

K O R E A



OVERVIEW

Founded in 1884, Korea Post became a government-owned enterprise in the 1960s. It's still owned by the South Korean government today. Aside from mailing services, KP outlets offer customers the opportunity to pay bills, to use ATMs for deposits and withdrawals, to buy stock, and to purchase phone cards (both national and international).

Korea Post has been aggressive among national posts in bringing financial services into both post offices and households via the Internet through agreements with banks and telecommunications companies, including some that are government-run. Deposits at KP tripled between 1997 and 2007, to about US\$43 billion. That was roughly 5 percent of all Korean deposits.

In 2011, Korea Post hinted that it would explore offering credit cards. Its financial services arm has also forged a partnership with the Land Bank of the Philippines to offer remittances among Filipinos living and working in Korea. Meanwhile, the 2011 KORUS FTA places new limitations on Korea Post's insurance offerings.



STRUCTURE

KP consists of 12 entities, including a General Affairs Division, Planning Division & Management Bureau, Bureau of Posts, Postal Savings Bureau, Postal Insurance Bureau, and Inspector General.

Korea Post processed 4.831 billion items of mail in 2009, or 99.1 pieces of mail per person. Its courier and express business steadily grew between 2003 and 2007, even as overall mail volume fell. Mail volume decreased by 1.1 percent in 2009.

KP has announced its intent to expand into the “logistical support” business, but specific plans to derive profitability from this income source have not been made public. KP has branded this initiative “u-POST” and aims to use mobile technologies, radio communications, and RFID to allow customers to track mail and packages in real time. The manufacturing and information logistics business in Korea is very competitive.

STRUCTURE (CONTINUED)

Like all postal services, KP's traditional mail stream has been shrinking. However, KP has been among the first posts to offer IT-based hybrid mail. Hybrid mail volume nearly tripled between 2004 and 2009, to more than 100 million items. Revenue on this product quadrupled, to more than 50 billion won.

KP's employee base has grown and stood at roughly 44,000 employees as of 2009. In 2009, the service had roughly 3,700 post offices.

KP posted revenue in 2009 of US\$6.7 billion. Net income was US\$787.4 million.

Despite its status as a government-owned entity, Korea Post claims not to receive any additional assistance or financing from the national government.

REGULATION & UNIVERSAL SERVICE

Korea Post, including its postal savings operations, is regulated by the Ministry of Knowledge Economy (MKE), the successor agency to the Ministry of Post. Other financial institutions are regulated by the Korean Financial Services Commission. The government's Financial Supervisory Service (FSS) can conduct an examination of KP's postal savings operations at the request of the MKE. However, FSS examinations are not mandatory for KP. Such audits are required for other financial institutions with operations in the South Korean market.

The KORUS Free Trade Agreement between the United States and South Korea, signed in October 2011, subjects Korea Post's insurance products to regulation by the FSS, placing private insurers on more equal footing with KP.

KP is the universal service provider in Korea. It defines universal service as "postal and financial services that every citizen can access easily from anywhere."

LIBERALIZATION & COMPETITION

KP retains a monopoly on traditional letter mail. It competes with private express carriers in the express mail and parcel services markets.

In the highly competitive express mail sector, KP holds about 25 percent market share. Korea Post's parcel services hold about 10 percent market share.

PRIVATIZATION

Privatization of Korea Post has been mentioned by Korean leaders, but there's been virtually no action on the issue. Labor unions resisted privatization efforts in 1994. President Lee Myung-bak announced that postal privatization would be one of his priorities when he took office in February 2008.

PRIVATIZATION (CONTINUED)

In a 2008 paper by its Country Analysis Unit, the Federal Reserve Bank of San Francisco reported “growing public concern over the competence and financial expertise of KPS [Korea Post] staff managing the postal savings deposits.” But as yet, postal reform — particularly postal financial services reform — has remained on the government’s wish list of reforms. Amidst the 2008-09 economic crisis, government spokesmen candidly admitted that postal reform had moved to the back burner.

FINANCIAL SERVICES

Korea Post’s involvement in financial services dates back to the late 19th century, soon after the post was founded. Its current structure as a financial savings institution was codified in the Postal Savings Law of 1962.

In 1977, however, Korea Post’s financial services operations were largely suspended. At that time, the Ministry of Post transferred the postal savings program to a series of agricultural cooperatives so that it could focus on developing telecommunications services. In 1983, KP regained its postal savings operations. But in the six-year interim, the post lost many of its potential customers to the agricultural cooperatives.

Korea Post’s savings operation is substantial, though not nearly as large as Japan’s. Koreans maintain nearly 21 million postal savings accounts. Thirty percent of KP deposits come from rural areas.

Deposits tripled in the ten years following the 1997 Asian economic crisis, to some US\$43 billion by 2007.

Postal savings accounts are seen as a safe haven with a government guarantee. These postal savings deposits have long been a source of funds for the government.

Until 2003, KP was forced to place its deposits in the Public Capital Management Fund, where they were pooled with other sources of public funding.

In 2009, the Industrial Bank of Korea, one of the country’s large government-owned banks, expressed its desire to take over KP’s savings operation.

KP also offers many different forms of insurance, including traffic accident, health, and homeowner’s policies. South Korea is the eighth-largest market for insurance services in the world, with premiums totaling \$65 billion. Under the terms of the 2011 KORUS Free Trade Agreement, Korea Post is prohibited from issuing new types of insurance products, and limitations to modifications including coverage increases apply.

KP’s insurance business has been growing, albeit at a slower pace than in the mid-2000s. In 2009, the post held more than 10.6 million contracts.

As Korea Post has undertaken restructuring initiatives in recent years, KP’s postal savings assets have been a major target.

Korea Post also maintains a significant presence in asset management. KP controls billions in funds that it invests in equities and bonds worldwide.

In 2010, The Korea Herald reported that Korea Post would expand financial services to mid- and low-income customers, as part of its efforts to support the underprivileged and maintain its status as a profit-seeking public firm.

Korea Post launched a remittance service in the Philippines in partnership with the Land Bank of the Philippines in 2010. Filipinos living and working in Korea can send money home at KP outlets.

In 2011, Korea Post reportedly began preparing to offer credit-card services to consumers.