

Getting on in the Fast Lane

By Hamano Takayoshi

In mid-August the main expressways in Japan were inundated by travellers taking advantage of the traditional Bon holidays to spend time in their hometowns or at holiday resorts. This scene is repeated three times every year, during Golden Week in May, the Bon Festival and the New Year season. One would think that separate holiday times would be one way to avoid an overcrowded highway network, but it appears that all are in favor of taking holidays at the same time.

The supposition that the highway system is kept in excellent condition and destinations can be reached quicker by their use differs from reality. Those who use the roads and residents residing in areas far from expressways say that the development of Japan's highways is a great disappointment. By and large, criticisms center on the lack of connections and width of lanes.

To correct these deficiencies, resources will have to come from somewhere. At the moment, the policy from the motorway administration is that those who enjoy the services must pay for them. Therefore, if the government upgrades the motor-

ways, toll increases are unavoidable. This argument has inevitably invited criticism.

Expressway toll system

The Japan Highway Public Corporation argues that an increase in tolls is necessary. This organization, responsible for the day-to-day running of almost all highways nationwide, was ordered in November 1993 by the Ministry of Construction to build a total of 1,184 kilometers of expressways. The scheme includes the construction of the Second Tomei-Meishin Express Highway. If the corporation complies with the order, it must accumulate money for the project through toll charge increases.

The procedure to follow is set out in the Fourth Comprehensive National Development Plan, compiled in 1987. According to this plan, the construction of the network will be the cornerstone in the creation of a decentralized, multi-

polarized Japan for the 21st century. The network will stretch over 14,000 kilometers, and access from surrounding residential areas should be held to one hour. By March 1994 5,574 kilometers had been completed, 44% of the total. This is 41 meters per

1,000 people or 84 meters per 1,000 vehicle owners. Compared with America, where figures are 333 and 445 meters respectively, the state of affairs in Japan is dismal. Even compared with Western Europe, for instance France, Germany, Italy and Britain, Japan's levels lag.

Calls for a more extended motorway system are gathering strength and growing louder. However, the fundamental policy for motorway construction is that those who enjoy and use the services must pay for them. That is, the finances for this construction must come from the toll charges paid by users.

To devise a workable scheme, a central funding system has been adopted with the total cost of the core construction, stretching over 11,520 kilometers, worked out and divided by the number of recipients who would enjoy the services when completed. In other words, even for those expressways whose original costs have been paid off long ago, an increase in the toll charge is unavoidable, otherwise, no funds will be available for future construction. This must be part of the reason why some local authorities, where sections of construction are behind schedule, have come out in favor of a toll increase, although the majority have expressed reservations.

Frozen public utility charges

As I mentioned in the previous article of this series ("The Price Busters", September/October issue), on May 20, the Hata government announced that increases in public utility charges would be frozen. These included expressway toll charges, NTT telephone charges, subway and bus fares set by the Transport Department of the Tokyo Metropolitan Government and taxi fares in Tokyo. The deferral came after pressures for price increases in these areas surfaced.

The government's decision to announce the price freeze was partly a result of pressure from the industrial sector, including that of the leading figure, President Nagano Takeshi of the Japan Federation of Employers' Association. Nagano stressed that the industrialists are making painstaking efforts to sustain the economic recovery through restructuring programs and cost-cutting operations, and they some-



Spurred by the issue of rising prices for government utilities and services the Ministry of Construction has become increasingly more inclined to review the current "pool" system.

times even try to encourage the fall of prices in the market in order to keep their products competitive. That the public sector would be granted a price increase so readily was not acceptable.

However, toward the end of July, almost immediately following the inauguration of the Murayama government, a Cabinet meeting attended by the ministers of relevant departments announced the need for an extensive revision of services in the public sector. This statement was interpreted by the media as a signal that the public utility charges would increase in the new year. The price freeze policy in the public sector was thus overturned in just two months, and feelings of discontent with the new government emerged.

