

POSTAL NEWS

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1. Emirates Post Holding Group takes part in 24th meeting of Committee of Heads of GCC Postal Organisations

Representatives of all GCC postal administrations attended the 24th meeting of the Committee of Heads of GCC Postal Organisations held in Kuwait in association with the Secretariat General of Gulf Corporation Council.

A delegation of Emirates Post Group took part in the meeting which featured discussions on several key issues affecting the postal sector in GCC countries.

Emirates Post also participated in the 16th GCC postal stamp exhibition, which was held on the sidelines of the meeting and will continue until 27 November.

Fahad Al Hosni, Acting President, Emirates Post Holding, who headed the UAE delegation, said the meeting was within the framework of joint cooperation between the GCC countries, aimed at improving postal services in the region.

The UAE delegation consisted of Abdullah Al-Ashram, CEO of Emirates Post, Salem Al Shaya, Assistant CEO for Operations and Khalid Al Dokhi from International Relations.

The meeting agenda included eight items discussed in the previous meeting, including the idea of holding postal exhibitions involving Member States under the common name of GCC Postal Collection. The next exhibition of postal stamps will be held in Tokyo in 2011.

The meeting also discussed the new purchasing system through a single supplier and Khaleeji (Gulf) Express which will replace the Express Mail Service in GCC countries.

A new draft law on freight and parcels generated great interest among the participants who discussed new amendments to the same. They also discussed the results of Universal Postal Congress, and the proposed postal exhibitions, Gulf Exhibition and

International Exhibition, to be held every two years. They also agreed to involve philately associations and clubs from Member States in the next meeting.

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2. Audits: U.S. Postal Service spent too much on FedEx. Lack of diligence led to unnecessary expenses of \$94 million

Posted November 28, 2010 at midnight

WASHINGTON -- The United States Postal Service is routinely castigated for losing money, but in a series of internal audits it has identified \$94 million in unnecessary expenses linked to its lack of diligence under its FedEx mail-hauling contract.

The Inspector General of the U.S. Postal Service audited all eight Postal Service regions across the country beginning in 2007 and ending earlier this year. It found the same problems in each region:

Mail that should have been shipped by surface transportation found its way onto expensive FedEx jets.

First-class mail that could have been sent on cheaper commercial airlines instead went on FedEx jets.

By failing to sort mail to specific locations into cargo crates, called bypass containers, it incurred FedEx sorting charges.

Nothing in the audits reflects badly on the Memphis logistics giant, but the implications of the findings, once the cost-savings opportunities identified are achieved, could affect the amount of money flowing to FedEx.

Asked about that possibility, FedEx spokesman Maury Lane declined to speculate. He did say: "FedEx values its alliance relationship with USPS, both as a supplier and a customer. FedEx Express provides outstanding transportation services to USPS, and FedEx SmartPost provides USPS with hundreds of millions of dollars in revenue each year. We both manage our networks carefully to maximize efficiency and reduce costs."

By implementing more rigorous compliance with the express terms of its FedEx contract, the audits suggest \$112.7 million in "unnecessary questioned costs" could be saved over a 10-year period. They indicate \$482.9 million could be put to a better use if corrective action is taken over that same period.

The independent Postal Regulatory Commission is seeking public comment through Dec. 2 on a rate increase for USPS's competitive products, such as those currently cheaper than similar services provided by FedEx or United Parcel Service. The rate for Express Mail is expected to jump 5.7 percent and for Priority Mail 3.9 percent in January. The rate for regular mail is set to rise again next May.

Earlier this month, USPS reported ending its fiscal year with a loss of \$8.5 billion in part because a poor economy dropped mail volume precipitously. The loss nearly doubled the previous year's red ink. Americans sent 91.7 billion cards and letters first class in the year ending Sept. 30.

FedEx said earlier this month that it expects holiday shipping to increase 11 percent this year, driven by increased use of FedEx SmartPost. Its busiest day ever is expected to be Dec. 13, when 16 million packages will be sent.

FedEx has been hauling Express Mail, Priority Mail and first-class mail for the Postal Service since 2001. In July 2006, the parties entered into a new seven-year contract. Under its terms, the Postal Service is required to provide a minimum amount of mail to FedEx; if those minimums are not met, the Postal Service pays for unused capacity.

