

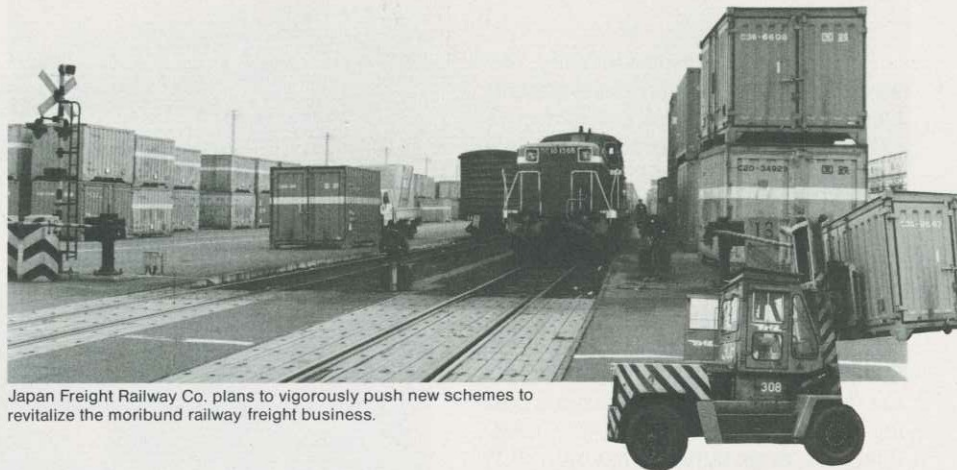
Better by Train

Private railways

The number of passengers carried by Japan's leading private railway companies climbed slightly in 1987. Passenger traffic in the Kanto region in and around Tokyo increased 2-3% due to the increase of population and public facilities along the railways. In contrast, the number of private railway passengers in the Kansai district around Osaka remained stable or even decreased, due in part to a round of fare hikes in May. The trend toward high growth in the Kanto and low growth in the Kansai thus accelerated during the year.

Fiscal 1987 profits will be stable for private railways in Kanto, supported by the higher traffic and reductions in electric power charges. The fare hike, meanwhile, sharply boosted the performance of the railway divisions of the five big Kansai private railways and Keisei Electric Railway Co., allowing them to defer sales of real estate which had been planned as a way of boosting revenues.

In 1988, the big six private railways in Kanto will begin large-scale work to construct four-track lines and improve opera-



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tions. The companies are expected to raise their fares under the "Reserve System for Promoting the Development of Railway Systems in Designated Cities," which allows a portion of construction costs to be added to passenger fares in advance of actual construction. Overall, the financial balance of these companies should remain stable.

JR passengers and freight

The old Japanese National Railways (JNR) was divided into six separate companies and privatized in April 1987. All six firms have been upgrading their service and adapting themselves to the distinctive characteristics of their respective territories. Despite some regional unevenness, all seem set to achieve the passenger volume and revenue initially anticipated. On the cost side, they have held back on large-scale capital investments and have reduced personnel expenses; profits are expected to be larger than originally forecast.

This innovative management policy will continue in 1988 and a steady rise in profits is expected. Eastern Japan Passenger Railway Co. and Western Japan Passenger Railway Co. will forego fare hikes for the second consecutive year in order to improve their competitiveness, while all six companies are striving to expand related lines of business. These businesses are expected to serve as new sources of revenue while inducing greater demand for rail services.

Japan Freight Railway Co., inheritor of JNR's freight business, suffered from a timetable revision made by JNR in

November 1986 to reduce operations and losses and bring finances into balance. As a result, freight volume fell sharply in 1987. A further timetable revision in March 1988 is expected to bolster transportation capacity in fields where the railroads do best, including container transport and piggyback services. The company also plans to vigorously push new businesses, such as the operation of high-standard warehousing, to revitalize the moribund railway freight business.

Trucking

Trucking now accounts for roughly 90% of domestic freight tonnage and some 50% in terms of ton-kilometers. These shares have risen in 1987, reflecting the steady increase in commercial truck transport of consumer goods—including the home-delivery business, expanding at an annual pace of more than 20%—and increased transport of construction-related cargoes as the government's domestic-demand stimulus program took hold. Private truck transport volume, which had remained level in recent years, is also expected to show an increase for the year thanks to construction-related cargoes, which account for the bulk of private truck transport.

In 1988, truck transport of production-related cargoes is expected to increase as well, feeding continued expansion in commercial trucking volume. Private truck transport volume, however, is expected to remain steady at the higher levels established in 1987.

(Makoto Amada, economist)

Domestic Transportation Shares

(in the terms of ton/kilometers)

