Railway Regulation in Japan

Submitted by: Japan
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Railway Bureau
Ministry of Land, Infrastructure, Transport and Tourism

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1. Background

History of Japanese Railway

- 1872 Opening of First Japanese Railway (Shimbashi(Tokyo) ~ Yokohama: 29km)
- 1881 Establishment of “Japan Railway Company” (First Private Railway Company in Japan)
- 1906 Promulgation of State Owned Railway Law (Government acquired private railway companies in accordance with nation’s military policy)
- 1920 Establishment of Ministry of Railway (Established as sole government body to set technical standard)
- 1949 Establishment of Japanese National Railway (JNR)
- 1964 Opening of Tokaido Shinkansen (High Speed Train) (Tokyo ~ Osaka)
- 1975 Full Opening of Sanyo Shinkansen (Shin-Osaka ~ Hakata)
- 1982 Opening of Tohoku Shinkansen & Joetsu Shinkansen
- 1987 Establishment of JR Group as a result of JNR Reform
- 2006 Complete Privatization of 3 JR companies in the Mainland Japan (Highly populated area in Japan)
Outline of Japan National Railway Reform

Before JNR reformation in 1987
- Under “State Owned Railway Law”, all Japanese railway, including Shinkansen (High Speed Railway in Japan), was owned by government.
- JNR was public corporation established by Japan National Railway law. All budget and fare must be approved by Parliament.
- As a exception of national ownership, private railway companies were permitted to operate railway business only within limited regional area.

After JNR reformation in 1987
- National ownership rule of railway was abolished.
- JNR was divided into 6 regional and 1 freight private companies.
- “Law for Railway Business Enterprise” was newly enacted as a basic rule applicable to new JR companies and all private companies.

The list of Railway enterprises in Japan

<table>
<thead>
<tr>
<th>Enterprise type</th>
<th>Total</th>
<th>Route Length (km)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regular Railways</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JR* (passenger railways)</td>
<td>6</td>
<td>20,010</td>
</tr>
<tr>
<td>Major private railways</td>
<td>16</td>
<td>2,896</td>
</tr>
<tr>
<td>Semi-major private railways</td>
<td>5</td>
<td>117</td>
</tr>
<tr>
<td>Railways owned and operated by local government</td>
<td>11</td>
<td>345</td>
</tr>
<tr>
<td>Small and Medium-sized railways</td>
<td>117</td>
<td>3,663</td>
</tr>
<tr>
<td>Freight Railways</td>
<td>13</td>
<td>8,828</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>203</td>
<td>36,491</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Enterprise type</th>
<th>Total</th>
<th>Route Length (km)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monorail</td>
<td>9</td>
<td>109</td>
</tr>
<tr>
<td>Automated Guided Transport (AGT)</td>
<td>11</td>
<td>157</td>
</tr>
<tr>
<td>Others</td>
<td>15</td>
<td>32</td>
</tr>
</tbody>
</table>

* JR (Japan Railway) companies are founded as a result of JNR reformation.
2. Overview of “Law for railway business enterprises”
Phase 1 Planning

- “Counsel for Transport Policy” (CfTP, Attachment body of Ministry of Land, Infrastructure, Transport and Tourism (MLIT)) formulates the master plan.

- Those who have any intention to enter railway business (“would-be railway operator”) refer it and prepares the precise business plan.

- MLIT provides policy menu to support the railway construction.

### Construction Progress of Railway Lines in Tokyo Met. Area

**Recommended by the Council for Transport Policy**

<table>
<thead>
<tr>
<th>Line</th>
<th>Recommended Length (km)</th>
<th>Not started (km)</th>
<th>Under Const. (km)</th>
<th>Opened (km)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1 Line</td>
<td>288 (100%)</td>
<td>45 (16%)</td>
<td>95 (33%)</td>
<td>148 (51%)</td>
</tr>
<tr>
<td>(To be completed by 2015)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A2 Line</td>
<td>163 (100%)</td>
<td>152 (95%)</td>
<td>15 (9%)</td>
<td>0 (0%)</td>
</tr>
<tr>
<td>(To be started by 2015)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B Line</td>
<td>203 (100%)</td>
<td>205 (100%)</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
</tr>
<tr>
<td>(To be examined)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>658 (100%)</td>
<td>417 (63%)</td>
<td>93 (14%)</td>
<td>148 (23%)</td>
</tr>
</tbody>
</table>

**Construction Progress as of 1 Apr. 2007**
Phase 2 Market entry

- Would-be railway operator need to get license from MLIT.
- MLIT review the ability of the applicant.

The check list includes
- Whether the business plan is economically feasible
- Whether the business plan is appropriate for ensuring safety
- Whether the business plan is appropriate for performing business judging from the viewpoint other than the above items.
- Whether the applicant has sufficient ability to pursue its business

Phase 3 Opening preparation – arranging business asset –

- Would-be railway operators procure rolling stock and equipment. They also construct necessary infrastructures.
- Basically, the would-be railway operators must procure all necessary assets by their own funding.
- However, considering the huge initial cost for the railway infrastructural construction, government provides various policy menu.
Governmental subsidies for new railway construction

1. Urban railways construction
   Including
   - Railway construction to airports (EX. Center of Tokyo to Narita Airport)
   - New subway line construction
   - New suburb commuter line construction
   - Improvement project (shortcut line construction and the improvement project of interlinking)

2. Trunk line railways construction
   Including
   - New Shinkansen Construction*
   - Speed-up project for the existing trunk railways
   - Reinforcement of freight transport capacity

* Shinkansen infrastructure is constructed by JRTT (public corporation for railway infrastructure construction). JRTT owns infrastructure and leases it to Shinkansen operator.

Phase 4 Offering railway transport service

Before starting operation, the fare/fee must be approved by MLIT. In addition, railway operator must submit operating plan and establish safety management system to MLIT.

• Get Fare approval – Upper limit regulation
  - Railway operator sets the upper limit of the fare
  - Government approves the upper limit
  Criteria for the approval: do not exceed the appropriate cost + appropriate profit under efficient operation
  - Railway operator fixes the fare within upper limit and report it to MLIT

• Submit Operating plan
  - Railway operator must report the operating plan including timetable to MLIT.

• Set up Safety Management System for railway enterprise
  - In order to ensure pro-safety management, railway companies are required to set up “Safety Management System”.
    - Basic structure of Safety Management System
      - Railway operators prepare Safety Management Manual, which includes basic policy for safety improvement activity, organizational structure, internal communication procedure and internal audit scheme
      - Railway operators appoint “Safety General Manager” (board member class) and “Manager for railway operation” (director class)
**Phase 5  Revitalizing ailing railway company**

- When a railway operator finds the continuation of the business financially difficult due to the downturn of demands, local community and operators may jointly set up “local conference for railway revitalization”.

- The conference formulates “revitalization plan”.

- MLIT support the realization of the plan through favorable treatment.

**Phase 6  Termination**

- If the local conference decides the termination of the business, the railway operator files the intention of termination at one year before the scheduled termination day.

- MLIT may shorten the one year waiting period if MLIT finds the termination does not jeopardize the public convenience of the local community.
3. Conclusion

- Private railway companies take initiative of railway construction.
  - Railway companies own infrastructure, rolling stocks and other equipment.
  - Railway company has primary responsibility of finance.

- Government support and supervise the private railway company.
  - Government provide master plan
  - Government provides various policy menu to facilitate railway construction
  - Government supervises railway company to ensure safety, security and user-friendly railway system

Thank you