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of Transport



Ministry of Land, Infrastructure and Transport
Japanese Government

Workshop on Implementing Sustainable Urban Travel Policies in Japan and other Asia-Pacific countries

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Improving Efficiency Through Privatisation of Railways

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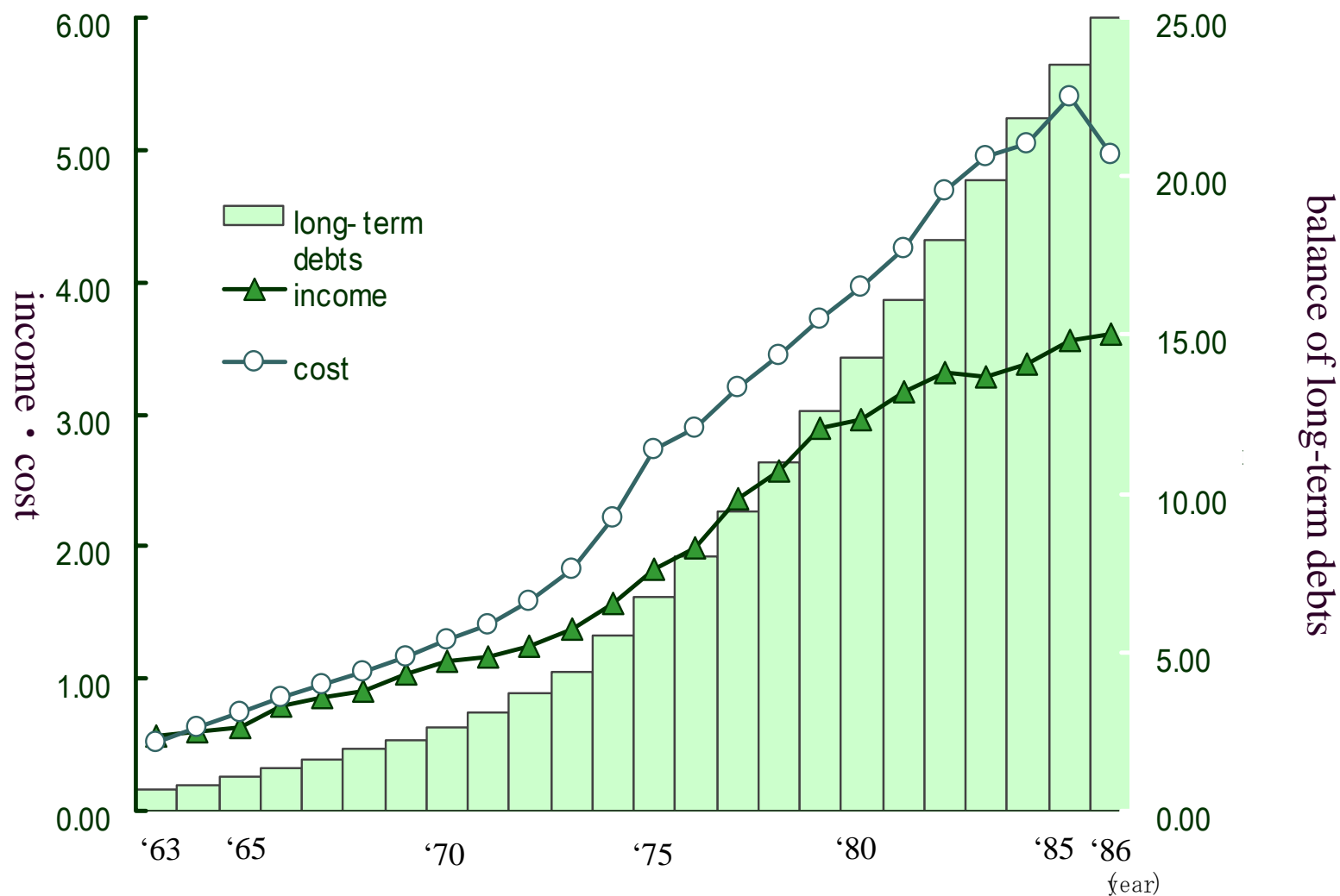
Split and Privatization of JNR

(Japanese National Railways)



