

On Trajectory for Resurgence of Local Public Transport Created Together with Tama The Stationmaster Cat

Mitsunobu Kojima

On taking the helm at Ryobi in 1999, our top management issue was what to do about a continuing 2% to 3% annual decline in customers on local public transport, such as trains and buses.

On 11 December 2013, 14 years later, I stood as a witness at the Land, Infrastructure and Transportation Committee of the Lower House of the Diet in deliberations on the Basic Act on Transport Policy. There, I argued the need for this law, giving case examples of Wakayama Electric Railway, Chugoku Bus, and Ikasa Railway, which I had helped rehabilitate.

I am sure many people were surprised at seeing me along with local residents, Tama the calico cat 'stationmaster', and employees happily rehabilitating bankrupt public transport. Local transportation took a battering with deregulation of public transport in 2000 and 2002, and I along with others had foreseen that more than 50% of railway lines across Japan would be lost. People at last came to recognize that we were working to maintain a local public transport network through efforts to have laws like the Act on Revitalization and Rehabilitation of Local Public Transportation Systems and the Basic Act on Transport Policy formed from the proposed Basic Act on Transport passed by demonstrating rehabilitation of individual transport companies centring around a European-style public-built/private-run model.

On 4 April 2013, the Research Institute for Local Public Transport was established by researchers and experts with strong track records based on knowhow about rehabilitation obtained by rehabilitating local transport. The Institute is working to overcome the problems of bankrupt local public transport, which will probably increase in the future, to ensure we can maintain and expand local transport networks throughout Japan, giving local people peace of mind.

The foundations for maintaining local public transport networks depend greatly on the future of companies in the JR group. Since I have a free rein to explain the miracle resurgence of regional public transport I would like to talk about how to overcome problems such as the challenges faced by JR Hokkaido, depending on the success of the second stage of the 1987 Japanese National Railways (JNR) privatization and division after the first successful stage. I

would also like to cover policy for moving public transport from the defensive to the offensive.

Benefit in Rehabilitation of Ryobi Group as General Transportation Company

The Ryobi Group started in 1910 as Saidaiji Railway; today (October 2014), it is a 49-company corporate group with three core business units. One is related to almost every aspect of land and sea passenger and freight transport (railways, buses, ferries, taxis, logistics, and tourism), another is related to information, and another is related to daily life. The group employs approximately 8500 people, has an annual turnover of ¥130 billion and pre-tax profits of ¥5.6 billion.

At age 28, I returned to Okayama to help rebuild the former Ryobi Transportation. In the many years since then, knowhow and problem awareness gained by my involvement in rehabilitating and managing all aspects of the transport and transportation business unit has helped greatly in rehabilitating other companies and has led to the resurgence of local public transport.

