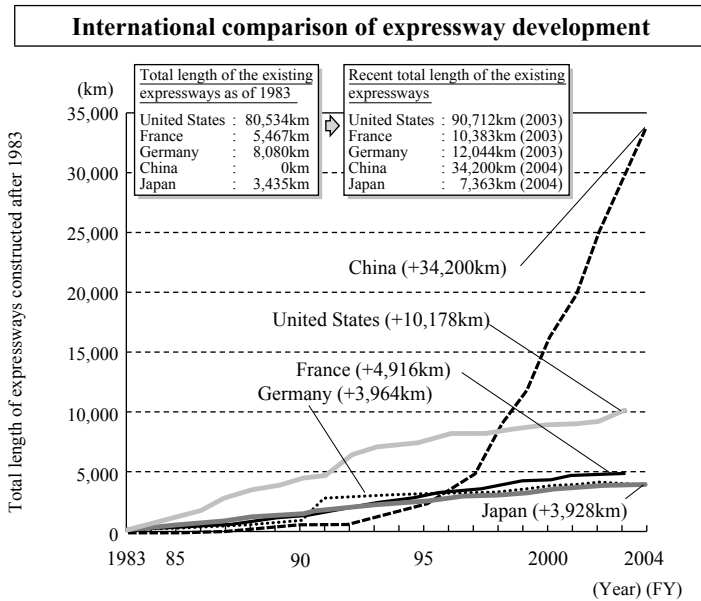


Chapter 5: Toward More Competitive Economy and Society

[Transport networks improvement]

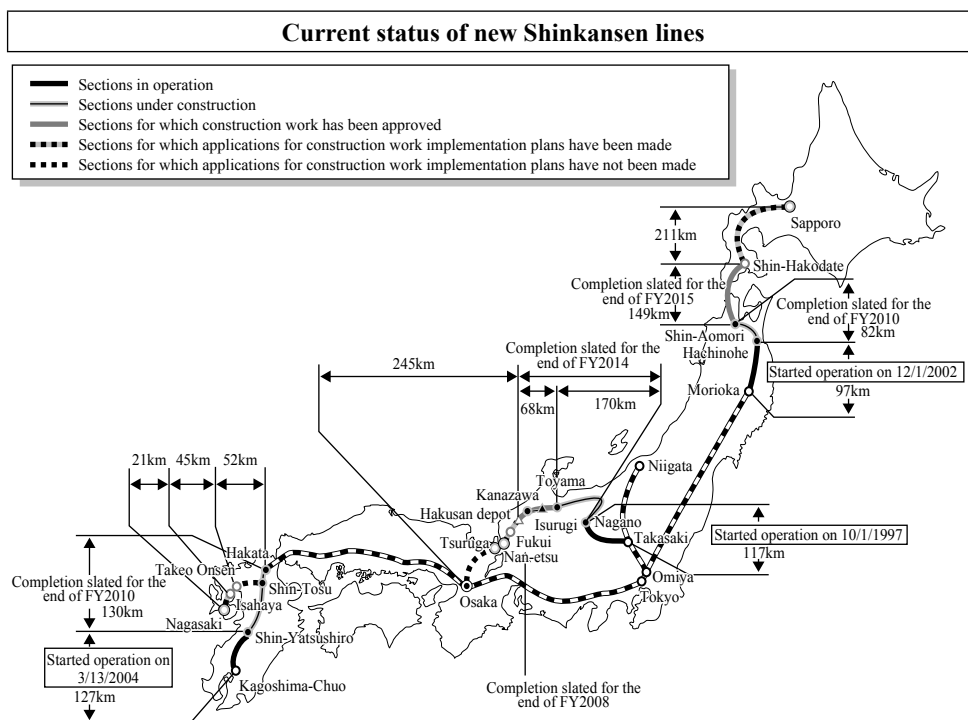
○ Developing highways

Japan is lagging behind the U.S. and European countries in terms of highway development. The country needs to promptly build highway networks, especially high-standard highways, for the development of safe and secure national land.



○ Developing the trunk railway network

The development of the trunk railway network in Japan is almost completed. Yet there is room for further development in service quality, including operating speed and convenience, and railway facilities.



