

Rail Investment

Private Railways

The number of passengers carried by major private railways has generally continued to inch up in fiscal 1988. Passenger traffic in the Kanto region including Tokyo area is increasing by an annual 2-3% due to continuous growth in suburban population as well as active commercial and public facilities along these routes. In contrast, private railways in the Kansai region around Osaka are experiencing a lack of growth in traffic.

Major private carriers are investing massively—14 major companies are scheduled to pump in some ¥590 billion (\$4.7 billion) in fiscal 1988—in beefing up transport capacity as well as developing commercial buildings. They can expect stable revenues and profits thanks to revised fares, among other things. In fiscal 1989, the private railways are expected to sustain stable revenue structures based on three sources of revenue, namely railway transport, real estate sales and real estate renting.

Long-haul, high-speed bus services have recently emerged as a promising new business of private railway com-



Photo: Odakyu Bus Co.

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panies. Riding on improved national highway networks and offering cut-rate fares, often only half of what JR (Japan Railways Group) charges for the same route, combined with luxury vehicles, this might well mature into a new high-growth sector.

JR passengers and freight

The six JR passenger railway companies, established through the privatization and division of the Japanese National Railways (JNR) in April 1987, in general have been increasing their passengers in fiscal 1988, although their performance differs by region. This can be attributed to more detailed operation schedules to meet each region's potential demand, as well as timely commissioning of the Seikan undersea tunnel and the Honshu-Shikoku bridges. Cost-cutting efforts such as restrained capital investment and belated effects of streamlining are combining with this active demand, and their fiscal 1988 operation is expected to generate profits for the second year in a row.

In fiscal 1989, overall passenger demand will continue expanding against the backdrop of the active domestic economy and the carriers' commercial efforts. Regional variations may become more apparent, however, resulting in differences in revenues and profits. Also at stake will be the successful development of peripheral businesses, which every one of the six companies has been stressing. This could be vital in deciding future corporate performances.

The Japan Freight Railway Co. finally got on the right lines after the March

1988 schedule revision and established itself firmly enough to begin increasing cargo volumes after years of contraction resulting from failure to quickly meet clients' demand. In particular, container cargo transportation has been showing two-digit growth since the beginning of fiscal 1988. In fiscal 1989, container transportation will more and more come to dominate JR's increasingly systematized hauling operations, accompanied by an integrated, trucking-railway hybrid land transport system.

Trucking

Trucking, indisputably the core of Japan's cargo transportation system, accounts for 90% of domestic freight tonnage and 50% in terms of ton-kilometers. In fiscal 1988, commercial trucking, the powerhouse of the trucking industry, has been expanding its share to an even higher level on active home-delivery services as well as increased hauling of general and consumer goods amid the expansion of domestic demand.

Private trucking, which grew in the previous fiscal year for the first time in seven years, will probably level off in fiscal 1988 largely because construction-related transportation, the largest slice of the business, is likely to remain at the previous year's level. In fiscal 1989, too, private trucking will grow only modestly, while commercial trucking will continue expanding on the consumer- and production-related cargo front, with domestic demand leading the economic growth. ■

(Makoto Amada, senior economist)

Domestic Transportation Shares

(in terms of ton/kilometers)