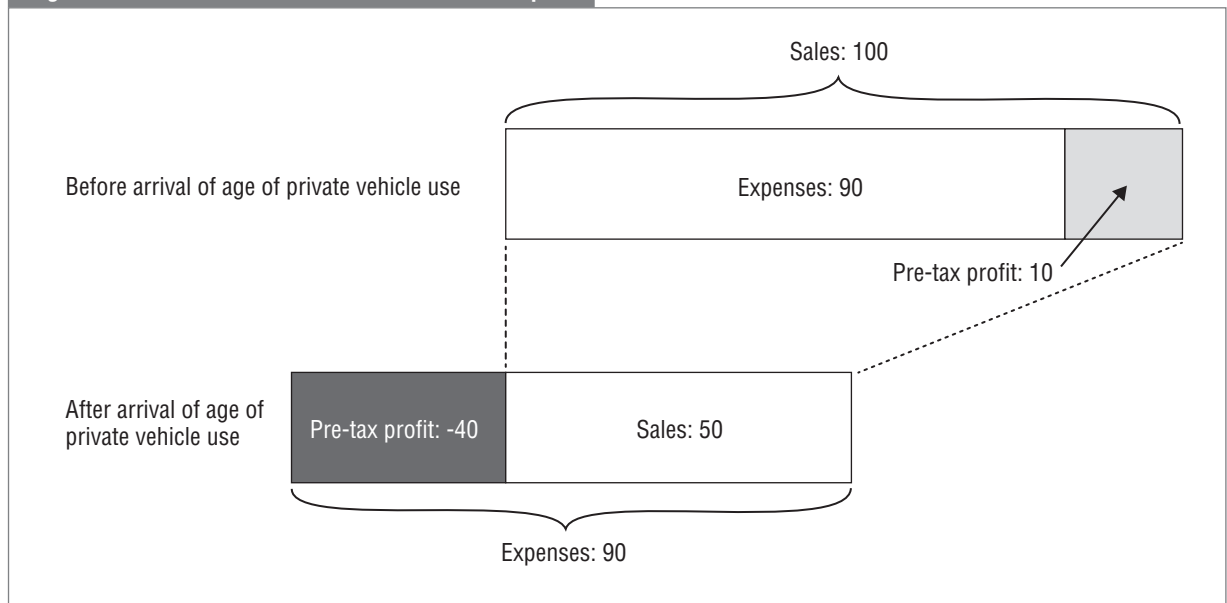
Since I have rehabilitated railway and bus companies as well as ferries, people often ask me what business I am in. Is it railways, buses, ferries, taxis, logistics, or tourism? After managing all of these for over 40 years, I would have to say I am a manager of a general transportation company.

Although the Ryobi Group has been operated under a corporate policy of not accepting national and local government subsidies, prior to the 2002 deregulation and based on analysis of future public transport demand we forecast that we would fall into the red within 10 years and our public transport business would become a burden on the Group. This sense of crisis and an awareness of what we needed to do was the starting point for rejuvenating public transport.

Japan—Only Developed Country Leaving Public Transport Entirely to Private Sector

Although not widely known, Japan is the only developed country to leave public transport entirely to the private

Figure 1 Business Model for Local Public Transport



sector where it has fallen into a situation I can't but help call 'Galapagosization'.

Europe in particular realized that building American-style roads and adopting automobile-centric transport policies would lead most customers to private vehicles with public transport becoming decreasingly important. Moreover, they saw that building a society based on private vehicle ownership would leave some social groups such as children (too young to have a driving licence), the elderly (too old to drive safely), and the poor (too short of money to purchase a vehicle, etc.), with restricted freedom of movement. As a result, the concept of the right of access to transport for all citizens—the right to freedom of movement and the right to transport—developed in some countries, like France. These countries generally adopted a public-built/public-run transport system.

More recently, methods for guaranteeing public transport are seeing a switch from public-built/public-run to public-built/private-run, using Japan's 1987 JNR privatization and division as the reference model. In this system, separation of infrastructure and operations separates the duties of government and the private operator to keep the business profitable.

So why did Europe embrace the public-built/private-run system? My explanation uses my own local public transport business model. Before the age of private transport, 100 people would all use public transport so sales could be assumed to be 100. At this time, the industry business model was one where, assuming expenses of 90, pre-tax profit was 10 (100 – 90).

With the arrival of the age of private transport, 50 of those 100 people switched to using private vehicles, so

sales were 50. However in terms of expenses, the number of trains cannot be halved when the number of passengers is halved to 50 and nor could the number of drivers be halved if only 25 people ride a bus intended to carry 50 people. Consequently, sales of 50 minus expenses of 90 results in a deficit of –40, a loss-generating business model. The public-built/private-run model evolved as a way to make this unsustainable business model sustainable.

The Japanese government did not view local public transport with its unsustainable business model as a long-term structural problem. Instead, it tried to hold things together with subsidy policies to relieve losses, chewing-up past reserves while drastically cutting the salaries of drivers and others working in the industry, and closing unprofitable lines. In other words, public-transport operators were trying to maintain the business using 'defensive' management. So, I believe that the most important issue in creating a policy is how to change the loss-generating business model into a positive business model according to the situation.

