

POSTAL NEWS

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March 02, 2010

1. RAW DATA: Fast Facts About Postal Service Budget Problems

FOXNews.com

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Postmaster General John Potter announced several proposed changes Tuesday to try to close a gaping budget hole.

Here's some fast facts about the Postal Service's budget problems.

- The Postal Service posted \$3.8 billion in losses in fiscal 2009. Potter says that number could hit \$7 billion in 2010.
- Mail volume has dropped dramatically in the last few years. The agency handled 213 billion pieces of mail in 2006, but only 177 billion pieces in 2009. The 2009 figure represented a 13 percent decline from the year before. Potter projected the number would drop to 166 billion for fiscal 2010.
- Operating revenue fell 9.1 percent to \$68.1 billion in 2009.
- To close the gap, Potter proposes cutting Saturday delivery, using price increases in "moderation" as well as pursuing other options. He says exceptions will be made for those who need Saturday service and that the Postal Service will still operate on weekends. Cutting Saturday delivery alone is estimated to save \$3.5 billion annually.
- Potter is looking at reducing the number of post offices as well as seeking a change in the law so that the Postal Service does not have to make multi-billion dollar retirement benefit payments in advance.
- Consultants considered privatization of the Postal Service, but concluded that that is an "unlikely" option.

2. Postal Service expected to announce 'significant changes'

By Ed O'Keefe

Washington Post Staff Writer

Tuesday, March 2, 2010

The U.S. Postal Service will release projections Tuesday that confirm for the first time the suspicion that mail volume will never return to pre-recession levels. In response, the agency is pushing anew for a dramatic reshaping of how Americans get and send their letters and packages.

Customers are continuing to migrate to the Internet and to cheaper standard-mail options, and away from the Postal Service's signature product -- first-class mail, Postmaster General John E. Potter will report in announcing the projections.

The Postal Service experienced a 13 percent drop in mail volume last fiscal year, more than double any previous decline, and lost \$3.8 billion. The projections anticipate steeper drops in mail volume and revenue over the next 10 years, and mounting labor costs only complicate the agency's path to firm fiscal footing.

In an effort to offset some of the losses, Potter seeks more flexibility in the coming year to set delivery schedules, prices and labor costs. The changes could mean an end to Saturday deliveries, longer delivery times for letters and packages, higher postage-stamp prices that exceed the rate of inflation, and the potential for future layoffs.

"At the end of the day, I'm convinced that if we make the changes that are necessary, we can continue to provide universal service for Americans for decades to come," Potter said Monday. "We can turn back from the red to the black, but there are some significant changes we need to make."

The postmaster general called for many of these changes last year but failed to convince lawmakers. This time he's armed with \$4.8 million worth of outside studies that conclude that, without drastic changes, the mail agency will face even more staggering losses.

Three studies -- by Accenture, the Boston Consulting Group and McKinsey and Co. -- reviewed the Postal Service's books and presented 50 options for cuts and new services. The agency's business model is so poor, consultants concluded, that privatizing it is untenable.

As for Postal Service plans to sell banking, insurance and cellphone services through post offices, the consultants point to the agency's lack of start-up funds and inability to afford potential short-term losses.

But the Postal Service will ask Congress to cut mail delivery to five days per week, a move backed by a June Gallup survey that found 52 percent of Americans support eliminating Saturday deliveries in order to reduce costs.

Other possible changes carry much greater risk: Officials can seek permission from the Postal Regulatory Commission to increase prices beyond the rate of inflation, but doing so could scare away more customers.

The agency also plans to explore offering "hybrid mail products" that deliver some mail to customers via e-mail, Potter said.

Officials will also seek greater flexibility in forthcoming union negotiations, including addressing ballooning health-care costs, Potter said.

He particularly wants Congress to reverse a 2006 law requiring the Postal Service to prepay its retiree health benefits, to the tune of \$5 billion per year. No other federal agency or Fortune 500 company makes such payments, Potter said.

The agency's call last year to consolidate about 3,000 post offices drew a firestorm of protest from the public and lawmakers.

But the Postal Service is considering more next year, potentially closing thousands of locations and moving some products and services to nearby supermarkets, office supply stores and pharmacies.

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3. Nigeria: Courier - Industry Regulated By Competition?

Goddie Ofose28 February 2010

Fresh concern over the government agencies and departments regulating their counterparts across different sectors of the economy was heightened over the weekend as Nigerian International Air Couriers Association (NIACA) and Association of Nigeria Courier Operators (ANCO) at a joint press conference appealed to Federal Government and relevance authorities to intervene by revoking the act mandating NIPOST to act as courier and postal industry regulator.