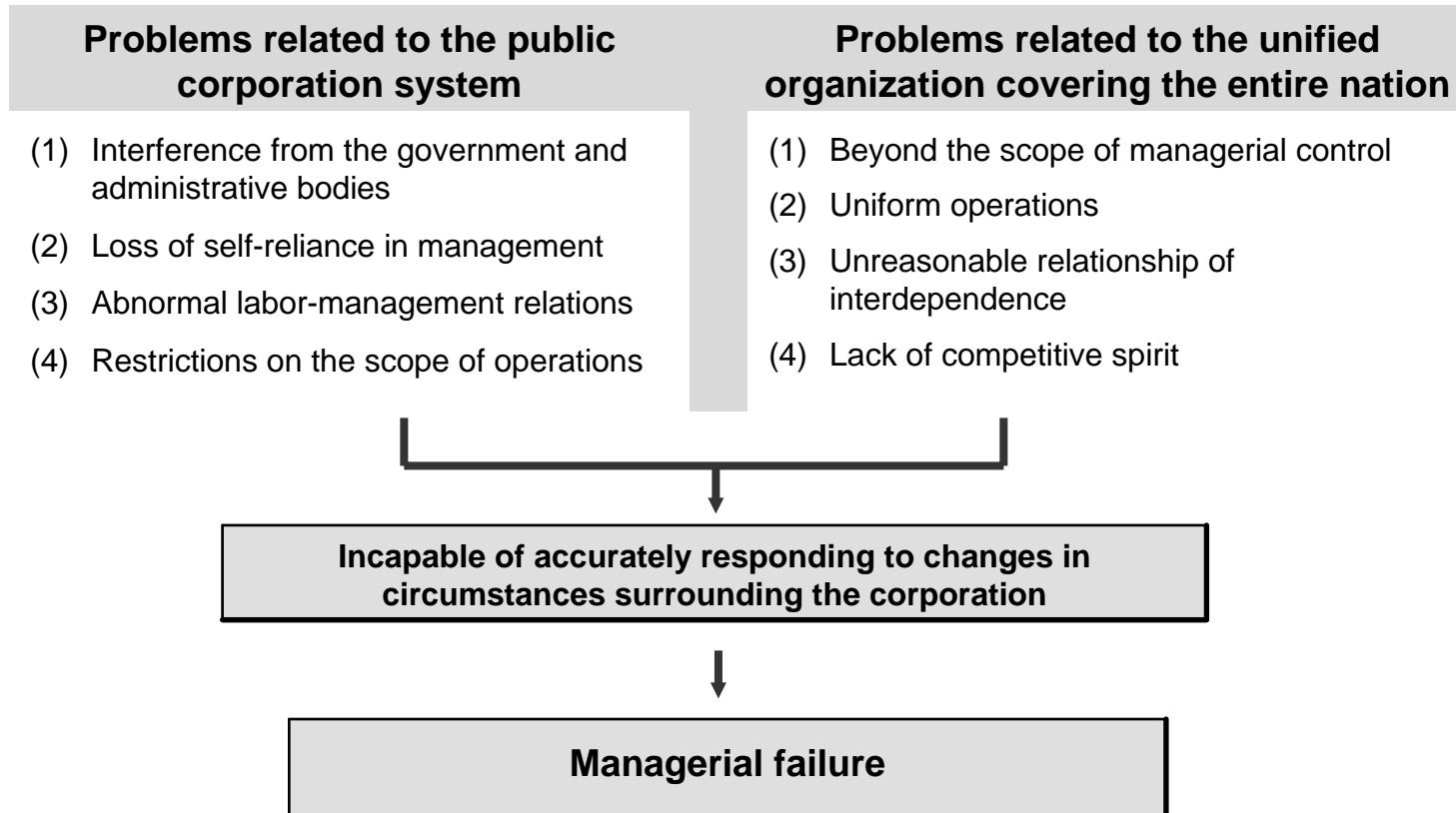
Causes of JNR's Failure 1

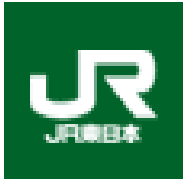
○ Unconsolidated long-term debts
(In trillion yen)



