

# **The Growth Strategy of MLIT**

**May 17, 2010**

**The Council of the Growth Strategy of MLIT**

# **Table of contents**

## **General Remarks**

### **1. Maritime Sector**

### **2. Tourism Sector**

### **3. Aviation Sector**

### **4. International Expansion and Private-Public Partnership Sector**

### **5. Housing and Urban Sector**

### **Schedule (for each sector)**

### **Regulatory Reform Review List (for each sector)**

## **General Remarks**

## **General Remarks**

### **I. Take advantage of opportunities to create growth for Japan**

#### **1. A growth strategy is needed now more than ever**

Although a number of economic strategies and measures have been both reviewed and recommended on occasion up until the present time, it is nevertheless difficult to say that a long-term vision for Japan's economic growth has been either shared or realized. However, against the backdrop of a rapidly-aging society and declining birthrates, in order to offer the nation's population both peace-of-mind within their daily lives and a future free of pessimism, the growth of the Japanese economy represents an absolute prerequisite. Thus, it shall be necessary to establish both a proactive stance and achievable growth strategies that are backed by a strong sense of purpose.

As developed countries around the world slowly tread a path to recovery from economic crises, China, India, and other Asian nations continue to experience high rates of economic growth. Japan views this situation as a golden opportunity, and as such, it is vital that the Japanese government move forward on policy in order to lay down the groundwork necessary for the nation to proactively participate in such Asian growth. Of course, it goes without saying that Japan is not alone in attempting to enact such an Asian growth agenda. Rather, a number of countries have already commenced full-scale initiatives as part of their own national strategies. Thus, Japan must waste no time in creating a framework for the political, bureaucratic, and private-sectors, in order that they cooperate in moving forward and enact initiatives that lead to Japanese economic growth.

## **II. Moving towards a bold shift in growth mechanisms**

### **1. MLIT growth sectors**

Many industries supervised by MLIT up until now have been circumspect, inward-looking industrial structures, such combining a strong dependence on public investment with being beneficiaries of numerous regulatory protections. However, this established mechanism of depending on a share of a limited business pie in order to foster growth is becoming difficult to sustain. Thus, in order for Japan's domestic industries to achieve sound business growth, they must endeavor to boost productivity and expand the size of the entire business pie through activities such as:

- (1) Engaging in the latest Information and Communication Technologies (ICT), which are achieving dramatic growth, while at the same time;
- (2) Fully leveraging the wisdom and funding of the private-sector, as well as;
- (3) Opening up to the world and participating in global growth.

Thus, shall be crucial to lay out a series of measures to realize the above developments as soon as possible. With this mindset, the government is in the process of conducting a shift away from conventional paradigms, while enacting bold policy proposals in the areas of International Expansions & Public-Sector/Private-Sector Collaboration, Tourism, Aviation, Maritime, and Housing and Urban issues, strongly bearing in mind that these five sectors have been identified as those offering potential further development.

## **2. Breaking away from conventional paradigms and establishing a new market environment**

For the future, the creation of a new market environment shall be established as a basic principle of government policy. This principle shall be supported by the following policy pillars:

Given the decrease in public works spending, after establishing "growth not dependent on public financing" as a major principle of policy, the government shall endeavor to rid itself of the kind of pork-barrel administrative and redistribution policies that are represented by the concept of "well-balanced land development," and instead allocate its limited public investment resources in a focused manner, based upon cost performance.

Additionally, in concert with focused investment, the government shall stimulate growth that is derived from the originality and ingenuity of regional areas and businesses. To accomplish this, the government shall work proactively towards deregulation, which acts as a damper on growth, in order to bolster the available level of freedom, and thus incite the private-sector to conduct both new proposals and carry out bold management practices.

The government shall implement systems in which "private-sector wisdom and financing," as represented by the likes of funds and Public-Private Partnerships (PPP), are actively utilized; and the government shall carry out effective public investment. In particular, the government shall devise measures through which the flow of new funds generated by the use of personal financial assets is directed to the market.

The public and private-sectors shall collaborate to support proactive human-resource development efforts in order to address the globalization and international expansion of economic activities. Such measures shall also be undertaken in order to support the freely-conducted, autonomous activities of regional areas.

### **III. In order to render the strategy effective**

#### **1. PCDA cycles and strategic process management**

Methods for effectively circulating PCDA cycles within policy management, such as the clear indication of short-term, medium-term, and long-term process schedules to ensure that strategy does not end in “wishful thinking,” have been factored into the strategy equation. Additionally, levels of priority for strategy are being clarified from a broad perspective for the purpose of executing those strategies.

#### **2. Ongoing initiatives through strong leadership: promoting the strategy of unified government**

Up until now, a large number of policy-based issues have failed to be effectively addressed due to their being obstructed by those sectionalist barriers that exist between different government ministries and agencies. Based on such experiences, the government shall work under political leadership towards the establishment of linkages between the National Policy Unit and other agencies, and then it shall break down conflicts of interest between different government ministries

and agencies. Consequently, there shall be high expectations that such actions shall yield strategy-execution that is carried out both by unified government and in accordance with ongoing policy management.

Upon giving structure to policy, the government shall seek the opinions of a wide variety of related parties. It shall also demand that policy development be both effective and ongoing in its realization.

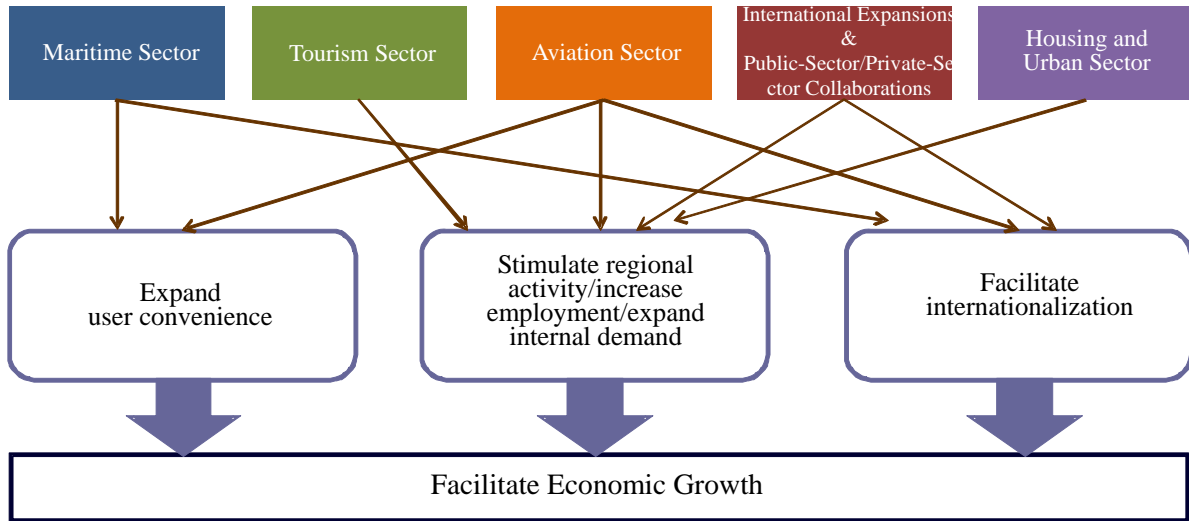
#### **IV. The five targeted sectors**

##### **1. Matters among the five targeted sectors that should be implemented with priority**

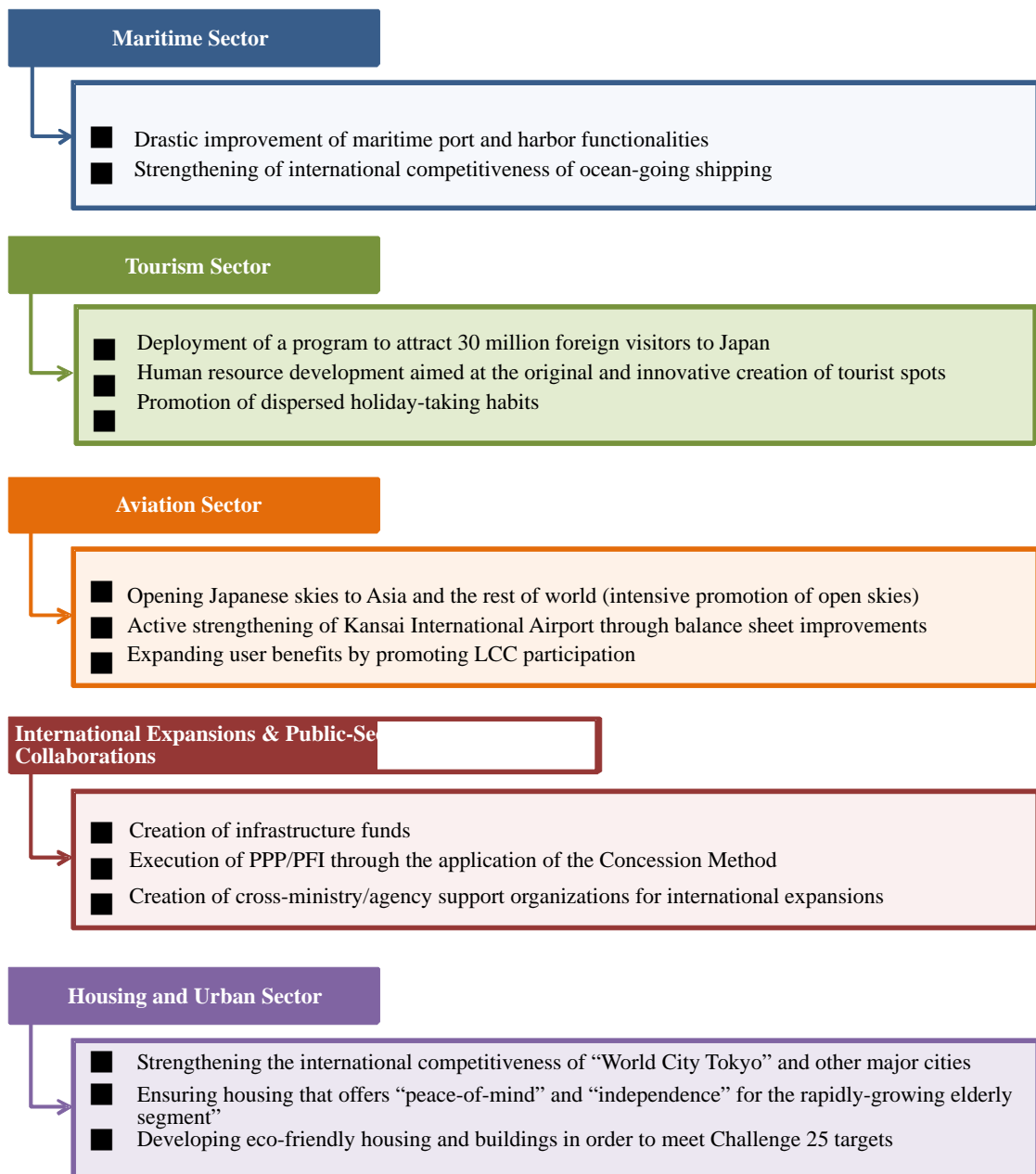
In conducting this policy review, after analyzing the current status of each sector and establishing ideal situations/future targets for each, the government has set forth policies that should be implemented, with consideration being given both to those processes required to realize such policies, and any problems that may need to be resolved. The policies indicated below represent highly urgent initiatives that shall serve as breakthrough points for achieving economic growth in Japan, as well as there also being policies that are highly necessary for forming the foundations of such growth. The government requests that these policies, which shall be labeled as “matters to be accorded priority implementation,” be steadily implemented at an early stage to the best extent possible.



(Objectives to be met and correlations between the five sectors)



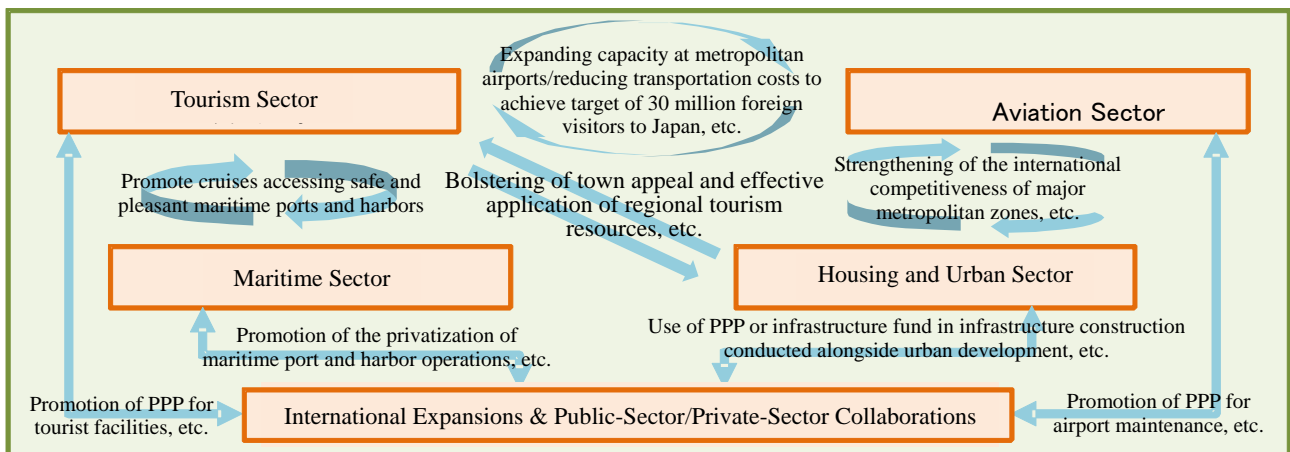
(Matters to be accorded priority implementation)



## 2. Creating synergistic effects through active collaborations between the sectors

The five sectors addressed in this policy review represent key sectors within the context of Japanese economic growth. Furthermore, each sector enjoys a close relationship with the others. As such, in accordance with the larger objective of participating in Asian economic growth and thus achieving growth in Japan, policy development that fully yields synergistic effects via the following mutual and organic associations of the sectors must be leveraged in going forward.

(Associations between the five targeted sectors)



# **1. Maritime Sector**

# **Two Policy Directions & Three Manifestations of Strength**

## **“Restoring Japan as a Maritime Powerhouse”**

### **Ideal Situations/Future Targets**

### **Policy Directions**

- 1. Drastically Improving Maritime-Infrastructure Convenience**  
→ Reducing total user costs, promoting economic activity/expanding growth
- 2. Being Strategically Involved in International Rules Formulation**  
→ Elevating Japan’s international standing, promoting global economic growth

### **Topic-Specific Policy Examinations**

- 1. Enhancing the Strengths of Maritime Ports**
  - (1) Container logistics**
  - (2) Bulk logistics**
  - (3) Passenger logistics**
- 2. Enhancing the Strengths of Maritime Transport**
- 3. Strengthening Shipbuilding & Developing it for the Maritime Sector**

## **Preamble: “Restoring Japan as a Maritime Powerhouse”**

### **Ideal Situations/Future Targets**

As a result of both economic globalization, and the solid economic growth experienced by the emerging countries of Asia and elsewhere, the scale of global logistics is expected to also grow accordingly. Positively harnessing such developments while concurrently cultivating healthy interactions and trade with other nations shall be indispensable elements in terms of contributing to the growth and development of the Japanese economy. When considering such matters, a major contributing factor shall be the issue of how efficient and user-friendly any logistics infrastructure becomes. Specifically, the quality of logistics systems shall have a major influence on the extent to which global economic growth can be harnessed; due to the significant impact of such matters on Japan’s economic activity. Moreover, in considering that Japan is a nation completely surrounded by bodies of water, it must be remembered that maritime infrastructure represents the backbone of Japan’s logistics systems. Indeed, taking future steps to greatly improve both maritime infrastructure efficiencies and services shall add a significant impetus to Japan’s economic growth. Moreover, such initiatives shall make a substantial contribution to economic growth not only in Japan, but also around the globe.

Presently, however, it would not be an over exaggeration to describe Japan's maritime infrastructure as being in state of crisis. Internationally as well, there is a very strong awareness that maritime ports represent strategically important infrastructure that is positioned in support of logistics activity. Therefore, the contemporary reality is that each country competes strategically to develop maritime ports that are both more user-friendly, and whose services are more inexpensive. Against this backcloth, Japan's maritime ports can be seen as lagging far behind the competition, thus also declining in terms of their international competitiveness. As such, if Japan is to harness global economic growth in the future, a drastic improvement of maritime infrastructure is required.

In order to improve the international competitiveness of Japan's maritime infrastructure, it is imperative that both tangible and intangible infrastructure elements be overhauled in a manner that results in Japan being placed on a par with the rest of the world. Furthermore, strategies that enhance the nation's strengths shall be required, such strategies drawing on the following underlying merits that are inherent to Japan, the maritime powerhouse.

- As an economic powerhouse located at the heart of the strongly-growing Asia Region, Japan possesses some distinct geopolitical advantages. Firstly, Japan lies roughly equal distances from the Russian Far East, the People's Republic of China (China), and the Republic of Korea (South Korea). Secondly, Japan enjoys good relations with each of these immediate neighbors

that can easily be developed further. Thirdly, Japan's maritime links with the countries of Southeast Asia are also very strong. Fourthly, Japan is ideally located to act as a gateway between Asia and North America.

- Japan has an integrated maritime infrastructure in terms of its maritime ports, its maritime transport, and its shipbuilding facilities. The nation also has significant experience in acting as a leading maritime nation whose infrastructure has led the world for many years. Japan also has world-leading attributes in terms of safety and the quality of its maritime services.

With regard to those ports that represent a cornerstone of its maritime infrastructure, in addition to following the principle of "selectionism and concentration," Japan shall shift the focus of its maritime policies in order to allow for the strategic management of "concentrated" maritime ports to be carried out from the "private-sector" perspective. Furthermore, in order to facilitate further flows of goods and people, thus making such facilities more smooth and efficient, Japan shall implement a variety of measures including it seeking to increase coastal shipping-operation efficiencies, etc. Also, in considering the role of international maritime transport in actually facilitating flows of goods and people between this nation and destinations worldwide, Japan shall implement regulatory reforms and other measures by which to manifest its maritime "strengths" to the maximum extent possible. This shall allow for the development of an environment that is conducive to the implementation of highly innovative and open activities.



Moreover, Japan is also one of the world's leading shipbuilding nations, it possessing a particular excellence in the domain of shipbuilding technologies. In addition to being cornerstones of its maritime infrastructure, the fields of shipbuilding and marine equipment are also expected to provide technological applications for the maritime development of Japan's expansive Exclusive Economic Zone (EEZ). Furthermore, these infrastructure fields combine with maritime transport and many other maritime affairs/port-related industries, forming a giant market comprised of so-called "Maritime Clusters."

Finally, markets within the Maritime Sector tend to be global in scale, and competition in such global markets tends to be very intense. In the area of maritime infrastructure, the combined strengths of the various related segments of maritime transport, maritime ports, shipbuilding and marine equipment are expected to manifest international competitiveness. To this end, steps that develop appropriately-competitive criteria for systems, taxation and other matters are of special importance. By implementing such steps, Japan's maritime infrastructure can be expected to improve its international competitiveness based on its own efforts and abilities, thus delivering expectations of it being able to play an even more active role in global markets.

## **Policy Directions**

### 1) Basic Policy Stance

The role of government is to overhaul infrastructure and formulate rules and regulations. In all other areas, wherever possible, the government shall adopt the basic policy stance of giving free rein to the private-sector, thus encouraging creativity within the competitive environment, thereby promoting the growth of free markets.

### 2) Policy Points

#### **Drastically improving maritime-infrastructure convenience**

By taking steps to drastically improve the convenience of its maritime infrastructure, Japan shall endeavor to reduce total costs, while at the same time encouraging both economic activity and an expansion of economic growth.

Specifically, work shall be undertaken in the following policy areas:

- Selectionism and concentration of maritime ports
- The proactive introduction of private-sector wisdom and governance practices.

(One example of this would be the privatization of port management functions)

- The encouragement of an atmosphere of open economic activity through a process of

systematic reform.

(One example of this would be the improvement of provisional measures taken with regard to coastal feeder shipping)

### **Being strategically involved in international rules formulation**

By being involved on a strategic level in the formulation of international rules, in addition to Japan's international standing being raised, growth of the global economy shall be promoted.

Specifically, work shall be undertaken in the following policy areas:

- The development of policy measures, including taxation, that prevent Japanese maritime transport companies from being placed at a disadvantage on international markets.

(For example, the improvement of standard tonnage taxation rates)

- The making of proactive contributions to the development of international rules vis-à-vis rules concerning environmental measures, etc.

(One example of such activities would be related to the issue of developing environmental regulations that cover ships)

- The proactive promotion of maritime development.

(Two examples of this would be security and EEZ integrity)

- The promotion of systems development in accordance with international standards, as part of the trend towards the use information and communication technologies (ICT) in

international logistics.

(One example of this would be Container Logistics Information Services (COLINS))

## **Topic-Specific Policy Examinations**

### **Matters for Priority Implementation**

#### 1. The drastic improvement of maritime port functionalities

In response to the increasing hull sizes (displacements) of both container ships and bulk cargo carriers, in order to realize cost structures and service levels that are on a par with other leading Asian nations, using the principle of “selectionism and concentration,” Japan shall nominate certain maritime ports within the country to become “internationally-strategic container ports,” and certain ports within the country to become “internationally-strategic bulk cargo ports.”

From around June of 2010, Japan shall nominate certain maritime ports to become internationally-strategic container ports. These nominations shall be based upon standards that emphasize future growth potential, such being gauged from the perspective of private-sector management and cost-cutting measures. The issues of specificity, organization and feasibility vis-a-vis domestic cargo collection-measures, etc. shall also be considered. Concurrently, Japan shall also implement measures that are aimed at drastically strengthening the maritime, road, and rail feeder networks that service such ports. Moreover, in order to manage these internationally-strategic container ports, Japan shall establish “port management authorities” that will be capitalized/financed by private-sector companies. The aim of such actions shall be to reduce port costs by privatizing public services, etc., through achieving strategic management structures that are based on a private-sector perspective. (See “I. 1. 3) (1) (2) (pp. 9-12)”)

From around the end of June 2010, Japan shall nominate certain maritime ports to become internationally-strategic bulk cargo ports. These ports shall be involved in the dedicated handling of international bulk cargos including grains, iron ore, and coal. They shall each be selected to ensure reliable, inexpensive supplies of resources, energy, foodstuffs and other commodities, all being indispensable to both Japanese industry and the lives of Japan's citizens. Concurrently, Japan shall encourage corporate collaborations (tie-ups) that shall be aimed at the procurement of international bulk cargos in large volumes. (See "I. 2. 3) (Pp. 13-14)")

## 2. The strengthening of the international competitiveness of ocean-going maritime transport

In order to display the inherent strengths of Japan's merchant fleet, to secure a degree of independent competitiveness, and thus harness the growth achieved in global ocean-going maritime transport within Japanese economy, the nation shall initiate a strategic reform of those taxation regimes that apply to ocean-going maritime transportation, from the perspective of balancing certain international competitive conditions, such including the tonnage tax, which impose a heavy burden on Japanese shipping compared to those in other countries). (This issue is to be tackled from FY2010.) (See "II. 3) (1) (page 17)")

## **1. Enhancing the Strengths of Maritime Ports**

Ports are a pivotal element within overall maritime infrastructure, and realizing the development of maritime ports whose operations are both efficient and user-friendly is imperative for Japan's economic growth. Presently, however, it would be difficult to say that, from a user's point-of-view, Japan has achieved service levels at its maritime ports that are both user-friendly and inexpensive.

Meanwhile, when considered from the international perspective, maritime ports represent a form of strategically-important infrastructure. As such, the current reality is that nations compete with each other vis-à-vis the provision of port services that are more user-friendly and more inexpensive.

Against this backdrop, Japan's maritime ports are declining in terms of their international competitiveness. As such, if Japan is to harness global economic growth in the future, drastic improvements to the nation's maritime port facilities are required.

To this end, Japan shall need to raise the usability of its maritime ports infrastructure to a level that is internationally competitive, via a bold policy of selectionism and concentration. At the same time, however, it cannot be said that the provision of maritime port services that are truly internationally competitive can be achieved simply by monetary investments in areas of infrastructure. As well as introducing the wisdom and creativity of the private-sector, Japan shall also be required to implement the necessary institutional and regulatory reforms, along with drastic improvements of its maritime port services including coastal shipping services.

In other words:

- Japan shall achieve maritime port operations that are both inexpensive and efficient, thus making port facilities internationally competitive via the principles of selectionism and concentration. This shall be achieved while viewing the issue of port management operations from the perspective of the private-sector.
- Japan shall achieve the provision of maritime port services, including coastal shipping services, that are both inexpensive and of high-quality. Such shall be achieved by the carrying out of regulatory reforms and the implementation of other measures. Such shall be done in order that comparative advantage can be also be realized by the Japan-based operations of manufacturing industry, etc. shippers.
- Japan shall provide maritime port services so that passenger flows are promoted along with flows of maritime-transported logistics. The aim will be to develop maritime port facilities that are able to contribute both to the promotion of tourism, and to the promotion of regional development, etc.

Furthermore, in order to implement the systematic reforms that shall be required to realize these objectives, it shall be necessary to consider the amendment of related legal statutes during the ordinary sessions of the Diet in 2011.



The following sections review in detail, issues related to the topics of container logistics, bulk logistics, and passenger logistics.

## 1. Container logistics

### 1) Future Goals and Indicators

- In order to harness global economic growth, including that of Asia, and incorporate such growth into Japan's own economy, the nation needs to build transport networks between the world and itself that are typified as being inexpensive, rapid, high-frequency and reliable.
- With 2015 as the target, Japan shall achieve a level of service at those maritime ports nominated as internationally-strategic container ports that is on a par with the service levels of other major Asian ports. To this end, as a form of specific indicator; Japan shall, compared to present levels, aim to reduce the transshipment rates<sup>1</sup> of all Japanese inbound and outgoing cargoes to Busan and other major East Asian ports to about half of present levels. This measure shall also include all cargoes bound for Asia destinations. Furthermore, with 2020 as a target, Japan shall promote the transshipping of Asian inbound and outbound cargoes via those of its ports nominated as internationally-strategic container ports, with the aim of having these ports selected as major East Asian ports.

### 2) Current Issues and Challenges

- With economic globalization, maritime cargo volumes have expanded rapidly, particularly on the

<sup>1</sup> Transshipment: Using different hulls to transport cargoes between the port of initial loading and the port of final unloading, such cargoes being transferred to different hull at a midway port. The ratio of handled cargoes from a specific loading port that are thus transferred midway is called the "transshipment rate."

trunk routes that link together Asia, Europe and North America. (When comparing the global maritime container volumes of 1990 and 2007, volumes on routes between Asia and Europe have increased by an approximate multiple of 6, while volumes on routes between Asia and North America have increased by an approximate multiple of 4. Meanwhile, business on the routes between Europe and North America has essentially doubled over the same timeframe.) While such increases in maritime container cargo volumes have been matched by increases in container shipping hull sizes, the ability of Japan's ports to handle such changes has not kept pace with developments. (On the issue of fully-laden container ship draughts (drafts), to be able to handle the largest hulls currently in service, maritime port facilities need to accommodate ships that draw a maximum of 18m fully-laden. Currently in Japan, port facilities (piers) are only able to accommodate hulls that draw a maximum of 16m). Meanwhile, competition among East Asian container-handling maritime ports continues to intensify, and the reality is that Japanese maritime ports find themselves lagging behind the competition. If nothing is done to address this issue, then large container ships that service trunk routes may essentially stop visiting Japan altogether.

- If the frequency of port calls made to key Japanese maritime ports by ships servicing trunk routes declines any further, then Japanese industry shall be deprived of the ability to freely use maritime transport, which represents an important form of infrastructure. This will result in both a significant increase in the costs incurred by such businesses, as well as the associated loss of

usage convenience. Furthermore, if Japan's maritime port systems fall behind those of neighboring countries both tangibly and intangibly, the export of both finished and semi-finished products by Japanese manufacturers will be disadvantaged. Such a development would accelerate the overseas exodus of Japanese industry. It would also compromise the international competitiveness of Japan as a nation.

- Therefore, in order to provide the optimized level of international container transport services to domestic industry, Japan needs to improve the international competitiveness of its maritime ports. This includes the issues of feeders<sup>2</sup> and other forms of domestic transport.
- It should also be noted that, the Busan New Port, which commenced operations in FY2006, presents a serious challenge to Japan in terms of its cheap port costs, etc., and its provision of high-quality services. Moreover, because the volume of cargo subject to international transshipment from Japan to Busan New Port is also increasing, the time for action is fast running out.
- Therefore, Japan urgently needs to be able to provide services that display sufficient capabilities at a level that is world-class. Moreover, through further selectionism and concentration, it is necessary that there be a strengthening of international competitiveness in terms of the ability of Japanese maritime ports to handle container shipping.

<sup>2</sup> Feeders: Branch transport services, transport between principal maritime ports located on trunk routes and local maritime ports not located on trunk routes.

## **(Individual Issues)**

- The realities of reduced competitiveness

Including its coastal shipping assets, Japan's maritime port services currently display a low level of competitiveness when compared to the infrastructure of neighboring countries. This lack of competitiveness stems from the combination of high costs and inferiorities in other areas such as user-convenience. As such, Japan inbound and outbound container cargoes are being diverted to Busan New Port and other foreign maritime ports. (For example, total feeder costs on cargo are said to be some 10-40% cheaper when using transshipment via Busan New Port, compared to when using key Japanese ports).

- Maritime port problems

In Japanese maritime ports, gantry cranes and other facilities are generally maintained and managed by local authorities. Given the increasingly intense nature of competition seen among different international maritime ports, this factor presents major problems in terms of achieving efficient port management practices. Close collaboration and coordination between private-sector companies both in Japan and abroad is vital for the management of container-handling maritime ports. Rather than such matters being a public-sector undertaking, which would require compliance with stringent enforcement standards and procedures, Japan needs to promote port management from a private-sector perspective. Only by doing so can it hope to achieve levels of speed, flexibility and robusticity that

are on a par with international business standards.

Meanwhile, given the increasing size of container ship hulls (displacements), and the increasingly intense nature of competition among different international maritime ports, centralized coordination of general usage matters is very important in terms of the cargo-collection, reloading, and other operations that take place inside maritime container ports. Currently, however, operations in Japan are inconsistent, varying from container-handling terminal to container-handling terminal. Moreover, there is no efficient, centralized management of maritime container ports as a whole.

Furthermore, with the exception of some pioneering container-handling terminals, there are still strong traditional relationships within many Japanese container-handling terminals that conform to the “shipping company – port transport contractor – port transport subcontractor” model. Other problems include the existence of fences between different container-holding yards. Such factors make it difficult to achieve the efficient, mobile operation of gantry cranes and berthing windows, or cooperation among port workers.

On these points, Japan needs to undertake drastic improvements by introducing unified and strategic management practices that view the issues at hand from a private-sector perspective.

- Problems with coastal feeder routes

Coastal feeder routes represent a network that connects the various Japanese maritime ports together.

As such, these routes shall play an extremely important role in any improvement of international

competitiveness. Vastly cutting the costs of maritime transport by increasing coastal feeder route efficiencies, for example, will represent an imperative element in the improvement of maritime port services.

In order to reduce maritime transport costs, Japan shall need to drastically improve both the efficiency and productivity of its coastal feeder industry. To that end, self-help efforts on the part of coastal feeder businesses themselves will be required above all else. In particular, with regard to provisional measures for coastal shipping, because any increase in hull sizes will result in higher costs, at the earliest juncture, drastic improvements to the situation (including facilities for scrapping) would normally be considered. However, early scrappings by coastal feeder businesses alone would be difficult under present circumstances, with there being few prospects of compensation commensurate with the balance of any costs. Therefore, urgent improvement measures forthcoming from the industry are required, with a particular focus being placed on the Japan Federation of Coastal Shipping Associations vis-à-vis its ability to respond.

On the other hand, the competitors of Japanese coastal feeder businesses are ocean-going transport businesses originating from South Korea and elsewhere. Moreover, it has been pointed out that Japanese coastal feeders are placed at a disadvantage due to the issues of taxes and public dues.

Furthermore, to secure the international competitiveness of Japan's maritime ports, all parties involved in coastal feeding (businesses), including the coastal feeder businesses that handle maritime transport, cargo handlers, port authorities, and government, shall need to amalgamate their strengths and tackle

the cost-cutting issue. Such activities should be based on the attitude that cost-cutting in transportation cannot be delayed any longer.

\* There has been a thriving debate and exchange of opinions on the issue of the increased efficiency of coastal feeders, with opinions to the effect that prohibiting cabotage systems will help coastal feeders cut their costs. However, there are also strong opinions to the effect that unilaterally prohibiting foreign companies from conducting such activities could be against the national interest, and would harm the stability of transportation inside Japan.

- Issues of information sharing, etc.

To promote an improvement in services to shippers in hinterland areas, as well as improving the collection (assembly) of cargoes from wide-ranging areas, a major issue shall be the extending of gate-opening times, in moving towards a system of 24-hour access to maritime ports. Another issue is that, information required to promote supply chain management improvements, such as cargo location information (tracking), etc., is not being shared among shippers, terminal operators, marine cargo operators, transport operators or other organizations that are involved in maritime port logistics.



### 3) Policy Proposals in Response to the Challenges

(Content to be enhanced based on future proposals from port management authorities, etc.)

- 1 Nomination of internationally-strategic container ports based on the principle of selectionism and concentration (narrowing down the field of candidates to 1 or 2 ports)

\*Current as of June 2010

- In February, the government published the ideal goals of ports to be nominated as “internationally-strategic container ports,” and also identified the standards for nomination. Plans are currently being drawn up by port management authorities, etc., and the internationally-strategic container ports are due to be nominated around June.
- Japan shall employ nomination standards that place an importance on the issue of “future growth potential.” Viewed from a private-sector perspective, matters on which emphasis is placed shall include the specificity, organization and feasibility of port management practices; along with other measures including cost-cutting and domestic cargo-collection, etc. Emphasis will be placed on such issues rather than simply making nominations based on the volumes of cargo currently handled by different ports.

- 2 Japan shall carry out the following comprehensive measures and take steps to centralize

cargoes at the maritime ports nominated as internationally-strategic container ports:

- 1) The realization of strategic management practices based on a private-sector perspective, and the reduction of port costs<sup>3</sup>
  - The management of container logistics shall be centralized, and in addition to private companies offering both investments and loans to entities for whom the core will be privatized terminal corporations, “port management authorities” shall be established and staffed by experienced private-sector personnel, thus allowing for the centralized management of container logistics. (Please note that some terminal corporations will be privatized in advance).
  - The promotion of unified operations<sup>4</sup> of multiple container-handling terminals through the sharing of cargo handling equipment, and the amalgamation of work systems, etc. (The establishment of “Coordinating Councils,” etc)
  - The improvement of environments in order to achieve internationally competitive maritime port management systems by drawing on private-sector creativity. (Promoting privatization of public services, etc)
  - The offering of support for gantry cranes<sup>5</sup>, logistics bases,<sup>6</sup> etc. developed by port

<sup>3</sup> Port costs: port entry fees, pier usage fees, port cargo-handling fees, cargo-handling equipment fees, pier space usage fees, tugboat fees, pilot fees, etc.

<sup>4</sup> Unified operation of terminals: An operational format for the flexible deployment of port facilities between neighboring berths, such includes the shared use of gantries, and cooperative work by dockworkers, etc.

<sup>5</sup> Gantry cranes: Cranes installed on container-handling piers that work to transfer cargoes between berthed vessels and the container-holding yards that front onto piers.

<sup>6</sup> Logistics bases: Bases established to achieve overall optimization of cargo-transport factors; such include the flow of cargoes from their source to their point of final consumption, storage facilities and related services, costs, etc.

management authorities.

- The offering of support for the strengthening of international competitiveness within port management authorities. (Support measures in order to provide incentives for trunk routes<sup>7</sup>, the strengthening of wide-area cargo collection activities, the promotion of 24-hour operations, the promotion of cost cuttings, etc.).

2) The promotion of the formation of container-handling terminals used for both foreign and domestic trade

- The securing of container-handling terminals in which foreign trade<sup>8</sup> terminal areas and domestic trade<sup>9</sup> terminal areas are adjacent to each other and operated in tandem. This shall be done to promote the usage of strategic maritime ports for both foreign and domestic trade.
- The strengthening of tangible and intangible access between piers to smoothen the flow of cargo storage transfers between piers<sup>10</sup>, etc.

3) The implementation of measures designed to drastically strengthen feeder networks

Japan shall enhance feeder networks in order to maximize the advantages of the

<sup>7</sup> Trunk routes: Generally refers to those sea lane routes that link together the three trade hubs of North America, Asia and Europe.

<sup>8</sup> Foreign trade: Trade with other countries.

<sup>9</sup> Domestic trade: Trade or cargo movements between regions of the same country.

<sup>10</sup> Storage transfers: Moving containers and cargoes from specific locations to storage locations, warehouses, etc., or from container yards, sheds, and warehouses, etc., to piers or terminals.

internationally-strategic container ports, and a variety of drastic measures shall be undertaken to ensure that this enhancement of feeder networks results in significant cost reductions. Furthermore, in addition to promoting tie-ups between different feeder networks, Japan shall promote initiatives by which stakeholders collaborate via the amalgamation of their collective strengths.

Specifically, with regard to coastal feeder networks, they shall play an extremely important role in improving the international competitiveness of Japan's maritime ports. As such, the government as well as maritime transporters, cargo handlers, port authorities and all other parties involved in coastal feeder networks shall make a combined effort to reduce cost structures in line with the initiatives undertaken by those ports that are nominated as internationally-strategic container ports.

- To promote coastal feeder cost reductions, the government shall strengthen its support of improvement measures related to certain provisions being undertaken by the Japan Federation of Coastal Shipping Associations, (such including special measures vis-à-vis reducing coastal feeder vessel construction costs). The government shall also aim to reduce the coastal feeder fuel-burden and vessel-related costs (such shall be done through the implementation of measures designed to reduce petroleum and coal taxes, and fixed property taxes, etc.). In conjunction with these measures, the government

shall also support efforts to enhance the management efficiencies of those coastal feeders and barges<sup>11</sup> responsible for transportation activities.

- Concurrently, Japan shall strengthen support for coastal shipping container-handling terminals, both in maritime ports nominated as internationally-strategic container ports; and regional maritime ports that act as cargo-collection points for those ports nominated as internationally-strategic container ports. Such activities shall be undertaken with a view to reducing coastal feeder-related maritime port costs.
- Japan shall create inland depots, etc,<sup>12</sup> to drastically strengthen railway feeder networks.
- Japan shall strengthen access for road transport and create inland depots, etc, in order to drastically strengthen truck feeder networks.
- Japan shall drastically strengthen those logistics bases, inland depots, etc, that contribute to smoother transportation of maritime container cargoes (reduced charges, etc.).

#### 4) Improvement of other services for shippers

- Japan shall promote the conversion of maritime ports to 24-hour operations, by promoting expanded gate open<sup>13</sup> times.
- Japan shall further improve the smoothness of maritime port procedures by promoting a

<sup>11</sup> Barges: Vessels used to convey people and cargoes between berthed ships and the land, or between two separate points. Such vessels have no self-steerage capacity in order to make headway, so they have to be used in conjunction with pusher or tug boats.

<sup>12</sup> Inland depots: Places at cargo transportation bases in inland areas other than maritime ports and airports, where cargoes are collected, processed for passage through customs, stored, etc.

<sup>13</sup> Gate open: When the entrance to a container-handling terminal is open.

conversion to electronic systems, while also smoothening AEO systems<sup>14</sup> and other trade procedures.

- Japan shall develop a system for sharing container movement information over the Internet, within the COLINS system that is currently under development. (Some elements of this system are already being used).

- 5) Japan shall develop container-handling terminals that can support the largest classes of container ship that are currently in operation, while at the same time anticipating future increases in the size of shipping hulls, and the appearance of such shipping in Japanese maritime ports.

### **Problems to be Resolved**

- In the future, consideration shall be required vis-à-vis the degree to which public authority involvement shall be necessary in the operation of maritime ports. Such consideration shall be required to ensure that a balance is struck between the freedom of the management of “port management authorities” to act, and the retention of the public interest.
- Issues such as reducing maritime port costs and achieving the strategic management of maritime

<sup>14</sup> AEO (Authorized Economic Operator): A system whereby businesses with superior cargo management structures are accredited by a relevant authority, thus being given preferential treatment in the area of customs procedures, etc., thereby balancing security in international logistics with increased distribution efficiencies. There are also bilateral systems of accreditation between countries with regard to such businesses.

ports, etc, shall need to be coordinated among stakeholders, with required functionalities being secured, and, whenever necessary; systems amended accordingly.

## **2. Bulk logistics**

### 1) Future Goals and Indicators

- With regard to bulk cargo logistics as well, Japan shall endeavor to realize both transport costs and service levels that are on a par with major maritime ports in the Asia Region. Through the utilization of large vessels, etc., the nation shall realize stable and inexpensive supplies of commodities including resources, energy, and foodstuffs, etc., all being imperative inputs for both Japanese industry and the day-to-day lives of Japan's citizens. By achieving such aims, Japan shall strengthen the international competitiveness of its industrial base in international bulk cargo markets, thus reinforcing the position of Japanese industry and generating domestic employment opportunities.

### 2) Current Issues and Challenges

- With the global population fast approaching some 6.8 billion people, the increased demand for bulk cargo commodities such as resources, energy, and foodstuffs has seen these markets begin to tighten. As such, global competition for such products is beginning to escalate. In maritime transport also, hull sizes of bulk carriers are increasing in line with a pursuit of the economies-of-scale offered by large-scale, centralized procurement practices. Against this



backcloth, China, South Korea and other neighboring countries of Japan are rushing to provide large-scale, high-specification logistic functionalities in order to meet burgeoning levels of consumption. They are also making concerted national efforts to induce foreign investment through the use of bold incentive measures, etc.

- On the other hand, “Maritime Powerhouse Japan,” a nation completely surrounded by bodies of water, is dependent on imports for some 60% of its food requirements. Meanwhile, some 90% of Japan’s energy requirements are met by foreign sources. As such, securing reliable and inexpensive supplies of resources, etc., that represent indispensable inputs into manufacturing and other domestic industries, is one of the most basic issues facing Japan. Thus, because transportation costs account for a high proportion of the price of bulk cargoes, reducing costs by utilizing large vessels, etc., would immediately strengthen the bargaining power of Japan when purchasing such resources. This would lead directly to the stronger price competitiveness of Japanese products whose factors of production were underpinned by cheaper resource prices. However, with regard to the issue of importing bulk cargos such as resources, energy and foodstuffs, etc., Japan’s maritime port policies have merely provided support from the perspective of promoting the modernization and rationalization of individual companies involved in the importing of such resources. On the other hand, any policies designed to strengthen the international competitiveness of related industries as a whole, or to protect the national economic interests of Japan, etc., have not been sufficiently addressed.

- Furthermore, many of Japan's existing maritime port facilities were built during the periods of high economic growth experienced by the nation in the decades after World War Two. As a result of the progressive dilapidation and obsolescence, etc. of these facilities, they are unable to adequately cope with the global trend of increasing vessel sizes.
- If this situation is allowed to continue, and distribution costs and service levels are not improved, there will be significant costs placed both on the shoulders of Japanese industry and the national way of life. As such, industry shall have no choice but to accelerate their relocation of manufacturing bases offshore. Moreover, Japan may even become unable to protect its domestic industries and the levels of employment that have supported the Japanese economy up until now.

### 3) Policy Proposals in Response to the Challenges

- 1 As a starting point, the Review Committee on Internationally-Strategic Bulk Cargo Ports has nominated grains (maize, soybeans), iron ore and coal as international bulk cargoes.
- 2 With regard to international bulk cargo transportation, the circumstances of grains, resources and other cargoes tend to vary based on the competitive environments of their respective shippers. As such, Japan shall need to closely scrutinize those response measures that would prove most effective in each instance. To that end, at around the

end of 2010, as well as nominating certain ports to become Internationally-Strategic Bulk Cargo Ports based on the principle of “selectionism and concentration,” Japan shall encourage collaboration among companies with the aim of achieving large-volume, centralized procurement of international bulk cargoes (while also partly drawing on the “Social Experiment for Promoting the Upgrading of Industrial Logistics” which was conducted in FY2010).

Based on the above measures, Japan shall develop the strategies necessary for the subsequent development of ports as Internationally-Strategic Bulk Cargo Ports in order that the entire nation can enjoy the benefits of such strategies.

### **Problems to be Resolved**

Specifically, Japan shall develop requisite policies in accordance with the following key points:

- (1) Encouraging corporate collaborations in order to increase import efficiencies:
  - Initiatives aimed at promoting improvements in existing commercial transactions, etc.
    - 1 The sharing of piers and cargo-handling equipment among multiple companies, with imported commodities distributed among multiple companies from the single berthing of a large vessel.

- 2 The realizing of multiple port visits that are spread among different company bases, in order that the benefits of the Internationally-Strategic Bulk Cargo Ports policy can be diffused.
- 3 The promoting of coastal feeder transport services to small-volume shippers in coal centers<sup>15</sup>.

(2) Securing centralized port functions to cope with large vessels

- Japan shall improve its port facilities to allow for the handling of the largest classes of bulk carrier now in operation (and those classes of carrier that may appear in future). These improvements shall, in accordance with the commodities in question, allow such ships to enter and leave those maritime ports nominated as Internationally-Strategic Bulk Cargo Ports while fully-laden. Japan shall also take necessary steps vis-à-vis promoting cargo-handling equipment upgrades, securing silo capacities and functionalities, and securing yard and other storage facility capacities and functionalities. Such steps shall be taken in order to both cope with large vessels and improve the overall operational efficiency of bulk cargo-handling terminals.

(3) Establishing operational systems that are efficient from the private-sector perspective

<sup>15</sup> Coal centers: Facilities for storing coal that is carried by coal transporters. These facilities provide the volumes required by a market in line with the demand generated by businesses.

- Japan shall create new schemes that can be operated efficiently by private companies.
- (4) Easing of restrictions on entering or leaving ports, etc., to improve the efficiency of vessel operations
- Among other factors, Japan shall tackle measures that enable ships to enter ports at night. This shall be done after devising adequate navigational safety measures such as enhancing meteorological and navigational-condition information networks.

### **3. Passenger logistics**

#### **1) Future Goals and Indicators**

- By leveraging the rich natural sceneries, unique cultures, historical heritages, climates and other features of locations such as the Seto Inland Sea, Japan shall create maritime ports that represent attractive port-of-call alternatives for overseas cruise ships, thus increasing the number of foreign visitors to Japan. The aim of such a strategy will be to develop maritime port services that help develop Japan a tourism powerhouse.
- Japan shall create thriving maritime ports that offer safe and reliable entry to both passenger ships and ferries. These ports shall also offer an enjoyable usage-experience to vessel passengers. Through such means, Japan hopes to vastly increase the number of passengers who visit its maritime ports.
- As a nation completely surrounded by bodies of water, the seas around Japan also provide the country with important routes by which exchanges are undertaken with other countries. Together with other measures designed to promote inbound tourism, Japan shall attempt to increase the number of travelers visiting the country via such maritime routes.

#### **2) Current Issues and Challenges**

- For cruise ships, ferry passengers and shipping companies, Japan's maritime ports are currently

neither particularly pleasant nor safe to use. Among other issues, port entry procedures are time-consuming, cargoes are stacked on and around piers that are used by cruise ships, and large cruise ships cannot safely enter Japanese ports due to a lack of pier length and water depth.

In order to promote Japan as a tourism powerhouse, it is important that initiatives be pursued that aim to invite cruise ships from around the world as they pass through Asian waters. Japan needs to develop environments for its maritime ports that are attractive both to passengers and shipping companies. These environments also need to be internationally competitive when compared to other Asian ports.

### 3) Policy Proposals in Response to the Challenges

To address the issues offered above, Japan shall tangibly and intangibly implement the necessary measures based on the following. For those issues that require comprehensive coordination within the government, Japan shall create systems by which the relevant ministries are able to collaborate with port management authorities, local authorities, related businesses, and nation's citizenry, thus facilitating a concerted effort by all of these stakeholders. Meanwhile, in addressing measures that promote tourism, the government shall collaborate with tourism-related businesses and others in promoting the issue of passenger convenience.

- 1 Securing dedicated terminal facilities that allow for optimized use by cruises, etc.

- Passenger and cargo areas within maritime ports shall be separated from each other.
- 2 Customs, Immigration, and Quarantine (CIQ) <sup>16</sup> procedures, etc., shall be made both quicker and smoother.
  - 3 Terminal functionalities shall be enhanced for the benefit of passengers, such enhancements including information and guidance facilities, pleasant embarkation and disembarkation facilities (elevators, etc.), and adequate parking spaces for those charter buses, etc. that are used to pick up/drop off passengers.
  - 4 The guaranteeing of water conditions within maritime ports so as to ensure that large passenger ships can enter berths safely during bad weather.

### **Problems to be Resolved**

- The revision of relevant procedures, and the creation of a system for promoting collaboration between different government ministries in order to achieve the revision of such procedures.
- The promoting of the facilities development required to make ports both safer and more pleasant.
- The creating of a collaboration system for cruise promotion initiatives among stakeholders at each port.

<sup>16</sup> CIQ (Customs, Immigration, and Quarantine): The procedures and facilities needed for international movements of people and goods.



## **2. Enhancing the Strengths of Maritime Transport**

Along with maritime ports and their facilities, ocean-going maritime transport represents an important pillar within Japan's maritime infrastructure, with the international activities of Japan's merchant fleet significantly contributing to the nation's economic growth. At the same time, however, it should be noted that Japan's merchant fleet is comprised of ships of individual private companies, each of which retains its own degree of international competitiveness. As such, unlike Japan's maritime ports and their associated facilities, the ocean-going maritime transport is not an industrial sector that requires the direct involvement of government.

