



# **MINISTERIAL STATEMENT**

By

**The Hon. Wayne L Furbert, CPA, JP, MP**  
**Minister for the Cabinet Office**

## **BERMUDA POST OFFICE BUSINESS PLAN 2020**

**November 27<sup>th</sup> 2020**

**Mr. Speaker** and Honourable Members of the House, I am pleased to rise today to provide information regarding the Bermuda Post Office's three-year business plan.

Mr Speaker, the Bermuda Post Office in January 2020 contacted KPMG to develop a three-year business plan. The scope of the business plan submission was to include:

- A projection of the Post Office financials using current pricing and historical operations as a baseline;
- Analysis of potential opportunities for the Post Office to consider and the impact of each opportunity on the Post Office's operations (e.g. the impact of increasing the number of parcels handled or increasing prices); and
- A review of the current processes from customer's orders to delivery, comparing to available industry benchmark data and identifying potential opportunities to increase efficiencies.

KPMG started work in February 2020 by:

- Reviewing the current financial position of the Post Office as a "business unit" as well as any draft plans and ideas regarding the forward-looking view of the Post Office;
- Reviewing available management reports for the past two years;
- Engaging with stakeholders to obtain feedback and input into the business plan as drafted;
- Reviewing available reports including public perception survey results and efficiency reports;
- Analyzing internal strengths and weaknesses, and external opportunities and threats;
- Reviewing, analyzing and theme all information collected;

- As an output of the above, establish a draft business plan; and
- Seeking input from Leadership on the draft business plan and conduct review and approval process.

**Mr. Speaker**, it is general industry knowledge that the postal sector globally has seen declines in traditional letter mail products while e-commerce packages and competition in the market is increasingly growing with changing customer demands. The Bermuda Post Office's continued mandate is to provide for Bermuda's obligation to the Universal Postal Union's (UPU), Universal Service Obligation (USO) for an accessible and affordable means of communication. The Bermuda Post Office had at its height in 2010 approximately 240 staff members. A decade later, it has 124 staff members providing the same daily delivery services to meet the postal needs of the community.

**Mr. Speaker**, the Bermuda Post Office's annual estimate expenditure based on the approved Estimates of Revenues and Expenditure for the year 2020/21 budget book, Head 13 Post Office, is approximately ten million five hundred thousand dollars (\$10.5M) with the combined traditional postal revenues of just over four million dollars (\$4M). The major expenditure for the Post Office is staffing costs at eighty-seven percent (87%) which relates to wages, salaries and personnel expenses. It is our goal to close the gap between expenditures and revenues. This means that the business model must change to provide more effective and different services than those of a traditional post office in keeping with global postal industry changes. The Bermuda Post Office, using its current resources and logistics network, both local and international, can close the deficit gap based on the three-year business plan.

**Mr. Speaker,** the business plan breaks the deliverables into four (4) project management segments for the BPO to achieve. These are:

1. Expanding Transactional Services.
2. Parcel Delivery Partnerships.
3. A platform for Government Agency Services and
4. Expanding Other Retail Services.

here are quick wins and incremental projects that the BPO will have to assess and prioritize for project management.

**Mr. Speaker,** the Bermuda Post Office has already started work on their transformational changes to increase their capabilities and flexibility in customer demands for transactional services. In Phase One, the Bermuda Post Office in 2019 implemented a new Point of Sales counter system to provide convenience and speed of services at their counters for postal transactions such as customs duty payments and other government service payments. In Phase Two, a new BPO website was developed for an online payment facility for postal services, Government services and Philatelic Services.

**Mr. Speaker,** I can happily report that the BPO's new website [www.bermudapost.bm](http://www.bermudapost.bm) was soft-launched in June 2020. The website has the capability for postal account holders, especially PO Box renters, to set-up their online accounts to make payments using a credit card. Other online postal services will be continually developed based on demand by the public for other postal and government services online.