The audits identified large volumes of surface mail classes, including magazines, advertising and merchandise shipped by major retailers going onto FedEx planes.

"Because surface mail classes are not as time-sensitive as Express, Priority or FCM (first-class mail), the area transportation managers could have met the Postal Service's on-time standards by using less costly highway or rail transportation," a Sept. 29 audit says.

The six regional audits found that, over a one-year period, 6.6 million cubic feet of first-class mail was flown on FedEx planes "when less costly service-responsive capacity of passenger airlines was available."

By Postal Service policy, first-class mail is to be assigned to surface transportation when on-time service standards can be met. After that, passenger airlines are to be used when FedEx contract volumes have been reached. Finally, policy dictates it goes on FedEx planes when passenger airline capacity is not available.

The Postal Service is required to pay FedEx for mail sorted at its Memphis hub, but can avoid those costs by using bypass containers holding mail headed to the same destination city.

But because independent contractors have to get 75 percent of that mail to FedEx by 4 a.m. and the remainder an hour later, too much mail never makes it into bypass containers. In some areas, a huge volume of mail arrives at the outside contractors just before 4 a.m., the audits showed. The audits suggest that, when the FedEx planes won't be departing until 7 a.m. or later, that the time the containers must be delivered to the company be adjusted.

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3. The real facts and figures behind the Postal Service

By MARK STRONG | Last Updated: November 28, 2010

Myths about the U.S. Postal Service fly fast and far these days. For instance, you have may have heard that there are 36,000 post offices in the U.S., which is more retail outlets than Wal-Mart, Starbucks and McDonald's combined. In addition, many of these post offices are labeled "money losers."

These statements, made more to shock than inform, are not accurate. Let's look at the facts.

First, a post office is more than a retail outlet. While they have some retail function, they are also the final distribution point from which the Postal Service's carrier force operates, and postmasters spend most of their time managing carriers, not retail employees.

Thus, one can't close down the delivery functions of a post office without modifying the delivery system, unless you want the delivery system to grind to a halt. Many critics don't take this into account when they talk about how much post offices cost and push for closing post offices.

Second, there are 27,000 post offices, and many of those are in rural areas. With 3.5 million square miles in the U.S. to cover, that is one distribution point for every 131 square miles. Is that really excessive?

Third, some have said that 80 percent of post offices lose money. The figure is wrong — and meaningless. That is because the revenue generated from the largest part of our mail — commercial mail — is credited to the post office where the mail is entered into the system and not to the post office whose carriers end up delivering that mail.

Under USPS' cost accounting system, all of the final costs of delivering the mail in a post office's area are included in the costs of the delivering post office — but none of the revenue associated with that mail is allocated to that post office.

Of course the delivery post office loses money. How could it not, when it bears the delivery costs but gets none of the associated income?

That 80 percent figure? It's understated. As the Postal Service recently told the Postal Regulatory Commission, 92.5 percent of post offices lose money. Only 2,205 post offices are "profitable," and those 2,205 happen to have the income of some big mailer credited there — even though the cost of delivering that mail is shared by post offices across the country.

If you want to make more post offices profitable, just change the cost accounting system so that revenues are properly allocated to post offices.

What I've described applies to our nation's cities and suburbs. Rural areas are different. There, small post offices do exist that have few carriers and little revenue. These post offices — the smallest 10,000 post offices — by any cost accounting system often are "not profitable."

However, together, these post offices cost less than 1 percent of the Postal Service's budget, and thus have no effect on 99 percent of the Postal Service's finances. They are, however, a critical part of the delivery system that allows us to deliver to every rural household every day.

Rural post offices' role is much different than that of urban or suburban post offices. In addition to their postal function, rural post offices play other critical roles in their communities, including acting as the face of the federal government, functioning as a community center, cashing checks and issuing money orders, and serving as the focal point for a community's identity.

Congress has made it harder to close these small post offices, but that is the way it should be. For once a small rural town loses its post office, that town often shrivels up and dies. The cost of rural post offices to the Postal Service is negligible, and the benefit to the Americans they serve is priceless.

We cannot put rural America and universal service in jeopardy with so little to gain and so much to lose without knowing the facts. The small rural town has as much right to a constitutionally authorized post office as urban America.

Decisions about the Postal Service need to be based on fact, not myth.

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