On the other hand, however, in recent times, the ocean-going maritime transport sector has exhibited certain attributes related to international competition, with these attributes based upon issues including matters of taxation and certain institutional schemes. As such, appropriate policy measures are required in order that Japan's merchant fleet can display its inherent strengths, and also maintain a degree of independent competitiveness within an international setting. Specifically, such policy measures would include both a taxation system that was designed to keep the level playing field that confront Japan's merchant fleet, and certain regulatory reforms that would stimulate private-sector's motivations, etc.

By implementing such policies as mentioned above, Japan's merchant fleet would be selected for the reasons of cost-effectiveness as well as quality of services and safety. As a result, the following developments could also be expected:

- Japanese ocean-going maritime transport could make a significant contribution to the nation's economic growth, as one of the Japan's growth industries.
- Moreover, if the merchant fleet could provide high-quality and low-cost transport services, it would provide a big boost to Japanese manufacturing and other industries. This would also represent a form of contribution to national economic growth.
- Furthermore, by promoting measures to increase passengers including cruise-related, the merchant fleet could also contribute to the promotion of tourism and regional development.

## 1) Future Goals and Indicators

- By improving those competitive attributes on which Japan currently rates poorly vis-à-vis international standards, the nation shall aim to have its merchant fleet selected by users (shippers) from around the globe. Japan shall also aim to both maintain and hopefully increase the market shares enjoyed by Japan's merchant fleet in global maritime markets (currently at about 11% on a tonnage basis).

\* In terms of the growth of the maritime transport sector, global maritime cargo volumes have grown by an average of 4% each year, for the last 10 years. If market shares are to be maintained in accordance with such trends, the sales revenue of Japan's merchant fleet will increase by a factor of about 1.5 times over the period of the next 10 years, provided

that revenue increases are proportionate to cargo volume increases (about JPY5.6 trillion → about JPY8.4 trillion). Moreover, if investments for the purpose of fleet expansion and other factors are considered, an expansion of the market by about JPY4 trillion seems just.

## 2) Current Issues and Challenges

- Compared to other countries, ocean-going maritime transport in Japan shoulders a relatively heavy burden in terms of those public dues that are liable for payment. Such dues include the current tonnage tax system, depreciation scheme, registration and licensing taxes, and fixed asset taxes in Japan, etc. For example, with regard to the current tonnage tax system, while in other countries, its application to all ships is allowed, in Japan only Japan-flagged ships (about 4% of Japan's merchant fleet) are eligible for application of the tonnage tax system. Additionally, while movable depreciable assets are exempted from fixed asset tax regimes in many foreign countries, such are liable for taxation under the fixed asset tax regime of Japan. Such variances create a major gap between the taxation regime in Japan and those in other countries.

Again, although the volume of world maritime cargo has increased over time, the market shares enjoyed by Japan's merchant fleet have gradually fallen away. As such, in order that Japan's merchant fleet keeps up with developments in world markets, the nation shall need to improve both regulatory schemes and taxation systems. Such improvements would allow both

ocean-going maritime transport companies and vessel owners to augment their retained earnings, expand their shares in markets of transportation between third-countries, enhance their maritime transport networks, and invest in the refurbishment of their fleets.

- With respect to the view that maritime transportation represents an important lifeline for Japan in terms of the nation's economic security, it should be noted that Japan-flagged ships and Japanese seafarers have fallen enormously from their peak periods. From a peak of some 1,580 vessels (1972), the number of Japan-flagged ships now stands at 98 (2008). Meanwhile, the number of Japanese seafarers has declined from 56,833 (1974) to 2,621 (2008).

### 3) Policy Proposals in Response to the Challenges

#### 1 Strategic reform of taxation system for Japan's ocean-going maritime transport

- Enhancing the scope of application of the tonnage tax in a manner equivalent to those in other countries.
- Maintenance and expansion of systems for ship owners regarding the accelerated depreciation of vessels, and vessel repurchasing provisions.
- Drastic reduction of vessel registration and licensing taxes, and the drastic reduction of fixed asset taxes as such apply to vessels.

\* Japan shall revise certain taxation systems, from the perspective of contributing to the

nation's growth and the enhancement of the competitiveness of Japan's merchant fleet which can lead at a global level. When undertaking such measures, in addition to look to increase the number of Japan-flagged ships, the nation shall also take steps to even out those competitive conditions that confront not just Japan-flagged ships, but also Japan's merchant fleet in general.

2 Strategy of cost-cutting measures designed to increase the number of Japan-flagged ships representing the heart of Japan's merchant fleet

- A review shall be conducted regarding procedures related to ship equipment/seafarer qualifications regarding Japan-flagged ships.

3 Develop infrastructure for securing/training superior merchant seamen (officers)

- With a view to achieving both a degree of economic security and the realization of safe navigation practices, such matters including the support of landing activities, and in order to support the steady growth of Japanese ocean-going marine transport companies, the nation shall provide effective incentives to promote the hiring of Japanese seamen (officers). This will be done in order to meet future personnel requirements regarding the need for ocean-going seamen (officers) in future.
- In order to promote the effective use of foreign seamen on Japanese vessels, application

- procedures for foreign qualified seamen to serve on Japanese ships, etc. shall be revised.
- Efforts shall be made to improve general recognition as to the significance of the seafaring professions. Efforts shall also be made to raise the attraction of such professions.
  - The education system for effectively developing seamen resources shall be enhanced and training fleets, etc. will be developed. These activities shall be undertaken with a view to effectively training service-ready personnel.
- 4 To strengthen the competitiveness of coastal shipping, whose activities support Japan's merchant fleet, taxation systems shall be revised with a view to promoting lower carbon operations, operations undertaken on a larger scale, and operations undertaken in a grouped format
- The maintenance and expansion of systems for ship owners regarding the accelerated depreciation of vessels, and vessel repurchasing provisions.
  - The reduction of fixed asset taxes as such apply to vessels.

### **Problems to be Resolved**

The following points shall be considered on an ongoing basis:

- Persuasive explanation of the necessity of increasing Japan-flagged ships from the economic

security perspective as well.

- To what extent can any strengthening of the competitiveness of Japan's ocean-going maritime transport companies contribute to regional economies and employment opportunities through so-called "Maritime Cluster"?

### **3. Strengthening Shipbuilding & Developing it for the Maritime Sector**

#### 1) Future Goals and Indicators

- As well as strengthening the international competitiveness of Japanese shipbuilding via technological developments, etc., and using such technologies as a backbone by which to assume a leading role in the creation of international rules that deal with matters such as global warming countermeasures vis-à-vis the international maritime transport sector, etc., the Japanese government shall also help to promote the utilization of those oceanic resources that lie within Japan's own extensive EEZ holdings.

#### 2) Current Issues and Challenges

- Both the shipbuilding and marine equipment industries are subject to intense international competition, such being played out within the boundaries of a single global market. As such, in order to guarantee the competitive position of Japanese companies within these market segments in the future, it is imperative that Japan show international initiative by developing pioneering shipbuilding technologies, and proactively proposing international rules concerning both environmental performance standards and other matters, such being areas in which Japan stands to the fore. Furthermore, while Japanese production efficiencies currently lead those of other



nations, it shall be important to further stimulate corporate activity with regard to improved production efficiencies and technological developments. Such shall be done with a view to further strengthening Japanese competitiveness.

- For Japan as a maritime powerhouse, an important issue is the management and development of its extensive EEZ holdings. Mineral resources including abundant reserves of methane hydrate and rare metals are said to lie within the boundaries of Japan's EEZ holdings, and if these seabed resources can be commercialized, they could make a major contribution not only to Japan's economic growth, but also to the resource security of the nation. Much is also expected from the development of sea-based wind power generation, wave power generation, and other forms of renewable energy. To contribute to the management and development of such maritime resources, further advances in Japanese shipbuilding technologies shall be required, as well as advances in non-shipbuilding technologies such as the general engineering and offshore engineering disciplines. Meanwhile, since actual management and development of maritime resources entails too many development risks for the private-sector, another task for consideration is to find methods of collaboration between the public and private-sectors with a view to promoting such maritime development and the general nurturing of maritime industries.

### 3) Policy Proposals in Response to the Challenges

- 1 As well as aiming to develop and disseminate innovative energy-saving technologies for ships, Japan shall promote the creation of international treaties on issues such as fuel consumption regulations for new shipbuilding activities (new ships), and mandatory energy-saving operational plans for existing ships, etc. Such treaties shall represent measures that combat global warming within IMO international maritime transport that is under Japan's guidance.
- 2 Japan shall promote industry-academic-bureaucratic initiatives, and enhanced functionalities for regional training bases, with a view to securing and training a technically-inclined and skilled workforce for the shipbuilding industry.
- 3 Japan shall encourage flexible investment activities that help to strengthen the competitiveness of shipyards.

\* Aiming for realization in 2-3 years

- 4 Concerning those maritime energy and mineral resources lying within the boundaries of Japan's EEZ and elsewhere, the nation shall quickly conduct seabed topography surveys using autonomous underwater vehicles (AUV), etc., in order to ascertain and verify the potential of any such reserves. Japan shall also develop the necessary technologies, conduct economic evaluations, and develop bases in support these activities. Among other efforts, Japan shall also strengthen surveillance of its EEZ, and secure the relevant rights and interests thereto.

5 With a view to managing, developing and utilizing Japan's EEZ, the nation shall take steps to further upgrade those shipbuilding technologies that could make contributions to such efforts in the form of basic infrastructure. Japan shall also develop collaborative efforts between the public and private-sectors for the purpose of nurturing the maritime industry, such efforts including supporting the participation of Japanese companies in maritime exploration markets, such markets being expected to expand in future.

\* As an for future consideration

6 Japan shall promote the introduction of maritime renewable energies by formulating renewable energy development and diffusion plans, and supporting the development of related technologies, etc.

### **Problems to be Resolved**

- On the international framework for cutting CO<sub>2</sub> emissions, Japan shall need to conduct negotiations and consensus-building exercises with principal maritime transport countries and other IMO-related countries.

## **2. Tourism Sector**

# **Three Strategies, Seven Tactics**

## **Strategies for inducing foreign travelers to visit Japan**

### **1. Deploying the “30 million foreign visitors” program**

Establish quotas and performance-based compensation for each target group

### **2. Media strategies**

**2-1. Overseas promotions that utilize new media channels**

**2-2. Advancing domestic tourism through the utilization of Information and Communications Technologies (ICT)**

### **3. Provision of all-inclusive services at overseas outposts**

Scaling back cost overheads through the consolidation of outposts and the centralization of promotions

## **Strategies for enhancing the attraction of tourism regions**

### **4. Creation of new tourism items**

Promoting tourism in terms of interweaving it with other sectors such as culture, sport, and medicine, etc.

### **5. Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity**

**Infrastructure development for the purpose of turning Japan into a  
tourism powerhouse and strategies for reforming the national  
consciousness**

- 6. Promote the idea of dispersed holiday-taking habits among the population**
- 7. Development of a national tourism-oriented mindset**

## **Preamble: Towards “Japan Becoming a Tourism Powerhouse”**

### **For an enjoyment of life**

Tourism represents a major new industry that already accounts for some 2.3% of Japan's Gross Domestic Product (GDP), when expressed in terms of the level of direct effect generated by inter-industry analyses. As such, this figure indicates that, as a business sector that shall continue to grow in the future, it is not beyond the realms of possibility that tourism shall become one of Japan's basic industries.

Additionally, tourism can be seen as possibly the only business sector that may offer far-reaching employment opportunities in the future. Indeed, this might especially be the case with regard to more regional areas of Japan. As such, the stimulation of tourism is bound to become a major policy issue, one that helps determine as to whether or not communities in more isolated regions of the country prosper or perish.

Moreover, it should be noted that, “Employment,” in the current instance, does not just signify the social construct that is defined by the idea of traditional paid labor, etc. Rather, it also encompasses the idea of tourism-related voluntary work, etc., a vehicle by which community participation is also promoted. In having women, the elderly, and other social-isolation prone

segments of regional populations take part in tourism-related activities via the leveraging of their latent talents, an excellent opportunity exists vis-à-vis such people “doing their part locally,” such being an idea that has been advocated by the administration of Prime Minister Hatoyama.

However, in terms of Japan moving along a development path whose terminus would be the realization of “Tourism Powerhouse” status, it must be understood that, in a contemporary context, such ideas are not equally shared by the entire population.

As a country that has long defined manifestations of economic growth in terms of the nation being an “Industrial Powerhouse,” for many years, Japan relegated leisure/entertainment-focused industries such as tourism, culture, and sport, etc., to strictly supporting roles within its perceptual understanding of the greater economic order. Moreover, as a possible example of the population’s over-zealous demeanor resulting in unforeseen outcomes, it cannot be denied that, over time, leisure/entertainment-focused industries have been viewed as matters associated with downtimes from employment, being thus pursued during periods of rest and recreation.

In order for Japan to become a “Tourism Powerhouse,” a change in perception shall be required whereby matters of leisure, culture, and sport, etc., are not discounted from either the fabric of everyday life, or from the mental well-being of the modern person.



Specifically, the following matters are felt to represent pressing issues with regard to the tourism sector:

- There is the need for the strong message of “Enjoy life!” to be forthcoming from the government.
- There is the need for a shift in the perceptual understanding of the economic interests of this country. Such a shift would acknowledge that, through “the discovery of new worlds” courtesy of tourism and cultural endeavors, there would also be infusions of energy into wider-world economic activities.
- There is the need for education in order to nurture a “tourism-oriented mindset.” Such a mindset would be characterized by individuals possessing a sense of pride vis-à-vis their place of birth/place of upbringing. Such pride would manifest itself in the sense of enjoyment that individuals felt when introducing their hometown roots to other people.

Concurrently, through building upon regional success stories, and by ensuring that such were widely publicized, it might also become necessary for the nation’s citizens to share such real-life examples of “tourism-based regional rejuvenation.”

## **Establishing a domestic environment that can accommodate 30 million foreign visitors**

The major objective of the nation's tourism strategy shall be the earliest possible achievement of the goal of having some 30 million foreign nationals visit Japan.

With regard to achieving this objective, all efforts undertaken shall focus on its realization via the strict establishment of short-term numerical targets for each of the visitor-generating geographic regions. A clear policy of emphasizing results first-and-foremost shall also be implemented, such representing a marked departure from the government policies previously deployed. To this end, Japan shall thoroughly enhance its overseas outposts, bolstering both their personnel numbers and budgetary allocations. Locally-based hiring shall also be promoted, along with other efforts.

However, even if such numerical objectives are realized, the aforementioned efforts shall lose much of their meaning if they fail to be accompanied by a stimulation of domestic demand via tourism promotions, or if they fail to be accompanied by a subsequent revitalization of regional communities.

Additionally, even if overseas inbound tourist numbers increase, if such visitors fail to develop a fondness for Japan, and instead leave these shores lacking a favorable impression of the nation, the aforementioned efforts could conversely result in a damaging of Japan's reputation and national interests.

Indeed, within tourism policy, the promotion of inbound travel to Japan is the one issue that bears the highest priority. However, this issue absolutely requires that the foundations on which such tourism can be developed be established, such an establishment in itself resulting from an enhancement of domestic tourism. Meanwhile, the development of inbound travel independent of any links to domestic tourism would not be feasible.

With such issues in mind, it is the considered opinion of the Special Interest Group for Tourism that the wisest course of action would see priority being given to the development of stronger domestic tourism foundations. Specifically, such foundations would involve leveraging the idea of dispersed holiday-taking habits among the population. There would also be a realization of high-level information-support facilities at a ground level for tourism sites. This would be achieved via the utilization of diversified Information and Communications Technologies (ICT). There would also be collaborations established with cultural facilities, etc., for the purpose of developing tourism centers that leveraged the advantages of region-specific characteristics. Through such measures, Japan shall seek to exponentially improve the productivity of its tourism industry, thus increasing the industry's number of regular employees. Japan shall also nurture those businesses that will become the foundations for its future competitiveness in international tourism.

Concurrently, in addition to both examining the idea of centralizing tourism's explanatory aspects such as issues of sightseeing and culture, etc., within the context of Japan's overseas outposts (the

concept of all-inclusive service delivery); and examining a new publicity strategy that leverages blogs, Twitter and other new media formats, etc., Japan shall also roll out bold promotional strategies for inbound travelers that target both specific demographics and establish levels of attainment that are to be achieved. Such shall be based on issues such as age demographics and country considerations. Moreover, in addition to numerical-based targets, realistic objectives firmly grounded in fact shall be established through referring to various global tourism rankings and other such sources of information. Simultaneously, evaluations pertaining to the establishment of such objectives shall be conducted both in a manner that is both rigorous and appropriate.

Such developments to be enacted both domestically and overseas represent the basis on which the promotion of tourism shall be conducted. Moreover, it shall be necessary for all such matters to be developed both concurrently and in collaboration with one another, while at the same time maintaining short, medium and long-term implementation targets in each instance.

Tourism represents both the greatest and best intangible power that Japan possesses by which the nation's traditions, culture, arts, sport, science, technology, etc., can be directly experienced by people. In the final analysis, there is a hope that all areas of government can come together in order to positively promote tourism in a manner that positively impacts both Japan and its contributions to peace.

## **Topic-Specific Policy Examinations**

### **Matters for Priority Implementation**

#### 1. Deploying the “30 million foreign visitors” program

To achieve the “30 million foreign visitors” program, the Japan Tourism Agency (JTA) shall broaden the scope of its marketing efforts in each of the targeted markets. It shall also establish clear numerical targets for the number of travelers to Japan to be generated by each of these markets. Concurrently, the Japan National Tourism Organization (JNTO) shall strengthen those frameworks necessary for the realization of such numerical objectives, and by FY2011, it shall implement a policy of emphasizing such results first-and-foremost, such representing a marked departure from the government policies previously deployed. This new policy direction shall recognize the aforementioned targets not simply as “objectives,” but rather as “quotas.” Subsequently incentives shall be given to those parties who achieve their targets, while those who fail shall be replaced.

[Refer to 1.2) on p. 5]

#### 2. Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity

To accommodate the development of the human resources required to help underpin regional tourism activities, and to also link regional tourism-focused initiatives to wider developments within the regions, in working towards the formation and promotion of business implementation entities (platforms for creating tourism-oriented regions) that incorporate broad cross-sectional support that

extends well beyond tourism and includes interested parties such as those from agriculture, forestry and fisheries; those from local industries, and those from non-profit organizations (NPO), etc., the JTA shall support progressive initiatives including the formation of organizations and human-focused resources, while concurrently eliciting proactive-region cooperation, and also verifying any subsequent improvement effects, etc. By FY2011, the JTA shall establish such policies in order that they may be deployed across all areas of Japan.

[Refer to 5.2) on pp. 16-17]

### 3. Promote the idea of dispersed holiday-taking habits among the population

To accommodate efforts aimed at revitalizing regional economies and expanding employment opportunities via expanded domestic demand, the government shall take into sufficient consideration opinions forthcoming from economic, labor, and educational leaders, etc. vis-à-vis the establishment of region-specific, extended and continuous-day spring and autumn vacation periods, etc. Such matters shall be related to the idea of dispersed holiday-taking habits being adopted by the general population, with an attempt being made to obtain national consensus with a view towards the implementation of any changes during FY2012. Furthermore, the JTA shall implement activities designed to both increase national awareness of such dispersed holiday-taking habits, and to heighten the adoption of such measures.

[Refer to 6.2) on p. 19]

## **Strategies for inducing foreign travelers to visit Japan**

### **1. Deploying the “30 million foreign visitors” program**

#### 1) Current Issues and Challenges

- Promotional strategies geared towards specific markets are insufficient in terms of their scope.
- With regard to existing overseas promotion-implementation frameworks, in addition to the JNTO, there is also involvement forthcoming from Japan’s diplomatic missions, and the Japan Foundation, etc. However, due to factors such as the flimsiness of the organizational structures deployed, bureaucratic red-tape resulting from vertically-segmented administrations, and insufficient coordination with related autonomous bodies, the status quo is woefully lacking in terms of achieving a total of some 30 million foreign visitors coming to Japan.
- In the case of the People’s Republic of China (China), the difficulty faced by Chinese nationals in obtaining visas to Japan is currently the most serious obstacle. Until now, due to factors including the status of personnel, etc. assigned to Japan’s diplomatic missions, and issues related to the perceived risk of a worsening of public safety here in Japan, there has been some reluctance vis-à-vis expanding the number of Chinese visitors to this country. However, rather than searching out “reasons why visitor numbers from China cannot be

increased,” Japan should place a priority on its national interests, assigning the personnel necessary to Japan’s diplomatic missions, and promoting a bold change in policy.

- In line with any increases in the numbers of foreign travelers coming to Japan, it shall be necessary to establish an environment within Japan that is able to receive such travelers.

One element of such an environment would be measures that allow for the smooth and inexpensive movement of foreign travelers within Japan’s borders.

## 2) Policy Proposals in Response to the Challenges

### **Immediate Goals (including FY2011 budget requests)**

(1) In the current fiscal year (FY2010), Japan has conducted precursory and focused marketing research centering on the East Asia Region. Using the indicators derived from this research as a point of reference, in FY2011 Japan shall broaden the scope of its research efforts by conducting dedicated surveys in all the targeted markets. After this process has concluded, specific numerical targets shall be established for the number of Japan-bound travelers to be generated by each market. Furthermore, for the purpose of achieving these targets, Japan shall deploy effective promotions in each market that have been tailored to meet local needs.

(2) To realize the target of some 30 million foreign travelers visiting Japan, in addition to validating existing overseas promotion-implementation frameworks, Japan shall also



apply the results of such validations to a strengthening of the JNTO and other systems leveraged in the implementation of overseas promotions. Such strengthening shall be achieved by enhancing promotional tie-ups with locally-based travel agents in each of the overseas markets, and also strengthening collaborations with overseas media, etc. Marketing research and analysis, etc., shall also be conducted among other activities. To this end, along with enhancing and strengthening both the JNTO budget and its personnel numbers, expanding locally-based overseas hiring practices, and enforcing a clear policy of emphasizing results first-and-foremost with regard to target numbers, to allow for a more prompt and smoother implementation of the business model, Japan shall examine the idea of directly allocating the Visit Japan Campaign (VJC) budget to the JNTO.

This new policy shall recognize the aforementioned targets not simply as “objectives,” but rather as “quotas.” Subsequently incentives shall be given to those parties who achieve their targets, while those who fail to do so may face the harsh reality of being replaced.

- (3) While it is obvious that close examinations broken down by specific country and specific region should be carried out in order to define “what elements” of Japan should be promoted (in the different markets), Japan shall also segment visitors into categories such as “group-tour participants,” “repeaters,” and “vacation home purchasers,” etc.,

subsequently developing detailed tourism strategies optimized for each target segment.

(4) With regard to the issuing of tourist visas to Chinese nationals, while the Tourism Powerhouse Promotion Headquarters coordinates with the relevant government ministries and agencies, Japan shall endeavor to expand both the number of Japanese diplomatic missions capable of handling such visa-issuing duties, while also carrying out a review of the criteria by which visas are issued to Chinese nationals, etc.

(5) At gateway airports, etc., and other strategic centers that, from the national perspective, should be charged with the core function of receiving foreign visitors to Japan, the national government shall establish collaborations and cooperative networks with regional autonomous bodies, private-sector operators, and other key related entities in order to promote a variety of measures aimed at improving those services that are geared towards foreign travelers, such matters including enhancing the display of information in foreign languages, and the providing of information in foreign languages, etc.

(6) In accordance with any dramatic jump in the number of foreign travelers visiting Japan, the government shall conduct a revision of those systems concerning the work of interpreters and tour guides, employment categories which at the current time are related to specific qualifications that exercise almost exclusive control over such employment.

Additionally, the government shall endeavor to develop the human resources required to

handle incoming foreign travelers.

(7) The government shall promote those initiatives that are intended to enhance and strengthen hospitality services delivered in foreign languages at lodging facilities here in Japan. The government shall also promote a strengthening of lodging facilities information that is transmitted overseas.

(8) Japan shall establish an “Inbound Tourism Promotion and Examination Committee” in order to implement the aforementioned policies and verify the results of their implementation. Under the guidance of the Minister responsible, the aforementioned committee shall be entrusted with an authority that is highly-flexible.

### **Problems to be Resolved**

- It shall be necessary to obtain a level of consensus among both related government ministries and agencies, and related corporate entities.
- The establishment of both a brand image for Japan and clearly-defined marketing strategies for the country is absolutely imperative in terms of being able to drive any promotional efforts conducted overseas.

### **Two-to-Three Year Goals**

(1) The government shall examine the expanded use of foreign trainees and exchange students for the purpose of improving the level of hospitality services delivered in

foreign languages at lodging facilities here in Japan.

- (2) The government shall examine instituting a scholarship system and promoting the increased diffusion of internship systems for the purpose of not just facilitating greater inbound travel to Japan, but for also utilizing the kind of foreign human resources who may serve as a cultural conduit between Japan and their countries of origin after returning home.
- (3) The government shall endeavor to promote exchanges between tourism-focused universities located both here in Japan and abroad (the promotion of strategic exchanges that contribute to increases in inbound travel).
- (4) The government shall promote aviation policies based on the assumption of 30 million annual foreign travelers to Japan.
- (5) To coincide with the full-fledged introduction of Low-Cost Carrier (LCC) services in Japan, the government shall endeavor to actively leverage such services through collaborations via overseas promotions, etc.
- (6) The government shall meticulously validate progress on an ongoing basis and flexibly alter numerical targets, etc. accordingly.

### **Problems to be Resolved**

- With regard to the utilization of foreign labor, such must be carefully examined while also taking into consideration the employment policies of this country.

### **Future Goals (Presumed Around 2020)**

- (1) Based on the trends exhibited by international travel markets, the government shall thoroughly apply plan-do-check-act cycles (PDCA cycles) to the promotion of the “30 million foreign visitors” program.

## **2. Media strategies**

### **2-1. Overseas promotions that utilize new media channels**

#### 1) Current Issues and Challenges

- New media formats such as blogs and Twitter, etc., are not being sufficiently utilized in overseas promotional efforts.
- The catchphrase, “YOKOSO! JAPAN,” is difficult for foreigners to understand. Furthermore, it has not really obtained any significant degree of penetration when targeted at overseas markets.

#### 2) Policy Proposals in Response to the Challenges

#### **Immediate Goals (including FY2011 budget requests)**

- (1) Media strategies shall go beyond a sole preoccupation being placed upon traditional channels such as television commercials, etc. For example, for movies that are created as a result of collaborations between Japanese interests and those of other countries, efforts shall be made to actively support the production process via both providing domestic filming locations, and engaging in promotional activities. Support shall also be offered to overseas television programs that introduce Japanese culture to their viewers. TV quiz programs shall also be supported through the provision of prizes. Meanwhile, through the strategic support of television content that is produced in Japan for broadcast overseas, and through collaborations with foreign governments where necessary, the government shall promote even greater media exposure of Japan-focused

content, and via such endeavors it will establish a PR strategy that plants the messages, “I want to go to Japan” and “The Land of the Rising Sun beckons me” in the minds of people exposed to such content.

- (2) The government shall investigate and verify as to whether or not information-transmission via media channels including influential bloggers, etc., and other so-called social media formats can be applied to the nation’s overseas promotion efforts. The government shall establish a new PR strategy that exhibits a high degree of cost-performance. This enhanced strategy shall include elements that incorporate the views of external PR specialists. Surveys, etc., shall also be conducted among foreign travelers to Japan for the purpose of gauging the application of social media.
- (3) Japan shall develop new catchphrases (slogans) and endeavor to disseminate them. Simultaneously, the government shall roll out new PR activities that will be designed in collaboration with the aforementioned catchphrases.
- (4) With regard to both measures taken for the transmission of Japanese culture overseas, and measures related to participating in international exhibitions and expositions, etc., while factoring in any results related to the findings of the Tourism Powerhouse Promotion Headquarters, the government shall promote centralized responses via the strengthening of collaborations among related government ministries and agencies.
- (5) The government shall organize a working group to specialize in overseas media

strategies. This group shall prepare, validate and modify centralized media strategies.

### **Problems to be Resolved**

- With regard to media strategies, traditionally, it would be a case of establishing both overarching brand imagery for the nation in its entirety, and associated marketing strategies. It would then be necessary to consider media strategies as component of such matters.
- With regard to information-transmission methodologies such as the utilization of influential bloggers, etc., serious consideration would have to be given to the distinctive characteristics of the cyber media channel such as the issue of non-controllability, etc.

### **Two-to-Three Year Goals**

- (1) Japan shall be proactive in its utilization of overseas-based agents. Upon the participation of locally-based agents in strategies, Japan shall take care to deregulate matters accordingly and work to ensure that no invisible barriers are created that could confront such agents.
- (2) Where media strategy is concerned, the government shall endeavor to strengthen its PR networks while factoring into its considerations both those collaborations undertaken with external specialists and other parties, and the roles played by such entities.



## **2-2. Advancing domestic tourism through the utilization of Information and Communications Technologies (ICT)**

### 1) Current Issues and Challenges

- Despite the fact that the Japanese language itself represents a significant barrier for foreign travelers visiting Japan, the provision of information in foreign languages at locations such as airports and railway stations, etc., starting with basic elements such as map-based directions and other formats, is currently insufficient. The result of this insufficiency is that Japan's tourism resources are not being fully utilized.
- With regard to tourism, situations frequently occur that require that explanations go beyond mundane linguistic translations/equivalents and rather also factor-in any variances in cultural background that exist between the different parties. However, it is difficult to precisely establish such variances in cultural background with regard to many foreign travelers who visit Japan. As such, efforts to explain matters to foreign travelers are not being conducted at a satisfactory level. This is the case not only for map-based information or other formats that are displayed in areas that are visited. Rather, this poor standard of explanation is also seen in information that is transmitted over the Internet, and within guidebooks that are used by travelers that are often published in their country of origin.

- With regard to the handling of foreign travelers to Japan, who as a group possess both a wide variety of native languages and differing cultural backgrounds, any level of response displayed by the domestic tourism industry has tended to be highly localized. As such, such service know-how has not been disseminated widely throughout the domestic tourism industry, the result being that overall service levels have not been improved.

## 2) Policy Proposals in Response to the Challenges

### **Immediate Goals (including FY2011 budget requests)**

- (1) While taking into consideration the findings of the Tourism Powerhouse Promotion Headquarters, the government shall proceed with an examination of the specific measures that can be taken with regard to the development of multilingual capabilities at cultural and other facilities, etc. Such developments shall be undertaken through the promotion of collaborative efforts among the related ministries and agencies.
- (2) For certain specified regions such as Kyoto, Okinawa, and the Ueno and Asakusa Districts of Metropolitan Tokyo, etc., steps shall be taken towards the full-fledged and total integration of ICT resources for the purpose of trialing the provision of tourism information within these areas. Steps shall then be taken to verify and validate the impact of such implementations.
- (3) With the aim of realizing matters in order that tourism may be enjoyed by the largest

number of people possible, persons whose attributes extend well beyond just being able-bodied and instead include population segments who may experience outdoor mobility issues, such as the elderly and persons living with disabilities, etc.; the government shall proactively utilize ICT resources in order to promote the establishment of environments that are friendly to such socially-vulnerable segments, and which also allow for the provision of both information and transport assistance in a manner that is in accordance with the state of an individual.

### **Problems to be Resolved**

- With regard to media strategies, traditionally, it would be a case of establishing both overarching brand imagery for the nation in its entirety, and associated marketing strategies.

It would then be necessary to consider media strategies as component of such matters.

### **Two-to-Three Year Goals**

- (1) For Japan-focused information concerning topics related to the nation's culture, customs, tourism, history, and people, etc., the government shall examine its policies for the purpose of amassing a body of high-quality multimedia content that can be used to convey and explain the details of such topics to foreign travelers to Japan, in accordance with both the travelers' diversity of native languages and their differing cultural backgrounds. The government shall also examine its policies for the purpose of

establishing a bank of Japan-focused knowledge on the Internet, such as could be freely copied and linked to by persons who accessed it. This website could also be pertinently linked to by a wide range of individuals and entities, such including tourism vendors, autonomous bodies, overseas creators of guidebooks, and domestic and overseas disseminators of information who utilize new media channels such as Twitter and blogs, etc.

(2) Concurrently, the government shall examine policy initiatives for the purpose of accumulating specialized tourism know-how from the domestic tourism industry. Such know-how might include tips such as “How to teach individuals from Country A bathing manners used when taking open-air baths,” or “Methods for dealing with the dietary restrictions/taboo of people from Country B,” etc. Accumulating such know-how would allow for the handling of foreign travelers to Japan in accordance with both their diversity of native languages and their differing cultural backgrounds. Such know-how could also contribute to the establishment of an easy-to-use bank of information on the Internet. It also being linked to improving the overall levels of service implemented when handling foreign travelers.

(3) With regard to the backbone of multi-purpose “location-dependent” network services that, from defined locations, offer the ability to connect to related information and services, in addition to establishing a new generation of nationalized-information

infrastructure, the government shall pursue specification-uniformity while eventually aiming to achieve international standardization.

(4) Through utilizing the aforementioned nationalized-information infrastructure, by implementing the usage of mobile devices capable of displaying information in approximately the top 5 native languages of foreign travelers (determined based on visitor country-of-origin data), the government shall aim, while focusing on specific regions, to both disseminate and develop the cyber media-based provision of information available at public facilities including airports, train stations, art galleries, and theaters, etc., along with certain outside tourist locations.

(5) Japan shall utilize the same infrastructure within the domestic tourism industry in order to promote the usage of new ICT for the purpose of customer information management, etc. Such management shall enable both reduced energy consumption and an increased quality of service, along with endeavors being made to boost labor productivity.

### **Problems to be Resolved**

- Where a user-participant type of environment is considered in which content-provision is open, related systems should be designed that make it difficult for unreliable information and information that may hinder business operations to proceed to the point of becoming problematic. However, because it is impossible to completely eliminate all such issues, a

necessary backup would be based on a systemic design that addresses the negative aspects of issues such as the scope of responsibility, and any resultant compensation for losses yielded within the terms of such boundaries.

- With regard to the provision of service terminals and service systems, it shall be necessary to examine what kinds of system-design should be deployed from the perspectives of user convenience and cost performance, etc. The extent to which the government should be involved upon the creation of such terminals and systems should also be examined. Looking at the longer term, the issue of what sorts of collaborations could be established with overseas mobile phones, etc., should also be examined.
- The government shall use multimedia content contained in the information-bank in order to select individuals and businesses that have transmitted information regarding Japan in a positive manner to their own audiences. As a form of incentive linked to the proactive use of the content contained in the information-bank, the government shall consider giving away trips to Japan and the awarding of certificates of excellence to such parties.
- With regard to the amassing of know-how within the domestic tourism industry, the government shall consider the possibility of creating incentives that will lead to the proactive submission of such know-how from within the domestic tourism industry. Such incentives could include issuing businesses that provide a large-volume of appropriate know-how with official recognition, such as having obtained a level of “excellence in the

delivery of services geared towards overseas travelers,” or for being a “leader in their class.”

- In promoting media strategies that includes the establishment of information infrastructures, etc., an appropriate delineation of roles of the public and private-sectors shall be essential.

It shall be necessary to carefully examine issues such as what represents an appropriate level of government involvement.

### **Future Goals (presumed to be around 2020)**

- (1) By utilizing a backbone based upon a nationalized-information infrastructure, the government shall promote the establishment of an environment that allows for tourism services, the provision of transportation-support information, and the provision of translated subtitles, etc., to be conducted in multiple languages at a low cost by regional autonomous bodies and private-sector entities, etc. This environment shall also be extended to key transportation facilities such as airports and railway stations, etc., cultural facilities such as art galleries and theaters, etc., and even outdoor tourist spots, etc. With respect to the provision of cyber media-based convenience to foreign travelers visiting Japan, via the aforementioned efforts, from their time of arrival in Japan until their time of departure, the provision of such services shall be realized in a manner that gives the impression of being totally unified from a user’s point-of-view. This centralized projection will be despite the fact that numerous providers will be

involved in the provision of such services.

- (2) The government shall eventually link this backbone technology to the creation of new industries. The government shall also aim to create specifications for such systems that hold up to the rigors of export.

### **Problems to be Resolved**

- Please see those problems listed under “Two-to-Three Year Goals.”



### **3. Provision of all-inclusive services at overseas outposts**

#### 1) Current Issues and Challenges

- In carrying out information-provision and overseas promotions for the purpose of inducing foreign travelers to visit Japan, there is no consistency seen in the approaches adopted at overseas-located government outposts with regard to the tourism, culture, and industrial sectors. This in turn reflects a lack of perspective with regard to the adoption of those points-of-view held by foreign travelers who visit Japan (users of such information and promotions).

#### 2) Policy Proposals in Response to the Challenges

##### **Immediate Goals (including FY2011 budget requests)**

- (1) With regard to the provision of information for the purpose of inducing foreign travelers to visit Japan; and implementation frameworks used for conducting overseas promotions, the government shall implement a model business that incorporates all-inclusive services, while not limiting itself to any existing structural conventions. This model business shall be conducted on a trial basis in a number of cities. Additionally, for the purpose of generating business synergies, the government shall boost the level of collaboration undertaken with overseas outposts, particularly those collaborations

related to tourism and cultural policies. Such collaborations shall also be boosted with regard to point-of-contact operations, website rationalizations, and the joint transmission of information at travel-industry trade shows and international exhibitions, etc. The results of such activities shall also be verified and validated.

### **Problems to be Resolved**

- It shall be necessary to obtain a level of consensus among both related government ministries and agencies, and among related corporate entities.
- It shall be necessary to secure both expertise and continuity with regard to overseas promotional efforts. It shall also be necessary to secure a sense of cohesion with regard to inbound travel policies and their execution.
- For the purpose of driving overseas promotional efforts, it is imperative that both a national brand image and associated marketing strategies be developed.
- There are restrictions in place at overseas outposts in terms of there being strict cutback objectives for operational and personnel expenses, etc.
- In rationalizing point-of-contact operations, it shall be necessary to address the lack of free office space at overseas outposts. It shall also be necessary to establish budgetary provisions for the enhancement of personnel.

## **Two-to-Three Year Goals**

- (1) While verifying and validating the effects of the model business in terms of the boosting of collaborations with overseas outposts, the government shall develop steps for the provision of all-inclusive services in principal countries, via efforts centered on collaborations in tourism and cultural policies. Such efforts shall also include the rationalization of point-of-contact operations at overseas outposts, and the deployment of new locally-stationed staff, staff enhancements at outposts located in only one office.

## **Problems to be Resolved**

- Please see those problems listed under “Immediate Goals (including FY2011 budget requests).”

## **Future Goals (Presumed Around 2020)**

- (1) The government shall examine the nature of the collaborations that exist with overseas outposts and Japan’s diplomatic missions, etc. For example, in both principal and targeted countries, it shall be necessary to implement integrated measures that are of a decisive nature. As such, these measures might include the appointment of “full-time sales promotion consuls” recruited from the private-sector. These persons would preside over sub-organizations that encompassed even the overseas outposts of autonomous bodies. In the event that sales of large-scale infrastructure such as

power-generating stations and railroads were initiated, etc., tourism and cultural policies, etc., shall also be leveraged. By a revolution in consciousness that looks to sell Japan as a complete package; everything from tourism and culture, through to the volunteer, scientific technology, and industrial sectors; in strengthening PR activities, the government shall realize a framework for strengthening Japan's diplomatic missions in order that they pursue the greater national interest, rather than being bound by the interests of certain government ministries.

### **Problems to be Resolved**

- It shall be necessary to obtain a level of consensus among both related government ministries and agencies, and among related corporate entities.
- It shall be necessary to design systems in an appropriate fashion in order that the ability to achieve the targets of overseas promotional efforts does not decline (such a course of action is important to ensure that the tourism sector is not buried).
- Where the integration of principal organizations within Japan is required, it shall be necessary to also collaborate with the Government Revitalization Unit and proceed with activities in a fashion that is bold yet cautious. It shall also be necessary to propose proactive integration plans that are based on long-term visions rather than on such simple streamlining ideas as clerical efficiencies and cost-cutting measures.

## **Strategies for enhancing the attraction of tourism regions**

### **4. Creation of new tourism items**

#### 1) Current Issues and Challenges

- If repeaters (repeat visitors) are excluded from deliberations, the fact of the matter is that there are only a limited number of regions within Japan that, independently, are capable of receiving groups of foreign travelers. Despite it appearing prudent that investment be conducted in a concentrated fashion that centers on those cities and regions that have the potential to become attractive tourism centers, such as Tokyo, the Kansai Region, Hokkaido, Kyushu and Okinawa, etc., the reality of the situation is that the existing functionalities and services within these areas are insufficient in terms of them being considered as tourism centers. Indeed, as things stand, not enough is being done to effectively demonstrate the appeal and distinctive qualities of each city/region.
- A further strengthening of the bonds between tourism administration and cultural administration, as well as between tourism administration and sports administration, shall also be required from the perspective of stimulating inbound tourism. However, at the current point in time, there are no such synergies being created.

## 2) Policy Proposals in Response to the Challenges

### **Immediate Goals (including FY2011 budget requests)**

(1) Through collaborations, etc., with related government ministries and agencies, the government shall use the likes of culture and sport, etc., as a springboard by which to cultivate fresh demand for visiting Japan. Additionally, in order to create collaborations that center on the segments of medical-treatment tourism, beauty tourism, and sports tourism, etc., the government shall position health-related industries as a key pillar within its overall tourism construct. Furthermore, while factoring in the findings of the Tourism Powerhouse Promotion Headquarters, the government shall proceed with examining tourism agendas that collaborate with health-related industries, thus endeavoring to translate such agendas into reality.

(2) The government shall promote the stimulation of inbound tourism through leveraging Japan's numerous cultural gifts that are steeped in both a sense of history and tradition; such include the categories of fine arts, architecture, and the performing arts, etc. Modern-media artistic forms such as animation and comic books, etc., shall also be leveraged. While factoring in the findings of the Tourism Powerhouse Promotion Headquarters, the government shall promote collaborations between culture and tourism, through measures that tie-in the creative and communicative aspects of the attraction of the different tourism centers with cultural policies, and also through measures that

convince travelers to “stay one more night,” etc.

(3) Starting with tourist spots such as the Seto Inland Sea and Okinawa, the government shall proactively leverage Japan’s tourism resources such as the nation’s beautiful coastlines and islands, etc., such representing ideal destinations for the ocean-cruise trade. The government shall also investigate measures for promoting cruises that serve to absorb increases in Asian demand, examining how such investigations can be translated into realities.

(4) The government shall endeavor to promote the proactive enticement and conducting of MICE\*; such being occasions that are capable of delivering significant economic ripple effects, etc. To this end, the government shall closely examine a strengthening of the Kyoto International Conference Center’s functionalities, this location being a premier example of the standard of international convention facilities that Japan has to offer.

\*MICE: Meetings (between businesses, etc.), Incentive (travel conducted by businesses for compensation/training purposes), Conventions (international gatherings, etc.), Events/Exhibitions (including trade shows, etc.)

(5) Based on the results achieved by similar facilities located in cities such as Macau, Singapore and Las Vegas, etc., from the perspective of promoting the enticement of MICE occasions to Japan’s shores, the government shall examine the level of domestic potential vis-à-vis the development of Integrated Resorts (IR), such being entities that



incorporate casino and gaming facilities. Such matters shall also include investigations as to the interest of foreign capital in such opportunities.

### **Problems to be Resolved**

- On the issue of casinos and gaming, there shall need to be serious debate among both related government ministries and agencies, and the wider population, on the following issues:
  - (1) Arguments for and against casinos and gaming are often based on negatives such as the potential involvement of organized crime, the creation of gambling addictions within the community, the negative influences that such businesses have on youth, the potential for money laundering, and the potential degradation of local environments, etc.
  - (2) As to whether it is possible to institute a casinos and gaming system that delivers competitive advantage relative to those casino facilities of neighboring countries, given the existing system of state-run gambling in Japan (the 75% return rate).
  - (3) The balancing of casinos and gaming with other entertainment industries in Japan.
  - (4) The manner in which proceeds from casinos and gaming shall be used.
  - (5) The advisability of handling any areas with casino and gaming facilities as special zones in terms of legal statutes.
- It is necessary to secure collaborations and compliances with the Special Interest Group for Residential Towns with regard to mixed-use developments and mega-convention facilities.

## **Two-to-Three Year Goals**

- (1) The government shall identify the appeal of those tourism centers that are responsive to their regional characteristics, such as regions offering winter resort opportunities, and tourist areas whose attraction centers on medical-treatment opportunities, etc. With regard to medical-treatment tourism, while factoring into consideration the medical-treatment needs, etc., of foreign nationals, both those resident in Japan and travelers to Japan, the government shall examine the multilingual provision, etc., of high-quality medical services within Japanese hospitals. Such steps shall be considered through collaborations undertaken with related medical institutions, etc. Additionally, for casinos and gaming facilities, due to pronounced concerns vis-à-vis a variety of negative secondary effects that may result from their introduction (the negative impact on youth, the possibility of money laundering, etc.), after examining conditional implementations that might restrict such facilities to use by non-Japanese, or might restrict such facilities to being located on cruise ships, the government shall undertake a careful review process that would include instituting legal measures to address the entry of foreign-owned corporations into the IR market (for facilities that incorporated casinos and gaming). Such measures would be undertaken if such market demand exists. Furthermore, in designing associated systems, the government shall

simultaneously examine the creation of special legislation for the issuing of operational licenses; systems for securing public benefits that emerge from such facilities (such as allocating a portion of profits to public-interest businesses), and systems for avoiding negative secondary effects that may accompany any introductions of such facilities.

The government shall select regions that, through actualizing their regional characteristics, have the potential to build on their attractiveness as centers of tourism over a two-to-three year timeframe. The government shall also examine the implementation of projects for which focused support is offered across multiple government ministries and agencies.

- (2) In stimulating the ocean-cruise business, the government shall promote the deregulation of necessary processes (relaxing rules related to the assigning of foreign nationals to the operational crews of Japanese-flagged vessels, relaxing rules related to the execution of mandated customs and immigration procedures, etc., in accordance with the realities of cruise ships, and relaxing rules related to vessel-passage and navigation issues (the nighttime passage of large vessels within the Seto Inland Sea, etc.)). Furthermore, the government shall also proceed with the establishment of centralized cruise ports as well as passenger ports (including yacht harbors). (The aforementioned efforts shall also include the delineation of passenger/cargo-handling facilities within maritime ports.)

### **Problems to be Resolved**

- For medical-treatment tourism, it shall be necessary to form collaborative ties with related government ministries and agencies, as such pertain to the establishment of medical facilities for foreigners, regional responsiveness, and other associated issues.
- For casino and gaming facilities, the problematic areas are the same as those addressed under “Immediate Goals (including FY2011 budget requests).”
- With regards to mixed-use developments with mega-convention facilities, it shall be necessary to secure collaborations and compliances with the Special Interest Group for Residential Towns.
- In order to proceed with the further development of centralized cruise ports and surrounding facilities, as well as with the delineation of passenger/cargo-handling facilities within maritime ports, it shall be necessary to form collaborations with the maritime and other sectors.

### **Future Goals (Presumed Around 2020)**

- (1) We shall realize the establishment of multiple centers of tourism that are responsive to their regional characteristics.

## **5. Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity**

### 1) Current Issues and Challenges

- In promoting the leveraging of regional originality and ingenuity in terms of both the creation of regional tourist spots, and within the context of locally-planned tourism areas, a number of elements including existing legal statutes and established customs, etc., are currently serving as barriers to progress.
- For the purpose of achieving the promotion of regional tourism, it is necessary to both create products that actualize regional appeal, while also expanding visitor-enticement activities. At the same time, however, in order to link such matters to the future development of regions as a whole, and to also enable a large number of local inhabitants to reap the associated benefits thereof, it is crucial that the perspective of creating tourism-oriented regions through the broad participation of affiliated stakeholders within those regions be maintained.
- From the perspective of reinforcing tourism-focused promotional efforts, tourism policy has not been addressed as part of any national project processes up until now. The result of this is that human resources have not been developed at a regional level. As such, the current tourism paradigm is characterized by an overdependence on certain “tourism

figureheads,” and associated elements born of necessity.

- With regard to those tourism-related organizations that exist in order to promote tourism, it is difficult to label their frameworks for the implementation of efficient and effective initiatives as being sufficient.

## 2) Policy Proposals in Response to the Challenges

### **Immediate Goals (including FY2011 budget requests)**

- (1) The government shall examine the revision of existing legal statutes, and potential acts of deregulation, for the purpose of establishing environments that are conducive to the creation of attractive tourist spots. For efforts pertaining to deregulation activities, the government shall start with bold and fine-tuned measures that can be implemented at this stage, while nevertheless being sensitive to real-world considerations. Such measures might include those pertaining to special regional exceptions (special zones), or those pertaining to scale-based exceptions, etc. To prevent such efforts from fizzling out, each year the government shall verify and validate the results of the deregulation processes conducted, while proceeding with the creation of a framework that does not permit delays.

It is crucial that the government establish intermediate support organizations or key business entities (platforms for creating tourism-oriented regions) that feature the broad participation of related stakeholders within each region, not simply people from the tourism industry, but also people from non-profit organizations (NPO), employees and administrative bodies from the agriculture, forestry and fishery industries; local industries, and distributors/processors. Moreover, it is essential that there be newly-launched services and products that take advantage of regional resources, such being marketed to other regions in order that regions as a whole become independent and build upon their growth in a sustainable fashion.

Additionally, in order to ensure that such an establishment functions effectively, it shall be absolutely essential to develop the core human resources that will devise plans and conduct overall coordination efforts.

In different regions of Japan, there are examples of such systems yielding success. As such, in order to gather and publish such regional successes vis-à-vis these platforms for creating tourism-oriented regions, and also in order to simultaneously promote the formation of platforms responsive to regional attributes, the JTA must work swiftly to leverage the eagerness of regional cooperation as part of any efforts made to support progressive measures for the purpose of organizational formations and the development of core human resources. The JTA must also verify resulting improvements and other

effects.

Additionally, it would be advisable to incorporate policies for the purpose of developing nationwide efforts in the budget allocation requests for fiscal 2011.

Note that any support offered in the above scenario should not rely solely on existing tourism-related organizations. Rather, such support should be carried out flexibly in responding to those individuals (organizations) who possess planning and strategy skills that can contribute to the growth of regions as a whole.

