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UNION POSTALE



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of the United Nations

DECEMBER 2014 / N°4

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DOHA POSTAL STRATEGY

Four goals for Posts to reach by 2016



1 Improve networks



2 Provide knowledge and expertise



3 Promote innovation



4 Foster sustainability

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December 2014

EDITOR-IN-CHIEF: Faryal Mirza (FM)

COMMUNICATION PROG. MGR:

Rhéal LeBlanc (RL)

AUTHORS: Chantal Britt (CB), David Koch (DK),

Vincent Landon (VL), Catherine McLean (CM), Lelia Rotaru (LR)

DESIGN AND LAYOUT: Die Gestalter, Switzerland

SUBSCRIPTIONS: publications@upu.int

ADVERTISING: faryal.mirza@upu.int

CONTACT:

Union Postale

International Bureau

Universal Postal Union

P.O. Box 312

3000 Berne 15

SWITZERLAND

PHONE: +41 31 350 35 95

FAX: +41 31 350 37 11

E-MAIL: faryal.mirza@upu.int

WEBSITE: <http://news.upu.int/magazine>

Union Postale is the Universal Postal Union's flagship magazine, founded in 1875. It is published quarterly in seven languages and takes a closer look at UPU activities, featuring international news and developments from the postal sector.

The magazine regularly publishes well researched articles on topical issues facing the industry, as well as interviews with the sector's leading individuals. It is distributed widely to the UPU's 192 member countries, including thousands of decision-makers from governments and Posts, as well as other postal stakeholders. All regard it as an important source of information about the UPU and the postal sector at large.

Union Postale is also published in French, Arabic, Chinese, German, Russian and Spanish.

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THE FIGURE

339.8 billion

letters were sent globally in 2013.

DEVELOPMENT

UPU-IOM to foster Burundi's development



The Burundian postal network could boost socio-economic growth in rural areas (Photo: IFAD/Susan Beccio)

The UPU and the International Organization for Migration (IOM) are partnering to help lower remittance costs, improve access to postal financial services and help local producers export their goods more easily.

In October, the IOM and the UPU called on donors to support a pilot project in Burundi worth 4 million USD using the postal network's unique capabilities to stimulate development. The joint four-year project, in cooperation with Burundi Post, seeks to solve a range of problems experienced by Burundi's rural population and members of the diaspora.

Faced with high remittance fees, the rural population in Burundi is also excluded from telecommunication services and lack access to basic financial services. Only 12.5 per cent of Burundians have an account with a financial institution.

Development

UPU Deputy Director General Pascal Clivaz stressed the project's importance in addressing migrants' needs and the development objectives of their country of origin.

"With 640,000 post offices, the global postal network is everywhere and present in very remote areas," he said. "Posts offer physical and electronic services, as well as an array of financial services accessible to everyone, from money transfers to credit. No other economic actor is able to unite all these competencies together."

Salvatore Nizigiyimana, director general of Burundi Post, said the IOM-UPU project would rely on postal services to maximize migrants' contribution to the development of Burundi's rural communities by also improving access to telecommunication services and helping small local producers access international markets.

Key concern

"The diaspora sends home to Burundi an estimated USD 48 million in remittances every year, of which more than 10 per cent is lost in remittance fees," IOM Director General William Lacy Swing said. "We want to reduce this loss for Burundi and for all countries."

He added: "Migrant remittances have a direct impact on development and have proven to be more resilient to economic crises - including the current one - than foreign direct investment or economic aid," said Swing.

Yet, he added, many of the world's poorest remitters are being overcharged. African migrants sent home 60 billion USD to Africa in 2012, he said, but many were overcharged by an estimated 4 billion USD. **RL**

End of year

As 2014 comes to a close, the sincere wish of *Union Postale's* editorial team is that the magazine has continued to reach out to its readers with carefully researched and well written articles, presented in an easy-to-read design and layout. It was a year of re-calibrating the content to reflect the wishes expressed by readers in the most recent readership survey. One major area of focus was case studies. Their number increased in response to comments from readers. What's clear is that many of our stakeholders are looking to the UPU for experiences they can relate to, learn from and be inspired by. In this issue alone, it's Christmas come early for lovers of case studies, with no less than three.

Strategic communications

The magazine should be seen within the framework of strategic communications, an integral part of the value the UPU offers to its members and other stakeholders. This unique community can learn much from its constituents and from each other. The magazine's content strategy strives to be more than a random scream in the dark. It is an example of purposeful communication targeted at an audience, which expects certain needs to be met, while they read the magazine.

We look forward to continuing the dialogue with you all in 2015. In the meantime, the very best wishes for a well deserved rest go out to you all. **FARYAL MIRZA, EDITOR-IN-CHIEF**

COUNCIL OF ADMINISTRATION

Côte d'Ivoire to chair 2015 Strategy Conference

Côte d'Ivoire will chair the Universal Postal Union's Strategy Conference, which will now take place on 13–14 April 2015 in Switzerland.

The UPU's Council of Administration (CA) decided in November to give the chairmanship of the organization's international meeting to Côte d'Ivoire.

In September, the UPU and Côte d'Ivoire had announced the cancellation of the Strategy Conference initially scheduled to take place in Abidjan on 14-15 October 2014 as a result of the prevailing health situation in the region, linked to the Ebola epidemic in neighbouring countries, and the low levels of registrations for the conference.

At the same time, in recognition of the Côte d'Ivoire's commitment to the Union, the CA also asked Côte

d'Ivoire to co-chair the high-level ministerial conference that will take place in Istanbul, Turkey, during the Universal Postal Congress in 2016.

Committed

"Be assured that Côte d'Ivoire, which has reclaimed its place in the concert of nations, remains at the UPU's disposal and wishes to work with all member countries to ensure the promotion of our common institution," said Bruno Koné, minister of posts and telecommunications. "We are delighted with the honorable solutions proposed and we will gladly preside over the UPU's Strategy Conference in Switzerland and its ministerial conference in Istanbul in 2016."

The aim of the Strategy Conference is to take stock of the progress achieved with the current world

postal strategy and define the elements that will be included in the next strategy to be presented to UPU member countries during the Istanbul Congress. UPU member countries adopted the Doha Postal Strategy – the global postal sector's four-year roadmap – at the 2012 Congress.

During his presentation to the Council of Administration, the Ivorian minister also announced that Côte d'Ivoire would increase its contribution to the Union's budget to three units of contribution from one. The UPU budget is based on the contributions of its 192 member countries, which choose the number of units of contribution they wish to pay. **RL**

RESEARCH

TEDx talk shines light on postal big data

In a world swimming in electronic data, postal big data could help bridge the information gap in unconnected areas, participants heard at the TEDxPlaceDesNations in Geneva in December. That was the subject of Miguel Luengo-Oroz's talk, a data scientist, one of 11 innovators, designers, teachers, peace makers and entrepreneurs, who shared what they are doing to solve today's challenges and shape tomorrow's world.

There are more than 650,000 post offices around the world – and many are located in remote and unconnected areas. Scientists like Luengo-Oroz, head of research at the United Nations' Global Pulse initiative, are convinced the various bits of information letters and parcels carry, could deepen their real-time understanding of what's happening on the planet.

"We can get data from mobiles and tweets, but what about those areas that are unconnected? There are 20-odd data points on each letter.

With one billion letters circulating around the world daily, there is potential for using this data to identify important human or economic trends," said the self-styled anti-disciplinary scientist.

Non-digital footprint

Posts process an average 1 billion letters and 16 million parcels around the world every day. The majority of these postal items carry barcodes and other bits of information, including the postal code and the date mark. This information is tracked on the UPU's electronic network, Post-Net. It enables Posts to exchange dispatch information with airlines and customs agencies, as well as provide delivery status to their customers.

Leading three big data innovation labs around the world, Luengo-Oroz is interested in discovering insights that can be gained from analyzing the patterns of all kinds of data, including mobile, social media, satellite, and now postal for development.

Shaping policy

He is working closely with the Universal Postal Union, exploring the potential of postal big data for providing key insight into social and economic trends that could reveal early warnings of crises or other phenomena and their impact before they happen. All data will be aggregated to ensure confidentiality and data protection.

This goldmine of information, combined with data from other sources, could be critical for helping countries, the UN and other international organizations shape development policies, which is the goal of the Global Pulse initiative, established by the UN secretary general's executive office.

The UN specialized agency for postal services is urging its member countries to participate in the Global Pulse initiative by making their data available. **RL**

FINANCIAL INCLUSION

Posts look to mobile technology

Posts are increasingly considering how to offer more efficient financial services using mobile technologies. Several Posts are using mobile technologies to successfully scale up their postal financial services as explored at a recent UPU forum.

In Indonesia, where 245 million inhabitants are scattered on 17,000 islands and banks do not reach 66 per cent of the population, PosIndonesia took the strategic decision to use mobile technologies to grow its financial services and foster greater financial inclusion, said Moehartini Moeharjadi, manager, international relations, PosIndonesia. Financial services account for 45 per cent of the company's revenues. "Innovation and

development are key to our business," she added. "Nearly 50 per cent of citizens use mobile phones, while only 29 per cent are connected to the internet," she added.

In Morocco, the Post's full-fledged postal bank, Al Barid Bank, has a government mandate of advancing financial inclusion. Mobile banking services are available to all citizens, even those who do not have a bank account. They are also accessible on all mobile devices, ensuring wider reach.

Regulation concerns

Participants agreed that strong legal and regulatory frameworks were important and should be adapted to

specific needs and emerging technological innovations. Clifford Nkomo from the Communications Regulators' Association of Southern Africa said the proliferation of mobile technology was so rapid that it did not leave enough time for governments to react, allowing mobile-payment operators to take advantage of the regulatory void.

"We need to establish an authority that would regulate mobile banking services and address affordability, quality and customer protection issues, without overlooking the risks posed by money laundering and terrorist financing," Nkomo said. **LR & RL**

TECHNOLOGY

Internet of postal things offers food for thought

The Universal Postal Union is encouraging the world's Posts to wake up to the 'internet of postal things' and embrace technology to better serve citizens.

At a recent forum on this theme at UPU headquarters in Berne, Switzerland, delegates from the UPU community gathered to hear speakers from Posts, academia and private-technology companies.

The topic was a throw-back to the 'internet of things' or the use of sensor technologies that enable physical objects to collect and communicate data in real-time through the internet. The big data generated can then be analyzed, offering postal operators the opportunity to extract additional value to drive business.

Alexander Ilic, an assistant professor at the Federal School of Technology in Zurich, impressed upon delegates the low costs of jumping on the big-data bandwagon.

"Data is king and low-cost technology is available that makes dumb things smart," he said.

He mentioned examples, such as attaching radio-frequency-identification or RFID tags ("smart") to inventory items ("dumb") to enable the tracking of the latter.

Caution

However, Ilic also sounded a note of caution. "The mistake some make is they think that the more data they collect, the better, but they have no idea what to do with it," he said.

He added that modern analytic tools were helping to process the huge amounts of data being generated. He compared this to "what ultrasound has done for medicine".



Attaching sensors to items like letterboxes can yield interesting data (Photo: Jay Mantri)

For the UPU's part, José Ansón, an in-house expert, said analysing big postal data generated by mail movements could bring new efficiencies into the postal business. "Data collaboration will define the boundaries of postal network in the future, what brings value to it and what could destroy it." However, a change in mind set in postal operators is needed, he added.

Business speaks

The business case to get on board was clearly there for other players in the postal market. Mark Van Der Horst, director, EU public affairs, at UPS Europe, the private express car-

rier, said that the objective of using big data was to improve the customer experience. "Twenty-five years ago, simple spreadsheets with parcel forecasts on route, truck or plane with historic data were used," he said. "Today, we can get a more accurate picture of where parcels are and how to move them."

The forum was organized in conjunction with the United States Postal Service Office of the Inspector General. **FM**



UPU-IFAD launches new remittance initiative in Africa

A unique partnership aims to leverage the role of the public postal network in offering remittances and financial services in the last mile in Africa to boost financial inclusion in rural areas.