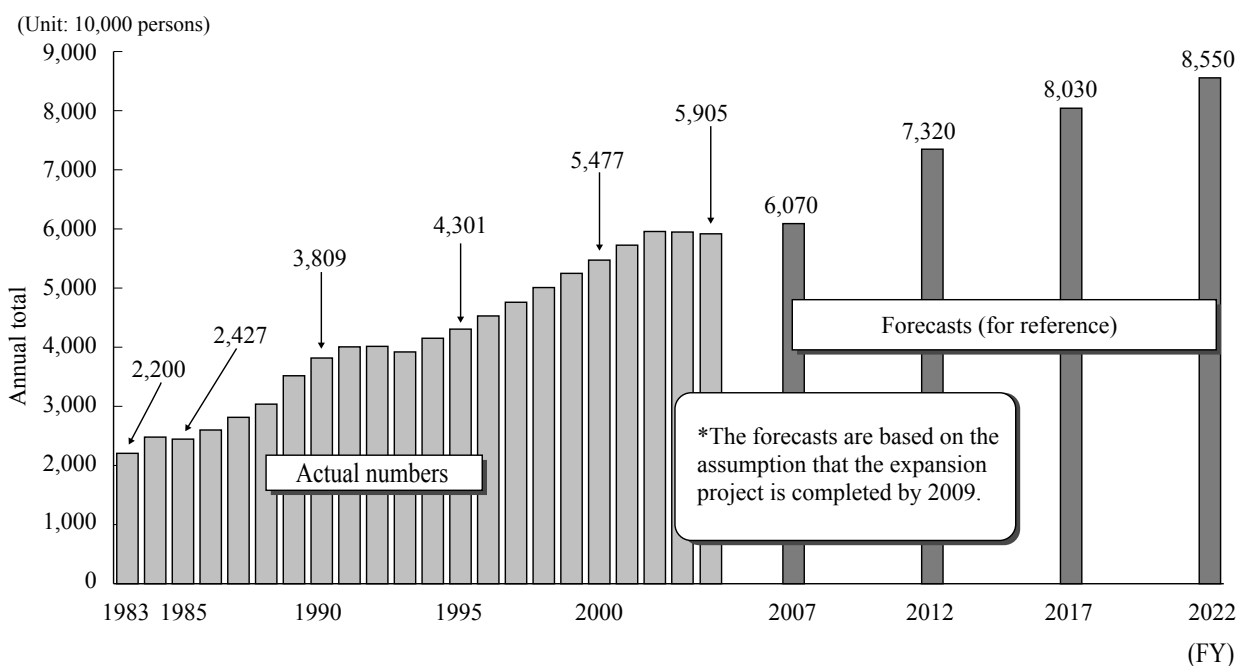
Note: The completion schedule is based on an agreement between the government and the ruling party in December 2004.

As part of its efforts to make such improvement, MLIT has been committed to the construction of new Shinkansen lines based on the December 2004 agreement between the government and ruling party. Moreover, MLIT promotes speedups of conventional trunk railways and the technological development of a superconducting magnetically levitated train and Variable gauge change train.

○ Developing the airline network

Tokyo International Airport (Haneda Airport) is now operated to full capacity, and expanding its capacity is an urgent issue. MLIT promotes the project to expand the airport. Also, MLIT is working to enhance civil aviation services by utilizing existing airport infrastructure effectively and to maintain and expand the regional airline network.

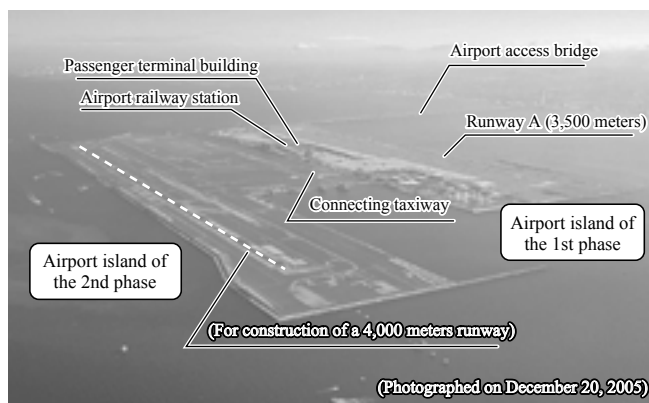
Number of domestic airline passengers at Tokyo International Airport (Haneda Airport) and forecasts