Moreover, while among other functions of state the Ministry of Internal Affairs and Communications (MIC), the Ministry of Economy, Trade and Industry (METI); and the Ministry of Agriculture, Forestry and Fisheries (MAFF) all oversee policy programs that contribute to the creation of tourism-oriented regions, for the purpose of strengthening the government's advisory functions for the creation of such regions, it would be advisable to create a system for the sharing of information among the related ministries.

- (2) As shown below, it shall be necessary to organize for a broad range of human resources related to tourism sector. Such resources shall include persons employed by the national government and persons employed by autonomous bodies, etc. It shall also be necessary to prepare and nurture accompanying plans (see attached chart).

- a) National (Government) Level

In addition to developing personnel who are strongly familiar with Japan's tourism



industry from the local to policy levels, the JTA must also develop supervisory positions to act as liaisons with other government ministries/agencies. It would also be advisable to develop specialists who possess detailed knowledge regarding tourist visits to Japan on a per-country and per-area basis, these being persons who were capable of providing advice to the likes of business operators, etc.

#### b) Regional (Government) Level

In order to support initiatives for promoting tourism at the autonomous entity (regional) level, it shall be necessary to implement training efforts that target both key-persons, as well as prefectural and municipal staff. These activities shall be conducted for the purpose of developing staff members possessing high levels of tourism expertise. Additionally, measures for the purpose of developing business operators capable of creating goods and services with strong appeal are also necessary. Such an appeal would be based on the perspectives of persons from beyond the region in question, rather than such appeal being a derivative of purely local tastes.

#### c) Related Industry Groups

It shall be necessary to implant a “tourism-oriented perspective” within the collective consciousness of related parties within the different regions. Such persons will not just be drawn from the tourism industry, but shall be also members of NPO, employees and administrative bodies from the agriculture, forestry and fishery industries; local industries,

and distributors/processors.

Within tourism-related industries such as travel, accommodation, transportation, and food services, etc., it shall be necessary to support the advancement and diversification of business categories, as well as supporting initiatives for developing those human resources required to promote innovation. Additionally, initiatives that serve to enhance a higher purpose, such as those education opportunities at tourism-focused universities, etc., which based at on the needs of tourism-focused industries, shall also be essential.

- (3) The government shall also examine reform as such matters pertain to the manner of any forthcoming government assistance which is offered for the purpose of utilizing those tourism industries that underpin (support) local regions.
- (4) Regarding tourism-related organizations, the government shall establish a framework that takes into account the concept of drastic reform.

### **Problems to be Resolved**

- Based on perspectives that include ensuring safety and environmental protection, it shall be necessary to conduct separate and detailed examinations of what matters should be regulated/deregulated. It shall also be necessary to determine the extent of such regulations/deregulations. Additionally, coordination efforts and initiatives for the government as a whole, including related government ministries and agencies, the National

Policy Unit, and the Government Revitalization Unit, shall also be necessary.

- In developing tourism-related human resources, it shall be necessary to organize the sharing of roles between the public and private-sectors, and also between the nation as a whole and regional areas.

### **Two-to-Three Year Goals**

- (1) The government shall continue to examine the revision of existing legal statutes and potential deregulation activities for the purpose of establishing environments conducive to the creation of attractive tourist spots.
- (2) In the future, the government should match the pacing of its efforts, with those initiatives for transitioning to a “lump subsidy” system being addressed as an issue by the government as a whole. With regard to policies contributing to the creation of tourism-oriented regions that are overseen by various government ministries, the government shall make the transition to the lump subsidy system, thus making it possible to further initiatives for promoting tourism in accordance with the judgment of each region.

### **Problems to be Resolved**

- Based on perspectives that include ensuring safety and environmental protection, it shall be

necessary to conduct separate and detailed examinations of what matters should be regulated/deregulated. It shall also be necessary to determine the extent of such regulations/deregulations. Additionally, coordination efforts and initiatives for the government as a whole, including related government ministries and agencies, the National Policy Unit, and the Government Revitalization Unit, shall also be necessary.

### **Future Goals (Presumed Around 2020)**

- (1) Promote the leveraging of regional originality and ingenuity in terms of both the creation of tourist spots, and related human resource development efforts.

**Infrastructure development for the purpose of turning Japan into a tourism powerhouse and strategies for reforming the national consciousness**

**6. Promote the idea of dispersed holiday-taking habits among the population**

1) Current Issues and Challenges

- The promotion of dispersed holiday-taking habits among the population represents an important policy initiative, it being designed to realize a growth strategy that is free from dependence on government expenditures. Despite this, however, current reality sees that vacations are almost invariably taken during specific periods of time by the vast majority of the population. Consequently, during the concentrated vacation periods, transportation-based gridlock intensifies, and price-inflation at tourism facilities dampens travel demand.
- At tourist spots, the difference between busy seasons and off-seasons is significant. This situation is so intense that, many locations are said to spend “100 days in the black; 265 days in the red.” As a result, the market-mechanism construct does not function, while the percentages of non-regular employment are also high. Thus, the tourism industry does not develop.
- The government should endeavor to increase the number of regular employees through

improving the profitability and productivity of business operators as a result of dispersing holiday-taking habits.

- The dispersing of holiday-taking habits and similar issues are cited to be addressed in the new growth strategy approved by the Cabinet in December 2009, and these issues should be addressed by the government as a whole.

## 2) Policy Proposals in Response to the Challenges

### **Immediate Goals (including FY2011 budget requests)**

- (1) In endeavoring to revitalize regional economies and expand employment levels through increases in domestic demand, the government shall examine and implement the specific elements required to address amendments to the National Holidays Act, etc., helping to facilitate the creation of mechanisms that firmly embed the idea of dispersing holiday-taking periods. Such measures shall include the configuration of extended spring and autumn (fall) holiday periods broken down by region, as well as addressing improvements to the national consciousness vis-à-vis dispersed holiday-taking habits. Such measures shall be undertaken to help facilitate the smooth implementation of the pertinent systems.
- (2) In addition to establishing a citizens' council that consists of experts and top members of

both the public and private-sectors, who shall be affiliated with the idea of dispersing holiday-taking periods, as well as endeavoring to foster a sense of momentum at the national level, the government shall implement the dissemination and popularization of related ideas through forums such as symposiums, etc.

(3) The government shall initiate an advancement and substantiation business for dispersed holiday-taking periods.

(4) With regard to the dispersing of holiday-taking periods, the government shall implement the above measures following sufficient consideration of the opinions of economic, labor, and education leaders, etc., such being persons who are believed to have a certain degree of influence regarding such matters.

### **Problems to be Resolved**

- In order to give leave/holiday-taking flexibility initiatives the impetus required to permeate the consciousness of industry and education, in addition to boosting individual consciousness levels, it shall be imperative to have initiatives supported by leaders who have the ability to execute.
- Should changes in the interpretation of national holidays be implemented for the purpose of dispersing extended spring holidays, etc., such being broken down by individual region, the formation of a consensus at each level of Japanese society shall be absolutely necessary.

- Should holidays be established by being broken down by individual region, it shall be necessary to examine the commencement and conclusions dates of such holidays for each region.
- It shall be necessary to be mindful of the impact that national and regional autonomous entities have on the stable provision of administrative services.
- Transactions between businesses and procurement procedures could be influenced if holidays differed according to region. It shall be necessary to be particularly mindful of the impact on small-to-medium-sized enterprises, such as circumstances where prime contractors make it difficult for leave to be taken.
- It shall be necessary to be considerate of situations where work commitments result in persons living apart from their family, or similar circumstances where parents and children live in separate regions.

### **Two-to-Three Year Goals**

(1) Through firmly embedding the idea of the dispersal of extended spring holidays, etc., such being broken down by individual region (and thus stabilizing business transaction networks between companies, etc.), the government shall endeavor to equalize existing demand and elicit prospective demand, as well as create new demand through extended autumn (fall) holiday periods (through tourism, sports, cultural activities, etc.). Such



developments shall also yield an alleviation of those peaks in travel experienced during the *Obon*, Year's End, New Year's and other holidays.

Taking into account the extended holiday periods of nearby nations and other factors, the government shall conduct the planned creation of environments that allow for Japan's service industries as a whole to operate year-round.

(2) The government shall endeavor to disseminate and popularize the results achieved through its advancement and substantiation of dispersed holiday-taking habits. The government shall also endeavor to expand on the holiday configuration examples demonstrated in the form of a variety of school holidays.

(3) Through the dispersal of holiday-taking habits, the government shall dramatically improve productivity within Japan's tourism industry as a whole, thus developing a tourism industry capable of competing internationally.

### **Effects**

- Through an equalization of peak demand periods, in addition to lower travel prices and reductions in travel time through alleviating traffic and other transportation-based gridlock, consumer needs shall be able to be addressed year-round, thereby generating expectations for an increase in repeat traveler numbers, higher levels of travel satisfaction, and other effects.
- Additionally, effects such as stabilization of employment in tourist spots, improvement in

productivity, and the improvement of service standards and hospitality may also be anticipated.

### **Problems to be Resolved**

- It shall be necessary to establish reception frameworks that boost the attractiveness of tourist spots, such boosts in attractiveness corresponding to any improvements seen in the business performance of tourism operators, etc.

### **Future Goals (Presumed Around 2020)**

- (1) The government shall endeavor to engineer a transformation in the national consciousness regarding leave periods, through the implementation of vacation-based reforms (firmly embed a “vacation culture”).
- (2) The government shall endeavor to strengthen competitiveness internationally through improving the attractiveness of tourist spots.

### **Problems to be Resolved**

- It shall be necessary to examine the issue of leave periods not only from the perspective of creating and equalizing tourism demand, but also from a variety of other perspectives such as the realization of work-life balances.

## **7. Development of a national tourism-oriented mindset**

### 1) Current Issues and Challenges

- In promoting the idea of Japan becoming a “Tourism Powerhouse,” it shall be imperative that the population’s consciousness be molded in terms of tourism being positioned within their collective mindset not merely as a form of “leisure,” but rather as an important “objective” within the wider construct of the enjoyment of life.
- Furthermore, the shared recognition that tourism will become a basic Japanese industry at some point in the future shall also be an essential element, it contributing both significantly and specifically to a revitalization of regional economies, and the creation of employment opportunities.
- Given that the taking of leave-entitlements contributes to health, based on the tenet that taking leave-entitlements may also lead to a reduction in medical care expenses, it shall be necessary to reform the collective mindset of the population in order to popularize the concept of enjoying a work-life balance.
- It is argued that travel offers the benefits of broadening one's perceptual horizons, while also stimulating the formation of a personality that displays receptivity to stimuli. In recent years, however, Japanese people have become increasingly removed from the travel

experience, this trend being most pronounced among young adults, the segment on whose shoulders future expectations lie.

- Through consolidating and publishing tourism-related data and providing objective figures as to both the importance of tourism and the latent potential it offers, in addition to bringing about a reform of the collective mindset of the population, it shall also be necessary to stimulate competition among regions and business operators.

## 2) Policy Proposals in Response to the Challenges

### **Immediate Goals (including FY2011 budget requests)**

- (1) The government shall examine those efforts, etc., enacted for the promotion of the ongoing taking of annual paid leave-entitlements, while collaborating with other government ministries (ex.: public disclosure of percentage of paid leave taken, etc.).  
  
The government shall also promote leave-entitlements and their dispersed utilization by both national and regional public servants. Additionally, the government shall implement a leave-entitlements dispersal advancement and substantiation scheme.
- (2) In addition to promoting the creation of travel packages that are easy for young persons to participate in, the government shall also promote the creation of content that is attractive from the perspective of the young adult segment.

- (3) Alongside ICT-based initiatives that provide transportation support for the elderly and the socially-vulnerable, the government shall promote the enhanced provision of information, and the creation of travel and accommodation packages, so that families and other social units, of which elderly individuals, socially-vulnerable individuals or infants are members, can participate more readily in tourism. Simultaneously, the government shall endeavor to network together regional groups that can act as reception points for such “universal tourism.”
- (4) The government shall promote the compilation of tourism-based statistics, which represent a basic element of the infrastructure of the tourism sector.

### **Two-to-Three Year Goals**

- (1) The government shall examine policies that are binding to an extent that they will achieve the purpose of a greater utilization of paid leave-entitlements.
- The government shall aim for a paid leave-entitlements utilization rate of 60% (taken from the Behavior Guidelines for Promoting Work-Life Balance).
  - The government shall endeavor to disseminate and popularize the results achieved through its advancement and substantiation of dispersed holiday-taking habits with regard to leave-entitlements. The government shall also endeavor to expand on the holiday configuration examples demonstrated in the form of a variety of school

holidays.

- (2) In order to nurture “hearts that travel” and “hearts that love their local area,” among both children and students, MLIT shall collaborate with the Ministry of Education, Culture, Sports, Science and Technology (MEXT) to promote the creation, by individual prefectural governments, etc., of supplementary reading materials regarding tourism unique to each region. This collaboration shall also seek the enhancement of the study time allotments at schools dedicated to covering culture and history peculiar to the region.
- (3) MLIT shall endeavor to reinforce collaborations with MEXT, as well as with the likes of autonomous bodies and regional NPO. This shall be done to upgrade and expand hands-on tourism education, such including summer camps, and ski classes, etc. Through such efforts, the government shall promote policies that shall afford all children the opportunity to experience a fun trip.
- (4) Through the utilization of competitive grants for research conducted at universities, the government shall endeavor to enhance higher education, etc., pertaining to tourism, such being based on the needs of the tourism industry.

#### **Future Goals (Presumed Around 2020)**

- (1) The government shall seek to achieve the full utilization of annual paid leave-entitlements (taken from the Behavior Guidelines for Promoting Work-Life Balance).

(2) The government shall seek to further enhance university departments and curricula regarding tourism.

(3) The JTA requires bold organizational reform, in that one-third of its members are appointed from the private-sector, and one-third of its workforce be represented by foreign employees. Looking to the future, the government shall develop experts in tourism administration at both the national and regional levels, while bearing in mind ministry realignments, etc.

### **Problems to be Resolved**

- With regard to organizational reform of the JTA, after addressing existing problematic areas and issues, it shall be necessary at the very least to examine what kind of functionalities require reinforcement. Additionally, regarding the proportions of one-third given above, it shall be absolutely necessary to verify the validity of such figures.

## **Matters to be collaborated on with other sectors**

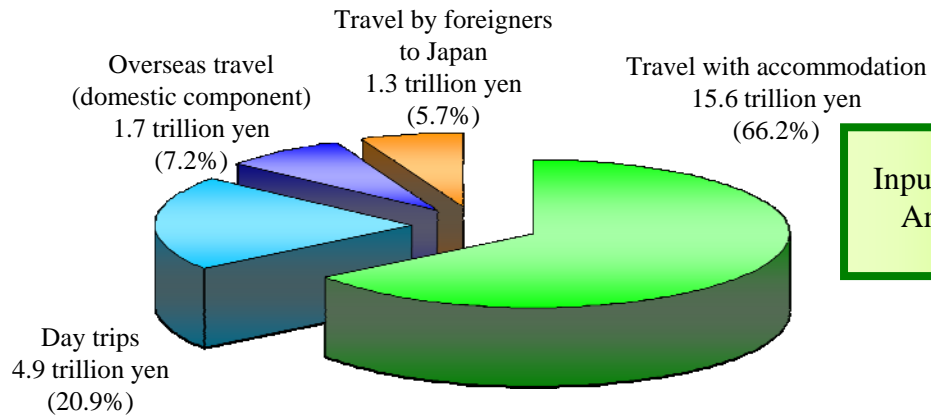
- The government shall endeavor to proactively collaborate with airports and aviation administrations, railways, and maritime port administrations. Concurrently, in the transport industry as well, the government shall facilitate a transformation from the industry being just a simple means of carriage and conveyance, into an entity that offers a complete business proposition, which is able to create added-value in its own right.
- Regarding the aggressive rolling out of “city sales” (selling the merits of an urban location) that take advantage of Japan's ascendant sectors, and the nation’s efforts to enhance landscape preservation policies, etc., within promotional efforts conducted for the establishing of urban centers of tourism, it shall be necessary to proceed gradually while working towards the establishment of collaborative ties with relevant policy areas including urban policy.
- Regarding the inducement of foreign travelers to Japan, a matter that includes the issuing of tourism visas to Chinese nationals; the dispersed utilization of leave-entitlements; and those collaborative measures that are undertaken with the Agency for Cultural Affairs, the Ministry of Health, Labor and Welfare, the Ministry of Economy, Trade and Industry, and other government ministries, it shall be necessary to base efforts related to such matters upon those investigations conducted by the Tourism Powerhouse Promotion Headquarters.



- With regard to other matters of cross-involvement, especially those that go beyond the frameworks of existing legal statutes, it shall be necessary to engage in extensive debates that do not exclusively involve just tourism-based approaches.
- Collaboration with the Cabinet Secretariat (the National Policy Unit and the Government Revitalization Unit) shall be necessary.

# Japan's Tourism GDP

**Total Travel Consumption: 23.6 trillion yen (FY2008)**



\*Taken from "Travel and Tourism Economic Impact – 2008" (Japan Tourism Agency)

Input-Output Analysis

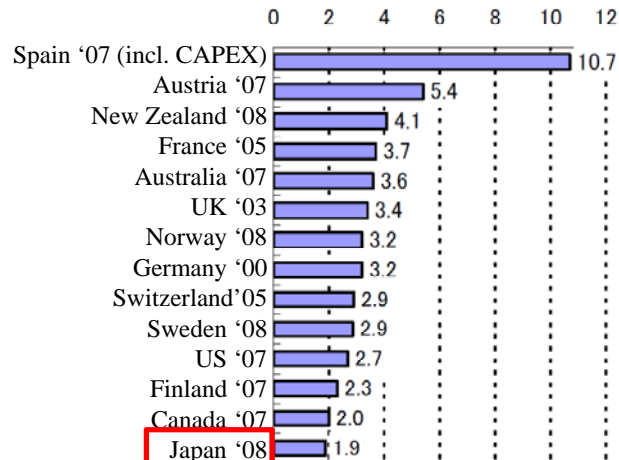
**(Direct Effect) Tourism-Derived Added-Value**  
**11.5 trillion yen (2.3% of nominal GDP)**

Direct effect on employment based on the above: 2.2 mil. jobs

\*Taken from 2005 Input-Output Table  
 (Ministry of Internal Affairs and Communications)

**TSA-Based Tourism: 9.3 trillion yen (1.9% of nominal GDP)**

<% of GDP Accounted for by Tourism GDP>



- ❑ The Tourism Satellite Account (TSA) is a subsystem of the System of National Accounts (SNA), and it represents an international standard that is advocated by the World Tourism Organization (UNWTO), as a method for calculating the economics of tourism.
- ❑ Complying with the TSA makes the cross-border comparison of tourism GDP possible. At present, approximately 75 nations and regions publish TSA figures on either a regular or irregular basis.
- ❑ The variance in TSA and Input-Output analysis values is due to differences in those items being taken into account.

2019 Target for 25 Mil. Foreign Travelers Visiting Japan, Broken Down by Country/Region (Estimates)

Current as of March 2010

Country/Region	Population (0,000 persons) (2008)	2007	2008	2009	2010	2013			2016			2019		
		Actual Figures			Target Figure	Target Figure	Multiplier relative to 2007	Nature of Initiatives	Target Figure	Multiplier relative to 2013	Nature of Initiatives	Target Figure	Multiplier relative to 2016	Nature of Initiatives
P.R.C.	132,766	94	100	101	180	390	4.15	(1) Allow visas to be obtained more easily (2) Broaden the wealthy segment target base (3) Enhance promotional efforts	600	1.54	Further strengthening of initiatives			
South Korea	4,855	260	238	159	320	350	1.35	(1) Expand inbound travel to regional areas through an enhancement of air routes (2) Enhance promotional efforts	430	1.23	Further strengthening of initiatives			
Taiwan	2,304	139	139	102	160	190	1.37	(1) Secure repeaters (expand inbound travel to regional areas) (2) Form collaborations with initiatives conducted by autonomous bodies and private entities (3) Enhance promotional	210	1.11	Further strengthening of initiatives			
Hong Kong	701	43	55	45	65	70	1.63	(1) Secure repeaters (expand inbound travel to regional areas) (2) Form collaborations with initiatives conducted by autonomous bodies and private entities (3) Enhance promotional	75	1.07	Further strengthening of initiatives			
<b>Top 4 Essential Markets: Total</b>		<b>536</b>	<b>532</b>	<b>407</b>	<b>725</b>	<b>1,000</b>	<b>1.87</b>	<b>Aim to achieve 10 mil. visitors from top 4 essential markets</b>	<b>1,315</b>	<b>1.32</b>				
Thailand	6,640	17	19	18	23	60	3.53	(1) Form collaborations with initiatives conducted by autonomous bodies (2) Communicate the multi-faceted appeal of Japan	80	1.33	*			
Singapore	467	15	17	15	19	40	2.67	(1) Increase the no. of repeaters through communicating the multi-faceted appeal of Japan	45	1.13	*			
Malaysia	2,730	10	11	9	12	35	3.50	(1) Recognize as priority market	50	1.43	*			
India	119,045	7	7	6	10	30	4.29	(1) Recognize as priority market	60	2.00	*			
Other Asian Nations		28	29	28	29	60	2.14	(1) Investigate new, promising markets (Philippines, Vietnam, Indonesia)	85	1.42	*			
<b>Other Asian Markets: Total</b>		<b>77</b>	<b>83</b>	<b>76</b>	<b>93</b>	<b>225</b>	<b>2.92</b>	<b>Expand by 3x of current amount</b>	<b>320</b>	<b>1.42</b>				
United Kingdom	6,107	22	21	18	23	26	1.18	(1) Entice the younger generation (2) Conduct PR for inexpensive products (3) Utilize indirect flights	35	1.35	Deploy strategy for Europe and the Americas	*		
Germany	8,212	13	13	11	14	15	1.15	(1) Further entice FIT segment (2) Utilize indirect flights	20	1.33	Deploy strategy for Europe and the Americas	*		
France	6,228	14	15	14	18	19	1.36	(1) Perpetuate the Japan boom (2) Entice the younger generation by utilizing	25	1.32	Deploy strategy for Europe and the Americas	*		
United States	30,442	82	77	70	85	95	1.16	(1) Entice wealthy segments (2) Entice middle-aged to senior adults based in large metropolitan areas (3) Capture SIT demand	120	1.26	Deploy strategy for Europe and the Americas	*		
Canada	3,326	17	17	15	18	20	1.18	(1) Entice wealthy segments (2) Entice Asian-Canadians	25	1.25	Deploy strategy for Europe and the Americas	*		
<b>UK,GER,FR,US,CAN: Total</b>		<b>148</b>	<b>143</b>	<b>128</b>	<b>158</b>	<b>175</b>	<b>1.18</b>	<b>Aim to expand these 5 European/American Markets by 1.1x combined</b>	<b>225</b>	<b>1.29</b>				
Russia	14,200	6	7	5	10	14	2.33	(1) Recognize as priority market	30	2.14	Deploy strategy for Europe and the Americas	*		
Other European Countries		33	33	32	33	35	1.06	(1) Investigate new, promising markets (Italy, Spain)	45	1.29		*		
Central & South America		7	7	6	7	8	1.14	(1) Investigate new, promising markets (Mexico)	10	1.25		*		
Australia	2,132	22	24	21	28	35	1.59	(1) Increase the no. of skiing-intensive locations	45	1.29	Deploy strategy for Europe and the Americas	*		
Other Oceania Countries		4	4	3	4	5	1.25	Aim to expand Oceania (Australia, etc.) market by 1.5x combined	6	1.20		*		
Africa		2	2	1	2	3	1.50		4	1.33		*		
<b>Other: Total</b>		<b>74</b>	<b>77</b>	<b>68</b>	<b>84</b>	<b>100</b>	<b>1.35</b>	<b>(1) Investigate new, promising markets (GCC)</b>	<b>140</b>	<b>1.40</b>				
<b>All-Inclusive Total</b>		<b>835</b>	<b>835</b>	<b>679</b>	<b>1,060</b>	<b>1,500</b>	<b>1.80</b>		<b>2,000</b>	<b>1.33</b>				

\*Target figures for 2019 shall be established following a reexamination of target completion percentages up to 2016, changes in the external environment, and other factors.

● Necessary Human Resources for Promoting Tourism and Associated HR Development Efforts

	Issues	Ideal Personnel	HR to Be Developed				HR Development Efforts	Remarks
			Nat. Gov.	Univ./ Research	Private	Other		
National Level	No personnel able to survey tourism sector as a whole	Tourism specialists	●	●			To include OJT training	Also connected with the registration of staff as proper personnel and other HR systems
	Lack of Japan-visiting specialists who possess both domestic and international information	Japan-visiting specialists	●		●		Japan-visiting specialist training (to be newly instituted)	
	Difficulties in collaborating across government ministries/agencies on each individual issue	Personnel well-versed in the policies of each ministry	●				Establishment of new liaison meetings and information-sharing practices	
Regional Level	No strategic initiatives in municipal areas	Key person to tackle issue of economic stimulation	●				Briefing from the JTA at prefectural governor meetings and municipal leader liaison meetings	
	No personnel capable of working towards optimization of regions in their entirety	Regional management personnel highly familiar with creating tourism-oriented urban (town) developments and capable of working towards the optimization of regions in their entirety	●		●	●	DMC HR training (to be newly instituted)	Credentials system also requires examination
	Lack of expertise among (prefectural/municipal) administrative officers	Staff working for autonomous bodies who possess a high level of expertise	●				Staff training (already present)	
	Dependence on figureheads born of necessity	Regional leaders				●	Difficult to train	Venue for sharing information to be established due to shared-learning nature
	Lack of product-development and marketing capabilities	Individuals capable of planning and coordination				○	Producer training (to be newly instituted)	HR development to initially be conducted on a platform basis
	Personnel deficiency in handling travelers visiting Japan	Interpreter guides				○	Elimination of exclusive hold on associated work	Training for the purpose of improving hospitality also requires examination
	Challenge of improving the quality of content	Interpreters				○	Training by NPOs, etc. (already present)	
	Challenge of boosting the volition of residents to participate	Tourism volunteers				○	○	Training by autonomous bodies, etc. (already present)
No key entity representing economic stimulation measures	Entrepreneurs			●				
Affiliated Industry Circles	Travel industry	Personnel who meet the criteria of those issues posed by each industry/business					Training by related businesses (already present)	Business laws corresponding to nature of locally-planned tourism businesses and credentials for certified travel managers also require examination
	Accommodation industry					○		
	Transport industry							
	F&B/merchandising industries	Personnel to engage in business transformation and operational expansion					Training, etc. by the Small and Medium Enterprise Agency	
	Agriculture, forestry and fishery industries				●			
	New compound industries							
Innovation in the Tourism Industry	Support for business operators and entrepreneurs	○	○	○	○	Training, etc. by the Small and Medium Enterprise Agency (already present)	Workshops to also be instituted	

● Efforts to be implemented under national government leadership

○ Efforts that should be implemented by non-national government parties

# Comparison of the Major Public Holidays of Japan/China/South Korea

The following is a comparison of the major extended vacation periods of the above three countries. (As a general rule, vacation periods lasting 3 or more days have been indicated.)

	Jan	Feb	Mar	Apr	May	Jun
JPN	New Year's Holiday				Golden Week Disperse according to region	
PRC		2/13 Chinese New Year (1 week) 2/19			5/1 Labor Day (3 days) 5/3	
ROK		2/13 Lunar New Year (Sollal) (3 days) 2/15				
	Jul	Aug	Sep	Oct	Nov	Dec
JPN		Obon Holiday		Create extended holiday and disperse according to region		Year-End Holiday
PRC				10/1 National Day (1 week) 10/7		
ROK			9/21 Harvest Festival (3 days) 9/23			

\* Dates taken from 2010 calendar as examples.

\* Chinese public holidays are compliant with the Old Calendar (Lunar Calendar). Public holiday dates for a certain year are announced by the State Council during the previous December.

\* For Chinese New Year and National Day in China, the Saturdays and Sundays sandwiching these holidays are swapped with the said holidays to create a 7 day-long break in both cases.

\* For public holidays in South Korea, no transferred holidays go into effect even should a public holiday fall on a weekend.

### **3. Aviation Sector**

## **Basic Stance Regarding Aviation-Sector Growth Strategies**

Until now, under the banner of “balanced national development,” the main focus of Japan’s aviation policy paradigm has been on “an expansion of air routes through the building of regional airports.”

With regard to core mechanisms that have underpinned this paradigm, there has existed both “an airport development account that has allowed for the generous funding of regional airport developments,” and also “an airline-handling policy whose cross-subsidization premise has resulted in profitable routes subsidizing unprofitable routes for the purpose of enhancing overall route networks.”

Due to this emphasis placed on “a sense of balance” within Japan’s aviation market, practices such as the long-term maintenance of licensing systems, etc., have proved restrictive with regard to the adjustment of supply and demand dynamics. This has resulted in the development of an efficient aviation system being placed very much on the administrative back-burner.

Of course, such “creation and expansion” policies exhibited a certain rationale when the overall market “pie” was increasing in size, with the country experiencing both population increases and high rates of economic growth. However, against the contemporary backcloth of population contraction, low rates of economic growth, and a tightening of available fiscal resources, any continuation of the existing paradigm raises issues that cannot be ignored. Indeed, such

developments have created an environment in which change is unavoidable.

#### (1) Delayed Strengthening of Tokyo Metropolitan Airports

- A chronic capacity shortage of takeoff and landing slots coupled with underperformance as both domestic and international hubs airports are shortcomings that have negatively impacted the competitiveness of both Tokyo International Airport (Haneda: HND) and Narita International Airport (Narita: NRT). This weakness has been noted both with regard to other Asian cities and destinations beyond. To wit, such underperformance has also fettered Japan's economic growth.
- This failure to fulfill the roles of domestic and international hub airports also represents weakness both in terms of those flight networks connecting Metropolitan Tokyo to Japan's regional centers, as well as those flight networks connecting Metropolitan Tokyo to various overseas destinations. Moreover, such underperformance also exposes a major deficiency in terms of the aviation infrastructure standards that will be required to handle between 25 million and 30million future inbound tourists.
- The takeoff and landing slot capacity shortage seen at Tokyo Metropolitan Airports (HND and NRT) can be linked to the overemphasis placed on large-sized aircraft by airline companies. This overemphasis has in turn limited benefits such as higher flight frequencies (with smaller



aircraft types) that could be passed onto airport users. Moreover, the “isolation” of both HND and NRT, combined with delays encountered in the implementation of open sky agreements, have impeded both rigorous competition and delayed the development of robust earnings structures. Furthermore, these factors have given birth to a structure that makes it difficult to induce low-cost carriers (LCCs), etc., and other low-cost incentives.

## (2) Aviation Systems Underpinned by High Airport/Airline Costs & Deficit-Creating Structures

- In terms of growth strategies, it is extremely important that aviation systems be managed efficiently, and that migratory costs, i.e., any “transaction costs” incurred by the Japanese economy, remain low.
- That being said, however, Japanese airlines exhibit both higher cost structures and weaker earnings abilities vis-a-vis their foreign counterparts. This is due to factors such as the capacity constraints experienced in the Tokyo Metropolitan Area, and also the existence of taxes/public dues that are levied on Japanese airlines for the purpose of airport maintenance. There is also the issue of the previously-mentioned cross-subsidization policy premise.
- Also at airports, there are deficiencies in certain governance procedures that, if implemented correctly, could allow for service-provision at lower cost via the implementation of more efficient management processes. In numerous instances as well, management structures are

configured in a manner that prevents non-aviation-generated revenues from flowing into the coffers of those core bodies that are responsible for airport operations. These factors are thought to contribute to the high cost structures and deficits that are experienced by many airports in Japan.

### (3) Failure of Mechanisms Designed to Maintain Essential Routes

- Flight routes that service outlying islands, etc., constitute lifelines to the outside world. As such, among such routes there are those that must be maintained, even if such maintenance policies require a degree of subsidization courtesy of public funding. However, within the current policy framework, there are only extremely limited funding resources forthcoming from the airport maintenance account. (There are, however, instances of local autonomies offering to partially-subsidize service users).
- As fiscal management increasingly shifts towards local autonomies, and as part of the individual strategies deployed by such autonomies themselves, mechanisms shall be required that allow for funding transparency of those flight routes that are considered to be truly essential.

## **Visions of Aviation-Sector Growth Strategies**

### **Increasing Interurban Competitiveness by Enhancing & Strengthening Tokyo Metropolitan Airports (HND/NRT)**

Initiatives for increasing the interurban competitiveness of Tokyo Metropolitan Airports (HND/NRT) include the opening of both a new runway and a new international passenger terminal at HND, along with the obtaining of local understanding from areas surrounding NRT with regard to expanding the number of annual takeoff and landing slots at NRT.

These initiatives represent golden opportunities to resolve some longstanding challenges faced by both airports.

Through seizing such opportunities, the range of international routes serviced by Tokyo Metropolitan Airports will be enhanced; this includes some long-haul business routes originating from HND. Such opportunities will increase the convenience of both domestic and international connections offered by HND.

Furthermore, when supply and demand dynamics (including domestic routes) are considered over the medium-term, fully utilizing NRT seems necessary and essential, with user convenience being possibly increased via the strengthening of domestic feeder routes, and also by the provision of new LCC and business-jet services.

Such developments will see an immediate boost to the sense of convenience associated with the Tokyo Metropolitan Area, this being a factor that has previously been described as a weakness. These developments will also strengthen the interurban competitiveness of the Tokyo Metropolitan Area from the business and tourism perspectives. Such enhancements will also provide a driving force that will attract more people, more goods, and more money to Japan.

Also, future trends in supply and demand dynamics will be tracked, in order that, when necessary and with sufficient lead time, maintenance and development policies for further enhancing HND and NRT capacities can be realized by leveraging “private-sector wisdom and financing.”

### **Leveraging “Private-Sector Wisdom and Financing”**

The aviation industry, which up until now has been largely borne on the shoulders of private-sector, should, of course, seek to fully leverage “private-sector wisdom and financing,” even in areas such as airport maintenance, development and operations, such being categories that have traditionally had strong associations with public-sector administration. While not losing sight of the greater public interest, market mechanisms should be actively incorporated into both the aviation sector as a whole, and airport-related issues in particular.

Through such actions, from both the theoretical and practical perspectives, there needs to be a shift away from the “creation and expansion” paradigm, towards a new paradigm that stresses the

“efficient use of existing resources.” Whereby user convenience is enhanced via the introduction of mechanisms that prevent unnecessary airports from being built, international and domestic route networks will be strengthened via full utilization of existing airports, while airport management will be strengthened and governance mechanisms will be introduced.

## **Minimizing Arbitrary Government Intervention**

Airports represent public assets whose structure contains elements of the oligopolistic, along with considerations of both safety and national security issues.

In understanding their nature, it is important that careful consideration be paid to all the elements of airports. Such matters, however, should not be used as justifications by which arbitrary government intervention can be warranted. Indeed, private-sector vitality should be leveraged to the maximum extent possible, based upon the premise that certain market mechanisms should be incorporated into the aviation-sector policy.

In the short term, aviation industry liberalization (via Open Skies agreements) shall be actively pursued. This course of action shall be taken in order to guarantee competitive forces. Also, certain market mechanisms shall be introduced into the slot-allocation process used at HND. There shall also be a relaxation of certain technical regulations, etc., so as to contribute to a lowering of airline costs.

The Aviation Working Subcommittee has established such future visions to submit the following six detailed strategies:

**Strategy 1: Opening Japan’s Skies to Asia & the World (Promotion of Full-Fledged Open Skies Agreements)**

**Strategy 2: Strengthening HND/NRT in Order to Enhance the Interurban Competitiveness of the Tokyo Metropolitan Area**

**Strategy 3: Streamlining Airport Management by Leveraging “Private-Sector Wisdom and Financing”**

**Strategy 4: Active Strengthening of Kansai International Airport (KIX) by Balance Sheet Reform**

**Strategy 5: Maintaining Essential Air Networks**

**Strategy 6: Expanding User Benefits by Promoting LCC Participation**

## **Policy Examination of Specific Topics**

### **Items for Priority Implementation**

#### **Opening Japan's Skies to Asia & the World (Promotion of Full-Fledged Open Skies Agreements)**

Once local understanding from areas surrounding NRT has been obtained with regard to expanding the number of annual takeoff and landing slots at NRT, negotiations shall be commenced with a number of major countries regarding the concluding of open skies agreements between these countries and Japan. The Japanese airports covered by these discussions shall include those of the Tokyo Metropolitan Area (HND & NRT). At the earliest, agreements allowing for an expansion in the number of annual takeoff and landing slots to 270,000 at NRT are hoped for within the course of FY2012.

Furthermore, in order to jump-start international air freight services, in cooperating with partner countries who are positively inclined towards the liberalization of international air freight services, in addition to promptly establishing a framework to allow for the unrestricted onward conveyance of freight from Japanese hub airports to third countries, Japan hopes to move towards lifting the existing bans on consolidated charter services by airfreight forwarders (forwarder charter services) and charter flight services, such being operated by airline companies domiciled in third countries.

In addition, Japan hopes to develop an environment that promotes the involvement of new airline participants in the scheduled international flight market, a business that has traditionally been dominated by the three major Japanese groups: Japan Airlines (JAL), All Nippon Airways (ANA) and Nippon Cargo Airlines (NCA). Furthermore, steps shall be taken to relax fare regulations and charter rules, etc., so that such matters are in accordance with the open skies framework.

[See Strategy No. 1 (pp. 6, 7, 8, 9)]

## **Active Strengthening of Kansai International Airport (KIX) by Balance Sheet**

### **Reform**

Through proactive investment that aims to realize KIX as both a cargo and LCC hub, steps shall be taken to strengthen the competitiveness and profitability of KIX in order to reestablish it as an international hub whose services are on a par with those of the Tokyo Metropolitan Airports (HND/NRT). Such steps shall include both a fundamental reform of the KIX balance sheet, and a thorough streamlining of its business operations.

Specifically, in addition to the business value of KIX, steps shall be taken to fully utilize both the business and real estate value that is offered by Osaka International Airport (ITM). Furthermore, while continuing to give priority to an administrative merger of KIX/ITM via the establishment of a special holding company, private-sector management proposals that focus on the maximizing airport



value via private-sector outsourcing of both airport business and management rights shall be actively solicited and examined.

[See Strategy No. 4 (pp. 19, 20, 21)]

### **Expanding User Benefits by Promoting LCC Participation**

Steps shall be taken to develop an environment that encourages new entries into the aviation market by LCCs and other entities. Such developments shall also allow for increased competition amongst existing airlines on both international and domestic routes, the purpose of such steps being to drive up the number of Asia-originated inbound traffic, thus expanding demand within Japan's domestic tourism market, etc.

A variety of measures shall be implemented for the purpose of achieving these objectives. Such measures shall include the holding of ongoing discussions with partner-countries concerning the mutual agreement of flight crew licences, etc. There shall also be a push commenced within the current fiscal year concerning a relaxation of technical regulations covering the employment of foreign flight crews. Consideration shall also be given to relaxing certain technical regulations that helps higher aircraft-utilization. Consideration shall also extend to the development of LCC-dedicated terminals at hubs airports, and the restructuring of landing charge schedules. All of these measures shall be undertaken with the aim of lowering airline costs.

[See Strategy No. 6 (pp. 24, 25)]

## **Strategy 1: Opening Japan's Skies to Asia & the World (Promotion of Full-Fledged Open Skies Agreements)**

### 1. Current Issues and Challenges

Since the development of the “Asian Gateway Initiative” in May of 2007, Japan has been actively promoting an Open Skies policy. Commencing with the Republic of Korea in August of the same year, Japan has concluded Open Skies agreements with 10 countries/regions thus far: In addition to the Republic of Korea, these countries/regions are as follows: Hong Kong, Macao, the Socialist Republic of Viet Nam, the Kingdom of Thailand, Malaysia, the Republic of Singapore, the Democratic Socialist Republic of Sri Lanka, the United States of America, Canada.

Within the Open Skies agreements concluded by Japan thus far, however, there have existed some deficiencies. In the first instance, because takeoff/landing slot demand from airline companies far outstripped new allocations, the Tokyo Metropolitan Airports (HND /NRT) were not included in the terms of those Open Skies agreements concluded thus far. Rather their status was clarified using traditional means that were beyond the scope of the Open Skies agreements. As such, for HND/NRT, emphasis was placed on bilateral negotiations in order to establish the interests of each party.

Furthermore, mutually-recognized partner-country rights have been limited to service conveyances occurring between Japan and a partner country. In other words, such rights represent the 3rd and 4th freedom traffic rights. At the same time, however, beyond rights defined as “the right to fly from one's own country via a partner country to a third-party country” (the 5th freedom traffic rights), have not been incorporated into Japan’s existing Open Skies agreements.

Also, business system elements not conducive to Open Skies policies still remain, despite there being a degree of relaxation of charter flight rules, such having been established separately (in principle) from bilateral agreement frameworks. Evidence of this can be seen via the continuing restrictions placed on individual ticket sales for the purpose of passenger conveyance. Other evidentiary elements are the general ban on forwarder charter flights as such concern cargo-conveyance services, as well as the lack of mechanisms within fare regulation structures that would allow for fares to be both quickly established and changed in response to market dynamics.

In order to contribute to growth by developing Japan as a tourist destination, strengthening Japan’s international economic competitiveness, and expanding Japan’s exchanges with other countries, etc., there needs to be both greater airline participation and an increasing of flights that focuses on international routes. There also has to be increased convenience for service users via the promotion of competitive forces in areas such as airline ticket prices, flight schedules and service levels. Thus, Japan needs to move beyond its traditional framework and truly push for Open Skies. While doing

this, the country also has to perform a general reexamination of the directions being taken with regard to the relaxation of related business systems.

## 2. Policy Proposals in Response to the Challenges

### (1) New Basic Open Skies Policies

As a basic policy premise, Japan should push ahead with its existing Open Skies initiatives while seeking to conclude agreements with other countries that are in accordance with the following matters:

- 1) Open Skies agreements that incorporate Tokyo Metropolitan Area airports (HND & NRT).
- 2) Strategically-oriented Open Skies agreements that aim to kick-start international air logistics.
- 3) Relaxation of international aviation regulations, etc.

With regard to countries with whom Japan should seek to partner, from the perspective of furthering the Japanese national interest, it should make strategic decisions while considering partner partners using criteria such as market size and its growth rate, and the potential offered by both new participants in the aviation market and an increase in the number of flights.

Specifically, pursuing a policy of promoting inbound traffic could be expected to further contribute to market growth. Furthermore, the market participation of LCCs and other new airlines could result in an increase in flight frequencies if such companies were allowed to exercise their unique features. As such, agreements with other Asian countries that place an emphasis on such factors should be given priority.

In particular, Open Skies initiatives with other East Asian nations need to be given priority. Such would include agreements with Japan's immediate neighbor, the Republic of Korea, along with nations/regions such the People's Republic of China and Hong Kong. Moreover, the pursuit of Open Skies agreements with ASEAN-member countries should also be prioritized. Japan already has limited Open Skies agreements (that exclude the Tokyo Metropolitan Area airports) with seven nations/regions, these being the Republic of Korea, Hong Kong, Macao, the Republic of Singapore, Malaysia, the Kingdom of Thailand, and the Socialist Republic of Viet Nam). However, due to the volume of air traffic that already exists between Japan and these nations/regions, and also due to the proactive attitude of these countries/regions regarding liberalization, the frameworks of the existing Open Skies agreements need to be expanded in order to incorporate those matters described in points 1) through 3) above.

Regarding such new frameworks, once local understanding is obtained from areas surrounding NRT with regard to expanding the number of annual takeoff and landing slots at NRT, negotiations shall

be commenced with a number of major countries regarding the concluding of Open Skies agreements between Japan and these countries. These agreements shall include the Tokyo Metropolitan Airports (HND & NRT). At the earliest, agreements allowing for an expansion in the number of annual takeoff and landing slots to 270,000 at NRT are hoped for within the course of FY2012.

## (2) Open Skies Agreements that Incorporate Tokyo Metropolitan Area Airports (HND & NRT)

With regard to NRT, it offers regular flight services to more than 100 cities worldwide. This international flight network easily matches those of other major international airports. Furthermore, because local discussions are already moving ahead that will allow for an expansion in the number of annual takeoff and landing slots to 300,000 (hopefully achieved during FY2014), Open Skies frameworks incorporating the Tokyo Metropolitan Area airports (HND & NRT) have to be pushed. This needs to occur with a view towards realizing both the slot-increase schedules at HND /NRT, and also eliminating a current significant bottleneck.

Currently, what is needed is a phased push towards the liberalization of the aviation sector. This push should carefully monitor factors such as any expansion in airport capacities, the level of interest regarding new participation and flights increases by airlines domiciled in partner countries, and the stance of partner countries with regard to aviation-sector liberalization. Any such liberalization would commence with 3rd and 4th freedom traffic rights (liberalized service conveyances

occurring between two countries), later expanding to encompass the 5th freedom (the right of onward conveyance).

Because, for the foreseeable future, demand forthcoming from airlines regarding new market participation and increased flights to and from HND will probably continue to outstrip airport capacity, a special separate framework should be sought with other countries regarding HND.

### (3) Strategically-Oriented Open Skies Agreements that Aim to Kick-Start International Air Logistics

In order to kick-start the international air logistics business, it is essential that KIX, Chubu International Airport (NGO), and other key Japanese airports, be used as cargo hubs as part of a drastic liberalization that goes well beyond what is encompassed by a traditional interpretation of the 5th freedom traffic rights.

Specifically, in addition to mutual-recognition of the 5<sup>th</sup> freedom traffic rights existing between pro-liberalization countries, the elimination of the restrictions on “change of gauge” (the changing of aircraft in different size at stops) shall enable airline companies domiciled in partner-countries to freely engage in onward conveyance services to third countries from KIX, NGO, and other key Japanese airports.

Such a development would put in place the prerequisites for creating cargo hubs via the drastic balance sheet reforms outlined in Strategy 4. Such matters are particularly applicable to KIX.



Also, from the perspective of encouraging the abovementioned creation of cargo hubs, the existing ban on charter flights consolidated by airfreight forwarders (forwarder charters) or operated by third country airlines should be removed (while continuing to check on the handling of such matters by partner countries). Extra services should also be liberalized for those routes that have undergone liberalization processes.

#### (4) Open Skies Agreements that Seek Relaxation of International Aviation Regulations

Together with the promoting of Open Skies agreements, various regulations governing international aviation businesses should be both relaxed and made consistent with the Open Skies framework. This should be done in order to promote competition amongst airline businesses.

In the first instance, an environment that promotes the participation of new airline companies in the scheduled international flights business that has traditionally been dominated by the three main Japanese airline groups (JAL, ANA, NCA) should be developed.

In the second instance, steps should be taken to relax fare regulations so that both Japanese and foreign airlines are able to adjust their pricing both promptly and accurately in line with the dynamics of supply and demand.

With regard to charter rules, restrictions on individual ticket sales need to be relaxed in line with the development of Open Skies agreements. This should be not only for the abovementioned cargo

charter services, but also for passenger charter services as well. Furthermore, for those companies that have received prior safety approvals, measures such as the simplification of mandated pre-flight procedures should be considered, thus ensuring both operational safety and procedural simplicity.

Also, given the trend towards larger networks and increased competitiveness through airline alliances which is primarily being seen in Europe and North America, a system of exemptions from the terms set forth in the Anti-Monopoly Act could be used as a policy instrument by which to promote transnational alliances amongst airline companies. Such an element, if applied appropriately as part of the overall measures instituted to encourage aviation-sector liberalization, could be balanced out with steps that were taken to ensure the convenience of service users.

### 3. Considerations

The following points need to be considered when Japan advances Open Skies discussions with other countries.

1) The fair and equitable treatment of Japanese airlines in partner countries.

→ Japanese airlines must be assured of an opportunity to be able to freely operate in partner countries. Such fair and equitable treatment must include equitable treatment with regard to the allotment of take-off/landing slots at busy airports.

2) Ensuring safety and security

→ Partner countries' aviation-related safety and security monitoring systems, etc., must be confirmed to ensure that they are sufficient with regard to guaranteeing the safety of air traffic, as well as preventing dangers such as terrorism.

Asian countries all have different situations when it comes to their airlines, airports, etc. There are also different attitudes within the region regarding both Open Skies agreements and other aviation policies. Some countries within the region have already concluded highly-liberalized aviation agreements with Japan, while there are other countries that have yet to conclude any agreements with

Japan. Furthermore, there are some countries for which there are major safety concerns.

Such issues need to be sufficiently addressed by Japan as it works towards the prompt and effective promotion of an Open Skies policy.

## **Strategy 2: Strengthening HND/NRT in Order to Enhance the Interurban Competitiveness of the Tokyo Metropolitan Area**

### 1. Current Issues and Challenges

With regard to aviation policy as such pertains to the Tokyo Metropolitan Area, there has been a long-promoted division of resources whereby HND has been equated to serving in the role of “a domestic hub airport,” and NRT has been equated to serving in the role of “an international hub airport.”

That being said, however, the reality has been that, for HND and NRT, growth in both international and domestic route-demand has far outstripped the pace of any capacity expansions. Thus, international route liberalizations in accordance with the open skies frameworks have not progressed. Moreover, there has been an ongoing, long-term situation whereby a suitable level of response has not been delivered vis-à-vis demands for increases in the volume of overseas-originating inbound flights. For domestic routes as well, expanded airport-usage by small-sized/high-frequency aircraft has not occurred, nor have there been aviation business expansions achieved by new market entrants. The lack of such developments has thus prevented an efficient streamlining of airline company operations.

Furthermore, with regard to the level of response posed in handling demand arising for international and domestic connections that link Japan's regional cities with destinations worldwide, it is not necessarily the case that such response levels have been sufficient. Concerning this matter in particular, future improvements shall be required if Japan is to embark on full-scale promotion activities for the purpose of attracting inbound tourism.