TEXT:
FARYAL
MIRZA

ILLUSTRATION:
DOMINIK
JUNKER

Benin, Ghana, Senegal and Madagascar are the first pilot countries to benefit from a new initiative to boost remittances through the postal network in rural Africa by the Universal Postal Union, the International Fund for Agricultural Development (IFAD) and other partners. A further seven countries will also receive assistance from the African Postal Financial Services Initiative, which is funded by the European Union, IFAD, the UPU, the World Bank, the UNCDF and the World Savings Bank Institute.

The focus will be on improving operations primarily to reduce the cost of remittances to and within the African continent, as well as decreasing transaction times. The programme has 7 million USD at its disposal to modernize participating Posts to reach these objectives.

"The reach of the postal network in rural areas is unmatched by any other financial institute in Africa. This is why Posts are best placed to foster financial inclusion of the world's disadvantaged peoples," said UPU Director General Bishar A. Hussein.

Eleven countries in total - including Burundi, Egypt, Ethiopia, Kenya, Uganda, Zambia and Zimbabwe - will benefit from in-depth market analyses, while the four pilot countries (Benin, Ghana, Senegal and Madagascar)

will be provided with technical assistance on the ground to implement projects.

"We are building the base of a step-by-step approach, so that countries can do what they do well," explained Hans Boon, postal and remittances specialist with IFAD. "The focus is on short-term results, which will be critical for deciding the next steps after the pilot projects are completed. Their success will provide a basis for scaling up," added Boon.

For the UPU's part in this multi-partner project, it will ensure that its technical assistance is in accordance with the framework of its Postal Payment Services Agreement.

"The project will target parts of the postal network, whose technical infrastructure may need upgrading and staff retraining, so Posts are ready to grow the postal-financial-services business," said Serguey Nanba, coordinator, UPU postal financial services.

Part of that journey to affordable remittances for designated operators is connecting them to the UPU's worldwide electronic postal payment network (WEPPN) through the IFS software, explained Alexandre Rodrigues, UPU postal financial services programme manager.



Participants

The project in Africa recently kicked off with market research conducted by specialist companies on the ground in the 11 participating countries. Some 500 interviews were carried out in each.

"The findings on the pilot countries are really interesting, providing insights into what are the strong points of the post office network, where the challenges are, where the competition is and how consumers view the post office," said IFAD's Boon.

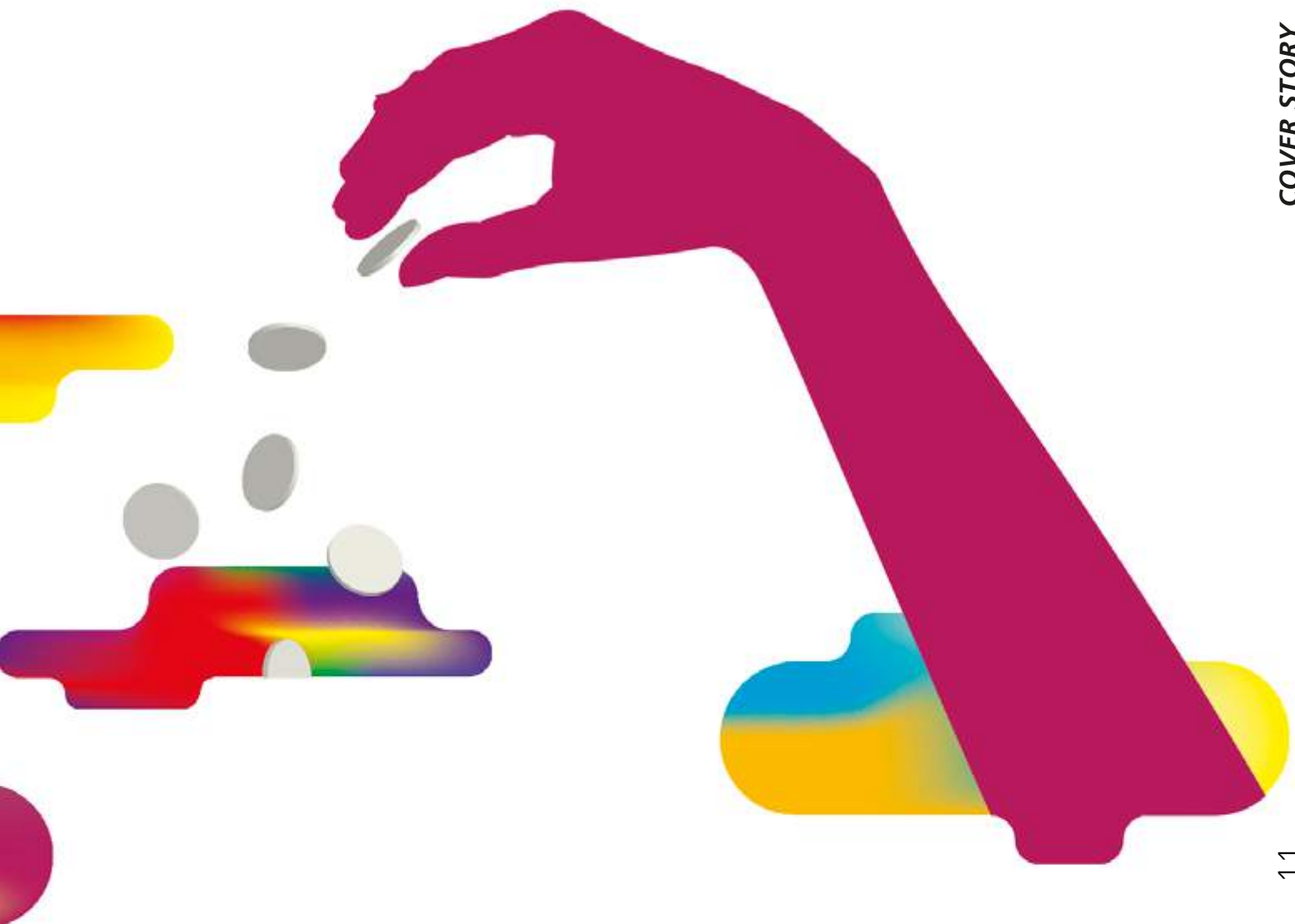
For its part, Senegal Post said that the initiative would allow challenges to be addressed in areas in which the Post is already working but where efforts need to be stepped up. "The project should allow the Senegalese Post to become a modern business able to provide innovative financial products and to compete with other market players," said Saliou Fedior, the Post's director of studies and projects.

This would include reviewing "business practices in the money-transfer segment and to improve customer service by making products and services more affordable and accessible", according to Fedior.

Postal workers would also benefit. "Staff will be better trained, particularly in providing financial education to numerous customers in rural areas, who receive large amounts in remittances from the Senegalese diaspora," Fedior said.

In all pilot countries, information communication technologies (ICTs) will be updated. "The project will allow the Post to fully modernize its technological infrastructure at the post-office level," said Fedior of Senegal's situation.

Benin, another pilot country, is aware of the challenges of technological innovation when it comes to ICTs and has a strategy in place to boost ICT connectivity across the postal network. "[One example is a]... partnership in



mobile telephony technology offering the possibility of reaching more than six million potential customers in rural and urban zones,” said Béhanzin Clotaire, POSTE-FINANCE director at the Post.

The benefit to customers is clear, according to Senegal Post’s Fedior. “They can expect to see their wealth grow through the reduction in money-transfer costs. Also, the accessibility of postal financial services, particularly in rural areas, decreases the time loss associated with unnecessary travel [to pick up transfers], which usually carries a risk of accidents and thefts en route,” Fedior said.

Clotaire too sees a bright future ahead. “By reducing transfer costs and transaction times, as well as extending the network into rural zones and reinforcing the range of services, the Post in Bénin will be transformed into a postal financial institution that results in inclusive access and its competitive growth in the financial sector,” he said.

This was echoed by Fedior. “If realized, the project could support the State in its efforts to combat poverty and achieve full financial inclusion,” he said.

IFAD

IFAD tackles poverty not only as a lender but also as an advocate for rural poor people. Its multilateral base provides a global platform to discuss important policy issues that influence the lives of rural poor people.

IFAD created the Financing Facility for Remittances (FFR) with the objective to increase economic opportunities for the rural poor through the support and development of innovative, cost-effective, and easily accessible international and/or domestic remittance services. FFR works with supplementary funds provided by donors.

Market worth

In 2013, remittances to Sub-Saharan Africa from abroad reached 32 billion USD, according to the World Bank. "Sub-Saharan Africa is one of the few regions in the world where official development assistance is larger than remittances, and both are much more stable than either foreign direct investment or private financing flows. Many countries in the region have large diasporas overseas, with substantial diaspora savings that could be mobilized for development financing," it said in a statement.

The institution predicts flows to the continent will reach 41 billion USD by 2016. Such flows are vital to the economy, says IFAD. "According to the most recent World Bank data, more than 12 countries in Africa receive in excess of five per cent of their gross domestic product from migrants living abroad," explained Mauro Martini, IFAD monitoring and evaluation officer at the Financing Facility for Remittances' policy and technical advisory division.

However, the costs of remittances both to and within Africa remain the highest in the world, according to research conducted by IFAD and the World Bank. With as much as two-thirds of pay-out locations in the region dominated by very few money transfer operators, some of these companies attempt to work on the basis of exclusivity with their agents wherever possible, restrict-

ing competition. As a result, the world's most expensive remittance corridors are located in Africa, especially in the Sub-Saharan part.

Strategic importance

IFAD is convinced of the strategic importance of the cooperation with UPU for leveraging the impact of remittances to development in Africa through postal networks. "The UPU has a key role to play in this aspect, especially in the provision of guidance to its member countries," Martini said. "By combining expertise and resources, all partners in the initiative will be able to intervene effectively to respond to the needs of each national postal operator."

Looking ahead, IFAD, the UPU and other partners of the African Postal Financial Services Initiative are organizing the first African Conference on Remittances and Postal Networks, to be held on 4 and 5 March 2015 in Cape Town, South Africa. **FM**

UPU-IFAD collaboration in Asia

TEXT: CHANTAL BRITT

The cooperation between IFAD and UPU in remittances started within the framework of the Financing Facility for Remittances in 2008. Two of those projects were recently concluded in August 2013. One project covered Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan), the other the Asia-Pacific region (Cambodia, India, Indonesia, Laos, Malaysia and Viet Nam).

The project covering the Asia-Pacific region started in May 2012 with a 500,000 USD grant from IFAD. "Postal operators in Cambodia, India, Indonesia, Laos, Malaysia and Viet Nam were able to introduce new technologies or extend the existing ones to provide access to remittance services within the framework of their postal payment services," said Alexandre Rodrigues, UPU postal financial services programme manager.

More than 20,000 post offices in rural areas were connected in the project countries, as well as with other countries in and outside the region. Posts were able to offer remittance beneficiaries and migrant workers open access to the UPU's world-wide electronic postal payment services network (WEPPN). The postal operators also opened exchanges of electronic postal service payments within the region and throughout the worldwide network (South-South and North-South exchanges). They linked remittances-to-savings facilities and, wherever possible, developed cash-to-account remittances. Remittance costs to senders and receivers went down.

One experience in this region was that one of the biggest challenges was setting a realistic timeframe for the realisation of the project. One of the main stumbling blocks was the procurement and installation of IT equipment, which took longer than expected, Rodrigues said. And postal employees had to be instructed to use the new technology and receive training on how to offer the new services. It also took at least a year and a half to connect six countries in the Asia-Pacific region to the worldwide electronic postal payment network through the UPU's IFS software. The latter enables a Post to efficiently manage electronic postal money transfers.

Central Asia

These experiences are seconded by Baurzhan Imanov from Kazpost, the Kazakh designated operator, who was involved in the implementation of the UPU-IFAD project in Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, which took two years to connect.

"Tajikistan for example, didn't even have any automated post offices before the project," Imanov explained. "For the first time in the history of the Post in this country, within the framework of the UPU-IFAD project, a corporate network was created and international electronic money transfers were automated through the IFS system at post offices."

In parts of Central Asia, there is much demand for sending remittances to rural areas. In 2006, there were more than six million people living in non-urban areas in Kazakhstan, more than

three million in Kyrgyzstan, more than five million in Tajikistan and more than 17 million in Uzbekistan. In these countries, the designated postal operator is the only provider of remittances and social payments present in rural areas.

In 2011, Tajikistan was the country with the highest volume of international money transfers as a percentage of its gross domestic product (GDP) at 47 per cent, while Kyrgyzstan was in third place with 29 per cent, according to the World Bank's report, "Migration and Development Brief". A year later, those figures had already increased to 48 per cent of GDP for Tajikistan and to 31 per cent for Kyrgyzstan.