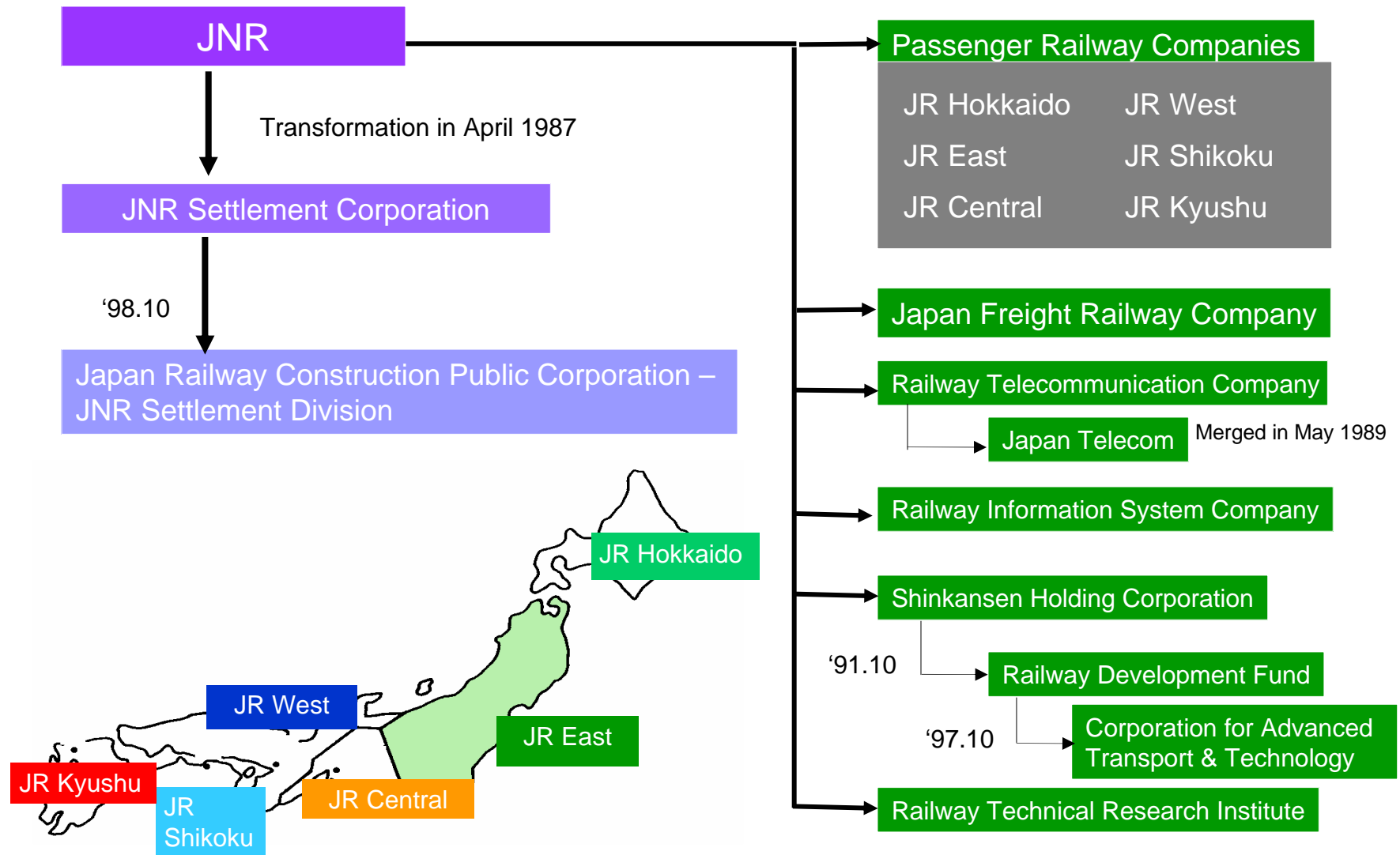


Causes of JNR's Failure 2





JNR Reform Scheme 1





JNR Reform Scheme 2

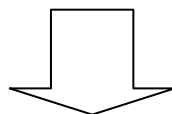
○ Reemployment of JNR's employees

(in thousands of people)

JNR employees	277 (1986.4)
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Passenger Railway Companies	JR Hokkaido	12.7
	JR East	82.5
	JR Central	21.4
	JR West	51.5
	JR Shikoku	4.5
	JR Kyushu	14.6
Japan Freight Railway Company		12.0
Others		1.5
Subtotal		200.7
JNR Settlement Corporation		23.7



Employees retired in FY1986	Voluntary retirement	39.1
	General retirement	6.3
52.7	Transferred to government and other public organizations	7.3

○ Disposal of long-term liabilities

(in trillions of yen)

• JNR's long-term liability	25.0
• Deficit from pension funds, etc.	5.0
• Liability of Japan Railway Construction Public Corporation	4.5
• Burden of funds for the three smaller island railway companies	1.3
• Others	1.4
• Total	37.1



• Responsibility of new companies	14.5
JR East	6.6
Others	7.9
• JNR Settlement Corporation	22.7
Selling of land	7.7
Selling of stock shares	1.2
Remaining burden for the Japanese government	13.8
Total	37.1



Regulatory Changes

	JNR	JR
Governing law	Japanese National Railways Law	JR Law
Status of corporation	Public corporation (semi-governmental organization)	Corporation with special status (Subject to the Civil Code and Commercial Law)
Scope of operations	Enumerated restrictions	Free in principle; moving into a new field of activity is subject to approval by the Minister of Land, Infrastructure and Transportation
Authority to make investment decisions	Deciding the scope of investment is subject to approval by the Minister of Transport	To be independently decided
Authority to decide budget	Subject to approval by the National Diet	Operational plans are subject to approval by the Minister of Land, Infrastructure and Transport. (Balance sheets are only to be attached.)
Borrowing and bond issues	Decision on the amount ceiling is subject to approval by the National Diet; other matters are subject to approval by the Minister of Transport	Subject to approval by the Minister of Land, Infrastructure and Transport
