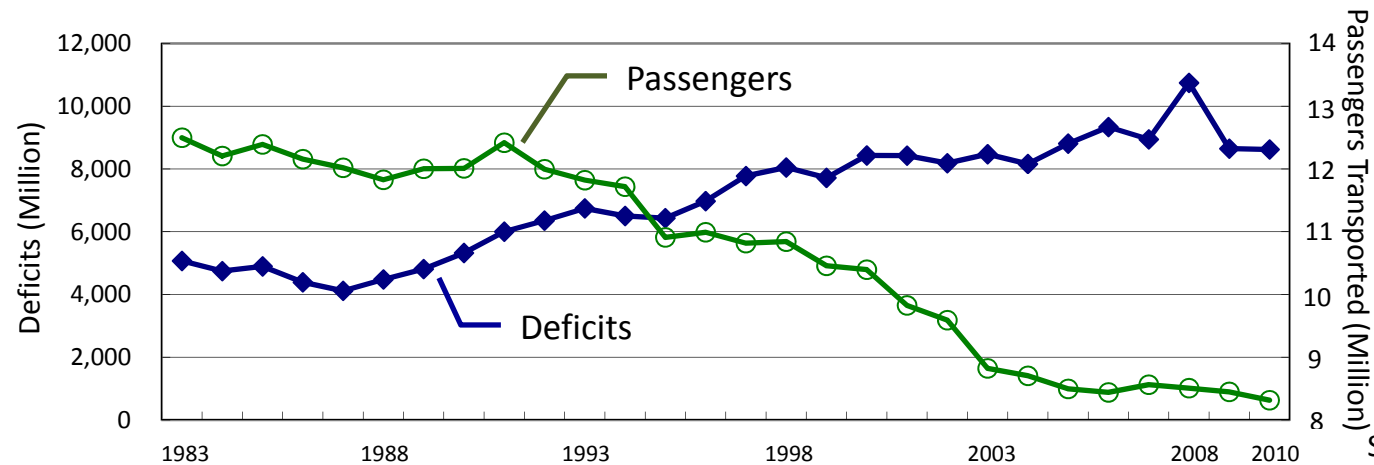


# Ensuring Remote Island Routes in Sea(1)

- Many remote island routes have been already in deficit. And the decline in transportation volume resulting from severer depopulation and aging in remote islands will lead to the expansion of the deficit.

Annual changes in Passengers Transported and Deficits in Subsidized Routes



Source: MLIT Japan

Number of Domestic Sea Routes as of 1 April 2011

**Liner Routes: 571 Routes**

Routes for regular transport services for general passengers

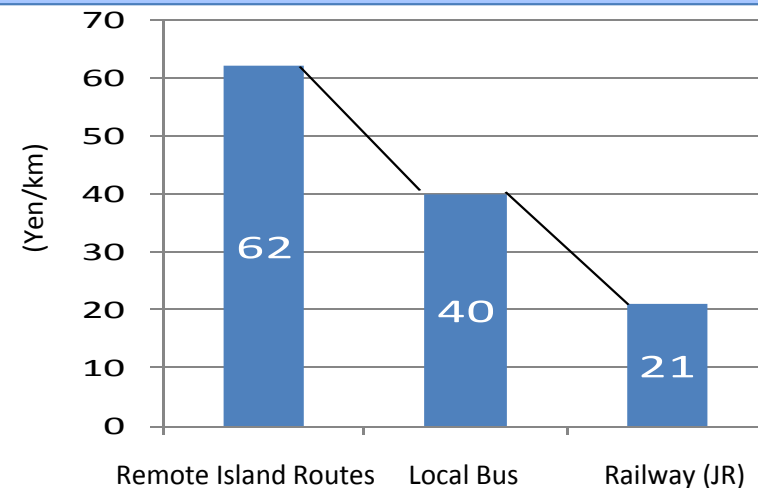
**Remote Island Routes: 307 Routes**

Routes to/from a remote Island

**Subsidized Routes: 120 Routes**

Routes that are with no alternative routes as well as in deficit

Comparison of Standard Fare in Modes of Transportation



# Ensuring Remote Island Routes in Sea(2)

## Until FY2010

### Subsidization for Sea Routes to/from Remote Islands

**FY2010: 4.8 Billion Yen**

Qualification : Routes that are with no alternative routes as well as in deficit

#### Subsidy for Deficit

##### Subsidy based on Actual Loss:

→Based on ex-post application and strict audit

##### Subsidy based on Standard Loss:

→Actually, it covered approximately 40% of deficit

#### Subsidy for Structural Reform

- ✓Purchasing or building a ship by local government to own it, which will be chartered by private company, etc.  
(Maximum 30% of the cost)
- ✓ Building a new ship which is more energy-efficient than the old one for private company.  
(Maximum 10% of the cost)

## Since FY2011

Project to secure, maintain, and improve local public transportations – Strategy for survival of local public transport –

**FY2011: 30.5 Billion Yen**

Regional Transport Network Program by Local Council is a condition for support.

### Projects for Securing and Maintaining Local Public Transport

#### Remote Islands Transport

**FY2011: 6.0 Billion Yen (For Sea route)**

Qualification: Routes that are with no alternative routes as well as in deficit(Unchanged)

#### Subsidy for Operational Deficit

##### Subsidy based on Estimated deficit:

Based on ex-ante application and estimation

Expansion of Coverage (50% of deficit)

##### Subsidy for losses due to reduction in fare for residents on a remote island:

Subsidy is applied to the losses which are determined by Local Council

#### Subsidy for Structural Reform

**Projects for Improving Accessibility in Local Public Transport**

**Projects for Research on Local Public Transport**

# Ensuring Remote Island Routes in Air(1)

## Number of Routes, Passengers and Flights to remote islands

	Routes	Passenger (thousand)	Frights (thousand)
FY2008	63	4,890	91
FY2009	64	4,666	89
FY2010	66	4,589	93
FY1999 (For Reference)	66	5,040	104

## Profitability of Air Routes to Remote Islands (FY2010)

- In total, air routes to remote islands made a loss of 3 billion yen.

In surplus: 36 Routes (55%)  
In deficit: 30 Routes (45%)  
Subsidized: 14 Routes

- As for the operation of air routes to remote islands, 6 out of 11 air carriers were in deficit.

Because air routes to remote islands which substantially contribute islanders' welfare currently face many difficulties, the Japanese government has taken measures that help to secure these routes.

# Ensuring Remote Island Routes in Air(2)

Operational Cost (A part of “Project to secure, maintain, and improve local public transportations” )

## Qualification:

Air Routes Expected to be in deficit and;

1. Connect with the most important city,
2. Take more than two hours by major alternative mode, and
3. Is operated by only one air carrier.

## Coverage :

A half of the lower of “Estimated loss by operation of each route” or “Standard loss by operation”

## Acquiring Aircraft

### Qualification:

Aircraft which has at least 9 seats and can take off and land with less than 1,500m runway.

### Coverage:

45% of the cost to acquire a qualified aircraft and the components (For routes connect with Okinawa, the coverage is 75%).



## MSAS\* Facilities

### Qualification:

Aircraft which has at least 9 seats and can take off and land with less than 1,500m runway.

### Coverage:

45% of the cost to acquire MSAS facilities (For routes connect with Okinawa, the coverage is 75%).



MSAS Facilities



Route Setting by MSAS

\* **MTSAT Satellite-based Augmentation System:**