As a consequence of the project launched in November 2011 with an IFAD's grant of 250,000 USD, the Posts of Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan were connected to the UPU's WEPPN. Following the opening of new corridors in the region and the development of access to payment services in rural areas, additional national networks were connected, which reduced the payment delivery time and overall access costs for remittance services.

Automation

The project team advanced the automation of rural post offices in the four countries involved. It purchased computer equipment, such as server hardware for the creation of server rooms, and installed the IFS system at the postal operators in Kyrgyzstan and Tajikistan. It modified the software and interface in Uzbekistan and Kazakhstan. To install an automated system, the project team first had to create a network for the Post, purchase and install server hardware, configure the software on the server and train personnel.

Such new processes require the development of procedures and internal documents, regulating the services offered, as well as the training of the technical and operational employees of designated postal operators. In addition, the software needs to be tested and postal operators have to agree on the terms for exchanging electronic postal money transfers.

The project successfully started an operational exchange by international electronic postal money transfers through the UPU's IFS system in Kyrgyzstan and Tajikistan. It also expanded access to IFS through the postal network in Uzbekistan and started to provide international urgent postal money transfers and COD electronic money transfers in Kazakhstan, Imanov said. The automation in Tajikistan will not only bring substantial benefits for the residents living in the country's cities and rural areas, but also for the almost 800,000 emigrants who are living abroad, Imanov said.

"The UPU-IFAD project allowed some important problems to be solved in individual countries, but the countries in the region also joined forces in search of solutions that could be beneficial to all in other parts of the world," Imanov added. **CB**



Consumer spend on postal services rises

2013 was a bumper year for the public postal sector with the latest statistics from the UPU showing that revenues increased to 234.8 billion SDR, up three per cent in nominal terms on the previous year.

TEXT:
FARYAL
MIRZA

INFOGRAPHICS:
DIE
GESTALTER

The downward trend in global letter-post traffic continued as the latter went down by 2.9 per cent to 339.8 billion items from 2012. Volumes consisted of 336.3 billion domestic and 3.5 billion international items. However, there was a silver lining – while volumes may have gone down, the tonnage has gone up, according to José Ansón, a UPU economist.

“An estimated 240 million small packets travelled through the letter-post stream in 2013,” Ansón explained, pointing to the rise of e-commerce. “While overall volumes in terms of number of items have decreased, the average weight of items is heavier.”

In 2010, a kilogramme of international letter-post contained an average of 12.21 items. Today, the same consists of 10.88 items. This increase in tonnage could explain why the letter-post stream continues to account for 43.4 per cent of global public postal revenues.

In certain regions, the contribution of letter post to revenues was even higher. This could be seen in industrialized countries, where this stream contributed 59.6 per cent to revenues.

Parcels up

Almost 19 per cent of postal revenues came from parcels and logistics in 2013 with total parcel traffic estimated at 6.7 billion items. The bulk came from the domestic side or 6.6 billion items, representing an increase of 3.7 per cent. International parcels also went up to 67 million items, growing by 5.8 per cent since 2012.

Parcel volumes increased in all regions of the world, except in Asia-Pacific, where a slight decrease was

observed. “This could be due to that market’s focus on shipping goods through the Express Mail Service or EMS,” Ansón said.

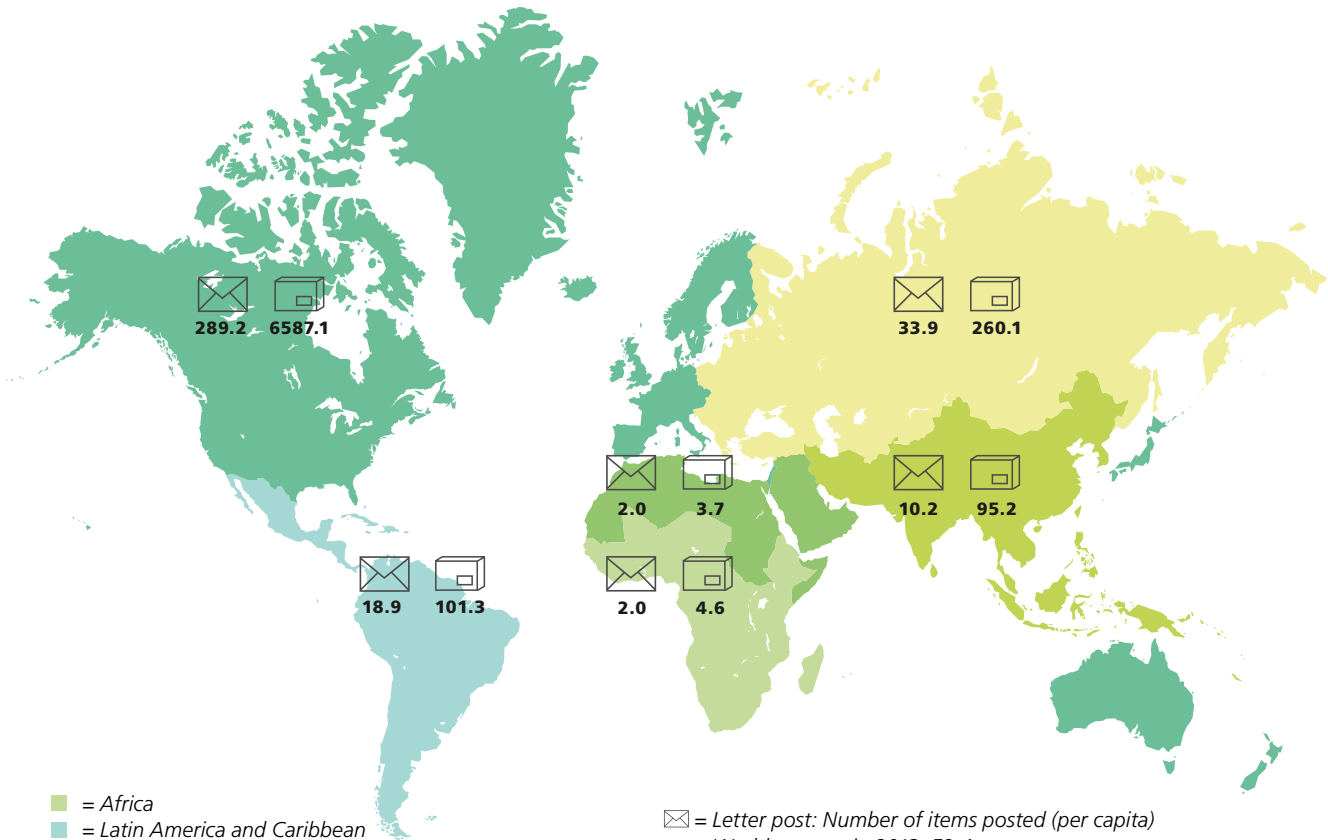
Access

Postal financial services accounted for 14.5 per cent of revenues. ‘Other services’ accounted for 23.5 per cent of global revenues, up from 21 per cent in 2012. They encompass non-postal services, such as retail of mobile-phone cards and similar.

The postal network continues to possess the world’s largest physical network and has even grown. The size of the public postal network stayed stable in 2013 with some 663,200 post offices and 5.4 million staff serving the world. Almost 70 per cent of establishments are staffed by postal officials, while the rest is run by persons not officially part of the postal operator.

In terms of inhabitants served per post office, the world average was 10,747 in 2013. Access stayed stable in industrialized countries (including Japan, Australia and New Zealand). In the developing countries making up Asia-Pacific, access actually decreased. In Africa, the opposite was true, with more people having access to the postal network in 2013 than in the previous year. However, some 44 per cent on this continent do not have home delivery and collect their mail from the local post office.

This time, 150 out of 192 member countries responded to the UPU’s annual survey of the postal landscape. **FM**



- = Africa
- = Latin America and Caribbean
- = Asia and Pacific
- = Eastern Europe and CIS
- = Arab countries
- = Industrialized countries

✉ = Letter post: Number of items posted (per capita)
World average in 2013: 59.4

📦 = Parcel post: Number of items posted (per 1,000 inhabitants)
World average in 2013: 942



Letter post

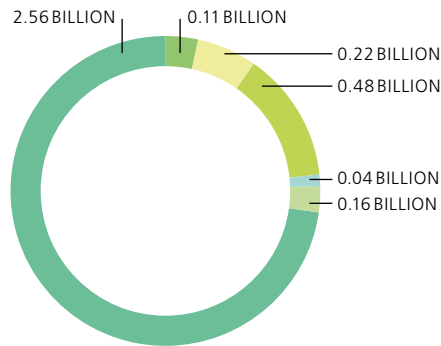
TOTAL TRAFFIC 2013: 339.8 BILLION ITEMS

DOMESTIC:

336.3 BILLION ITEMS (99.00 % OF TOTAL TRAFFIC)
2012 – 2013: -2.8 %

INTERNATIONAL SERVICE:

3.5 BILLION ITEMS (1% OF TOTAL TRAFFIC)
2012 – 2013: -5.6 %



International volumes: Estimates by region, 2013



Ordinary parcels

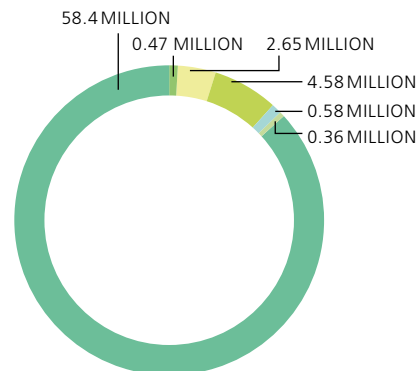
TOTAL TRAFFIC 2013: 6.715 BILLION ITEMS

DOMESTIC:

6.648 BILLION ITEMS (99.00 % OF TOTAL TRAFFIC)
2012 – 2013: +3.68 %

INTERNATIONAL SERVICE:

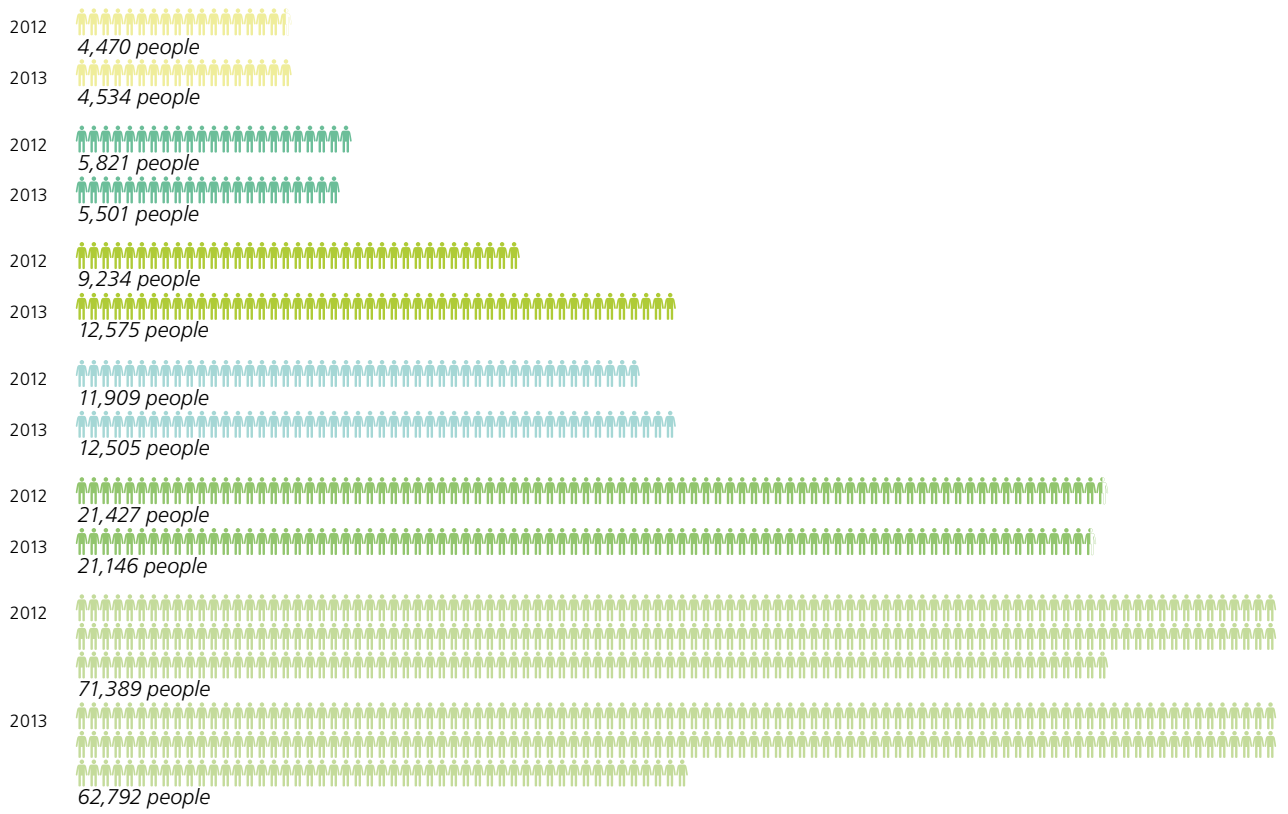
67 MILLION ITEMS (1% OF TOTAL TRAFFIC)
2012 – 2013: +5.8 %