Japan Off Course due to Overconcentration in Tokyo

Along with deregulation of transport and transportation-related sectors, there are various reasons why local communities weaken with an aging society and fewer children. Scarce regional revenue due to tax and subsidy reforms and decline of regional industries supporting regional economies due to the high yen can lead to non-functional communities. A policy of personal vehicle use was promoted in inverse proportion to such weakening of local communities, so local public transport faces

difficulties in surviving. Such misdirected policies can be seen as the result of misconceptions by intellectuals, who themselves over-concentrate in Tokyo, along with political, administrative, and economic leaders—that Japan is just Tokyo.

In terms of public transport, busy people in Tokyo use public transport rather than private vehicles thanks to the convenience of JR East and private railway lines, subways, buses, and taxis running throughout Tokyo. The misconception that the standard of Tokyo and some major urban areas is the standard for all of Japan has caused policies to go in the wrong direction. However, public transport is indispensable for young people who do not have a driving licence and for the elderly for whom driving is difficult in regional areas where a person without a car cannot work or make a living. Even so, the lack of understanding in such areas that private-vehicle users may one day need to rely on public transport was the top impediment to my movement in bringing a resurgence in local public transport.

The main reason for the decline in public transport has been the loss of 50% to 60% of passengers in the age of private-vehicle use. The second reason is traffic congestion as a result of urban sprawl, stopping bus-centred public transport in traffic jams to the extent that buses cannot function effectively.

With insufficient understanding of the differences in transport situations in the centre of Tokyo and in regional cities, subsidy systems have been changed and reduced for bus operations that are generating losses in most regional areas as a result of deregulation. Freedom to withdraw from operations and introduction of the concept of cost effectiveness has led to reduction and closure of lines and bankruptcy of local public transport companies. The problem of local public transport companies borrowing from banks to cover losses that have expanded to many times annual sales and cannot be covered fully by subsidies was not grasped at deregulation.

Transportation-related deregulation was done for the purpose of protecting the interest of users and increasing convenience for them. Such deregulation abolished regulation of supply and demand which protected suppliers. Furthermore, licensing systems were greatly loosened to become simple authorization and notification.

Such deregulation may be right for large urban areas with heavy demand, but transport is public only in name in regional areas, so it is no surprise that companies go under when business becomes poor. Such businesses were handled in the same way as ordinary companies in other industries where lines that are no longer profitable are discontinued.

As a result, central government stopped subsidizing

and bailing-out most of the losses of public transport operators and instead local governments with limited financial resources tried to support them with the little money they had. However, in the end, more than 30 railway and bus companies across Japan failed in quick succession. Even expressway bus operations started by the remaining rail operators as the only revenue source to maintain loss-generating lines finally went under due to competition from probably illegal operations by tour buses and the introduction of ¥1000 flat-rate expressway tolls.

Side Effects of Administration of Public Subsidies

Despite being indispensable to maintaining loss-generating public transport, two side effects of subsidies are forgotten.

One of them is creation of moral hazard in management. As an example, Chugoku Bus—a loss-generating public transport company that saw strike after strike and rescued by the Ryobi Group—had bought a coach for long-distance expressway operations for ¥10 million more than the market price.

Fuel was being purchased at ¥10 more per litre than normal and parts were bought at prices three times higher than usual. Of course, interest rates on bank loans were more than double the going rate because the business was unprofitable. When management was asked why they operated in such a manner, it was clear that they were under the illusion that subsidies would decrease if losses decreased. The moral hazard created the exact opposite of normal management, where increasing losses would lead to increased subsidies.

The other side effect is that subsidies encouraged discord between management and labour. Both sides lost sight of the customer because receiving government subsidies became the main objective and they stopped making efforts for the customer.

Deregulation of local public transport occurred in the midst of this situation while most operations were supported by subsidies, and about 30 bus companies went bankrupt.

I am not saying deregulation in itself is a bad thing, but I think we are losing sight today of separating industries requiring deregulation from industries where it should not be done.

