

Japan Post to be Split into Four Firms

PRIME Minister Koizumi Junichiro, who has placed the privatization of postal services at the top of his structural reform program since taking office in April 2001, obtained Cabinet approval on Sept. 10 of basic guidelines to privatize Japan's postal system, clearing the way for Japan Post to be split into four companies. The four firms will be placed under a holding company when the process begins in April 2007 and inherit Japan Post-run services – mail delivery, postal savings, *kampo* or life insurance and management of over-the-counter services at post offices nationwide.

Despite the Cabinet action, many lawmakers of Koizumi's Liberal Democratic Party (LDP) are persistently opposed to splitting Japan Post into four firms, saying mail delivery, postal savings and *kampo* services should remain united when the privatization

process starts. Japan Post President Ikuta Masaharu also said a division of Japan Post before 2008 is technically impossible because the integration of computer systems will take at least three years. But Koizumi did not budge from the April 2007 split in the face of mounting pressure from the ruling LDP mainly because Japan Post would become a mammoth private corporation unless it is split into four companies, and may drive private-sector companies into a tight corner – a scenario that would raise questions about the advisability of postal privatization itself. The splitting of Japan Post is also aimed at raising the efficiency of each postal service and keeping losses in mail delivery from adversely affecting postal savings, the balance of which stands at about ¥230 trillion – a size huge enough to affect the very foundation of the nation's financial system.

Now that the blueprint for postal privatization has been approved, public attention is shifting to how to secure fair competition between the privatized postal companies and existing private firms. The private banking industry is concerned that the postal savings system would become a megabank after it is privatized and weigh down private financial institutions, particularly regional ones. Private transport companies are also finding it hard to make inroads into the mail-delivery business. The main aim of privatization is to spur competition between private-sector businesses and thus revitalize the Japanese economy. The decision on the splitting of postal services marks a major step forward but still represents the first step toward the sweeping reform of the postal administration.