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JAPAN

EBC's view on Postal Privatisation

November 10, 2008



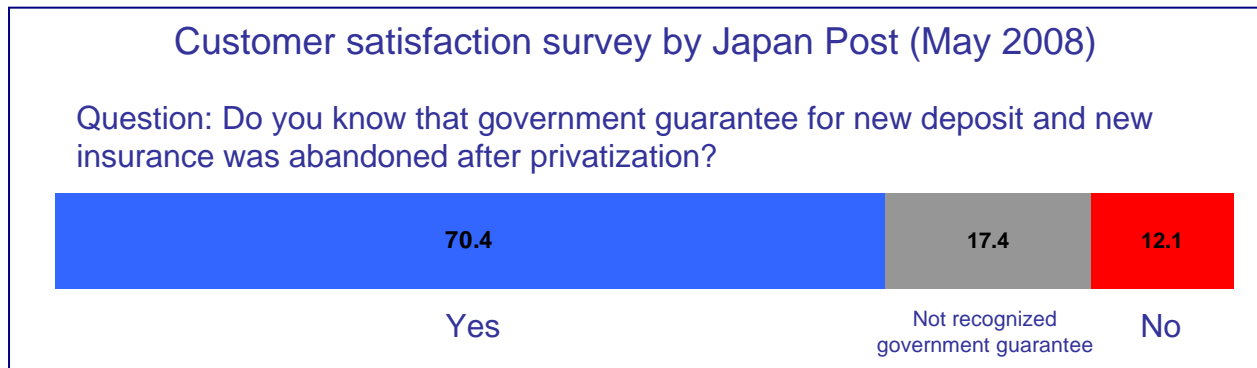
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Introduction

- EBC welcomes the progress of privatization of Japan Post and its entities.
- However, EBC still concerns some areas from the viewpoint of level playing field.
 - Implicit government guarantee
 - Lack of level playing field with private life insurance and private delivery services
- EBC are strongly interested in the triennial review process of Postal Privatization and its appraisal by Postal Privatisation Committee.

Implicit Government Guarantee

- EBC welcomes the actions of Japan Post to change misunderstanding of consumers' perception of Implicit Government Guarantee and appreciates its result. Those actions should be promoted further and monitored.
 - According to the customer satisfaction survey by Japan Post, 70.6% of consumers have already recognized no government guarantee for new deposit of Yucho Bank and new insurance contract of Kampo Life.
 - However, some consumers are still misunderstanding it.





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Insurance

Operations

EBC welcomes the establishment of compliance and risk management organisation within Kampo and its actions to improve operations of Kampo Life. Kampo Life must ensure operational soundness at par level with private life insurance companies.

New Business

- Any new business applied for by Kampo Life requests should be granted only after careful analysis of its huge impact on private sector competitors
- A level playing field with private insurers should be the guide line when responding to requests from Kampo for flexibility in new business operations
- Kampo life partnership with Nippon life should not be allowed to influence the areas of existing/ new distribution agreement with other insurance companies and restrict the opening distribution network of Post Office and Yucho Bank on unfair terms.



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Logistics & Transport

International Express Delivery service (EMS)

- EMS cannot be considered a universal service as it is directly competing with the private sector and has over-lapping customer customers, similar level of service performance and a high market share
- Impossible to know if whether EMS is reasonably priced or subsidised by the postal universal service as accounting rules do not allow for transparency
- Same regulatory regime for custom clearance should be established

JP joint venture with Sankyu

- Japan Post should be forced to follow recommendations by the PPC to ensure arm-lengths distance between JPS and JP Sankyu Global