The illusion was created that deregulation would spur competition in all sectors, demand would increase, and benefits would be provided to users. And this was behind the creation of deregulation in local public transport that is going in the wrong direction.

In industries where supply is lower than demand or where demand increases to a point where supply is insufficient, deregulation increases competition, so supply

increases, prices drop, and users see a benefit. However, such effects of deregulation destroy industries where demand is decreasing and there is oversupply.

In fact, Japan's taxi and tour bus industries came to suffer oversupply to a point where they almost perished. The worsening business conditions caused tragic accidents and led to a vicious circle.

Moreover, the incorrect theory of cost effectiveness for public works was introduced to public transport, leading to closure and abandonment of lines to such an extent that the transport network is lost.

The idea of cost effectiveness is correct for public goods in terms of exercising frugality, but can be said to be incorrect in terms of national economy. Simply put, public goods are services and infrastructure that must be secured for the people, even if cost effectiveness is poor.

Company's Independent Efforts in Rehabilitating Public Transport Business

I thought this was a big problem, so soon after I became representative of the Ryobi Group in 1999, we started independent efforts to rejuvenate public transport.

Soon after taking my post, I visited the Okayama National Highway Office with the goal of holding public discussions on use of public transport and fostering social movements to promote its use. I explained the need for future national efforts to use roads efficiently at the same time as building new roads. I emphasized that road congestion in regional urban areas is often heaviest during morning and evening commuting hours, so efficient use of public transport in the form of buses and trains is more beneficial to the national economy than building new roads just for those few hours each day.

The Okayama National Highway Office was considering promoting transport demand management (TDM) at that time, so they sponsored the discussion panel, which was broadcast live on local radio. A woman panellist (representing users) knew that the percentage of people commuting to work and school by bus or train was less than 10%. She said that as more than 90% of people go by private vehicle, bicycle, or on foot, private vehicles making up the greatest ratio of transport should be called 'public transport'. She stated that as trains and buses were transporting such a small percentage, private vehicles alone were sufficient in regional areas. Hearing this was a tremendous shock to me. This woman didn't use trains or buses at all in her day-to-day life, and she felt no need for them.

I explained that whether there are many or few users does not matter for public transport because it is a method of transport that society must have for young people without driving licences and for the elderly who cannot drive regardless. I further explained to her that although she had no impediment to daily life while she had her private vehicle, she would need public transport when she becomes old and can no longer drive, which she reluctantly accepted.

What is most worrying about the era of personal-vehicle transport is that people in the prime of life in regional areas are not keenly aware of the need for public transport. Although they will someday rely on it, their lack of awareness that public transport is critical for mobility-impaired people who have little impact on public opinion causes an incorrect public opinion, so there is nothing to prevent deregulation and decline of regional public transport.

Other measures included holding citizens' meetings to promote use of public transport, introducing subsidiary-based measures to promote bus use, introducing bus shelters requiring no management fees (an idea from France), creating devices that allow schedules to be seen at the push of a button even at bus stops with no lighting, and correcting 'cream skimming' between bus companies. However, we realized that simply reinvigorating regional public transport would not bring customers back; the key to protecting local public transport, is to reinvigorate the whole community and region. We found that when a community has 'liveliness', public transport operators are stimulated too. As a result, we started efforts with a community rejuvenation movement to make walking in town more enjoyable through use of public transport.

As part of this idea, development of a futuristic LRT called 'MOMO' was commissioned to top train designer and Okayama native Eiji Mitooka; two buildings of the



'MOMO' LRT car

(Designed by EIJI MITOOKA+DON DESIGN ASSOCIATES)

108-m high-rise 'Grace Tower' condominium complex were constructed to rejuvenate Okayama city centre; and relocation from the suburbs to city centre was proposed. This created a model for a compact city.

Citizens' groups eventually took centre stage, introducing the public transport measures that Ryobi Group is working on across Japan. As a result, we have been flooded with requests for help in business rehabilitation.