International volumes: Estimates by region, 2013

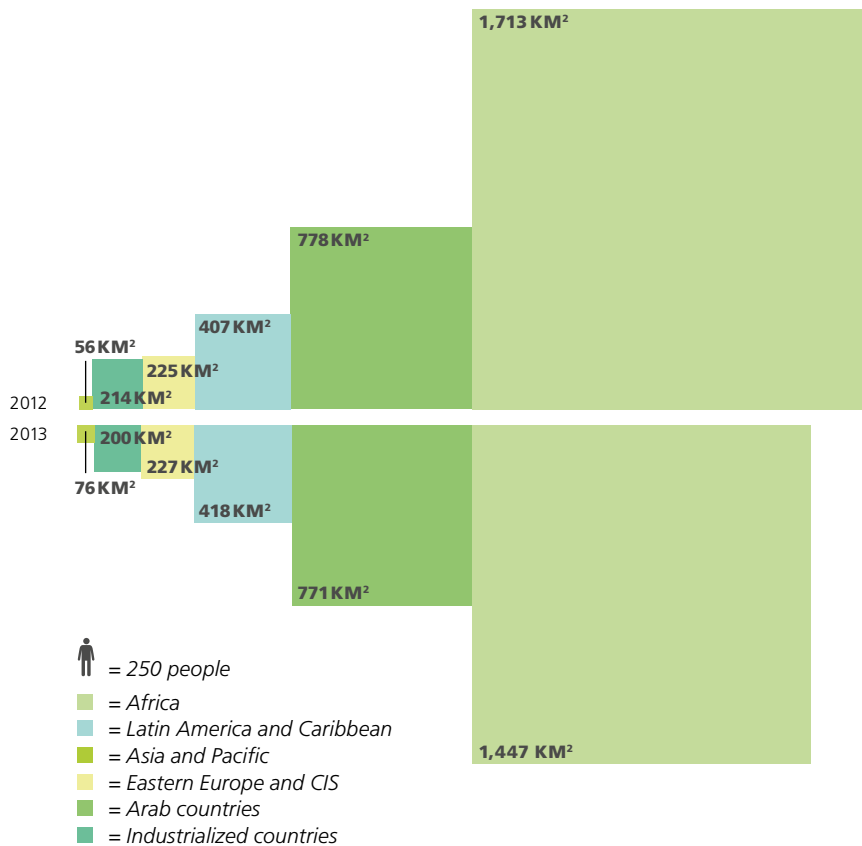
WORLD AVERAGE 2013: 10,747

Inhabitants per post office



WORLD AVERAGE 2013: 205 KM²

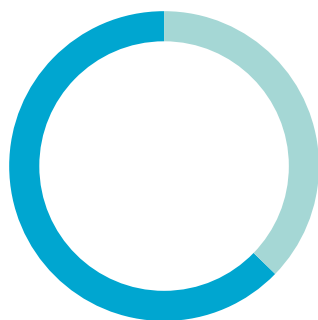
Average area covered by a permanent office



- = 250 people
- = Africa
- = Latin America and Caribbean
- = Asia and Pacific
- = Eastern Europe and CIS
- = Arab countries
- = Industrialized countries

WORLD ESTIMATE 2013: 663,200

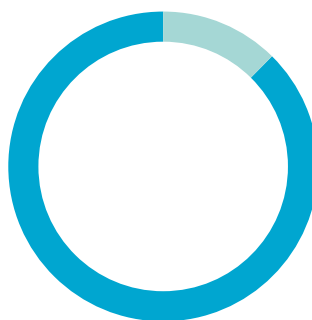
Post offices



- 448,332 offices staffed by postal operator officials (67.6%)
- 214,878 offices staffed by persons from outside the postal operator (32.4%)

WORLD ESTIMATE 2013: 5.4 MILLION

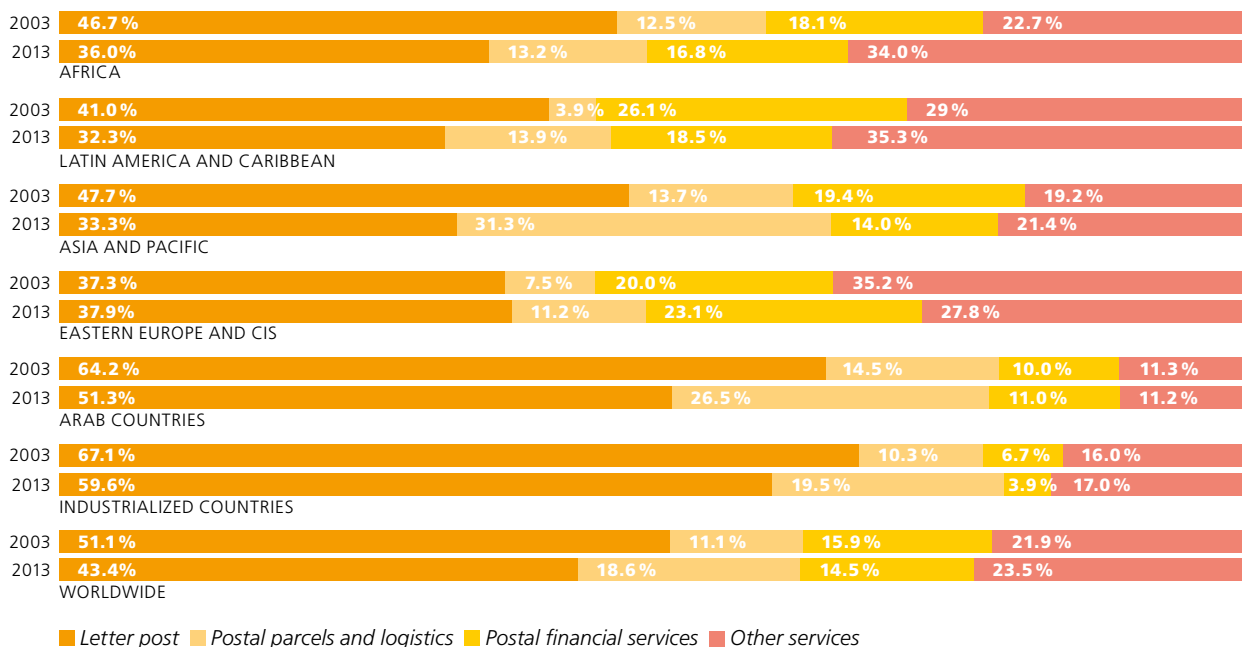
Postal staff



- 4.35 million full-time (80.3%)
- 1.07 million part-time (19.7%)

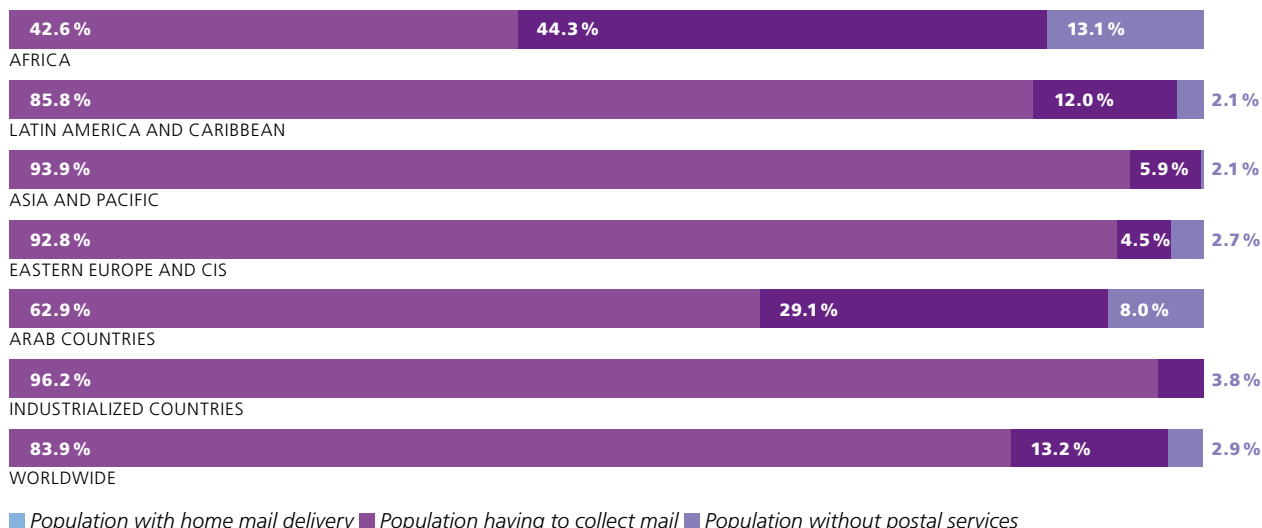
INCOME SHARE BY REGION, 2003 AND 2013, SIMPLE AVERAGE OF DESIGNATED OPERATORS IN EVERY REGION

Postal income by business line



ESTIMATE BY REGION 2013; WEIGHTED AVERAGE BY POPULATION

Mail delivery modes by region





GMS innovations pinpoint blockages

Recent innovations made to the UPU's Global Monitoring System (GMS) to monitor the journey of international letter-post are helping Swiss Post to better identify potential blockages in the international letter-post stream.

**TEXT:
DAVID
KOCH**

These new functions have made it easier to produce more detailed reports detailing on where and when delays are occurring in the mail stream end to end. Indeed, they are among the reasons why Swiss Post decided to use GMS exclusively from 2013. "These developments were very positive and the costs of the GMS measurement competitive," says Marek Vransky, quality manager for international mail at Swiss Post.

GMS has been helping Posts since 2009 to analyze their delivery performance of international letter-post. The measurement system involves a number of individuals known as "panellists" who send and receive letters containing tiny radio frequency identification (RFID) chips. Whenever one of these test letters passes an RFID gate - one of the scanning antennae installed in postal facilities around the world - its whereabouts are registered for analysis in the GMS STAR database.

Delivery zones

Previously, it was possible to view the percentage of letters that reached their destination on time in a given city. For Swiss Post, that meant GMS STAR could provide data about the speed of import dispatch measured from the

acceptance of the mail at the Swiss Post's airmail unit at Zurich airport and at the main office of exchange, generating delivery statistics for seven major Swiss cities: Basel, Bern, Geneva, Lausanne, Luzern, Winterthur and Zurich. But a new functionality has increased the system's analytical boundaries by dividing those cities into so-called delivery zones.

In one case highlighted by Vransky, delivery speed for letters to Geneva fell below target levels. However, further analysis revealed that the percentage of letters arriving on time was high in two of the city's three delivery zones. In this way, a snag in the transport link to Geneva could be ruled out, since all international letters travel there by the same path. This then allowed the Post to focus on logistical problems within that third delivery zone. "This kind of report helps us get some kind of indication [that] we may have a problem in that particular part of the system," said Vransky.

Downstream journey

A GMS STAR report tracing the path of an individual letter provides clues about hang-ups in the system - and reveals the usefulness of GMS for downstream analysis.

“The GMS team is very active. They developed a very solid basis from the beginning but they did not rest on their laurels.”