Source: MLIT

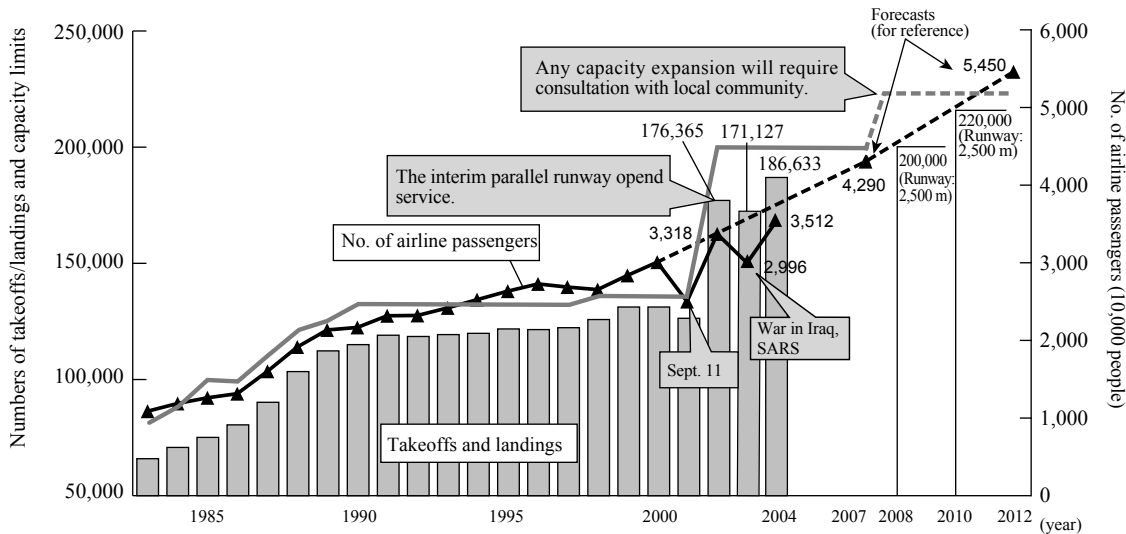
The level of development of major metropolitan international airports in Japan has not been sufficient enough to accommodate the requests from the airlines to increase the number of flights or to start new flights. This may deteriorate the international competitiveness of the airports. MLIT has been taking a number of measures to remedy this situation, including: developing Narita International Airport; internationalizing Tokyo International Airport (Haneda Airport); the promotion of the second phase construction at Kansai International Airport. In addition, the ministry has been vigorously holding consultations to conclude inter alia new air service agreements. All these efforts are part of the ministry's initiative to develop the international air transport network.

Current Status of the second phase construction at Kansai International Airport



Number of takeoffs/landings and passengers at Narita International Airport

- The capacity-the number of takeoffs/landings-was increased by 50 percent from 135,000 to 200,000 per year after the interim parallel runway opened in 2002.
- It is forecast that the annual total of takeoffs/landings will reach 200,000 by 2008 and the capacity limit of 220,000 by 2010.



○ Developing the maritime transport network

MLIT is working to improve the domestic maritime transport network for better efficiency, as well as developing overseas shipping.

[Improving coordination among transport modes]