In accordance with these issues, HND is currently moving ahead with plans to increase its handling capabilities in accordance with the development of its fourth runway (Runway D), thus achieving the status of an international hub airport that is able to operate around the clock. The first phase of this upgrading is scheduled to commence from October of 2010, with the planned allocation to regular international flights of some 60,000 annual takeoff and landing slots (30,000 of which shall be annual daytime slots, and 30,000 of which shall be annual late-night/early-morning slots). As a result of this, HND's proximity and convenience to nearby Asian destinations shall be leveraged to host arrivals/departures on short-haul business routes during the daylight hours of 06:00-23:00 JST. Meanwhile, late nights and early mornings (23:00 – 06:00 JST) shall be used to host new long-haul routes to destinations throughout the world, these including cities in both Europe and the United States.

Meanwhile for NRT, while obtaining the understanding of local communities, initiatives shall be undertaken to expand handling capacities, with the number of NRT annual takeoff and landing slots

growing in March of the current year from the current 200,000 times to some 220,000 times. This expansion shall allow for the inauguration of new routes, with destinations including Doha, Dubai, and Abu Dhabi. The domestic feeder network servicing NRT shall also be strengthened to approximately 1.5 times its current size.

While such initiatives can be evaluated as representing a certain degree of positive development, leveraging the role of the Tokyo Metropolitan Area airports in order that, they become and continue to be, driving forces that underpin Japan's growth shall require that previous inadequately-met needs be sufficiently addressed via the vehicle of drastic functional enhancement, such needs including the further strengthening of both domestic and international route networks, the improvement of domestic and international connection capacities, and the opening up of the Tokyo Metropolitan Area airports to LCC and business jet services, etc.

Implementing such functional enhancements shall require the expenditure of a great deal more effort, such being aimed at a level of capacity expansion in excess of what has thus far been achieved by the Tokyo Metropolitan Area airports. Moreover, there will be a strong demand for the creation of environments that eliminate capacity restrictions (so-called "bottlenecks") as much as possible.

## 2. Policy Proposals in Response to the Challenges

(1) Directions for HND Reforms

1. Current Phase Takeoff & Landing Slot Expansions

For HND, utilizing the shortest-timeframe projections as listed below, while working steadily to expand capacities, and while also responding to the robust demand that exists in the Tokyo Metropolitan Area for international flight services, in leveraging the airport's well-established network of domestic feeder routes, steps shall be taken to strengthen HND's ability to perform as both a domestic and international hub airport.

• The Present:

Some 303,000 annual daytime slots (not included in this figure are late-night/early-morning charter flight slots, etc.)

• FY2010 (As of October):

Some 331,000 annual daytime slots plus an additional 40,000 annual late-night/early-morning slots. (Of these figures, some 30,000 daytime and 30,000 late-night/early-morning slots have already been allocated to international routes.)

• During FY2011:

Some 350,000 annual daytime slots plus an additional 40,000 annual late-night/early-morning slots. (All of the additional 19,000 daytime slots (vis-a-vis



October, 2010) have already been allocated to domestic routes.)

- During FY2013:

Some 407,000 annual daytime slots plus an additional 40,000 annual late-night/early-morning slots. (This projection, however, assumes that a new operating system that incorporates Runway D is formulated. Depending on the situation, partial slot expansions and/or delays in the slot-expansion timetable may occur.)

2. Basic Stance on Allocations between Domestic and International Routes

Current guidelines that “limit HND international daytime flights to short-haul business routes servicing nearby Asian destinations” shall be scrapped, they being replaced by guidelines that allow HND international daytime flights to service “high demand and business routes.” In addition to NRT, these new guidelines shall allow for daytime HND departures on long-haul routes to destinations in Asia, Europe and the United States.

To make this change possible, once takeoff and landing slot numbers reach the threshold of 407,000 annual daytime slots plus some 40,000 annual late-night/early-morning slots, over half of the remaining 57,000 annual daytime slots (specifically some 30,000 slots) shall be allocated to international routes. These figures shall be subsequently be adjusted in response to any growth trends in domestic and international flight-demand originating in the Tokyo Metropolitan Area.

Thus, HND's total number of annual international slots shall be 90,000 (some 60,000 annual daytime slots plus some 30,000 annual late-night/early-morning slots). This means, of the total of 144,000 new slots to be added at HND, some 90,000 slots shall be assigned for usage on international routes. Please note, however, that the actual increase in international flight slots shall occur after enhancement of the new HND international terminal has been completed.

3. Necessity of Enhancement of HND's New International Terminal

The new international terminal at HND, which is scheduled to commence operations in October of 2010, has a design that is based on the understanding that it will accommodate some 30,000 annual daytime slots. Meanwhile, with regard to the existing facilities, it is felt that these would be hard-pressed to accommodate an increase to a level of some 60,000 annual daytime slots as is expected to be reached in the course of FY2013.

Because of this, it is necessary for terminal enhancements to commence at the earliest possible opportunity, and also, the relevant PFI stakeholders need to immediately start detailed discussions as to how such enhancements shall be funded, and who shall be put in charge of implementation.

Of course, it also goes without saying that, through innovations and adjustments of terminal operations, ongoing efforts aimed at expanding the terminal's handling capacities shall be

necessary.

## (2) Directions for NRT Reforms

### 1. Current Phase Takeoff & Landing Slot Expansions

As the main airport charged with responding to the robust demand that exists for international flight services in the Tokyo Metropolitan Area, NRT shall utilize an ongoing, integrated operational framework in conjunction with HND, in order that NRT is positioned as one of Asia's leading hub airports. Thus, in light of progress made in negotiations with local communities since the end of last year vis-a-vis expanding NRT traffic to a level of some 300,000 annual slots, and while also keeping in mind the shortest-timeframe projections as listed below, there needs to be a steady and sustained effort to expand NRT capacity via initiatives such as ramp/apron expansions, etc.

- During FY2011:

Some 250,000 annual slots (+30,000 annual slots )

- During FY2012:

Some 270,000 annual slots (+20,000 annual slots)

- During FY2014:

Some 300,000 annual slots (+30,000 annual slots; +80,000 annual slots in total)

## 2. Initiatives for Expanding Airport Handling Capacities

In order to enable for the establishment of more highly-convenient flight schedules, such including the shortening of international-international, international-domestic and domestic-international connection times, a simultaneous and parallel takeoff and landing system needs to be realized during the course of FY2011 in order that airport handling capacities can be expanded during times of peak usage.

## 3. Drastic Functional Enhancements to Establish NRT as a Leading Asian Hub Airport

In keeping with the future expansion of takeoff/landing slots at NRT, for the purpose of promoting inbound tourism, etc., there needs to be both an ongoing strengthening of NRT's international flight network, and also an expansion of slot numbers allocated to domestic flights. Such initiatives are required to enhance the domestic feeder routes servicing NRT, and also to strengthen NRT's domestic and international hub capabilities in a manner similar to HND.

Furthermore, in order to promote full-fledged LCC participation at NRT, measures such as the development of dedicated LCC terminal facilities are required so as to create an environment that is conducive to the low-cost operations of such carriers.

Also, in addressing the demand for business jet services to which previous response levels

have been insufficient due to a scarcity of takeoff/landing slots, NRT needs to consider steps such as the development of dedicated terminal facilities, etc. Such enhancements shall make NRT the major hub for business jets in the Tokyo Metropolitan Area.

### (3) Increasing Connection-Convenience at HND and NRT

At HND, in accordance with the commencement of new international terminal services from October of the current year, as a result of various measures such as the operation of inter-terminal bus services within restricted areas of the airport, and the speeding up of various inspection procedures (Security/CIQ), attempts shall be made to shorten minimum connection times (MCT), with the time required to complete embarkation procedures to be shortened by approximately 30 minutes to the internationally-recognized standard of 60 minutes, and the time required to complete disembarkation procedures to be shortened by approximately 25 minutes to the internationally-recognized standard of 75 minutes.

Furthermore, for both HND and NRT, while taking into consideration future trends in connection-demand, measures designed to increase connection convenience such as the simplifying inter-terminal movements, and CIQ locations/capacities, etc., shall be considered.

Steps shall also be taken to further shorten MCT.

### (4) Increasing HND and NRT Access Convenience

Given that the destination of many current inbound passengers is downtown Tokyo, and also in order to further promote the integrated utilization of both HND and NRT, access from both airports to central Tokyo and access between the airports needs to be more convenient. With regard to NRT, due to the development of the new Narita Rapid Rail, from July of this year, the time required to travel between downtown Tokyo and NRT by train will be shortened by 15 minutes to 36 minutes.

Furthermore, there also needs to be further discussion aimed at reducing travel times between downtown Tokyo and HND to around 20 minutes, and downtown Tokyo to NRT to around 30 minutes. The same applies to reducing travel times between NRT and HND to around 50 minutes.

#### (5) Further Capacity Expansion Initiatives

The abovementioned initiatives are expected to increase the total capacity of Tokyo Metropolitan Area airports by 40% or more, from around the current 520,000 annual slots to approximately 750,000 annual slots. Of these figures, of particular interest are the increases in international slot capacities from around the current 200,000 annual slots to approximately annual 400,000 slots, such representing an essential doubling of capacity. Considered overall, such developments should essentially enable supply to exceed demand projections for the next 10 years.

However, if it is assumed that ongoing growth shall occur in response to demand increases due to factors such as increasing numbers of inbound passengers, then, with regard to the further expansion of Tokyo Metropolitan Area airport capacities and the strengthening of their capabilities, there shall arise the need for a comprehensive examination that considers all feasible measures from every conceivable angle. Such a wide-ranging examination might include measures for transferring aircraft inspection facilities to somewhere other than HND, measures for further enhancing the functionality of existing facilities via reviews, etc. of terminal expansions, usage purposes and operations, measures for exploring the possibility of constructing and/or upgrading runways, and measures for dealing with control-related, environmental and other limitations.

The timely and appropriate application of these sorts of measure that are aimed at capacity expansions shall prevent capacity shortages occurring at Tokyo Metropolitan Area airports.

Needless to say, however, future changes in domestic and international demand need to be taken into consideration, and flight slots for international routes should be increased accordingly.

As shall be discussed further in Strategy 3 “Streamlining Airport Management by Leveraging ‘Private-Sector Wisdom and Financing’,” if the proposed measures require that new, large-scale investments be undertaken, private-sector wisdom and financing shall be leveraged to the maximum extent possible, in order that sufficient cost-effectiveness screening of projects is carried out.

## **Strategy 3: Streamlining Airport Management by Leveraging “Private-Sector**

### **Wisdom and Financing”**

#### 1. Current Issues and Challenges

The airport development account (previously known as the special account for airport development) is a source of funding primarily derived from both airport usage fees (including landing fees paid by airline companies) and provisions forthcoming from the General Account. Together with the development, maintenance and operation of airports managed by the national government, the airport development account also provides financial assistance with regard to those airports whose management is overseen by local government. The account makes provisions for funds that are used in development and operation of some 98 airports throughout Japan. This figure includes a number of locations whose track records of usage are somewhat deficient.

In recent times, the focus of national government airport policy as well has been shifted away from one that emphasizes “development,” towards one that emphasizes “operation.” In line with this focus transition, the “Airport Development Act” was revised and was renamed in 2008 as “Airport Act.” Due to its role in acting as a funding source for the development of airports, the airport development account should have been concurrently reviewed and revised at that time. The reality,



however, is that the shift remains incomplete at the current time.

Furthermore, there also exist a large number of issues that need to be addressed from the perspective of streamlining the operations of existing airports. Of particular note, at majority of the airports, there exists a “two-tiered” structure whereby the national and local governments, etc., are primarily responsible for the construction and maintenance of aviation infrastructure. In other words, the recipients of aviation-derived incomes such as landing fees, etc., are kept structurally separate from any businesses associated with airport buildings, etc. Thus, this later group is comprised of recipients of non-aviation-derived incomes, such including merchandise sales, tenant rents, and parking fees, etc., and the governance mechanism of those businesses is considered to be inadequate. As a result, the standard business model utilized at overseas airports, wherefore sufficient non-aviation-derived incomes are used to minimize landing fees and facilities usage fees, etc., thus promoting greater airport usage, are not utilized in this country.

To improve this state of affairs, over the medium term, the same business models as are employed at overseas airports should be implemented here in Japan. In other words, this means the development of structures that seek to integrate the management of airport-related businesses and airports themselves while outsourcing management though concessions to the private sector or privatizing airports as a whole. “Private-sector wisdom and financing” should be leveraged upmost when considering for developing mechanisms for aviation infrastructure construction and maintenance.

As a specific path for achieving such goals, governance structures that allow for the streamlining of airport management need to be developed (see Section 2-1 “Governance Structures for the Streamlining of Airport Management”), and the structuring of annual incomes and expenditures within the airport development account, such including taxes and public dues, need to be reviewed (see Section 2-2 “Policy Proposals in Response to the Challenges”).

## 2. Policy Proposals in Response to the Challenges

### 2-1: Governance Structures for the Streamlining of Airport Management

#### (1) Direction and Promotion of Governance Structures

From the perspective of strengthening efficient governance practices, as stated above, what shall be required over the medium term is as follows: (1) the operational integration of airport-related businesses and airports themselves, and (2) the outsourcing of management concessions to the private-sector or privatization.

However, it can be expected that, in using current airport related-businesses as a basis for operational integrations/outsourcing, including in non-aviation-related areas, there will be cases where private-sector management expertise will not be sufficiently utilized. At the same time,

however, it will be difficult to quickly and coercively eliminate or replace airport-related businesses, including listed entities. Moreover, transforming existing airport management structures from their current status as public entities that possess certain exclusivities, into structures centered upon the private-sector shall require both feasibility trials and processes that are transparent.

Thus, the ideal would be for some airports to be established as subjects from which could be compiled examples of best practice. Concurrently, within the existing framework and while increasing levels of transparency, it would be desirable to substantively bring in non-aviation-derived revenues.

## (2) Policy Proposals in Response to the Challenges

### 1. Operational Integrations and Private-Sector Outsourcing/Privatization Initiatives

Starting from FY2010, a panel of experts needs to be convened in order to examine the issue of integrating airport-related businesses and airport themselves, and the issue of outsourcing management concessions to the private-sector/privatization. The panel shall need to organize the points for discussion vis-a-vis the issue of operational integrations, etc., and it shall also start to investigate concerns such as how best practices may be deployed at the earliest opportunity. Deliberations by this panel should last for about 1 year, following

which the panel shall submit their conclusions.

After coordinating with local government stakeholders, etc., in order to develop environments conducive to the process of operational integrations, etc., those airports who are found to be ready to respond to such measures should take the lead in implementing operational integration plans, etc.

The results of such advanced implementations (along with the KIX and ITM results achieved in accordance with Strategy 4 “Active Strengthening of Kansai International Airport (KIX) by Balance Sheet Reform”), together with any issues extracted and their solutions, should then be applied on a broad scale as part of the effort to integrate the operations, etc., of the remaining airports.

In order to smoothly implement such operational integrations, etc., environmental benefit policies (and the parking businesses that fund them), whose management is currently undertaken by public-interest corporations at nationally-managed airports, shall also need to be quickly transferred once new principal airport operators have been decided upon.

## 2. Initiatives for Enhancing Management Transparencies and Optimizing Rents

With regard to airports currently managed by the national government, accounting practices based on private-sector standards are finally being trialed; however, the business position of nearly all the airport-related businesses operations at such airports remains ambiguous.

As elements of governance structures that are required to be in place prior to the implementation of operational integrations, etc., strengthened monitoring of the status of airport-related businesses, and increased transparency including cross-comparisons of management efficiencies are necessary.

Furthermore, in order to implement a rapid optimization of those property rents (i.e., rent rises) paid by airport-related businesses, the Ministry of Land, Infrastructure, Transport and Tourism is currently reviewing the formulas used for calculating these rents. The results of this review process shall be reflected in the property rents leveled against airport-related businesses in FY2010.

With regard to airports currently managed by local governments, the national government has requested that such local governments draw up and release the accounts of these airports, based on airport-specific incomes and expenditures as announced by the national government.

In order to continue such accounting practices on a regular basis, further requests shall need to be made.

### (3) Considerations

Initial contemporary analyses show a lack of governance, and there are quite a few instances where airport themselves, as well as in combination with their airport-related businesses, are operating at a loss. As such, the development of incentive schemes that encourage appropriate

management practices while concurrently involving local governments can be seen as an essential element within the process of reform.

With regard to the choices of either outsourcing management concessions to the private-sector or opting for full-scale privatization, a wide-ranging debate is required that takes into consideration the public's view concerning such questions as "From the national aviation policy perspective, how much private-sector involvement should there be in principal airport operator structures?" and "How should airports be utilized, given their status as important national assets?" It is also essential that the nature of national and local government, etc., involvement in airports be considered.

HND's terminal companies are listed entities, and any move towards an integrated top-to-bottom structure would require TOB and other measures; however, before any implementations, the effectiveness of such approaches needs to be considered.

Furthermore, when implementing operational integrations, etc., in addition to it being imagined that some concerns may exist regarding environmental policies, it might also be imagined that voices of concern shall be forthcoming concerning the employment status of persons currently employed by existing airport-related businesses, public-interest corporations, and also government departments and agencies, etc. Such concerns shall need to be given a degree of consideration by any new principal airport operators.

There needs to be a review of property rents paid by airport-related businesses. When such a

review is conducted, however, any inference of arbitrary behavior on the part of government should be avoided. Currently, a degree of equity and fairness is maintained in the property rental process via the incorporation of results generated by real-estate appraiser appraisals. Moreover, any review that is to be conducted shall be required to maintain this sense of equity and fairness while concurrently seeking expert opinion on the issue of how property rental calculation formulas may be further refined.

At the same time, however, supervision and guidance shall also be needed to ensure that airport-related businesses do not simply pass on the cost of any property rent increases to airlines or leasing tenants. Thus, monitoring mechanisms shall be considered on an as-needed basis.

It should be noted that there has been debates and discussions about moving towards the complete privatization of the Narita International Airport Corporation. However, any such move shall require the involvement of a privatization strategy, and also an approach that takes into consideration the current and future capacity expansions of the Tokyo Metropolitan Area airports. Consideration shall also be required of the other points that have been discussed above, points whose aim is to establish NRT as an Asian hub airport.

2-2: Review of the Structure of Revenues and Expenditures in the Airport Development Account  
(including Taxes and Public Dues)

## (1) Structure of the Airport Development Account

While progress is being made towards the building of governance structures that increase the above-mentioned airport management efficiencies, in order that the airport policy shift from “development” to “operation” be completed, and also in order that there occurs a drastic review of the airport development account, while building structures that “eliminate inefficiencies in the development of airports and instead focus on truly essential elements,” a thorough review of revenues and expenditures shall be required to facilitate a restructuring of landing fee schedules, such a restructuring being in accordance with contemporary needs. In other words, this means lowering the landing fees leveled on small-sized aircraft as much as possible.

Meanwhile, from the perspective of leveling “user fees,” asking that airport users shoulder the costs of maintaining and operating airports, etc., (via landing fees, etc.) is a reasonable course of action. Furthermore, in order that relationships between benefits and costs are unambiguous, for the time being, the maintenance and operation, etc., of nationally-managed airports should be conducted through the airport development account.

## (2) Policy Proposals in Response to the Challenges

### 1. Mechanisms for Future Airport Developments



In order to systematically guarantee the “elimination of inefficiency in airport development and concentrated investment on truly essential elements”, new mechanism which third-party body can strictly scrutinize the necessity, etc., of large-scale development and renovation such as new airport construction and runway extension during the planning stage, needs to be devised and given legal backing.

Private funding via PFI and PPP, etc., should be taken full advantage of when undertaking the large-scale developments and renovations, and availability of private funding should be considered as one of the elements to decide to whether or not to undertake the given project.

Costs for maintenance and operation of airport can be paid, for the time being, from the Airport Development Account; however, the Airport Development Account needs to be made more transparent and efficient through public information disclosure of the income and expenditures for each airport as well as each airport’ budget (to the extent that this is possible).

## 2. Restructuring Landing Fee Schedules in Accordance with the Times, based on a Thorough Review of Revenues and Expenditures

The primary purpose of airport usage fees including landing fees, etc., is to cover the costs of airport maintenance and operations. Thus, such fees are leveled against and collected from airline companies whose position can be understood as that of airport users. Such fees represent a form of revenue for the airport development account, and these revenues are

subsequently used for the maintenance and operation of nationally-managed airports. Now with regard to such airport usage fees including landing fees, etc., for the purpose of maintaining existing air networks, from policy standpoint, steps have been taken to reduce such fees.

In the future, a drastic review of the airport development account needs to be conducted in order that a landing fees schedule that is in accordance with current needs be developed, such a schedule would see initiatives including the lowering, as far as possible, of landing fees for small-sized aircraft, etc. In order that such initiatives are realized, steps shall be taken to define required sources of funding, such including a review of property rents paid by airport-related businesses, and the thorough optimizing/streamlining of different revenues and expenditures. Moreover, in concert with operational integrations and outsourcing/privatization initiatives, while strictly implementing the review mechanisms outlined in Section 1. above (“Procedures for Future Airport Development”), and leveraging private-sector funding, there needs to be consideration of the implementation of financial reforms within the airport development account, such including a reduction in the amortization of government investments and loans that were borrowed for the purpose of the offshore expansion of HND and the development of its No. 4 Runway.

As a result of such initiatives, airlines shall be encouraged to improve their operating structures through strategies such as the replacement of large/medium-sized aircraft with small-sized

aircraft. User benefits shall also be enhanced through fostering the maintenance and enhancement of existing flight networks, and through the promotion of new entries to the market by LCC and other companies.

### 3. Further Review of the Airport Development Account

As mentioned in Section 2-1 above (“Procedures for Future Airport Development”), a further review of the airport development account should be carried out with regard to the further development of applicable laws and regulations, etc., at such time as either operational integrations of airport-related businesses and airports are being considered, or when the outsourcing of management concessions and privatization are being considered.

### (3) Considerations

With regard to the matters set forth in this section, it is necessary that all take into consideration the “Review of Special Account” activities that are currently being conducted across the entire national government.

## **Strategy 4: Active Strengthening of Kansai International Airport (KIX) by**

### **Balance Sheet Reform**

#### 1. Current Issues and Challenges

Kansai International Airport Co., Ltd. is currently saddled with a massive debt of more than JPY1.3 trillion, this figure including both interest-bearing and non-interest-bearing elements. The debt, itself, is the result of the tremendous project costs incurred in the building of an airport on a man-made island that is surrounded by the sea. It should also be noted that the debt generates over JPY20 billion in interest payments each year; and that payment of both the debt-principal and the generated-interest represents a tremendous financial burden on company management.

As such, while the fact remains that the company is forced, each year, to rely heavily on injections of public funds in order that its current accounts are balanced, it should be noted that despite the global financial crisis and the subsequent fall in demand for air services worldwide, the company's income and expenditure balance for FY2009 is expected to be in the black.

One of the original strengths of KIX was that it was felt to be capable of around-the-clock flight operations. Furthermore, the island on which KIX is located also offered space to grow. That being said, however, because Kansai International Airport Co., Ltd. is hobbled by a degree of debt that is highly detrimental to its balance sheet, KIX has been unable to leverage these strengths that

were designed to give it an edge. The outcome of this environment is that KIX currently posts some of the highest airport usage fees in Asia, and this has created obstacles to measures that could strengthen its international competitiveness. Two such measures would be attracting LCC participation at KIX, and the boosting of KIX capabilities as a cargo hub.

Furthermore, as a structural factor that has prevented the expansion of KIX demand, one issue that has been repeatedly raised is the relationship between KIX and ITM.

As such, in order to revitalize KIX and position it as an equal to the Tokyo Metropolitan Area airports in terms of its ability to act as an international hub, it is necessary that the related issues of “drastically reforming the balance sheet of Kansai International Airport Co., Ltd.,” “utilizing the inherent strengths of KIX to boost its competitiveness,” and “sorting out the relationship between KIX and ITM” be resolved both quickly and fundamentally.

## 2. Policy Proposals in Response to the Challenges

### (1) Prerequisites

In addressing these issues up until now, air routes were artificially transplanted to KIX from ITM as a means of improving operations. However, efforts that were made to improve the

business of KIX coincided with a strengthening of competitor forms of transport such as the Shinkansen bullet train network. The result of this was that demand increases resulting from KIX measures were rather weak. Indeed, rather than increasing overall demand for airline services within the Kansai Region of Japan, the strategies of KIX resulted merely in the “exchanging of different slices within the same pie,” with the size of the (demand) pie itself not expanding.

As such, any new and drastic proposals shall need to tackle head-on the structural quandary presented by the fact that KIX and ITM are located in the same region. Consideration shall also need to be given to growth strategies that are designed to increase the size of the (demand) pie.

## (2) KIX Balance Sheet Reforms

As quickly as possible, KIX needs to be weaned off its dependency on government subsidies, with the objective being to create a healthy balance sheet that can be used as a vehicle for the repayment of the more than JPY1.3 trillion of outstanding debt. Through achieving such objectives, the way will be paved for the implementation of forward-looking investment strategies. Furthermore, the boosting of competitiveness and the increasing of earnings power should also be encouraged.

Any balance sheet improvements shall need to take into consideration not only how to fully

leverage any business value derived from KIX cash flows, but also how to fully leverage those business and real-estate values derived from ITM cash flows.

Moreover, with regard to ITM, from the perspective of maximizing its value if it is to be utilized as an airport, a top-to-bottom integration between its airport building business and parking business should be considered. Such a scenario was touched upon in “Strategy 3: Streamlining Airport Management by Leveraging ‘Private-Sector Wisdom and Financing.’”

On the issue of how to go about maximizing KIX and ITM business values and matters related to their cash flows, a strategy reminiscent of what was outlined in Strategy 3, namely “leveraging private-sector wisdom and financing,” would be ideal, with both airports’ operating rights being outsourced to the private-sector via concession agreements.

At the same time, however, concession agreements involve a number of uncertainties, such including the establishment of general PPP systems that involve tax measures, etc., and also the necessity of coordinating among a wide range of stakeholders, this group including both the shareholders and creditors of Kansai International Airport Co., Ltd.. Considering this, one realistic scenario might involve the establishment of a holding company structure in order to go ahead and integrate the management of both airports. This could be done while actively soliciting private-sector proposals as part of ongoing deliberations regarding more concrete policies.

From the perspective of dramatically easing restrictions, etc., it is also conceivable that in some

cases, temporary support measures would be needed while a drastic streamlining of operations was carried out in line with any new schemes.

### (3) Greater Utilization of KIX and ITM

Those measures outlined in the previous section shall enable improvements to be made to the Kansai International Airport Co., Ltd. balance sheet, without creating new burdens for the taxpaying public. Furthermore, due to strategic management practices resulting from the application of private-sector management perspectives to the airport operations of both KIX and ITM as described below, such practices could be expected to contribute to an enlarging of the (demand) pie for airline services.

With regard to such management practices, firstly, in addition to liberating KIX from its massive debt, through enhancing non-aviation-derived incomes and expenditures, etc., and implementing a thorough streamlining of business operations, various changes shall be possible, such including a strategic lowering of facilities-usage fees and landing fees, etc., along with the development of a terminal dedicated to LCC services. Such developments shall aim to make KIX into both a key Asian cargo hub, and an inbound tourism hub that is attractive to LCC operators.

Secondly, through an operational integration of ITM with KIX, such being followed by a



thorough streamlining of business operations, ITM could serve as a complementary airport to KIX for the interim. In the future, while reviewing changes in local conditions such as the advent of linear train services, etc., subject to private-sector management decisions, specific usage policies shall be decided upon that may include using former ITM land, doing away completely with ITM, and integrating its routes, etc., into KIX.

### 3. Considerations

With regard to improving, etc., rail access to KIX from Osaka's business centers, stakeholders at the national and local level will need to work together in order to study and formulate specific improvement measures and approaches. Such activities shall be undertaken from the perspective of improving the competitiveness of KIX.

Whatever operational structure is chosen for ITM, every effort will need to be made to ensure the issues of safety and environmental soundness.

The opinion has also been expressed that, with regard to any concession agreements made for KIX and/or ITM, individual assessments of their business values shall be required.

## **Strategy 5: Maintaining Essential Air Networks**

### 1. Current Issues and Challenges

Up until now, due to the emphasis that was placed on the “maintaining of air networks,” routes were expanded to newly-constructed airports and air services were also continued to airports. For those airline companies servicing low-demand, low-frequency routes, when HND takeoff/landing slots were allocated, even for highly-evaluated procedures and the usage of takeoff/landing allocations, basic policy regarding operations has been that certain restrictions would be established (e.g., the one-flight and three-flight rules).

While such a policy has become one of the driving forces behind the promotion of airport construction activities, as a premise that has resulted in the cross-subsidization of unprofitable routes by profitable routes, the policy has produced a downward rigidity on the actual fares leveled by airline companies on profitable routes. Moreover, this premise has eroded both the economic rationality and transparency of slot allocations, such being due to the continued emphasis that is placed upon both the achieving of policy objectives, and the reconciling of interests of the various stakeholders.

Since restriction-relaxation and the promotion of participation by new airline companies commenced,

some success has been seen in the attempts that have been made to develop a more competitive environment, with positives such as the lowering of fares (ticket prices) being noted. However, due to increased competition resulting from new airline entrants on major routes, and also a decrease in demand being noted in recent years, the narrowing of profitability margins among major airlines has made it more difficult to cross-subsidize low-profitability routes.

From the perspective of maintaining national minimums, up until now, the national government has offered both subsidies, and with regard to certain routes that service isolated islands and other regions of Japan, it has also lowered landing fee schedules, fixed-asset taxes, other taxes and public dues. This has been done to lessen the cost burden shouldered by airlines in operating services on such routes. Despite such actions, however, there are the following issues:

(1) With regard those routes that service isolated islands, due to there being both restrictions on those routes that are actually covered by subsidies, and on the amount of assistance made available to airlines, money is still being lost in the servicing of such routes.

(2) With regard to reducing cost burdens by reducing landing fee schedules, there are some individual routes where the amount of money lost by the airlines in servicing the routes is not sufficiently covered by any assistance that is made available. The result of this is that there is insufficient incentive for airlines to keep servicing such routes.

In the future, due to the effects of population decline and the enhancement of the Shinkansen bullet train network, the environment that confronts domestic aviation services shall become

increasingly severe. In order for Japan to maintain those truly essential air services that support both the lifestyles and socio-economic activities of its citizenry, it is essential that a shift away from traditional approaches to aviation policy be implemented.

## 2. Policy Proposals in Response to the Challenges

### (1) Measures for Maintenance and Expansion Air Networks

Freedom to participate in and withdraw from air routes needs to be clearly established in future government policy. Such freedoms should also be unambiguously implemented in accordance with what is prescribed in the amended Civil Aeronautics Act. In addition to this, regions where it is deemed that the maintaining of air transportation services is essential should assume a key role in maintaining such routes, specifically by having local governments, etc., clarify the service levels expected, and the nature of any support mechanisms offered. Such entities should also actively engage airlines, selecting from among candidates those that offer the most efficient services, subsequently forming air transport service partnerships with such airlines for the purpose of securing services.

The national government should also support such regions' efforts to form air transport service partnerships with airlines. Such support could be offered through means such as deploying a

support system for those routes that service isolated islands, and also through restructuring the landing fees schedules employed by nationally-managed airports. In particular, in accordance with Strategy 3 “Streamlining Airport Management by Leveraging ‘Private-Sector Wisdom and Financing’,” any restructuring of landing fee schedules needs to involve a transition towards a system that is preferential to the deployment of small-sized aircraft, together with the introduction of mechanisms that provide incentives to regions to proactively engage in the maintaining of those air transport services that service the regions. Such actions will thereby strengthen collaborations between local regions and airlines.

Promoting this sort of collaboration shall require personnel capable of coordinating between tourism stakeholders, local business communities, and airlines, etc., for the purpose of planning the promotion of regional air travel and regional airport revitalization. It shall be important that such personnel skills be developed at the local government level, etc.

## (2) Structure of HND Takeoff/Landing Slot Allocations

With regard to the allocation of takeoff/landing slots at HND, by researching the feasibility of introducing market-based mechanisms, in addition to offering a higher degree of freedom to airlines with regard to business activities, at the same time, public value shall be enhanced through the greater convenience that comes from the maintenance of both a truly essential network, and the securing of a competitive environment. A new approach should be

implemented for achieving such aims during FY2011, it subsequently being applied to the slot expansions that are scheduled to take place during FY2013.

Furthermore, regular re-verifications and reviews of the appropriateness of the method of take-off/landing slot allocations should be conducted at fixed intervals, such measures taking into consideration any changes in the socioeconomic situation, one example of which would be the introduction of the Linear Chuo Shinkansen bullet train.

### 3. Considerations

A problem currently being faced is the so-called “airports without aircraft” issue that has come about as a result of factors including the shrinkage in the number of routes serviced by JAL, due to JAL’s corporate rehabilitation. Ideally this issue would be best addressed not through there being a reliance displayed on either the arbitrary discretion of the central government, or the system of cross-subsidization of unprofitable routes by profitable routes, but rather through an examination and implementation of measures that leverage the ‘wisdom’ of the local governments, etc., in those key regions that require such essential air transport services. In unavoidable cases, this issue would be addressed through the deployment of highly-transparent support mechanisms.

Concurrent to such issues, it might also be necessary to foster frank and uninhibited discussions as

to whether or not airports experiencing precipitous drops in demand should be operationally-retired. This idea might also apply to those airports for which such developments are predicted.

## **Strategy 6: Expanding User Benefits by Promoting LCC Participation**

### 1. Current Issues and Challenges

In recent years, there has been a rapid growth of Low Cost Carrier (LCC) airline companies, whose operations are typified by their low fare structures. This phenomenon started in the United States, subsequently expanding to Europe, South East Asia, and beyond. According to a 2008 ranking of airline passenger numbers (Source: International Air Transport Association (IATA) materials), the Republic of Ireland's Ryanair (57,647,000 passengers) was the No. 1 airline by the number of passengers embarked on scheduled international routes, while Great Britain's easyJet (35,417,000) finished No. 3 on this same measure. Meanwhile, on scheduled domestic routes, Southwest Airlines of the United States (101,921,000) was ranked No. 1 by the number of passengers embarked. Furthermore, it should be noted that LCC have already secured between 20-30% of the global market for air transport, through their offering of low-cost travel options that have stimulated high levels of demand amongst groups such as tourists and traveling families, etc. LCC have also helped increase user convenience.

Factors that have enabled LCC to achieve both low-cost structures and cheap-fare (ticket) schedules include their use of secondary airports and dedicated LCC terminals. Furthermore, high aircraft



cycling rates have been achieved through shorter airport stays. Moreover, maintenance costs have been kept down via the deployment of Boeing 737 and Airbus 320 aircraft, both models being narrow-bodied and small-sized. In addition to this, a reliance on e-ticketing services has meant reduced sales overheads, while in-flight services for customers are also kept to a minimum. When factored together, all of these elements combine to make a business model that is the antithesis of the business models of traditional full-service airlines (FSA).

Meanwhile, despite the fact that in recent years LCC such as Australia's Jetstar and South Korea's Jeju Air have inaugurated international routes that fly to and from Japan, neither of these companies has achieved full-scale market penetration due to the drawbacks of a lack of handling/slot capacity at Tokyo Metropolitan Area airports, a lack of infrastructure (such as LCC-dedicated terminals that enable low-cost operations), and the levying of airport maintenance-related taxes and public dues. Meanwhile, on domestic routes, while it is true that some airlines have used low-priced fares as a weapon by which to capture market share, the business models of such companies do not vary greatly from those of traditional FSA. As such, it could be argued that true LCC are yet to be created here in Japan.

Indeed, the absence of LCC might well epitomize the current state of the Japanese aviation market, and this matter could be considered to represent a problem in terms of issues such as the capturing of more inbound flights from around the Asia region, the expanding of domestic tourism demand, and

the promoting of economic growth via a decrease in transaction costs incurred by Japan's economy.

As such, as a matter of policy, an environment needs to be developed for both international and domestic aviation in this country that is conducive to encouraging the participation of new airlines, particularly LCCs. Such policies should also allow existing airlines to increase their competitiveness in this market.

## 2. Policy Proposals in Response to the Challenges

### (1) Development of Dedicated LCC Terminals, etc.

In light of factors such as the desirability of LCC participating in the Japanese market, decisions have to be quickly made about the facilitation of low-cost operations at NRT, KIX and other key airports, through the development of LCC-dedicated terminals, etc. Such facilities will offer lower cost structures to LCC than existing facilities.

### (2) Relaxation of Technical Regulations

Priority needs to be given to the relaxation of technical regulations, with such matters contributing to lower airline cost structures. An example of such measures would be actively consulting with foreign countries such as the United States in order to secure mutual agreement at the earliest

opportunity with regard to the licensing of flight crews and other matters. Other relaxations of technical regulations might include facilitating the employment of foreign crews through the streamlining of license-issuing processes, or allowing for refueling of aircraft to be conducted with passengers embarked, thus decreasing aircraft turnaround times.

In addition, such relaxations in regulations should be conducted on an ongoing basis in light of international trends, while at the same time not compromising aviation safety issues.

### (3) Restructuring of Landing Fee Schedules, etc.

As set forth in Strategy 3 “Streamlining Airport Management by Leveraging ‘Private-Sector Wisdom and Financing’,” in addition to restructuring landing fee schedules in order to give preference to small-sized aircraft, all of the other policies and measures set forth in this report, such as the thorough promotion of open skies agreements in accordance with Strategy 1 “Opening Japan’s Skies to Asia & the World (Full-Fledged Promotion of Open Skies Agreements),” and the HND/NRT capacity expansions as set forth in Strategy 2 “Strengthening HND/NRT in Order to Enhance the Interurban Competitiveness of the Tokyo Metropolitan Area,” need to be mobilized for the development of an environment that promotes positive outcomes, such as the participation of LCC.

### 3. Considerations

From the perspective of the full-fledged development of low-cost services on both international and domestic routes in Japan, any expectations are not solely aimed at attracting foreign airlines to this country, but rather also inducing motivated Japanese airlines to establish bases of operation at Japan's hub airports and to expand their business activities.

## **Collaboration with Other Sectors**

More than anything else, transforming aviation from merely a method of transport to a comprehensive, added-value-producing industry will require the aviation industry to change itself.

At the same time, it is important that such transformations are accompanied by collaborations with related sectors on the administrative side of the policy equation.

From the perspective of attracting more inbound flights from the Asia region and expanding domestic tourism demand, it is crucial that there be active collaboration with government in the area of tourism policy.

From the perspective of improving airport access, there needs to be collaboration with those areas of government who are involved in railway and urban policy, etc.

From the perspective of expanding both those networks that connect Japan with destinations worldwide, and also increasing inbound flight numbers, there needs to be collaboration not just with MLIT, but also with each of the policy areas within various government ministries and agencies that are responsible for overseeing CIQ.

From the perspective of maintaining truly essential air networks, there needs to be collaboration with local governments and other regional bodies.

## **4. International Expansion and Private-Public Partnership Sector**

# **Growth Strategy for Promotion of International Expansion and** **Private-Public Partnership**

## **Ideal Image and Future Target**

## **Topic-Specific Policy Examination**

### **1. Tools for Support and Governmental System Improvement Efforts to Aid Japanese Companies Expanding Internationally**

#### **Global Expansion Through Japanese Technology and Capital**

##### **(Policy 1) Strengthening of Leadership, Organizations and Systems**

- Joint Private-public Top-Level Sales Efforts Under Governmental Leadership
- Strengthening of MLIT Internal Systems
- Creation of Cross-Ministry Support Organization Involving Other Ministries and Offices
- Strengthening of the Already Existent Support Functions of Embassies, JETRO and Other Organizations
- Support for Corporate Efforts to Internationalize Organizations and Human Resources

##### **(Policy 2) Codification of Standards**

- Compatibility of Japanese Standards with Global Standards



- Efforts to Promote the Adoption of Japanese Standards as Uniform Global Standards and to Invest in Other Countries with the Aim of Promulgating Japanese Standards There
- Strengthening of Technical Cooperation with Other Countries, etc.

(Policy 3) Development of Financial Mechanisms

- Codification of Governmental Financial Support Functions
- Investment Support and Credit Enhancement Through Infrastructure Funds
- Utilization of ODA Budget and Strengthening of Trade Insurance and Taxation System-Oriented Support

## **2. Infrastructure Development and Maintenance Utilizing Private Sector Funds and Know-how (PPP/PFI etc.)**

### **Enhancement of Social Capital Through Private Sector Funds and Know-how**

(Policy 1) Improvement of Systems to Promote PPP / PFI

- Considerations related to shared aspects of systems
- System improvement measures meriting consideration
- Partial private-sector access to public property custodial rights and relaxation of regulations, handling of exceptional cases

(Policy 2) Key areas for PPP / PFI and implementation of projects

- Key areas for introduction of PPP / PFI

- Potential applications for the concession method
- Strategies to address aging infrastructure, etc.
- Utilization of state-of-the-art private sector technology (water business)
- Commercial use of administrative assets etc.

## Ideal Image and Future Target

We visualize a future in which world-leading Japanese construction, transport and infrastructure-related industry plays an expanding role overseas and constitutes a major presence in world markets, while domestically Japan sees dramatic advances in utilization of PPP / PFI based on private-sector creativity and ingenuity, as well as strategic, focused development of truly necessary social resources, including their upkeep and maintenance.

In emerging economies, particular those of Asia, economic expansion is expected to bring with it massive growth in infrastructure development needs (according to the ADB [Asian Development Bank], these will amount to ¥8 trillion over the coming decade in Asia alone). A large number of European, North American and South Korean corporations, which have already delivered results and built up competitive power in domestic markets and in integrated markets such as the EU, have already entered this growing market.

In Japan, the domestic market is shrinking inexorably due to the declining population and decrease in governmental spending on public works. For Japanese corporations that have henceforth largely depended on this market, new markets in emerging nations constitute the primary battleground of the future, and there is a pressing need to boost international competitiveness and put mechanisms in place to reap the benefits of this rapid growth.

At home, Japan is burdened with a national and regional public debt that in fiscal 2009 exceeded

¥800 trillion, ballooning social security costs, and shrinking revenues, while expenses related to the renewal, maintenance and upkeep of the infrastructure put in place during the nation's period of rapid economic growth are expected to bring about a further fiscal crunch. As a result there is a need to utilize private-sector funds, through such means as PPP / PFI, to as great an extent as possible.

Domestic utilization of PPP / PFI can exert a major influence not only on the strategic and focused development of Japan's infrastructure, but also on the competitive power of Japanese corporations and investors in the expanding overseas PPP / PFI market. It is necessary to keep this in mind and to promote development of domestic systems in a manner conducive to international expansion as well.

Taking these factors into consideration, Japan must move forward to exert a major presence in the world market, broadening the appeal of world-leading Japanese construction, transport and infrastructure-related industry in overseas markets in general and the rapidly growing Asian economies in particular, and moving beyond mere exports of products to pursue comprehensive product packages encompassing every stage from construction to maintenance and operation, when thorough situational analysis indicates that the risks involved are acceptable.

Domestically, Japan must strive for dramatic advances in utilization of PPP / PFI based on private-sector creativity and ingenuity, so that private-sector funding at home and abroad compensates for the decline in public works spending, and development, maintenance and upkeep of social capital is carried out appropriately. Another goal is the strategic cultivation and advancement of Japanese corporations' technology and know-how in accordance with the abovementioned market trends,

which will also help to provide a foothold in the international market.

With the abovementioned Ideal Image and Future Target in mind, this Working Subcommittee hereby ordains the following strategic targets for 2020.

- Out of all the overseas orders secured by Japanese corporations, by 2020, a cumulative total of ¥10 trillion or more should be accounted for by public-private partnerships newly formed during this period on the strength of aggressive action by the MLIT. (\*1)
- Regarding MLIT-related PPP / PFI project costs, by 2020, a total of ¥2 trillion in new projects should be implemented. (\*2)

\*1 : “Aggressive action by the MLIT” includes top-level sales efforts involving the three highest-ranking government officials, governmental financial support in response to requests from the MLIT, etc.

(Reference) Total monetary value of overseas construction orders received by Japanese construction companies: ¥1 trillion (fiscal 2008). Monetary value of exports of railway cars, etc.: ¥885 billion (fiscal 2007)

\*2: Project costs of PFI projects presided over by MLIT: Annual average of ¥107.1 billion for the period from 2005 – 2009. The goal is to approximately double this amount. When calculating project costs, it is necessary to include expenses that are not covered by public funding as well.

## Topic-Specific Policy Examination

### **Priority Implementation Items**

#### ▪ **Creation of Infrastructure Funds**

The formation of large-scale infrastructure funds through private-public partnership, which financially supplement the international expansion of Japanese corporations and domestic PPP / PFI initiatives, will provide needed fiscal support and credit enhancement for infrastructure investment both abroad, particularly in Asia, and domestically.

[See 1.2. Policy 3 (2) (pages 4 - 17), 2.2. Policy 2 (7) (pages 4-26)]

#### ▪ **Execution of PPP/PFI through Concession Method**

In order to realize new investment and maintenance and upkeep of social capital, making maximum use of private-sector creativity and ingenuity, we will adopt the concession method, in which the public sector maintains the title to properties while conceding long-term rights to infrastructure project administration and development to private-sector enterprises.

[See 2.2. Policy 1 (1) (2) (pages 4-22), Policy 2 (2) (pages 4-24)]

▪ **Creation of Cross-Ministry International Expansion Support Organization**

To package the various resources Japan possesses and develop projects effectively, MLIT must play an active role in creating cross-ministry support organizations involving other ministries and offices, including the establishment and cultivation of financially self-sufficient project implementing bodies.

[See 1.2. Policy 1 (3) (pages 4-7)]

# **1. Tools for Support and Governmental System Improvement Efforts to Aid Japanese Companies Expanding Overseas**

**Global Expansion Through Japanese Technology and Capital**

## **1. Current Issues and Challenges**

Considering the necessity of individual strategies for each sector that take the particularities of each sector into account, and the poor ability of most Japanese corporations to create comprehensive packages despite the superior quality of their individual technologies and systems, it is necessary to work under the guidance of strong leadership to strengthen organizations and systems, codify standards and develop financial mechanisms.

As the various sectors feature differing levels of technology and competitive power and varying overseas market needs, it is necessary to draw up individual strategies for each sector. However, there are certain common issues and challenges shared across a wide range of sectors, as outlined below.

### **(1) Insufficient ability to combine superior individual technologies and systems into comprehensive packages**

In emerging nations in need of infrastructure development, there is a strong demand not only



for infrastructure-related technology and equipment, but also for comprehensive PPP / PFI type investment which encompasses procurement of funding and post-completion operational know-how, and investment packages that meet these needs are becoming increasingly commonplace. According to World Bank figures, in 2007 there was over ¥5 trillion in PPP / PFI investment in Asia alone. A prime example is the ongoing construction in Tianjin, China of Tianjin Eco-City, established through a joint venture combining Chinese and Singaporean capital and built on the concept of co-existence with the environment and efficient use and re-use of natural resources.

Meanwhile, Japanese corporations that are starting to expand internationally are generally in possession of superior technology and systems, but are weak in terms of packaging these comprehensively and implementing projects overseas in an effective manner.

**(2) Strengthening of leadership, organizations and systems, codification of standards and development of financial mechanisms**

Based on our understanding of the challenges at hand as outlined above, it is necessary to focus on the three factors “strengthening of leadership, organizations and systems,” “codification of standards” and “development of financial mechanisms” when considering measures to promote international expansion.

Regarding the first factor, “strengthening of leadership, organizations and systems,” it is important to construct a framework in which the public and private sector act as one to pursue

overseas opportunities, but the continued existence of sectionalist barriers between government ministries acts as an obstacle to development of a unified governmental support system.

As for the second factor, “codification of standards,” it is vital to keep in mind that many foreign countries make decisions regarding the importation of technologies and systems from abroad based on whether or not these technologies and systems have obtained certification as compliant with uniform international standards, or whether or not they conform to the standards and systems prevalent in the importing country.

Thirdly, regarding “development of financial mechanisms,” a single private enterprise lacks the financial strength to produce funds necessary for a comprehensively packaged large-scale project, such as a high-speed rail project, which could reach the hundreds of billions or even trillions of yen. Thus, it is vital to develop mechanisms for the participation of a wide range of private-sector investors as well as supply of financial aid by the government. In other countries, such actions are already underway, for example in China where the government has announced the establishment of an infrastructure investment fund for the Asian region in the range of ¥1 trillion.

## **2. Issue-responsive Policy Proposals**

### **Policy 1: Strengthening of Leadership, Organizations and Systems**

In addition to joint public-private top-level sales efforts under governmental leadership, we will take measures including the establishment and strengthening of internal MLIT systems and cross-ministry organizations and support for human resources cultivation and organizational strengthening, enabling corporations to respond flexibly to global challenges.

#### **(1) Joint Private-public Top-Level Sales Efforts Under Governmental Leadership**

In order for Japan to realize full-fledged international expansion and achieve the policy goals outlined above, it is essential to move forward with enhancement and strengthening of joint private-public top-level sales efforts under governmental leadership.

This entails putting in place a system that facilitates the smooth issuing of personal letters from the Prime Minister, and having ministerial-level officials exert influence on key persons in target countries and international organizations in a timely and appropriate manner, as well as holding joint private-public seminars in target countries to which key persons are invited.

Examples of opportunities can be seen in the U.S., where bidding procedures for a high-speed rail project are scheduled to begin as early as 2010, and in Vietnam, where a high-speed rail

investment plan is scheduled for approval in May of this year. As these high-speed rail projects are scheduled for implementation through PPP, we must act swiftly and strongly to conduct top-level private-public partnership sales efforts aimed at inclusion in these projects.

## **(2) Strengthening of MLIT Internal Systems**

It is necessary to eliminate sectionalist barriers between government ministries and pursue the international expansion of industries related to the MLIT comprehensively and strategically (creation of an international bureau, etc.) This entails a cross-sector approach able to respond precisely to the needs of other countries, as well as a more proactive approach to support for industries over which the ministry presides, and efforts to enhance networking with private enterprises and make effective use of private-sector human resources. Examples include an “ITS International Expansion Conference” held through private-public partnership and creation of a “Japanese hub” in the sewer system sector, as well as formulation of a PPP action plan aimed at construction of an private-public partnership system reaching across all sectors of Japan, to facilitate international expansion in the rail systems sector and construction of an international model authentication system for automotive vehicles.

