



AMERICANS FOR TAX REFORM

# LEGISLATIVE ALERT

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## Postal Reform: Japan Gets it Right

(It finally happened on April 1, and it wasn't a joke: Japan's astonishingly bloated and scandalously coddled postal service was dragged into the 21<sup>st</sup> Century. This newspaper report from two months ago summarizes the changes nicely, and ATR would like to share it with you. We'd also like to remind you that America's very own United States Postal Service is encountering similar problems, many stemming from its similarly ill-advised offering of competitive services and products, and similar solutions are clearly in order.)

### **Japan Post to shed loss-making post office services** *The Asahi Shimbun* February 13, 2003

The nation's new public postal entity starts life in April with a mandate to make a profit.

When the newly created Japan Post throws out its predecessor's letterheads and office stationery in April, a number of the Postal Services Agency's money-losing services will also go to the waste heap.

Although it may appear a case of too little, too late for some critics, the ongoing review of post office operations suggests bureaucrats are finally taking seriously the growing competition they face from the private sector.

Among the services slated for termination is New Super Express Mail, which began life as the agency's answer to private motorcycle couriers. The service is available in Osaka, Nagoya, Sapporo, Fukuoka and Tokyo's 23 wards, for delivery between points separated by less than a three-hour motorcycle trip.

Another service, New Express Mail, in which packages sent in the morning reach their destination by 5 p.m. the same day, will be restricted to correspondence within each of Nagoya, Osaka and the Tokyo 23-ward area. It is currently delivered between those three urban centers, as well as Fukuoka and Sapporo, by Shinkansen bullet train and air.

Private companies, which are not restricted to regular office hours, are taking business away from the post offices with their versions of these services.

The agency in fiscal 2001 lost 381 million yen (\$3.175m) delivering New Super Express Mail and 58 million yen (\$483,000) on New Express Mail between the five urban centers.

Poor performances prompted the Ministry of Public Management, Home Affairs, Posts and Telecommunications in January 2002 to recommend drastic revisions to these two services.

Other services are getting the ax in April because they have simply become obsolete. One, International Electronic Mail, is little more than an overseas fax service handled by post office staff. Introduced in fiscal 1984, in the days before the home fax machine and e-mail, it accounted for 80,000 transmissions in its peak year of fiscal 1991. But in fiscal 2001, post offices handled only about 2,500 transmissions nationwide.

Postcard Parcels, meanwhile, never really caught on in the first place. Japan Post will not be offering customers the option of attaching the message sheet to the outside of their parcels.

And a kind of prepaid card for the purchase of stamps and post cards is also on the way out.

Unlike the Postal Services Agency, the new public corporation will be able to cut back services-as well as to introduce new ones, or change fees-simply by getting the approval of the posts and telecommunications minister. Such changes currently require revisions to legislation or ordinances.

The new postal entity will need that kind of flexibility if current trends are anything to go by.

The agency delivered 5.8 percent of all parcels in Japan last fiscal year.

The number of letters and post card deliveries is expected to fall from 26.7 billion pieces in fiscal 2001 by 400 million within five years. People are opting for e-mail instead.

Competition will intensify after April, when restrictions on private-sector mail delivery are lifted.

While all this is happening, Japan Post will be required, under a midterm operational plan prepared last month, to show a profit in its second year. The plan calls for the nation's public post service, which lost 16.6 billion yen (\$138.3m) in fiscal 2001, to accumulate at least 50 billion yen (\$417m) in profit over the four years from fiscal 2003.