Marek Vransky, quality manager for international mail, Swiss Post

A letter's path through Switzerland begins on the afternoon of September 4, 2014, when it enters the Zurich-Mülligen office of exchange, according to a GMS STAR report. The letter leaves the facility at 10:47 p.m. and arrives by rail at the Geneva sorting centre a few hours later, according to RFID readers there. The letter is then detected by the same RFID reader at 6:42 a.m. on September 5 - the time of day when the letter should have been going to the local delivery office for distribution to the customer, says Vransky.

But then a further entry reveals that the letter is detected again in the same Geneva sorting centre the same afternoon, and the next day at around 4 a.m. By that time, the letter should already have been delivered.

Postal operators can then use this kind of data in GMS STAR to correct problems in the letter-post stream, says Vransky, noting that corrective action was taken at the facility in question. “[One] can go to the manager of this sorting centre and say, ‘Look, you’ve got a problem there,’” said Vransky. “‘We’ve got some examples, so please fix it.’”

Domestic visibility

Zeroing in on this delivery zone was only the first insight. Another feature pinpointed problems in the system even further by harnessing data about the paths of individual letters. That data came from RFID gates located throughout the domestic facilities of the Swiss postal system.

“At each entry or exit ... for those logistical points, we have RFID gates, which are able to identify when shipments arrive and when they leave the facility,” said Vransky. This is known in GMS jargon as “domestic visibility”.

Since the Swiss government requires the Post to meet high delivery standards - 97.6 per cent of domestic letters must be delivered on time - the designated operator already had an extensive network of RFID gates, allowing for the rigorous monitoring of these high-volume domestic flows. The challenge was using these domestic readers - numbering about 600 in total - to measure international mail flows into Switzerland by integrating the data into GMS STAR. This linking of the two systems was achieved through a collaboration between Swiss Post, the UPU, and a private firm that manages the domestic RFID system. Jointly developed software now allows the database to receive information from these “downstream” readers. And that helps Swiss Post to identify and correct problems like that slump in one Geneva delivery zone.

Path to quality

Over 5,000 GMS test letters are sent annually to some 30 panellists in Switzerland, yielding a wealth of information that helps the Post ensure swift attention to logistical problems. Vransky praised the UPU for its indirect contribution to customer satisfaction through these recent innovations in the GMS system. The good cooperation with the team responsible for GMS within the UPU also helped matters. “The team is very active. They developed a very solid basis from the beginning but they did not rest on their laurels,” said Vransky. “They are still developing the system further to become even more user-friendly and supporting operators to be able to identify better the problems and delays in the logistical chain,” he added. **DK**



UPU-funded boost improves service

Two UPU-funded projects are helping Slovakia's designated operator better manage increasing international letter-post flows driven by e-commerce as the Post strives to provide speedy service in a competitive and recently liberalized postal market.

**TEXT:
DAVID
KOCH**

The projects designed to speed up international mail shipments at Slovakia's main office of exchange were honoured by the UPU in November for improving service in the Eastern European nation. The Post received two certificates from the UPU's Quality of Service Fund (QSF) board of trustees recognizing project success.

Mechanization

Financing from the QSF helped Slovenská pošta to purchase new equipment for the country's principal office of exchange in Bratislava, the capital. A list of purchases worth about 67,500 USD included an electric low-lift machine, 20 cage containers, several four-wheel trolleys, a binding machine and several other types of equipment. Ján Kollár, the Post's head of international and regulatory affairs, described them as "standard equipment needed for the day-to-day operations of the office of exchange".

This project made the work of mail-handlers at the Post considerably more efficient, said Kollár, Slovakia's national QSF coordinator. "This mechanization has helped them improve their productivity and quality of service," said Kollár in an interview with Union Postale. And since items including the mail trays purchased are standardized, he added, they can be used easily with other postal equipment.

And the results have been excellent. An independent project evaluation by the QSF indicated that vehicle unloading times were reduced from up to 85 minutes in 2007 to 30 minutes by 2013, an achievement that allowed the Post to avoid delays in its route schedule.

IT upgrade

A second project enabled the Post to improve its international letter-mail dispatches with an extension to the Post's existing IT system. Ahead of shipments, the software module automatically transmits data to the airport in neighbouring Austria that handles all Slovakian airmail, the Vienna International Airport, located about 50 km from Bratislava. The data allows the Slovakian Post's counterparts from Austrian Post at the airport to prepare for shipments, optimizing manpower and transport.

The technology, with a price tag of just over 71,000 USD and first implemented in 2010, allowed the Post to meet its goal of cutting international dispatch times by more than one half, from 50 minutes to no more than 20. Strict flight schedules mean that every moment saved is valuable, said Kollár. "You need each minute in the operations of the office of exchange." Expediting those shipments gives the Post a competitive edge, he added. "Today, there is a big pressure to shorten transit times for mail."

International spike

The Post has experienced a significant spike in international volumes during the past decade, with inbound items nearly doubling from under 15 million in 2003 to over 25 million by 2011. Outbound items grew even more, soaring from about 10 million to over 25 million during the same period. In 2013, growth continued at an annual rate of nearly 3.5 percent for international postal items. Kollár noted that QSF-sponsored projects have helped the Slovakian Post deal with these increased volumes. "By means of this mechanization, the Post is able to accept more postal items," he said.

Shifting market

The Post's market position has changed in recent years due to the European Union's liberalization of the postal sector, with certain categories of mail items previously reserved for the Post gradually reduced and then, in 2012, eliminated altogether. Since revenues from the erstwhile "reserved areas" no longer help finance the universal service obligation (USO), the change created a financing problem for Slovakia's sole designated operator, said Kollár.

To compensate for the loss, a state-administered fund is paid into by postal operators, whose services are deemed "interchangeable" with the universal service. The Post can access the fund if the net costs incurred by the USO provision "pose an unfair financial burden", according to the Post's 2013 annual report. If a deficit arises in this fund, Kollár explained, it is covered by the state.



Customers are benefitting from better service (Photo: Peter Zelizňák)

So far, the Post has weathered the market changes while meeting another goal: avoiding mass dismissals. The state-owned enterprise returned to black in 2013, with profits exceeding 4 million EUR (4.9 million USD) after several consecutive years of losses. The designated operator has cited increased activity in its international postal services as a major factor in the positive outcome. In particular, Kollár noted an annual increase of over 200 per cent in items from Asian countries.

However, the Post must still reckon with a market that includes more than 20 registered postal companies. "The competition is very keen," said Kollár, adding that major challengers are anticipated most notably in the e-commerce market. "We expect more operators dealing with parcels," he said.

QSF funds for improving international letter-post performance have provided essential help as the Post tends to spend its scarce capital funds on the domestic service. "These funds help us to balance this investment situation between domestic and international postal services and to improve quality of service and attain the performance level required by international letter mail," he said. **DK**



Denmark mandates digital mail for all

Denmark has become the first country in world to make it compulsory for its citizens to have a digital mailbox.

**TEXT:
VINCENT
LONDON**

Since November, all individuals, who are over the age of 15 and have a CPR number (the Danish personal identification number), must be registered for Digital Post so that they can communicate with the public authorities.

Whether you change your address, apply for child-care, housing support, a pension or a building permit, see your tax, choose a doctor or leave Denmark, any mail or information from the council, hospital or the tax authority, SKAT, will be sent electronically only. "We have a clear goal that 80 per cent of written communication with the public sector is to be digital by the end of 2015," says Lars Frelle-Petersen, head of the Danish Agency for Digitisation. From then onwards, Digital Post is expected to save the public sector around 130 million EUR every year.

Benefits

Eliminating paper mail and shifting to digital correspondence is also fast, secure and efficient, says the government. The major benefit for Danish citizens is that they can get all their important mail in one secure spam-free location and they can keep the documents electronically as long as they want. "With online self-service, the public authorities can provide citizens with a more flexible and modern service," says Frelle-Petersen, adding that private people, as well as businesses, were already heavy users of internet services of all kinds.

To publicize the change, the government mounted a huge campaign to ensure that all citizens were aware of the transition with continual surveys to see which sectors of the population still needed to be targeted. By November 1, 65.9 per cent of the 4.7 million Danes over 15 had signed up to Digital Post, 10.1 per cent had been exempted, while 24 per cent were automatically registered.

Exemptions include those who have language difficulties or a disability, are registered as living outside Denmark or do not have access to a computer with adequate

internet access at home. They will continue to receive their letters from the public authorities by ordinary mail. While permanent exemptions, such as a disability or dementia, will be recognised by the public authorities, many exemptions will be temporary as it is assumed that language barriers and lack of access to internet can be overcome.

The Agency for Digitisation says the transition has gone very well so far. "We are continuing to monitor the roll-out to ensure that unforeseen irregularities and challenges are dealt with, and that people receive help when needed," says Frelle-Petersen.

Digital Post can be accessed on either of two secure websites – Borger.dk or e-Boks.dk. Users log on with the digital signature NemID, which is a single login for public websites, online banking and many other websites and services. NemID consists of a user ID, a Password and a code card with one-time codes.

Like mail

The digital mailbox has the same status as your physical mailbox. This means that it is your responsibility to read any new digital messages. To ensure that you do not miss any correspondence, you can choose to be notified by text message or mail. You can also give reading access to a family member, who can help you with your Digital Post, though you remain ultimately responsible for your own mail. Using their new digital postboxes, individuals can now also receive mail from private companies, such as banks, pension firms and utilities.

This is the latest stage in Denmark's campaign to replace physical mail with a digital-post service. Since November 2013, it has been mandatory for all Denmark's businesses to receive digital letters. The initiative is part of the government's eGovernment Strategy 2011–15, which has led to services in the public sector being digitised in four major waves. A new Strategy is being developed for the period 2016–20. **VL**



UN Women and UPU join forces

The fight to ensure gender equality worldwide has received a helping hand from a new collaboration between the UPU and UN Women.

**TEXT:
FARYAL
MIRZA**

The Universal Postal Union and UN Women have announced their intention to explore common avenues to empowering women within the postal sector, at the UPU and elsewhere.

“With a strong partner like UN Women by our side, the UPU will do its part to ensure that gender equality is increased both within and outside its walls,” said UPU Director General Bishar A. Hussein.

For her part, UN Women Executive Director Phumzile Mlambo-Ngcuka said: “This is a win for the Post and for women worldwide. Without a doubt, our partnership with UPU can cement a commitment to greater gender equity in employment and supply chains in a sector that has tremendous reach and penetration in rural areas and across the world.”

Empowerment

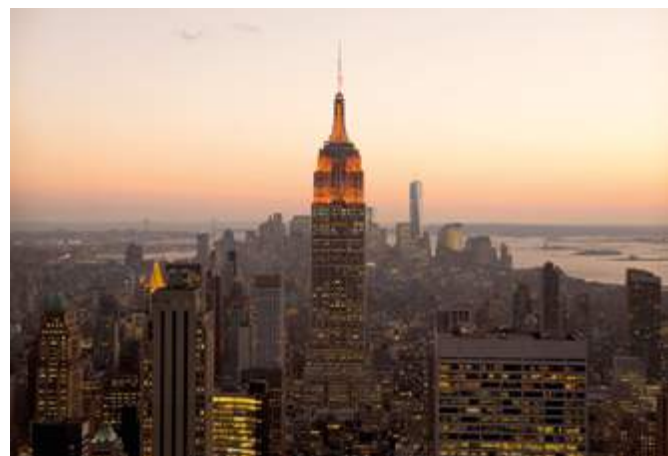
Empowering women to be economically active and independent plays a crucial role in reducing poverty throughout society. “Women are able to make positive changes in their lives and societies when they participate in economic activities,” said Mlambo-Ngcuka. “With a livelihood and an income of their own, women have increased status, can provide for their families and become empowered in other parts of their lives as well, such as making decisions about education, housing, food choices and medical care,” she added.

The first joint project under the new agreement will be a study on how well the postal network serves the financial needs of women worldwide. The results – including recommendations on expanding access to postal financial services – are expected in early 2015. “The postal network is already helping more than a billion people access basic financial services worldwide, so it is well positioned to help even more women become economically empowered,” Hussein said.

