

Establishment of Japan International Consultants for Transportation and Expansion of Future Business Overseas

Masanori Tanaka

Introduction

Japan International Consultants for Transportation Co., Ltd. (JIC) was established on 1 November 2011 as a joint venture between seven of Japan's major railway operators to provide consulting services to railways outside Japan. Shareholders include East Japan Railway Company, West Japan Railway Company, and Tokyo Metro Co., Ltd. After various preparations, such as establishing procedures to take over business outside Japan conducted by Japan Railway Technical Service (JARTS), JIC started practical operations on 1 April 2012. Three new shareholders were also added on 2 April, making a total of 10 shareholders.

This article covers the background behind the establishment of JIC as well as its roles and future outlook.

Changes in Railway Environment Outside Japan

With the global emphasis on environmental issues and the growth of emerging economies, appreciation of railways as public transport is on the increase and various countries are planning and carrying out railway projects. Some forecasts show that the scope of the global railway market is expected to grow by 37% from an average procurement of approximately ¥16 trillion in the 3 years from 2005 to 2007 to ¥22 trillion in 2020. This basic growth trend seems likely to continue into the future.

Railway systems provide benefits as public capital to the many people who use them, but they also tend to be big projects compared to other infrastructure projects due to the long time and large initial investment required for construction. Thus, a key theme for operators of completed railway systems is how to maintain sustained growth. Against this background, major changes are occurring in how orders are placed for railway projects outside Japan. While rolling stock and signal systems were often procured separately in the past, now it is common to order turnkey projects for railway systems, including operation and maintenance (O&M).

Background and Purpose for Establishing JIC

Railways are planned to a standard or specification reflecting the political, social, economic, and other situations of a country. As a result, a railway system cannot be changed easily once completed. For this reason, if a consulting firm that is well versed in Japanese railway systems participates from the early stages in forming concepts or basic planning when standards and specifications are decided, and can receive orders for consulting work from the organization placing the order in the next implementation phase, an optimum railway system anticipating the national needs can be proposed. Such a system can be based on Japanese railway systems from basic specifications through infrastructure, system design, and bid documents. Consultation for railways outside Japan can contribute to national and international progress through involvement in such projects. At the same time, it can sustain the growth of Japan's railway industry. The roles that must be fulfilled in enhancing the functions of Japan's consulting for railways and railway projects outside Japan are becoming increasingly important.

Many such past roles have been fulfilled by JARTS, which was established in 1965. JARTS has an enviable track record of achievements, such as transfer of Japanese railway technologies to other countries and development of human resources. However, as an incorporated association, JARTS faced the problem of lacking both human and financial resources in terms of being able to further expand business in the current situation where international competition is fierce and a quick and assertive response is needed. Moreover, JARTS consulted for the ordering party while having members whose main business interest was in receiving orders, leading to concerns about a conflict of interest.

On top of this, recent orders for railway projects outside Japan are changing to turnkey packages including O&M. Since railway operators have most of the O&M know-how in Japan, firms consulting on turnkey railway projects need close coordination and cooperation with railway operators.

In this situation, JIC was established and funded by railway operators with a variety of experience and know-

Table 1 JIC Corporate Overview (at 2 April 2012)

Company name	Japan International Consultants for Transportation Co., Ltd. (JIC)
Head office	Chiyoda-ku, Tokyo
Established	1 November 2011
Capital	495,000,000 yen
Equity structure	East Japan Railway Company 53% West Japan Railway Company 20% Tokyo Metro Co., Ltd. 20% Kyushu Railway Company..... 1% Japan Freight Railway Company 1% Tokyu Corporation..... 1% Keihan Electric Railway Co., Ltd. 1% Seibu Railway Co., Ltd. 1% Keio Corporation 1% Osaka Municipal Transportation Bureau 1%
President	Masanori Tanaka, President
Main business	Research related to railway projects, consulting on railways and other transit systems, dispatching railway specialists outside Japan, educating/training railway personnel from countries outside Japan, etc.

how in high-speed rail, urban railways, freight railways, and more. Clearly, from the circumstances behind the JIC establishment and the companies funding it, JIC can provide consulting work at the various stages of surveying, planning, designing, supervising construction, and O&M for railways outside Japan. After identifying and understanding the various needs, technical level, national culture, and other factors about the ordering country, JIC proposes a sustainable railway system. It coordinates with existing consulting firms involved in business outside Japan in a manner that allows the companies to complement their individual strengths in carrying out projects, and cooperates with other railway operators besides its shareholders. JIC is supported by the Japanese Ministry of Land, Infrastructure, Transport and Tourism.

Table 1 shows an overview of the company at April 2012.

Major Projects Outside Japan

To secure eligibility to receive orders for railway projects and to implement projects smoothly, JIC took over the JARTS management resources, know-how, etc., on 1 April 2012. At the same time, in-progress projects outside Japan were transferred from JR East Consultants Co., Ltd. (JRC). Thanks to these initiatives and new orders, JIC is now consulting on