There is also a need for uniform management of information including tracking of market data, competition, and the status of Japanese corporations, and stronger cross-ministry policy planning capabilities. Examples include the further acceleration of the activities of Team Water

Japan (a liaison committee of ministries and offices addressing water problems), as well as bringing together the finest minds in a variety of fields to develop products and technologies to meet the needs of other nations and formulate market strategies, as exemplified by the development of limited-function, low-price ITS and sewer system energy reuse technology for the Asian market.

Further, it is necessary to set clear targets and implement periodic progress management, as well as formulating and steadily implementing a plan aimed at gauging the overall scope and determining the distribution of resources including top-level sales endeavors, human resources and financial assistance.

### **(3) Development of a Cross-Ministry Support Organization Involving Other Ministries and Offices**

It is necessary to establish and cultivate financially self-sufficient project implementing bodies (such as the Overseas Urban Development Organization [tentative name]) that can combine Japan's multifarious resources in a single package and market them, as well as to promote the formation and support the activities of Japanese multi-enterprise teams and private-sector consortiums.

In addition, links should be strengthened between ministries presiding over systems,

including the Ministry of Finance (MOF), Ministry of Economy, Trade and Industry (METI) and Ministry of Foreign Affairs (MOFA), and ministries using the systems, such as MLIT, and support should be implemented in a cross-ministry fashion. For example, this could conceivably entail joint support on pre-existing projects such as the Delhi Mumbai Industrial Corridor Development Project.

Also, in addition to MLIT participation as a permanent member of the Overseas Economic Cooperation Committee, we will strive for stronger commercial relations with other nations by developing overseas business environments through bilateral and multilateral cooperation. In addition, we will work toward the formation of strategic partnerships with other countries capable of complementary role-sharing with Japan.

#### **(4) Strengthening of the Already Existent Support Functions of Embassies, JETRO and Other Organizations**

In order to provide support to Japanese corporations seeking contracts for individual projects overseas, it is necessary to strengthening the already existent support functions of embassies, JETRO and other organizations.

Specifically, this entails the dispatch of experts belonging to governmental organizations and public entities and involvement starting in the formative stages of projects, including unearthing information on specific projects and providing it to companies, as well as steady day-to-day

efforts to deepen ties with foreign governments and legislators, show a presence at local events overseas and strengthen the communication pipeline with local organizations including associations of ethnic Japanese.

#### **(5) Support for Corporate Efforts to Internationalize Organizations and Human Resources**

Henceforth, in order for Japanese corporations to exert a greater presence overseas, there is a need for them to accumulate a wide range of know-how related to overseas projects and to internationalize both their organizations and their human resources.

To this end, we will provide support for such efforts as human resources exchange programs with foreign and domestic companies possessing such know-how related to overseas projects, creation and networking of a database of human resources information on foreign exchange students and trainees in Japan, in order to achieve human resources cultivation and organizational strengthening enabling corporations to respond flexibly to global challenges.

#### **Immediate Goals (including FY2011 budget requests)**

##### **(1) Joint Private-public Top-Level Sales Efforts Under Governmental Leadership**

- Exert influence on key persons in target countries and international organizations, make maximum use of personal letters, hold joint private-public seminars in target countries to which key persons are invited

- Hold meetings and policy discussions with target countries and international organizations
  - ✓ Strengthen partnerships with ASEAN nations through the ASEAN and Japan Transport Ministers' Meeting
  - ✓ Strengthen partnerships by establishing bilateral meetings at the deputy transport minister level
  - ✓ Strengthen partnerships with ASEAN nations on an ongoing basis in the construction and environmental sectors through the ASEAN and Japan Working Group on Multilateral Environmental Agreements
  - ✓ Push sales of superior construction technology and know-how through bilateral and multilateral meetings on construction
  
- Promote awareness of the superiority of Japanese technology in target countries by conducting seminars, workshops, etc.
  - ✓ Hold railway-related seminars in the US, Vietnam, etc.
  - ✓ Hold ITS-related seminars in India, Malaysia, Vietnam, etc.
  - ✓ Hold seminars on monorails and other modes of urban transport in India, Thailand, etc. [NEW]
  - ✓ Hold port and harbor-related seminars in Vietnam, Indonesia, etc.
  - ✓ Hold seminars on high-speed rail with the Vietnamese government
  - ✓ Hold joint private-public seminars on sewers and sanitation in Vietnam, India,



Saudi Arabia, China, etc.

## (2) Strengthening of MLIT Internal Systems

- Promote the integration and centralization of the international division, and strengthen networking with private enterprises
  - ✓ Strengthen systems of the international division
  - ✓ Provide dynamic support for the various Japanese teams formed for railway projects in various countries [NEW]
  - ✓ Establish an ITS International Expansion Meeting as a means of strengthening the system of international expansion for ITS
  - ✓ Establish an International Expansion Support Adviser System as a means of providing support for regional, small and mid-size construction companies expanding overseas [NEW]
  - ✓ Enhance private-sector support systems aimed at obtaining contracts for port and harbor projects overseas
  - ✓ Establish a Working Group on Overseas Road PPP with broad-based private- and public-sector participation to deal with matters related to road PPPs in other countries
  - ✓ Strengthen the structure of GCUS (Global Center for Urban Sanitation) entailing unified efforts by industry, academia and government in the sewers and sanitation

sector

- ✓ Establish a framework for meetings to formulate private-public partnership action plans aimed at constructing an international model authentication system for automotive vehicles [NEW]
  - ✓ Develop a private-public partnership framework to provide support for international expansion in the field of urban development projects entailing harmonious coexistence with the environment [NEW] etc.
- Strengthen the framework for international expansion through unified management of information
- ✓ Strengthen frameworks for collection and analysis of information on railway projects throughout the world, enhance and strengthen support for the identification of existing projects and formulation of new ones
  - ✓ Enhance and strengthen the support and implementation frameworks for the collection and analysis of information on port and harbor projects in other countries and the identification of existing projects and formulation of new ones
  - ✓ Consolidate information related to infrastructure projects and the construction industry, and develop a framework for comprehensive promotion of the collection and analysis of information necessary for international expansion [NEW]
  - ✓ Consider the appropriate sectors and regions to target for effective and strategic

promotion of Japanese technological cooperation [NEW]

- ✓ Collect information and formulate proposals for cross-sector, private-public partnership based, comprehensively packaged construction projects extending outside the framework of projects limited to individual sectors [NEW]
  - ✓ Create a database of urban transport projects in the Asian region [NEW]
  - ✓ Establish an ITS International Expansion Meeting as a means of strengthening the system of international expansion for ITS [NEW] [Previously stated]
  - ✓ Establish a Working Group on Overseas Road PPP with broad-based private- and public-sector participation to deal with matters related to road PPPs in other countries [Previously stated]
  - ✓ Strengthen the structure of GCUS (Global Center for Urban Sanitation) entailing unified efforts by industry, academia and government in the sewers and sanitation sector [Previously stated]
  - ✓ Further vitalization of the activities of Team Water Japan (a liaison committee of ministries and offices addressing water problems), etc.
- Promote product (technological) development and formulate market strategies tailored to target countries
- ✓ Enhance and strengthen support for the identification of existing projects and formulation of new ones in the field of high-speed rail and other transport overseas,

making maximum use of the technological superiority of the Japanese transport industry

- ✓ Establish an international base (Japanese hub) functioning to develop and showcase sewer system water and energy reuse technology [NEW]
- ✓ Construct a framework composed of experts in the field to consider strategies for market cultivation and expansion tailored to each country, building on the technological superiority of the Japanese construction industry [NEW]
- ✓ Discuss the possibility of developing ITS products and technologies tailored to target countries, by paring down functions and reducing costs, etc. [NEW] etc.

### (3) Development of a Cross-Ministry Support Organization Involving Other Ministries and Offices

- Enhance and strengthen frameworks for cooperation with ministries presiding over systems, including the MOF, METI and MOFA, as well as industry associations, transportation enterprises, trading companies, financial institutions, manufacturers, consultants, JICA, JETRO, JBIC, and other bodies
  - ✓ Provide dynamic support for the various Japanese teams formed for railway projects in various countries [NEW][Previously stated]
  - ✓ Hold ITS-related seminars in India, Malaysia, Vietnam, etc.[Previously stated]
  - ✓ Enhance and strengthen private-public cooperative partnerships aimed at

- formulating and obtaining contracts for port and harbor projects in other countries
- ✓ Support efforts to sell project packages featuring superior construction technology  
[NEW]
  - ✓ Upgrade and expand the Overseas Construction Hotline, and strengthen systems of backup for the specific issues facing individual projects
  - ✓ Establish a Working Group to Promote International Expansion of Regional Construction Enterprises (tentative name), and provide support for regional construction enterprises' overseas expansion by holding seminars, sending teams to other countries, and so on [NEW]
  - ✓ Strengthen the structure of GCUS (Global Center for Urban Sanitation) entailing unified efforts by industry, academia and government in the sewers and sanitation sector [Previously stated]
  - ✓ Strengthen the structure of the JSC (Japan Sanitation Consortium), an international base (knowledge hub) for the sanitation sector in the Asia-Pacific region, in conjunction with the Ministry of Environment
  - ✓ Utilize the know-how of public organizations such as local governments, expressway companies, and independent administrative bodies etc.
- Hold meetings and policy discussions with target countries and international organizations
    - ✓ Improve business environment by holding bilateral and multilateral economic

forums etc.

(4) Strengthening of the Already Existent Support Functions of Embassies, JETRO and Other Organizations

- Dispatch engineers and experts
- Unearth information on specific projects and provide it to companies
- In conjunction with local governments, build support systems and promote inter-regional exchange etc.

(5) Support for Corporate Efforts to Internationalize Organizations and Human Resources

- ✓ Cultivation and securement of consultant roles imparting ability to propose projects, aimed at participation in projects from the formative stages [NEW]
- ✓ Formulate research programs on the knowledge and know-how needed for overseas infrastructure projects, and provide support for implementation of training at corporations expanding internationally [NEW]
- ✓ Provide support for human resources exchange programs with enterprises in and outside of Japan that possess know-how related to international projects [NEW]
- ✓ Construct networks (by developing databases, etc.) of foreign exchange students, trainees, personnel with experience working overseas and so on, and promote human exchanges with other countries [NEW]
- ✓ Introduce overseas examples of M & A (mergers and acquisitions) and alliances

[NEW]

- ✓ Promote sharing of project information and know-how between public and private sectors, aimed at securing container terminal administration rights [NEW]  
etc.

### **Two to Three Year Goals**

#### (1) Joint Private-public Top-Level Sales Efforts Under Governmental Leadership

- Exert influence on key persons in target countries and international organizations, make maximum use of personal letters, hold joint private-public seminars in target countries to which key persons are invited [Previously stated]
- Hold meetings and policy discussions with target countries and international organizations [Previously stated]
- Promote awareness of the superiority of Japanese technology in target countries by conducting seminars, workshops, etc.
  - ✓ Hold railway-related seminars in all countries with railway projects planned
  - ✓ Hold ITS-related seminars in various Asian countries
  - ✓ Hold port and harbor-related seminars in various Asian and African countries

#### (2) Strengthening of MLIT Internal Systems

- Achieve strategic international expansion for each project in every sector, through

partnerships with private-sector enterprises

(3) Development of a Cross-Ministry Support Organization Involving Other Ministries and Offices

- Establish and cultivate project implementing bodies to package and sell a wide variety of resources and Japanese teams and consortiums bringing together multiple enterprises
- Develop overseas business environments through bilateral and multilateral economic forums etc.

(4) Strengthening of the Already Existent Support Functions of Embassies, JETRO and Other Organizations

- Construct a broad “pipeline” for connection to governments in other countries
- Leverage Japanese superiority through participation in the early stages of projects etc.

(5) Support for Corporate Efforts to Internationalize Organizations and Human Resources

- ✓ Cultivation and securement of consultant roles imparting ability to propose projects, aimed at participation in projects from the formative stages [Previously stated]
- ✓ Implement seminars and human resources exchange contributing to the cultivation of private and public personnel that play a central role in overseas port and harbor projects [NEW] etc.

**Future Goals (for Implementation Around 2020)**



In the future, governmental efforts such as those described above will bring about the formation of multi-enterprise Japanese teams and consortiums centered on the private sector to address various projects throughout the world in a speedy and flexible manner, and carry out intensive activities aimed at securing contracts and implementing them. Through such activities, Japanese corporations must build up organizations and human resources equipped with know-how related to overseas projects and use these as the basis for future business achievements.

While the private sector will play the central role in securing overseas projects, at the same time it is necessary for MLIT and other ministries and offices to work closely with private enterprises, implementing private-public top-level sales efforts under governmental leadership and acting strategically to provide all possible governmental support for private-sector initiatives, for example by supporting Japanese corporations active in foreign countries from the initial formative stages of projects through bodies such as embassies and JETRO.

## Policy 2: Codification of Standards

In addition to making efforts to ensure that Japanese domestic standards conform to global standards, we will promote the adoption of Japanese technologies and standards worldwide, and invest in other countries with the aim of promulgating Japanese standards there

### **(1) Ensuring that Japanese domestic standards conform to global standards (efforts to place foreign and domestic regulations and taxation systems on an equal footing)**

In promoting the international expansion of Japanese corporations and industries, we must make efforts to place foreign and domestic regulations and taxation systems on an equal footing, including adaptation of domestic standards to global standards. With this in mind, we will take steps such as promoting the utilization of international ordering and contract methods (PPP, CM, comprehensive private-sector commissions, etc.) in Japan.

### **(2) Efforts to Promote the Adoption of Japanese Standards as Uniform Global Standards and to Invest in Other Countries with the Aim of Promulgating Japanese Standards There**

In order for Japanese technology and systems to increasingly leverage their competitive power in the global marketplace in the future and secure overseas contracts, it is necessary to promote the adoption of Japanese technologies and standards as uniform global standards, and to promulgate the adoption of Japanese standards in the specific countries in which Japan

invests.

For example, Japan can lead the way in developing energy-efficient technology and take the initiative internationally, playing a leading role in discussions in the WP29 (an international working party under the jurisdiction of the UN, tasked with creating a uniform set of vehicle standards) and IMO (International Maritime Organization – UN agency for formulation of standards for ships). Also, in the railway sector, recent years have seen dramatic advances in formulation of international standards with Europe playing a leading role. Japan can respond by strengthening systems of private-public partnership and acting speedily and powerfully to promote strategic international adoption of the technologies and standards of Japan's superior railway systems, including the Shinkansen bullet train and urban rail networks, in forums including international standardization organizations (ISO, IEC) and countries such as the US targeted for investment.

In addition, in sectors such as ITS and water / energy reuse in sewer systems, where Japan has a technological edge and has made aggressive efforts towards international standardization with some success, we can not only promote strategic international adoption of Japanese technologies and standards, but also focus efforts on propagation of Japan's technological methods in individual overseas nations.

### **(3) Responding to Japanese Corporations' Needs by Adopting a Stronger Approach toward**

## **Other Governments with Regard to Elimination of Restrictions in Customs Clearance Systems, Etc.**

As Japanese corporations expand overseas, they may be faced with restrictions owing to international trade procedures. We can address this by strengthening our approach to other governments with regard to elimination of restrictions, for instance, by promoting relevant policy discussions in the China-Japan-Korea Ministerial Conference on Maritime Transport and Logistics and other forums. Promotion of agreements on mutual recognition of qualifications is also a desirable step from the standpoint of expanding overseas business opportunities for Japanese corporations.

### **( 4 ) Strengthening of Technical Cooperation with Other Countries**

Henceforth, for Japanese technologies and systems to secure broad-based acceptance in the global marketplace, there is a need for the policy know-how that underlies them to be propagated and adopted in other countries worldwide.

This entails a need for aggressive and strategic measures to supply the Japanese government's relevant policy know-how to the governments of other nations and to international organizations. For example, in addition to providing other governments with cooperation and support during the processes of implementing systems for urban development (such as development of water resources and urban planning) and formulating technological standards for railway systems, we can work to promote acceptance of human resources in other countries and implementation of

educational programs.

Furthermore, in sectors where know-how is in the possession of the private sector, aggressive promotion of technical cooperation is essential. This could involve, for example, gaining the cooperation of private railway operators to dispatch specialists and share research results related to the Shinkansen bullet train and urban rail networks, where Japan has earned high acclaim for safety and dependability.

### **Immediate Goals (including FY2011 budget requests)**

#### **(1) Compatibility of Japanese Standards with Global Standards**

- Aggressively promote the domestic use of global standards through utilization of international ordering and contract methods (PPP, CM, etc.)
- Support for withdrawal or scaling down of construction-sector business activities generating low returns, and development (through reconfiguration of projects, etc.) of growth sectors such as PPP etc.

#### **(2) Efforts to Promote the Adoption of Japanese Standards as Uniform Global Standards and Secure Compliance to Japanese Standards in Target Countries**

- Strong and effective proposals to international organizations for adoption of Japanese standards

- ✓ Promote strategic adoption of Japanese rail specifications in international standardization organizations – the ISO (standards in general) and IEC (electrical / systems)
  - ✓ Promote strategic adoption of Japanese standards for sewer and sanitation systems incorporating a core of superior Japanese sewer technologies [NEW]
  - ✓ Construct a system forming the core of efforts toward adoption of Japanese port and harbor-related technologies [NEW]
  - ✓ Continue putting forth proposals to the ISO (International Organization for Standardization) for adoption of Japanese ITS technology as international standard
  - ✓ Achieve the adoption of Japanese methods as the standard for ITS in Malaysia and India
  - ✓ Promote awareness of the superiority of Japanese technology, and conduct social experiments aimed at promotion of international standardization [NEW]
  - ✓ Conduct research and experiments aimed at formulation of uniform international standards compatible with Japan's innovative automotive technologies (electric vehicles, etc.), and based on these and other research results, put proposals for uniform international standards before UN agencies (the WP29) and play a leading role in formulation of uniform international standards
- Integration of promotion of new technological development with proposals for

international specifications and standards

- ✓ Develop and propagate innovative energy-saving and NOx reduction technology for ships, and under Japanese leadership, promote international agreements on the imposition of compulsory fuel efficiency standards for new ships and energy-efficient operation of existing ships as an IMO-led global warming countermeasure for international maritime operations

Development and international standardization of systems using energy reuse technology, such as more sophisticated methane fermentation processes for sewage treatment) [NEW] etc.

- Development of standards appropriate to the current situation in countries targeted for investment

- ✓ Appeal to other countries based on the comparative superiority of Japan's rail technology etc.

### **(3) Exerting Influence on Other Governments with Regard to Elimination of Restrictions**

#### **Acting as Obstacles to Japanese Corporations' International Expansion**

- ✓ Strongly worded proposals aimed at achieving relaxations of international distribution restrictions, and implementation of joint surveys
- ✓ Hold distribution-related policy discussions, etc.

### **(4) Support for Technical Cooperation (providing policy know-how and support for**

**cultivation of human resources, etc.)**

- Promotion of project formulation utilizing joint preliminary surveys, dispatch of specialists, training of high-level officials, seminars, workshops, etc., along with cultivation of human resources
  - ✓ Cultivation of human resources through dispatch of specialists in the rail field, acceptance of trainees from other countries, workshops, etc.
  - ✓ Formulate tools to promote adoption of Japan's rail technology overseas [NEW]
  - ✓ Hold seminars on construction work oversight and safety management and policy discussions aimed at improving project supervision capabilities of developing countries, thus providing oblique support for the activities of Japanese corporations
  - ✓ Provide support for construction of urban planning and development systems and cultivation of human resources in other countries
  - ✓ Regarding development of policies on reservoirs and operation and administration of dams, strengthen capabilities through dispatch of specialists, acceptance of trainees, workshops and so on
  - ✓ In the sewer and sanitation sector, promote comprehensive project formulation encompassing planning, construction, operation and administration through packaging of policies and technologies, along with cultivation of human resources
  - ✓ Promote ongoing cultivation of human resources and overall improvement in the



fields of planning, maintenance and upkeep of expressways, national roadways and bridges, through dispatch of specialists, acceptance of trainees, seminars etc.

✓ Promote ongoing cultivation of human resources and overall improvement in other nations through dispatch of specialists, acceptance of trainees, workshops, etc. related to Japanese ITS technology

✓ Dispatch ITS specialists to Vietnam and provide support for formulation of standards compatible with Japan's

✓ Through dispatch of specialists to countries where earthquakes occur and other measures, provide these countries with earthquake-related technology and know-how

✓ Cultivate overseas human resources in the distribution field with an eye to achieving adoption of Japanese specifications and systems and the standardization of distribution facilities

✓ Promote ongoing cultivation of human resources and overall improvement in the port and harbor sector, through dispatch of specialists in the field of port and harbor policies and technology, acceptance of trainees, workshops etc.

✓ Etc.

• Providing policy know-how

✓ Develop a package of measures related to reservoirs

- ◇ Develop guidelines for consideration of climate change countermeasures to address potential flooding
- ◇ Provide support for the introduction of flood warning systems
- ✓ Provide capabilities for formation of sewer and sanitation policies
- ✓ Provide support for strengthening of policy formation capabilities in the “water and energy” sector (efficient use of water resources, flooding countermeasures etc.)
- ✓ Enhance cooperative efforts related to international “green” distribution etc.

## **Two to Three Year Goals**

### **(1) Compatibility of Japanese Standards with Global Standards**

- Expand domestic application of global standards
- Provide support for Japanese corporations to ensure smooth adaptation to global standards

### **(2) Efforts to Promote the Adoption of Japanese Standards as Uniform Global Standards and Secure Compliance to Japanese Standards in Target Countries**

- Play a leading role in discussions in organizations governing formulation of international specifications and standards
- Achieve international adoption of Japanese specifications
  - ✓ Conduct research and experiments aimed at formulation of uniform international standards compatible with Japan’s innovative automotive technologies (electric

vehicles, etc.), and based on these and other research results, put proposals for uniform international standards before UN agencies (the WP29) and play a leading role in formulation of uniform international standards [Previously stated]

- ✓ Approach and exert influence on other nations in Asia, etc. with the goal of adoption by UN agency (the WP29) of uniform international standards formulated under Japanese leadership
  - ✓ Continue putting forth proposals to the ISO (International Organization for Standardization) for adoption of Japanese ITS technology as international standard [Previously stated]
  - ✓ Promote strategic adoption of Japanese rail specifications in international standardization organizations – the ISO (standards in general) and IEC (electrical / systems) [Previously stated] etc.
- Achieve adoption of Japanese specifications by exerting influence on countries targeted for investment
  - Hold meetings and policy discussions with relevant governments and international organizations
  - Achieve adoption of Japanese ITS methods and specifications in countries targeted for investment, by holding seminars and so on in conjunction with relevant ministries and offices, JICA, the private sector, etc.

**(3) Exerting Influence on Other Governments with Regard to Elimination of Restrictions**

**Acting as Obstacles to Japanese Corporations' International Expansion**

- ✓ Strongly worded proposals aimed at achieving relaxations of international distribution restrictions, and implementation of joint surveys [Previously stated]
- ✓ Hold distribution-related policy discussions [Previously stated] etc.

**(4) Support for Technical Cooperation (providing policy know-how and support for cultivation of human resources, etc.)**

- Promotion of project formulation utilizing joint preliminary surveys, dispatch of specialists, training of high-level officials, seminars, workshops, and so on along with cultivation of human resources

- ✓ Provide support for construction of urban planning and development systems and cultivation of human resources in other countries [Previously stated]
- ✓ Cultivation of human resources through dispatch of specialists in the rail field, acceptance of trainees from other countries, workshops, etc. [Previously stated]
- ✓ Cultivate overseas human resources in the distribution field with an eye to achieving adoption of Japanese specifications and systems and the standardization of distribution facilities [Previously stated]

- ✓ Enact cooperative measures such as dispatch of specialists to developing countries to provide know-how related to container terminal development, operator selection and contract procedures
  - ✓ In the sewer and sanitation sector, promote comprehensive project formulation encompassing planning, construction, operation and administration through packaging of policies and technologies, along with cultivation of human resources
  - ✓ Dispatch ITS specialists to countries targeted for investment and provide support for formulation of standards compatible with Japan's
  - ✓ Cultivate human resources in the automotive and other public transport fields through dispatch of specialists, acceptance of trainees from other countries, workshops, etc. etc.
- Providing policy know-how [Previously stated]
- ✓ Develop a package of measures related to reservoirs [Previously stated]
    - ◇ Develop guidelines for consideration of climate change countermeasures to address potential flooding
    - ◇ Provide support for the introduction of flood warning systems
  - ✓ Provide capabilities for formation of sewer and sanitation policies
    - Provide support for strengthening of policy formation capabilities in the “water and energy” sector (efficient use of water resources, flooding

countermeasures etc.)

- ✓ Enhance cooperative efforts related to international “green” distribution etc.

### **Future Goals (for Implementation Around 2020)**

As stated above, for Japanese corporations and industries to expand internationally, it is first of all necessary to provide them with a foothold in the global market through governmental steps to ensure domestic and foreign regulations are on an equal footing, such as ensuring that domestic standards are compatible with global standards.

A related goal is to achieve the adoption of a wide range of Japanese technologies and standards both internationally and in specific countries targeted for investment, through government-led efforts such as leading discussions in international conferences, and exerting influence on and implementing technical cooperation with other governments. This will make a major contribution to Japanese corporations’ securing overseas contracts. Furthermore, transfer of Japanese policy know-how to other governments and international organizations and support for cultivation of human resources is expected not only to encourage the adoption of Japanese technologies and standards overseas, but also to foster a sense of closeness to Japan among policymakers in other countries and help to build relationships of mutual trust and cooperation.

### Policy 3: Development of Financial Mechanisms

In addition to strengthening governmental financial support functions, Japan must enhance the utilization of the ODA budget, trade insurance, and taxation system-oriented support.

#### **(1) Codification of Governmental Financial Support Functions**

To provide support for the international expansion of Japanese corporations and industries, it is necessary to promote infrastructure development through strengthening of the overseas investment and loan functions of JICA and JBIC and improvement of frameworks for supply of risk funding for related M & A activities. For example, this could entail broader application of JBIC investment and loans for developed countries and resumption of JICA investment and loans.

Regarding overseas expansion in the high-speed rail sector, implement JBIC reforms ahead of other sectors and strengthen government support for international development including in developed countries such as the US and UK.

#### **(2) Investment Support and Credit Enhancement through Infrastructure Funds**

Through institutional investors and pension funds that financially supplement the international expansion of Japanese corporations, and establishment through private-public

partnership of large-scale infrastructure funds incorporating governmental funding that encourages private investment, Japan must provide support and credit enhancement for infrastructure investment in Asia and elsewhere. In order to avoid an unforeseen burden on the Japanese populace, this must involve thorough preliminary considerations of business schemes and risk analysis, as well as adequate transparency in dealings with investors.

### **(3) Utilization of ODA Budget and Strengthening of Trade Insurance and Taxation System-Oriented Support**

We will provide support for the international expansion of Japanese corporations utilizing the ODA budget (supply of yen loans and grants). Regarding yen loans in particular, as technology, equipment and materials in the possession of Japanese enterprises is necessary for the realization of projects and of high practical value, we will focus efforts on STEP loans, tied loans requiring utilization of Japanese technology.

We will also strengthen support in terms of trade insurance and taxation systems.

#### **Immediate Goals (including FY2011 budget requests)**

##### **(1) Codification of Governmental Financial Support Functions**

- Broader application of the system of JBIC investment and loans for developed countries
- Resumption of JICA investment and loans etc.



**(2) Implementation of support and credit enhancement for infrastructure investment through formation of infrastructure funds through private-public partnership**

- ✓ Consideration of the formation of infrastructure funds to promote PPP projects, and consideration of courses of action aimed at constructing organizations with adequate technology for this endeavor [NEW]

**(3) Utilization of ODA Budget and Strengthening of Support through Promotion of Utilization of Trade Insurance, Etc.**

- ✓ Considerations regarding means of securing administrative rights to container terminals and other facilities developed using Japanese ODA [NEW] etc.
- ✓ Creation of special tax benefits related to overseas infrastructure projects [NEW]
- ✓ Support for the utilization of trade insurance for infrastructure projects [NEW]
- ✓ Configuration of comprehensive ODA projects extending from construction through operation and administration [NEW]

**Two to Three Year Goals**

- (1) Codification of governmental financial support functions
  - Government-led infrastructure development and supply of risk funding for relevant M & A
- (2) Implementation of support and credit enhancement for infrastructure investment through formation of infrastructure funds through private-public partnership

- (3) Utilization of ODA budget and strengthening of support through promotion of utilization of trade insurance

### **Future Goals (for Implementation Around 2020)**

As stated above, the government will develop a framework for public-sector assumption of risks that would be unacceptable if borne by the private sector alone, through progressive strengthening of the overseas investment and loan functions of JICA and JBIC and trade insurance, etc., thus making a contribution to the international expansion of Japanese corporations.

There is a need for effective footholds for this international expansion, with expectations placed on the strategic utilization of ODA (in the form of yen loans and grants), including maximizing the potential of STEP agreements through joint private-public endeavor. In addition, it is necessary for Japanese corporations to boost their competitive power by accumulating know-how related to overseas projects through these ODA initiatives, and to succeed in securing orders from foreign governments and the private sector.

### **3. Considerations**

With regard to implementation of the above policy proposals, it is necessary to consider the following points.

- It is important to remain aware of how situations in other countries and other sectors differ, and

to form partnerships (alliances) with foreign governments, corporations and investors with skills that complement those of the Japanese government, corporations and investors. Promoting this awareness and these intergovernmental alliances is a key role of government leadership.

- There is a need for operational revision of the M & A and the Government Procurement Law in order to promote domestic and international M & A and alliances.
- There is a need for strategic acquisition of know-how that does not exist in Japan through partnerships with foreign government-controlled funds and infrastructure funds.
- It is necessary to analyze the causes of divergence between Japanese regulations and global rules in various industries after a thorough comparison of these rules and regulations, and also to consider the possibility of reforming regulations through a “revolution in awareness.”
- International expansion entails not only the utilization of existing surplus production capacity, but also the creation of new regulations and standards that bring about a revolution in awareness in the form of new know-how and cultivation of human resources. Examples include the formation of a framework for regional small and mid-size enterprises to acquire the know-how for international expansion, and encouraging companies to take new business challenges such as overseas PPP.
- The national government must focus efforts on the formation of systems and standards, and in some sectors, ought to play more of a leading role.
- As a first step, projects must be implemented in practice as model cases.

## **2. Infrastructure Development and Maintenance Utilizing Private Sector Funds and Know-how (PPP/PFI etc.)**

**Enhancement of Social Capital Through Private Sector Funds and Know-how**

### **1. Current Issues and Challenges**

In the midst of the current financial crunch, in order to expand the utilization of private-sector funding and steadily promote new investment in, and maintenance and upkeep of truly essential social capital, both expansion of the role of the existing PFI system and construction of a new PPP / PFI system are necessary.

#### **(1) Strategic expansion of PPP / PFI utilization keyed to growth strategy**

As the current severe financial crisis continues, securing necessary revenue sources including private-sector funds for new investment in, and maintenance and upkeep of truly essential social capital is indispensable for Japan's sustainable growth. In practical terms, this entails enhancement of the PPP / PFI system and development of an environment in which it can be utilized with maximum effectiveness by the central government and local governments.

To promote PPP / PFI, we must make use of private-sector know-how and management efforts to maximize private-sector returns while minimizing the burden on the Japanese populace and system users, while also achieving a higher level of service.

To this end, it is important to expand the application of PPP / PFI in previously under-utilized economic infrastructure sectors such as airports, ports and harbors, and to accelerate efforts toward risk transference in the social infrastructure sector that has heretofore been the main focus of the PFI system.

Furthermore, as outlined in the above section on “Current Issues and Challenges” related to international expansion, PPP / PFI are expected to play a key role in the predicted development and expansion of the global infrastructure. In order to tie this to Japanese growth through the construction and transport industries and an expanded role for investors in projects, it is important to improve and consolidate the comparatively low-risk domestic market in such a way that corporations thereby cultivate the necessary human resources and secure the necessary know-how for international expansion.

It is also important to track the utilization of PPP / PFI in economic infrastructure sectors overseas, and adopt the use of PPP / PFI in Japan in a way that mirrors international trends to as great an extent as possible.

## **(2) Expansion of projects in pre-existing format and development of a new system**

To address the issues and challenges outlined above, it is necessary both to expand projects based on the pre-existing PFI format, and to seek and identify obstacles to utilization of the format in the economic infrastructure sector and to accelerated transference of risk in the social

infrastructure sector, and to construct a new system that eliminates these obstacles.

Specifically, this could entail reorganization of the relationship between individual public-property custodial systems, which do not necessarily envision private corporations as project implementing bodies, and the PPP / PFI system, as well as introduction of mechanisms by which private corporations can implement projects under the same tax and subsidy conditions as public bodies, taxation measures that encourage wider participation by investors, and so on. Also, taking into consideration the public nature of infrastructure and the complexity of related assets (including the prevalence of movable assets for which legal administration of property rights is problematic), there is a need for adoption of the Concession Method conducive to safe and secure utilization of PPP / PFI even under such conditions.

It is essential to construct a new system taking the above factors into account, so as to maximize the participation of private corporations and harness their creativity and ingenuity, and above all to develop an environment in which PPP / PFI can be utilized safely and securely when needed by the national government or local governments.

For successful construction of such a system, it is vital to draw on the lessons of previous “third-sector” private-public management endeavors (as already strongly reflected in the existing PFI Law), and to avoid unclear allocation of responsibilities by putting in place transparent processes of private enterprise selection and project administration that fully clarify the allocation of risk between private and public sectors.

## **2. Issue-responsive Policy Proposals**

### Policy 1: Improvement of Systems to Promote PPP / PFI

In order to make maximum use of the creativity and ingenuity of the private sector and facilitate new investment in and maintenance and upkeep of social capital, we will improve on shared PPP / PFI systems and enact revisions to custody of public property as required by individual projects, with measures including adoption of the Concession Method..

### **(1) Considerations Regarding Shared Aspects of Systems**

Based on the current issues, challenges and considerations elucidated above, we will improve the ease of use of the BOT scheme that has partially been used heretofore in the economic infrastructure sector, and enter into considerations on the adoption of the Concession Method\*, as well as shared aspects of systems including taxation and procurement procedures.

\* Method in which the public sector maintains the title to facilities while conceding long-term rights to infrastructure project administration and development to private-sector enterprises

### **(2) System Improvement Measures Meriting Consideration**

The system improvement measures outlined below will be submitted to the relevant offices such as the Cabinet Office, Ministry of Finance and Ministry of Internal Affairs and

Communications, and undergo consideration with an eye to implementation at the earliest possible date.

- (1) Adoption of the Concession Method in which the titles to properties are not transferred
  - Partial private-sector access to public property custodial rights, assuming adoption of the Concession Method
  - Designate the right to implement projects under the Concession Method as “project rights” or a similar designation fulfilling the necessary function, positioning these rights as a single comprehensive set of property rights that maximize utilization of private-sector funding and know-how
- (2) Improvement of taxation system to promote PFI
  - Amortization under the tax law of the abovementioned “property rights”
  - Measures to avoid redundant taxation of SPC, acting as PPP / PFI project implementing bodies, and the investors receiving dividends from SPC
  - Measures to exempt PPP/PFI project implementing bodies from fixed asset taxes, city planning taxes and real estate acquisition taxes
- (3) Smoother Assignment of Public Officials to Private-Sector Duties During PPP / PFI
  - Construct a system in which public officials with know-how necessary for PPP/PFI project implementing bodies can be dispatched without changing their public official designation



(4) Establishment of Procurement Procedures Suitable for New PPP / PFI Initiatives

- Construct mechanisms that clarify the position of business negotiation procedures and project implementation procedures encompassing pre-existing initiatives as well, and also reflect requests from enterprises for relaxation of project conditions and regulations
- Construct a framework that recognizes the possibility of selling off PPP / PFI initiative investments and equity to third parties

(5) Establishment of a PPP/PFI support organization

- Establish an organization that provides public support for local governments engaged in PPP / PFI initiatives, and develop a system that makes specialized legal, accounting, financial and other advice available

**(3) Partial private-sector access to public property custodial rights and relaxation of regulations, handling of exceptions**

Henceforth, in order to accelerate promotion of PPP / PFI initiatives in the public infrastructure sector, it is vital to ensure a greater degree of freedom of management so as to fully leverage the wisdom and know-how of the private sector.

Specifically, in order to boost the degree of freedom of PPP / PFI implementing bodies to make decisions on construction, maintenance and upkeep of facilities and contents and price of services in the place of “public property custodians” (\*1), it is necessary to expand the scope of

rights and contents of operations.

However, there are some issues (\*2) that must be considered carefully, such as how to handle the exercise of power wielded by administrators. It is clear that the authority vested in PPP / PFI implementing bodies must be fully clarified on a legal basis.

On the other hand, it is necessary to respond to the proposals and needs of highly motivated businesspeople. As it is difficult to implement legal reforms beforehand that accurately foresee all cases on an a priori basis, we think it advisable to equip the PFI Law with a proviso allowing for exceptions to existing laws when needed (a proviso identical to that of Article 29 of the Revised Public Service Law). Thus, along with comprehensive reform of the PPP / PFI system, it is necessary to consider individual public property custodial rights in light of the proposals and needs of private-sector enterprises.

\*1: Road administrators under the Road Law, port and harbor administrators under the Port and Harbor Law, etc.

\*2: In addition to rights such as the right of occupation, there are issues such as the nature of public involvement in standards for necessary services, etc.

Policy 2: Key areas for introduction of PPP / PFI and implementation of projects

Airports, ports, harbors, railways, roads and sewers are seen as key areas for PPP / PFI, and in these areas we will invite project proposals from local governments and corporations and use them as the basis for formation and implementation of actual projects. We will also provide active support for commercial use of administrative assets as a means of achieving economic vitalization.

**(1) Key areas for introduction of PPP / PFI**

From the standpoint of economic infrastructure utilization with potential for future international expansion, we will move forward with introduction of PPP / PFI focused on the areas of airports, ports and harbors, railways, roads and sewer projects.

**(2) Potential applications for the concession method**

(1) Airport projects

- To be considered as a means of utilizing the funding and know-how of the private sector

(see “Aviation Sector” for details)

(2) Rail projects

- Consider specific methods, advantages, and issues related to introduction of PPP / PFI and utilization of private-sector funding, with regard to Shinkansen bullet train, urban rail and LRT etc.

### **(3) Privatization of Port and Harbor Operations, Etc.**

#### **(1) Privatization of Port and Harbor Operations**

- Implement efficient management of ports and harbors, incorporating the private sector's viewpoint with strategies such as private operation of facilities constructed by the public sector, and promote privatization of port and harbor operations overall through transformation of public port corporations into a publicly traded companies, etc. To this end, revision of the maintenance duties of port and harbor administrators with regard to nationally-owned ports and harbors is necessary.

#### **(2) Development and management of open spaces near ports and harbors through private-public partnership**

- Utilize PPP (port and harbor administrators, local governments, private enterprises) for comprehensive development and management of large-scale open spaces and tourist facilities near ports and harbors, achieving both regional vitalization and reductions in costs.

### **(4) Strategies to Address Aging Infrastructure**

#### **(1) Extensive use of road space**

- Open the spaces above and below existing roads to private developers (i.e. opening road space) in cases where

cooperation with private developers in the vicinity is possible in order to address aging the Tokyo Metropolitan Expressway and other expressways. Put the resulting revenue back into the new development and the maintenance operations through a private-public partnership. Also, relax regulations with regard to the system of highway joint development and occupation of roadways in order to create new business opportunities through the newly opened road space

## (2) Improving the Efficiency of Maintenance and Repairs

- To boost the efficiency of maintenance and repairs making full use of private sector technology, we will endeavor to introduce long-term maintenance contracts involving regional public road corporations on a test basis.

## **(5) Utilization of state-of-the-art private sector technology (water business)**

In addition to applying the cutting-edge technology possessed by the private sector to sewer and sanitation projects and expanding the scope of comprehensive private-sector contracts, we will strongly promote the effective use of unused resources (sludge digestion gas, etc.) in order to cut costs and accumulate the know-how needed for expansion in international markets.

## **(6) Commercial Use of Administrative Assets (Support for expansion of Commercial Use of Administrative Assets, one embodiment of PPP)**

**(1) Extensive use of river space**

Revise criteria for permission to occupy areas adjacent to rivers so as to allow private enterprises to operate open-air cafes, campgrounds, etc. in such areas

**(2) Promotion of subterranean development through private-public partnership**

Attract private-sector investment by promoting joint subterranean development by public agencies and private-sector enterprises together

**(3) Promotion of transportation hub development through private-public partnership**

Promote redevelopment of plazas adjacent to train stations and freely accessible passageways in buildings connected to stations, by allowing private-sector access to spaces above rail lines and station plazas, etc.

**(4) Private-sector utilization of city parks**

Expand private sector utilization of public parks by providing active support for forward-looking endeavors such as the establishment of privately-operated dining facilities, etc.

**(5) Private-sector utilization of directly managed parking areas**

Utilize the know-how of the private sector to enable more efficient administration of directly managed parking areas (of which 14 exist nationwide)

**(6) Widespread adoption of small-scale hydropower**

Promote use of natural energy sources by making permission procedures for small-scale hydropower run more smoothly

**(7) Adoption of power generation using clean energy sources**

Give private sector businesses access to road and river areas under the jurisdiction of MLIT, and promote the construction of facilities generating power from clean energy sources (wind power, solar power etc.), with resulting reductions in maintenance and upkeep costs

**(8) Expanded role of private sector in development and maintenance of optical fiber networks**

Reduce the cost of new equipment by allowing private enterprises partial use of the transmission capacity of optical fiber networks and having private enterprises bear part of the cost of updating equipment

**(9) Maintenance and development of public electrical utility conduits and road administration cables**

Pursue a project in which private enterprises undertake the unified development and maintenance of public electrical utility conduits and road administration cables, resulting in cost reduction and improvement of maintenance standards

**(7) Project implementation policies**

Assuming that improvements will be made to shared systems related to PPP / PFI, we will invite project proposals from local governments and corporations and use them as the basis for

formation and implementation of actual projects, taking budgetary measures as necessary and implementing projects progressively. This will entail providing support for local governments and corporations forming and implementing PPP / PFI projects

To address systemic issues that surface during the implementation of specific projects, the relevant legal revisions will be performed promptly as needed.

Institutional investors and pension funds, and large-scale infrastructure funds established through private-public partnership incorporating governmental funding that encourages private investment, as described in 1. 2. Policy 3(2) (pages 4-17), will be applied to PPP / PFI projects as well.

In order to avoid an unforeseen burden on the Japanese populace, implementation of PPP / PFI projects must involve thorough preliminary considerations of business schemes and risk analysis, as well as adequate transparency in dealings with investors.

### **Immediate Goals (including FY2011 budget requests)**

<Concession Method>

#### **(1) Special projects**

- Assuming the new system described above will be in place, invite proposals from local governments and corporations geared toward project proposals for 2011.

#### **(2) Reform of systems (systems with shared aspects)**



- During fiscal 2010, consolidate proposed revisions of the PPP / PFI law and taxation system into a bill and submit the bill.

**(3) Reform of systems (public property custodial system)**

- Implement such reforms as can be implemented in fiscal 2011.

<Privatization of Port and Harbor Operations, Etc.>

**(1)Privatization of Port and Harbor Operations**

- Enter into considerations on the matter, including submission of revised legislation during the regular Diet session in 2011, with transformation of public port corporations into publicly traded companies a centerpiece of the legislation.
- Starting in fiscal 2011, progressively transform public port corporations handling foreign trade into publicly traded companies

**(2)Development and management of open spaces near ports and harbors through**

**private-public partnership**

- Starting in fiscal 2009, establish a discussion group involving the national government, port and harbor administrators, and local governments, and formulate a basic concept utilizing PPP. During or after fiscal 2010, formulate a project plan and endeavor to attract private corporations, etc.

<Strategies to Address Aging Infrastructure, etc.>

(1) Extensive use of road space

- Starting in fiscal 2010, invite proposals from the private sector and select target areas and sections.

(2) Improving the Efficiency of Maintenance and Repairs

- Starting in fiscal 2010, consider the contents of pilot projects and exchange opinions with local governments

<Utilization of state-of-the-art private sector technology (water business)>

- Starting in fiscal 2010, in addition to commencing full-fledged utilization of the cutting-edge membrane treatment technology held by the private sector, we will produce a manual aimed at expanding a comprehensive private-sector contracting system to include not only sewage treatment, but also the maintenance and upkeep of sewer collection systems. We will also enter into considerations aimed at promoting effective use of unutilized resources.

<Commercial Use of Administrative Assets, etc.>

(1) Extensive use of river space

- Starting in fiscal 2011, we will expand the scope of bodies and facilities eligible for

occupation. Nationwide implementation without first conducting social experiments in limited areas is possible.

(2) Promotion of subterranean development

- Starting in fiscal 2010, we will work to disseminate the knowledge that areas such as subterranean passageways in subterranean shopping areas, etc. are eligible for subsidies, and promote the utilization of a “Subterranean Development Private-Public Partnership Method” starting in fiscal 2011.

(3) **Promotion of transportation hub development**

- Starting in fiscal 2010, we will formulate guidelines for the use of spaces above station plazas. We will also enter into considerations on a system to promote use of spaces above rail lines, etc.

(4) Private-sector utilization of city parks

- Starting in fiscal 2010, we will provide support for forward-looking endeavors by private-sector businesses.

(5) **Private-sector utilization of directly managed parking areas**

- Starting around March 2011, private-sector parking lot management will commence.

(6) **Widespread adoption of small-scale hydropower**

- In fiscal 2010-11, we will produce the technical manual needed for permission to utilize water.

(7) **Adoption of power generation using clean energy sources**

- Starting in fiscal 2010, we will conduct surveys of potentially usable regions, promote development as a business and commence the project starting in fiscal 2011.

(8) **Expanded role of private sector in development and maintenance of optical fiber networks**

- In fiscal 2010, we will promote development as a business through meetings with private sector businesses, etc. Starting in fiscal 2011, we will consider project schemes and from fiscal 2012, invite participants.

(9) **Maintenance and development of public electrical utility conduits and road administration cables**

- Starting in fiscal 2010, we will commence selection of locations eligible for PFI projects and related procedures. Introduction as a pilot project will take place in fiscal 2011.

**Two to Three Year Goals**

<Concession Method>

(1) Special projects

- If legal revisions are passed, in initial projects in certain areas of focus, selection of participants according to a new system will commence some time in fiscal 2011.

(2) **Reform of systems (systems with shared aspects)**

- Consideration of the issues facing systems with shared aspects will continue.

(3) **Reform of systems (public property custodial system)**

- Consider and make preparations for reform of systems in line with the formation of special projects, and implement reforms

**Future Goals (for Implementation Around 2020)**

As outlined above, the Japanese government will pursue improvements to the systems relating to PPP / PFI and utilize PPP / PFI extensively, drawing on the creativity and ingenuity of the private sector, reducing spending on public works both domestically and internationally, and not only developing and maintaining truly essential social capital in an appropriate manner, but also harnessing the know-how and business efforts of the private sector to secure private-sector returns and limiting the burden on the Japanese populace and infrastructure users while providing a higher level of service.

This process is to avoid the unclear scope of responsibilities and wholesale transfer of projects and duties from the public to private sector that plagued past “third-sector” initiatives, by starting from the assumption that the public and private sectors each govern particular project layers and duties, and by clarifying foreseeable risks to the greatest possible extent and distributing risks fairly, ensuring that projects are managed with the greatest possible degree of transparency.

- (1) By 2020, examples of implemented projects and F/S of switchover to the PPP paradigm on the basis on new project schemes should exist for each targeted area.
- (2) By 2020, a total of ¥2 trillion in new PPP / PFI project expenses related to MLIT is set as a target.
- (3) Regarding commercial use of administrative assets, for the time being progress will continue as shown in the separate schedule, with the goal of realizing a state of affairs in which projects overflowing with private-sector creativity and ingenuity are being broadly and actively implemented by 2020.

### **3. Considerations**

- A reasonably competitive business environment is needed so as to ensure that the PPP / PFI endeavor does not end up as a merely cosmetic reconfiguring of monopolized public-sector business.
- Considering the public nature of targeted areas, it is necessary to ensure a high degree of transparency in all procedures related to the PPP / PFI system.
- When considering the final distribution of the burden of expenses related to infrastructure

development, in other words the choice of a service purchasing paradigm or an independent accounting paradigm, it is advisable to pursue “growth that does not depend on fiscal revenue,” taking into account the point that the independent accounting paradigm entails usage fees.

- Privatized corporations that have recruited their entire management from the private sector for PPP / PFI projects are to have an organizational structure with transparency equal to that of publicly traded corporations.
- For the promotion of PPP / PFI projects requiring a diverse range of skills including technological, financial and legal skills, it is important to cultivate human resources and share skills between the private and public sectors.
- Through utilization of PPP / PFI, those who control Japan’s approximately ¥1.4 quadrillion in individual financial assets and ¥250 trillion in public and corporate pension fund assets can secure the know-how necessary for infrastructure investment and become the arbiters of this investment. Specifically, this could entail such steps as utilization of tax-exempt bonds and REIT along with other tax measures.
- Consideration must be given to the optimum state of social infrastructure in 2020, incorporating full-fledged utilization of PPP / PFI.
- To begin with, it is essential to implement specific projects to serve as model cases.

## **Collaboration with Other Sectors**

- Regarding the promotion of PPP involving airport development, tourist facilities (medical facilities, casinos, venues for international conferences) and urban development, there needs to be collaboration with other related policy sectors such as aviation, tourism and urban policy as we move forward.
- When applying the PPP/PFI model to transportation systems, it is vital to maintain a high level of coordination with plans for the redevelopment of the vicinity, and the accompanying housing and urban policymaking decisions affecting the area.



