

# Transport Faring Well

## Passenger transport

Passenger traffic remained steady in fiscal 1986, both at home and abroad. The volume of domestic passenger transport, even without the impetus of such special events as Expo '85 at Tsukuba in fiscal 1985, is projected to rise about 2% from a year before on a person-kilometer basis.

The Japanese National Railways (JNR), up for division and privatization, is expected to post a slight increase in passenger transport for the fourth straight year in fiscal 1986. The credit goes to a November 1986 revision of its fares and timetable designed to enhance its competitiveness vis-à-vis other transportation systems. The six companies into which JNR is to be split this year are expected to work harder and with greater creativity to boost profits and carry more passengers in fiscal 1987.

Backed by active investments, major private railways, especially those in the Tokyo region, are also steadily increasing their passenger volume. They are expected to secure stable profit levels as reduced electricity charges and interest rates improve their balance sheets. In fiscal 1987, too, private railways around Tokyo and in the Kansai area centered on Osaka plan to raise fares, which will place them on a stable managerial basis.

Ever since the disastrous JAL (Japan Air Lines) air crash in August 1985, domestic air transport had been running below previous-year levels. But in the second half of fiscal 1986, it has regained momentum. Prospects are such that fiscal 1986 performance will be back to preaccident performance. In fiscal 1987, domestic air transport is forecast to grow further, with the aftereffects of the JAL accident completely eliminated and domestic air networks expanding as a result of government policies to stimulate competition.

Japan's international air transport has been hit by a plunge in the number of foreign tourists in the face of the yen's dramatic appreciation since September 1985. This setback, however, has been more than offset by an increase in Japanese traveling overseas and the initiation of U.S.-bound service by All Nippon Airways (ANA). The number of passengers carried by Japan's international airlines has been steadily rising. Revenue, which nosedived in fiscal 1985 as a result of the JAL accident, is expected to grow for the domestic airlines in fiscal 1987 as demand recovers and fuel oil costs go down.

## Cargo transport

The ongoing change in Japan's industrial structure and the precipitous appreciation of the yen have been a drag on cargo transport. The gross volume of cargo transport in fiscal 1986 is forecast to be level from the year before on a ton-kilometer basis. Performance varies by means of transport, however.

JNR's cargo division, which is also to go independent in fiscal 1987 with the division and privatization of the national railroad, reduced its freight train runs by 40% when it revised its timetable in November 1986. Its share of cargo transport, already down to a puny 5%, is expected to slide even further.

In its place, trucks have come to play a prime role in the nation's cargo transport market. Despite a slowdown in production-related cargo volume, their share of haulage has expanded. They have been helped along by a number of favorable factors: Construction-related cargo increased, for instance, with the expansion of public works projects in the second half of fiscal 1986; popular door-to-door delivery services that have been



The initiation of U.S. service by All Nippon Airways helped offset the yen's dramatic appreciation for the carrier.

enjoying 25% per annum growth in demand have spurred demand for automotive cargo transport. Riding these twin waves of increasing construction and consumer-related cargo transport demand, the share of automotive cargo transport in total freight haulage is expected to surpass the present level of slightly more than 30%. With shippers pressing for lower physical distribution costs, however, it may prove difficult for all but the biggest truck operators to cash in on this active new demand.

Coastal shipping, which accounts for just short of 50% of the gross ton-kilometer volume of Japan's domestic cargo transport, has shown little sign of growth in fiscal 1986. Especially discouraging has been the slowdown in such bulk cargoes as steel and oil products.

Air cargo, both domestic and international, continues to rise but its high-growth period may be nearing an end. This reflects declining exports from Japan because of the yen's appreciation.

Worst of all is oceangoing shipping. All three major sectors—liner, trumper and tanker—are in the doldrums. Besides overtonnage, crew redundancy has become a serious problem. Especially in fiscal 1986, liner service has suffered huge deficits due to intense competition on North Pacific sealanes. Trampers are also operating in the red. The only profit is from industrial carriers backed by long-term charter parties.

The yen's appreciation adds to the predicament of Japanese oceangoing shipping. The top five shipping companies in fiscal 1986 are likely to show a ¥14 billion (about \$85 million) deficit in their ordinary profits. In fiscal 1987 oceangoing shipping is expected to remain as seriously in the red as in fiscal 1986. This is because trumper services are bound to slump further, despite some expected improvement in the liner business. Drastic personnel reduction plans are expected from Japan's shipping companies. ●

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## Domestic Cargo Shares

(ton-kilometer basis; %)