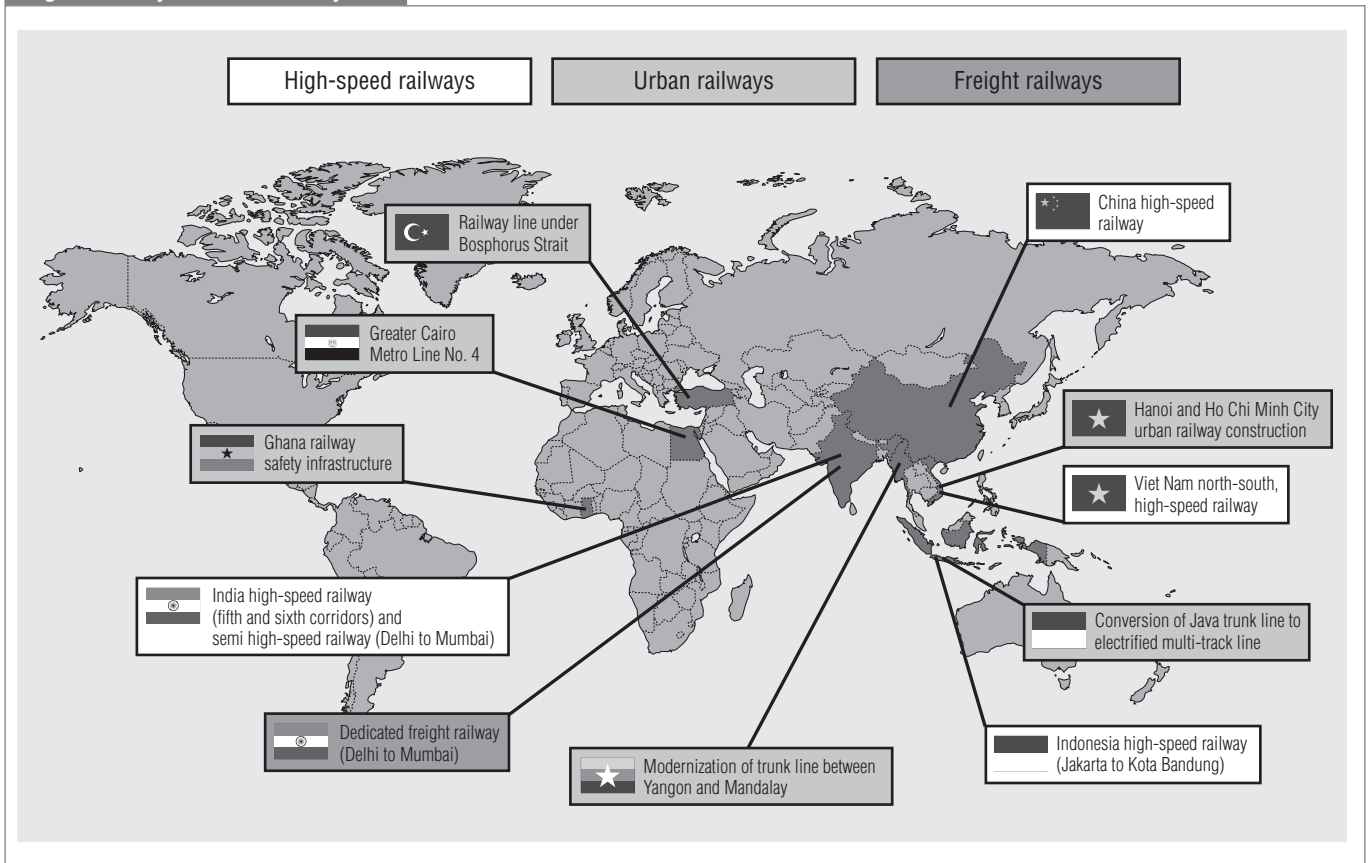
projects in eight countries as of May 2012.

The high-speed rail projects include surveying for advance plans for high-speed rail links between Hyderabad and Chennai (fifth corridor) and between Chennai, Bangalore, and Ernakulam (sixth corridor) in India, as well as a project to draw-up plans for constructing a north-south, high-speed railway in Viet Nam.

Urban railway projects include construction of the Ho Chi Minh City Urban Railway Project Line 1 and the Hanoi Urban Elevated Railway Line 1 in Hanoi and Ho Chi Minh City, Viet Nam, as well as detailed designs for the Greater Cairo Metro Line No. 4 in Egypt. In conventional lines, JIC is involved in planning surveys to modernize a trunk line between Yangon and Mandalay in Myanmar.

Projects in human resources related to operating organizations that are closely tied to O&M are in progress in Viet Nam. Specifically, JIC is proposing the organization, personnel, fare system, rule implementation, driver licensing, education and training, maintenance standards, and more, needed to establish an urban railway operator through the Project for Support of Set-up of Operation and Maintenance Company for Urban Railways in Ho Chi Minh City, and the Hanoi Urban Railway Operator Establishment Special Assistance for Project Implementation Survey. These are examples of JIC-specific consulting business that can help

Figure 1 Major Overseas Projects



achieve strong coordination with major railway operators investing in the company.

Figure 1 shows current major projects outside Japan.

Direction of Future Business Expansion

As described, JIC is pushing forward with a wide range of consulting business, including upstream stages such as work ranging from railway project proposal to design and construction supervision and downstream stages such as O&M, as well as advising on railway service provision in general. The goal is to propose the optimum railway system matching local needs. In the future, JIC plans to go beyond railway-related fields to develop consulting business in peripheral fields with close ties to railways. Some areas are lifestyle service businesses in and around stations and, further down the line, general planning integrating urban planning and railway station construction.

JIC aims to contribute to country development through railway consulting while also enhancing the international competitiveness of Japan's railway industry as a whole to help sustain development of Japan's railway industries. Moreover, through active efforts in fostering globally minded people, JIC hopes to support future international business development outside Japan. ■



Masanori Tanaka

Mr Tanaka is the President of Japan International Consultants for Transportation Co., Ltd. He joined JR East in 1987, following the privatization of JNR. He assumed his current position in November 2011, after serving as President of JR East Consultants Company, a subsidiary of JR East.