

Government Enterprises On Their Own

By Susumu Arakawa and Seiichiro Takita

"P rivate-sector vitality..." That is the slogan of the hour for Prime Minister Yasuhiro Nakasone, who likes to use it at every opportunity. The clear implication is that the money-guzzling government and its affiliate enterprises have a lot to learn from the efficiency-minded and business-first stance of the private sector.

Perhaps due in part to this drummed-up appeal, government enterprises, long notorious for their officious way of dealing with the public, are undergoing some remarkable changes. And this startling metamorphosis of public corporations, both those still in the governmental yoke and those already privatized, is being received by the public with marvel akin to bewilderment. "Even officials can shape up when they're under pressure," says one man in the street with considerable wonder.

Employees of Nippon Telegraph and Telephone Corp. (NTT), until last March the all-powerful Nippon Telegraph and Telephone Public Corp., now take to the street to hawk telephone cards. The Japanese National Railways (JNR) tries its hand at everything it can justify under the JNR Law, from running bookstores to managing hotels. Even the Ministry of Posts and Telecommunications (MPT) has come up with a new parcel express delivery service, dubbed "Package from Home" parcel service.

Spin-off business: JNR

"If JNR opens bookstores in major railway stations, it will be fatal for the neighborhood booksellers. We want JNR to

give up its bookstore scheme," say the local book merchants.

In 1985, JNR was busy preparing to open the "Books Signal," a bookstore under its direct management, in Tokyo Station. If all went well, it hoped to extend the chain to other stations as well.

But everything didn't go well. Unexpectedly, the project came under blistering attack from the booksellers' association in Tokyo. The storekeepers charged that the "Books Signal" project would lead to a nationwide JNR bookstore chain that would steal away half their revenues. Many passengers enjoy reading on trains, and bookstore owners feared that the majority of this en route readership would be lost to JNR.

"We have no intention of violating the vested interests of bookstores in town, and will avoid competing with them," insist JNR officials. But the "Books Signal" has not yet gotten the green light, and the dispute between JNR and the booksellers' association smolders on.

In recent years, JNR has stolen the show in "spin-off businesses." It runs a total of 240 directly-managed stores, separate from the station kiosks operated by an affiliate organization. There are bars, coffee shops, laundries, photo-finishing shops and even video rental outlets. JNR runs 18 hotels, manages station buildings and sells apartment houses.

JNR is also going all out in its primary business of carrying passengers. It is trying to expand its clientele with hit products like the "Full-Moon Pass" for mature couples and the "Nice-Midy Pass" for travel-loving women of the mature age.

But these unique programs are not enough to end the slump in passenger revenue. The result is that JNR has no scruple about launching any kind of new business so long as it helps build revenues.

JNR is run as a semi-governmental railway. But it is far from being a monopoly. As other means of air and highway transportation develop, passengers are hardly going to cling to JNR. As in most other countries, they are being tempted to diversify, and in the process they have hamstrung JNR's management. Deficits carried over to the end of 1984 totaled a whopping ¥12,275.4 billion (about \$61.4 billion). And that is in addition to long-term debts of ¥21,826.9 billion (\$109 billion). With its deficit snowballing year by year, repeated JNR fare increases serve only to further drive away the public without bringing any solution to its financial plight.

The government has at long last been forced to hammer out a policy for putting JNR back on track. Plans call for the railway to be divided into provincial blocs under private management, effective April 1987.

The problem is what to do with a surplus work force of 61,000. It's mainly to absorb these employees that JNR is branching out into the new projects introduced earlier. JNR is justifying its advance into one new business after another through an expanded interpretation of articles in the JNR Law on the "management of the railway and its collateral businesses." "We don't have any definite target for how many stores to open annually," declare JNR officials,

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"but we intend to go ahead whenever the chance arises."

But the intrusion into new businesses of a financially crippled enterprise with more than 300,000 workers is bound to have a heavy impact. The outcry against the JNR bookstore project may be only the tip of the iceberg.

On the roll: NTT subsidiaries

"We will do anything that's profitable." That appears to be the catchphrase of NTT, now a completely private organization.

Far from sticking to running Japan's vast telephone system, NTT has even launched a private school. It works this way: NTT tape-records English, Japanese language, and social studies problems for third-year junior high school students and sends them out by telephone. The student receiving the problems prepares answers, and checks to see if they are correct by dialing the designated numbers for model answers.

Not quite a year has passed since NTT went private, but already its story is a far cry from that of JNR. NTT shifted from semi-governmental to private management with bright prospects for pioneering its high-tech Information Network System (INS), lauded as one of the growth industries of the 21st century.

In choosing to place NTT under private management, the government reasoned that NTT, and Japan's telegraph and telephone business, wouldn't be able to grow fast enough if left isolated from the principle of competition by quasi-governmental management. It was thought that NTT must compete to become an internationally competitive telegraph and telephone company.

NTT's privatization is a classic example of the drastic transformation it takes to turn a government business into a private venture. The sight of NTT employees shouting from roadside stalls to sell telephone cards no longer strikes us as strange.