It would be recalled that outdoor advertising practitioners in Lagos once alleged that Lagos State Signage and Advertising Agency (LASAA), which ought to be an industry regulator is being managed by a competition. Mr. Makanjuola Alabi, CEO of LASAA is also touted to be the owner of ALTMEDIA, one of the frontline outdoor contractors in Lagos State.

The same controversy however, as resurfaced in courier and logistics industry, where operators under the aegis of NIACA and ANCO, is advocating a paradigm shift from the status quo that gives NIPOST the authority to regulate and sanction competition.

At the meeting attended by the industry players, the purpose for the meeting was to update the media on developments relating to a bill for an act to provide for the Operation and Development of Postal Service, the establishment of the Nigerian Postal Commission and Other Related Matters in 2009.

Some of the developments, according to Mr. Toyin Olufade, president of ANCO include the act that mandates NIPOST to regulate the industry, multiple taxation on the players particularly private sector players, funding of the commission, licensing regime, composition of the governing board, distinction between courier service and postal service and the contribution of Universal Postal Service fund amongst others.

Speaking on some of the contentious issues bedeviling the industry, Mr. Dipo Akinyele, Chairman of NIACA said, 'while we await the outcome of the deliberations of the Honourable House of Representative Committee on Communications, we would like to seize this opportunity to draw the attention of the general public to the impact of certain aspects of the Bill on the courier express industry.

Like what is obtainable in other industries such as advertising, telecommunications, research and oil and gas where government set up an independent agency to regulate a specify industry, NIACA and ANCO welcome the establishment of an independent regulatory body to be known as the Nigerian Postal Commission, which would the powers of a regulator from NIPOST with the group represented in the governing board.

He said, "The services offered by Courier Express companies differ from those of postal operators, consequently different rules should apply to their operations. Our focus is entirely on time sensitive and time definite services."

The issue of licensing regime was equally emphasised. The group frowned at the current licensees operating under the NIPOST Act. Akinyele stated that "Licensees hitherto operating under the NIPOST Act are required to apply for new licenses. This portends a grave commercial risk to existing license holders and our recommendation is that where a licence is valid, legal and still subsisting; it should be persevered until the expiration of the license and should be eligible for renewal. Whilst the Bill recognises the benefit of multiple courier express operators there is no provision for the existence of multiple postal operators" he emphasised.

Discordant voices have trailed the activities of NIPOST that paraded itself as a regulator while offering same services as industry operators.

Concern was also raised over the UPS fund under section 82 (2) b, which contribution would be made by licensee based on the annual turnover paid by licensees, to be determined by the NPC.

The group said, "Both NIACA and ANCO are not opposed to the establishment of the UPS fund, however the contributory request made on the licensees would further increase the financial burden of licensees and make the operating terrain more difficult for existing operators and new entrants."

the group so far has raised concern over some adverse marketing effect has the result of the current rules governing the business and emphasis that relevance authorities particularly national assemblies intervene by enacting laws that would throw up a conducive and friendly business environment that would be mutually beneficial to the operator/consumers and government.

However, it looks like the days of NIPOST strategic positioning of a player and a regulator is fast winding up going by the horse-trading embarked upon by the concern industry groups.

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4. Groups Unite To Blast Japan Postal Life Proposal

By NU ONLINE NEWS SERVICE

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The American Council of Life Insurers and America's Health Insurance Plans have teamed with many other insurance and business associations to object to Japan's recent postal life privatization move.

The ACLI, Washington, and AHIP, Washington, are joining with property-casualty groups, Canadian insurance groups, European insurance groups and the U.S. Chamber of Commerce, Washington, to ask the Japanese government to revise a "postal reform preliminary draft" released in early February.

Japanese officials developed the draft to continue efforts to revamp the mammoth businesses associated with the country's postal system.

Japan's postal life insurance business is the largest life insurer in the world.

The draft is supposed to go before the Japanese Diet this month.

Implementing many measures in the draft "would be inconsistent with Japan's international obligations and best practices to provide a level playing field between the Japan Post entities and private banks, insurers, and delivery companies and to refrain from special favors that would give Japan Post an unfair competitive advantage," the ACLI, AHIP, and other organizations issuing the joint statement argued.

The draft calls for:

- Exempting the Japan Post Group from some taxes to compensate it for the costs it incurs as a result of universal service obligations imposed by the government.

- Raising the per-person deposit and coverage limits currently imposed on the Japan Post Insurance businesses.

- Letting the Japan Post entities enter new business areas, including those where foreign companies are strong.

- Giving Japan Post Insurance and other Japan Post businesses a number of exemptions from Japanese insurance laws.

“For years, industry groups have engaged Japan regarding Japan Post reform, repeatedly emphasizing the need to establish a level playing field with the private sector across the broad spectrum of Japan Post’s competitive services,” the issuers of the joint statement say.

The issuers say they are urging the government of Japan to use the time before it formally submits the draft to the Diet to ensure a level playing field.

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