Proving Archetype Public-Built/Private-Run Model by Managing Tsu Airport Line

The first request came not from public transport, but for a plan for five sea routes between Tsu City in Mie Prefecture and Chubu Centrair International Airport in Nagoya.

No local companies were willing to cooperate, so I was consulted on a pro-bono basis. I proposed:

- Five routes in the prefecture would be impossible due to low demand.
- Only the route from Tsu City was feasible even with low demand. It could work if boats, port, waiting areas, and parking lots were built with public funds and operation was run by the private sector.
- Responsibility is unclear and decision-making is slow with a joint public-private venture, so operation should be by a completely self-financed private-sector company.

No company with experience in sea operations responded to the public bid, so the Ryobi Group ended up taking the job and starting operation as the 'Tsu Airport Line.'

However, there was an illusion that lines to other cities in Mie Prefecture would be feasible due to the heavy business with the opening of Chubu Centrair International Airport in Nagoya and the holding of the Expo. Yokkaichi, Matsuzaka, and Ise cities opened routes with no real policy in place and all ended in termination. The three city mayors and prefectural governor have since left office. The Ryobi Group is working now to rehabilitate the route to Matsuzaka City.

Rehabilitating Wakayama Electric Railway Featuring Tama The Stationmaster Cat using Public-Built/Private-Run Model

As the public-built/private-run model for the MOMO LRT and Tsu Airport Line became known, we were consulted by a local citizens' group about rehabilitating Nankai Electric Railway's Kishigawa Line. Analysis showed that rehabilitation would be possible if the line's annual losses of ¥500 million could be reduced to less than ¥82 million by:

- Using a public-built/private-run model
- Using a completely self-financed private-sector company as the operator instead of a joint public-private venture
- Increasing convenience using recommendations from an operating committee made up primarily of Wakayama Electric Railway users

Such a method is difficult under current law, so the authorities worked hard to accomplish it in an extra-legal manner, because this was the only way to keep the regional railway.

The background to the success of the method included:

- The citizens' group deployed a true citizens' movement covering both practical and psychological elements under the slogan of 'ride and retain the Kishigawa Line'
- Having a firm government support mechanism
- Slight population increase with rehabilitation of Wakayama Electric Railway.
- Coordinating the work of employees, management, and even Tama The Stationmaster Cat

As a result, the line rehabilitation went well and the railway achieved a strong sense of presence by holding 80 events a year, including running a 'strawberry train', a 'toy train' and promoting Tama The Stationmaster Cat who has an annual economic effect of ¥1.1 billion with visitors from Hong Kong alone topping 26,000 in 2013. The Tama The Stationmaster Cat phenomenon highlighted the problem of regional public transport across Japan and created momentum in rehabilitating regional railways.

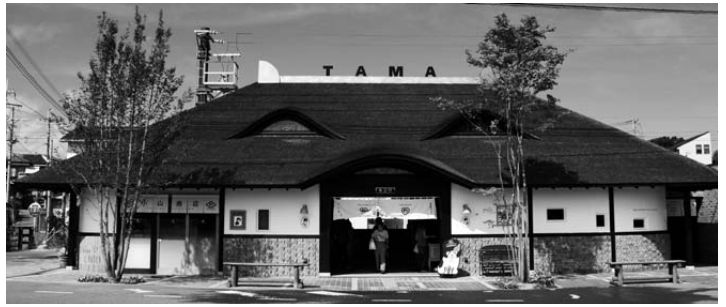
In rehabilitating the railway, we discovered that the public-built/private-run model is effective and it was picked up quickly by the national government.

Figure 2 Tsu Airport Line





Tama train



'Tama Museum' renovated Kishi Station with a cat motif



Ichigo (strawberry) train



Omocha (toy) train

(Museum and railcars designed by EIJI MITOOKA+DON DESIGN ASSOCIATES)



The author and Tama The Stationmaster Cat on the Tama train

(Wakayama Electric Railway)

Figure 3 Some of Ryobi Group's Vehicles



Ryobi Express Bus



SOLARVE Bus



SAIBUS



Ryobis' 'Blue Bus' tour bus with blue mica metallic coating on the exterior



'Dream Sleeper' sleeper bus running from Hiroshima to Yokohama



Tama Bus



UD Taxi



Grace Taxi

Design elements and topicality are important in rehabilitating regional railways. The Ryobi Group asked Eiji Mitooka, who was involved in design of the MOMO LRT, to be design advisor. He has designed most of our vehicles—trains, buses, ferries, taxis, and others.

