POSTAL NEWS
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ASIA NEWS
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1. **DPJ Loss to Limit Postal Expansion**

By ATSUKO FUKASE

One likely policy impact from Sunday's vote: Odds have dropped for expanding the role of Japan's sprawling national postal system in the country's financial-services market. That would cheer the U.S. and Japanese financial industries, which have criticized the proposal as creating unfair government competition against domestic and foreign private firms.

The changes to Japan Post Holdings Co. wouldn't come since voters rallied against the plan pushed over the past year by the ruling coalition. The small coalition partner with outsized influence that had spearheaded the proposal—the People's New Party—lost seats in the election. Early network exit-poll projections said the party may have given up all three of the seats it was defending Sunday, cutting in half its presence in the upper house of parliament.

The PNP is now likely to have a much smaller clout in the government than it had in the old one, if it remains in the coalition at all.

At least one other possible coalition partner for the ruling Democratic Party of Japan has opposed the drive to expand Japan Post, and could make dropping the proposal a price for agreeing to enter government. Prime Minister Naoto Kan himself has been publicly lukewarm about the postal plan, and seemed to embrace it only to keep the PNP in his coalition.

"A breakdown of the current coalition could derail efforts to expand the Postal system's financial savings and insurance institutions—a positive outcome," Ross Schaap, an analyst with Eurasia Group, a New York-based political risk research firm, wrote in a note to clients Friday. "The Kan administration is much more likely to defer any increase of savings deposit and life insurance ceilings, and these are the major concern for private financial institutions which, not unreasonably, are unhappy having to compete with the government," he added.

The government would still likely proceed with plans to try and block privatization of the postal service, and would retain at least a one-third ownership stake in the agency. Japan Post currently includes four units: Japan Post Network Co. and Japan Post Services Co., Japan Post Bank and Japan Post Insurance.

Under the legislation promoted by PNP head Shizuka Kamei, the deposit ceiling on postal savings would be doubled to 20 million yen per customer, or about $230,000 at current exchange rates, allowing the financial giant to increase further its vast assets. The life-insurance coverage limit also would be raised to 25 million yen from 13 million yen, while the insurance unit would be allowed to sell new insurance products, such as cancer insurance.

The bill has drawn criticism from private Japanese financial institutions, which feel it would give too much new power to what is already one of the world's largest financial institutions with around $3.3 trillion in assets. The U.S. and the European Union have also voiced concerns over the government's plan to scale back the privatization process.

The chairman of Japan's most influential banking group has said that an expanded Japan Post could become too big to fail, presenting a risk for tax payers and financial markets. "As long as it's backed by the government, business expansion shouldn't be permitted," Masayuki Oku, the chairman of the Japanese Bankers' Association, said earlier this year. He also said "the plan would likely cause capital to shift from private banks to Japan Post" because of its implicit guarantee from the government.

Yoshio Sato, chairman of the Life Insurance Association of Japan, said in a statement that the postal reform plan is "unacceptable."

Write to Atsuko Fukase at atsuko.fukase@dowjones.com

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Friday, July 9, 2010

2. **Mail users: Postal rate hikes will cost jobs**

Businesses that depend on mail delivery are urging the Postal Regulatory Commission to reject a proposed increase in postal rates.

The United States Postal Service has asked the commission to approve a series of rate increases, including raising the price of a first-class stamp to 46 cents from 44 cents. The increases, which would go into effect in 2011, are needed to help address the postal service's projected $7 billion budget deficit next year, according to the agency.

The increases would generate an estimated $2.3 billion.

The Affordable Mail Alliance — a coalition of businesses, nonprofit organizations and consumers — contends the rate hikes would make the postal service's financial problems even worse by causing more customers to stop using mail.

“This proposed rate increase amounts to another tax imposed on Americans at a time when the economy can least afford it,” says alliance spokesman Tony Conway, executive director of the Alliance of Nonprofit Mailers. “Consumers everywhere will pay more for the letters and packages they need to send; struggling businesses — large and small — will suffer and even more jobs will be lost.”

Publishers, printers, paper manufacturers and marketers would be hit the hardest by postal rate hikes, the alliance contends.

Instead of raising rates, the postal service should focus instead on cutting costs, the alliance says. The agency’s labor costs are too high, and it is moving too slowly in consolidating facilities, according to the coalition.

“USPS needs to stop avoiding the difficult decisions and stop taking out their problems on the customers they desperately need,” Conway says.

The agency counters that it cut its expenses by more than $6 billion last year, and eliminated 65,000 jobs through attrition and early-retirement offers. But those cost-cutting efforts haven’t kept up the nearly 13 percent drop in mail volume, as more Americans communicate electronically.

To limit the need for rate increases, the postal service has asked the Postal Regulatory Commission to allow it to eliminate Saturday delivery and offer additional products to the public. It also hopes Congress will let it restructure prepayments into its employee retirement fund.

“There is no one single solution to the dire financial situation that the postal service faces,” Postmaster General John Potter says. “These proposed rate adjustments are moderate and part of a fair and balanced approach to ensuring mail service for all Americans well into the future.”

