest net buyer of Japanese Government Bonds (JGBs) in recent years. Now, Tokyo will have to court less reliable private investors, including foreigners, to fund its debt.

"The issuing authorities would want to attract stable foreign investors rather than [speculative ones], but that is difficult with interest rates so low," said Stefan Liiceanu, a senior strategist at Barclays Capital in Tokyo.

"They will also have to convince investors that fiscal consolidation is truly on the policy agenda," he added.

Recent calls for JP Bank to diversify its investments away from JGBs by Shizuka Kamei, minister for financial services and postal reform, has raised concerns among investors.

This could put a dampener on any additional demand for JGBs the government could see if it decides to lift the Y10m (£70,900) cap on an individual's deposits with JP Bank.

Lower postal buying does not mean that Japan is struggling to sell its bonds; interest rates on ten-year JGBs remain low and stable. It does, however, increase the risk that rates will have to rise to attract yield-hungry private investors.

Japan's postal savings, postal insurance and public pensions have been big buyers of government debt since 2001 when a reform allowed them to manage their own funds instead of depositing them with the ministry of finance.

Postal savings' share of the government's debt rose from around 6 per cent in 2001 to 20 per cent by 2007, when JP Bank became a separate company, and its JGB holdings were merged with those of private banks in official statistics.

Analysis of JP Bank's balance sheets since then shows that it has not kept up with the surge in debt issuance to fund Tokyo's fiscal stimulus. From March 2008 until the end of 2009, the share of JP Bank's assets invested in government debt rose from 74 per cent to 81 per cent, but its share of the market fell.

Japan Post Insurance has upped its JGB holdings from 61.3 to 65.5 per cent of total assets. However, its share of the market has dropped.

JP Bank and JP Insurance are suffering a structural decline in deposits. Total assets at JP Bank have fallen by 8 per cent since March 2008. Deposits at the bank have fallen for at least five years in a row and 2010 is a key year for deposit redemption.

Barclays' Mr Liiceanu estimates that Japan Post would need at least 4.5 per cent annual growth in its deposit base to maintain its JGB ownership share over the period to March 2023. Given the recent drop in deposits, this looks like a difficult task.

Mr Liiceanu says the shrinking balance sheets of public financial institutions are becoming a restraint and private domestic demand for JGBs cannot be expected to continue indefinitely at such low yield levels.

Pension funds are starting to pay out more and more as the population ages, reducing their ability to buy JGBs.

The main buyers of JGBs are private Japanese banks and insurance companies. Banks are buying to meet new liquidity rules, because they lack alternatives in deflationary Japan. They also have excess deposits because of a lack of demand for corporate loans.

Meanwhile insurers are buying JGBs to better match liabilities that they will have to mark to market from 2013.

There is a risk that private-sector bank buying could fade, notes one bond salesperson at a domestic brokerage. Banks, which already have "huge profitable" JGB portfolios, could start to take profits and, if companies start investing again as the global economy recovers, that would lead to an outflow in corporate deposits.

Koji Shimamoto, chief strategist at BNP Paribas says: "I think the risk for JGBs will come after 2012 or 2013 because institutional change [at banks and insurers] will have peaked out and - the most essential point - because of Japan's population ageing."

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2. Israel suspends mail service after letter-bomb found

Reuters
Monday, February 22, 2010; 10:27 AM

JERUSALEM (Reuters) - Israel suspended postal deliveries nationwide on Monday after a letter bomb was found in a post office, police and postal authorities said.

The motive behind the mailing of the explosives was not immediately clear, a police spokesman said, and a court imposed a gag order in the investigation.

The letter bomb was found in a post office in the northern town of Migdal Haemek, where a woman spotted wires and batteries in an envelope she had come to collect.

A police spokesman said police were investigating whether the incident was an act of terrorism or a local criminal event. Israelis were targeted frequently by letter-bombs blamed on or claimed by Palestinian militants in the 1970s and 1980s.

After the discovery, Israeli authorities took the rare step of stopping the mail service nationwide pending a thorough search of mail at the country's main postal distribution centres where they are sorted for delivery, postal officials said.

"We are not distributing any mail at the moment nor taking in any mail because we want to protect public safety," Avi Hochman, director of Israel Postal Services said on Army Radio.

(Writing by Allyn Fisher-Ilan; Editing by Louise Ireland)

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3. Postal service powers up with electric vehicles

By JERRY HIRSCH Los Angeles Times
Feb. 19, 2010, 11:47PM

LOS ANGELES — In the e-mail era, the U.S. Postal Service hardly seems plugged in — but at least it wants its vehicles to be.

The Postal Service has awarded contracts to several California companies to develop a prototype postal van that would run on electricity.

The contracts are part of the service's effort to determine whether it can convert some, or even all, of its 142,000 delivery vans to electricity.

Such a project would be worth billions of dollars to the companies that win production contracts.

California businesses, such as AC Propulsion of San Dimas, hope to become big players in the postal service's initiative to be more environmentally friendly.

AC Propulsion is part of a two-company team that is retrofitting a post office delivery van into a plug-in electric vehicle.

“We will get the vehicles back in June or July and put them into service in the Washington, D.C., area, where we can monitor their cost and reliability,” said Joseph McGrath, a program manager at the Postal Service's vehicle engineering division in Merrifield, Va.

Postal trucks are subject to constant stops and starts and low-speed idling, the type of driving “that is about the worst use of a gasoline engine” because it gobbles up fuel and spews pollution, said Tom Gage, AC Propulsion's chief executive.

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February 25, 2010

4. Commerce enlists UPS, Postal Service in bid to stimulate exports

Delivery companies to help Commerce Department with campaign to boost exporting by small and mid-sized businesses.

