

POSTAL NEWS

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07-08-2010 20:37

1. Korea Post global leader in express mail

By Kim Tae-gyu
Staff reporter

No matter how many branches of international express deliverers maintain, they would not be a match for public postal operators, which are near-ubiquitous across the world.

This is the basic idea behind express mail service (EMS) offered via the alliance of public postal administrations in more than 140 countries. It emerges as a major threat to private powerhouses such as DHL, UPS or FedEx.

In some places, EMS has already nudged past private competitors such as in Korea where Korea Post accounted for 38 percent of the market last year to top the list for the first time ever defeating perennial market leader DHL.

“EMS is currently powered by 176,000 post offices worldwide and this provides fast mail or parcel delivery services to as many as 328 million addresses even in very remote areas,” a Korea Post official said.

“Accordingly, the market share of EMS is on the rise across the board. The trend is expected to continue down the road as postal operators intend to maximize service quality.”

As far as EMS quality is concerned, Korea Post has been second to none — the state-run agency was tapped as the global leader in an annual appraisal carried out by the Universal Postal Union.

Earlier in April, the specialized institute of the United Nations awarded the Gold Level, the top prize, to Korea Post for four consecutive years. Korea Post garnered an average of 99.3 points in the evaluation.

The awards are based on a postal operator's yearly achievements including service performance and tracking, which are rated with points. Winners of the gold, silver and bronze certificates are in accordance with the total number of points.

Quality matters

Traditionally, the two main advantages of EMS were low prices and wide coverage. But it was regarded as a second-tier option due to the relatively long delivery time and lack of other features compared to private players.

Yet, things changed abruptly in the beginning of the new millennium when EMS operators joined hands to increase their service quality through an all-out global cooperation.

An exemplary case is the Kahala Posts Group, which first met in the Hawaiian city in 2002 and was participated in by six countries or regions of Korea, Japan, the United States, Hong Kong, China and Australia.

Later, France, Singapore, the United Kingdom and Spain joined the fraternity and Vietnam and Thailand hope to follow suit.

The 10 members of the Kahala Posts Group convene every year in order to discuss ways to improve EMS service quality and working-level meetings are held a few times per annum.

Based on such efforts, the Kahala members came up with the delivery guarantee of a pre-set date and upgraded online tracking systems on par with those widely used by private shipping corporations.

For example, Korea Post promises that mail and parcels registered early in the morning will reach most areas of many neighboring countries such as Japan, China, Hong Kong and Singapore the next day.

If the delivery is delayed, the fee will be refunded.

This week, all the Kahala members gathered in London to further accelerate the development of EMS.

“We agreed to raise the quality of service as well as strengthen networks by expanding membership. Our initiatives are to exporters who want precise and fast global delivery of their merchandise,” Korea Post President Namgung Min said.

Bottom lines

Last year, Korea Post chalked up 230 billion won (\$189 million) in the EMS segment alone, which helped the agency record surpluses 12 years in a row in spite of the global financial crisis

This year, the entity aims to extend the gaining streak to 13 years by racking up 111 billion won in profits.

“Our top priority in 2010 is to nurture our capacity for sustainable growth. To do this, we plan to advance our mailing services and broaden our international business,” Namgung said.

“Plus, we will pull out all the stops to improve our productivity with efficient management and the aim to earn more than 110 billion won in profits this year.”

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2. From Postal Mail to E-Mail

By JULIUS P. VICENTE

July 24, 2010, 10:28am

Before the advent of electronic mail and other modern mailing system, the postal mail service or commonly known today as snail mail service has dominated the communications gateway around the world. It was that time when everybody seemed to have a penchant for writing letters on a piece of paper - may it be love, business, or personal – and always eager to send and receive letters.

But all of a sudden, the spirit of conveying messages through an enclosed white envelope with a stamp became almost a thing of the past, especially with the onset of modern gadgets such as cell phones and computers.

Many people are now wondering: How does the snail mail get along today? Coping with the continuous downtrend, the Philippine Postal Corporation (Philpost) and other international postal partners abroad are exploring other solutions to address certain changes in the mailing business.

Philpost Postmaster General and CEO (Chief Executive Officer) Hector R.R. Villanueva admitted that even today, Philpost is still affected by the impact of modern technology. But in spite of that, the mail company still remains to be a labor-intensive government-owned and controlled corporation.

“We have to admit that people nowadays are already comfortable with E-mails and other electronic service oriented architecture or E-SOA for bulk mailers but we never lose hope,” he shared.

Based on Philpost annual report, a four percent decrease in mail volume was reported last year compared to previous year because of rapid development in communications technology. Another growth interval is an increased franked mails, which they incurred a substantial diminishing return of about P184 million last year.

Villanueva explained that franked mails are the mails coming from the politicians and other government officials because under the government mandate, politicians have

the special power to use the company's work force, without charge, to deliver various mails and other paraphernalia to their respective territories. "But the increased percentage of franked mails last year is due to election period," he clarified.

