

JR Vies with Booming Airline Industry for More Passengers

Railways

In fiscal 1995, for the fourth year in a row, major private railways expect to serve fewer passengers. Two factors are thought to be behind this decline and related trends—the popularity of Japan Railways (JR) and travelers steering away from private railways. After the Great Hanshin Earthquake, the return of JR West to normal operations occurred three months ahead of schedule, and in September 1995, private railways raised their fares.

In part due to these rate hikes, the private railway sector expects to see increases in income and profits in fiscal 1995. But because they also plan to continue a high level of investment in construction of four-track railways and other line improvements to extend their capacity to transport passengers, they will find it hard to avoid increases in depreciation.

As noted above, JR is on the receiving end of a shift by passengers from private railways, and expects to see an increase in the number of passengers in 1995. But wider use of private cars and stiff competition from airlines for long-distance passengers translate into fewer passengers than otherwise. As the number of passengers climbs, so does income and profit, and both are expected to be up in fiscal 1995.

Trucking

Trucks are expected to transport smaller loads in fiscal 1995 as the effects of a slow economic recovery take hold. Shippers have begun to take an interest in decreasing distribution costs and continue to put pressure on cutting freight rates.

Costs rose as vehicles were upgraded to meet standards under the

nitrogen oxide (NO_x) reduction law and overload regulations. Other factors are higher labor costs due to shortening the work week to 40 hours, and an increase in the price of light oil. It is unlikely that the truck transportation industry will soon see higher earnings.

All companies are therefore trying to cut costs. Major companies have initiated cooperative service on trunk lines so as to use their load capacities more efficiently, and we are also seeing more investment in information systems at the level of the individual corporation. In time, it will be necessary to craft a system that can better meet trends for commissioning distribution to outside operations and that can take care of the diversity of shippers' needs.

Air transport

During fiscal 1995, the number of passengers on both international and domestic flights is expected to rise substantially, by about 7-8%. The opening



A change for the worse—trucking industry costs up as part of road revision law's overloading policy.

of Kansai International Airport in September 1994 was one factor in both increases. In addition, lower airfares stimulated demand for domestic flights, and international flights have benefitted both from the trend of taking vacations abroad and from strong business demand in Asia.

The airline industry saw increases in both income and profits in fiscal 1995 as the airline market grew and as restructuring in individual companies had the desired effect.

In fiscal 1996, demand for international travel is expected to stay strong, and domestic travel will become even cheaper. Both trends should stimulate passenger demand for domestic and international flights, so on the whole there should be a substantial increase in the number of airline passengers. Competition among domestic airlines is being promoted by the introduction of a new rate system that allows airlines to set rates within a certain range, and this system may stimulate the market further. Even if fiscal 1996 does not see as high a growth rate as fiscal 1995, income and profits are still expected to be good.

(Suzuki Atsushi, economist)

Profits and Losses at Top Three Airlines