Authority to appoint executives	President is appointed by the Cabinet; Auditing Board members are appointed by the Minister of Transport; other appointments are subject to approval by the Minister of Transport	Decided at the shareholders' meeting. (Appointment of representative directors and auditors is subject to approval by the Minister of Land, Infrastructure and Transport.)
Authority to determine wages	In principle, wages are determined by law. Fixed total wage amount.	Through negotiations between workers and management
Methods for concluding contracts	Through open competitive bidding in principle	Independently decided
Authority to determine railway fares	Subject to approval by the National Diet	Independently determined

Note: As part of the reorganization of ministries and agencies, which took effect on January 6, 2001, the Transport Ministry merged with other agencies to become the Ministry of Land, Infrastructure and Transport.



Achieving full privatization

Amendment of the JR Law

The following are major items which are made subject to approval of the Minister of Land, Infrastructure and Transport under the provisions of the JR Law:

- Appointment of representative directors and auditors
- Procurement of fund
- Appropriation of profit
- Sale of important assets



In December 2001, the JR Law was amended so that the law would no longer apply to JR East, JR Central and JR West.

Sale of stock shares

In October 1993, the company was listed on the stock exchange, and 2.5 million shares were sold.

In August 1999, a second set of 1 million shares were sold.

In June 2002, the remaining 500,000 shares were sold.



Accomplishing full privatization

©Total revenue from share sale:
1,993.9 billion yen

The company is now able to act with greater degrees of mobility and flexibility than before.



Contribution to the National Finance

JR East

- ✎ For 17 years since its founding, JR East has not raised fares (except when a new tax was introduced)
- ✎ Of the long-term liability of more than six trillion yen which JR East had inherited, 2.6 trillion yen was repaid during these 17 years.