International Expansion Sector		Railway Systems	Monorails and Other Modes of Urban Transport	ITS (Intelligent Transportation Systems)	Automotive Industry	Water-Related Technology
Issue-Responsive Policy Proposals						
<b>Strengthening of Leadership, Organizations and Systems</b>						
	<ul style="list-style-type: none"> <li>Joint Private-public Top-Level Sales Efforts Under Governmental Leadership</li> </ul>	Conduct top-level sales efforts through PPP targeting governments of the US, Vietnam, etc.	Conduct top-level sales efforts including seminars, observation missions to Japan etc.	Conduct top-level sales efforts through joint private-public seminars in Vietnam, India, Malaysia etc.	Hold high-level policy discussions, etc. to exert influence on Asian countries with transportation systems similar to Japan's	Conduct private-public top-level sales and hold seminars in target countries to which key members of other governments are invited to sell Japanese technology
	<ul style="list-style-type: none"> <li>Strengthening of MLIT Internal Systems</li> <li>Creation of Cross-Ministry Support Organization Involving Other Ministries and Offices</li> <li>Strengthening of the Already Existent Support Functions of Embassies, JETRO and Other Organizations</li> <li>Support for Corporate Efforts to Internationalize Organizations and Human Resources</li> </ul>	<ul style="list-style-type: none"> <li>Provide dynamic support for the various Japanese teams formed for specific projects</li> <li>Hold seminars and promote bilateral cooperation</li> </ul>	<ul style="list-style-type: none"> <li>Promote formulation of projects through bilateral meetings</li> <li>Create a database of urban transport projects in the Asian region</li> <li>Hold seminars in India, Thailand etc.</li> </ul>	<ul style="list-style-type: none"> <li>"ITS International Expansion Conference" held through private-public partnership</li> <li>Development of limited-function, low-price products (technologies) suited to the needs of target countries</li> </ul>	Formulate private-public partnership action plans aimed at enhancing activities	<ul style="list-style-type: none"> <li>Within the framework of Team Water Japan (a governmental, academic and industrial liaison committee addressing domestic and international water problems), discuss among relevant ministries and offices to find solutions to problems faced by corporations</li> <li>Utilize the know-how of public agencies such as local governments, sewer and sanitation industry associations, and water resource organizations</li> </ul>
<b>Codification of Standards</b>						
4-65	<ul style="list-style-type: none"> <li>Compatibility of Japanese Standards with Global Standards</li> <li>Exerting influence on foreign governments with regard to elimination of restrictions</li> </ul>	Negotiate bidding conditions related to fair distribution of risk with ordering parties including governments of other countries				Promote improved management capabilities and human resource cultivation in Japanese corporations through introduction of a comprehensive domestic private outsourcing system
	Efforts to Promote the Adoption of Japanese Standards as Unified Global Standards	<ul style="list-style-type: none"> <li>Establish the International Rail Specifications Center (fiscal 2010) and promote international standardization of technologies and specifications</li> <li>Exert strong influence to ensure that Japanese standards and specifications are not locked out of the ordering process in target countries such as the US</li> </ul>	Aggressively promote examples of projects with safety and reliability backed by a proven track record in Japan, potential for drastically expanded capacity, or previous successful expansion into the US or South Korean markets etc.	<ul style="list-style-type: none"> <li>International standardization in the ISO and ITU (International Telecommunication Union)</li> <li>Promote awareness of the superiority of Japanese technology by conducting seminars, etc. in partnership with relevant ministries and offices, (MLIT, MIC, METI) JICA, the private sector etc.</li> <li>Promote adoption of Japanese formats as the ITS specifications of target countries</li> </ul>	Play a leading role in discussions on uniform international standards in UN organizations (the WP29), and push for adoption of the standards formulated in Asian countries	Conduct research and development, domestic and international demonstration experiments, and international standardization activities aimed at securing a position as a global frontrunner
	Technical Cooperation with Other Countries	<ul style="list-style-type: none"> <li>Dispatch specialists in the rail field, promote cultivation of human resources</li> <li>Provide support for formulation of technological standards in other countries through workshops, etc.</li> <li>Strengthen support for project proposal formation</li> </ul>	Strengthen support for project formation that links urban planning and transport planning projects (joint preliminary surveys, dispatch of specialists, training of high-level officials)	Dispatch ITS specialists to other nations and provide support for formulation of standards	Provide support for cultivation of human resources in Asian countries (training etc.)	Implement demonstration projects in coordination with dispatch of specialists and technical cooperation
4-65						

International Expansion Sector Issue-Responsive Policy Proposals	Railway Systems	Monorails and Other Modes of Urban Transport	ITS (Intelligent Transportation Systems)	Automotive Industry	Water-Related Technology
<b>Development of Financial Mechanisms</b>					
<ul style="list-style-type: none"> <li>• Governmental designation of financial support functions</li> <li>• Utilization of ODA budget, support through trade insurance and taxation system</li> <li>• Support and credit enhancement through infrastructure funds</li> </ul>	<ul style="list-style-type: none"> <li>• Broader application of JBIC investment and loans for developed countries, enhancement of public financing systems including JICA, JBIC investment and loans and trade insurance, etc.</li> <li>• Utilization of yen loans that encourage introduction of Japanese rail systems</li> </ul>	<ul style="list-style-type: none"> <li>• PPP projects utilizing ODA</li> <li>• Consider smoother procurement of funding in coordination with JBIC and Nippon Export and Investment Insurance etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Promote development of ITS facilities utilizing yen loan road projects etc.</li> <li>• Promote prioritized adoption of Japanese format ITS through financial support for PPP road projects</li> </ul>		<ul style="list-style-type: none"> <li>• Support for formation of comprehensive projects encompassing construction, operation, maintenance and upkeep of facilities (water source development, sewage treatment, etc.) through PPP utilizing ODA</li> <li>• Expand application and utilization of JBIC financing and trade insurance</li> </ul>

4-66

International Expansion Sector		Construction Industry	Ship-building	Port- and Harbor-Related Industry	Urban Development	Distribution
Issue-Responsive Policy Proposals						
<b>Strengthening of Leadership, Organizations and Systems</b>						
	<ul style="list-style-type: none"> <li>Joint Private-public Top-Level Sales Efforts Under Governmental Leadership</li> </ul>	Sell superior construction technology and know-how through bilateral and multilateral construction conferences	Make technological proposals to the IMO (International Maritime Organization) etc.	Hold high-level intergovernmental discussions aimed at unearthing projects at an early stage	Strengthen intergovernmental ties with target countries and construct international networks	Hold Transport Ministers' Meetings and policy discussions with China, India and ASEAN nations
	<ul style="list-style-type: none"> <li>Strengthening of MLIT Internal Systems</li> <li>Creation of Cross-Ministry Support Organization Involving Other Ministries and Offices</li> <li>Strengthening of the Already Existent Support Functions of Embassies, JETRO and Other Organizations</li> <li>Support for Corporate Efforts to Internationalize Organizations and Human Resources</li> </ul>	<ul style="list-style-type: none"> <li>develop a framework for comprehensive promotion of the collection and analysis of information necessary for international expansion</li> <li>Strengthen systems of backup through cross-ministry partnerships</li> <li>Strengthen human resources and organizations through promotion of mergers and alliances, support for human resources exchanges with corporations possessing know-how etc.</li> <li>Provide support for regional, small and mid-size construction companies expanding overseas</li> </ul>	Strengthen partnerships between industry, government and academia	<ul style="list-style-type: none"> <li>PR for Japanese port and harbor related technology and collection of information on port and harbor projects</li> <li>Implement seminars and human resources exchange contributing to the cultivation of private and public personnel that play a central role in overseas projects</li> </ul>	<ul style="list-style-type: none"> <li>Support for formation of private-sector consortiums</li> <li>Promote formulation of projects through bilateral meetings</li> <li>Hold seminars</li> <li>Construction of support frameworks in partnership with local governments and promote inter-regional exchange</li> </ul>	<ul style="list-style-type: none"> <li>PPP seminars</li> <li>Develop a database of successful examples of international expansion</li> </ul>
<b>Codification of Standards</b>						
4-67	<ul style="list-style-type: none"> <li>Compatibility of Japanese Standards with Global Standards</li> <li>Exerting influence on foreign governments with regard to elimination of restrictions</li> </ul>	<ul style="list-style-type: none"> <li>Adopt international ordering and contract formats such as PPP, CM etc. for domestic public works projects</li> </ul>	Deliberations in international forums (the OECD)		Negotiate contracts related to fair distribution of risk with ordering parties including governments of other countries	Identify systemic obstacles to international expansion and consider measures to remove them
	Efforts to Promote the Adoption of Japanese Standards as Unified Global Standards	Promote uniform standardization of construction technology standards etc.	Along with technological development through industrial, government and academic partnership, promote agreements on fuel efficiency standards for ships	Adoption of Japanese technology as international standard through effective use of international organizations	Construct urban development packages based around concepts for which Japan boasts superiority and originality (coordination between urban transport and urban development)	Promote adoption of distribution equipment prevalent in Japan throughout East Asia
	Technical Cooperation with Other Countries	Dispatch specialists involved with construction technology and construction-related systems		Implement technical cooperation including dispatch of specialists in the port and harbor sector	Exchange programs with technical specialists in the urban planning sector, etc. (joint preliminary surveys, dispatch of specialists, training of high-level officials)	Support for cultivation of human resources (workshops, etc.)
<b>Development of Financial Mechanisms</b>						
	<ul style="list-style-type: none"> <li>Governmental designation of financial support functions</li> <li>Utilization of ODA budget, support through trade insurance and taxation system</li> <li>Support and credit enhancement through infrastructure funds</li> </ul>	<ul style="list-style-type: none"> <li>Establish special tax measures such as corporate tax exemptions for infrastructure projects utilizing construction and environmental technology</li> <li>Consider improvement of trade insurance and policy financing systems</li> </ul>	Consider improvement of JBIC financing system	Formulate projects that utilize ODA (consider an ODA system aimed at securing terminal administration rights)	<ul style="list-style-type: none"> <li>Consider smoother procurement of funding in coordination with JBIC and Nippon Export and Investment Insurance etc.</li> <li>Large-scale project financing in partnership with overseas infrastructure funds, etc.</li> <li>Provide support for development of urban planning systems through ODA</li> </ul>	Develop distribution-related infrastructure through ODA (Mekong Corridor, etc.)
4-67						

## **5. Housing and Urban Sector**

# **Basic Perception Regarding Housing and** **Urban-Sector Growth Strategies**

## **– Realizing 3 Major Strategies Resultant on 6 Detailed Strategies –**

When considering Japan's future sustained growth, along with the affluent, reassured lives of the country's population, it goes without saying that such matters are inseparably linked to the nation's cities and towns, such locations representing both the hubs of human economic activity and the backbone that underpins everyday life. Such locations also represent urban centers via the homes and buildings that occupy their spatial boundaries.

### **1) Strategy for Creating Innovation in Major Cities**

One task that should be tackled with all urgency by the body politic in its entirety is the clarification of major city strategies such as the "World City Tokyo" strategy. Such matters represent engines that will propel the nation's growth, amid concerns that have been raised regarding a relative decline in Japan's international competitiveness due to the emergence of other Asian cities. Through government leadership, shall strategies such be implemented in order to further develop existing schemes for the purpose of promoting the revitalization and growth of major cities; and also in order to make maximum use of private-sector capital, energy and ideas. International competitiveness shall also be strengthened through initiatives such as deregulation and financial measures, etc.,

without government actions being shackled by those ideas already in existence.

In this way, the government aims for Japan's major cities to become Asian hubs and world innovation centers, capable of winning out over increasingly intense competition from other international cities, particularly those in Asia. Through such strategies, the government hopes to attract people, goods, capital, and information from all over the world.

(1. Strengthening the international competitiveness of "World City Tokyo" and other major cities)

## **2) Strategy for Harnessing Regional Potential**

A second issue is that, in regional cities and towns, during the current period of tough fiscal constraints, there is the need to move away from overdependence on public works projects, and instead rejuvenate the potential of such localities through the encouragement of regional endogeneity and independence, in having such regions draw on their own individuality and strengths.

Furthermore, in addition to the aforementioned fiscal constraints, in order to overcome issues such as population decline and aging, global environment concerns, and the obsolescence of social infrastructure, etc., another pressing task shall be to achieve sustainable urban management, in creating urban spaces that are both people-habitable and environmentally-friendly, such tasks being undertaken using ICT and other means.

To this end, the government shall create systems, ease regulations and provide support, thus enabling regions, cities and towns who are motivated and idea-centric to encourage private-sector involvement

in their affairs. Such shall make it easier for these localities to implement both endogenous and strategic regional and urban development. They shall also be able to maintain, manage and renew infrastructure facilities, such being exemplified by collaborations with tourism, etc.

(2. Encouraging endogenous, strategic regional and urban development by new facilitators)

(3. Issuing incentives for inner-urban residency and compact cities)

### **3) Strategy for Revitalizing Investment in Housing & Buildings, and the Reviving of Stock**

Furthermore, to achieve domestic consumption-driven growth, and to realize urban spaces that offer rich living environments, it shall be absolutely vital that the government promote investment that improves the quality of housing and buildings that constitute urban spaces, such representing both the foundation of daily work and domestic activities. To promote such investment activities, the government shall need to provide options in the form of quality housing and buildings that are capable of attracting investment, such being positioned as a new range of choices that has previously been unavailable. The government shall also need to remove those factors that present obstacles to investment at the current time.

To this end, the government shall aim to raise the investment potential of housing and buildings, and also aim to revitalize markets. This shall be done by developing environments, and issuing incentives, etc. Such actions shall create a supply of housing and buildings forthcoming from the

private-sector, these typified in being responsive to both contemporary and generational needs. This shall lead to the creation of a good supply of stock in the marketplace, which in turn shall present investors with previously unavailable options.

(4. Revitalizing housing markets by striking a balance between the supply of good-quality new housing, and the promotion of supply-fluidity and remodeling of existing housing)

(5. Ensuring housing that offers “peace-of-mind” and “independence” for the rapidly-growing elderly segment)

(6. Developing eco-friendly housing and buildings in order to meet Challenge 25 targets)

In carrying out the aforementioned strategies, the government shall strive to achieve organic collaborations between the different strategies, and for each, the government shall present results in a highly visible format, through the implementation of model projects and demonstrative experiments, etc.



## **Topic-Specific Policy Examination**

### **Matters for Priority Implementation**

- **Strengthening the international competitiveness of “World City Tokyo” and other major cities**

To achieve economic growth in Japan, the first task that should be tackled with all urgency by the body politic in its entirety is the strengthening of the international competitiveness of major cities such as “World City Tokyo.” Such matters represent engines that will propel the nation’s growth, amid concerns that have been raised regarding a relative decline in Japan’s international competitiveness due to the emergence of other Asian cities.

Therefore, by FY2011, a government-led strategy shall be formulated for metropolitan areas. Furthermore, the extension and enhancement of the Act on Special Measures Concerning Urban Regeneration shall be brought forward in order to further develop schemes to promote the rejuvenation and growth of major cities. The content of such actions shall include creating internationally-competitive hub-zones that will oversee various measures regarding deregulation, taxation and finance, such matters shall not be limited only to urban planning restrictions such as floor-area ratios, etc. (See

I. (page 5))

- **Ensuring housing that offers “peace-of-mind” and “independence” for the rapidly-growing**

## **elderly segment**

While the population of elderly who either live alone or require care is expected to increase dramatically, the current ratio of housing suited to occupation by the elderly as expressed in terms of the elderly population is low when compared to the situation encountered in other countries. Even if public housing estate assets are included in such calculations, there has been little progress seen in the development of facilities equipped to support the lifestyles of the elderly, etc. In order to secure housing for the elderly that, as much as possible, allows them the opportunity to live in surroundings to which they are accustomed, the government clarify the legal position of rental-housing for the elderly by FY2011. Medical and care service issues, etc., will also be clarified at that time. Following on from such developments, the government shall then support the provision of such housing assets while also ensuring appropriate management practices. Furthermore, as a new mechanism for generating local vitality, the government shall promote the introduction of facilities such as healthcare and welfare facilities, etc., into UR and other housing estates through PPP initiatives. (See III. 2. (page 14))

### **- Developing eco-friendly housing and buildings in order to meet Challenge 25 targets**

Of all CO<sub>2</sub> emissions identified as being derived from energy sources, combined, the “residential sector” (houses) and the “business sector and others” (office buildings) account for more than 30%. Emissions have increased dramatically in both of these sectors, and reducing such emissions

represents a pressing task. However, even among new housing developments, the compliance ratio with energy-conservation standards is low, and the government needs to enhance energy-conservation incentives among the public while also strengthening those regulations targeting energy-conservation.

To this end, the government shall create process charts that clarify the aims of energy-conservation initiatives for housing and buildings, while also improving the environmental performance of housing and building stock. For example, the government shall encourage new constructions and remodeling for the purpose of eco-housing by enhancing the “housing eco-points” program, etc. The government shall also promote “complete eco-conversion” by increasing the “visibility” of energy-conservations, “zero-emission conversion,” and so on. In addition, the government shall also promote the use of energy in area networks. In future, the government shall aim to make new housing and buildings 100% energy efficient. (See III. 3 (pages 15, 16), II. 2 (page 11))

## **1. Strategy for Creating Innovation in Major Cities**

**- Emerging from Inter-City Competition to Become World Innovation Centers –**

### **Strengthening the international competitiveness of “World City Tokyo” and other major cities**

#### **1) Ideal Situations/Future Targets**

In Tokyo and those other major Japanese cities that are capable of projecting the nation’s strength of potential to the wider world, the government shall aim to establish Asian hubs and innovation centers capable of emerging from the increasingly-intense international inter-city competition, in them being able to attract people, goods, capital, and information to Japan from all over the world. Rather than merely expanding office functions, the government shall achieve such aims by forming urban hubs that are equipped with the following diverse functionalities. In Tokyo, in particular, the government shall strengthen culture and cultural interaction functionalities, as well as transportation-access functionalities, in accordance with the upgrading of Haneda Airport to an around-the-clock international hub, etc. In this way, the government shall aim to create a world-leading “business eco-city,” that strikes a good balance between economic and environmental considerations.

- An Asian hub that combines high-quality business functionalities with pleasant living spaces
- Outstanding cultural, academic and research functionalities
- Tourism resources that include good landscapes and historical/traditional buildings, etc.
- Environments that enable foreigner residents to also feel peace-of-mind when residing in/visiting such cities (universal design, etc.)
- High-grade ICT functionalities, disaster-prevention functionalities in response to earthquakes, etc.
- Leading-edge functionalities for energy-conservation and environmental-burden mitigation
- An advanced system of public transport with low environmental load, enhancing urban mobility
- An urban structure that can be exported as a showcase equipped with the functionalities described above

**(Strategy Target Year: 2020)**

By promoting national strategic projects in the urban development sector and encouraging the rebuilding of dilapidated office buildings, etc., the government shall achieve between ¥5-8 trillion in private-sector investment.

**2) Current Issues and Challenges**

- Direct investment in Japan has fallen markedly, and per capita GDP is also showing a trend of long-term decline.
- Tokyo ranks among the top cities in world overall rankings. Compared to other major international cities, Tokyo displays strength on criteria such as “economy,” “research and development,” and “environment,” etc. Nevertheless, it has been pointed out that the economic growth rate of Tokyo is low, and attractive investment opportunities are felt to be limited when Tokyo is compared to other major international cities. As such, the position of Tokyo is becoming somewhat uncertain. Meanwhile, the weaknesses of Tokyo are felt to be criteria such as “transportation-access,” “cultural interaction” and “housing,” etc.
- Therefore in Tokyo, the government shall create a world-leading, business eco-city, drawing on Tokyo’s “strengths” and thus balancing both “economy” and “environment” considerations.

Meanwhile, in order to overcome Tokyo's "weaknesses," the government shall strengthen "culture" and "cultural interaction" functionalities, following on from an upgrade of Haneda Airport to an around-the-clock international hub, etc. Concurrently, the government shall also need to take steps to further enhance the diverse functionalities outlined in Section 1 (above), while bearing in mind the issue of cost-effectiveness.

- In Shanghai and Inchon, concerted national efforts are being made to encourage both inward investment and attract foreign capital. Backed by high rates of economic growth, etc., the possibility has been raised that Shanghai and others cities will be above Tokyo in terms of their status within 5-to-10 years. Therefore, to achieve growth in Japan in the little time that remains based on such a timeline, the government shall need to urgently strengthen initiatives while making a concerted national effort to strengthen the international competitiveness of Tokyo and Japan's other major cities.

### 3) Policy Proposals in Response to the Challenges

#### Immediate Goals (including FY2011 budget requests)

(1) In order to strengthen the international competitiveness of Japan's major cities, the government shall bring forward its plans to extend and enhance the Act on Special Measures Concerning Urban Regeneration. The government shall also formulate a Metropolitan Areas' Strategy. Through such means, the government shall establish national projects for the redevelopment of cities; it shall also develop a one-stop system for the establishment of public-sector/private-sector collaborations, to ensure that redevelopment in accordance with such national strategic projects is realized.

i) Extending and enhancing the Act on Special Measures Concerning Urban Regeneration shall be brought forward (for implementation during FY2010) in order to achieve the following:

- To smoothen project-progression by creating a system of project-implementation and management by public-sector/private-sector committees, and implementing one-stop services via such a system.
- To establish "internationally-competitive hub-zones" (tentative name) that shall conduct various measures regarding deregulation and reduced taxation (including preferential tax measures for foreign businesses establishing themselves in such hub-zones), with such developments not being limited only to urban planning restrictions



such as floor-area ratios, etc.

- To coordinate with numerous landowners who conduct business with private-sector entrepreneurs, in order to support land-amalgamation for the purpose of redevelopment.
- To promote measures designed to induce private-sector capital, etc., such including taxation support (in the form of special exceptions regarding the handling of depreciation, and the reduction of real estate acquisition taxes, etc.), and public-finance support for businesses and NPO, etc., involved in the creation or management of internationally-competitive hubs.

ii) The government shall enact the “Basic Act for Metropolitan Areas’ Strategy” (tentative name); whose perspective shall be that of a national strategy (in the form of thorough amendments being made to the National Capital Region Development Act, etc.). The government shall also formulate a “Metropolitan Areas’ Strategy” as a national strategy (FY2011).

(2) The government shall promote the amalgamation of urban districts by making effective use of government and public land, etc. (for example, the reorganization of side alleys), in order to both aggregate and reorganize fragmented land-holdings, and to utilize uniform land plots (early in FY2010).

(3) For the cardinal (important) districts of major cities, after conducting evaluations of the wide-ranging environmental contributions of the private-sector that contribute to urban growth, the

government shall dramatically ease floor-area ratio restrictions, while not overly adhering to existing ratios (early in FY2010).

- (4) The government shall actively develop strategies for the selling of Japanese cities. Such activities shall include the holding of seminars in core Asian cities. At such events, information shall be offered regarding knowhow related to the utilization of advanced ICT for the development of urban areas that are both low carbon-emitting and environmentally harmonious.
- (5) For superior projects that feature long-term development timelines, the government shall study measures for the obtaining of long-term capital funding at stable rates of interest. Such measure may include the smoothing of middle-risk capital supply, which can be especially difficult to procure under the present circumstances whereby long-term financing can be difficult to obtain from private-sector financial institutions.
- (6) With a view to implementing strategic projects that will act as triggers for strengthening the international competitiveness of Japan's cities, the government shall coordinate with stakeholders from FY2010 onwards, while taking care to apply those efforts as described in the Immediate Goals (1) to (5) listed above.

**(Specific Projects)**

In Tokyo, Osaka and other cardinal (important) international cities, among other steps the government shall take, it shall promote the following projects:

- The formation of locations where various functionalities including international interaction functionalities congregate, in response to developments such as the upgrading of Haneda Airport to an around-the-clock international hub.
- The formation of international centers of business that draw together diverse functionalities in a manner that is compact, such including businesses, accommodation, housing, commerce, healthcare, education, and services, etc., these functionalities being drawn to areas of high business potential, such as the environs that surround Tokyo Railway Station, etc.
- The formation of symbolic boulevards, including their surrounding environments and roadside improvements.
- The formation of water-recreation networks that utilize urban watercourses.
- The upgrading and combining of urban functionalities with consideration also being given to transportation terminal functions, centering on railway stations, as well as general urban environments (street layouts, the effective use of energy, etc.).
- The formation of locations for international interactions and the promotion of tourism through the renewal of large-scale parks, etc.
- The formulation of locations for international interactions through the strengthening of convention and R&D functionalities.

## **Two to Three Year Goals**

- (1) By utilizing strategic projects as described in Immediate Goals (6) above as “showcases” in accordance with the general state of progress, the government shall take the lead in proactively developing means by which Japanese cities shall be marketed to the world.
  
- (2) In addition to the urban development sector, the government shall also support attempts to attract and convene trade fairs and international events related to sport and the arts. Such shall represent collaboration being undertaken with tourism activities.

## **Problems to be Resolved**

Under the Act on Special Measures Concerning Urban Regeneration, special tax exemptions are due to end in the next fiscal year. Furthermore, the system of ministerial approval of those urban regeneration project plans undertaken by the private-sector shall conclude in the following fiscal year.

In order to extend and enhance systems related to the Act on Special Measures Concerning Urban Regeneration, and to also be able to select and promote individual projects, the government shall need to promote coordination activities with the relevant local authorities under the auspices of political leadership, and use the forum offered by meetings of the Integrated Headquarters for Regional Revitalization, etc., to conduct urgent reviews and coordination throughout the government as a whole.

## **2. Strategy for Harnessing Regional Potential**

**- Drawing out Regional Potential & Realizing Sustainable Regional and Urban Management -**

### **1. Encouraging endogenous, strategic regional and urban development by new facilitators**

#### **1) Ideal Situations/Future Targets**

By being involved from the proposal stage through to the execution stage of wide-area regional strategies that seek to leverage regional individualities and strengths, public-sector/private-sector collaborative bodies shall achieve growth within each region that is unique and characteristic to that region. Meanwhile, diverse bodies, acting as undertakers of “the New Public Commons,” shall facilitate regional development and spawn new industries.

**(Strategy Target Year: 2020)**

The government shall create some 200 wide- area public-sector/private-sector collaborative bodies and achieve an economic impact of some ¥3 trillion through the execution of regional strategies.

The government shall actively promote initiatives undertaken by public-private partnerships (PPP) with regard to urban renewal and management activities. Public-private collaborative organizations shall carry out urban management and renewal activities in all of Japan’s approximate 1,200 cardinal

(important) districts located throughout the nation.

## **2) Current Issues and Challenges**

Many regional development plans are established by diverse administrative functions located within the various ministries/agencies of the Japanese bureaucracy. This represents a form of the vertical division of policy, in that such initiatives focus purely upon those areas for which different ministries/agencies are responsible. As such, there is an inadequate scope of collaboration when policy is actually enacted. Meanwhile, with more general plans that are developed by local authorities, the targets of such are often limited to the scope of the local administrative level (representing a form of the horizontal division of policy). As such, wide-area collaborative strategies are often found to be lacking, and even at the formative stage, there is not enough participation by diverse regional entities. Moreover, implementing entities for matters stipulated within plans (“The Who”), and the specifics of implementation (“The How”), often remain unclear.

While infrastructure maintenance costs rise sharply as an area matures, the infrastructure found in older urban areas is often unable to address issues such as improving the attractiveness, the environmental-aspects, the disaster-responsiveness, or the barrier-free conversion of such areas. As such, there is an increasing need to strategically promote the development, management, and renewal of infrastructure in such areas.

Existing PPP methods cannot adequately incorporate private-sector knowhow, etc., within plans

themselves. This is because there is little private-sector involvement in the planning stages of development, management, and maintenance processes. In regional cities, in particular, there is a need to enhance plans that draw on private-sector strengths. There is also a need for human resources, and knowledge of those planning processes that incorporate private-sector involvement.

If greater involvement (risk burden, etc.), is to be sought from the private-sector, then a corresponding level of incentive must be offered to the private-sector. However, there are constraints placed upon the development of profit-making businesses in public spaces, as well as modification and scrapping procedures to be followed with regard to public-sector facilities, etc.

Although historical buildings including Machiya, etc., continue to disappear with the passing of time, there are limits to the level of preservation possible using just those administrative tools offered within the contexts of the Act on Protection of Cultural Properties and the Law on the Maintenance and Improvement of Historic Landscape in a Community. Therefore, the government needs to promote the preservation and utilization of such historical buildings through an incorporation of private-sector vitality

Furthermore, there needs to be an administrative pulling-away from the traditional “empty box” mentality. Rather, local attraction needs to be created, it being built around cultural forms that “only exist there” within a particular region, thus taking advantage of local individuality.

### **3) Policy Proposals in Response to the Challenges**

### **Immediate Goals (including FY2011 budget requests)**

- (1) The government shall create a system (including legislative means) for proposing and promoting endogenous wide-area strategies at a regional level, such being developed by various public-sector/private-sector collaborations. Specifically, the government shall invite proposals for regional wide-area strategies that deal with cross-ministerial policy issues. Furthermore, proponents of strategies that meet certain requirements shall receive government accreditation. Such accredited entities shall be given quasi-administrative powers by the government (for example, regarded as a quasi-administrative entity for the purpose of permits and licensing, etc., thereby being empowered to carry out deregulation, give fiscal incentives, etc.). In this way, the government and local authorities will collaborate with each other in the realization of strategies.
- (2) The government shall also create a structure for achieving the system as described in Immediate Goal (1) above. (Local authorities giving accreditation to NPOs and others who propose regional development activities that are compatible with the idea of acting as undertakers of “the New Public Commons,” the granting of special exception measures (deregulation, rights of consultation with the government, support with finance and tax measures), etc.).
- (3) The government shall promote the launching of public-sector/private-sector collaborative organizations (one-stop functions), such being related to urban development. It shall also support deregulation activities aimed at urban renewal.



- (i) To encourage the participation of the private-sector in the process of urban management and renewal, the government shall indicate principles that make it easier for local authorities, etc., to ease restrictions on floor-area ratios, in order to suit the level of public contribution made by the private-sector. It shall also become easier to carry out deregulations related to the establishment of profit-making facilities within public spaces, and to provide government or public land free-of-charge, or at a discount, etc. Meanwhile, the government shall study schemes whereby it shall support attempts by local authorities to improve the convenience of transport to suit their local regions, and to propose transport and urban development plans with high levels of overall social-systemic cost-effectiveness.
- (ii) To enable the private-sector to be involved from the planning stage, and for the ideas of the private-sector to be more broadly accepted, the government shall support efforts by local authorities to list and publish the present status and future shape of both public facilities and publicly-owned land (the creating of a database of infrastructure maintenance costs, etc.).
- (iii) To develop an environment conducive to activities being undertaken by actors of “the New Public Commons” with regard to urban development through the vehicle of public-sector/private-sector collaborations, the government shall carry out model pilot projects throughout Japan in order to support human-resources development, and to also offer technical support, etc., to urban development entities. The government shall also systemically position donations and instances of financial assistance, etc., offered by corporate entities and individuals, etc., to

urban development entities, in devising for preferential tax treatment to be given to such instances.

- (iv) In those cities that have received recognition of a Plan for the Maintenance and Improvement of Historic Landscape in accordance with the provisions of the Law on the Maintenance and Improvement of Historic Landscape in a Community, the government shall support the creation of schemes to both preserve and make use of historic street settings in using the vitality of the private-sector.

- (4) Case studies of pioneering initiatives undertaken (or to be undertaken)

In the Otemachi, Marunouchi, and Yurakucho Districts of Tokyo, and the Umeda District of Osaka, etc., as a form of linkage with the development of urban centers, the government shall apply private-sector strengths and knowledge to activities such as the amalgamation of urban districts, infrastructure renewals whose focus is shifted from motor vehicles to people, etc., and issues related to area management practices.

### **Two to Three Year Goals**

The government shall study new development paradigms such as Tax Increment Financing (TIF).

(This is a financing method that seeks an escape from the traditional raising of capital via issuances of regional government bonds).

## **Problems to be Resolved**

In order to study systems for the support of public-sector/private-sector collaborative entities, cross-ministerial/agency reviews shall be required.

## **2. Issuing incentives for inner-urban living and compact cities**

### **1) Ideal Situations/Future Targets**

By concentrating elements of convenience such as healthcare and commercial facilities, etc., within the precincts of inner-urban areas, and through initiatives such as the implementation of improvements to public-transport convenience, the proactive application of ICT to mobility-support tasks, and vast reductions of area-based CO<sub>2</sub> emissions, etc., the government shall realize sustainable urban management, such being combined with inner-urban residency and compact cities, the profile of such being both humanistic and environmentally-friendly.

#### **(Strategy Target Year: 2020)**

- The recovery of inner-urban residency populations: Aiming for a 7% increase in inner-urban residency populations.
- CO<sub>2</sub> emissions reduction target: Aiming for reductions of 5 million tons annually (such being recognized by local municipalities under The Act Concerning Improvement and Revitalization of Urban Centers)

- \* “Inner-urban areas”: Centrally-located urban areas as defined within the Basic Plan for the Improvement and Revitalization of Urban Areas, such being recognized under The Act Concerning Improvement and Revitalization of Urban Centers.
- \* Compared to the past period of 2000-2005, the inner-urban residency population fell by about some 5% in the period of 2006-2009.

## **2) Current Issues and Challenges**

The convenience factor as experienced by demographic segments including the elderly, etc., has declined due to the withdrawal of hospitals and other facilities from urban centers to more suburban settings. This trend has resulted in urban management becoming progressively less efficient due to the decline of inner-urban residency populations. (In Toyama City, for example, there are concerns that the administrative cost per resident shall rise by some 12% between 2005 and 2025, if the depopulation of inner-urban areas continues unabated).

The reduced convenience of public transport is a factor that prevents the elderly from venturing outdoors. This in turn, has contributed to the decline of inner-urban areas.

With the need to achieve vast reductions in CO<sub>2</sub> emissions, the promotion of greater compactness within cities combined with the more efficient use of area-wide energy sources within individual cities and urban districts has become a pressing issue.

### 3) Policy Proposals in Response to the Challenges

#### Immediate Goals (including FY2011 budget requests)

(1) While keeping an eye on the further transition of the trends of low birth rates and aging within Japanese society, the government shall indicate a policy shift towards inner-urban residency and compact cities, such being positioned as a basic tenet of the government's urban policies.

Furthermore, the government shall also promote inner-urban residency through the adoption of the following initiatives in order to aggregate both urban functionalities and services:

- i) The government shall support the initiatives and subsidies of local authorities, such being designed both to attract medical and welfare facilities, etc., into inner-urban areas, and to promote the relocation of households to both inner-urban areas and along transportation corridors.
- ii) To reduce further expansion of the urban sprawl, the government shall curb new urban development projects that target suburban areas.
- iii) The government shall promote effective use of public facilities, and deregulations for the purpose of increasing the convenience of inner-urban areas.

- The government shall develop guidelines on the effective use of land arising from the remodeling or space-reduction of sewage-treatment facilities, such remodeling/space-reductions resultant from the utilization of private-sector advanced membrane technologies.

The government shall also introduce medical and welfare facilities to the precincts of public

rental-housing estates, etc.

- The government shall indicate methods for making spatial use of station-front plazas where large numbers of people congregate. The government shall also implement inducements such as the easing of floor-area ratio restrictions, etc., in order to contribute to the securing of space for Light Rail Transit (LRT) on privately-owned land.
  - The government shall improve access to inner-urban areas and also compact the size of cities, such being achieved through the introduction of LRT and electric buses, etc., the operation of such offering a limited burden on the environment, while also being easily-accessed by all demographic segments.
  - The government shall promote the development of walkway networks, etc., and the creation of infrastructure that utilizes ICT, in order to assist the undertaking of more proactive urban activity by those demographic segments that currently experience mobility issues, examples of whom would be the elderly and the disabled, etc.
- iv) The government shall provide information on human resources and knowhow issues, such being required by local authorities when training specialist human resources for the promotion of inner-urban residency.
- (2) The government shall undertake the following efforts for the purpose of vastly reducing CO<sub>2</sub> emissions via the efficient usage of energy sources:
- i) The government shall formulate “Low Carbon City Development Guidance” (early in FY2010),

thus contributing to reducing the CO<sub>2</sub> emissions of individual cities and districts, in order that individual cities can objectively evaluate the situation of CO<sub>2</sub> emissions, etc., when formulating their master plans, and setting targets aimed at the compacting of cities, etc.

- ii) To promote effective energy management, the government shall ease regulations in order to realize the effective use of wastewater heat sources and other untapped energies, while also presenting measures for the usage of sunlight and other recyclable energy sources in conjunction with the development of urban areas that contribute to area-based energy usage.

(Example) The releasing to the private-sector of untapped wastewater heat sources bound within sewage pipes through a process of deregulation, and promoting the use of wastewater energies through public-sector/private-sector collaborative demonstrations, etc., such being related to the use and technical development of wastewater heat sources and biomasses.

- iii) To promote urban development using electric vehicles that leverage Japan's leading-edge ICT-based technologies, the government shall formulate guidelines that make it possible to support the development of recharging facilities for electric vehicles and electric-powered buses in private-sector car parks. The government shall also promote the development of ultra-compact low-carbon electric vehicles along with their operation and parking. This shall be done with a view to creating a low-carbon society through the promotion of "smart grids."



- (3) Case studies of pioneering initiatives undertaken (or to be undertaken)
- In Toyama City: The creation of an LRT network through public-sector/private-sector collaboration, in order to connect the northern and south parts of the city.
  - In Toyoda City, etc.: The development of low-carbon urban areas where solar power and other renewable energy sources are shared on an area-wide basis.
  - At Shinagawa Station and in surrounding areas: The promotion of the use of wastewater heat sources and recycled water derived from sewage-treatment plant operations.
  - In the development of the Shibuya Station area: The verification of the possibility of area-based usage of untapped energy sources.

### **Two to Three Year Goals**

- The government shall continue to consider ideal directions for urban planning systems, with a view to achieving both inner-urban living and the compacting of cities.

### **3. Strategy for Revitalizing Investment in Housing & Buildings, and the Reviving of Stock**

#### **1. Revitalizing housing markets by striking a balance between the supply of good-quality new housing, and the promotion of supply-fluidity and remodeling of existing housing**

##### **1) Ideal Situations/Future Targets**

The government shall revitalize housing markets and encourage investment based on a dual approach.

Firstly, it shall support the supply of high-quality new housing types, such including long-term superior housing options and eco-housing options, etc. Secondly, it shall promote both the supply-fluidity and remodeling of existing (second-hand) housing types. Through such actions, the government shall not only make it possible for people to flexibly select housing in accordance with their life-stage and lifestyle needs, rather such actions shall also contribute to the accumulation of a market stock of good-quality housing.

##### **(Strategy Target Year: 2020)**

- The government shall increase the ratio of housing investment as an expression of GDP from the current range of around 3% to some 5%.

##### **2) Current Issues and Challenges**

While housing investment represents one of the pillars of any expansion in domestic consumption, Japan's housing investment in recent years has tended to exhibit a downward trend. Also, as both expressions of GDP and per thousand head of population, the housing investment amounts of Japan fall below similar figures in Europe and North America.

Although there is a strongly-rooted desire among the population to purchase housing, the home-purchasing power of the general population has declined in accordance with the collapse of the seniority-based wage system and falling annual incomes in Japan. As such, for this and other reasons, traditional demand centered on new housing is starting to change in Japan. Furthermore, in Japan the supply of existing housing is limited, while the weight of remodeling investment is also low. In future, as in both Europe and North America, it is anticipated that opportunities for purchasing existing housing, renovating it, and then living in it, shall increase.

Conversely, there is also growing attention being given to the "quality" of new housing, as is witnessed by the fact that the construction of long-term superior housing options now accounts for approximately 20% of all detached homes. There are also expectations of the development of high-quality housing options that make use of living legacies, for which the framework of "Flat 35S Home Loans" and tax exemptions have been expanded.

With the housing market changing so dramatically, the government shall need to promote its revitalization through the supply of high-quality new housing, the supply of existing housing, and the development of the remodeling/renovation segment.

Furthermore, with regard to the remodeling/rebuilding of condominium complexes, for which a sizeable increase in demand is predicted, there are a number of issues evident. These issues include a general loss of interest in managing such buildings; there is also a lack of people among the condominium cooperative-management committees who are willing to work as facilitators of action. Moreover, progressive dilapidation is an issue. Currently, there are some 10,000 individual condominium units that were built over 50 years ago. This figure shall balloon to some 940,000 units in twenty years from now. Finally, it is difficult to develop consensus among condominium residents regarding future courses of action.

Meanwhile, a backlog of building certification procedures has arisen in accordance with the implementation of the revised Building Standards Act. Although efforts have been made to smoothen the way forward, it should be noted that further revisions to the act have been sought.

### **3) Policy Proposals in Response to the Challenges**

#### **Immediate Goals (including FY2011 budget requests)**

- (1) In addition to enhancing the support that is offered for the purchase of housing that displays excellence with regard to factors such as its energy-conservation, earthquake-resistance, and barrier-free (open-access) attributes, etc., such support thus promoting the supply of high-quality new housing options, the government shall also encourage the diffusion of long-term superior housing options in revising those standards related to tenement-housing options, whose diffusion has been sluggish, and also supporting improvements to the remodeling/renovation skills of small and medium-sized building contractors, etc.
- (2) With a view to further developing the markets for existing (second-hand) housing and remodeling/renovation services, etc., the government shall undertake the following measures:
  - i) The government shall provide support for purchases of remodeled and existing housing, such being covered by post-inspection defect insurance. In conjunction with this measure, the government shall also support efforts to provide information on remodeling businesses, such information being supplied by the insurance entities that underwrite remodeling defect insurance (such information shall include the disclosure of the names of registered remodeling businesses and their records of coverage under defect insurance policies). The government shall also support attempts to develop consultation services regarding estimates generated for remodeling work, while also supporting improvements to the remodeling skills of small and medium-sized

building contractors. Such measures shall be instituted in order that remodeling work can be carried out with peace-of-mind.

- ii) The government shall establish a housing traceability system using ICT, in order to make housing supply-fluidity more reliable.
  - iii) As well as developing advice and support systems for rental-housing in order to increase the peace-of-mind associated with it, the government shall promote the combined development of childcare and welfare facilities, along with the development of public rental-housing.
- (3) With a view to regenerating the stock of condominium units through the optimization of condominium management practices, etc., the government shall undertake the following measures:
- i) The government shall create manuals for formulating appropriate long-term repair plans and the accumulating of repair funds. The government shall also provide information regarding the revision of standard management agreements and other condominium management rules, etc., will also providing information on appropriate management practices to prospective purchasers of condominium units.
  - ii) To encourage the remodeling and rebuilding of dilapidated condominium complexes, MLIT shall consider a revision of the requirements for decisions regarding remodeling and rebuilding activities, etc., in collaboration with the Ministry of Justice (MOJ).
- (4) With the target of achieving 95% of buildings being earthquake-proof in 2020, the government

shall support aseismic remodeling and upgrading of buildings, such including the development of a system for indicating building-compliance with aseismic standards, and the strengthening those subsidies given for the aseismic remodeling of condominium complexes.

- (5) To increase the speed of building-certification inspections, simplify application documentation, and apply stricter penalties, etc., the government shall improve the deployment of building-certification procedures, etc., while also considering revisions of the Building Standards Act.

### **Problems to be Resolved**

- Revisions of housing taxation and loans, etc., should be carried out while watching conditions within the housing market.
- With regard to the condominium-related issues, MLIT shall need to collaborate with the Ministry of Justice, which is the ministry with jurisdiction over the Act for Unit Ownership, etc. of Buildings, and other legislation.

### **Two to Three Year Goals**

- Introduce a system of evaluation for infill remodeling work, demand for which is expected to rise. Develop a speedy and simple dispute-settlement system for remodeling work, an area in which problems often arise. Develop a scheme for appraising real estate prices in line with house valuations.

## **2. Ensuring housing that offers “peace-of-mind” and “independence” for the rapidly-growing elderly segment**

**–Low Birth Rates & the Aging Society as a Turning Point for Creating Regional Vitality –**

### **1) Ideal Situations/Future Targets**

In Japan, where the quickening trends of a low birth rate and an aging society continue unabated, there is a need to secure housing for the elderly in those areas to which they are accustomed, thus offering them peace-of-mind.

**(Strategy Target Year: 2020)**

In responding to the elderly population, the government shall raise the ratio of elderly housing so that it is on a par with levels encountered in Europe and North America (3-5%).

### **2) Current Issues and Challenges**

- The population of elderly persons living alone, and those in need of care, is expected to increase dramatically in coming years (those living alone: expected to increase by about 1.5 times (2005 → 2015), those in need of care: expected to increase by about 1.7 times (2005 → 2025)).

Therefore, it shall be important that the government ensure peace-of-mind housing for the elderly that is located in those areas to which they are accustomed, while, concurrently and as



much as possible, they can receive any medical/nursing care services that they may require.

- Presently, the ratio of elderly housing in Japan as expressed in terms of the total elderly population is low when compared to other countries. This situation even applies with regard to public-rental housing estates, also there has been little progress made in the provision of assisted-living facilities, etc., which assist with the daily lives of the elderly.

(Reference: Japan 0.9% (2005), Denmark 8.1% (2006), Sweden 2.3% (2005), U.K. 8.0% (2001), USA 2.2% (2000)).

- While elderly households possess assets in the form of housing and land, cash flow income can be limited, and elderly households may therefore need to liquidate assets in order to receive those medical/and nursing care services, etc., that can help ease the anxiety of old age. However, although about three and a half years have elapsed since the commencement of the Housing Relocation Support Program, there are few cases of elderly persons renting or subleasing their properties, due to the high proportion of such housing that requires aseismic diagnosis or remodeling/renovation work.

### **3) Policy Proposals in Response to the Challenges**

#### **Immediate Goals (including FY2011 budgetary requests)**

- (1) To promote a supply of housing to which has been combined medical/nursing care services, etc., the government shall clarify the legal status of elderly rental-housing to which has been

combined services offered by private-sector entrepreneurs, etc. The government shall also support the provision of such housing and its operation in accordance with appropriate management practices. Specifically, in order that appropriate services continue to be provided, the government shall undertake the following actions: Firstly, it shall introduce a registry that covers serviced-rental housing for the elderly. Secondly, it shall work to secure financing from businesses (rental-housing loans for the elderly, etc.). Thirdly, the government shall support housing relocations from owned to rental-housing (expanding mortgage-reversals to lump sum payments that are payable upon relocation), etc.

- (2) As a new mechanism for generating regional vitality, the government shall redevelop public rental-housing estates so that they become focus points for local welfare services. The government shall also establish serviced-housing whose services are derived from private-sector entrepreneurs, etc.; while also introducing day-service centers, home-visit nurse stations, and other medical/welfare/ lifestyle-support facilities. Such measures shall be realized through the leveraging of PPP, along with the use of existing land, and land/floor space assets derived from rebuilding activities, etc.
- (3) On an ad-hoc basis, the government shall promote and disseminate the standardization of housing-equipment technologies, such technologies being of assistance to the daily lives of elderly persons.

## **Problems to be Resolved**

- Collaboration shall be required with the Ministry of Health, Labour and Welfare (MHLW).

On the issue of the standardization of housing-equipment technologies, collaboration shall also be required with the Ministry of Economy, Trade and Industry (METI). (Guidelines on Design for the Elderly and Disabled –Housing Equipment and Appliances (JIS S 0024)).

### **3. Developing eco-friendly housing and buildings in order to meet Challenge**

#### **25 targets**

– From eco-conversion of individual structures to “complete eco-conversion” –

#### **1) Ideal Situations/Future Targets**

As well as improving the heat insulation properties of housing and other buildings, the government shall also promote conversions to energy-efficient housing and buildings, such conversions including both the equipment and energy-control systems thereof. Furthermore, the government shall make all new housing and buildings energy-efficient, thus vastly increasing the stock of energy-efficient structures. It shall also promote the zero-emission conversion of housing and buildings, while also achieving a reduction of CO<sub>2</sub> emissions in both the “residential sector” (housing) and the “business sector and others” (office buildings), such being achieved by a “complete eco-conversion” strategy.

#### **(Strategy Target Year: 2020)**

The government shall increase the ratio of the housing stock that has undergone some degree of energy-conservation work (i.e. the use of double sashes or double glazing on some or all the windows installed in such housing). This figure shall be raised from the current 21% to around 50%.

#### **2) Current Issues and Challenges**

Of the CO<sub>2</sub> emissions derived from energy sources, combined, the “residential sector” (housing) and

the “business sector and others” (office buildings) account for more than 30% of the total. CO<sub>2</sub> emissions in FY2008 were found to have risen significantly when compared to the 1990 calendar year, with increases of around 40% recorded for both housing and office buildings. As such, the reduction of such CO<sub>2</sub> emissions represents a pressing issue for both sectors. However, even with regard to current new housing, the rate of compliance with energy-conservation standards remains low. Thus, the government shall need to enhance energy-conservation incentives among the public, while concurrently strengthening those regulations aimed at energy-conservation practices.

(The rate of compliance with energy-conservation standards in new housing is around 10-20%, while more than half of all new housing stock is estimated to be uninsulated).

Raising the “visibility” of energy-conservation in housing and buildings shall be indispensable in the promotion of eco-conversion practices, however, while it is incorporated in the housing performance indication system and CASBEE, etc., such “visibility” could hardly be described as being widespread.

Meanwhile, timber is a renewable and recyclable resource, and in order to create an eco-friendly society, the government shall need to promote wooden housing and buildings. To this end, society shall be expected to strengthen marketing that is aimed at promoting the usage of locally-produced timbers, and to also rationalize those supply-line processes that stretch from timber producers, through distributors, and on to customers (purchasers and sellers).

Furthermore, the location in contact with a road and total floor area of buildings tend to represent

bottlenecks, such being due to the narrowness of facing streets, etc. As such, the rebuilding of dilapidated housing within areas where wooden structures are densely-concentrated, and the rebuilding of office buildings with poor energy efficiencies, etc. has not progressed.