UN-SWAP

Under the agreement, the UPU’s International Bureau has reaffirmed its commitment to progressively implement the UN System-wide Action Plan on Gender Equality and the Empowerment of Women (UN-SWAP) at the UPU’s International Bureau. This assigns performance indicators for achieving gender equality in all UN organizations. “We are committed to seeing more women take up senior positions at the UPU’s International Bureau,”

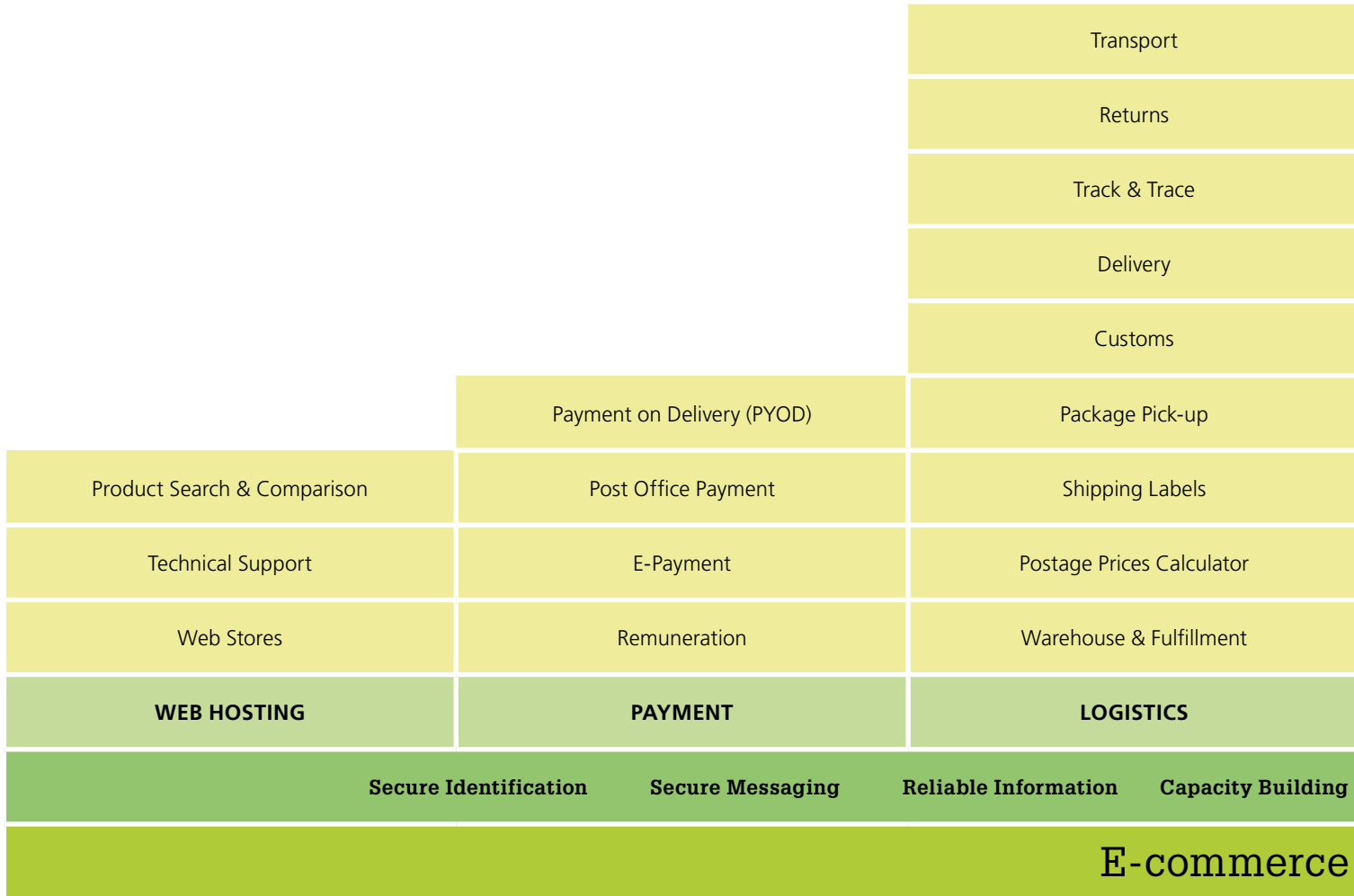
23



The famous Empire State Building went orange to mark the 2014 International Day to End Violence against Women on November 25 (Photo: UN Women/Ryan Brown)

said Hussein. “We will be guided by the principles of professionalism, merit and qualifications,” he added.

This stance garnered praise from UN Women. “We strongly welcome UPU’s support and commitment to the UN-SWAP,” said Mlambo-Ngcuka. In 2010, the United Nations General Assembly created UN Women as the UN entity for gender equality and empowerment of women. **FM**



ECOMPRO - the new e-commerce framework unveiled by the UPU

UPU unveils new framework

The UPU and its member countries have created a raft of measures to better harness the growth in e-commerce under ECOMPRO, a new integrated global framework, in record time.

E-Commerce Consulting		
Customer Data Analysis	Media Advertisement	
Sales	Web Advertisement	Order Info
Marketing	E-mail Marketing	Customer Info
Call Centre	Direct Marketing	Product Info
CRM	PROMOTION & MARKETING	DATA EXCHANGE
Market Development	Interconnectivity Standards	Partnerships
		Financing
key elements		

TEXT:
RHÉAL
LEBLANC

In the six months until October 2014, the Union was able to come up with the key work elements required to cover the essential components of the e-commerce supply chain. "E-commerce is changing the way we do business," said Brazil's Vantuyl Barbosa, vice-chairman of the POC, who was charged with overseeing the UPU's work on the e-commerce framework, known as ECOMPRO. "Posts must adapt to the market and provide both e-tailers and customers services they want."

The implementation work has already started. Starting July 2015, online retailers worldwide will be able to move their wares across borders more easily when Posts start offering a new optional parcel service responding to this need.

The UPU's Postal Operations Council (POC) in October approved specifications for a service covering items up to 30 kg. It also features track-and-trace options and a

five-business-day delivery standard from the moment an item arrives in the destination country. The new service will not require a signature on delivery.

Starting in 2016, Posts will have to provide pre-advice data of package contents to customs authorities, a measure expected to improve customs clearance of items. Eventually, customers will also be able to choose their preferred delivery location.

The POC validated a merchandise-return service, which will make it easier for customers to return unwanted goods to e-tailers abroad. The green light was also given to a new e-commerce guide with practical recommendations for Posts as they develop their e-commerce services.

Future efforts will focus on developing pay-for-performance targets for Posts offering the optional service, as well as an internet-based inquiry system for customers. **RL**





Tackling privacy concerns as internet grows

As more and more of our lives move online, our digital footprints grow ever deeper, making regulation and governance crucial. Robin Wilton, the Internet Society's technical outreach director specializing in issues of identity and privacy, tells *Union Postale* whether it is possible to interact online without sacrificing personal privacy and the implications for society if it cannot.

INTERVIEW:
VINCENT
LONDON

PHOTO:
INTERNET
SOCIETY

Union Postale: In the privacy debate, what causes you most concern?

Robin Wilton: Above all, the scale and the scope of it. Everything we do online is mediated through at least one third party. When you check your mail, everything you do goes through your internet service provider or ISP. When you buy something online, it is not just you and the retailer who knows about it. Increasingly a lot of what we do offline is digitally mediated through someone else as well, so things like automated number plate recognition or just walking around with your phone or your GPS-enabled device. All of those things contribute to your digital footprint.

Is this an unstoppable force?

The march of technology is such that it is far easier to publish data now than it is to keep it secret, it is far easier to aggregate data than to segregate it, far easier to keep it than to delete it, so the path of least resistance and inertia takes us inexorably in that direction. That's the technological direction of travel. The only thing that stops or inhibits it are things that make a transaction inconvenient or inhibit it in some way, or regulation and governance.

Where does the Internet Society fit into all this?

Our mission is to try and broker between the policy-maker perspective and the technology dimension. The third overlapping circle in that Venn diagram is the social benefit of the internet. The pace of innovation is taking us in a particular direction and it's overwhelmingly commercial and economically motivated but actually there's a social value to technological progress, which comes not just from progress but progress being used in the right way. Our corporate motto is: "The internet is for everyone".

Different countries must have widely differing views on privacy.

They do and that's because identity and privacy are both essentially social constructs and what you think they mean is often culturally contextual and, even within a single culture, it is highly contextual. Things you think are private in one context are things that you might be happy to disclose in another. That's very nuanced social behaviour, but the toolkit to try and express that in digital terms is a bit like trying to tune a Swiss watch with a sledgehammer.

Data is safe with UPU

The Universal Postal Convention, as an international treaty binding on member countries and consequently their designated operators, establishes that personal data on users may only be employed for the stated purposes for which they were gathered in accordance with applicable national legislation.

Member countries and their designated operators are also obliged to ensure the confidentiality and security of personal data on users in accordance with their national legislation. Designated operators are obliged to inform users how their personal data are used and the purpose for which this information has been collected.

For money-order remittances sent through the postal network within the framework of the UPU Postal Payment Services Agreement, there is also an obligation to ensure the security of these electronic exchanges.

The archives, assets, files and premises of the UPU are inviolable and immune from search, requisition, confiscation, expropriation or any other form of interference, whether by executive, administrative, judicial or legislative action. "This is in accordance with international treaties and other domestic statutes on the legal status of the UPU as an intergovernmental organization and a specialized agency of the United Nations," said Ricardo Guilherme Filho, UPU legal director.

On the technical front, the UPU backs this up with secure physical and digital systems designed to prevent unauthorized access and back-up facilities to ensure data is protected, come fire, earthquake or other natural disaster.

The UPU is currently working with Costa Rica's Post on a big-data project with the UN Global Pulse. Under an agreement, the Post has specifically authorized the UPU to access its data for the purposes of this research for development purposes.

You will hear people say that the answer to the privacy problem is to encrypt everything... but privacy isn't about keeping your data secret. It's about disclosing it but with a certain set of expectations about scope and context and who it is you are disclosing it to.

Can we quantify the threat?

This is a really tricky one. For some years, a lot of people have tried to quantify the privacy threat in terms of harm. For example, have you suffered or lost financially? This works in some instances but is harder to fix if the harm is to your reputation, rather than your bank balance.

In the United Kingdom, when they have tried to do a threat analysis, occasionally they try and define what

sorts of data are particularly sensitive. Some kinds of privacy violation might give rise to an actual direct threat of physical harm and they classify those as the worst ones. The harm that is hardest to quantify, though, is the extent to which it actually damages the social fabric if there is no respect for privacy. How do people start to behave differently if they think that everything they do is inspected or public?

Online trolling would seem to justify action?

Trolling is a tricky one. If you are on the policymaker side, trolling online justifies there being no unauthenticated access to internet services. It's one symptom of the "nothing to hide, nothing to fear" mentality. The argument for only authenticated access sounds terribly reasonable unless you are a battered wife or an asylum-seeker or even an undercover police officer. There are actually perfectly legitimate and socially valuable reasons for pseudonymity and even anonymity but the problem is that one man's pseudonymity is another man's spoofing.

What effect does the "internet of things" have?

We mentioned scope and scale earlier, and clearly the internet of things is likely to aggravate that by an order of magnitude... but I think that, with the internet of things, awareness and consent problems get even worse because it's less and less likely that you know what all your devices are saying about you. If devices start to talk to each other, then leaky apps will do things like read each other's contacts book. It becomes even more difficult to use device separation as a tool for keeping your online personas separate.

Maintaining different online personas is one of the few tools you have to ensure that stuff you disclose in one context stays in that context.

“Privacy isn’t about keeping your data secret. It’s about disclosing it but with a certain set of expectations about scope and context and who it is you are disclosing it to.”

A legislative minefield?

Data protection laws across Europe incorporate exemptions for national security or law enforcement, prevention and detection of crime to “the extent necessary and proportionate in a democratic society”. There have been rulings reinforcing the principle that indiscriminate surveillance or data collection is unlawful.

We are often trying to legislate for very nuanced social concepts like trust and delegation and privacy with mechanisms that are pretty clumsy and language that is pretty basic. If the policymakers don’t understand the technology or understand enough to legislate in sound bites, then what you get is legislation, which doesn’t achieve the desired outcome.