○ Developing multi-modal transport systems

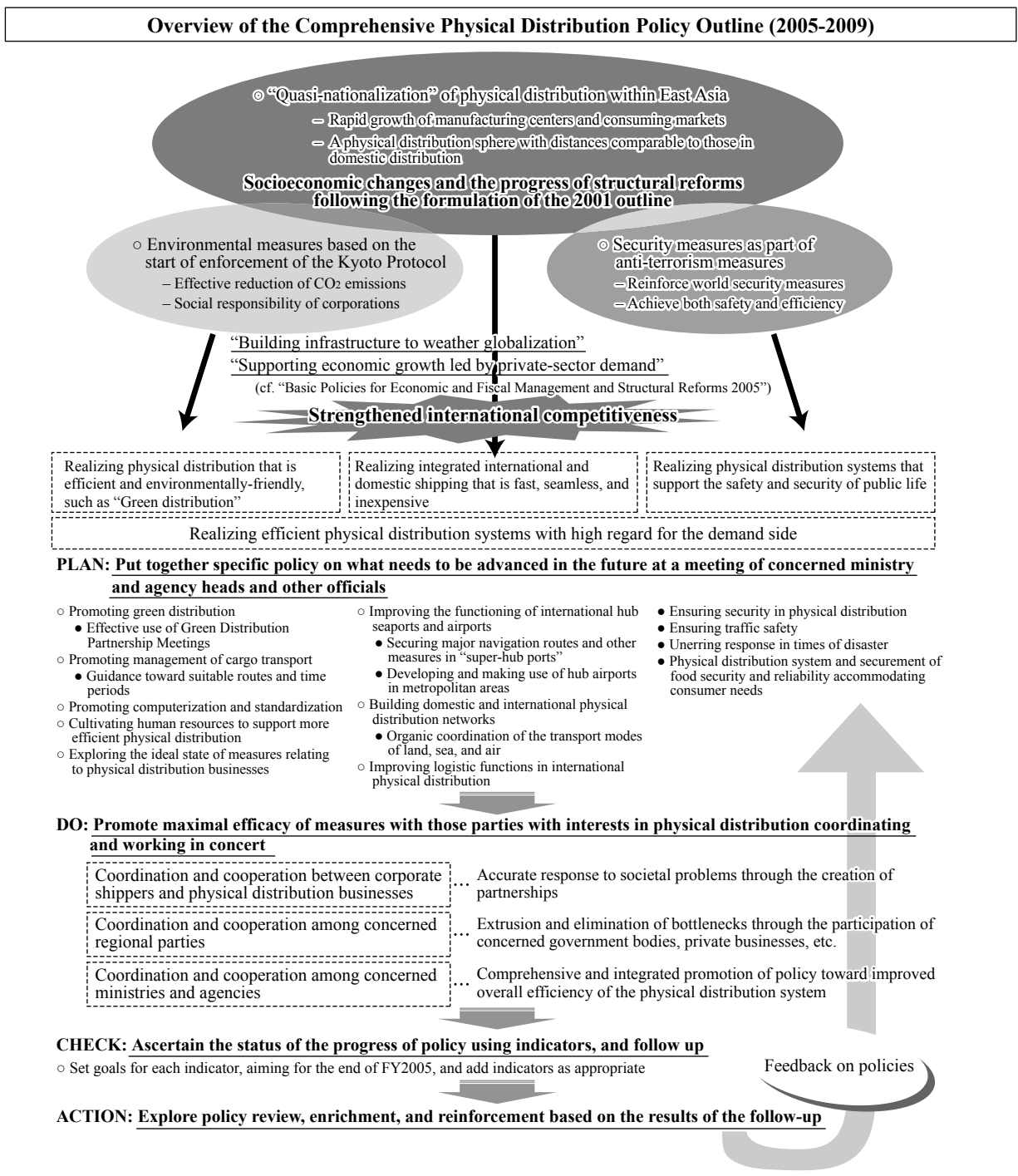
To boost the international competitiveness of Japanese industry, MLIT is working to improve coordination among airports, ports, train stations, etc. on one hand and high-standard highways, roads that connect them, and access railways on the other, as well as enhancing the function of these facilities. The ministry is aiming to ensure that door-to-door service, which is in growing demand, will be delivered at reasonable costs and in an environment-friendly means. MLIT is also developing the National Integrated Transport Analysis System (NITAS) designed to analyze and assess the impact of transport system development quantitatively.

○ Improving transport access to airports

MLIT aims to shorten the time required to go from central Tokyo to Narita International Airport by train to less than 40 minutes by supporting the initiative of Narita Rapid Rail Access. The ministry is also working to improve road access to the airport. In addition, MLIT is working to further access to Tokyo International Airport (Haneda Airport) and ensure easy access to Chubu Centrair International Airport using railways, roads and maritime transportation.

[Promoting comprehensive and integrated physical distribution policies]

The “Comprehensive Physical Distribution Policy Outline (2005-2009)” was adopted at a Cabinet meeting in November 2005. The outline is designed to maintain and strengthen the country’s international competitiveness as well as creating abundance in public life in response to issues arising from changes in the state of Japan’s economy and society. To these ends MLIT is also promoting comprehensive and integrated policies on physical distribution.



○ Measures to strengthen international physical distribution functions

Having established the “International Physical Distribution Policy Promotion Headquarters,” MLIT is comprehensively and strategically promoting international physical distribution policy in accordance with the specific needs of the physical distribution industry, while taking into account the views of corporate shippers, physical distribution businesses, and other concerned parties. The ministry is also working to build efficient and safe maritime shipping systems by organically combining physical and non-physical measures, starting with the “super-hub port” project.

