

Japan



Issue and background

In the context of the planned EU-Japan Free Trade Agreement negotiations, providers of express delivery services (EDS) encourage that a number of issues relevant to express services are addressed.

1. EEA position

Although it is possible for private companies to provide Express Delivery Services in Japan, there are a number of barriers significantly impairing the ability to do so at present. The European Express Association supports the idea of a comprehensive Free Trade Agreement between the EU and Japan, as it would allow maximizing gains on Non-Tariff Barriers and Services. Furthermore, National Treatment and Market Access provisions should fully apply to express services.

2. Barriers currently faced by EDS

Express Mail Service (EMS) defined as part of USO: Japan Post considers that its EMS is within the USO¹ and therefore extends preferential treatment to it in various forms. This enables Japan Post to provide EMS at operational and cost advantages relative to private operators providing the same or similar services (e.g.: EDS). From an operational perspective this extends to preferential treatment of the clearance, pick-up and delivery of EMS items and from a cost perspective this extends to Japan Post supporting EMS in a seemingly subsidized manner (see below). These advantages are compounded by an opaque cost structure between USO services (including EMS) and non-USO services including Japan Post's postal savings and postal insurance services (also see below).

On-airport customs, quarantine and security clearance: private operators must ensure that all items complete all necessary customs, quarantine and security clearance requirements prior to being released into the commerce of Japan. This is not necessarily a burdensome requirement and in fact is common practice supported by private operators in almost all countries around the world. The issue is that items carried by Japan Post's competing EMS service are not subject to the same requirement thereby creating a non-level playing field.

Self-funded customs, quarantine and security clearance: private operators must fund the costs of maintaining their own and / or customs providing these services. Again this is not necessarily a burdensome requirement and in fact is common practice supported by private operators in almost all countries around the world. The issue is that of the items carried by Japan Post's competing EMS service which are inspected, the services are provided in a seemingly subsidized manner by customs and other government authorities thereby creating a non-level playing field.²

Parking for pick-up and delivery vehicles: private operators' vehicles remain targeted by local police authorities for often minimal / negligible parking infringements whilst Japan Post vehicles carrying competing EMS items are overlooked. National parking laws were revised in an attempt to address this however there is a lack of awareness amongst the local police authorities to this change and there remains no system for distinguishing between Japan Post vehicles carrying competing EMS items versus those carrying USO items.

3. Concerns in relation to privatization

As far as express is concerned, there is an overarching need for fully transparent accounting and financing of all services offered by Japan Post.

Accounting and cash flows for JPSC, its subsidiaries and their related companies should be separate, independent, and fully transparent: Audits should be independent, with the reports publicly and readily available according to general company law, and with the same level of detail and the same accounting standards met by companies listed on the Tokyo Stock Exchange. The existing postal privatization laws recognize the need for transparent accounting by the ex-postal businesses. MIC and the PPC should faithfully carry out that mandate by carefully supervising the postal companies' financial reporting and requiring that their records be publicly available.

Transactions between the monopoly postal services and the other delivery services provided by the Postal Delivery Corporation should be at arm's length: Further, the regulatory and supervisory arrangements for postal corporatization should

¹ Japan Post continues to assert this interpretation in meetings of the Universal Postal Union (UPU) in addition to its responses to appeals from the private sector (local and foreign).

² Shipments above JPY200,000 undergo the same Customs clearance procedure as shipments of private sector since February 16, 2009. However, the share of such shipments is estimated to be only a few percent.

ensure that all transactions between the Postal Services Corporation and the other three ex-postal businesses – insurance, banking, and network – are on terms that would be negotiated between competing and unrelated entities in the private market.

Prevention of Anti-Competitive Practices: There should be strong regulatory controls prohibiting and preventing Japan Post and its successors from using the monopoly on universal services to engage in anti-competitive practices in other service sectors. These regulatory controls should ensure that there are no anti-competitive practices engaged in by the Postal Services Corporation and its related companies involved in express delivery (e.g.: EMS) or logistics.

4. Next steps:

The EEA calls on all parties concerned to raise these express industry related issues further in the remit of the EU-Japan FTA negotiations with a view to obtain in the FTA:

- 1) Full market access and national treatment commitments on express delivery services,
- 2) additional commitments that will remove any preferential treatment for EMS as a non-universal service.

In addition to commitments on express delivery services, the EEA recommends that a trade facilitation chapter integrating the principles of the WCO's Immediate Release Guidelines (IRG) be included. In this regard, it is in particular important to ensure that the "de minimis" (level below which goods are exempted from formal customs declaration) is sufficiently high with a view to promote trade and to ensure that the actual revenue collected is higher than the cost of collection.

Contact details:

EEA Secretariat

Claus Basse

claus.basse@fleishmaneuropa.com

+32 234 68 95