JR companies as a whole

- ✎ JNR used to receive government subsidies averaging 600 billion yen a year between fiscal years 1977 and 1986.
- ✎ After the reform, the seven JR companies have paid taxes at the annual average rate of 270 billion yen between fiscal years 1987 and 2003.

Compared with the days of JNR, the JR companies have reduced the government's fiscal burden by about 870 billion yen per year.



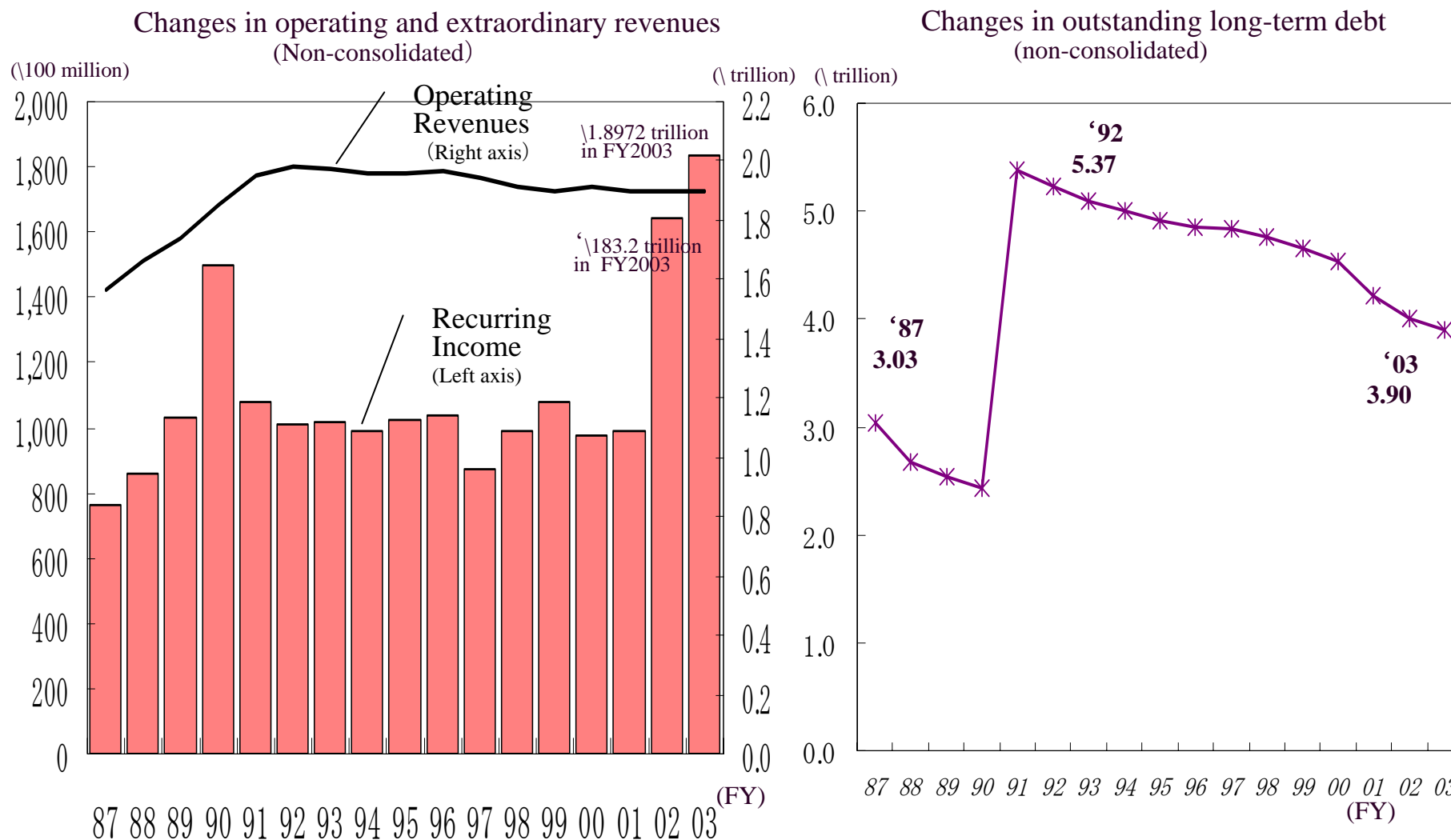
Management Strategies of JR East



Past Business Performance

○17 years have elapsed since the foundation of JR

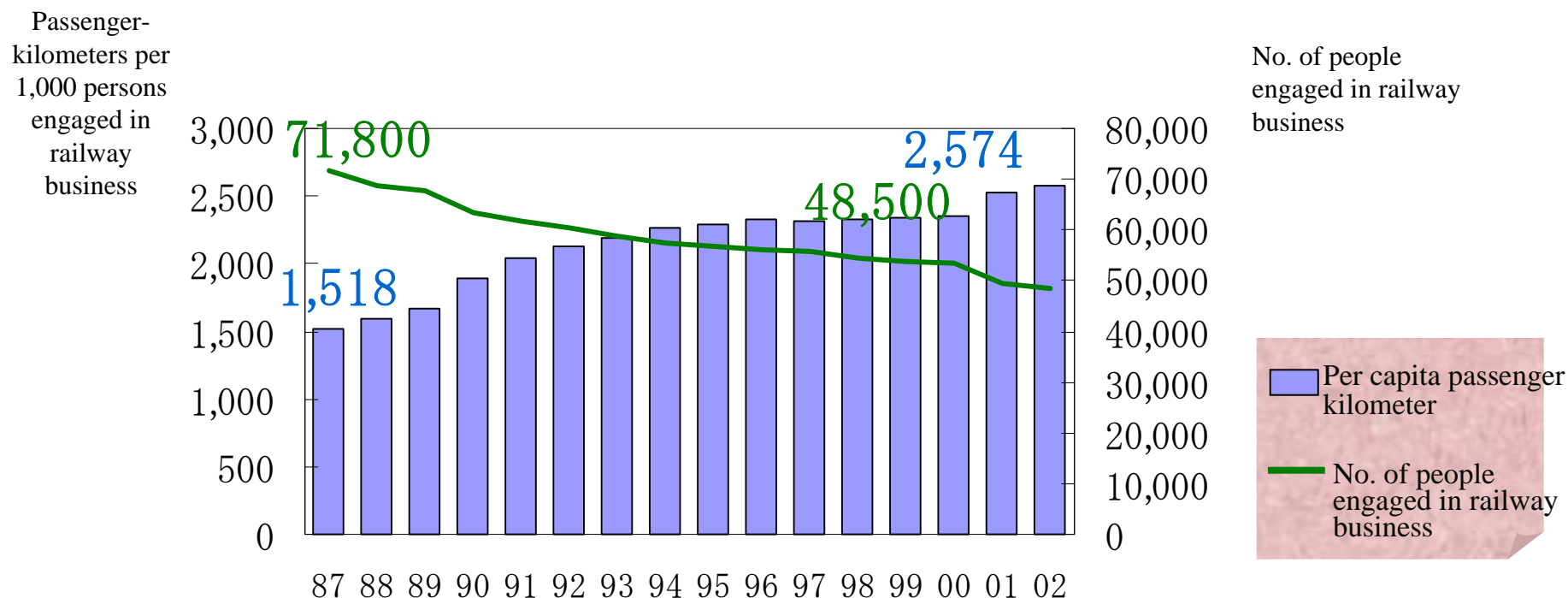
○Stable income and steady reduction of long-term debt