Promoting the super hub port project

Promoting the super hub port project

- Overall goal: To surpass other major ports in Asia in terms of cost and service in about 3~5 years
- **Lowering port cost by more than 30%** for comparing to the ports of Pusan and Gaoxiong
- **Shortening cargo discharge time** from 3~4 days to less than one day

FY2004

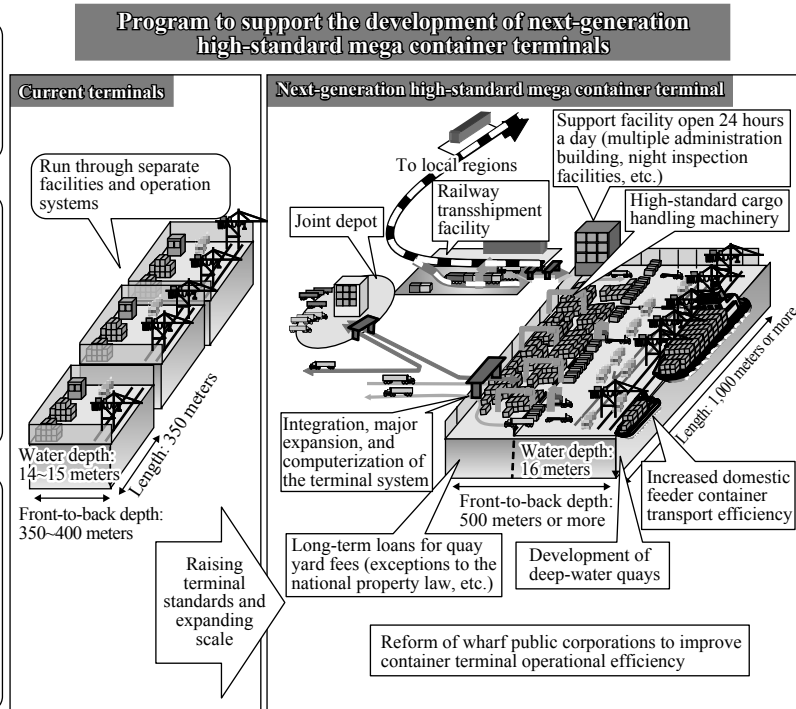
- Designating super hub ports (July 23)
(Keihin ports, Ise ports (Nagoya port and Yokkaichi port) and Hanshin ports)

FY2005

- Support the development of next-generation high-standard mega container terminals
 - Amend port laws, establish an aid system
- Specify specially designated ports
- Approve specially designated international container wharf operators

FY2006

- Improve overall port cost and service
 - Reform wharf public corporations for more efficient management of terminals
 - Develop a multimodal physical distribution network encompassing domestic maritime transport, road transport, railway transport, etc.



○ Measures to develop an efficient physical distribution system

MLIT has been promoting the wider use of IT in physical distribution. For example, the ministry is developing electronic application systems for the administrative procedures required for import and export processes and at ports, as well as introducing a physical distribution business model that makes use of electronic tags.

In interregional distribution as well, MLIT pursues more efficient physical distribution using intermodal transportation and other means. To this end, the ministry is providing support in developing ports, railroad freight terminals, and other distribution hubs, in boosting the efficiency of cargo transport on key routes, and in developing access roads that operate as nodes connecting distribution hubs to expressways. In addition to providing such support, MLIT is taking numerous measures for urban physical distribution, including the elimination of highway-railroad grade crossings by building overpasses or underpasses to ease congestion, as well as IT-based measures like Traffic Demand Management (TDM).

MLIT is additionally supporting integrative and efficient physical distribution as exemplified by such new types of distribution as 3PL (3rd Party Logistics).

[Revitalizing industry]

○ Trend of the transport-related industry

Amid the deregulation process in the transport industry, railway operators are taking steps to improve their service, including the introduction of IC card tickets. Efforts are also being made toward the complete privatization of JR companies.

Trucking companies are now operating in an extremely severe business environment due in part to the skyrocketing price of crude oil. To accommodate this, MLIT is putting pressure on concerned organizations and providing aid for the purchase of low-pollution vehicles and energy-saving machinery.

The "Port Transport Business Law" was recently amended, easing regulations even at local ports outside Japan's nine major ports. The idea is to enable port transport companies to be more efficient and offer more diversified services.

MLIT is taking measures to improve the international competitiveness of the shipbuilding industry and revitalize the

ship machinery industry. Furthermore, MLIT is supporting small- and medium-sized shipbuilders and ship machinery manufacturers in solidifying their management bases. The ministry is also promoting the development and practical application of maritime industrial technologies highlighted by Non-Ballast Water Ships and Mega-Floats.