The EU cookie regulation is an example. Someone decided that there are two kinds of cookie - technical cookies that we should allow and bad cookies, tracking cookies that you should be allowed to block. That resulted in a regulation that was written in terms of specific technology that made it nonsensical because, for example, Adobe stopped using cookies that appear in the browser and started setting their own persistent long-term cookies somewhere else. They just weren’t called cookies because they weren’t being stored in a browser.

Another tension, where legislation is concerned, is that Europe is mostly signed up to a single set of overarching data protection principles, whereas in the

United States, you have sector- and technology-specific laws for banking, child protection, videotape rental, which are much more likely to be outpaced by innovation. In the US, the videotape rental law, which was enacted in the 1980s and is still on the statute, doesn’t give you any protection against someone finding and publishing your Netflix records.

How well educated are people about privacy concerns?

Of course, Facebook isn’t going to tell you that when you have a chat with your buddies online, there’s a third party in the room monetising all your interactions. They’re not going to tell you that because that’s their business model and the less aware you are of that, the more freely you disclose stuff that they can monetise.

We are doing a bad job [educating people about privacy concerns] because we tend to think we can do something to raise awareness about privacy or identity fraud and that is all we need to do. Actually, it is much more like healthy eating or exercise or smoking. It is not enough to raise awareness of the issues. You also need to give people simple access to the right kind of information and guidance and a motivation to change a habit that may be very deeply engrained. **VL**



Postal-customs overhaul brings clarity and speed

The Post and Customs authority of the Philippines have signed a memorandum of agreement (MOA) designed to speed up the processing of incoming mail items and improve customer service by replacing a decades-old system.

TEXT:
DAVID
KOCH

PHOTO:
PHLPOST

A ceremonial signing by the two agencies that took place in November marked the first major change in postal-customs procedures since 1973. The milestone agreement marks the end of a system marked by inefficiency and a major lack of transparency, said Charo Logarta-Lagamon, chief of the Bureau of Customs' (BOC) public information and assistance division.

Central structure

Under the new arrangement, the BOC will centralize all postal operations in two locations in the Metro Manila area, one for inbound airmail and one for items arriving by sea. Previously, postal items were dispatched to district offices in cities across the Philippine archipelago for assessment in regional post offices. Those customs offices will all be closed under the MOA.

Since Customs were understaffed at these far-flung locations, officers were responsible for several post offices and couldn't remain at one station. "That was the main problem: they would travel around," said Logarta-Lagamon in an interview with *Union Postale*. "It created delays for the PHLPost in terms of delivering the parcel and advising people that there are parcels that need to be picked up."

New benchmarks

Under the new agreement, the BOC is responsible for ensuring around-the-clock staffing of examination and assessment operations at the two central exchange offices. These operations are also subject to new benchmarks for processing times. Except in cases requiring further inspection, time-sensitive items, including Express Mail Service items, are to be cleared by Customs within 24 hours of arrival, registered mail and small packets within 48 hours and parcels arriving by air and surface delivery within 72 hours.

No BOC studies about previous wait-times exist, says Logarta-Lagamon, but she said the problem of slow delivery was well-known, with bloggers complaining about waiting several months for their parcels in some cases. Officials from both agencies said the faster system is also expected to help lower administrative expenses, including overhead costs of running offices around the country and more efficient use of manpower.

Transparency

Questions also lingered under the old system about whether officers were accurately tallying taxes and duties, according to Logarta-Lagamon, who described

“Our ultimate goal is to serve people.”

Postmaster General Josie M. Dela Cruz, PHLPost

an era marked by confusion under the 1973 MOA. Officials had “very unclear” rules about official fees and lacked reference material about how to assess various goods. “You had examiners, who were doing a guessing game on how to evaluate items,” said Logarta-Lagamon. As a public information officer, she often fielded complaints from unsatisfied customers. “These are things that you can’t ignore,” she said.

Staff lacked computers and often neglected to update their knowledge. With Customs officials assigned to locales scattered across the country, they operated without effective oversight, she added. Under the new system, fees will be standardized at the central exchange offices, she said.

Customer service

The new MOA also features a system of “help desks” operated by PHLPost to contact recipients of taxable items by email, fax, SMS, phone or post - whichever mode of contact is specified by the sender - according to Maria Lourdes Rifareal, PHLPost manager of corporate planning.

PHLPost is also now authorized to act as a collecting agent. This is meant to offer convenience to customers, who were previously required either to pay their fees directly to customs personnel or to purchase a money order and mail it to the BOC. Postal officials frequently noted that customer satisfaction is the main objective of the restructuring.

“The agreement will ultimately provide convenience to the public,” said Melanie Marasigan-Cruz, an information officer with PHLPost, “as this will simplify steps in the assessment, appraisal and collection of customs duties and other import charges.”

Postmaster General Josie Dela Cruz said in a written statement: “More than the profit, our ultimate goal is to serve the people, especially that the holiday season is coming.” She noted, in particular, that benefits are expected for Filipinos, who “receive gifts and buy items from abroad”.

E-commerce

Faster, more convenient service could lead to the growth of e-commerce as people become more willing to buy items online. This is a “collateral benefit” expected from the new system, said Logarta-Lagamon. “Anything that will make the flow of goods freer and faster will, of course, also affect consumer spending,” she said, noting that the BOC hopes the new system will better facilitate trade and economic growth.

Recent data on inbound parcel and small packet volumes suggests that demand for cross-border e-commerce items has been mixed in the Southeast Asian country, where poverty remains widespread. International small packet volumes were down by an average of 20.58 per cent from 2010-13, reaching a low of just over 200,000 items in 2013.

International parcel deliveries increased by an average of nearly 12 per cent annually, but there was considerable volatility during that time: 2010 – 11 witnessed an 87-per-cent increase to nearly 490,000 pieces, followed by a 63-per-cent fall the next year.

At the time of writing, the BOC and PHLPost are hashing out guidelines to execute the new MOA. It’s a major shift in postal-customs operations that promises significant improvements in deliveries across the Philippines. **DK**



L. to R.: BOC Chief of Staff Atty. Cheryl Trinidad, Postmaster General Josie M. Dela Cruz, Customs Commissioner John Sevilla, PHLPost Assistant Postmaster General Luis D. Carlos at the Central Mail Exchange Center in Pasay



How to transform a business with staff buy-in

SingPost is undertaking a long-term business transformation to focus more strongly on e-commerce logistics to ensure it has a future. But, as Wolfgang Baier, its group chief executive, reveals, making sure that staff understand the challenges ahead is crucial to this strategy's success.

GROUP CHIEF EXECUTIVE, SINGPOST

Wolfgang Baier



Photo: Fredrik Sandberg/EPA/keystone

Union Postale: As it is not easy to change organisational culture during a business-transformation process, how are you managing the change for your employees and getting their buy-in?

Wolfgang Baier: The most important part of transforming any business is its people. I had a certain advantage at the beginning as our people already understood that, if we don't change, there will not be a Post in the future, so we started off with a clear understanding that change was needed but not what it was and where it was going.

The first thing we did was build up a vision. We tried to understand what people were excited about and where exactly we could go with our capabilities. We came up with e-commerce logistics but still keeping a postal part, i.e. trusted communications as part of that vision.

Staff started to understand that if we have a chance to play in e-commerce and get our mail products digitized and grow in the region, we can really do something. We then broke it down into business units, visions and functions in a bottom-up process that people understood very well.

Once we had those goalposts, we wanted to say how we get there, so we created new values – the 5T's: Trust, Total Customer, One Team, Top Execution and Transformation. Based on that, people understood where we wanted to go and how we wanted to get there.

“Let’s find a future together, a common vision.”

Wolfgang Baier

How was the word spread?

One way was to use football analogies, as our people like football a lot. We said that they have to understand e-commerce and e-commerce logistics as strikers and the mail as defenders, the rest as midfielders. This means that there are different key performance indicators (KPIs) and objectives for each person. One may need to be more defensive, the other more offensive, so we played football with them. We also had breakfast or tea or convened big gatherings with hundreds of people to keep on cascading down our KPI system, following our five values. When I look at myself, the biggest part of my job is communicating all of that.

Is this way of dealing with business transformation something that suits the culture in Asia-Pacific or can it be replicated in any part of the world?

I think it’s universal. Obviously, you need to take the specific country or culture into account. In the West, you can be a bit more aggressive. Whereas in an Asian context, you have to be more consensual. But the message is the same: if you don’t change, we don’t have a future; let’s find a future together, a common vision. Then, break it down into values and behaviours and incentivise people to follow them.

What kind of incentives are on the table?

We put 10 million SGD into an inclusivity fund for our frontline workers on the lowest incomes. In this way, we were able to increase their salary by about 10 per cent in

total during the last two years. This is a huge step forward and they really see how the business transformation is also good for them.

How did this background set the company up for this stake brought by Ali Baba Group, the Chinese e-commerce giant, and the future?

As a company, we are building an e-commerce logistics backbone or platform for Southeast Asia and Asia. In our partnership with Alibaba, they are planning to use that platform to grow the business even faster. So, all the bits and pieces from our vision, values and KPIs for the employees fit into that, pushing e-commerce logistics forward to make it easier, cheaper and safer for people to use it. **FM**

Wolfgang Baier

Wolfgang Baier was appointed group chief executive officer of SingPost in October 2011 to lead the SingPost Group in its next phase of accelerated transformation. He joined SingPost as CEO (International) in February 2011 to oversee growth in non-mail products, such as logistics, retail and e-commerce as well as to accelerate the Group’s regional expansion.

Dr Baier holds a PhD in Law with distinction from the University of Vienna, as well as a Masters in Law from the University of Vienna (Austria) and a Master in Business Economics from the Universities of Exeter (UK) and Graz (Austria).

Source: SingPost

Royal Mail reveals USO concerns

Times appear to be more challenging than ever for Royal Mail one year after privatization.

**TEXT:
CATHERINE
MCLEAN**

CEO Moya Greene recently told the British Parliamentary Commons Select Committee on competition in the UK's postal sector that "cherry-picking" rivals "siphon off very quickly a lot of revenue and it makes the universal service unfinanceable and uneconomic" for Royal Mail. On the same day, the UK's Secretary of State for Business, Innovation and Skills Vince Cable gave his reaction to the day's proceedings on British television. "It is scaremongering; there is no prospect of the universal service obligation being removed," Cable told ITV News. "The truth of the matter is that Royal Mail is operating in a very competitive market."

Rural areas

As designated operator, Royal Mail must deliver across the UK, six days a week, including to rural areas. Greene pointed out that this was in contrast to rivals in the parcels business, which can choose the most attractive and profitable locations to target their services. Cable, however, gave her comments short shrift. "We knew that when they brought in private ownership. It was very clear to anybody, who bought shares, that they were operating in this very competitive market, and we don't want, frankly, people whingeing about it. They [Royal Mail] have got to compete," the minister said. Royal Mail was privatized in October 2013, with the UK government retaining a 30-per-cent stake.

The latest financial results show a one-per-cent drop in fiscal first-half revenues despite a two-per-cent increase in volume for Royal Mail's UK parcel business. Among factors to blame was increased competition, with the operator estimating that annual growth in its "addressable" market could be cut by up to two per cent by Amazon's own delivery network. During the fiscal first half, the postal operator's operating profit before transformation costs slid to 279 million GBP from 353 million

GBP a year earlier. Revenues edged up slightly to 4.53 billion GBP in the period from 4.52 billion GBP a year earlier. Revenues from letters actually rose in the fiscal first half by one per cent, driven by mail related to the Scottish independence referendum and an increase in marketing material amid economic growth, said the Post.

As for the company's longer-term strategy for growth, it seems to be managing two trends that are diverging - the growth in parcels and a decline in letter mail, says Gert Zonneveld, managing director at Panmure Gordon & Co, a British stockbroker. "It's not easy. Delivering a letter is very different to delivering a parcel," he said.

Improvements to the domestic parcels business are on the cards, not least due to an investment of 130 million GBP (205 million USD) in new handheld devices over five years to track parcels better. The 76,000 new devices will be rolled out to parcel carriers starting next year. By the end of 2015, Royal Mail expects the majority of the packages it delivers to feature barcodes.

Call rejected

On related note, Ofcom, the UK's postal regulator, has rejected Royal Mail's calls for the imposition of regulatory conditions on one of its competitors, Whistl, in the end-to-end letter market. "This is because we do not currently consider the evidence shows that end-to-end letter competition by Whistl presents a threat to Royal Mail's ability to provide the universal postal service," Ofcom said in a statement.

