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>> Foreward





**Chairperson**

*Joh-Chue Lee*

Last year (2012) was the ninth since the corporatization of the ROC postal service created Chunghwa Post. Although the year posed many challenges, after-tax profits totaled NT\$9.334 billion as compared to central government budget predictions of NT\$8.807 billion. That NT\$527 million surplus over what had been targeted reflects an impressive performance in hard times.

What's more, Chunghwa Post also received numerous honors in 2012. For instance, in Reader's Digest 15th Asia Trusted Brands Survey Chunghwa Post won a gold for its express delivery services in Taiwan. In a survey on products for the younger generation, the magazine 30 gave Chunghwa Post the award for "most loved brand" among banks. Financier Monthly gave Chunghwa Post its Annual Impact Award. And the magazine Risk Management, Insurance and Finance placed Chunghwa Post among the ROC's leading insurance companies, giving it four honors: "most worth recommending," "best sales staff," "best claims settlement service," and "highest name recognition." The fact that Chunghwa Post could win so many awards bears witness to the hard work of its entire staff, as well as its reputation among the public for reliable service.



With the challenges posed by advancements in telecommunications, the Internet and social media, mail has become a tough business in nations around the world. In the United States, for instance, the volume of mail handled by the U.S. Postal Service has declined by 30% over ten years, with revenues falling to US\$65 billion in 2012 for a total drop of US\$15.9 billion over the course of a decade. Moreover, that downward trend is continuing. Other countries such as Canada, Denmark, France, Japan and New Zealand are likewise facing sharp declines in mail volumes. Britain is even preparing to sell off its Royal Mail postal service and get out of the mail business altogether. Only Germany has overcome these difficulties via a model of strengthened operations. In 2002 it purchased a majority stake in the logistics company DHL. Consequently, it is one of the few postal services in the world that is making money. These varying experiences show that it is not a question of whether a postal service can be profitable; it's a question of how.

With the banking and insurance industries growing ever more complicated and financial regulators in countries around the world growing stricter in the wake of the global financial crisis, the operational environment poses new and ever-larger challenges. As a company combining postal services with the savings and insurance businesses, Chunghwa Post is facing variables and tests specific to it. Other national postal services are confronting their own unique circumstances: Deutsche Post has turned from being a national postal service to becoming an international postal service group; Japan Post has established banking and insurance subsidiaries, so that now it is subject to banking and insurance laws and is able to sell its own and other firms' insurance products in its sales outlets; and the postal services of mainland China and Singapore have been turned into holding companies. In short, as the broader economic environment has changed, the postal services of many nations have begun organizational transformations and brand adjustments with the idea of staking claims to more expansive realms in which to operate and develop.

Simply put, as a result of advancements in telecommunications, the Internet and social media, Chunghwa Post's traditional business lines have been in decline. And with the inherent rigidity, high labor costs and lower level of professionalism characteristic

of national enterprises, Chunghwa Post is not as competitive as private industry in new lines of business such as e-commerce. What's more, with growing specialization and complexity within the global finance industry, as well as stricter regulatory environments, many nations' postal services are moving away from the traditional three-in-one (mail, savings and insurance) model. They are instead expanding their operational realms and increasing their competitiveness by opening separate mail, savings and insurance companies.

In the face of such daunting challenges and international trends, as chairwoman, I have been charged with charting the future direction of the company. After identifying corporate strengths and weaknesses, I have endeavored to raise the competitiveness of existing lines of business while at the same time integrating strengths in novel ways to create new lines of business. As I noted when I first assumed my post, Chunghwa Post has a number of advantages: (1) it enjoys the people's trust; (2) it enjoys a strong sense of team spirit within the company; (3) it has a large number of both brick-and-mortar and virtual points of sale; (4) it has tremendous financial flows; (5) it has tremendous data flows; (6) it has a huge logistics system. How to go about integrating these strengths to create competitive advantages and how to proceed to develop a special strategy that is unique to Chunghwa Post and that will guarantee the continued development of this century-old institution, is, for my colleagues and me (the first woman to lead Chunghwa Post in the 117 years of its existence) a great duty and challenge.

In the first five months since I took over as chairwoman of Chunghwa Post, in addition to actively considering how Chunghwa Post should position itself to adapt to changing future trends, I have also elected to pursue the following measures:

- (1) We have verified the company's core lines of business to strengthen its competitiveness. We have also verified the core businesses that will most suit Chunghwa Post as it adapts to future trends. Take, for instance, the industrial chains in e-commerce (on-line shopping, third-party payment, warehousing, logistics and so forth), for which Chunghwa Post enjoys the biggest edge.





- (2) We have adjusted the slate of financial services offered by the company, actively developing new lines that suit it. For instance, we have established a general insurance brokerage, moved into the foreign exchange deposit business, established a third-party payment platform, issued UnionPay cards, applied to be a Qualified Foreign Institutional Investor (QFII) in mainland China, handled direct cross-strait remittances, and assisted the Ministry of Foreign Affairs in purchasing properties for its foreign offices.
- (3) We have thoroughly inspected the cost effectiveness of each line of business, so that the company's limited resources of labor and capital can be employed to the greatest of potential and competitiveness.
- (4) We have raised the staff's professional capabilities and sped up manpower renewal. Apart from hiring professionals to assist in raising the professional capacities of the staff, the company also offers early retirement incentives so as to hasten staff turnover and reconfigure the makeup of its workforce.
- (5) We have made good use of information technology to raise service quality and efficiency. Confronting the trend toward digitalization and the smart-phone era, Chunghwa Post is actively working to increase added value via digitalized data and mobile app services.
- (6) We have integrated transnational post-office resources to increase competitiveness. The postal services of every nation have a scale and extensiveness of sales channels that private companies cannot match. Since I have taken over as chairwoman, I have been actively working to cooperate with the postal services of other nations in developing transnational postal services to raise competitiveness.
- (7) We have continued to provide universal service and to meet the company's social responsibilities. Chunghwa Post has an obligation to provide mail services and financial services to all. Consequently, its service locations are found in every town of the nation and its carriers reach the nation's remotest settlements. These are resources the nation has given us. While Chunghwa Post enjoys these resources, it must take on greater social responsibilities. Consequently, I am encouraging our staff to actively participate in social welfare activities such as caring for solitary elderly, performing public service in the tribal areas, and giving blood.

In looking back over the history of the postal service in the ROC, no matter how dramatic the changes to the outside environment, Chunghwa Post has always been able to adapt to the times, to take advantage of new situations and to continually push forward. I am deeply honored by the successes of Chunghwa Post. In particular, since taking over as chairwoman, I have been deeply impressed by the determination and professionalism of every postal worker. I have been deeply moved by the passion they show for their work. Yet the wheels of time are forever turning forward: In facing an ever more difficult operating environment and challenges, my colleagues and I must courageously put on our shoulders the heavy responsibility of moving the company into the future while honoring its past by making every effort to explore new opportunities and to seek breakthroughs that will build on the company's existing foundation. In every day of its past Chunghwa Post delivered happiness and warmth to all with the greatest of sincerity. Continuing to cherish that spirit, the company will blossom ever more spectacularly, pursuing great new undertakings in the coming century as it writes another glorious chapter in the corporate history.

Chunghwa Post Chairperson

Lee Jih-chu