### **3) Policy Proposals in Response to the Challenges**

#### **Immediate Goals (including FY2011 budget requests)**

- (1) To meet the targets of the Challenge 25 Initiative, the government shall create “process charts” that clarify the overall aims of the housing and building energy-conservation initiatives. Such charts shall also take into consideration existing structures. Specifically, with a view to making energy-conservation standards mandatory in future, the government shall define elements such as the scope of energy-conservation standard application, their timing, and related support measures, etc. Concurrently, the government shall also endeavor to disseminate diagnoses, evaluations and indicators of both eco-levels and their related-services, etc. (To be undertaken during 2010)
- (2) In order to assist the further spread of eco-housing, the government shall undertake the following measures:
  - i) The government shall encourage new constructions of eco-housing and the remodeling of existing housing in accordance with eco-housing standards by expanding the housing eco-points system, etc.

- ii) To promote “complete eco-conversion” through the increased “visibility” of eco-housing, and also via “zero-emission conversion,” etc., the government shall support pioneering efforts to undertake “complete eco-conversion.” Such support shall be offered by conducting demonstrations aimed at commercializing appliances related to the increased “visibility” of eco-housing (appliances in the home that “visually” ascertain energy-consumption volumes, etc.). The government shall also support “zero-emission conversion” demonstrations; such including increased structural heat-insulation and equipment-efficiencies, renewable energy usage, and the introduction of energy-storage and control systems, etc.
- (3) In order to assist the further spread of eco-buildings, the government shall undertake the following measures:
  - i) The government shall support the development of buildings with high overall environmental performance using CASBEE and other evaluative systems. It shall also strengthen the energy-conservation standards related to those large-scale buildings that exhibit high levels of energy consumption. This shall be done to encourage new constructions of eco-office buildings and to encourage the remodeling of existing office buildings via the increasing of structural heat-insulation and equipment-efficiencies, etc.
  - ii) For buildings, the government shall also promote “complete eco-conversion” via increased “visibility” and “zero-emission conversion,” etc.
  - iii) The government shall enhance and promote “complete eco-conversion” efforts not only in terms

of individual houses and buildings, but also at a general community level.

- (4) To promote the supply of environmentally friendly wooden housing, the government shall undertake the following measures:
  - i) The government shall support the construction of wooden demonstration houses in collaboration with forest owners and timber-processing mills, etc. The government shall also support the publishing of information, such including timber-production and distribution processes, and the effects of wooden housing on mitigating environmental burdens, etc.
  - ii) To reduce the cost and improve the quality of wooden housing and buildings, the government shall standardize formats.
  - iii) The government shall encourage the use of wood in public buildings and elsewhere.
- (5) To promote rebuilding of houses and office buildings that contribute to improved urban district environments, the government shall provide local authorities with technical advices regarding the following matters: Firstly, the positive use of the system for easing regulations, etc., on the width of the front road. Secondly, the building of structures appropriate to the characteristics of local areas. Thirdly, rebuilding of houses, etc., within areas where wooden structures are densely-concentrated. Concurrently, the government shall improve the operation of System for Integral Design for the promotion of rebuilding in accordance with the increasing in size of urban districts.



### **Two to Three Year Goals**

- The government shall strengthen both the regulations and support related to both the new construction and remodeling of housing and buildings. This shall be done with a view to expanding the stock of structures that satisfy new standards, such standards focusing upon energy-consumption volumes of buildings as a whole.

### **Directions for Future Study**

- In order to make all new housing and buildings energy-efficient, the government shall make compliance with energy-conservation standards mandatory.

### **Problems to be Resolved**

- Collaboration shall be required with the Ministry of Economy, Trade and Industry (METI) and the Ministry of the Environment (MOE) on energy-efficient housing and building issues.
- Collaboration shall be required with the Forestry Agency on wooden housing and building issues. (The Forestry Agency has jurisdiction over carpenters, building contractors and other participants in the local housing industry, as well as its jurisdiction over the forestry and timber industries).

## Enhancing the Strengths of Maritime Ports

Strengthen international competitiveness using principle of “selectionism and concentration”

**Immediate Goals**  
(including FY2011 budget requests)

**Nominate certain maritime ports to become Internationally-Strategic Container Ports**  
(From around June of 2010)

**Nominate certain maritime ports to become Internationally-Strategic Bulk Cargo Ports**  
(From around the end 2010)

**Two to Three Year Goals**

**Completion of domestic hub ports by 2015**  
Reduce the transshipment rates of all Japanese inbound and outgoing cargoes to other major East Asian ports to about half of present levels.

- Port management based on “private-sector” perspectives
- Concentrate cargoes by strengthening feeder networks (e.g. coastal shipping)
- Respond to increasing container ship displacement sizes

**Reliable transportation of major international bulk cargoes centering on internationally-strategic bulk cargo ports**

- Port management based on “private-sector” perspectives
- Respond to increasing displacement sizes of super-bulk carriers
- Encourage collaborations between companies for large-volume, centralized procurements of international bulk cargoes, etc.

**Future Goals**

**Aim to have these ports selected as major East Asian ports by 2020**

**Centering on the strategic ports, maintain the international competitiveness of domestic industries, and achieve the inexpensive, reliable transportation of those bulk cargoes that are imperative for the lives of Japan’s citizenry**

**Achieve safe and reliable port-entry procedures for passenger ships, etc., while responding to tourism promotion measures and endeavouring to increase passenger-convenience through collaborations with tourism-related-businesses**

## Enhancing the Strengths of Maritime Transport

**Strategic reform of Japan’s ocean-going maritime transport taxation system**

- Enhance the scope of application of the tonnage tax in a manner equivalent to what is encountered in other countries
- Maintenance and expansion of systems for ship owners regarding the accelerated depreciation of vessels, and vessel repurchasing provisions.
- Drastic reduction of vessel registration and licensing taxes, and the drastic reduction of fixed asset taxes as such apply to vessels

**Responses that are in line with international trends**

**Conduct a review regarding procedures related to ship equipment/seafarer qualifications as such matters are related to Japan-flagged ships**

**Develop infrastructure for securing/training superior merchant seamen (officers)**

**Responses that are in line with international trends**

**To strengthen the competitiveness of coastal shipping, whose activities support Japan’s merchant fleet, taxation systems shall be revised with a view to promoting lower carbon operations, operations undertaken on a larger scale, and operations undertaken in a grouped format**

**Develop and disseminate innovative energy-saving technologies for ships**

**Strengthen public and private-sector collaborations to further upgrade shipbuilding technologies and nurture maritime industries that can contribute to EEZ management, development and utilization**

**Under Japan’s leadership, formulate global warming prevention measures and other international rules for maritime transport, etc.**

## Strengthening Shipbuilding & Developing it for the Maritime Sector

# Schedule for Tourism Sector Growth Strategies

## Strategies for inducing foreign travelers to visit Japan

Deploying the “30 Million Foreign Visitors” program

### Immediate Goals (including FY2011 budget requests)

- Endeavor to strengthen the Japan National Tourism Organization (JNTO) framework, which represents the core of overseas promotional efforts, while also establishing numerical targets for the number of travelers to Japan generated by each target market, and also thoroughly implementing a policy of results first-and-foremost.
- With regard to the issuing of tourist visas to Chinese nationals, while the Tourism Powerhouse Promotion Headquarters coordinates with the relevant government ministries and agencies, Japan shall endeavor to expand both the number of Japanese diplomatic missions capable of handling such visa-issuing duties, while also carrying out a review of the criteria by which visas are issued to Chinese nationals, etc.
- Promote the establishment of systems for receiving foreign travelers visiting Japan.
- Establish an “Inbound Tourism Promotion and Examination Committee” in order to implement the aforementioned policies and verify the results of their implementation.

### Two to Three Year Goals

- Examine the expanded use of foreign trainees and exchange students for the purpose of improving the level of hospitality services delivered in foreign languages at lodging facilities.
- Examine the instituting a scholarship system and promoting the increased diffusion of internship systems for the purpose of utilizing foreign human resources.
- Endeavor to promote exchanges between tourism-focused universities located both here in Japan and abroad.

### Future Goals

-Based on the trends exhibited by international travel markets, thoroughly apply plan-do-check-act cycles (PDCA cycles) to the promotion of the “30 million foreign visitors” program.

Media Strategies

Overseas Promotions that Utilize New Media Channels

- Promote broader media exposure for Japan in order to establish a PR strategy that plants the message “I want to go to Japan.”
- Develop and disseminate new catchphrases while simultaneously rolling out new PR activities that tie-in.
- Investigate and examine whether methods of transmitting information that involve using the likes of blogs and Twitter can be applied to overseas promotional efforts, and establish a new PR strategy with high levels of cost-performance.
- Organize a working group to specialize in overseas media strategies. This group shall prepare, validate and modify centralized media strategies.

-Endeavor to be proactive in the utilization of overseas-based agents.

-Where media strategy is concerned, the government shall endeavor to strengthen its PR networks while factoring into its considerations both those collaborations undertaken with external specialists and other parties, and the roles played by such entities.

Advancing Domestic Tourism Through ICT

- While taking into consideration the findings of the Tourism Powerhouse Promotion Headquarters, the government shall proceed with an examination of the specific measures that can be taken with regard to the development of multilingual capabilities at cultural and other facilities, etc. Such developments shall be undertaken through the promotion of collaborative efforts among the related ministries and agencies.
- After designating regions such as Kyoto and Okinawa, etc., as special zones, steps shall be taken towards the full-fledged and total integration of ICT resources for the purpose of trialing the provision of tourism information within these areas. Steps shall then be taken to verify and validate the impact of such implementations.
- Promote the establishment of environment for the elderly and socially-vulnerable that allows for the provision of information and transportation assistance.

-For Japan-focused information concerning topics related to the nation’s culture, customs, tourism, history, and people, etc., and accumulated know-how related to the handling of foreign travelers to Japan in accordance with both their diversity of native languages and their differing cultural backgrounds, the government shall examine its policies for the purpose of establishing a bank of Japan-focused knowledge on the Internet.

-Through utilizing mobile terminals that are capable of displaying multiple languages, disseminate and develop the provision of information inside facilities such as airports, museums and theaters, and at outdoor tourist spots, etc.

-With respect to the provision of cyber media-based convenience to foreign travelers visiting Japan, via the aforementioned efforts, from their time of arrival in Japan until their time of departure, the provision of such services shall be realized in a manner that gives the impression of being totally unified from a user’s point-of-view.

Provision of All-Inclusive Services at Overseas Outposts

- With regard to the provision of information for foreign travelers visiting Japan; and implementation frameworks used for conducting overseas promotions, the government shall implement a model business that incorporates all-inclusive services, while not limiting itself to any existing structural conventions. This model business shall be conducted on a trial basis in a number of cities.

-While verifying and validating the effects of the model business in terms of the boosting of collaborations with overseas outposts, the government shall develop steps for the provision of all-inclusive services in principal countries, via efforts centered on collaborations in tourism and cultural policies. Such efforts shall also include the rationalization of point-of-contact operations at overseas outposts, and the deployment of new locally-stationed staff, staff enhancements at outposts located in only one office.

-Measures might include the appointment of “full-time sales promotion consuls” to Japan’s diplomatic missions in principle countries, etc. In the event that sales of large-scale infrastructure such as power-generating stations and railroads were initiated, etc., tourism and cultural policies, etc., shall also be leveraged in looking to strengthen the selling of Japan as a complete package.

## Strategies for Enhancing the Attraction of Tourism Regions

Creation of New Tourism Items

- Through collaborations, etc., with related government ministries and agencies, the government shall use the likes of culture, the performing arts, and sport, etc., as a springboard by which to cultivate fresh demand for visiting Japan.
- The government shall endeavor to promote the proactive enticement and conducting of MICE. To this end, the government shall closely examine a strengthening of the Kyoto International Conference Center’s functionalities
- Investigate measures for promoting cruises that serve to absorb increases in Asian demand, examining how such investigations can be translated into realities.
- Examine the level of domestic potential vis-à-vis the development of Integrated Resorts (IR), such being entities that incorporate casino and gaming facilities.

-Identify the appeal of those tourism centers that are responsive to their regional characteristics, such as regions offering winter resort opportunities, and tourist areas whose attraction centers on medical-treatment opportunities, etc.

-Select regions that, through actualizing their regional characteristics, have the potential to build on their attractiveness as centers of tourism, examine the implementation of projects for which focused support is offered across multiple government ministries and agencies.

-Promote the deregulation of necessary processes for the purpose of stimulating the ocean-cruise business.

-Realize the establishment of multiple centers of tourism that are responsive to their regional characteristics.

Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity

- Examine potential acts of deregulation, for the purpose of establishing environments that are conducive to the creation of attractive tourist spots.
- Establish a platform for creating tourism-oriented regions that incorporates the broad participation of parties affiliated with each region, not simply those from the tourism industry. Facilitate the original and ingenious creation of tourist spots while developing human resources in a wide range of fields related to tourism.**

-Continue to examine the revision of existing legal statutes and potential deregulation activities for the purpose of establishing environments conducive to the creation of attractive tourist spots.

-With regard to policies contributing to the creation of tourism-oriented regions that are overseen by various government ministries, the government shall make the transition to the lump subsidy system, an should match the pacing of its efforts with those initiatives for transitioning to a “lump subsidy” system being addressed as an issue by the government as a whole.

-Promote the leveraging of regional originality and ingenuity in terms of both the creation of tourist spots, and related human resource development efforts.

## Infrastructure Development for the Purpose of Turning Japan into a Tourism Powerhouse and Strategies for Reforming the National Consciousness

Promote the Idea of Dispersed Holiday-Taking Habits Among the Population

- In endeavoring to revitalize regional economies and expand employment levels through increases in domestic demand, the government shall configure extended spring and autumn (fall) holiday periods that are broken down by region, etc., while considering and implementing initiatives for the purpose of dispersing citizens’ usage of their annual leave-entitlements.**

-Through firmly embedding the idea of the dispersal of extended spring holidays, etc., such being broken down by individual region, the government shall endeavor to equalize existing demand and elicit prospective demand, as well as create new demand through extended autumn (fall) holiday periods.

-Endeavor to engineer a transformation in the national consciousness regarding leave periods, through the implementation of vacation-based reforms.

Development of a National Tourism-Oriented Mindset

- Proceed with examining promotional and other efforts for the continuous taking of annual paid leave while coordinating with other government ministries.
- Promote the compilation of tourism-based statistics.

-Examine policies that are binding to an extent that they will achieve the purpose of a greater utilization of paid leave-entitlements.

- Nurture “hearts that travel” and “hearts that love their local area,” among both children and students through educational collaborations.

-Seek to achieve the full utilization of annual paid leave-entitlements (taken from the Behavior Guidelines for Promoting Work-Life Balance).

# Schedule for Aviation Sector Growth Strategies (Best-Case Scenario)

	Immediate Goals (including FY2011 budget requests)	Two to Three Year Goals	Future Goals
[Strategy 1] Opening Japan's Skies to Asia & the World (Full-Fledged Promotion of Open Skies Agreements)	<p><b>Full-fledged promotion of open skies</b></p> <ul style="list-style-type: none"> <li>Once local agreement is secured for slot expansion at NRT, begin discussions with major countries regarding strategic open skies agreements with a view establishing agreements that include Tokyo Metropolitan Area airports which help jump-start international aviation logistics</li> <li>Promote lifting the ban on Forwarder Charter and third-country air carriers in order to stimulate the use of KIX, NGO and other Japanese airports as cargo hubs</li> </ul>	<ul style="list-style-type: none"> <li>Reach agreements with major countries that will allow NRT to expand to 270,000 takeoff/landing slots by FY2012 at the earliest</li> <li>Carefully evaluate NRT slot expansions, etc., as part of a phased liberalization push (including Tokyo Metropolitan Area Airports). First phase push for the 3rd and 4th freedoms of the "Freedoms of the Air" (the right to fly between two foreign countries during flights where such flights originate or end in one's own country). Second phase push for the 5th freedom (the right of onward conveyance).</li> <li>Promotion of radical liberalization that goes beyond the original framework of the 5th freedom, with KIX, NGO and other Japanese airports positioned as essential cargo hubs for the country.</li> </ul>	
	<p><b>General liberalization of regulations on international aviation business activities</b></p> <ul style="list-style-type: none"> <li>Develop an environment which promotes new participation and push for the relaxation of fare regulations, charter rules, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Push for further relaxations of regulations in line with progress being made on open skies agreements.</li> </ul>	
	<p><b>Transformation of HND into a 24-hour international hub</b></p> <ul style="list-style-type: none"> <li>Achieve 331,000 annual daytime slots plus an additional 40,000 annual late-night/early-morning slots. (Of these figures, some 30,000 daytime and 30,000 late-night/early-morning slots are for international routes.)</li> <li>Start a new operating system that incorporates Runway D</li> <li>Shorten minimum connection times (MCT)</li> </ul>	<ul style="list-style-type: none"> <li>In FY2011, achieve 350,000 annual daytime slots plus an additional 40,000 annual late-night/early-morning slots (All of the additional 19,000 daytime slots (vis-a-vis October, 2010) allocated to domestic routes.)</li> <li>Completion of new operating system that incorporates Runway D</li> </ul>	<ul style="list-style-type: none"> <li>In FY2013, achieve 407,000 annual daytime slots plus an additional 40,000 annual late-night/early-morning slots. (This projection, however, assumes that a new operating system that incorporates Runway D is formulated.) Some 90,000 of these slots will be international (60,000 annual daytime slots plus 30,000 annual late-night/early-morning slots)</li> <li>The next phase will be to continue watching the demand trends while at the same time carrying out wide-ranging examinations of the capacity expansion plans. Engage in further expansions of capacity if warranted</li> </ul>
[Strategy 2] Strengthening HND/NRT in Order to Enhance the Interurban Competitiveness of the Tokyo Metropolitan Area	<p><b>Enhancement of HND's New International Terminal</b></p> <ul style="list-style-type: none"> <li>Start enhancement of the new international passenger terminal</li> </ul>	<ul style="list-style-type: none"> <li>Continue efforts aimed at enhancement</li> </ul>	<ul style="list-style-type: none"> <li>Enhance the terminal to meet an annual daytime flight level of 60,000 slots</li> </ul>
	<p><b>Establish NRT position as a leading hub in Asia</b></p> <ul style="list-style-type: none"> <li>Conduct local negotiations aimed at achieving 300,000 annual slots</li> <li>Prepare to upgrade ramps/aprons, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Assuming local cooperation and upgraded facilities (upgrade ramps/aprons, etc.), increase annual slots to 270,000 flights during FY2012</li> <li>Expand airport handling capacity via a simultaneous and parallel takeoff and landing system, etc.</li> <li>Upgrade the system for accepting LCC and business jets</li> <li>Enhance domestic feeder routes</li> </ul>	<ul style="list-style-type: none"> <li>Enhance passenger terminals during FY2014 and further upgrade the ramps/aprons, etc. to handle 300,000 annual slots</li> <li>The next phase will be to continue watching the demand trends while at the same time carrying out wide-ranging examinations of the capacity expansion plans. Engage in further expansions of capacity if warranted</li> </ul>
	<p><b>Governance structures for the streamlining of airport management</b></p> <ul style="list-style-type: none"> <li>Optimize property rents in order to take in substantial non-aviation-derived revenues (Revise the current formulas used for calculating rents)</li> <li>Convene a panel of experts to review and advise on airport management structures (Integrating the management of airport-related businesses with that of airports, themselves; outsourcing management concessions to the private sector, or implementing privatization, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>During FY2011, strengthen monitoring of the status of airport-related businesses and increase the transparency of those businesses whose condition remains unclear (including the conducting of cross-comparisons of management efficiencies)</li> <li>During FY2011, receive findings from the panel of experts regarding approaches to be taken vis-a-vis airport management structures</li> </ul>	<ul style="list-style-type: none"> <li>As quickly as possible, develop examples where the management of airport-related businesses and airports themselves is integrated, either by outsourcing management concessions to the private sector, or privatizing outright</li> <li>Together with the above measures, revise related statutes, etc., and also take further steps to implement revisions of the airport development account</li> </ul>
[Strategy 3] Streamlining Airport Management by Leveraging "Private-Sector Wisdom and Financing"	<p><b>Review of the structure of revenues and expenditures in the airport development account (including taxes and public dues)</b></p> <ul style="list-style-type: none"> <li>Build a mechanism to enable third-parties to assess the necessity of developments from the planning stage</li> <li>Review a restructuring of the landing fee schedules</li> </ul>	<ul style="list-style-type: none"> <li>Undertake restructuring of landing fee schedules</li> </ul>	<ul style="list-style-type: none"> <li>Facilitate a restructuring of landing fee schedules, such a restructuring being in accordance with contemporary needs. This would include the lowering of the landing fees leveled on small-sized aircraft as much as possible</li> </ul>
	<p><b>KIX Balance Sheet Reforms</b></p> <ul style="list-style-type: none"> <li>Coordinate local, etc., stakeholders, request related budget items and prepare legislation for the administrative merger via holding company of KIX and ITM</li> <li>Look into the idea of management concessions agreements</li> </ul>	<ul style="list-style-type: none"> <li>Implement an administrative merger via holding company of KIX and ITM</li> <li>Examine the specific structures of management concessions agreements</li> </ul>	<ul style="list-style-type: none"> <li>Solicit/Select private-sector administrative proposals for maximizing the value of KIX and ITM</li> </ul>
	<p><b>Revitalization of KIX as international hub</b></p> <ul style="list-style-type: none"> <li>Look into and prepare measures for strengthening international competitiveness (attract LCC, strengthen position as cargo hub, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Continue to implement measures for strengthening the international competitiveness of KIX</li> </ul>	<ul style="list-style-type: none"> <li>Realizing a healthy balance sheet for KIX will allow for forward-looking airport strategies, and it will also establish KIX as both an Asian cargo hub and a hub for inbound flights</li> </ul>
[Strategy 4] Active Strengthening of Kansai International Airport (KIX) by Balance Sheet Reform	<p><b>Greater utilization of ITM</b></p> <ul style="list-style-type: none"> <li>Look into how ITM can compliment KIX</li> </ul>	<ul style="list-style-type: none"> <li>Prepare and promote means of using ITM to compliment KIX</li> </ul>	<ul style="list-style-type: none"> <li>Continue using ITM as a compliment to KIX, while reviewing changes in local conditions such as the advent of linear train services, etc., subject to private-sector management decisions, specific usage policies shall be decided upon that may include using former ITM land, doing away completely with ITM, and integrating its routes, etc., into KIX.</li> </ul>
	<p><b>Securing of air transport services using partnerships between airlines and local regions</b></p> <ul style="list-style-type: none"> <li>Create best practices relating to regional approaches to such matters</li> </ul>	<ul style="list-style-type: none"> <li>Utilize a national support system that is related to essential routes that service isolated islands</li> <li>Introduce mechanisms for providing incentives to regions that proactively engage in the securing air transport services</li> </ul>	<ul style="list-style-type: none"> <li>Secure air transport services using proactive regional approaches</li> </ul>
	<p><b>New slot allocation method for Haneda Airport</b></p> <ul style="list-style-type: none"> <li>Conduct design-exploration research for a new slot allocation system that utilizes market-based mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>Establish a slot allocation method based on the new slot allocation system that is to be put in place in FY2011, and start allocating slots using this method in FY2012</li> </ul>	<ul style="list-style-type: none"> <li>Examine the appropriateness of slot-allocation systems and revise as needed</li> </ul>
[Strategy 5] Maintaining Essential Air Networks	<p><b>Relaxation of technical regulations</b></p> <ul style="list-style-type: none"> <li>Promote mutual agreements with foreign countries such as the United States regarding flight crew licensing and other matters</li> <li>Relax restrictions in order to contribute to the increased utilization of foreign flight crew and higher aircraft utilization rates</li> </ul>	<ul style="list-style-type: none"> <li>Compromising aviation safety issues, relax regulations so that airlines can cut costs (e.g., the promoting of discussions and the concluding of mutual agreements with countries such as the United States etc., with regard to flight crew licenses and other matters)</li> </ul>	
	<p>Goals such as the development of dedicated LCC terminals and the restructuring of landing fee schedules, etc., shall be approached in conjunction with Strategies 1 – 5</p>		



# Schedule for International Expansion and Private-Public Partnership Sector Growth Strategies

International Expansion

	Immediate Goals (including FY2011 budget requests)	Two to Three Year Goals	Future Goals
<b>Strengthening of leadership, organizations and systems</b>  <b>Codification of standards</b>  <b>Development of financial mechanisms</b>	Joint Public-Private Top-Level Sales Efforts Under Governmental Leadership (Exerting influence on key persons in target countries and international organizations, making maximum use of personal letters)		
	<b>Strengthening of MLIT Internal Systems</b> <ul style="list-style-type: none"> <li>Strengthen networking with private enterprises, strengthen the framework for international expansion through unified management of information</li> </ul>	<ul style="list-style-type: none"> <li>Achieve strategic international expansion for each project in every sector, through partnerships with private-sector enterprises</li> </ul>	<ul style="list-style-type: none"> <li>Realize full-fledged international expansion (achieve policy goals)</li> </ul>
	<b>Create cross-ministry organizations to support international expansion, etc.</b> <ul style="list-style-type: none"> <li>Enhance and strengthen partnerships with other ministries and offices</li> <li>Conduct discussions aimed at creation of cross-ministry organizations to support international expansion</li> </ul>	<ul style="list-style-type: none"> <li>Establish and cultivate project implementing bodies to package and sell a wide variety of resources, and Japanese teams and consortiums bringing together multiple enterprises</li> </ul>	<ul style="list-style-type: none"> <li>Strive for stronger commercial relations with other nations</li> <li>Work toward the formation of strategic partnerships with other countries capable of complementary role-sharing with Japan</li> </ul>
	<b>Strengthen the support functions of embassies, JETRO and other organizations</b> <ul style="list-style-type: none"> <li>Dispatch of engineers and experts</li> <li>Unearth information on specific projects and provide it to companies</li> </ul>	<ul style="list-style-type: none"> <li>Construct a broad "pipeline" for connection to governments in other countries</li> <li>Leverage Japanese superiority through participation in the early stages of projects</li> </ul>	<ul style="list-style-type: none"> <li>Maintenance and enhancement of close relations with other governments</li> <li>Redistribution of human resources in accordance with global trends, etc.</li> </ul>
	Support for Corporate Efforts to Internationalize Organizations and Human Resources (human resources exchange programs with foreign and domestic companies with know-how related to overseas projects, creation and networking of a database of human resources information on foreign exchange students and trainees in Japan)		
	<b>Ensure that Japanese domestic standards are compatible with global standards</b> <ul style="list-style-type: none"> <li>Aggressively promote the domestic use of global standards through utilization of international ordering and contract methods (PPP, CM, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Expand domestic application of global standards</li> <li>Provide support for Japanese corporations to ensure smooth adaptation to global standards</li> </ul>	<ul style="list-style-type: none"> <li>Encourage compliance of Japanese domestic standards to global standards in various sectors</li> </ul>
	<b>Promote the adoption of Japanese standards worldwide, and secure compliance to Japanese standards in target countries</b> <ul style="list-style-type: none"> <li>Aggressively submit proposals for adoption of Japanese specifications to international organizations</li> <li>Develop standards appropriate to the current situation in countries targeted for investment</li> </ul>	<ul style="list-style-type: none"> <li>Play a leading role in discussions in organizations governing formulation of international specifications and standards</li> <li>Achieve international adoption of Japanese specifications</li> <li>Exert influence on target countries to promote adoption of Japanese standards</li> </ul>	<ul style="list-style-type: none"> <li>Establish international competitive power of Japanese technology by promoting new technological development and international standardization as a single package</li> </ul>
	<b>Support for technical cooperation (providing policy know-how and support for cultivation of human resources, etc.)</b>		
	<b>Codification of Governmental Financial Support Functions</b> <ul style="list-style-type: none"> <li>Broader application of JBIC investment and loans for developed countries</li> <li>Resumption of JICA investment and loans</li> </ul>	<ul style="list-style-type: none"> <li>Government-led infrastructure development and supply of risk funding for relevant M &amp; A</li> </ul>	<ul style="list-style-type: none"> <li>Consider further strengthening of financial support functions in line with the international expansion of Japanese companies</li> </ul>
	<b>Consideration of private-public infrastructure funds</b>	<b>Establish infrastructure funds and provide support for infrastructure investment</b>	<b>Investment support and credit enhancement through infrastructure funds</b>
<b>Strengthening of support through utilization of ODA budget (grants, interest-free loans) and trade insurance</b>			

Private-Public Partnership

Commercial use of administrative assets, etc.	Concession method	Reform of system	Specific projects
		<b>Systems with shared aspects: Consider and implement reforms starting in fiscal 2010</b>	<b>Continue considerations of issues facing systems with shared aspects</b>
		<b>Public property custodial system: Consider and implement such reforms as can be implemented within fiscal 2011</b>	<b>Consider and make preparations for reform of systems in line with the formation of specific projects, and implement reforms</b>
		Assuming the new system will be in place, solicit proposals from local governments and corporations (in fiscal 2010) geared toward formation of specific project proposals for 2011.	<b>Form proposals and implement specific projects</b> (distribution of risk between public and private sectors, construction of funding procurement schemes, etc.)
		<b>Privatization of Port and Harbor Operations:</b> Enter into considerations encompassing legal reforms during the 2011 regular Diet session. Starting in fiscal 2011, progressively transform public port corporations handling foreign trade into publicly traded companies	Continue considerations of issues facing systems with shared aspects
		<b>Strategies to Address Aging Infrastructure, etc. (Expanded access to areas adjacent to roads): Starting in fiscal 2010,</b> solicit proposals from the private sector and select target areas and regions. <b>(Improving the efficiency of maintenance and repairs): Starting in fiscal 2010,</b> consider the contents of pilot projects and exchange opinions with local governments	Consider reform of systems in line with new specific projects
		<b>Utilization of State-of-the-Art Private Sector Technology (Water Business): Starting in fiscal 2010,</b> commence full-fledged utilization of the cutting-edge membrane treatment technology held by the private sector, promote utilization of a comprehensive private-sector contracting system	<ul style="list-style-type: none"> <li>Continue soliciting proposals for specific projects</li> <li>Formulate project proposals and implement related legal reforms</li> </ul>
		<b>Expanded access to areas adjacent to rivers:</b> Starting in fiscal 2011, expand the scope of bodies and facilities eligible for occupation. Nationwide implementation without first conducting social experiments in limited areas is possible.	<b>Promote commercial use of administrative assets, etc. through PPP (private-public partnership)</b>
		<b>Promotion of subterranean development</b> Starting in fiscal 2010, work to disseminate the knowledge that areas such as subterranean passageways in subterranean shopping areas, etc. are eligible for subsidies, Starting in fiscal 2011, promote the utilization of a "Subterranean Development Private-Public Partnership Method"	
		<b>Promotion of transportation hub development</b> Starting in fiscal 2010, formulate guidelines for the use of spaces above station plazas. Also, enter into considerations on a system to promote use of spaces above rail lines, etc.	
		<b>Private-sector utilization of city parks</b> Starting in fiscal 2010, provide support for forward-looking endeavors by private-sector businesses	
		<b>Private-sector utilization of directly managed parking areas</b> Starting around March 2011, commence private-sector parking lot management	
		<b>Widespread adoption of small-scale hydropower</b> In fiscal 2010-11, produce the technical manual needed for permission to utilize water	
		<b>Adoption of power generation using clean energy sources</b> Starting in fiscal 2010, conduct surveys of potentially usable regions, promote development as a business. Starting in fiscal 2011, commence implementing project	
		<b>Expanded role of private sector in development and maintenance of optical fiber networks</b> In fiscal 2010, promote development as a business through meetings with private sector businesses, etc. Starting in fiscal 2011, consider project schemes.	
		<b>Maintenance and development of public electrical utility conduits and road administration cables</b> : Starting in fiscal 2010, commence selection of locations eligible for PFI projects and related procedures. Starting in fiscal 2011, introduce as a pilot project	

# Schedule for Housing and Urban Sector Growth Strategies

## Strategy for Creating Innovation in Major Cities

### Strengthening the international competitiveness of major cities

#### Immediate Goals (including FY2011 budget requests)

**Strengthening the international competitiveness of cities**

- Bring forward extension and enhancement, etc., of the Act on Special Measures Concerning Urban Regeneration
- Create a system of project-implementation and management by public-sector/private-sector committees
- Establish special zones that shall conduct various measures regarding deregulation
- Support the coordination, etc., of urban development
- Offer taxation support, and measures to induce private-sector capital
- Create guidelines on the amalgamation of urban districts and the easing of floor-area-ratios
- Develop strategies for the selling of Japanese cities
- Coordinate and start work on strategic projects
- Study measures for the obtaining of long-term capital funding at stable rates of interest, etc.

**Formulate and promote a strategy for metropolitan areas**

- Enact the "Basic Act for Metropolitan Areas' strategy " (tentative name); whose perspective shall be that of a national strategy (in the form of thorough amendments being made to the National Capital Region Development Act, etc.)
- Have the government formulate a "Metropolitan Areas' Strategy " as a national strategy.

#### Two to Three Year Goals

- Promote measures based on systemic amendments
- Fully implement strategic projects and apply to the selling of Japanese cities

- Propose and implement plans for strategy realization by public-sector/private-sector collaborative bodies

#### Future Goals

- Study measures to further strengthen the international competitiveness of cities

- Follow up the status of metropolitan areas and the implementation status of measures
- Study further revisions to policies on metropolitan areas

## Strategy for Harnessing Regional Potential

### Encouraging endogenous, strategic regional and urban development by new facilitators

**Promote endogenous wide-area strategies at a regional level, by various public-sector/private-sector collaborations**

- Create a system (including legislative means) for promoting spontaneous wide-area strategies at a regional level, such being developed by various public-sector/private-sector collaborations
- Give quasi-administrative authority to public-sector/private-sector collaborations recognized by the government, etc.
- Create schemes that can also be implemented at a community level
- Give certain authority to undertakers of "the New Public Commons", creating a system for support of such

- Propose and implement regional strategies (wide area) by public-sector/private-sector collaborative bodies
- Regional development (local communities) by undertakers of "the New Public Commons"

- Promote the proposal and implementation of spontaneous regional strategies in various parts of the country
- Improve the environment for activities by public-sector/private-sector collaborative bodies and undertakers of "the New Public Commons"

**Promote urban renewal at a district level through public-sector/private-sector collaborations**

- Create systems of support for the human resources development, capital, and activities of public-sector/private-sector collaborative organizations
- Give incentives to encourage private-sector participation (deregulation, etc.)
- Develop schemes for the preservation and use of historic street settings through public-sector/private-sector collaborations

- Develop schemes and procedures for inviting private-sector participation from the planning stage of developments
- Study new techniques for development by public-sector/private-sector collaborations (using new development paradigms such as Tax Increment Financing (TIF), etc.)

- Continue to study directions for systems based on initiatives undertaken in each district

### Issuing incentives for inner-urban living and compact cities

**Promote inner-urban living by concentrating urban functions and services**

- Support incentive measures for the localization of medical and welfare facilities, and support efforts regarding resident relocations
- Disseminate measures, etc., for effective use of publicly-owned assets

- In order to promote inner-urban living and create compact cities, continue to study ideal directions for urban planning systems
- Promote measures based on systemic amendments

- Promote inner urban residency, create compact cities
- Promote the nationwide diffusion of pioneering initiatives

**Make effective use of area-based energies in accordance with the greater compactness of cities**

- Formulate "Low Carbon City Development Guidance" that contributes to reduced CO2 emissions
- Deregulate, support and demonstrate experiments aimed at the use of untapped energies
- Conduct social experiments on urban development using electric vehicles, etc.

- Promote low-carbon urban development based on "Low Carbon City Development Guidance", etc.
- Nationwide strategies based on guidelines for the effective use of wastewater heat resources, etc.
- Measures to increase recharging facilities for electric vehicles, electric buses, etc.

## Strategy for Revitalizing Investment in Housing & Buildings, and the Reviving of Stock

### Revitalizing housing markets

**Promote the supply of high-quality new housing**

- Support and enhance purchases of housing that displays excellence with regard to factors such as its energy-conservation, earthquake-resistance, and barrier-free (open-access) attributes, etc.
- Revise standards related to tenement-housing options using superior long-term housing

- Promote measures based on systemic amendments

**Revitalize the housing market, expand housing investment**

**Improve the markets for existing housing and remodelling, etc.**

- Support and enhance purchases of remodelled and existing housing underpinned by housing defect insurance
- Support improvements to the remodeling/renovation skills of small and medium-sized building contractors, etc.

- Develop a speedy and simple dispute-settlement system related to remodeling work
- Develop a system for appraisals of real estate prices based on house value assessment

**Promote remodeling and rebuilding of dilapidated condominiums**

**Revitalize condominium stocks by optimizing management practices, etc.**

- Revise standard management agreements and other rules for condominium management
- Study and implement measures to promote remodeling, rebuilding, etc. (collaborate with the Ministry of Justice)

**Improve building certification procedures, etc., and gradually apply them**

**Study a revision to the Building Standards Act to speed up inspections for building certification procedures**

**Ensure housing in neighboring areas that enables the elderly achieve "peace of mind" in their daily lives**

**Establish and support the supply of serviced-housing for the elderly whose services are derived from private-sector entrepreneurs**

**Redevelop public rental-housing estates as focus points for local welfare services**

**PPP projects for the introduction of medical and welfare facilities, etc., to UR housing estates**

**Create process charts that clarify the overall aims of the housing and building energy-conservation initiatives**

**"Complete eco-conversion" of housing and buildings**

- Support the promotion of the diffusion of eco-housing and eco-buildings
- Undertake "visibility" measures
- Strengthen the energy-conservation standards related to large-scale buildings, etc.

**Support new and remodelled housing and buildings and strengthen regulations regarding such**

**Vastly increase the eco-friendly housing and building stock**

- Achieve 100% energy-conservation in new housing and buildings

**Promote the supply of wooden housing and buildings**

**Revise operations in order to promote rebuilding that contributes to improving urban district environments**

Ensuring that housing that offers "peace of mind" and "independence" for the rapidly-aging elderly is provided

Developing eco-friendly housing and buildings in order to meet Challenge 57 targets

## Maritime Sector Regulatory Reform Review List (List of Growth Strategy Issues)

Area	Item	Current Situation	Growth Strategy Issues	Applicable Laws and Regulations	Ministries Concerned
Enhancing the Strengths of Maritime Ports	The passage of vehicles loaded with 45f shipping containers within port areas	If the use of 45f shipping containers becomes widespread in the future, vehicles transferring cargoes between piers (e.g. transport from container-handling terminals to warehouses) will have to travel on public roads, but there are no vehicles in Japan that are compatible with 45f shipping containers that are able to use public roads.	If the use of 45f shipping containers becomes widespread, vehicles that can travel safely in accordance with both the Road Act and the Road Trucking Vehicle Law, etc., while carrying such containers shall need to be developed. Procedures shall also need to be applied smoothly.	Problems in operation and administration	—
Enhancing the Strengths of Maritime Ports	Smoother and speedier port-entry procedures	Based on the Immigration Control and Refugee Recognition Act, foreign nationals landing in Japan, with some exceptions, are obliged to follow procedures such as providing immigration officers with personal identification information using electromagnetic means (fingerprints, photo, etc.), and also undergoing an immigration examination.	The lengthy procedures required when ocean-going cruise ships enter Japanese maritime ports, and the resultant loss of visiting time by cruise passengers, creates a sense of dissatisfaction amongst passengers and reduces the value of cruise service products. This in turn acts as a disincentive for cruise ships to call on Japanese maritime ports.	Immigration Control and Refugee Recognition Act	Ministry of Justice (MOJ)

Enhancing the Strengths of Maritime Ports	The easing of restrictions regarding entering/leaving maritime ports at night	Although regulations on the entering or leaving of maritime ports at night were abolished in accordance with the 2005 amendment to the Act on Port Regulations, there are still restrictions in some maritime ports owing to a lack of safety at night.	As well as providing information on weather and sea conditions, and improving safety through visibility enhancement and other measures, this issue needs to be studied by pilots, port management authorities and other stakeholders.	None	—
Enhancing the Strengths of Maritime Ports	The easing of the immigration examination procedures that are applied to the processing of cruise ships, and the enhancement of CIQ systems	<p>When cruise ships enter Japanese maritime ports and discharge any passengers who then enter the country, the body temperature of those passengers has to be measured at the port of entry, while the same procedures are required at any second ports visited by such cruise ships (on a route from Nagasaki via Shanghai to Naha, for example, Naha would be considered a second port). Various other procedures such as designated applications for temporary entry are required at maritime ports such as Yakushima, Amami Oshima and elsewhere (closed ports).</p> <p>Meanwhile, boarding by immigration officers at previous ports or outside the boundaries of maritime ports is limited.</p>	An issue related to cruise promotion.	<p>Body temperature measurement: To be confirmed</p> <p>Second ports: Immigration Control and Refugee Recognition Act</p> <p>Closed ports: Customs Act</p>	<p>Ministry of Finance (MOF)</p> <p>Ministry of Justice (MOJ)</p> <p>Ministry of Health, Labour and Welfare (MHLW)</p>



<p>Enhancing the Strengths of Maritime Ports</p>	<p>The easing of regulations regarding maritime port entries, maritime port departures and acts of navigation of maritime ports conducted by large vessels</p>	<p>There are various regulations on maritime port entries, maritime port departures, and acts of navigation of maritime ports conducted by large vessels, these include regulations on night-time navigation activities in the Seto Inland Sea, 1L and 2L regulations (i.e. that the whole length of a ship is required for a channel, and that twice the ship's length is required to execute a full turn), and there are also standards for the use of tugboats.</p>	<p>An issue related to cruise promotion.</p>	<p>Seto Inland Sea: Maritime Traffic Safety Act 1L, 2L regulations: None Tugboat usage standards: JAPMA survey</p>	<p>—</p>
<p>Enhancing the Strengths of Maritime Transport</p>	<p>The simplifying of procedures related to ship inspections, etc., for the purpose of increasing the number of Japan-registered vessels</p>	<p>Ships are subject to inspections, measurements and registrations under the Ship Safety Act, etc.</p>	<p>Some of the procedures are complex, e.g. inspections, measurements and registrations are sometimes dealt with by different points-of-contact within government agencies.</p>	<p>Ship Act Ship Safety Act</p>	<p>—</p>

<p>Enhancing the Strengths of Maritime Transport</p>	<p>The simplifying of mariners' qualification procedures, for the purpose of increasing the number of Japan-registered vessels</p>	<p>(Approvals of foreign crew)  For a qualified foreign seaman to board a Japanese ship, the Minister of Land, Infrastructure, Transport and Tourism must confirm each individual's knowledge and their abilities before giving approval.  (Ships' cooks)  In order to qualify as a ship's cook, the captain's approval of the candidate's abilities is required.</p>	<p>(Approvals of foreign crew)  Approval procedures need to be simplified through coordination among the related parties, while maintaining safety in the passage of vessels.  (Ships' cooks)  There are some complicated procedures including those approvals-of-ability forthcoming from ship captains, etc.</p>	<p>Act on Ships' Officers and Boat Operators  <del>Seaman's Act</del>  Mariners Law Act</p>	<p>—</p>
<p>Enhancing the Strengths of Maritime Transport</p>	<p>The simplifying of inspection procedures related to the Radio Act, for the purpose of increasing the number of Japan-registered vessels</p>	<p>Wireless equipment is subject to wireless testing under the Radio Act.</p>	<p>Some of the wireless testing content and procedures are too complex.</p>	<p>Radio Act  Ship Safety Act</p>	<p>Ministry of Internal Affairs and Communications (MIC)</p>
<p>Enhancing the Strengths of Maritime Transport</p>	<p>The simplifying of ship inspection procedures applied to passenger ships engaged in international voyages, and the certification of lifeboatman.</p>	<p>In ship inspections of Japan-registered ocean-going cruise ships, procedures such as approvals of vessel materials are required. In addition, candidates for lifeboatman handling have to take examinations and be qualified.</p>	<p>An issue related to cruise promotion.</p>	<p>Ship Safety Act  <del>Seaman's Act</del>  Mariners Act</p>	<p>—</p>

Enhancing the Strengths of Maritime Transport	The expansion of allocations of foreign crew members to the ships' complements of ocean-going cruise passenger ships	In the labor agreement finalized in June of 1991, the allocation of foreign crew members to positions engaged in services was permitted on Japan-registered ocean-going cruise ships, but such persons were not permitted to be involved in the ship's operation.	An issue related to cruise promotion.	None (No regulations within legal statutes or ordinances; has not materialized owing to lack of labor agreements)	—
Enhancing the Strengths of Maritime Transport	The extending of landing permits issued to foreign crew members involved in trading company ocean-going passenger ships (revising the 30 day rule)	Foreign crew members of Japan-registered ocean-going cruise ships are issued with landing permits to land in Japan that are limited to just 30 days duration.	An issue related to cruise promotion.	Immigration Control and Refugee Recognition Act	Ministry of Justice (MOJ)
Strengthening Shipbuilding & Developing it for the Maritime Sector	Flexible response to business expansions by shipyards	Shipyards need licenses issued in accordance with the provisions of the Public Water Body Reclamation Act in order to expand on their seaward side. In areas surrounding the Seto Inland Sea, meanwhile, special consideration is required in accordance with the provisions of the Act on Special Measures Concerning the Conservation of the Environment of the Seto Inland Sea.	Adjustments related to the obtaining of public water body reclamation licenses are difficult when such accompany shipyard expansion plans. In areas surrounding the Seto Inland Sea, the situation is particularly strict owing to the existence of the Act on Special Measures Concerning the Conservation of the Environment of the Seto Inland Sea.	Public Water Body Reclamation Act Act on Special Measures Concerning the Conservation of the Environment of the Seto Inland Sea	Ministry of the Environment (MOE)

## Tourism Sector Regulatory Reform Review List (List of Growth Strategy Issues)

Area	Item	Current Situation	Growth Strategy Issues	Applicable Laws and Regulations	Ministries Concerned
Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity	Travel business regulations that conform to locally-planned tourism [Ohkoso]	It is necessary for individuals implementing experience exchange programs to register as a travel agency in the event that they conduct any arrangements commencing with modes of transport and ending with the organization of accommodation facilities for those persons participating in such experience exchange programs.	Locally-planned tourism, which is accompanied by diversified services, is arriving at the point where it does not necessarily fit within the framework of the existing Travel Agency Act.	Travel Agency Act	Japan Tourism Agency (JTA)
Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity	Revision of licensed guide-interpreter system [Ohkoso]	In order to become a licensed guide-interpreter, defined as somebody who conducts guide-interpreter work for the purpose of compensation, a person must pass the "licensed guide-interpreter examination," conducted under the authority of the Commissioner, the Japan Tourism Agency (JTA). A person must also be registered with prefectural government authorities.	In order to continue ensuring that the licensed guide-interpreter system is able to address changes in the environment, such as the diversification of travel needs among foreigners travelers to Japan, and the rapid increase in the number of travelers from nearby Asian nations, it shall be necessary to examine the recognition of paid guides other than interpreter-guides.	Licensed Guide In	Japan Tourism Agency (JTA)

<p>Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity</p>	<p>Landscape surrounding river dikes and footpath bridges [Hoshino]</p>	<p>It is established under the terms of the River Act that river administrators shall conduct basic policy-formulation for the purpose of establishing rivers and river-establishment plans that are in accordance with actual local conditions.</p>	<p>There are instances where river structures that don't match the atmosphere of hot spring resorts exist, such as large-scale river dikes and bridges. Such structures negatively impact the surrounding scenery.</p>	<p>River Act</p>	<p>Ministry of Land, Infrastructure, Transport and Tourism (MLIT)</p>
<p>Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity</p>	<p>Limits on acts of development in urban planning systems [Ohgami, Hoshino]</p>	<p>According to the City Planning Act, in order to conduct acts of development in urbanization-control areas, it shall be necessary to receive permits from the prefectural governor.</p>	<p>According to the City Planning Act, should an area be classified as an urbanization control area, it is not possible to build the likes of lodgings or resort facilities, even in what otherwise might be considered as ideal locations. An example of this would be mountains locations that are surrounded by nature.</p>	<p>City Planning Act</p>	<p>Ministry of Land, Infrastructure, Transport and Tourism (MLIT)</p>
<p>Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity</p>	<p>Inability to conduct long-term leases and subdivisions for sales for the purpose of hotel facilities in urban planning park areas [Ohgami]</p>	<p>According to the City Planning Act, for an entity, being an individual other than a national government institution or a local public entity, to be able to conduct an urban planning business, permits from the prefectural governor are necessary.</p>	<p>In urban planning park areas, the fact that long-term leases and subdivisions for sale cannot be conducted for hotel rooms creates a lack of business flexibility.</p>	<p>City Planning Act</p>	<p>Ministry of Land, Infrastructure, Transport and Tourism (MLIT)</p>

<p>Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity</p>	<p>Architectural standards for wooden structures [Hoshino]</p>	<p>According to the Building Standards Act, lodging facilities represent special structures, and those with three or more stories and over 3,000m<sup>2</sup> in total floor area must be rendered as fire-resistant structures. Additionally, according to the Fire Service Act, sprinklers must be installed in lodging facilities with 11 or more stories or those with 10 or less stories that possess a total floor area of 6,000m<sup>2</sup> or more.</p>	<p>The removal of exhaust fumes, the installation of sprinklers, limitations on interior décor, etc., are all stipulated under different laws and ordinances from the perspective of fire and disaster prevention. However, these measures make it difficult to construct Japanese-style lodging facilities made of wood.</p>	<p>Building Standards Act Fire Service Act</p>	<p>Ministry of Land, Infrastructure, Transport and Tourism (MLIT)  Ministry of Internal Affairs and Communications (MIC)</p>
<p>Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity</p>	<p>Architectural standards pertaining to thatched roofs [Hoshino]</p>	<p>According to the Building Standards Act, roofs of buildings in fire prevention districts, quasi-fire prevention districts, and Article 22 districts must be resilient to burning.</p>	<p>It is difficult to build Japanese-style lodging facilities using the likes of thatched roofs.</p>	<p>Building Standards Act Fire Service Act</p>	<p>Ministry of Land, Infrastructure, Transport and Tourism (MLIT)  Ministry of Internal Affairs and Communications (MIC)</p>

