

# Toyohashi: New Base for Imports

By Kazuhiro Takasaki

the newly developed business centers in Yokohama. Many others intend to follow suit.

A survey jointly conducted by the Ministry of International Trade and Industry and the Research Institute for Industrial Location Co., Ltd. shows that 50 (16.4%) of 304 companies responding to the survey had already moved their headquarters from Tokyo, 26 companies (8.6%) were considering doing so, and 121 companies (39.8%) planned to consider relocation in the future. Only 107 companies (35.2%) expressed no interest whatsoever in relocation.

As to a question regarding movable sections (with multiple answers), those considering relocating all headquarters functions numbered a meager 15. But 208 companies were prepared to move a training division, while 197 companies said they would consider moving their information processing division, 119 companies the design division, 108 companies the commodity development division, and 73 companies planning divisions. Up to 50 companies said they would even consider relocating divisions such as general affairs, staff management, labor management, accounting, finance, publicity and marketing, which are closely related to the accumulation of core functions.

According to the survey, locations to which headquarters functions had been or would be relocated were: within 50 kilometers of Tokyo for 29.6%, 50 to 100 kilometers 32.6% and 100 to 150 kilometers 11.8%. Thirty-two companies (10.2%) replied that distance from Tokyo did not matter to them.

Extreme concentration in Tokyo has thus begun to have a negative impact, but dispersion of headquarters functions to provincial regions is now emerging as a realizable possibility. This will have the dual effect of redressing excess concentration in the Tokyo area, while at the same time contributing to the important revitalization of Japan's provinces. ■

*Hirota Mano is president of the Research Institute for Industrial Location Co., Ltd.*

Located close to the central Japan metropolis of Nagoya and 300 kilometers west of Tokyo, the port of Toyohashi is emerging as a beachhead for European cars. Already, one British and two German automakers—Rover, Mercedes-Benz and Volkswagen Audi—have established import bases there, striving to penetrate the Japanese market.

They are using the port not merely as an unloading site but also as a full-scale import base, installing service factories for adjusting their products to Japanese specifications. They were attracted to Toyohashi by its convenient geographical location and relatively low land prices, as well as the enthusiasm of the local community.

Though conveniently located in the middle of Honshu, Japan's main island, Toyohashi was left behind during the industrial development of Japan's high-growth period, with few manufacturing industries developed there. The port of Toyohashi is relatively new, having opened in 1972. Since Toyota Motor Corporation built an auto plant there 10 years ago, the port has begun to develop as an export outlet.

## Boost for imports

Goods exported through the port in 1990 totaled ¥1,026 billion and imports ¥120.6 billion. Automobiles accounted for as much as 98% of the exports, with all U.S.-bound Toyota cars shipped out via Toyohashi port. Though imports are still less than one-eighth of exports, townspeople expect that the arrival of cars, which are high-value-added products, will boost total imports and make it a balanced international port.

Leading the European automakers' advance into Toyohashi was Mercedes-Benz. Mercedes-Benz Japan Co., a Japanese corporation based in Tokyo, purchased a six-hectare tract of land in September 1989 and started constructing an engineering service center for adjust-

ing German-built Mercedes-Benz cars to Japanese specifications. The Japanese subsidiary acquired another tract of four hectares in 1990 to construct a parts center and a staff training facility, which were almost completed in 1991. The first ship carrying Mercedes-Benz cars to Toyohashi arrived late in 1990. Since then 9,000 Mercedes have been marketed in Japan via the port.

Volkswagen Audi Nippon K.K. came next. The German company acquired a 17-hectare tract of land, where the construction of a service factory started in autumn 1990, and a provisional factory is already in operation. The full factory, to be completed in autumn 1993, will be capable of servicing 100,000 cars annually.

Rover Japan Ltd. began building a factory as soon as it announced its expansion into Japan in autumn 1991. Before the year was out, the first shipment of 900 Rover cars had already arrived there.