By Mark B. Solomon

The U.S. Commerce Department wants to mobilize small to mid-sized businesses to begin or expand their exporting, and it has enlisted the aid of two delivery companies in an effort to get the job done.

On Feb. 19, Commerce and UPS Inc. announced a joint effort under which UPS will identify small- and medium-sized companies that currently export to just one market, analyze data about the companies, and suggest possible new markets for them based on various factors, including industry, geography, currency, and market access.

The companies will then work with trade specialists from the U.S. Commercial Service, a division of Commerce's International Trade Administration (ITA). The trade experts, who are stationed in 77 countries around the world, will design strategies to identify new market opportunities and find buyers in existing markets to expand the companies' ability to sell their products and services, Commerce said.

Meanwhile, the U.S. Postal Service announced on Feb 24 that it would work with ITA to support small- and medium-sized businesses interested in establishing an export program or expanding one already in place. The post office said it would manage the joint effort through its Global Business group.

"The global market for goods produced in the U.S. is open to businesses both large and small," said John E. Potter, postmaster general and chief executive officer, in a statement. "Our global shipping services open the gateway to the globe for American exports."

The announcements continue a flurry of activity that began after President Obama announced in his State of the Union address his goal of doubling the nation's exports over the next five years. According to Commerce data, less than 1 percent of the nation's 30 million businesses export; of those that do, 58 percent export to just one market, Commerce said.

On Feb. 4, Commerce Secretary Gary Locke unveiled a National Export Initiative, which, among other things, creates a multi-agency Export Promotion Cabinet tasked with submitting to President Obama within six months what Locke called "a coordinated, detailed plan" to increase the nation's export activity.

As part of the initiative, the administration's fiscal 2011 budget is requesting a 20-percent increase in ITA funding, to $78 million.

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5. **Postal service to cut 2,000 jobs**

Wednesday, 24 February 2010 14:51 RC

Post Norden, the result of the recent fusion between Post Danmark and Sweden’s Postn AB, announced today it will be forced to cut 2,000 jobs in Sweden and Denmark.

The impending layoffs are due to a difficult 2009, according to the company, where earnings suffered as a result of both the financial crisis and the transition over to electronic mail.

Turnover at the Swedish-Danish postal giant reached approximately 34 billion kroner for the year, while operating profits were only 216 million kroner. Operating profits for Post Danmark alone in 2008 were 817 million kroner.

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6. **LCQ6: Hong Kong courier enterprises operating on the Mainland**

Published on: 2010-02-24

Hong Kong (HKSAR) - Following is a question by the Hon Wong Ting-kwong and a written reply by the Secretary for Commerce and Economic Development, Mrs Rita Lau, in the Legislative Council today (February 24): Question: Recently, some members of the courier service industry have relayed to me that the new Postal Law of the Mainland stipulates that from October 1, 2009 onwards, foreign companies are prohibited from investing in courier service business involving delivery of letters on the Mainland. As Hong Kong courier companies operating the business concerned on the Mainland are regarded as foreign companies, their business on the Mainland has suffered a heavy blow, and quite a number of companies are under the threat of closure. Such members have indicated that quite a number of Hong Kong enterprises operating on the Mainland often use the courier service provided by such companies to facilitate their "front shop and back plant" mode of operation in the two places, and closure of the courier business concerned will have enormous economic impact.

Such members have also indicated that they hope the Hong Kong SAR Government could expeditiously discuss with the Mainland under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) the inclusion of courier service in the scope of CEPA. In this connection, will the Government inform this Council: (a) whether the authorities will follow up the aforesaid situation; and (b) given that under CEPA at present, meetings of the Joint Steering Committee are held annually between the Mainland and the Hong Kong SAR Government to discuss the implementation of various liberalisation measures under CEPA, whether the authorities will consider taking the initiative to propose including courier service in the scope of CEPA, with a view to allowing service providers from Hong Kong to operate the related business on preferential terms on the Mainland; if they will, of the details; if not, the reasons for that? Reply: President, (a)&(b)The Standing Committee of the National People's Congress passed the Postal Law of the People's Republic of China (the new Postal Law) on April 24, 2009, and announced that it would come into effect from October 1, 2009. The new Postal Law prohibits foreign companies (including Hong Kong enterprises) from investing in and operating express delivery service for letters within the Mainland (i.e.

the entire process of the express service from collection of the letters to delivery takes place within the Mainland). Hong Kong courier enterprises can, however, still operate express delivery service for letters between the Mainland and Hong Kong; express delivery service for parcels within the Mainland and cross-border express delivery service for parcels in accordance with the law. The State Post Bureau subsequently published a notice on September 30, 2009, which stipulates that enterprises not meeting the statutory requirements for operating express delivery service for letters would have to meet the relevant requirements for their business, and obtain a permit to operate such service before September 30, 2010.

In other words, enterprises which are now operating express delivery service for letters but yet to meet the conditions under the new Postal Law may continue to operate temporarily during the grace period until September 30, 2010. The Government of Hong Kong Special Administrative Region (the Government) has all along been closely monitoring the launch of the Postal Law and its impact on the local trade. Since mid-2009, the Government has been in contact with the trade and has been actively liaising with the relevant Mainland authorities to gain a better understanding of the implementation of the new Postal Law, and to reflect concerns on the impact on Hong Kong enterprises.

The Government will continue to keep in touch with the Hong Kong courier industry. Apart from directly reflecting the industry's concerns and requests to the Mainland authorities, the Government has proposed to include the service concerned under CEPA so as to enable Hong Kong service providers to operate express delivery service for letters which is outside the monopoly of the China Post Group. The Government will continue to discuss with the Mainland authorities with a view to reaching a settlement.

Source: HKSAR Government

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