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Japan to privatize its postal agency

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TOKYO - The upper house of Japan's parliament passed a package of bills Friday to privatize the nation's huge postal service, handing Prime Minister Junichiro Koizumi the largest single victory in his drive for broad reform of the world's second-largest economy.

Offering financial accounts as well as stamps and envelopes, the postal service here is essentially the world's largest bank, with \$3 trillion in deposits and 25,000 branches. The vote seals a plan to transfer the institution into private hands over the next 12 years.

Koizumi has made postal privatization the cornerstone of an effort to streamline the Japanese economy by downsizing government and encouraging private enterprise and investment.

Rejection of postal bills by the upper house in August led Koizumi to dissolve parliament and call new elections, which his pro-reform candidates won in a landslide. The new mandate opened the way for easy upper house approval of the bills this time, by a vote of 134 to 100. The lower house passed the measures last week.

"This is a political miracle," Koizumi said after the vote. "Once I was thrown down to the bottom of a valley, but the people have pulled me up."

Koizumi and his supporters, as well as many leading economists, called the bills' passage a major breakthrough in efforts to put Japan on track for sustainable, long-term economic recovery after a decade and a half in the doldrums.

The government has traditionally used funds that the post office collects to finance public works projects, many of them politically motivated and serving little apparent social need. Koizumi contends that privatization will divert the huge pool of money into commercial capital markets and assure that it is spent more efficiently, giving a fundamental boost to a troubled economy.

But critics say the government has yet to develop a clear strategy for how to move those funds into the general economy.

In addition, analysts say, Koizumi and his successors will have to make good on the prime minister's call to trim the government workforce by 20 percent over the next 10 years and make further overhauls of social security and public works spending.

"It is still going to take an enormous amount of time to actually privatize the postal system and find ways to get deposits injected into the economy," said Tetsufumi Yamakawa, chief economist in Japan for Goldman Sachs, an American investment bank. "This is a significant step, but we need to see follow-through now that the bills have been approved. That is the challenge for the government."

In Japan, the post office has long been the place where play-it-safe citizens keep their life savings. About 85 percent of Japanese households have postal savings accounts. The post office is also a major broker of life insurance, serving more than 60 percent of households.

The bills call for the agency to be split into four entities in 2007 under a new holding company. Private ownership would bring significant reductions in what is widely seen as a bloated payroll. As of the end of the last fiscal year, Japan Post had 261,940 full-time employees, more than the country's military. Those banking and insurance services would be fully privatized by Sept. 30, 2017.

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