Although Philpost is a self-reliant entity, operating on its own without the appropriation budget from the national government, the company is still surviving. The Postmaster stressed, e-commerce and other private courier entities are not really a threat for them but rather an opportunity to improve their services and to be able to stay financially viable.

As of today, Philpost continues to serve Filipinos by having a vast network of acceptance offices with 1,976 post offices and postal mailing stations nationwide. Adding a fleet of 717 vehicles that are being used in the transport, collection, and delivery of mail matters.

Philpost is also into certain innovations like the modernization of the Mail Processing Office (MPO) through the installation of the International Postal System (IPS) that allows the computerization of data on the inbound and outbound mail dispatches from MPO.

"We also tapped ICT (Information and Communication Technologies) and E-commerce as an alternative source of revenues. Philpost, by a virtue of agreement with Government Service and Insurance System (GSIS), facilitated the paying out to GSIS members/pensioner's claim using GSIS/Unionbank/paycheck.net through post offices," he said.

Moreover, Philpost ties up with other postal offices around the world, through Universal Postal Union and the Asian Pacific Postal Union, to enable a smooth delivery of mails at the widest range of reasonable priced postal products and services.

"If you notice, the prices of our services are much lower compared to private courier entities," he said.

The postal system in the country started during the Spanish era where flourishing trade and commerce was carried throughout the country. However, it was fully-recognized when then president Gen. Emilio Aguinaldo created an all-Filipino Postal Service under the control of the first Philippine Republic in 1898.

To revive the heydays of postal mail, Villanueva urged the public to go back to "old fashioned" way of writing letters because handwritten mail is very different and more powerful than E-mail.

"Postal mail is no longer snail mail because we already upgraded our system. Mails can only take three days to make it to your doorstep if you are within Metro Manila. And we can send mails anywhere in the country compared with E-mail and other private mail service companies," he concludes.

* July 23, 2010, 12:05 PM ET

3. The Complicated Economics of a Postal Increase

Real Time Economics HOME PAGE »

By Mary Pilon

Earlier this month, the U.S. Postal Service announced a proposed two-cent increase the price of a first-class stamp.

The cost of a stamp has increased from 34 cents in 2001 to, if approved, 46 cents in 2011.

Bloomberg News
Stamp prices may be rising again.

So what are the changing economics of the postal stamp increases? Turns out, the answer is pretty complicated, according to Maura Robinson, the Postal Service's vice president of pricing.

"Our market has substantially changed in the last two to three years," Ms. Robinson says.

The situation is even more perplexing when you consider that in general the post office is legally barred from increasing the price of stamps beyond inflation. Right now, Ms. Robinson says, that cap is around 0.6%, a little lower than the current consumer price index because the Postal Regulatory Commission uses a special formula on the moving average, so it tends to lag.

In special circumstances like these, the postal service is allowed to request an additional permission for a special increase, like the one that would go into effect in January. If the Postal Service can demonstrate that exceptional circumstances to the Commission, the increase could be approved. Even with stamps going as high as 46 cents, it still might not make sense to invest in those Forever stamps, which are still available.

Part of what's driving the Postal Service financial crisis is a simple decline in business. Your lack of junk mail from banks is a huge loss to mail carriers. And not just junk mail, but paper trails from realtors, retailers, and credit cards have also dropped. A lot of the costs companies face in mailing statements aren't just wrapped up in stamp prices, but tied with printing and backend billing costs, and among the first to be revamped when it's time to slim down a budget.

In the last two years, mail volume has fallen off a cliff, decreasing 20%. That's the biggest decline than the Postal Service has seen since 1933, Mrs. Robinson says. Even then, volume plunged 17%. Commercial mail makes up about 75% of mail volume, Ms. Robinson says. In response, the agency is looking into offering rebates for volume growth or discounts for those who use reply envelopes or cards in their mailings.

There's also a technology story at play. More bill payment and communication is done online, creating a long-term trend away from paper mailing. The Abigail Adams art of letter writing, while not extinct, does seem to be decreasing as email rises.

Then there's increased competition. Although the Postal Service may dominate in the delivery of letters, when it comes to packages, they compete with the likes of FedEx, UPS and DHL. Still, only a tenth of postal revenue comes from packages, Ms. Robinson says.

The postal service as an agency also faces unique challenges. They're the only federal agency that's required to pre-fund retiree health benefits, due to a congressional mandate. That comes out to about \$5.5 billion a year, Ms. Robinson says, out of what was a \$68 billion budget in 2009.

On average, the 2011 price increases for classes of mail that are currently significantly short of covering their costs would be 5.6%, with some charges for things like periodicals increasing as much as 8%. All of the increases, including the postage stamp increase would still only make a \$2.3 billion dent in the Postal Service's \$7 billion projected deficit. To make up the difference, there's still some noodling being done on proposals including eliminating mail delivery on Saturdays, among other proposals.

"We've got a complicated problem," Ms. Robinson says.

Comments (5 of 5)

+ 8:17 pm July 23, 2010

+ Chiefster wrote:

The post office is a business model that no longer working, if it really ever was due to past subsidies. Mailing a letter might be cheap, but why should taxpayers continue to fund delivery losses. Close down the post office for good, or privatize this dinosaur and just require the buyer to still deliver first class mail at its real cost.