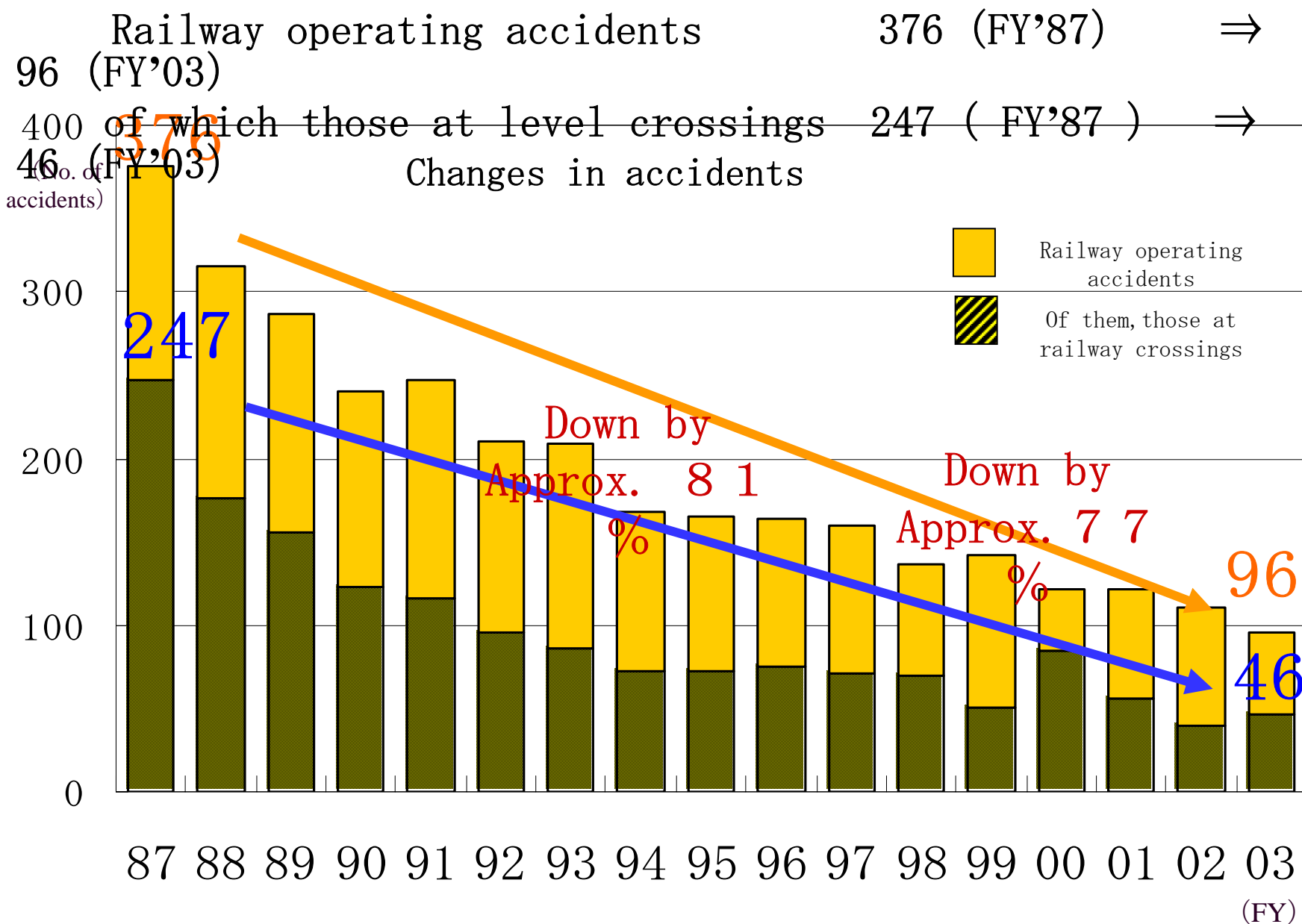
Improving Productivity

- Per capita passenger-kilometers has increased by approx. **69.6%** since the company was founded.
- The number of people engaged in the railway business has decreased by approx. **324%** from 71,800 to 49,400. This has been done not by lay-offs but rather by productivity improvement through technological renovation.





Improved Safety





Increasing Transporting Capacity

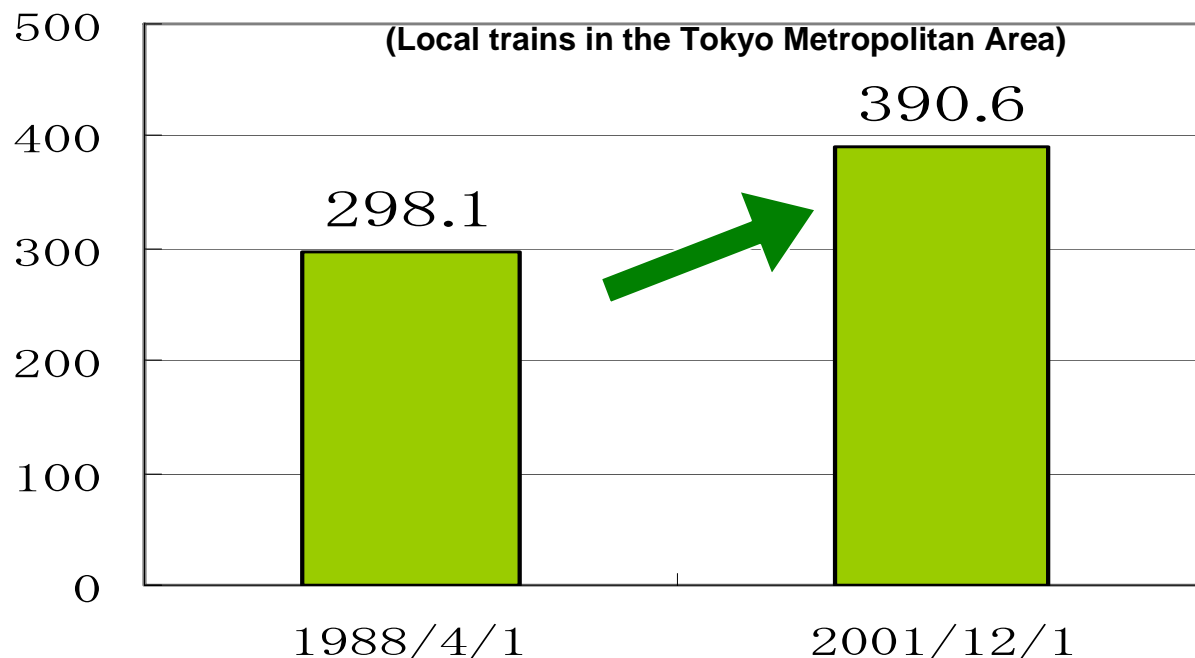
○By increasing the number of train operations using longer trains, the transportation capacity by trains in the Tokyo Metropolitan area was increased by **about 30%**

※Corresponding Congestion FY1987 FY2003 in
Pari → 194% 228%

(In 1,000 kilometers per day)

Change in vehicle - kilometers

Average of 17 major stations during morning peak time



925 in 1,000 kilometers per day

※341,000 kilometers per day for the average of 8 private railways in Tokyo area in 2000.