In August, a plan for increases in expressway tolls was submitted to the Council for Price Policy. This council is an advisory body, and its members occasionally meet to discuss matters relating to governmental policies on stabilizing consumer prices. Although the council does not have the authority to grant price increases, the fact that a meeting was held shows the impact felt by the government over the announcement that prices would no longer be frozen.

The council made the following recommendations: business rationalization of Japan Highway Public Corporation should proceed; investigation of fundamental highway problems; and minimum toll increases are unavoidable. Upon receipt of these recommendations, the Japan Highway Public Corporation decided draw up a cost cutting plan for its clerical workforce, and establish a governing body which would include representatives from the private sector, such as academics and other experts; and the corporation should show intent to pursue continuous rationalization programs within the organization.

The government granted a toll charge increase of approximately 7.2% to take effect April 1995. This will increase step-by-step, reaching approximately 9.7% on January 16, 1997. This is slightly lower than the 10.6% that was initially requested and is the first rise in public utilities to be made since the Hata decision to freeze increases.

Discussion on the comprehensive toll system

However, this step does not provide a final and fundamental solution to the problem of highway tolls. The Ministry of Construction, the government department ultimately responsible for the administration of roads, has announced its intention to refer to the Road Council, its own consultative organ, the recommendations made by the Council for Price Policy. While the final decision has not yet been made, I would like to re-state some of the basic arguments.

The cost of construction in Japan is \$50 million per 1 kilometer, nearly three times as large as the cost in America, \$18 million. This is partly due to the Japanese terrain which is mountainous with scattered valleys. In addition, the acquisition of privately owned land is more costly in Japan. There is one area, however, which does not hinge on the objective problems of geography: cost cutting measures when purchasing construction materials.

Another point of contention is the time frame for the continued existence of tollways. The redemption period for the construction cost for a highway has been set at 40 years. In theory, when the original cost has been met, the gates are to be demolished. However, existing toll gates will be there for sometime, which means that expressway users will continually face increases until the full redemption period is over. Therefore, there are calls for an increase in government subsidies which would reduce the frequency with which price increases occur. The flaw in this argument is that the Japanese general account is chronically in deficit, running debts of nearly \$2 trillion. If taxes are increased, it would not be possible to subsidize the toll charges on a permanent basis.


There is a suggestion that nearby national highways which are not linked with the national expressway network could be upgraded and integrated in the network as subordinate alternative routes to the motorway. Implementing this method would reduce construction and environmental costs. There is the concern that this situation may end up

the same as that of the former Japan National Railways which found themselves in the red due to demands for an extended national rail network. Therefore it is necessary to review the Fourth Comprehensive National Development Plan itself, drawn up at the height of the bubble economy.

Another possibility should be pursued. According to present practice, included in redemption costs is the price of the land purchased for highway extension. However, this land automatically becomes the property of the state. Hence, the argument goes, land purchase expenses should be excluded from redeemable costs. Although the use of such land may be limited to highways, land prices may rise in the future and it is more appropriate to exclude land costs.

To construct a motorway financed by centrally reserved funds is, in effect, to build a motorway in the provinces from tolls paid mainly by city-dwellers. At a public hearing held recently, demands were raised to review this method of funding. Although it is not easy to rewrite the entire plan at this late stage, attempts must be made to arrive at a solution.

The government has decided that toll charges are uniform nationwide. However, the highway network is already very extensive and slightly different toll rates, one for the existing motorways and one for future roads, cannot be avoided. How should the government address this point? In my opinion, the government is, at least, responsible for ensuring that thorough discussions on this issue be held. As for future plans, the government should listen to the widest possible range of sections of society, and respond to their opinions sincerely, completely free from economic short-sightedness.

Otherwise, there will be criticism based on the fact that the gap between Japan and the other side of the Pacific is growing wider, as the Japanese toll rate is already expensive at \$0.25 per 1 kilometer, while most motorways are free of charge in the States. 

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