Efficiency in how to carry as many passengers as

possible is important for vehicles serving large urban areas but in regional areas, artifices, design elements, and topicality are important in getting people who would not ordinarily use trains and buses to use them. Using artifices to make vehicles more fun could help revitalize regional public transport.

Side Effects of Subsidies Proven by Rehabilitation of Chugoku Bus

When the course for rehabilitation of Wakayama Electric Railway was set, the then president of Chugoku Bus in neighbouring Hiroshima Prefecture came to talk with me 3 months before the business went bankrupt. As there was no operator in Hiroshima Prefecture to save the company, he came to Ryobi Group in neighbouring Okayama Prefecture. After a serious accident in 2000, Chugoku Bus had been blasted by national broadcaster NHK for its ‘burning expressway buses’, and it had developed a bad name for more than 12 labour disputes a year. It was considered impossible to revitalize, but seeing the resolve of its president, we took on rehabilitating the company as I felt something terrible would happen if we did not.

As a result of the efforts of employees and executives and cooperation by government and citizens, we reduced subsidies of more than ¥100 million a year in FY2008, reduced accidents to 1/8 of the peak, and reduced complaints by 40%. From this, I can say we did a good job at rehabilitating the company. In the process, I realized that the previously described side effects of subsidies and poor labour relations were losing customers, so I proposed the new policies.

Subsidies for loss-generating operations are medicine that only prolongs the inevitable. I discovered that most loss-generating lines were not strong enough to take the medicine.

Legislation for Rehabilitating Regional Public Transport

Earlier, I said I was an expert witness to a Diet committee. In fact, it was proof from the public-built/private-run model with Tsu Airport Line and rehabilitation of Wakayama Electric Railway that provided the opportunity for legislation on the public-built/private-run model to be put together for railways. When we took-on rehabilitation of Chugoku Bus, regional Diet member came to thank us for saving the region’s public transport, but I told him that more than half of Japan’s regional transport routes would fail at this rate. I also said that this is likely the result of misconceptions propagated by politicians. Subsequently, he put efforts into setting up a subcommittee on regional public transport in the Land, Infrastructure and Transport Division of the Liberal Democratic Party (LDP). I was invited to the first subcommittee meeting where I spoke on the incentive of subsidies and on stimulating public transport. Just 7 months later, the Act on Revitalization and Rehabilitation of Local Public Transportation Systems was passed in October. While funding was meagre at just ¥19 billion, it was a blessing to cash-strapped local governments and operators.

This legislation put a variety of support systems in place and provided the opportunity to review regional public transport, but it was far from sufficient. It was just the start. Cooperative subsidies are welcomed by profitable companies, but they do not function for regional companies operating loss-generating lines. They faced a situation where barrier-free facilities, environmental measures such as CNG, and information technologies, such as IC fare cards and bus location systems, could only be introduced in large urban areas, such as Tokyo, Osaka, and Nagoya.

On observing the situation with buses in South Korea, I realized that in the Japanese system the division of roles and responsibilities between the government and private sector is unclear. We are suffering from the malady of relying on the ‘shot in the arm’ of subsidies to make up for losses.

Learning from the example of rehabilitating Wakayama Electric Railway, legislation for public ownership and private operation was introduced for railways. And from the example of rehabilitating Chugoku Bus, legislation was introduced for adding incentives to subsidies.