The end-to-end letter competition refers to letters being collected, processed and delivered directly to recipients without using Royal Mail's network, added the regulator. The designated operator had estimated that Whistl's expansion could knock some 200 million GBP off the former's revenues in 2017 - 18. **CM**

New postmaster to lead turnaround

The United States Postal Service (USPS) has appointed Megan Brennan to the role of chief executive and postmaster general starting in early 2015.

TEXT:
CATHERINE
MCLEAN

The USPS has appointed Megan Brennan to the role of chief executive and postmaster general starting in early 2015. Brennan, chief operating officer at USPS since December 2010, will lead efforts to revamp the postal operator so that it is back on solid footing. Brennan will take over the reins from Patrick Donahoe, who is retiring.

Brennan faces significant challenges in transforming USPS, which has lost money for the past eight years. During the most recent fiscal year ending September 30, 2014, USPS's loss widened to 5.5 billion USD from 5 billion USD a year earlier. The postal operator blamed the latest loss on "legislative burdens and constraints" related to health benefits and compensation for its past and present workforce. "This eight consecutive annual net loss underscores the need for comprehensive legislation to repair the Postal Service's broken business model," USPS said in its fiscal 2014 earnings release.

USPS noted that the 5.7 billion USD needed for the pre-financing of its health benefit fund for retirees, along with 1.2 billion USD in non-cash workers' compensation expenses, are "outside of management's control". The company warned it could default on pre-funding for the health care fund in coming years unless legislative reforms are introduced.

These expenses are casting a cloud over improvements that USPS has made to its business in recent years. Operating revenue rose to 67.8 billion USD in fiscal 2014 from 67.2 billion USD in 2013. Postage price increases introduced in January 2014, along with strong demand at the shipping and packages business, drove revenue growth. This is the second straight year that USPS has recorded higher revenues.

Volumes at the shipping and packages business increased by 8.1 per cent, or some 300 million pieces, as the company benefitted from the booming e-commerce market. That helped make up for ongoing declines in mail volumes, which slipped by 2.2 billion pieces for first-class mail and 495 million pieces for standard mail.

In response to shrinking letter volumes, USPS is trying to keep a lid on the costs that it can control. The postal operator has unveiled plans to shutter up to 82 mail processing and distribution centres in 2015 after closing 141 facilities during a previous programme. Brennan, who has spent nearly three decades at USPS after first joining as a letter carrier in 1986, remains optimistic about the future of USPS in spite of the considerable hurdles ahead. "The Postal Service plays a vital role in America's society and economy and I'm looking forward to strengthening that role and meeting the demands of a rapidly evolving marketplace in the years ahead," Brennan said in a statement. **CM**

*USPS workers take a ride in San Francisco
(Photo: USPS/Facebook)*



SingPost invests in new logistics hub



Singapore skyline (Photo: Mateusz War)

TEXT:
CATHERINE
MCLEAN

SingPost is making a substantial investment in its flourishing e-commerce business by investing 182 million SGD (140 million USD) on constructing a new logistics hub. The three-story building in Singapore will be the size of 4.5 football fields or 553,000 square feet, made up of two warehouse floors, a fully automated sorting facility and 150 loading bays. The postal carrier's logistics operations will be based in an adjacent, eight-storey office building. The hub is expected to eventually handle as many as 100,000 packages a day after it becomes operational during the second half of 2016.

The investment is the next step in the operator's strategy to become a leading player in Asia's e-commerce logistics sector. A partnership with Chinese e-commerce giant, Alibaba Group Holding Ltd, announced in May, further bolstered SingPost's plans for an international e-commerce logistics business.

SingPost is expecting e-commerce logistics to drive future growth, countering declining letter volumes in its home market. The postal operator, citing eMarketer as a source, predicts e-commerce sales in the business-to-consumer segment for the Asia-Pacific region will surge 41 per cent to 708 billion USD in 2016 from 502 billion USD in 2014. "The hub is an integral part of SingPost Group's

strategy as we expand our e-commerce logistics business and capitalize on the fast-growing e-commerce market here in Singapore and the region," Wolfgang Baier, SingPost's chief executive, said in a statement.

SingPost currently has local warehousing and delivery sites in various countries across the region and now needs an "efficient" regional hub for these markets, according to Baier. The company is spending 30 million SGD alone on automation equipment that will allow for the sorting, picking and packing of parcels, according to SingPost.

E-commerce currently accounts for just over a quarter of SingPost's total revenues, helping shield it from decreasing domestic mail revenues. But the company is still in the middle of its transformation and SingPost will require more time and money to complete the process, Baier cautions. "It is a very tough journey, transforming from a largely domestic postal provider to a regional e-commerce logistics provider, and it takes time," Baier said. "To take advantage of the new e-commerce opportunities in the region, the group needs to continue making capex investments over the next few years and scale up its regional network and infrastructure." **CM**

USO change faces legal challenge

TEXT:
DAVID
KOCH

Canada Post is facing legal action against its plan to end door-to-door mail delivery across the country. The Post announced in late 2013 that households receiving mail at home would transition within five years to "community mailboxes" or multiple locked mail compartments combined into a single unit. It's part of an overhaul of the Post that includes a major workforce reduction, with up to 8,000 positions being cut as thousands of employees retire in coming years. Canada Post says the changes will ensure financial sustainability for the state-owned corporation.

Opposing the policy is a coalition that includes the Canadian Union of Postal Workers and several groups representing seniors and people with disabilities, who, say their members, will suffer under the new policy, especially when trying to reach their mailboxes during Canada's icy winter months. A Federal Court application filed in November says the community mailbox programme contravenes international law, including Canada's obligations under the United Nations Convention on

Rights of Persons with Disabilities and its USO obligation as a member of the UPU.

The application also states that the policy violates the Canadian Charter of Rights and Freedoms, which guarantees equal benefit from the law and freedom from discrimination. The designated operator has also allegedly contravened the Canada Post Corporation Act, according to the litigants, who argue that only Parliament has the power to end door-to-door service.

In a statement, the Post expressed confidence that its policy would stand up to "any and all legal scrutiny". It also has a team dedicated to finding individual solutions for those who need it, says Anick Losier, its spokesperson. Solutions may include changing the location of a mail compartment so that it's easier to reach from a wheelchair or providing home delivery once a week. Losier confirmed that the Post "may require medical attestation from a health professional" before providing such special accommodation. "It is not a one-size fits all approach," she said in an email to *Union Postale*. **DK**

Danish network expands

TEXT:
CATHERINE
MCLEAN

Post Danmark is strengthening its network of post offices by opening up 150 new branches just in time for the busy e-commerce season ahead of Christmas. The new post offices will be located across Denmark in petrol stations and supermarkets, which typically have longer opening hours than stand-alone post office branches.

The Danish postal operator is trying to better respond to the changing needs of consumers as they increasingly buy items on the internet. It said that the creation of a strong distribution network is crucial for success in the e-commerce market. The postal operator, a unit of PostNord, will now have 950 post offices following the latest openings, along with a network of 475 parcel terminals.

Consumers will be able to receive and send parcels and letters at the new post offices, as well as buy stamps.

The Post said that 75 of the new post offices will be located in OK Plus petrol stations, while the remainder will be housed in Coop, Dansk Supermarked and De Samvirkende Købmænd supermarkets.

The postal operator is betting on e-commerce to offset slipping letter volumes, which fell six per cent in the third quarter of 2014. For the whole year, PostNord has forecast that mail volumes in Denmark could slip as much as 14 per cent. The e-commerce market, in contrast, is booming. According to a recent survey conducted on behalf of PostNord, 69 per cent of 1,479 respondents in Denmark said they had bought goods online during the third quarter of 2014. And 40 per cent of respondents expected to buy Christmas gifts online in 2014. **CM**



AUSTRALIA

AUSTRALIA POST has upgraded its parcel facilities in Sydney and Melbourne in time for the Christmas shopping season. The upgrades are part of a major investment programme launched in 2012 in response to the booming e-commerce market. The two facilities' capacity has more than doubled to 1.3 million items daily.

BELGIUM

BPOST is expanding its online grocery delivery service. Consumers can go to the bpost-run grocery website, order goods from participating retailers and choose delivery times. bpost said the service would be available throughout Brussels, Walloon Brabant and Halle-Vilvoorde by the end of October 2014.

Third-quarter revenues at **BPOST** inched up slightly by 0.5 per cent to 569.2 million EUR (697.7 million USD), driven in part by recent acquisitions. The postal operator's parcels business reported a 26-per-cent jump in revenues to 72.9 million EUR from 58 million EUR in the period amid strong growth both domestically and internationally. Revenues at the domestic mail business slipped 1.9 per cent to 341.9 million EUR.

CANADA

FEDEX is expanding its presence in the Canadian province of Quebec through an agreement with supermarket chain, Super C. FedEx will open ShipCentres in the majority of Super C's 86 stores, targeting consumers, who shop online and small- and medium-sized businesses.

DENMARK

FEDEX is building a new facility measuring more than 8,000 square metres at the Copenhagen airport in Denmark. The facility will serve Denmark, Finland, Norway and Sweden, eventually sorting 11,500 parcels a day. Construction should be finished by the end of 2015.

POSTNORD has unveiled major job cuts aimed at boosting its profitability. It plans to reduce

the number of employees in administration and other areas by up to 800 positions in a bid to save 500 million SEK (67.3 million USD) on an annual basis. The cuts will mostly impact employees in Denmark.

FINLAND

ITELLA reported a larger third-quarter loss of 9.1 million EUR (11.2 million USD), hurt by declining sales and higher one-time costs. The logistics unit saw revenue declines due to greater competition in Scandinavia and lower transport volumes at home amid weak economic growth. In Scandinavia, Itella plans to focus on road transport.

GERMANY

EBAY has introduced a 'click & collect' service, making it easier for shoppers to pick up goods purchased online. Articles marked with the 'click & collect' symbol can be sent to a store without delivery charges. The consumer is alerted via email or a text message that the item has arrived.

At **DEUTSCHE POST DHL** third-quarter profit at jumped 17 per cent to 468 million EUR (573.7 million USD), driven by higher revenues and lower taxes and finance costs. Revenues rose 4.1 per cent in the quarter to 14 billion EUR thanks to gains at all divisions.

GREAT BRITAIN

Newspaper kiosk chain, **SMITH NEWS**, unveiled its parcel delivery service, "Pass My Parcel", with **AMAZON** as its launch customer. Smith News will deliver items ordered on Amazon to participating kiosks where clients can pick up their parcels 364 days a year.

ROYAL MAIL is letting consumers and small businesses fit more into a package after increasing the size of its small packages. Previously, there had been two separate formats for small packages but they were replaced by a single, merged format of 45 cm x 35 cm x 16 cm.

NETHERLANDS

Customers can now pick up packages at parcel lockers located in nine train stations throughout the Netherlands. **POSTNL** started installing the parcel lockers in October and said clients can access them seven days a week. PostNL aims to make delivery service more convenient for consumers who shop online.

NORWAY

POSTEN NORGE reported lower third-quarter profit amid higher costs. Revenues rose 3.4 per cent to 5.81 billion NOK (810 million USD) in the quarter, buoyed by acquisitions and greater demand for its parcel and freight services. Changes may be in store for Posten Norge in 2015 as Parliament is due to vote on a new Postal Services Act.

SWITZERLAND

Swiss shoppers will soon be able to leave their banking and credit cards at home and use their mobile phones for purchases. **POSTFINANCE**, a unit of SwissPost, plans to introduce a payment and shopping app called TWINT in 2015.

UNITED STATES

UNITED STATES POSTAL SERVICE has received regulatory approval to continue with a grocery delivery test in San Francisco. USPS started delivering groceries in August on behalf of AmazonFresh. Amazon drops grocery orders off at postal offices between 1:30 and 2:30 a.m., and USPS delivers them to sites designated by customers by 7 a.m.

UPS reported rising third-quarter profit to 1.21 billion USD as it benefitted from strong demand at home and abroad for its courier services. UPS delivered some 1.1 billion parcels globally during the third quarter, a 6.9-per-cent increase over the prior year. The company forecast shipments in December would rise 11 per cent over 2013.

All texts by Catherine McLean



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Bruno CARTAL
Program Manager

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