

## INTERNATIONAL POSTAL UPDATE

October 1, 2005

### KOIZUMI WINS BIG

#### *PRIVATIZATION GAMBLE PAYS OFF*

**Japanese Prime Minister Junichiro Koizumi won a landslide victory.** He had called snap elections for September 11th because parliament rejected his plan to privatize Japan Post. The ruling coalition, made up of Koizumi's Liberal Democratic Party and the New Komeito Party, together won more than two thirds of the 480 seats in the parliament's lower house. That's enough to override votes in the upper house, where the prime minister's postal privatization bills had been rejected.<sup>1</sup> The election served as a referendum on Koizumi's postal reform scheme and his platform of smaller government generally.

**Koizumi's bills, which he now has the power to see into law,** propose initially to split Japan Post into four units under a state-owned holding company, and require the sale of its savings and insurance businesses by 2017.<sup>2</sup> The four units would handle branch management, mail delivery, insurance, and postal savings. The popularity of postal savings and life-insurance accounts has made Japan Post the biggest deposit-taking institution in the world, holding about \$3 trillion.

**Postal reform is likely to begin on October 1, 2007,** six months later than originally planned, Japanese media reported.<sup>3</sup>

#### *COMPETITION HEATS UP IN GERMANY*

**Three German publishers announced a joint venture to compete with Deutsche Post.** The publisher of Bild, the publisher of Handelsblatt and Die Zeit, and the regional newspaper group WAZ have teamed up with a private equity group to set up a letter delivery company. The company aims to achieve €100 million (\$124 million) in sales in 2006 and increase that to €1 billion in 2010 by biting into the former monopoly's market, the *Financial Times* reported. The country's postal market will be fully opened to competition in 2008.<sup>4</sup>

**The German parcel shop chain Paketeria intends to open about 1,000 outlets around Germany over the next two years,** the MRU logistics consultancy reported, with the goal of challenging Deutsche Post.

**The German government sold its last remaining stake in Deutsche Post to state-owned bank KfW,** moving the "yellow giant" one step closer to full privatization. The transaction brings KfW's stake in Deutsche Post to 44.7 percent. The bank will sell off Deutsche Post shares to the public when it deems market conditions appropriate, but not before next year.

**Deutsche Post is expected to bid on the British logistics firm Exel.** Package delivery giant UPS is expected to make a competing bid. Deutsche Post has been aggressively expanding internationally ahead of 2007, when it will lose its German letter monopoly.<sup>5</sup>

#### *UNIONS CHALLENGE UK POSTAL REFORM*

**British labor unions asked the government to scrap plans to end the Royal Mail's letter monopoly.** The UK postal market is scheduled to open fully to competition in January 2006. Only 30 percent of the market is exposed now. Labor union leaders spoke while gathered at the annual Trade Union Congress in September.<sup>6</sup>

**Union leaders also criticized Trade and Industry Secretary Alan Johnson** for his recently-floated Royal Mail privatization scheme. Under Johnson's proposal, the Royal Mail would be sold off to its employees, who would become partner-owners. The union bosses noted that Tony Blair's ruling Labour Party promised in its election manifesto to keep the post office in the public sector.

**EU rules compel all 25 member states to open their postal markets to competition by 2009.** Privatization of state-owned postal firms is not required.

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<sup>1</sup> Sebastian Moffett, Japan's Voters Give Koizumi a Mandate, Wall Street Journal Europe, p. 1, Sept. 12, 2005.

<sup>2</sup><http://www.reuters.com/newsArticle.jhtml;jsessionid=ZN5GRDJIV2M24CRBAEOCFEY?type=worldNews&storyID=8833957&pageNumber=1>

<sup>3</sup><http://today.reuters.com/business/newsarticle.aspx?type=tnBusinessNews&storyID=nT344175&imageid=&cap=>

<sup>4</sup> Richard Milne, *Publishers to Compete with Deutsche Post*, Financial Times, p. 8, Sept. 10-11, 2005

<sup>5</sup> <http://www.thebusinessonline.com/Stories.aspx?StoryID=6083DBF6-FF03-4F4C-988C-E5E9A2991F54&SectionID=F3B76EF0-7991-4389-B72E-D07EB5AA1CEE>

<sup>6</sup> Matthew Tempest, TUC opposes postal liberalization, The Guardian, Sept. 13, 2005  
<http://politics.guardian.co.uk/unions/story/0,12189,1569141,00.html>