MLIT's measures for seafarers include securing and training excellent seafarers, promoting employment, and improving the work environment in the industry.

MLIT also encourages competition in the airline industry as well. To provide a level playing field, the ministry implements preferential allocation of takeoff and landing slots for new entrants in the industry.

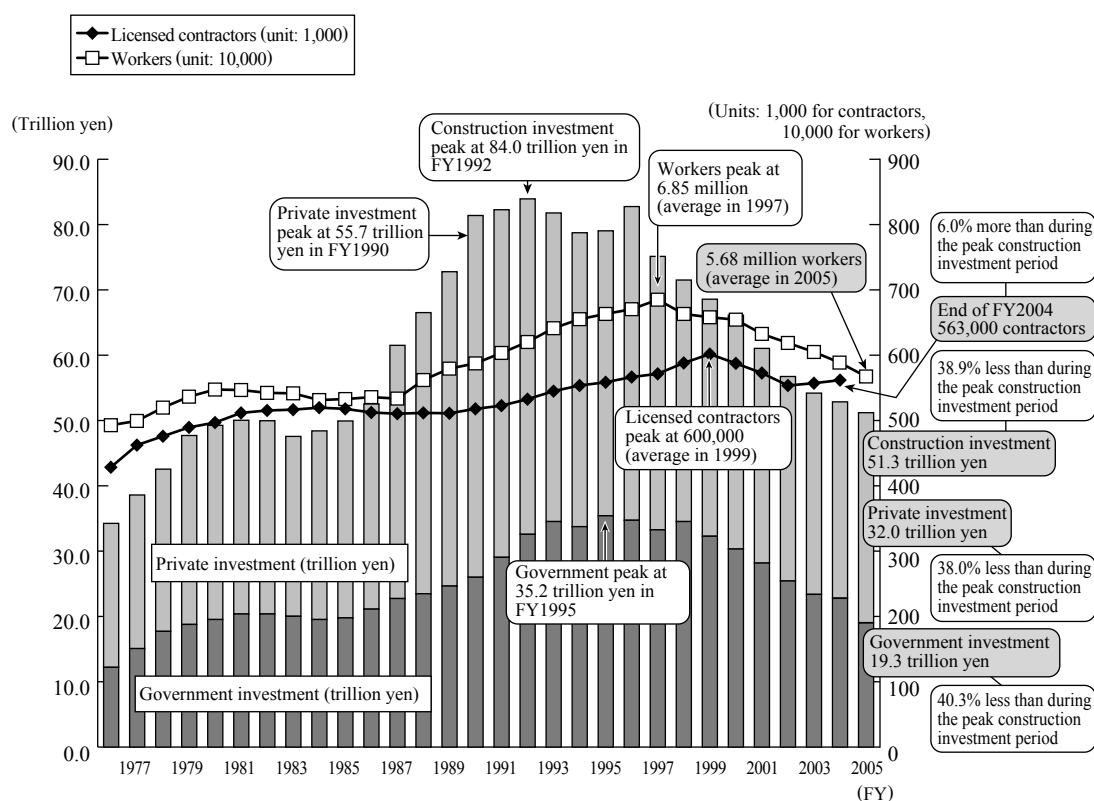
○ Stimulating the real estate market

MLIT is taking a number of steps to stimulate the real estate market. These steps include: improving conditions for the real estate market, enriching real estate information, promoting the further securitization of real estate, and utilizing the land taxation system.

○ Rejuvenating the construction industry

The ministry's efforts to rejuvenate the construction industry include: promoting the management innovations of medium and small sized construction industry; promoting the establishment of social safety nets (Security net); regulating company evaluation in public works projects; expelling bad or disqualified contractors from the market; implementation measures against dumping order intake; improving labor standards in the industry; solidifying management base for subcontractor and construction related industries; and raising the levels of construction skills.

Trend in construction investment (nominal term) and the number of licensed contractors and workers



Notes: 1. The figures for construction investment are results for FY2002, estimates for FY2003 and FY2004 and a forecast for FY2005
 2. The number of licensed contractors represents the figure at the end of each fiscal year (the end of March of the following year).
 3. The number of workers represents the annual average.
 Sources: MLIT, Estimate of Construction Investment and Survey of the Number of Licensed Contractor; MPHPT, Labour Force Survey