



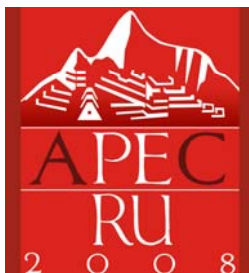
**Asia-Pacific
Economic Cooperation**

2008/SOM3/EC/SEM/006

Agenda Item: 8

Railway Regulation in Japan

Submitted by: Japan



**Seminar on Best Practices in Regulation and
Promotion of Efficiency in Transport
Infrastructure Facilities
Lima, Peru
15-16 August 2008**

Railway regulation in Japan

16 August, 2008
Railway Bureau
Ministry of Land, Infrastructure, Transport and Tourism

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Outline of Presentation

1. Background
2. Overview of “Law for railway business enterprises”
 - Phase1 Planning
 - phase2 Market entry
 - phase3 Opening preparation –arranging business asset -
 - phase4 Offering railway transport service
 - phase5 Revitalizing ailing railway company
 - phase6 Termination
3. Conclusion

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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.

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The list of Railway enterprises in Japan

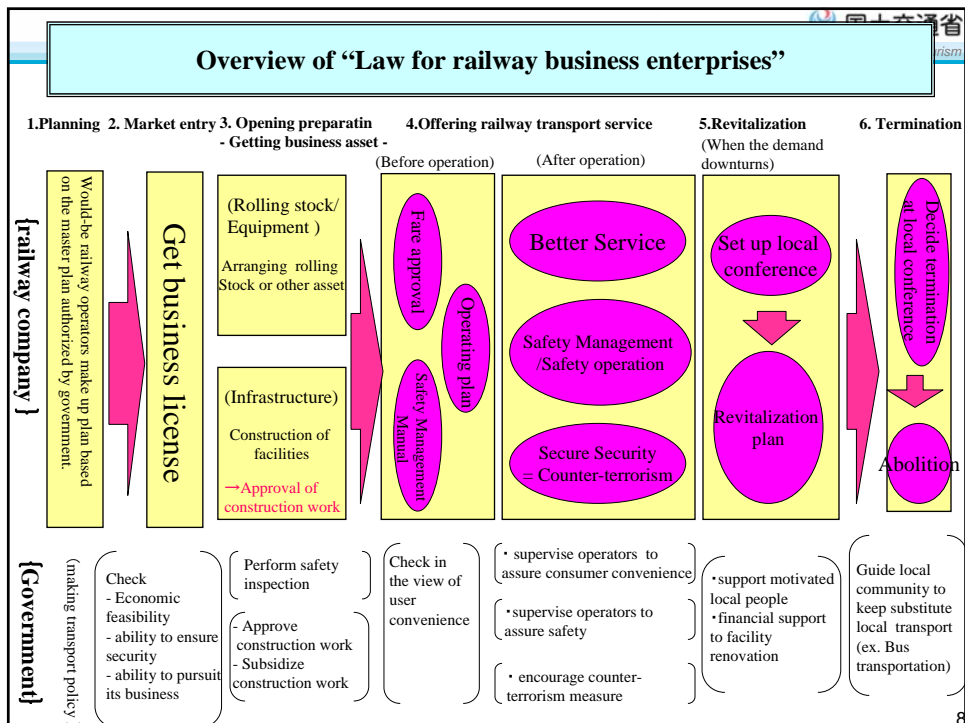
as of March 31th, 2006

Enterprise type		Total	Route Length (km)
Regular Railways	JR*(passenger railways)	6	20,010
	Major private railways	16	2,896
	Semi-major private railways	5	117
	Railways owned and operated by local government	11	345
	Small and Medium-sized railways	117	3,663
	Freight Railways	13	8,828
Monorail		9	109
Automated Guided Transport (AGT)		11	157
Others		15	32
Total		203	36,491

* JR (Japan Railway) companies are founded as a result of JNR reformation.

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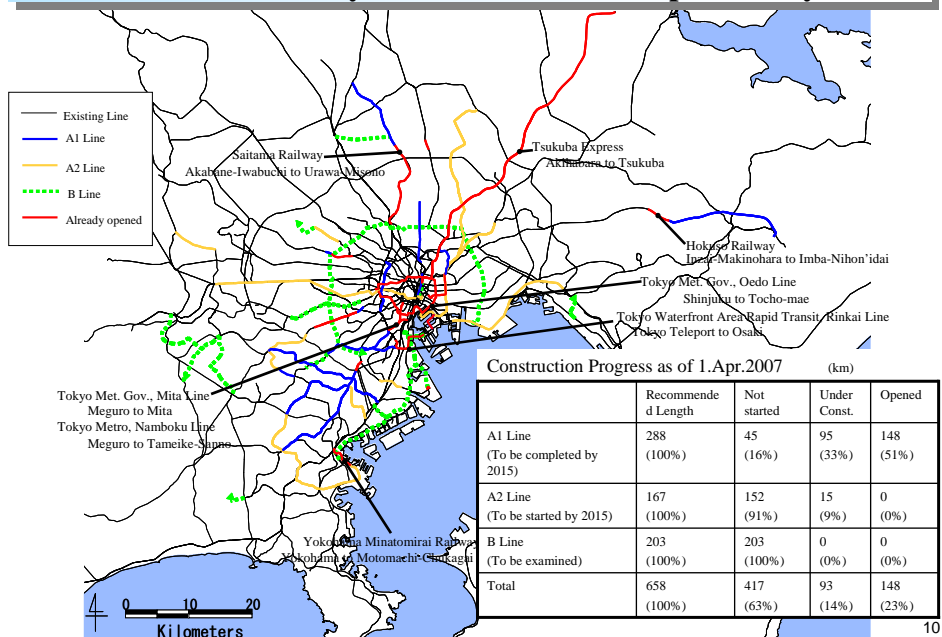
2. Overview of “Law for railway business enterprises”



Phase1 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



Phase2 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 pursuit its business

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Phase3 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.

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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 JRJT (public corporation for railway infrastructure construction). JRJT owns infrastructure and leases it to Shinkansen operator.

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Phase4 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)

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Phase5 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.

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Phase6 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 jeopardy the public convenience of the local community.

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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