



# Asian Regional Seminar on Public Financial Management

*PFM Reforms: The lessons learnt -promises and tears*

Session 5 :Public Enterprise Reform  
Lessons from the  
Privatization of Japan Post

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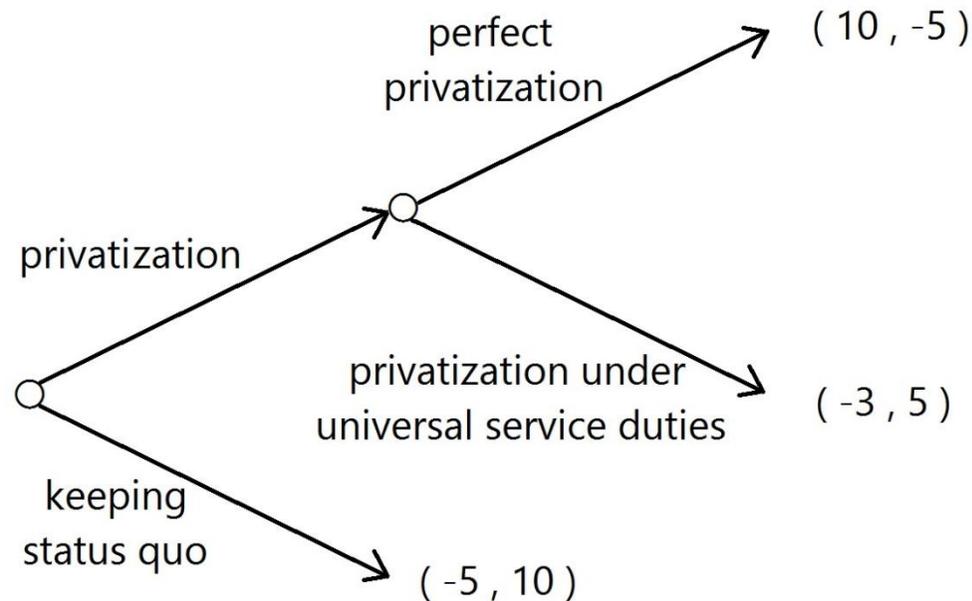
# Lessons from the privatization of Japan Post

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# Preface: Actual path for privatization of Japan Post

(for whom, complex privatization process)

- realization of conditional privatization through negotiation process



( payoffs for general public , payoffs for vested interest groups )

# **1. Situation which needs to privatize PEs (public enterprises) : Japan Post case**

- vested interests groups and their political representatives
- designs for future and retrospection on inefficiency
- change of optimal scope of government activities
- market solution and potential burden of tax payers
- virtual networking in IT on community levels
- existence of tacit guarantees by government and distortion of allocation of resources
- global standard for PEs

# 1. Situations under which actors behave

responses of purely private enterprises (PPEs) existence or no as to tacit guarantee by government	partial commitments to total privatization schemes	esteems to perfect privatization schemes
no tacit guarantee by government	complementary to market mechanism through bank agencies etc.	equilibrium through market forces
very unclear as to tacit guarantee by government	concerns as to systemic risk possibilities	fading away of public enterprise (Japan Post)