My proposals were noted in the LDP manifesto covering securing funding for rehabilitation of local public transport as the right to transport, but the administration subsequently changed. The Democratic Party of Japan (DPJ), who took over from the LDP, hardly mentioned public transport in its manifesto and promoted an exactly opposite policy where expressways were made toll-free to promote use of private vehicles. Under such a policy, local public transport networks would lose even more. In September 2009, I asked the local DPJ representative, ‘What from the people’s perspective, is the economic effect of making ¥2.5 trillion in expressway tolls free or ¥700 billion if all regional public transport—land and sea—were made free?’ He subsequently made a recommendation to then parliamentary secretary of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) and a conference to investigate the Basic Act on Transport was held at MLIT where I explained that superficial measures will not fix the problem and that comprehensive reform is needed. My suggestion was immediately adopted. It was studied by a working group on the Basic Act on Transport in November 2010, cabinet approval was gained in 2011, and the three major parties agreed to it. However, the administration subsequently changed again.

Humanitarianism as Basis for Right to Transport

The trump card for regional public transport is the public-owned/private-run model, but there was criticism from the start that this was completely socialist. This is an urban notion that neither reflects understanding of the situation in regional areas nor the mission of public transport. The

model can be said to be the minimum means of social movement that secures the right to transport of residents in regional areas with increasingly elderly populations, so it would be more correct to label it humanitarian. Some people are concerned that recognizing the right of movement will lead to lawsuits across Japan, but this only clarifies that it is within the range of basic human rights. People have the ability for movement from the start, so this probably would not fall within the scope of litigation.

This comes within the scope of social rights and the right of people to live with 'minimum standards of wholesome and cultured living' stated in Article 25 of Japan's constitution. In provisions for the country's social mission, measures for mobility-impaired people who face handicaps in particular must be considered by the nation. This is common-sense action in any developed country.

Suspension of Business by Ikasa Railway 19 Days After Announcing Failure Spurs Government to Action

A press conference in October 2012 announced the failure of Ikasa Railway (then only operating a bus business), and business was suspended just 19 days later, wiping out bus lines west from Okayama Prefecture to part of Fukuyama City in Hiroshima Prefecture.

Previous bankruptcies required filing for suspension 6 months in advance, leaving time for voluntary liquidation, appearance of a 'white knight', and other measures to avoid complete loss of local public transport. Consequently, nobody noticed this was an urgent problem.

This time, the national, prefectural, and city governments lost no time in requesting urgent support from the Ryobi Group and just 19 days later, on 1 November, we gave support using an urgent replacement operation. From this experience, we learned that it would be difficult to save the company under current law. It also goes without saying that it would be very difficult in terms of financial resources.

The old style of running public transport is the public-built/public-run model, but the current style in Japan is private-built/private-run; the public-built/private-run and public-built/private-commissioned rehabilitation methods fall between the two. In this, the government role is to build and the private sector is to operate directly or by commission. This method is effective for rehabilitating public transport.

This could not be done by conventional subsidy administration because subsidies are paid after the fact. So, even if rehabilitated, financing would not last. Subsidies are used basically to compensate for losses, so a company that does not generate profit can be considered impossible to rehabilitate.

The sudden failure of Ikasa Railway worried locally

elected Diet members, and the Basic Act on Transport, which had not progressed since being abandoned, started to see progress again as the Basic Act on Transport Policy. As a witness at the Land, Infrastructure and Transportation Committee of the Lower House of the Diet on 12 November 2013, I spoke on the progress so far and the need for a basic law. The fact that the bill was passed and approved on 27 November, despite administrations changing, was thanks to the Diet members and bureaucrats well-versed in the situation of regional areas understanding community problems and feeling that they had to do something about local public transport. I am very grateful for this. If the bill had not passed, we would not have been able to rehabilitate transport in the Ikasa Railway operations area.

Using Public Transport Saves Nation

Public transport is more than just a means of protecting mobility-impaired people. It is also effective in areas such as preventing walking difficulties and dementia in the elderly—major problems in an extremely aged society—and in alleviating health problems of people who rely too much on automobiles. I also believe that changing the local public transport industry from one that is on its last legs to one with hope is an important point in maintaining Japan's future vitality.