<p>Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity</p>	<p>Tour guidance for lodgers [Hoshino]</p>	<p>Upon conducting a paid business of transporting passengers in accordance with the demands of a second party, permission under the Road Transport Act shall be necessary. However, with regards to the pickup and drop-off of lodgers conducted by lodging or similar facilities, etc., for transport between the closest train station, etc. and the aforementioned lodging facilities, for which the aforementioned transport is not considered an independent act and is thus included within the process of standard operations, being that it is inextricably linked to the said operations, and for which the said transport does not constitute an act resembling the provision of a passenger-chauffeur business, the said transport falls within the category of private transportation and as such does not require permission under the law.</p>	<p>For acts of taking lodgers on a tour of areas surrounding a lodging in the course of a pickup or a drop-off, depending on the nature of the transportation and the embodiment of the act, it may be necessary to properly apply the Road Transport Act.</p>	<p>Road Transport Act</p>	<p>Ministry of Land, Infrastructure, Transport and Tourism (MLIT)</p>
<p>Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity</p>	<p>Transport of participants by business operators of eco-tours, etc. [Ohkoso]</p>	<p>Upon conducting a paid business of transporting passengers in accordance with the demands of a second party, permission under the Road Transport Act shall be necessary.</p>	<p>Should eco-tours or similar businesses fall under the "paid business of transporting passengers in accordance with the demands of a second party," permission under the Road Transport Act may be necessary.</p>	<p>Road Transport Act</p>	<p>Ministry of Land, Infrastructure, Transport and Tourism (MLIT)</p>

<p>Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity</p>	<p>Safety standards for cableways [Hoshino]</p>	<p>The provisions of Article 35 of the Railway Business Act state that cableway business operators, in accordance with technical standards set forth by Ministry of Land, Infrastructure, Transport and Tourism ordinances, must maintain and manage the related cableway facilities.</p>	<p>Cableway maintenance costs are a burden on business operators.</p>	<p>Railway Business Act</p>	<p>Ministry of Land, Infrastructure, Transport and Tourism (MLIT)</p>
<p>Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity</p>	<p>Safety regulations for rafts, etc. [Ohkoso]</p>	<p>Even should a raft be built as part of a trial raft-building process, should the said raft be intended to transport more than six individuals or fall under similar conditions, the raft becomes subject to the Ship Safety Act, and as such must undergo a ship inspection.</p>	<p>For acts that are regulated under the Ship Safety Act, it is necessary that the regulated nature of the said acts be clearly indicated to business operators, and that crackdowns on unruly business operators who continue to conduct illegal acts be strengthened. Additionally, it is necessary to also examine a systemized framework that is consistent with the actual state of the likes of eco-tours and trial activities.</p>	<p>Ship Safety Act</p>	<p>Ministry of Land, Infrastructure, Transport and Tourism (MLIT)</p>
<p>Deregulation, etc. aimed at the inventive and innovative creation of tourist spots</p>	<p>Safety standards for helicopters [Hoshino]</p>	<p>The conducting of airworthiness certification for Japanese aircraft including helicopters, as well as applicable safety standards, are stipulated by the Civil Aeronautics Act. The safety standards used are the same as those of Europe and the Americas, being in accordance with the Convention on International Civic Aviation.</p>	<p>Helicopter maintenance costs are a burden on business operators.</p>	<p>Civil Aeronautics Act</p>	<p>Ministry of Land, Infrastructure, Transport and Tourism (MLIT)</p>



<p>Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity</p>	<p>Usage regulations for heliports on building rooftops [Ohe]</p>	<p>It is established that aircraft including helicopters may not take off and land at places other than airports and other locations such as heliports that have been granted permission to be established under the Civil Aeronautics Act.</p>	<p>Despite the presence of heliports on the rooftops of numerous buildings in Tokyo, these cannot be used other than in times of natural disaster and other emergencies due to their not being granted permission under the Civil Aeronautics Act to do otherwise.</p>	<p>Civil Aeronautics Act</p>	<p>Ministry of Land, Infrastructure, Transport and Tourism (MLIT)</p>
<p>Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity</p>	<p>Prohibition of riding tandem bicycles [Ohkoso]</p>	<p>The Road Traffic Act states that the maximum number of passengers for light vehicles is as stipulated in the Public Safety Commission Regulations issued by each prefecture.</p>	<p>At this time, travel on public roads without any limitation on the types of road used is recognized in only three prefectures: Hyogo, Yamagata and Nagano. However, recognition to a limited extent is noted in numerous other prefectures.</p>	<p>Ordinance for the Road Traffic Act</p>	<p>National Police Agency (NPA)</p>
<p>Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity</p>	<p>Sprinkler-installation requirements within exhibition booths [Ohkoso]</p>	<p>It is established that even should sprinklers be installed within an exhibition facility itself, should a temporary booth erected in that facility have a ceiling, sprinklers must also be installed within that booth ceiling. However, in regional areas, the interpretation of this rule by local fire departments may differ, such as allowing for separate methods such as the installation of a water cannon, regardless of the positioning of any sprinklers.</p>	<p>This could serve as a barrier to inviting international meetings to be held in Japan. The opinion also exists that requiring that sprinklers also be installed in temporary booths represents an example of excessive regulation.</p>	<p>Fire Service Act</p>	<p>Ministry of Internal Affairs and Communications (MIC)</p>

<p>Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity</p>	<p>Hand-washing equipment installation-requirements within exhibition booths [Ohkoso]</p>	<p>Upon erecting an establishment that prepares and serves food and beverages onsite at exhibitions, etc., it is required that a sink for washing hands be installed on the premises. As these sinks installed at each stand need to be connected to both running water and drainage facilities, and due to other reasons, an entity running such an establishment takes on a large cost burden. However, the interpretation of the above differs according to region, with some regions, as an example, recognizing that there is a sink "on the premises" if there is a kitchen located nearby.</p>	<p>This could serve as a barrier to inviting international meetings to be held in Japan. The opinion also exists that requiring that sinks be present within each stand (booth) represents an example of excessive regulation.</p>	<p>Ordinance for the Food Sanitation Act</p>	<p>Ministry of Health, Labor and Welfare (MHLW)</p>
<p>Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity</p>	<p>Installation of wash areas at open-air baths [Hoshino]</p>	<p>Guidance by healthcare centers is conducted in accordance with the Administrative Guidelines on Sanitation, Etc. at Public Bathhouses (Notice from the Director of the Environmental Health Bureau, Ministry of Health, Labor and Welfare)</p>	<p>Within the mentioned Guidelines, it is established that wash areas are not to be established at open-air baths located outdoors, from the standpoint of sanitation.</p>	<p>Administrative Guidelines on Sanitation, Etc. at Public Bathhouses (Notice from the Director of the Environmental Health Bureau, Ministry of Health, Labor and Welfare)</p>	<p>Ministry of Health, Labor and Welfare (MHLW)</p>

<p>Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity</p>	<p>Establishment of dual-sex (common) baths [Hoshino]</p>	<p>Based on the Public Bathhouse Act, under ordinances established by local public entities in accordance with prefectural ordinances, cases exist in which the establishment of dual-sex (common) is prohibited.</p>	<p>Depending on the prefecture, there are places where the establishment of dual-sex (common) public baths is forbidden.</p>	<p>Ordinance for the Public Bathhouse Act</p>	<p>Ministry of Health, Labor and Welfare (MHLW)</p>
<p>Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity</p>	<p>Handing of harvests during trial farming [Ohkoso]</p>	<p>It is established that in order to cook vegetables that have been harvested through trial-farming and providing them at a cost, it shall be necessary to obtain the relevant permits under the Food Sanitation Act.</p>	<p>In the case of inns associated with trial-agriculture (farming), forestry, and fishery businesses, it has already been communicated through published notice that permit requirements, etc. under the terms of facility standards, are to be administered in a flexible fashion. Based on this, it shall be necessary to examine whether or not further deregulation efforts are necessary.</p>	<p>Food Sanitation Act</p>	<p>Ministry of Health, Labor and Welfare (MHLW)</p>
<p>Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity</p>	<p>Facility standards for private residences temporarily taking-in lodgers [Ohkoso]</p>	<p>Under the Hotel Business Act, facility standards similar to those of normal Japanese-style inns are also applied to those private residences temporarily taking-in lodgers.</p>	<p>In the case of inns associated with trial-agriculture (farming), forestry, and fishery businesses, based on the fact that certain deregulation efforts are already underway, it shall be necessary to examine whether or not further deregulation is necessary.</p>	<p>Hotel Business Act</p>	<p>Ministry of Health, Labor and Welfare (MHLW)</p>

<p>Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity</p>	<p>Increasing flexibility of work-shift systems [Ohgami]</p>	<p>The maximum number of work hours under the law is stipulated as being 40 hours per week and eight hours per day as a general rule. However, also stipulated is an exception labeled the "monthly unit-based irregular working hours system," which is recognized as a means of addressing fluctuations in business, etc.</p> <p>A condition for this system is established as being that, it is necessary to clearly lay out in advance the irregular working hours for each day and week prior to the commencement of the said irregular working hours.</p> <p>Furthermore, retail businesses, hotels, or food and beverage establishments that employ less than 30 individuals during standard operations may, upon using the monthly unit-based modified irregular working hours system,</p>	<p>Due to an inability to flexibly alter those work shifts communicated to employees in advance, competitiveness as an industry does not improve.</p>	<p>Labor Standards Act</p>	<p>Ministry of Health, Labor and Welfare (MHLW)</p>
<p>Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity</p>	<p>Preservation and management of forests [Ohkoso]</p>	<p>Reporting, logging and planting instructions based on forest-planning systems, advice on forestry management, and requirements pertaining to permits for clear-cut logging and planting based on forest preservation systems, are all imposed.</p>	<p>Administrative enforceability with regards to the establishment of forests is weak, and forests in each region are becoming such that people cannot enter them.</p>	<p>Law for the Preservation and Management of Forests</p>	<p>Ministry of Agriculture, Forestry and Fisheries (MAFF)</p>

<p>Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity</p>	<p>Acquisition of farmland for trial farming [Ohkoso]</p>	<p>A permit from agricultural committees or a prefectural governor is necessary in order to acquire farmland; furthermore, past cultivation results, etc. are established as a prerequisite for receiving permits.</p>	<p>The inability to readily acquire farmland is serving as a barrier to the implementation of eco-tours, etc. Furthermore, in the event that the farmland is not intended for non-profit purposes, it may be obtained through even simpler methods in the form of private farmland for community use.</p>	<p>Agriculture Land Act</p>	<p>Ministry of Agriculture, Forestry and Fisheries (MAFF)</p>
<p>Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity</p>	<p>Restoration requirement for skiing areas [Hoshino]</p>	<p>For national parks, etc., restoration orders from the Minister of the Environment are as stipulated within the Natural Parks Act. Furthermore, there are autonomous entities for which the Ordinance attached to the Act stipulates restoration orders.</p>	<p>Cases exist in which despite business for a particular skiing area deteriorating, the high costs associated with restoration makes it impossible to withdraw from that business, thereby putting pressure on the private enterprises involved.</p>	<p>Ordinance for the Natural Parks Act</p>	<p>Ministry of the Environment (MOE)</p>
<p>Deregulation and human resources development, etc., for the purpose of creating tourism regions that leverage both originality and ingenuity</p>	<p>Access regulations for natural parks, etc. [Ohkoso]</p>	<p>In addition to cases of access being regulated under the Natural Parks Act, there are also other cases such as parties calling for prohibitions of entry, etc., as a means by which to promote proper behavior.</p>	<p>It is advisable to enable flexible access to natural parks under a fixed degree of control for the purpose of effectively utilizing such locations as attractive tourism resources.</p>	<p>Natural Parks Act</p>	<p>Ministry of the Environment (MOE)</p>

## Aviation Sector Regulatory Reform Review List (List of Growth Strategy Issues)

Area	Item	Current Situation	Growth Strategy Issues	Applicable Laws and Regulations	Ministries Concerned
Opening Japanese Skies to Asia and the World (Full-Fledged Promotion of Open Skies)	Elimination of restrictions on Forwarder Charter for international airfreight shipment 【Oue, Chujo】	Forwarder Charter is approved only under limited conditions, such as constrained supply and demand. Furthermore, foreign airlines need to report when they do not have regular flights capable of handling demand.	The situation within air freight service which is regulated by circular notice needs to be made more competitive and responsive to user needs.	Circular notice	Ministry of Land, Infrastructure, Transport and Tourism
Opening Japanese Skies to Asia and the World (Full-Fledged Promotion of Open Skies)	Relaxation of approval standards for charter flights 【Chujo】	It takes time to get approval for own-use charters.		Circular notice	Ministry of Land, Infrastructure, Transport and Tourism
Opening Japanese Skies to Asia and the World (Full-Fledged Promotion of Open Skies)	Use of mobile phones onboard 【Sakamura】	Usage is treated as a safety hazard and is completely forbidden within Japan by the Civil Aeronautics Act and by public notice. It requires to revise the Radio Act and to certify under the provision of the Civil Aeronautics Act to install base station onboard.	In Europe, the equipment installation approval on the aviation legislation has gone into effect and the requirements of the radio legislation have already been put in place, resolving safety-related issues. Ideally, in Japan as well, restrictions will be abolished and a new system will be set up so that an equal footing status can be achieved and user convenience will be increased.	Civil Aeronautics Act Public notice Radio Act	Ministry of Land, Infrastructure, Transport and Tourism Ministry of Internal Affairs and Communications
Enhancing Haneda and Narita to Enhance the Interurban Competitiveness of the Tokyo Metropolitan Area	Elimination of restrictions on international route restrictions for Haneda Airport 【Oue】	Regular service is allowed only for daytime routes to destinations close by in Asia.	In consideration of user convenience and the free participation of companies in flight routes, regular service not restricted by time or destination needs to be allowed.	Cabinet resolution	Ministry of Land, Infrastructure, Transport and Tourism

Enhancing Haneda and Narita to Enhance the Interurban Competitiveness of the Tokyo Metropolitan Area	Elimination of domestic and international restrictions on slots at Haneda 【Oue】	Slot allocation is divided between international-use and domestic-use.	This is a factor impeding airlines from freely participating in or withdrawing from routes.	Cabinet resolution	Ministry of Land, Infrastructure, Transport and Tourism
Enhancing Haneda and Narita to Enhance the Interurban Competitiveness of the Tokyo Metropolitan Area	Opening of government-use aircraft slots 【Oue】	Haneda Airport maintains slots for government-use aircraft which have little need of using Haneda Airport.	Haneda Airport slots are a valuable commodity which must be used effectively.	Circular notice	Ministry of Land, Infrastructure, Transport and Tourism
Enhancing Haneda and Narita to Enhance the Interurban Competitiveness of the Tokyo Metropolitan Area	Expansion of slots 【Oue】	There are many restrictions on flight routes, control systems, etc., at Haneda Airport, and there is room still for the existing infrastructure to be put to maximally effective use.	Active discussion with the relevant public authorities, the U.S. military and others is needed in order to allow for full utilization of the existing infrastructure.		Ministry of Land, Infrastructure, Transport and Tourism Ministry of Foreign Affairs
Maintenance of a Truly Essential Air Network	Liberalization of companies' ability to participate in and withdraw from routes 【Oue】	Participation in and withdrawal from Haneda routes is limited by the "one flight rule", "three flights rule", etc.	A greater degree of freedom for participation in and withdrawal from routes is needed.	Circular notice	Ministry of Land, Infrastructure, Transport and Tourism
Expansion of Benefit to Users through the Promotion of Participation by LCC	Handling of aircraft fueling while passengers are aboard 【Oue】	As a rule, this is not performed.	Provided the necessary safety precautions are taken, aircraft fueling while passengers are aboard needs to be allowed in order to increase aircraft turnover and provide for efficient business operations.	Circular notice	Ministry of Land, Infrastructure, Transport and Tourism

Expansion of Benefit to Users through the Promotion of Participation by LCC	Handling of domestic/international aircraft 【Oue】	The time required to complete the procedures for switching between domestic and international flights makes it difficult to efficiently utilize aircraft.	In order to increase aircraft turnover and provide for efficient business operation, procedural simplification is needed.	Customs Act	Ministry of Finance
Expansion of Benefit to Users through the Promotion of Participation by LCC	Streamlining of procedures for acquiring pilot license 【Oue】	The situation described at right does not currently exist.	A mechanism is needed for streamlining the establishment and expansion of businesses responsible for certifying qualified pilots from ICAO signatory countries, providing quick issuance of competence certificate, etc.	Civil Aeronautics Act	Ministry of Land, Infrastructure, Transport and Tourism
Expansion of Benefit to Users through the Promotion of Participation by LCC	Elimination of the IT sales ratio for charter flights 【Oue】	Sales to individual passengers are limited to half the total number of seats.	Unrestricted sales would provide for more flexible fare-setting.	Circular notice	Ministry of Land, Infrastructure, Transport and Tourism
Expansion of Benefit to Users through the Promotion of Participation by LCC	Review of restrictions on foreign investment in domestic air carriers 【Oue, Chujo】	Foreign investment is limited to 1/3 of the capital structure.	Discussion is needed which focuses on the expansion of traffic rights (fifth and seventh freedoms) and on the expansion of open skies in various countries.	Civil Aeronautics Act	Ministry of Land, Infrastructure, Transport and Tourism
Expansion of Benefit to Users through the Promotion of Participation by LCC	Elimination of cabotage restrictions 【Chujo】	Foreign air carriers are forbidden from flying domestically in Japan.		Convention on International Civil Aviation Civil Aeronautics Act	Ministry of Land, Infrastructure, Transport and Tourism



Expansion of Benefit to Users through the Promotion of Participation by LCC	Review of maintenance system 【Oue】	Regular maintenance is performed for aircraft for which the letter maintenance (i.e., A maintenance, C maintenance, etc., regular maintenance) concept does not apply (B777 and later, B737-600/700/800, etc.).	Because necessary maintenance can be divided between and carried out for aircraft parked short-term, it is not necessary to take aircraft out of commission for long periods of time; this would then enable aircraft turnover to be improved.	Ordinance for the Enforcement of the Civil Aeronautics Act	Ministry of Land, Infrastructure, Transport and Tourism
Expansion of Benefit to Users through the Promotion of Participation by LCC	Efficient deployment of ETOPS 【Oue】	As a rule, it requires one to two years for deployment of routes that require ETOPS (Extended Range Operations with Two-Engine Airplanes).	This is a factor impeding efficient business deployment by airlines.	Circular notice	Ministry of Land, Infrastructure, Transport and Tourism
Expansion of Benefit to Users through the Promotion of Participation by LCC	Elimination of stamping 【Oue】	Newly registered aircraft must be stamped (i.e., the national origin, registration number, etc., of an aircraft must be recorded in its structural members).	The elimination of restrictions unique to Japan would have no adverse effects.	Civil Aeronautics Act	Ministry of Land, Infrastructure, Transport and Tourism
Expansion of Benefit to Users through the Promotion of Participation by LCC	Review of "allowable scope" for certifying captains 【Oue】	The "allowable scope" of certification of captains by airline companies' check pilots is set, and promotion to captain involves a review by a JCAB examiner.	Approval has already been obtained for these pilots in their home countries, and this requirement impedes airlines' efficient business deployment.	Circular notice	Ministry of Land, Infrastructure, Transport and Tourism
Expansion of Benefit to Users through the Promotion of Participation by LCC	Medical examinations for older pilots 【Oue】	Medical examinations for older pilots are different than those for other pilots; a wide range of additional testing is required.	Eliminating additional examinations not contained in international standards (ICAO standards) would have no adverse effects.	Circular notice	Ministry of Land, Infrastructure, Transport and Tourism

Expansion of Benefit to Users through the Promotion of Participation by LCC	Allowable number of older pilots 【Oue】	Currently, there is a limit of one older crew member per flight.	There is no reasonable objection to allowing two older pilots on domestic routes.	Circular notice	Ministry of Land, Infrastructure, Transport and Tourism
Expansion of Benefit to Users through the Promotion of Participation by LCC	Introduction of MPL 【Oue】	The recommendation at right should be implemented quickly.	Introducing MPL (Multi-crew Pilot License - a new competence certificate limited to airline copilots) will allow crew training times to be shortened, training facilities to be consolidated, etc.	Civil Aeronautics Act	Ministry of Land, Infrastructure, Transport and Tourism
Expansion of Benefit to Users through the Promotion of Participation by LCC	Expansion and review of the system for spare parts certification 【Oue】	In the case of important equipment, Japan requires a spare parts certification inspection and/or a government-led inspection, even if the parts in question already have valid certification from the FAA/EASA, etc.	This is a system unique to Japan which needs to recognize international standards for ensuring safety.	Civil Aeronautics Act	Ministry of Land, Infrastructure, Transport and Tourism
Expansion of Benefit to Users through the Promotion of Participation by LCC	Mechanic certification training 【Oue】	Despite the fact that there has been a move from individual verification by qualified mechanics to systematic verification by companies that exist for such a purpose, the government is still heavily involved in the individual's attainment of certification.	A reasonable approach would be for the government to inspect and certify the skill capacity of the different certification companies' training facilities, etc., and then confer to them the responsibilities and rights of training, inspecting, conferring qualifications upon, etc., mechanics.	Civil Aeronautics Act	Ministry of Land, Infrastructure, Transport and Tourism
Expansion of Benefit to Users through the Promotion of Participation by LCC	Review of spacing of regular maintenance 【Oue】	Airlines have no degree of freedom in establishing the timing of regular maintenance and, thus, cannot reasonably and efficiently optimize maintenance opportunities based on their maintenance history.	Costs can be reduced by putting airlines' maintenance history to effective use and by spacing out further the timing of regular maintenance.	Ordinance for the Enforcement of the Civil Aeronautics Act	Ministry of Land, Infrastructure, Transport and Tourism

Expansion of Benefit to Users through the Promotion of Participation by LCC	Handling of between-flight inspections for models that do not need it 【Oue】	Despite revision by circular notice aimed at updating air safety standards (March, 26, 2008), companies are still being instructed to perform between-flight inspections for models that do not need it.	An efficient system is needed in order to foster low-cost business operation.	Ordinance for the Enforcement of the Civil Aeronautics Act	Ministry of Land, Infrastructure, Transport and Tourism
Expansion of Benefit to Users through the Promotion of Participation by LCC	ETOPS route change approval process 【Oue】	Each new flight route, including approved charter flights that are within the maximum time range, requires an application which needs around a month for approval.	It is difficult to meet user needs, particularly charter flight, etc., user needs, in a timely fashion.	Circular notice	Ministry of Land, Infrastructure, Transport and Tourism
Expansion of Benefit to Users through the Promotion of Participation by LCC	Simplification of airworthiness certification inspection at time of aircraft sale 【Oue】	Regardless of whether an aircraft already has a valid certification of airworthiness at the time of sale, an inspection (document inspection, ground check and flight check) equivalent to that administered at the time of acquiring or renewing airworthiness certification is required.	This impedes the efficient business operation of airlines.	Ordinance for the Enforcement of the Civil Aeronautics Act	Ministry of Land, Infrastructure, Transport and Tourism
Expansion of Benefit to Users through the Promotion of Participation by LCC	Speeding up of delivery of new aircraft 【Oue】	When new aircraft are brought to Japan, the original copies of the aircraft registration, airworthiness certification, etc., must be brought as well.	New aircraft can be more quickly put into operation if acceptable alternatives are implemented, such as allowing copies of certification to be used or letting overseas diplomatic missions issue certifications.	Civil Aeronautics Act	Ministry of Land, Infrastructure, Transport and Tourism Ministry of Foreign Affairs
Expansion of Benefit to Users through the Promotion of Participation by LCC	Introduction of an authorized agent system 【Oue】	The U.S. FAA has an authorized agent system (DER, DMIR, DAR, etc., qualification) to avoid the inefficiency that would result if it tried to conduct assessment of all areas under its purview solely on its own, and this makes authorization and approval run more smoothly. Japan, however, has no such system.	An authorized agent system should be created in order to reduce the workload of the Civil Aviation Bureau as well as to allow airlines to operate their business more efficiently.		Ministry of Land, Infrastructure, Transport and Tourism

Expansion of Benefit to Users through the Promotion of Participation by LCC	Simplification of acquisition of supplemental type certification 【Oue】	When acquiring STC (supplemental type certification), Japanese STC inspections (including redundant inspections) are implemented after STC has been secured from the aircraft's country of origin.	The fact that Japanese inspections and inspections by the aircraft's country of origin cannot be conducted in parallel as well as the fact that some inspections are redundant produces inefficiency.	Civil Aeronautics Act	Ministry of Land, Infrastructure, Transport and Tourism
Expansion of Benefit to Users through the Promotion of Participation by LCC	Implementation of the Bilateral Aviation Safety Agreement (BASA) with the U.S. 【Oue, Chujo】	This agreement as well as airworthiness implementation arrangements were concluded in April 2009 with the U.S.	Prompt adoption of mutual recognition agreements is needed in other aviation safety sectors (licensing, maintenance facilities, flight simulation equipment, etc.).	Civil Aeronautics Act	Ministry of Land, Infrastructure, Transport and Tourism Ministry of Foreign Affairs
Expansion of Benefit to Users through the Promotion of Participation by LCC	Active utilization of leading-edge and new technology 【Oue】	The introduction of flight systems utilizing GBAS (Ground Based Augmentation System) (precision approach systems using GLS (= approach systems utilizing GBAS) instead of ILS) is being considered.	The introduction of such technology would provide such advantages as increased safety, increased flight frequency and lower maintenance and repair costs thanks to efficient radio facilities.		Ministry of Land, Infrastructure, Transport and Tourism
Expansion of Benefit to Users through the Promotion of Participation by LCC	Sorting of relationship between the Civil Aeronautics Act and the Radio Act 【Oue】	Despite the fact that aircraft safety is the purview of the Civil Aeronautics Act, the Radio Act includes necessary inspections and stipulation relating to this.	The overlapping nature of the Civil Aeronautics Act and Radio Act creates an impediment to efficient business operation.	Civil Aeronautics Act Radio Act	Ministry of Land, Infrastructure, Transport and Tourism Ministry of Internal Affairs and Communications
Expansion of Benefit to Users through the Promotion of Participation by LCC	Sorting of relationship between the Civil Aeronautics Act and the Aircraft Manufacturing Industry Act 【Oue】	Both the Civil Aeronautics Act and the Aircraft Manufacturing Industry Act apply to maintenance contracting.	The overlapping nature of the Civil Aeronautics Act and Aircraft Manufacturing Industry Act creates an impediment to efficient business operation.	Civil Aeronautics Act Aircraft Manufacturing Industry Act	Ministry of Land, Infrastructure, Transport and Tourism Ministry of Economy, Trade and Industry
Expansion of Benefit to Users through the Promotion of Participation by LCC	Clarification of handling of de-icing/anti-icing operations 【Oue】	In "Aviation Safety Standards Update Program" (March 26, 2008), it is provided that the notice is established in around fall 2008. But, the notice has not been established, and the handling of this operations in terms of the Civil Aeronautics Act	Handling of this operations according to the Civil Aeronautics Act needs to be decided upon in light of international standards.	Circular notice	Ministry of Land, Infrastructure, Transport and Tourism

International Expansion and Private-Public Partnership Sector Regulatory Reform Review List (List of Growth Strategy Issues)

Area	Item	Current Situation	Growth Strategy Issues	Applicable Laws and Regulations	Ministries Concerned
Governmental Consolidation of Financial Aid Programs	Broader application of JBIC investment programs oriented toward developed countries	<p>With the exception of nuclear power and high-speed rail-related projects, JBIC investment is limited to developing countries and regions. (legislative revision to expand investment programs to include high-speed rail projects was adopted by Cabinet resolution on April 23)</p>	<p>In many cases, huge amounts of funding are required over long periods of time in order to package and sell infrastructure development projects overseas, and it is difficult to meet financing needs solely through private financial institutions. As a result, it is necessary to utilize JBIC investment programs proactively while at the same time preserving the basic rules of private sector supplementation.</p>	<p>Order for Enforcement of the Japan Finance Corporation Act</p>	<p>Ministry of Finance, JBIC, others</p>
Governmental Consolidation of Financial Aid Programs	Resumption of JICA overseas investment and loans	<p>Based on the December 2001 "Consolidation and Rationalization Plan of Public Corporations," overseas investment and loans by the former JBIC do not play a role in new aid programs. After this, JICA took over the overseas investment and loan-related duties of the former JBIC.</p>	<p>While in many cases, huge amounts of funding are required over long periods of time in order to package and sell infrastructure development projects overseas, projects in developing countries entail a high level of risk, making it difficult to obtain investment and loans from private financial institutions. As a result, it is necessary to utilize JICA overseas investment and loans.</p>	<p>(Restrictions adopted by Cabinet resolution)</p>	<p>Ministry of Finance Ministry of Foreign Affairs Ministry of Economy, Trade and Industry JICA</p>

Area	Item	Current Situation	Growth Strategy Issues	Applicable Laws and Regulations	Ministries Concerned
Smoother Assignment of Public Officials to Private-Sector Duties During PPP / PFI Initiatives	Assignment of public officials	The assignments of public officials are limited in duration, and public officials may not participate in a project once it has shifted over to the private sector.	There are restrictions on the assignment of public officials to PPP / PFI initiatives when they maintain their status as public officials, making it difficult to transfer project know-how to the private sector and improve the efficiency of the public sector.	Act on Special Provisions concerning Employment, Salary and Working Hours of Fixed-Term Research Officers Engaged in Regular Services, others	Ministry of Internal Affairs and Communications, others
Establishment of Procurement Procedures Suitable for New PPP / PFI Initiatives	Negotiations between clients and contractors	Under current regulations, as a basic rule, negotiations between clients and contractors may not take place.	In terms of procurement procedures for PPP / PFI initiatives, there is a lack of clearly defined procedures for business negotiations with enterprises and for implementation of initiatives encompassing pre-existing projects. This makes it difficult to act upon enterprises' project proposals and requests for relaxation of regulations and to provide citizens with needed services.	Public Accounting Act, Local Autonomy Act	Ministry of Finance Ministry of Internal Affairs and Communications
Establishment of Procurement Procedures Suitable for New PPP / PFI Initiatives	Disposal of investments and equity	For already existing PFI initiatives, initial investors are allowed to maintain possession of equity.	There is no diversification of investor participation due to the lack of a framework that assumes the possibility of selling off PPP / PFI initiative investments and equity to third parties.	Public Accounting Act, Local Autonomy Act, guidelines	Ministry of Finance Ministry of Internal Affairs and Communications, Cabinet Office

Area	Item	Current Situation	Growth Strategy Issues	Applicable Laws and Regulations	Ministries Concerned
Introduction of Concession Method	Partial private-sector access to public property custodial rights	There is an insufficient degree of freedom to decide on private sector construction and maintenance of facilities, services, fees, etc.	It is necessary to move forward with consideration of individual public property custodial rights responsive to the proposals and needs of private businesses.	PFI Act, Public Property Management Act	Cabinet Office, Ministry of Land, Infrastructure, Transport and Tourism
Privatization of Port and Harbor Operations, Etc.	Privatization of port and harbor operations	While private funding is utilized for some public docks, on the whole public docks are not operated in an efficient manner with consideration for the private sector viewpoint.	In order to strengthen the international competitive power of Japan's ports and harbors, it is necessary to manage ports and harbors efficiently, incorporating the private sector's viewpoint with strategies such as private operation of facilities constructed by the public sector.	Ports and Harbors Act, others	Ministry of Land, Infrastructure, Transport and Tourism
Strategies to Address Aging Infrastructure	Extensive use of road space	Regulations with regard to the system of highway joint development and general road occupancy are preventing the space including above roads and below elevated roads from opening to public.	There are obstacles to developing and maintaining roads using revenue obtained by opening spaces above and below existing roads to development by private developers.	Road Act, others	Ministry of Land, Infrastructure, Transport and Tourism
Commercial Use of Administrative Assets	Extensive use of river space	There are restrictions on the parties or facilities that may occupy areas adjacent to rivers under the current standards for permission to occupy riverside areas	Private enterprises may only build open-air cafes, campgrounds, etc. in designated areas adjacent to rivers, limiting opportunities for regional vitalization and creation of business opportunities.	River Act	Ministry of Land, Infrastructure, Transport and Tourism

Area	Item	Current Situation	Growth Strategy Issues	Applicable Laws and Regulations	Ministries Concerned
Commercial Use of Administrative Assets	Promotion of subterranean development	During joint public-private subterranean development, participants are insufficiently informed of the extent of national subsidization of regional public entities.	In addition to clarifying the extent of subsidies available for subterranean development, it is necessary to provide information and technical support to the regional public entities implementing projects.	(practical and administrative challenges)	Ministry of Land, Infrastructure, Transport and Tourism
Commercial Use of Administrative Assets	Promotion of transportation hub development	Development of freely accessible passageways, plazas adjacent to train stations, buildings connected to stations, etc., making maximum use of the spaces above station plazas, is not progressing due to difficulties in coordination between various parties (regional public entities, road administrators, railway operators, private businesses etc.)	In order to promote the utilization of spaces above plazas adjacent to train stations, it is necessary to formulate plans and produce guidelines for balanced coordination of expenses, etc. between enterprises, as well as to provide information and technical support to the regional public entities implementing projects.	(practical and administrative challenges)	Ministry of Land, Infrastructure, Transport and Tourism
Commercial Use of Administrative Assets	Promotion of transportation hub development	In cases where private businesses make use of the space above railway lines under agreements concluded by the private businesses and railway operators, there is no system in which the provisions of said agreements are handed down to other private businesses that may take over operations in the future.	A system in which the provisions of agreements are handed down is necessary.	(to be considered in accordance with institutional design)	Ministry of Land, Infrastructure, Transport and Tourism



Area	Item	Current Situation	Growth Strategy Issues	Applicable Laws and Regulations	Ministries Concerned
Commercial Use of Administrative Assets	Private-sector utilization of city parks	Private businesses are not making adequate use of public parks due to factors such as insufficient understanding of systems for obtaining permission to establish and operate facilities, systems for designating administrators, initiatives under the PFI Law, and related matters.	In order to to make use of private enterprises to boost the appeal of parks and cut the cost of development and maintenance, it is necessary to provide information about the systems in place as well as technical support.	(practical and administrative challenges)	Ministry of Land, Infrastructure, Transport and Tourism
Commercial Use of Administrative Assets	Widespread adoption of small-scale hydropower	There is a lack of clearly defined technical standards for water usage permission procedures for small-scale hydropower.	It is necessary to produce a technical manual clarifying the technical standards that must be met to obtain water usage permission.	(practical and administrative challenges)	Ministry of Land, Infrastructure, Transport and Tourism
Commercial Use of Administrative Assets	Adoption of power generation using clean energy sources	Private-sector operated power generation from clean energy sources, making use of riverside and roadside areas, is not taking place, and the national government is purchasing power from electric power enterprises.	In order to cut electricity costs, it is necessary to allow private enterprises access to riverside and roadside areas and promote the construction of facilities for power generation from clean energy sources.	(practical and administrative challenges)	Ministry of Land, Infrastructure, Transport and Tourism
Commercial Use of Administrative Assets	Expanded role of private sector in development and maintenance of optical fiber networks	The public sector bears all costs related to publicly installed and maintained optical fiber networks.	It is necessary to reduce the cost of new equipment by allowing private enterprises partial use of the transmission capacity of optical fiber networks and having private enterprises bear part of the cost of updating equipment.	(practical and administrative challenges)	Ministry of Land, Infrastructure, Transport and Tourism

Area	Item	Current Situation	Growth Strategy Issues	Applicable Laws and Regulations	Ministries Concerned
Commercial Use of Administrative Assets	Maintenance and development of public electrical utility conduits and road administration cables	At present, the public sector develops and maintains public electrical utility conduits and road administration cables, while the private sector installs and maintains private electrical wiring and aboveground equipment.	In order to utilize the know-how of private enterprises, it is necessary to pursue a pilot project in which private enterprises undertake the unified development and maintenance of public electrical utility conduits and road administration cables.	(practical and administrative challenges)	Ministry of Land, Infrastructure, Transport and Tourism

## Housing and Urban Sector Regulatory Reform Review List (List of Growth Strategy Issues)

Area	Item	Current Situation	Growth Strategy Issues	Applicable Laws and Regulations	Ministries Concerned
Strengthening the international competitiveness of “World City Tokyo” and other major cities	Establishing “internationally-competitive hub-zones” (tentative name) that shall conduct various measures regarding deregulation, etc.	In those regions that require urgent urban renewal, there are no deregulation measures other than the restrictions placed on urban planning vis-a-vis floor-area ratios, etc. There are also no taxation support measures for tenants, etc.	In districts that represent bases for the strengthening international competitiveness, bold deregulation of various laws and systems related to economic activity is required. There are also calls from economic groups for the scope of taxation support to be expanded, and for the content of such support to be enhanced.	Act on Special Measures Concerning Urban Regeneration, etc.	Urban Renaissance Headquarters, all ministries/agencies
Strengthening the international competitiveness of “World City Tokyo” and other major cities	Easing floor-area ratio regulations, after conducting evaluations of wide-ranging environmental contributions	The system of exceptions for floor-area ratios mainly evaluates efforts contributing to improvements within urban district environments, such as securing open spaces within a given site, while the system eases regulations based on floor-area ratios determined uniformly within an area.	To promote the development of cardinal (important) districts of major cities, a flexible response is sought as a mechanism by which to motivate the private-sector, such as evaluating efforts by private-sector businesses that make broad environmental contributions, or the easing regulations on floor-area ratios.	City Planning Act, etc. (problems in application and administration)	Ministry of Land, Infrastructure, Transport and Tourism (MLIT)
Strengthening the international competitiveness of “World City Tokyo” and other major cities	Promoting the amalgamation of urban districts	Land plots and districts are fragmented within major cities, and no attempts are made to use them effectively.	To strengthen urban functionalities, fragmented land plots and districts must be amalgamated, reorganized and used in a uniform fashion.	Problems in application and administration	Ministry of Land, Infrastructure, Transport and Tourism (MLIT)

<p>Encouraging endogenous, strategic regional and urban development by new facilitators</p>	<p>Creating schemes that promote strategic regional development via public-sector/private-sector collaborations (at the wide-area level)</p>	<p>Many local plans are drawn up by the government through coordination with related bodies. This gives rise to problems including; (1) disparate plans that have little external attraction, (2) execution conducted either vertically (by individual ministries/agencies) or horizontally (at a local administrative level), (3) powers and responsibilities of implementing bodies remain unclear. The net result of this is that plans fail to proceed as expected.</p>	<p>A system that provides special measures for deregulation is needed, allowing regions to freely propose endogenous regional strategies concerning wide-area and cross-ministerial initiatives (transcending vertical and horizontal policy divisions), and provide backing for the execution of proposals.</p>	<p>Various laws and ordinances</p>	<p>All ministries/agencies, Local authorities</p>
<p>Encouraging endogenous, strategic regional and urban development by new facilitators</p>	<p>Promoting regional developments at a community level via public-sector/private-sector collaborations based on the concept of "the New Public Commons"</p>	<p>Undertakers of "the New Public Commons" face problems including (1) inadequate social awareness, and (2) difficulty in procuring management resources (people, goods, money, information). As a result, regional development activities often fail to proceed as expected.</p>	<p>To stimulate regional development by undertakers of "the New Public Commons", we need a system whereby local authorities authorize NPOs and others that propose regional development activities based on the concept of "the New Public Commons," and carry out deregulation or fiscal support of such, etc.</p>	<p>Various ordinances</p>	<p>Local authorities</p>
<p>Encouraging endogenous, strategic regional and urban development by new facilitators</p>	<p>Easing regulations on floor-area ratios in line with the level of public contribution by the private-sector</p>	<p>The system of exceptions for floor-area ratios mainly evaluates efforts contributing to improvements within urban district environments, such as securing empty spaces within a given site, while the system eases regulations based on floor-area ratios determined uniformly within an area.</p>	<p>To encourage greater private-sector involvement in local area management and renewal, etc., we need to introduce incentives such as easing regulations on floor-area ratios in line with the level of public contribution made by the private-sector.</p>	<p>City Planning Act, etc. (problems in application and administration)</p>	<p>Ministry of Land, Infrastructure, Transport and Tourism (MLIT)</p>

Encouraging endogenous, strategic regional and urban development by new facilitators	Deregulation related to the establishment of profit-making facilities within public spaces, etc.	When private-sector businesses wish to establish profit-making facilities within public spaces, they are sometimes refused due to an overemphasis being placed on issues related to the impartiality of operations undertaken by public bodies.	As well as facilities such as open cafés that contribute to the thriving atmosphere of a locality, there are calls for the efficient development, maintenance and management of new public, multi-level use facilities such as communication facilities, ICT facilities, energy facilities, etc., all that are required by cities.	Problems in application and administration	Ministry of Land, Infrastructure, Transport and Tourism (MLIT)
Encouraging endogenous, strategic regional and urban development by new facilitators	Provision of government or public land free-of-charge, or at a discount, etc.	Regulations on free or discounted provision of government-owned land, etc., are as defined by law.	To encourage private -sector development and area management, it should be made easier for private-sector businesses to use government or public land.	National Property Act, Act on Special Measures Concerning National Property, Local Government Act	Ministry of Finance (MOF), Ministry of Internal Affairs and Communications (MIC)
Issuing incentives for inner-urban residency and compact cities	Curbing new urban development projects that target suburban areas	Although a decreasing trend, urbanization of suburban locations still continues in some areas.	To achieve inner-urban living and compact cities that are both humanistic and environmentally-friendly, systems and plans that are based upon the expanding of urban areas should be revised.	City Planning Act, etc.	Ministry of Land, Infrastructure, Transport and Tourism (MLIT)
Issuing incentives for inner-urban residency and compact cities	Government development of guidelines on the effective use of land arising from the remodeling or space-reduction of sewage-treatment facilities	Space is not effectively used at wastewater-treatment plants, etc.	With progressive obsolescence of wastewater-treatment plants, etc., wastewater-treatment facilities need to be remodeled and more effective use made of resulting vacant spaces in treatment plants.	Problems in application and administration	Ministry of Land, Infrastructure, Transport and Tourism (MLIT)

Issuing incentives for inner-urban residency and compact cities	Indicating methods for making spatial use of station-front plazas where large numbers of people congregate, etc.	Station front-plazas are planned based on the premise of flat land usage, and private-sector usage of any upper spatiality of such areas has not adequately progressed.	In order to develop highly convenient transportation hubs via the placing of buildings adjacent to stations, etc., and in order to create thriving atmospheres in local areas, multi-level use of station spatiality shall required.	Problems in application and administration	Ministry of Land, Infrastructure, Transport and Tourism (MLIT)
Issuing incentives for inner-urban residency and compact cities	Releasing to the private-sector untapped wastewater heat sources bound within sewage pipes	Under the Sewerage Service Act, properties may only be erected over sewage pipes in limited cases, whereas private-sector businesses are not permitted to erect properties in such locations in order to use heat derived from untreated wastewaters.	To stimulate private-sector investments and make effective use of untapped energy, effective use of wastewater heat sources sought.	Sewerage Service Act	Ministry of Land, Infrastructure, Transport and Tourism (MLIT), Ministry of Economy,
Revitalizing housing markets by striking a balance between the supply of good-quality new housing, and the promotion of supply-fluidity and remodeling of existing housing	Revising conditions for decisions on condominium modifications, etc.	Earthquake-proofing and other large-scale modifications must be decided upon by at least a 3/4 majority of unit owners and of voting rights, and when there are special impacts resulting from such activities such as changes to the area of an exclusively owned portion thereof, the approval of the owner of that portion shall be required.	For condominiums and other structures built under old aseismic standards, there are cases in which the agreement of at least 3/4 of unit holders and of voting rights has not been obtained for earthquake-proofing modification work, and it has taken time to reach a resolution of such situations. This issue needs to be revised.	Act on Unit Ownership, etc. of Buildings	Ministry of Justice (competent ministry)

<p>Revitalizing housing markets by striking a balance between the supply of good-quality new housing, and the promotion of supply-fluidity and remodeling of existing housing</p>	<p>Revising conditions for decisions on condominium rebuilding, etc.</p>	<p>Rebuildings must be decided by at least a 4/5 majority of unit owners and of voting rights. Even for decisions on the rebuilding of housing estates, a special majority resolution shall be required. Furthermore, even when rebuilding has been decided upon in this manner, evictions of tenants must be justified under the provisions of the Land Lease and House Lease Act.</p>	<p>When rebuilding dilapidated condominiums and housing estates, it is sometimes difficult to meet the legal conditions for obtaining rebuilding resolutions. As such, rebuilding plans are rejected by unit owners, and it takes time for a resolution of the situation to be achieved. In other cases, even when a rebuilding resolution has been achieved, tenants demand huge amounts of compensation in response to any act of eviction, and such demands have to be met in order to avoid further delays in the rebuilding process. As such, these conditions need to be revised.</p>	<p>Act on Unit Ownership, etc. of Buildings, Land Lease and House Lease Act</p>	<p>Ministry of Justice (MOJ) (competent ministry)</p>
<p>Revitalizing housing markets by striking a balance between the supply of good-quality new housing, and the promotion of supply-fluidity and remodeling of existing housing</p>	<p>Studying revisions to the Building Standards Act with a view to increasing the speed of building-certification inspections, simplifying application documentation, and applying stricter penalties</p>	<p>To prevent a recurrence of the problems of falsified structural-calculation data that surfaced in November of 2005, the Building Standards Act and other legal instruments were amended to include an appraisal of the compatibility of structural calculations, extensions of the screening periods for building certifications, and other elements that tightened both building certifications and inspections (enforced from June 20th, 2007).</p>	<p>Since the amendment to the Building Standards Act in 2007, various efforts have been made to make building certification procedures, etc., smoother, but some feel that these procedures still take time and are too complex.</p>	<p>Building Standards Act</p>	<p>Ministry of Land, Infrastructure, Transport and Tourism (MLIT)</p>

<p>Ensuring housing that offers “peace-of-mind” and “independence” for the rapidly-growing elderly segment</p>	<p>Supplying rental-housing for the elderly with caretakers and other services</p>	<p>Lack of arrangements, etc., that guarantee that a certain level of service shall be provided within the context of rental-housing for the elderly.</p>	<p>For peace-of-mind for the elderly residents, measures to eliminate malicious businesses and protect elderly lessees needs to be taken.</p>	<p>The Elderly Persons' Housing Act, Elderly Welfare Act, etc.</p>	<p>Ministry of Health, Labour and Welfare (MHLW), Ministry of Land, Infrastructure, Transport and Tourism (MLIT)</p>
<p>Developing eco-friendly housing and buildings in order to meet Challenge 25 targets</p>	<p>Strengthening energy-conservation standards for large-scale buildings, strengthening regulations for new constructions of housing and buildings, and the carrying out of remodeling/renovation of housing and buildings</p>	<p>Under the Act on the Rational Use of Energy, a building owner has to notify the competent ministry/agency of energy-conservation measures in cases of new constructions, conversions or extensions carried out t housing or buildings with a floor space of 300m2 or more. If such measures are found to be markedly inadequate in comparison to the energy-conservation standards, the building owner shall be subject to instruction, and if such instructions are not followed, the building owner shall subject to public announcement and the issuing of orders.</p>	<p>The “residential sector” (housing) and the “business sector and others” (office buildings) account for more than 30% of total CO2 emissions. CO2 emissions in FY2008 were found to have risen significantly when compared to the 1990 calendar year, with increases of around 40% recorded for both housing and office buildings. As such, the reduction of such CO2 emissions represents a pressing issue for both sectors. However, even with regard to current new housing, the rate of compliance with energy-conservation standards (formulated in 1999) is still low at only about 10% to 20%, and regulations and support need to be strengthened in this area.</p>	<p>Act on the Rational Use of Energy</p>	<p>Ministry of Land, Infrastructure, Transport and Tourism (MLIT), Ministry of Economy, Trade and Industry (METI)</p>



<p>Developing eco-friendly housing and buildings in order to meet Challenge 25 targets</p>	<p>Promoting the construction of large-scale wooden buildings</p>	<p>The principal structures of buildings with three or more floors that are used by large numbers of people, and of buildings with a total floor-area in excess of 3,000m<sup>2</sup>, must be able to withstand disasters, from the viewpoint of safety in the event of fire.</p>	<p>While large-scale wooden buildings can be built by applying ideas from the stage of selecting materials, this leads to problems including high costs. Therefore, research is needed to encourage the construction of large-scale wooden buildings.</p>	<p>Building Standards Act</p>	<p>Ministry of Land, Infrastructure, Transport and Tourism</p>
<p>Developing eco-friendly housing and buildings in order to meet Challenge 25 targets</p>	<p>Rebuilding housing, etc., within urban areas where wooden structures are densely-concentrated</p>	<p>Buildings must face streets roads with a width of at least 4m.</p>	<p>In urban areas with dense concentrations of wooden buildings, there can be problems in location in contact with a road. Reasons for this include the fact that facing roads are sometimes too narrow. Under the Building Standards Act, relaxation measures do exist regarding such requirements, however, these measures are not adequately used.</p>	<p>Building Standards Act</p>	<p>Ministry of Land, Infrastructure, Transport and Tourism (MLIT)</p>
<p>Developing eco-friendly housing and buildings in order to meet Challenge 25 targets</p>	<p>Rebuilding dilapidated office buildings, etc.</p>	<p>Buildings that have vacant areas of at least a certain scale within their premises may, when regarded as contributing to the environmental improvement of urban areas, be eligible for System for Integral Design that permits special total floor-area exceptions, etc.</p>	<p>The stock of office space, etc., in major city zones includes many dilapidated and small-scale buildings. To promote the rebuilding of such structures, there are demands that the regulations on total floor-area be eased for those buildings that display a degree of environmental-consideration (such being designed with advanced energy-conservation attributes, greening attributes, etc.).</p>	<p>Building Standards Act</p>	<p>Ministry of Land, Infrastructure, Transport and Tourism (MLIT)</p>