+ 6:03 pm July 23, 2010

+ Tony Frank wrote:

Nothing complicated here as the service continues to worsen while the price keeps going up.

Another example of government led programs. You haven't seen anything yet; just wait.

+ 2:36 pm July 23, 2010
+ Norman wrote:

Paying 46 cents to have an original document sent across country in 2-3 days is one of the best deals in the country. No complaints from me.

+ 1:49 pm July 23, 2010
+ WSW wrote:

Postal rates continue to rise. Perhaps, this service should be contracted out into the private sector where standards are more strict and cost saving would be a priority!

+ 1:31 pm July 23, 2010
+ Bob Clark wrote:

I wouldn't mind if the postal service delivered only four days per week to residences. Eliminate Saturdays and maybe even Fridays. A four day work week ain't so bad and it would save the Post Office a lot of red ink.

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4. How the U.S. Postal Service can save itself

By Paul B. Carroll and Chunka Mui
Friday, July 23, 2010

The debate over potential changes at the U.S. Postal Service is like a fight over the dessert bar on the Titanic. Raising first-class postage rates and eliminating Saturday delivery won't matter much when the Postal Service hits the iceberg. And USPS will do just that, soon, unless there is a reimagining of its mission.

First, the broad question must be asked: Should the federal government continue to compete against the private sector? The U.S. Postal Service has been losing money for years, whereas competitors FedEx and UPS are thriving.

If the government is to remain in the delivery business, it must develop a workable plan for the digital age.

The Postal Service projects deficits of \$238 billion -- roughly the current gross domestic product of Portugal -- through 2020. Raising rates slightly and reducing delivery would make tiny dents -- and that's the best possible outcome; in the worst, the changes would accelerate the service's problems. Meanwhile, the debate obscures the fact that digital communications are fast eliminating the need for mail delivery.

To understand what could happen to the Postal Service, look at Kodak, whose 130-year history includes the kind of dominance that USPS long enjoyed. Even as the

long-term threat from digital photography became clear in the 1990s, Kodak temporized. It tinkered with its traditional film, paper and chemicals businesses, never acknowledging that digital would all but eliminate them. Kodak continually predicted growth, even as it fell from being one of the most profitable companies in the world to one that's essentially worthless.

The Postal Service, too, is looking at the future as a variant of the present. USPS, convinced of the long-term need for physical mail delivery, has been relying on increases in volume, according to a Government Accountability Office report published in April. Yet delivery volume for first-class mail fell 22 percent from 1998 through 2007, tumbled an additional 13 percent last year and was down 3 percent in the first half of this year despite heavy mailings from the Census Bureau.

Step one in avoiding Kodak's fate is for the Postal Service to acknowledge that its future will have almost no connection to the present. Anything that can be conceived of as information will, in time, be sent electronically. The Internet is faster, cheaper and more convenient for the sender and the receiver.

E-mail has already supplanted letters, but that's just the start. More people will send money via PayPal or other electronic services rather than mail checks. As is increasingly the case, people will download their movies and books, check their bills online, receive information about their investments electronically, and so on.
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USPS's future lies in things that need to be delivered physically: shoes, computers and other objects. On those items, the Internet can't compete, and USPS has assets that could let it take on UPS and FedEx (which, unencumbered by USPS's declining business, are in splendid shape; UPS reported Thursday that its second-quarter profit had nearly doubled, to \$845 million, from a year earlier).

To build a workable future, USPS can't incrementally change its present. To span a chasm, you can't build a bridge one stick at a time. Instead, USPS needs to start with the future and work backward to the present. It needs to forecast volumes for all types of its business five, 10 and 15 years out and design a business model that will thrive under those scenarios. Only then can it figure out what radical changes need to be made now. In other words, USPS needs to first design the whole bridge, then build it.

USPS must also monitor its various projections in coming years to see if it -- like Kodak -- is being too optimistic. USPS must be ready to adapt.

Defenders of the Postal Service argue that it is changing as fast as it can. They note that it has cut costs by more than \$40 billion since 2002 and has reduced employment by 130,000 people since 2007, to 600,000. Radical change will face opposition from unions, big customers and its congressional overseers, who will feel enormous pressure to take short-term measures to protect jobs and have long acted parochially in opposing the closing of post offices and other service changes that could affect constituents. Consider that even changing the number of days of delivery requires amending a congressional statute.

Yet, those arguments are simply not enough. General Motors argued for years that it was improving quality and cutting costs as fast as it could in the face of huge obstacles. The market didn't care. GM's top speed wasn't fast enough.

To avoid the fates of Kodak and General Motors, the Postal Service must learn from their failures. It must start by convincing Congress and other stakeholders that it is in the middle of a full-blown crisis. It can either lead change or be overrun by it.

Paul B. Carroll and Chunka Mui are co-authors of "Billion-Dollar Lessons: What You Can Learn From the Most Inexcusable Business Failures of the Last 25 Years" as well as principals in the management consulting firm Devil's Advocate Group.

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