**Mr. Speaker,** there are currently nine (9) competing service providers in the package and e-commerce market in Bermuda. Bermudians' overseas

spending as referenced in the Department of Statistics monthly Retail Sales Index for the courier sector shows the approximate monthly value of goods imported into Bermuda at nineteen and half-million dollars (\$19.5 million) a month. The Bermuda Post Office contributes to that market by collecting Customs duty while generating internal revenue of \$650,000 per annum from charges applied to international post offices for last mile services. One part of the business plan for increasing the BPO's revenues is to build on its strengths as a trusted brand with an engaged and motivated team to take advantage of opportunities in the growing e-commerce market and last-mile logistic services for customer convenience. The BPO's value chain, as compared to its competitors, relies heavily on its competitive price points. The business plan suggests re-evaluating the BPO's pricing model for additional service offerings while reorganizing its infrastructure to meet changing customer expectations. The Bermuda Post Office has already started the process of changing its infrastructure to meet customer expectations for e-commerce.

**Mr. Speaker,** in early 2021 the Bermuda Post Office will be offering online Customs duty payment and home delivery of postal packages. This change was facilitated by the UPU's mandate that all Posts at the start of 2021 must send electronic pre-advice messages containing sender and recipients' contact information with content description and value. With postal packages arriving with the electronic information, the BPO can reach out to their customers via mobile SMS or e-mails to notify them of their package's arrival. The customer will be provided with online options for completing the duty payment process with a credit card and the option for home delivery or collection at a sub-office. The online duty payment and the delivery option will be at a competitive price for the convenience of the additional service.

**Mr. Speaker,** the Bermuda Post Office is moving forward with a public-private partnership with an international consolidation company for package forwarding and consolidation services from the United States to start in early 2021. This partnership will enable local postal customers to take advantage of free shipping services and have their packages consolidated in the US and then forwarded to Bermuda. Customers using this service can opt to send for those one-off items as a guest or set-up a MyBermudaPost account for frequent use. A single package can be expedited, or multiple packages can be consolidated to further reduce the overall shipping cost to Bermuda. Once a customer authorizes shipment of the item to Bermuda, the Bermuda Post Office will SMS or e-mail the MyBermudaPost customers for Customs duty payment and arrange for home delivery.

**Mr. Speaker,** another business plan initiative, as well as ongoing projects for the Bermuda Post Office over the next three years, is to take advantage of its unique value proposition. The Post Office is not only focused on postal services and adding more internal Government Services but also on offering more viable services to the community and local businesses by sharing economies of scale in technology, facilities and logistic network. The Bermuda Post Office is positioning itself to offer the following services to small to large businesses:

- Remittance processing services at its counters and online.
- Last-mile logistical services for local businesses.
- Facilitating services for Bermuda businesses for Just-in-Time inventory;
- Expanding outgoing e-commerce services tailored to Bermuda's businesses;
- Kiosk and mobile apps for all service transactions.

- Expand retail products for on-line e-shopping for local and international delivery; and
- Organizational structural changes in providing jobs and development opportunities for Bermudians.

**Mr. Speaker,** The Bermuda Government has invested in the Bermuda Post Office by setting a course of action via a three-year business plan. With continued investment in the BPO's technology, marketing and resource infrastructure to compete for consumers, we will improve the financial sustainability of the Post. The business plan provides a roadmap whereby improving and changing different segments of its operation the Post will enhance its benefit to consumers, local businesses and the Government.

**Mr. Speaker,** the start of the BPO's change initiative is focused on e-commerce service conveniences. This is where the Post can increase its potential revenues starting in 2021. The business plan provides a model for potential revenues in additional e-commerce services to start at a conservative eight hundred thousand dollars (\$600,000.00), in new revenues for 2021 to one million seven hundred thousand dollars (\$1.7M), in additional revenues by 2024.

**Mr. Speaker,** the return on investment would be a decreased deficit for the Post by increasing competitive value-added services for customers. The mandate for the Post in keeping with the UPU's Universal Service Obligation will be met by making new services accessible and affordable.

**Thank you Mr. Speaker.**