Read more: Mail users: Postal rate hikes will cost jobs - Charlotte Business Journal

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3. Postal Arbitrage?

July 08, 2010 – Comments (6)

The US Postal Service is seeking approval for a price increase on US stamps from 44 cents to 46 cents. If approved, the stamps would go up in price effective January 2nd, 2011. As an approval is likely, stamp arbitrage may be possible by buying stamps for $0.44 and selling for $0.46 after next January 2nd. However, because of the time difference, real return may be closer to zero. Nevertheless, it might work if one could buy at old price and sell at new price soon after (quick 5% return). Although the market for postage stamps doesn’t seem to be all that liquid, it seems completely legal to sell stamps at higher price than the US post office. In fact, third party sellers such as grocery stores or other retail stores often add a small charge to the price for a book of stamps.

Warren Buffet himself tried making money out of stamps during his early years, only to end in complete failure. In “Snowball”, Alice Schroeder writes:

"with his friends, he (Buffett) invested $25,000 in 1957 on 4-cent Blue eagle stamps which the US government was ready to take out of circulation. By eliminating the supply, they ruined any chance of the stamps becoming valuable. His partners were still mailing him with Blue Eagle postage decades later"

See: http://valuehuntr.com/2010/07/08/postal-arbitrage/
6 Comments – Post Your Own

#1) On July 09, 2010 at 12:05 AM, BetapegLLC (93.36) wrote:

How can you buy $0.44 stamps and sell them for $0.46? Who would be stupid enough to buy them? If I know a letter cost 46 cents to mail, why would I buy 44 cent stamps?
Report this comment

#2) On July 09, 2010 at 12:25 AM, WallstreetKnight (62.50) wrote:

Wouldn't the stamps be the same, they would just cost more to purchase?

And how does eliminating supply make them worthless?
Report this comment

#3) On July 09, 2010 at 12:26 AM, msftgev (95.60) wrote:

It might work if you were to purchase one million forever stamps for $440,000.
Hold for five years (let's assume a 2 cent increase pr/yr)
total value- $540,000.
Now you undercut the P.O by flooding the market with 50 cent stamps.
$80,000 profit.
Cha-Ching$$$
(marketing may kill you though :)
Report this comment

#4) On July 09, 2010 at 12:28 AM, WallstreetKnight (62.50) wrote:

BetapegLLC - they are called forever stamps (see above)
Report this comment

#5) On July 09, 2010 at 12:34 AM, WallstreetKnight (62.50) wrote:

With zero supply - why were the blue eagles worthless?
I mean, if you had all the mark mcguire baseball cards in circulation - wouldn't that increase the value of the item - given that you slowly sold them back (as not to dilute the market)?

Report this comment

#6) On July 09, 2010 at 12:39 AM, msftgev (95.60) wrote:

correction, $60,000 profit, but you could keep that two cent margin by selling for 52 cents.
(sorry, I still have some .42 forever stamps, so that tells you how much I mail)

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4. **2-cent postal rate increase could help offset $7 billion loss**

To help minimize an estimated $7 billion loss, the U.S. Postal Service is requesting stamp prices be increased by 2 cents to 46 cents starting in January.

Beth Barnett, the Postal Service's Tennessee District communications manager, said the agency has been battered by massive losses and declining mail volume, leading to a financial crisis.

Postal officials announced this week that they are considering a wide-ranging series of price increases, averaging about 5 percent, and covering first class, advertising mail, periodicals, packages and other services.

The request now goes to the independent Postal Rate Commission, which has 90 days to respond. If approved, the increase would take effect Jan. 2, 2011.

"The Postal Service is suffering just like a lot of other businesses," Barnett told The News Thursday. "We've seen a huge decline in mail volume."

She said the amount totaled 26 billion fewer pieces just in the past year.

"That's substantial revenue we've lost, and we don't receive any tax dollars," Barnett said, adding that the Postal Service has little alternative other than to raise rates.

She said the increase would be about 13 cents per month to the average American household budget.

Barnett said the Postal Service has been faced with plummeting mail volume traced to the recession and increased use of the Internet.

The Postal Service says in a press release that it is projecting a nearly $7 billion loss for the next fiscal year.

Despite eliminating millions of work hours and reducing expenses by more than $1 billion every year since 2001, a budget gap remains, postal officials say.

The proposed price changes, if approved, will raise about $2.3 billion for the first nine months of 2011.

Postmaster General John E. Potter said he does not want customers to bear the burden of dramatic price increases.

Instead, Potter announced in March that pricing would be one in a series of solutions the Postal Service is pursuing to become financially sound.

"There is no one single solution to the dire financial situation that the Postal Service faces," Potter said. "These proposed rate adjustments are moderate and part of a fair and balanced approach to insuring mail service for all Americans well into the future."

Other actions outlined in March included changes to delivery frequency, restructuring prepayments of retiree health benefits, creating a more flexible workforce and expanding access to products and services to places more convenient to customers.

Barnett said potentially reducing delivery service from six days per week to five is still being considered.

by Brian Justice

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