Going Places

Private railways

The number of passengers carried by major private railways, not including the JR Group, is likely to increase marginally in fiscal 1989. But there are considerable regional disparities in the rate of increase–a constant trend over the years.

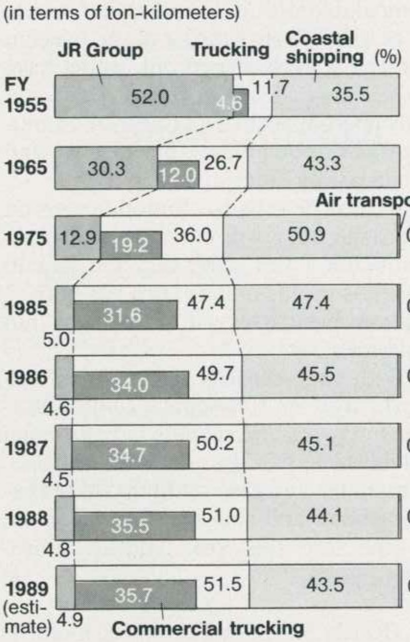
Passenger traffic in the Kanto region including the Tokyo area has climbed 2–3% over the year before, reflecting the population growth and the construction of new facilities along some of the lines. By contrast, in the Kansai region around Osaka, the traffic has remained almost unchanged.

Major non-JR railways invested heavily in their transport operations to increase passenger-carrying capacity. They also pumped capital into the construction of rental buildings in connection with urban redevelopment projects in front of railway stations. In spite of these investments, their earnings position remains stable, thanks to the continued growth of demand and the opening of the new rental buildings.

In fiscal 1990, because their three most important divisions–railroads, real estate sales and rental real estate–are all expected to continue generating profits, the major non-JR companies are expected to again enjoy stable earnings.

Meanwhile, the major railways, again excluding the JR companies, have started operating long-distance express bus services on the nation's expanding expressway network. In addition to relatively low fares and deluxe seating, the buses are getting popular because they are operated during the night, when the availability of air and train services is extremely limited.

Domestic Cargo Transport Shares
(in terms of ton-kilometers)



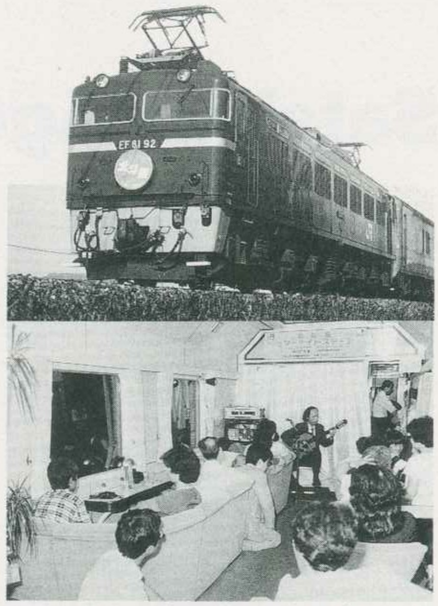
JR passenger companies

The six JR passenger companies that came into existence in April 1987 on the privatization and breakup of the Japanese National Railways are now in their third year of business. For the past two fiscal years they have performed well, largely due to their successful efforts to maintain train schedules geared to regional needs and their original plans to stimulate demand. Also, the completion of the Seikan undersea tunnel linking Honshu and Hokkaido, and the Seto Ohashi bridge connecting Honshu and Shikoku across the Inland Sea contributed to the favorable performance.

The number of passengers has increased steadily by about 3–4% since the beginning of fiscal 1989. The fare increases that went into effect with the introduction of the 3% consumption tax on April 1 have not caused any noticeable decrease in demand, thanks to the continuing expansion of the domestic economy. The JR companies plan to gradually expand investments in new facilities, but they are expected to register surpluses in fiscal 1989 as they did the previous year.

The JR companies are making positive efforts to expand operations in other fields in order to support their railway services. In particular, they are active in making better use of their existing corporate resources. For example, they are engaged in real estate rental, which involves the construction of rental office buildings in conjunction with redevelopment projects around major JR stations in central Tokyo. They are also diversifying into the travel business by using reservation counters at major stations to sell their tickets.

In fiscal 1990, they are expected to maintain their surplus position. Over the next several years they are expected to list their stocks.



The Japan Railways Group is promoting various entertainment programs in trains as part of efforts to boost its business.

Trucking

Trucking plays the leading role in domestic cargo transport, accounting for about 90% of domestic freight tonnage and about 50% in terms of ton-kilometers. In particular, commercial trucking services have been showing steady growth in fiscal 1989, supported by the rapid expansion of home-delivery services and the continuing surge in domestic demand.

However, a bill now before the Diet designed to reduce government regulations in the trucking business is likely to intensify competition in this area if it becomes law. The bill is designed to change the existing "approval" system to an "application" system, thereby making it easier for new companies to enter the business. The bill also aims to abolish the present system whereby changes in freight charges must be authorized by the competent ministry. If the bill is enacted, such changes will only have to be reported, which would facilitate moves to cut freightage. Competition resulting from rate cuts is likely to make it more difficult for trucking companies to sustain their earnings. The situation in the trucking industry will change substantially in fiscal 1990 depending on the progress of the bill in the Diet.

(Takuya Mizukami, economist)