



# *Index of Postal Freedom*

## **South Korea - Korea Post**



### *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 have tripled since 1997, to about US\$43 billion by 2007. That represents roughly 5 percent of all Korean deposits. KP maintains the sixth-largest deposit base among South Korean banks.

### *Structure*

KP consists of a General Affairs Division, Planning Division & Management Bureau, Postal Service Bureau, Postal Savings Bureau, Postal Insurance Bureau, and Inspector General.

Korea Post processed 4.818 billion items of mail in 2007, of which 111 million items were courier, express mail, or parcels. Its courier and express business steadily grew between 2003 and 2007, even as overall mail volume fell. Mail volume declined 2.8 percent in the first half of 2009, after a 1.2 percent decline last year.

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.

Like all postal services, KP's traditional mail stream has been shrinking. However, its employee base has grown and stood at roughly 43,000 full-time-equivalent employees as of 2007. In 2007, the service had 1,978 self-owned postal outlets and franchised an additional 1,681 outlets. The number of KP-owned postal outlets has declined slightly since 2003, while the number of franchised outlets has increased slightly in that time frame.

KP posted revenue in 2007 of US\$5.642 billion. Net income was US\$563.3 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 and 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 proposed Free Trade Agreement between the United States and South Korea, which is currently awaiting action in Congress, would subject Korea Post's insurance products to regulation by the FSS. This would place 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."

For 250 won (US\$0.20), KP delivers packages of up to 50 grams anywhere. The



post has a monopoly on such deliveries..

### *Liberalization and 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.

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 admit that postal reform has 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 some 18 million postal savings accounts. Thirty percent of KP deposits come from rural areas.

Deposits have tripled since the 1997 Asian economic crisis, to some US\$43 billion by 2007. That represents roughly 5 percent of all Korean deposits. KP maintains the sixth-largest deposit base among the ten largest South Korean banks.

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 eight-largest market for insurance services in the world, with premiums totaling \$65 billion.

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.



## *Useful Links*

[About Korea Post](#)

[Postal Savings and the Provision of Financial Services](#)

[Implications of proposed Korea-U.S. Free Trade Agreement](#)

[Federal Reserve Bank of San Francisco Country Analysis Unit Paper on Banking at Korea Post](#)

### **Consumer Postal Council**

1600 Wilson Boulevard

Suite 900A

Arlington, VA 22209

Tel 703.312.4563

Fax 703.312.4564

<http://www.postalconsumers.org>