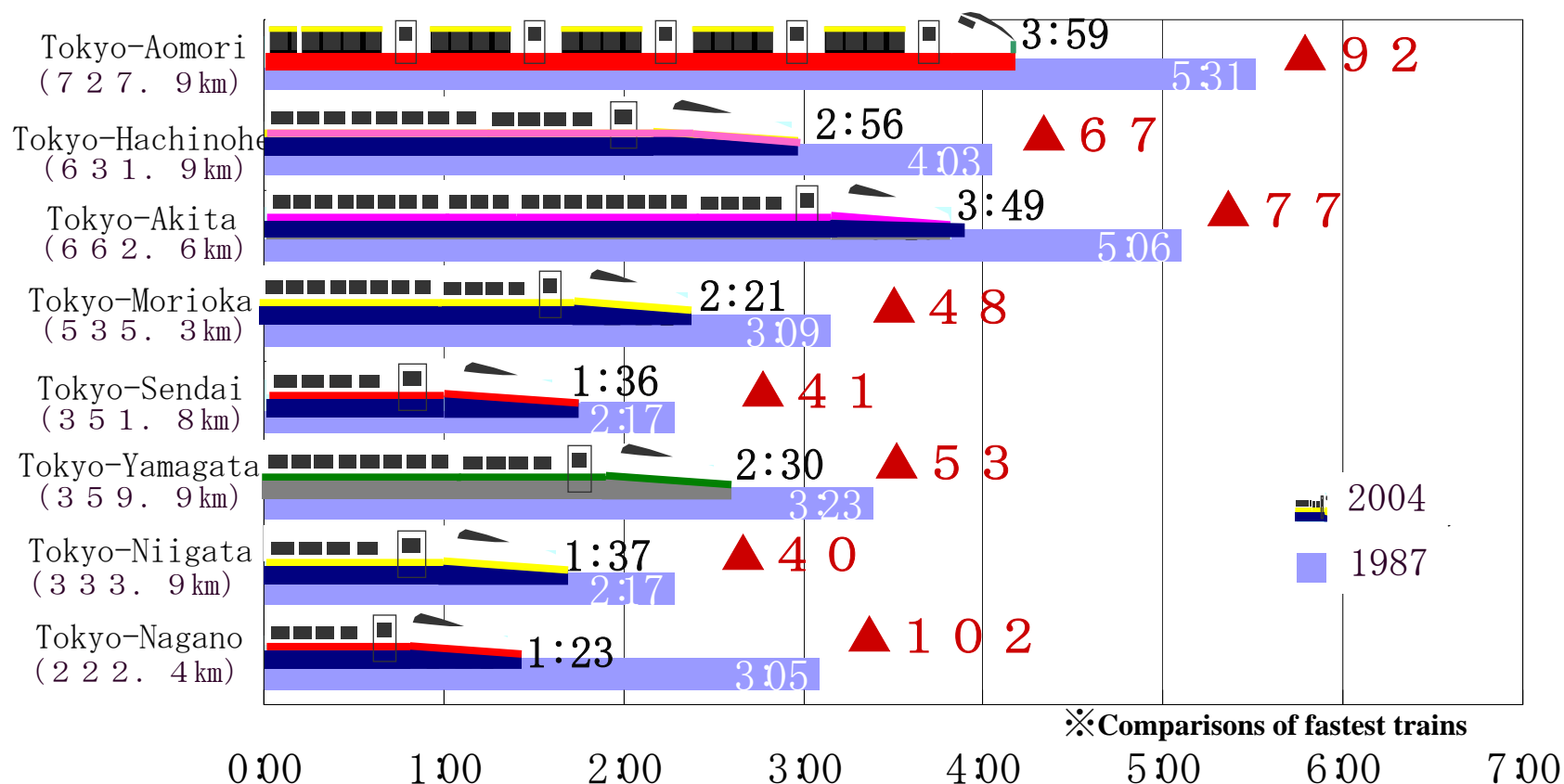


Increasing Speed

● Network of five Shinkansen rapid transport lines completed

- In addition to Tohoku and Joetsu Shinkansen lines, Yamagata (1992), Akita and Nagano (1997) Shinkansen lines opened

● Introduction of new rolling stocks



Dramatic reduction of travel hours between Tokyo and major local cities



Convenient and User-friendly Stations

For our customers...