Moreover, such publicity stunts are paying off. Sales of NTT telephone cards

are zooming because of their convenience. A record 6,220,000 cards, the bulk of them ¥1,000 cards, sold during October of last year.

Of course, that's not the only thing accounting for the metamorphosis of NTT. While pushing deeper into the CAPTAIN teletext system, facsimile telephones, car radio-telephones and other services close to its traditional business, NTT is also making inroads in peripheral areas. Last December, it established a new company to run parking lots. And rumor has it that NTT will soon enter the real estate and ad agency businesses.

Not all of these subsidiaries are doing just peripheral business. For instance, NTT inaugurated this January Nippon Information & Communications Co. (NI&C) in a joint venture with IBM Japan to create a new network service that can transmit and receive voice, character and image communications. The new venture was promptly lambasted as a new monopoly by two giant capital interests.

In the eight months following privatization, NTT established 20 such firms,



JNR: looking around for untapped profit

or one every two weeks. Still not satisfied, NTT officials now say they will redouble their efforts to expand and diversify. "We will not only strengthen our position in the telegraph and telephone business, but will also bulldoze our way into other lines," boasts an NTT executive.

But it seems that NTT still needs to lend an ear to the words of one user: "NTT may have vitalized its management since going private, but I doubt this has permeated the whole organization."

True, the new NTT has given itself a lot of publicity in newspapers, television and other media. But words have yet to be followed by action in many of the phone company's basic services. One may notice, for instance, that NTT personnel still receive visitors at telephone offices in the same brusque way as before.

Clearly, it will take time for NTT to shake off its bureaucratic inclinations. Only when it truly appreciates the harsh realities of survival as a private enterprise will this confident newcomer be able to give full play to its vaunted corporate vitality.

The business-minded ministry: MPT

"What can I do for you, sir?"

"Thank you, sir."

These are the warm words awaiting visitors at offices of the Ministry of Posts and Telecommunications (MPT). It may well be that MPT is the only one of Japan's 11 government ministries and agen-

cies where such greetings can be heard.

MPT staffers refer to their offices as "our company," never as "our ministry." Government offices are usually assumed to be devoid of business sense. But not MPT.

Why this strange state of affairs? Perhaps it is because MPT personnel take pride in supporting themselves by their own hard work. MPT runs three government enterprises—postal services, postal savings, and insurance. The revenue accruing from these operations is more than enough to pay the salaries of MPT's entire staff.

Moreover, MPT is riding the crest of the wave of administrative reform. The ministry is keen to beef up its profitable operating divisions, as can be seen in the establishment last July of the Business Section. By augmenting its sales promotion, MPT apparently hopes to strengthen its voice among government agencies. And it testifies to the seriousness with which MPT operates its own services instead of handling only administrative matters like most other ministries.

MPT is especially worried about its postal service, which is now in critical condition. The mails are being hard pressed by new innovations in telephone service, a harbinger of even more competition to come from fast-growing new media.

On the parcel service side, MPT is also fighting a losing battle with a slew of aggressive high-speed delivery companies which entered the business several years ago.

With the example of a deficit-ridden

JNR doomed to division and privatization before their eyes, no wonder MPT officials feel the pinch. And it is this sense of crisis that has driven MPT into generating a series of new projects.

MPT is already implementing new services to stop the decline of its postal services. It is selling New Year postcards on the street and door-to-door. It is offering electronic mail using facsimile. And it has instituted a special express mail service in designated areas that assures one-hour delivery.

One of the best received of these many new innovations is MPT's "Package from Home" parcel service, which is being publicized with the catchphrase, "Tastes and smells from home." The ministry has selected about 600 local products for delivery direct from their places of origin. Customers place their orders by catalog. Last year-end this unique business made headlines by delivering packs of *fugu* (blowfish) meat, one of the most prized of Japanese delicacies in winter time, to the Tokyo area direct from Fukuoka, famous for its *fugu* cuisine.

This "package-from-home" parcel delivery service nets only ¥600 (\$3) or so per order for the MPT purse. That may not seem much. But in 1984 alone, it yielded ¥600 million for the hard-pressed postal service.

Encouraged by this good showing, MPT last year launched an overseas edition. This joint venture with a private company is also drawing a favorable response. Its catalog lists 115 specialties from 19 countries the world over.

Japanese inflation rates may be low. But it is still unusual that postal charges have been left unchanged for the past five years. Other public utility charges have been raised repeatedly over the same period. The truth is that intense competition has kept MPT from raising postage. The ministry should be given credit for successfully holding down personnel and other costs to make this possible.

In fact, so business-like and keen on improving its customer service is MPT that it is now seriously at odds with private banks and insurance firms. With its tightly knit network of post offices blanketing the country, MPT's postal savings service handles staggering volumes of deposits and insurance contracts. Even Japan's biggest banks are no match for it. As with JNR's ill-fated bookstore, coordination between MPT and its private competitors is vitally needed. And it will be all the more necessary in the years ahead as the winds of entrepreneurship blow through the corridors of Japan's born-again government enterprises. ●



NTT's hard sell sells phone cards like hotcakes.