Being Major Force in Environment-Friendly Public Transport

It is important that we change local public transport measures from those to just prolong the life of failing companies to those offering hope for the next generation. Consequently, I am promoting an initiative to make Japan a major force in environment-friendly public transport.

I believe it is important how we reform to use LRT and electric buses, introduce information technologies, and change into an industry with hope for the next generation. I am sure this initiative could be a resource for making Japan a country that could boast the most functional and environment-friendly public transport in the world. This can be achieved with a national project costing ¥2 trillion over 10 years carried out mainly in core urban areas at ¥200 billion a year.

The wise choice would be to develop into a 21st century industry that exports its environment to the world instead of just conducting patchwork measures to save Japan's public transport. The syndrome of worrying that we don't have the money has become too prevalent, and we lack a clear vision for the future, preventing policy from being implemented. However, regeneration of provincial areas could be a key in overcoming this. I believe the only method for obtaining

sources of revenue is making higher taxes on cars and fuel into general taxes. Since use of private vehicles stole the value of public transport and private vehicle users will one day rely on public transport, it would be best to apply road taxes to public transport.

I hope to see local public transport shift from being on the defensive. By making Japan a major force in environment-friendly public transport, cities across Japan will be showrooms to the world, advanced computerized and systemized export industries such as LRT and electric buses will be born, stimulating Japan's industry to provide solutions to the world's problems in aging societies, environment, and health.

JR Group as Key to Forming Network of Regional Public Transport

The foundation of Japan's highly developed public transport is still centred on the privatized JR group of companies. The old JNR was privatized and divided in 1987 mainly to find a solution to tremendous accumulated debt and rampant labour unrest. It could be called one of the few great privatization successes in the world.

However, it has not been infallible and involves the following problems:

- The scheme to support stable management is crumbling as the long-term prime rate for the Management Stabilization Fund has dropped from an initial 5.2% to about 1.2% and operators such as JR Hokkaido serving under-populated areas do not see any increase in operating profits and are being forced to streamline further and take money directly from the fund.
- Securing safety by track maintenance and the like is becoming a problem at companies such as JR Hokkaido due to reasons such as financial difficulties. This is a problem that fundamentally affects lives, and the JR group of companies needs to secure standardized universal safety.
- Provincial regions have been forced to choose between developing new shinkansen lines and maintaining conventional lines. It is a self-evident truth that two loss-generating operations with both new shinkansen lines and conventional parallel lines cannot be sustained. While both losses are the same in terms of management, the fundamental high-speed rail operation of new shinkansen lines cannot be debated on the same level as lines supporting people's day-to-day lives. Today, with the revision and passing of the Basic Act on Transport Policy and the Act on Revitalization and Rehabilitation of Local Public Transportation Systems, public transport

networks must be maintained as national projects. At this rate, the nationwide high-level railway network will be divided, and there are problems with maintaining the network in terms of funding even if lines are transferred to local communities.

In my opinion, measures to solve these management problems include:

- Establish JR Holdings (JRHD) and put individual JRs under JRHD control.
- JRHD to centrally manage all assets and uniformly manage maintenance.
- Operators to secure safety and services.
- JRHD to centrally manage JRs' transport network and maintain as trunk lines.
- National and local governments and JRs to work as one for lines used by people on daily basis, supporting regional development in cooperation with regional public transport.

Establishing JRHD with fundamental and centralized management would work as the second stage of JR privatization to solve various problems. Unification could also benefit users.

The Basic Act on Transport Policy contributes greatly to maintaining and advancing transport in general in addition to regional public transport and we now hope—along with Tama The Stationmaster Cat—that a resurgence in regional public transport will see major progress in securing funding. ■



Mitsunobu Kojima

Mr Kojima is Representative Director and CEO of the Ryobi Group. He entered Mitsui Bank (now Sumitomo Mitsui Banking Corporation) following graduation from Keio University in 1968. He joined former Ryobi Transportation in 1973, and assumed his current position in 2011.