Service Manager



Station concierges



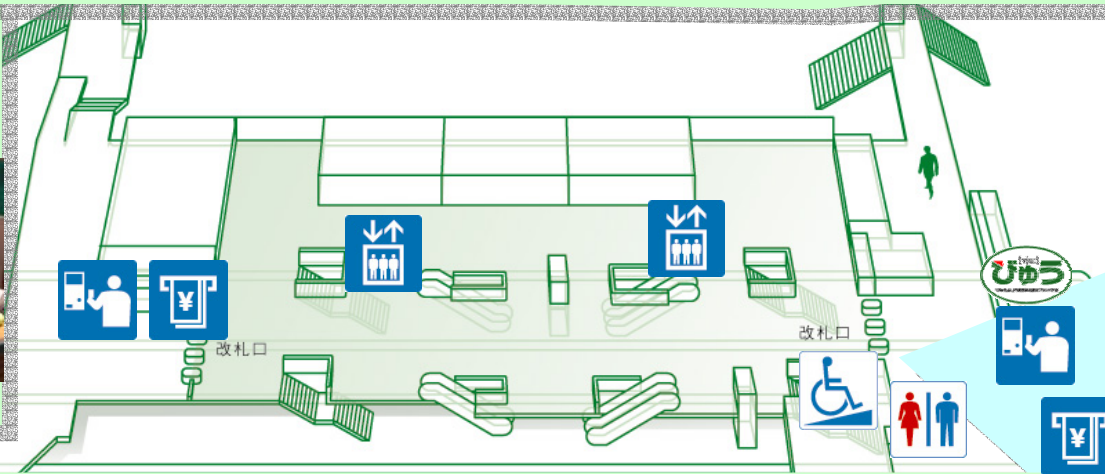
Information centre



Train info display



Universal signs



Remote man-to-man ticketing system

Reviewing current layout and design



Barrier-free facilities





Strengthen the Transportation Network in Metropolitan area

**Introduction of First class cars:
offering setting service**



**Direct through operations with
other railway company**



**Introduction of new
commuter trains**



**Introduction of new
commuter trains**



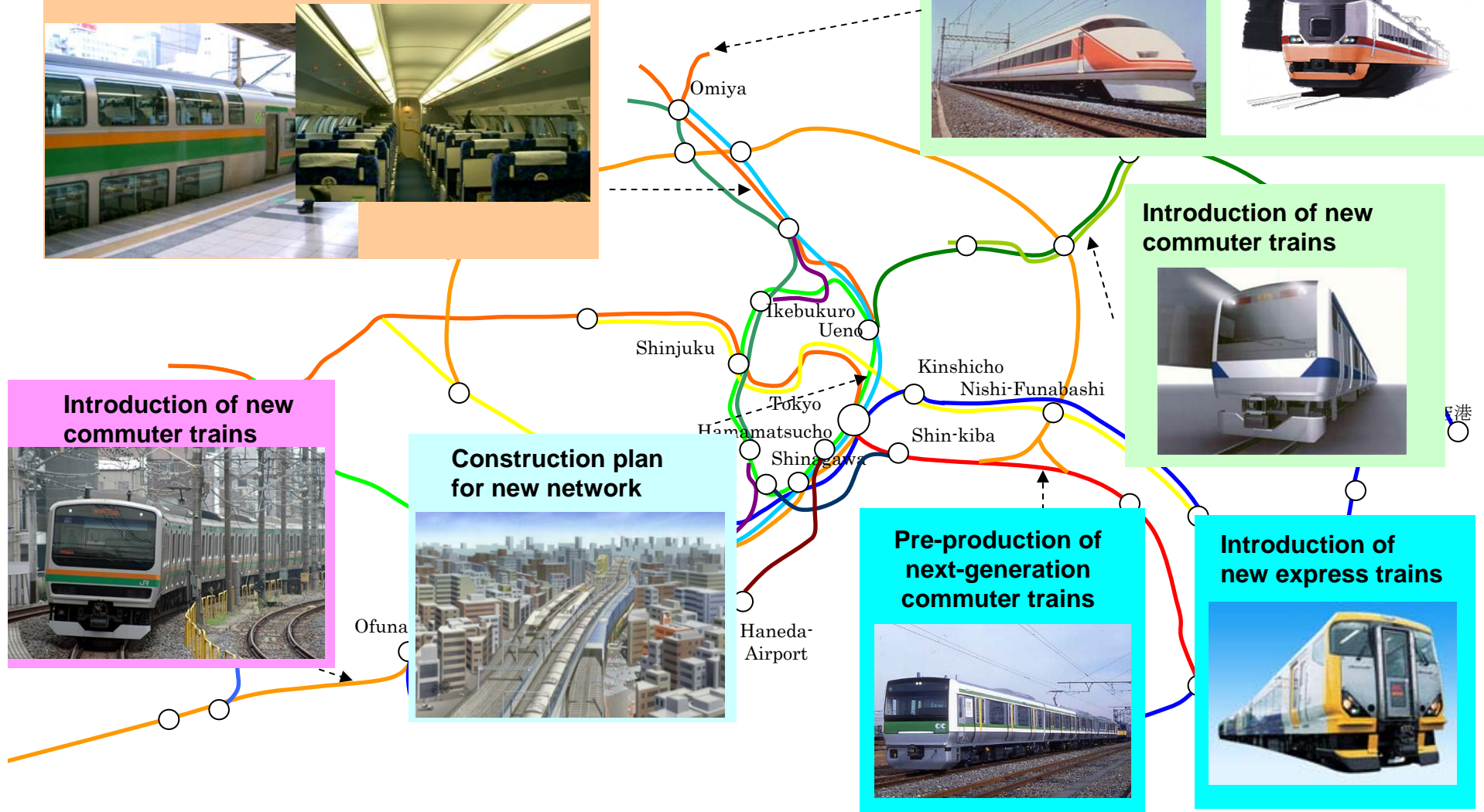
**Construction plan
for new network**



**Pre-production of
next-generation
commuter trains**



**Introduction of
new express trains**



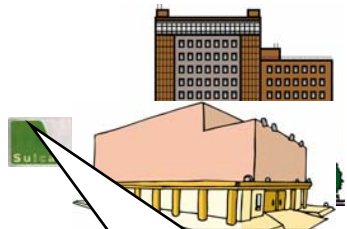


"Suica", the IC card (Super Urban Intelligent

d)

○ "Suica" IC card was introduced in Tokyo and its vicinity in Nov. 2001.

Hotels, theaters, etc.



Hotel coupons
and Theatre
tickets

Other transportation
systems



Joint-use
tickets

Convenience stores,
etc.



Electronic
money

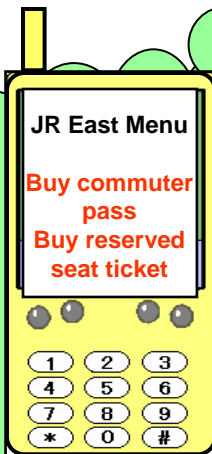
Reservation by Internet
and electronic payment



Integration with
View Card



IC chip
installed in
mobile phones



Ticket-less



Cash-less



Information services



Inside ticketing gates

Station stores



Electronic money

In station





Mobile Suica

Suica



+

Cell phone



Telecommuni-
cation function

Visual display

Mobile Suica



Cell phone
and
a passenger ticket
commuter pass



“Mobile Suica” will be usable as Electronic money as well as transportation ticket.

“Mobile Suica” will be launched within FY2005 under the cooperation with NTT DoCoMo and Sony.