The three automakers' selection of Toyohashi as their Japanese import base was motivated above all by low land prices. Mercedes-Benz had first looked for a factory site in Yokohama so as to be near Tokyo, but gave up due to the limited availability of land and high prices, since it needed an area large enough for extensive parking and bonded areas.

Land prices in Yokohama at the time averaged around ¥300,000 to ¥450,000 per square meter. "Such prodigious land prices were beyond German corporate imagination," said Hajime Saburi, publicity manager of Mercedes-Benz Japan. "So we looked beyond the Tokyo-Yokohama area and were led to Toyohashi. We acquired our site at a price about one-tenth of land prices in the Kanto area around Tokyo. Even so, it was not easy to obtain approval from head office in Germany." Reclaimed land at the Toyohashi port is currently priced at about ¥30,000 per square meter, still very cheap compared with land prices in other major Japanese ports, according to local port officials.

Convenient geographical location was



also behind the three automakers' decision to move into Toyohashi, which is conveniently located for easy access to the Tokyo-Nagoya National Expressway and National Route No. 1. "We looked for a location that could offer a spacious site and was conveniently located for nationwide delivery. Toyohashi met those two conditions," said Yasuto Mizoguchi, president of Volkswagen Audi Nippon, which plans to import 100,000 cars into Japan annually.

## Local enthusiasm

Local community enthusiasm, combined with the existence of good port facilities, was another factor. Mayor Akira Takahashi played a key role in bringing Rover to Toyohashi. Tipped off that Rover was making a feasibility survey, through a Japanese trading house, on possible expansion into Toyohashi, Takahashi called at the Rover headquarters in London during a Toyohashi economic mission to Europe in May 1990. Citing the example of Mercedes-Benz and Volkswagen, which had already decided to move into Toyohashi, he explained to Rover executives the city's convenient location and its readiness to offer land. Rover executives immediately held a board meeting and decided to accept the offer 30 minutes later, according to the mayor. "I was anxious to bring Rover to Toyohashi, as the establishment of beachheads by three major European automakers would help distinguish the city. I was determined to strike a deal on the spot," said Takahashi.

While major Japanese ports like Yokohama, Nagoya and Kobe have been expanded almost to capacity, Toyohashi, only 20 years old with reclamation work still going on, has created a good image as a young port. Yuji Kawai, a director in charge of engineering and operations at Rover, said, "It is a mere coincidence that three major European automakers have established beachheads in Toyohashi. Even so, Toyohashi could become an advance base for imported cars. We should like to foster good relations with the local community not only in economic terms but also in other fields, for example by

participating in local events. By doing so, we will help create a car import 'culture' and make Toyohashi the Japanese mecca of imported cars." Kawai's statement matches the city's strategy of building up its image as a car import center.

Toyohashi's late development as an import center, despite its convenient location, has now turned out to be an asset. The Toyohashi port was initially used mainly to unload imported lumber. Not surprisingly, companies locating near the port were mostly those related to lumber and housing. The first global oil crunch in 1973 hit the Japanese lumber industry badly and many lumber companies were forced to reverse their decisions to move into Toyohashi. Consequently, development projects stalled, and reclaimed land remained unused.

The start of Toyota Motor's operations on a tract of the port complex in 1979 changed the whole situation. The Toyota

factory, aimed at manufacturing passenger cars for the North American market, brought with it a number of parts makers. Suzuki Motor, based in the neighboring prefecture of Shizuoka, also followed in Toyota's footsteps by establishing its export base there. Toyohashi's status as a car export center was suddenly enhanced, resulting in the upgrading of harbor roads.

Mercedes-Benz, Volkswagen and Rover all deny that their expansion into Toyohashi was prompted by Toyota's earlier move. But Toyota's expansion led to the upgrading of port facilities and made Toyohashi more accessible by road, which in turn helped attract the foreign companies. Toyota's name helped, too, said Toyohashi officials.