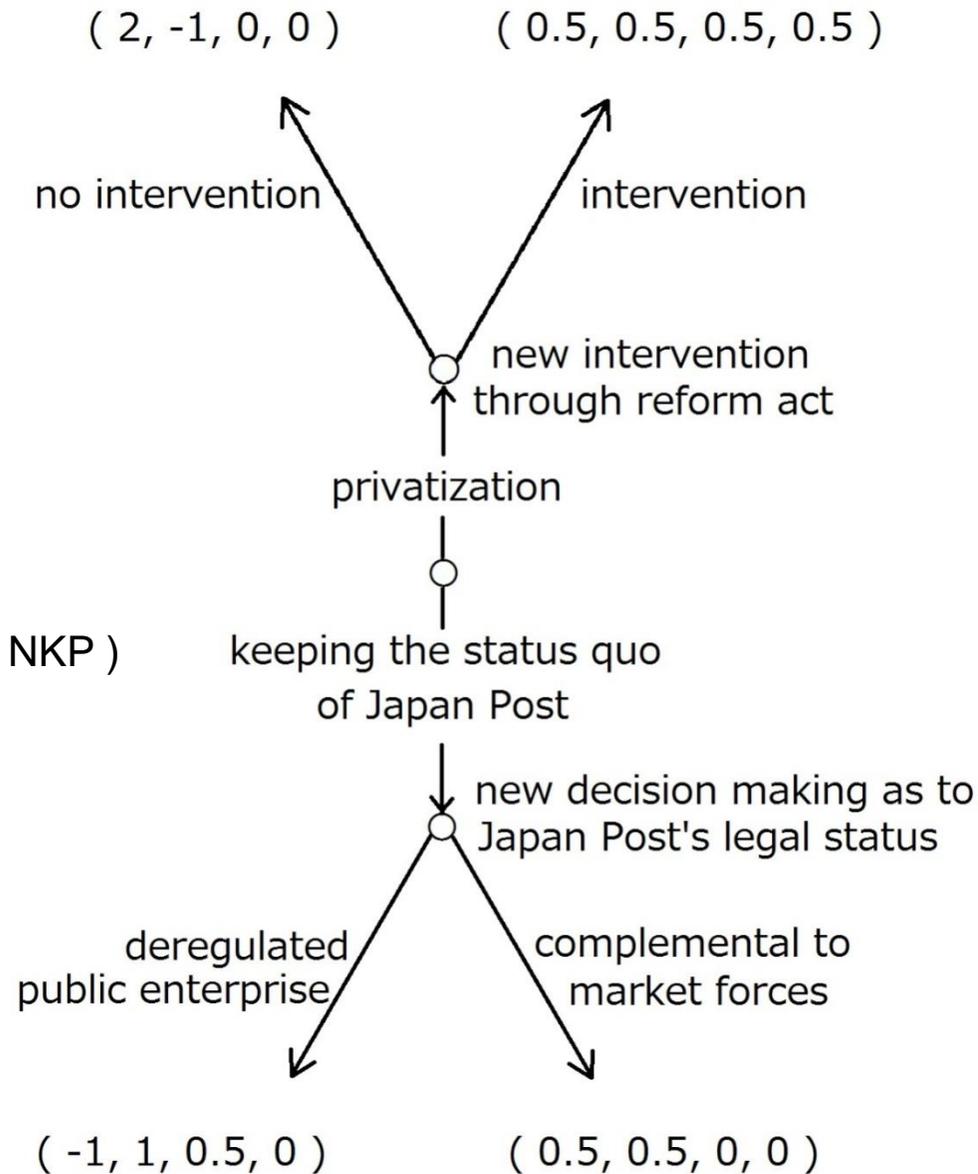
## **2. Political decision making process as to the privatization of Japan Post**

- postal services privatization act
- structure as to pros and cons toward privatization act
- snap election after denial of privatization act in the Upper House
- passing the privatization act after the victory in the Lower House election because of paying deference to the election result by the Upper House members
- changing over by vested interests groups toward keeping the status quo

## 2. Complicated process of privatization including realignment of political parties

( LDP under J.Koizumi, LDP against J.Koizumi, DPJ, NKP )

LDP : Liberal Democratic Party  
DPJ : Democratic Party of Japan  
NKP : New Komeito Party



### **3. Management problems after privatization initiatives**

- what are KPIs (key performance indicators)?
- importance of corporate governance structure
- selection of CEOs and composition of supporting staffs
- long transitional processes which invite congressional interventions
- lack of evaluation systems as to courageous CEOs

### 3. Management principle and its assumed results as to privatized PE

management style target of management	purely privatized management style	continuation of management style under public enterprise
esteem to key performance indicators (KPIs)	( -5 , 10 )	( -1 , 1 )
esteem to unity between management and labors	( 1 , -1 )	( 5 , -5 )

( resistance forces payoffs , reformist camp's payoffs)

## **4. Coexistence problems between PPEs (purely private enterprises) and privatized PEs (public enterprises)**

- privatized PEs need new CFO who analyses sectorial B/S and P/L statement. In some times PEs do not have strategic viewpoints as to B/S and P/L in each sector.
- privatized PEs need new CRO (chief human resources officer) who focuses on introducing innovative methods and recruitment of key personnel
- new competitive situation under which tacit guarantee by government exists
- to design the equilibrium of market forces in the global context

## 4. Design of transitional process of privatization and expected results

- global standard or Japan's specific standard
- forward guidance (short term or long term)

forward guidance standardization	global standard of management	Japan's specific standard of management
targeting shortly	huge change, possibility of huge success	some possibility of establishment of Japan's privatization style
targeting on the long run	gradual change, possibility of distortion of the spirit of privatization	concerns as to poor result of privatization

Thank you.