The city government as well as the business sector of Toyohashi are sparing no effort to make the three European automakers' expansion a success. "The



Photo: Aichi-ken Mikawa Komusho

Toyohashi's development as an international port has been boosted by low land prices and its convenient location.



development of the port will lead to the development of the district surrounding Toyohashi as a whole. The establishment of strongholds by world-renowned automakers will have a strong impact," said Nobuo Kamino, president of Toyohashi Chamber of Commerce and Industry, "We intend to do more to help companies operating here, for example by upgrading trunk roads. We are told by the Aichi prefectural government officials that scores of major companies have expressed interest in building factories in an area now being reclaimed."

To Toyohashi's further delight, Volkswagen Audi Nippon will relocate its headquarters from Tokyo to the Toyohashi import base in May this year. Development System Inc., a waterfront developer affiliated with the Aichi prefectural government, surrounding city authorities and local business organizations, is ready to extend full cooperation to the Japanese subsidiary of the German auto giant. "The establishment of the headquarters of a leading European automaker here is an unprecedented event, and unlikely to be repeated," said Osamu Kato, managing director of the company. "We will give top priority to Volkswagen Audi, and do all we can to help them. We are ready to prepare housing facilities and help them find local employees if they seek our cooperation."

## Lower costs

Some people wonder how the company will manage if it operates away from Tokyo, which is its largest sales outlet. Mizoguchi said he was not unduly concerned, though he admitted that the relocation of the headquarters from Tokyo will create a mountain of problems. He explained that the relocation was motivated by a judgment that total operating costs will fall if the company is based in Toyohashi, given the exorbitant cost of personnel in Tokyo. "Whenever we face difficulties, we shall address them by trial and error," said Mizoguchi.

Volkswagen's relocation to Toyohashi, whose land prices are less than 10% of Tokyo's, may make sense at least economically. Yet while the concentration of



British-made Rover Mini cars lined up at Toyohashi.

corporate functions in Tokyo continues unabated, it is still too early to conclude whether the move was the right choice.

The bursting of Japan's "economic bubble" has taken its toll on the Japanese auto industry. Domestic car sales in 1991 sagged below 90% of the previous year's level, and industry leader Toyota saw a 30% decline in its profit. Imported cars can hardly be left unscathed.

Mercedes-Benz, Volkswagen Audi and Rover will start full operations at their Toyohashi factories in the autumn of this year at the earliest. The three carmakers chose Toyohashi as a beachhead for expanding their distribution networks on their own, without relying on Japanese distributors, like Yanase, through which their products had previously been marketed. But they will find it hard to achieve their sales targets, including Volkswagen's 100,000 units per year, which are all set at a level twice that of annual sales achieved up to 1991. At a time when domestic car sales have turned sluggish and competition is getting keener, it seems unlikely that car imports via Toyohashi will rise phenomenally.

Toyohashi, however, seems unperturbed. Already having become one of Japan's leading import centers, Toyohashi provides an import base not only for automakers but also for other industries. Four years ago, German chemical and phar-

maceutical company Bayer moved in. Toward the end of this year, Brazilian-owned tanks for condensed juice will be completed.

In the wake of the establishment of close economic relations with Germany, Toyohashi has inaugurated the Toyohashi Japan-Germany Association to promote exchanges with family members of German businesspeople residing in the town. The executive director of the association, Eiichi Kosaka, said, "As the trade imbalance has posed serious problems for Japan, the port of Toyohashi is playing an increasingly important role. Currently, we are enjoying a boom, with foreign companies moving in one after another. We must see to it that foreign companies will never abandon their base here. To preclude such an eventuality, we must promote exchanges with foreign residents economically and culturally."

Toyohashi will serve as a test case for regional development based on the opening of a port. It will also be a testing ground for the fortunes of European automakers challenging the Japanese auto market.

*Kazuhiro Takasaki is a reporter covering industrial issues at the Nagoya Broadcasting Station of NHK (Japan Broadcasting Corporation).*