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Information

Innovation(*1) through Telework: Reforming Work Style, Life Style and Social Structure

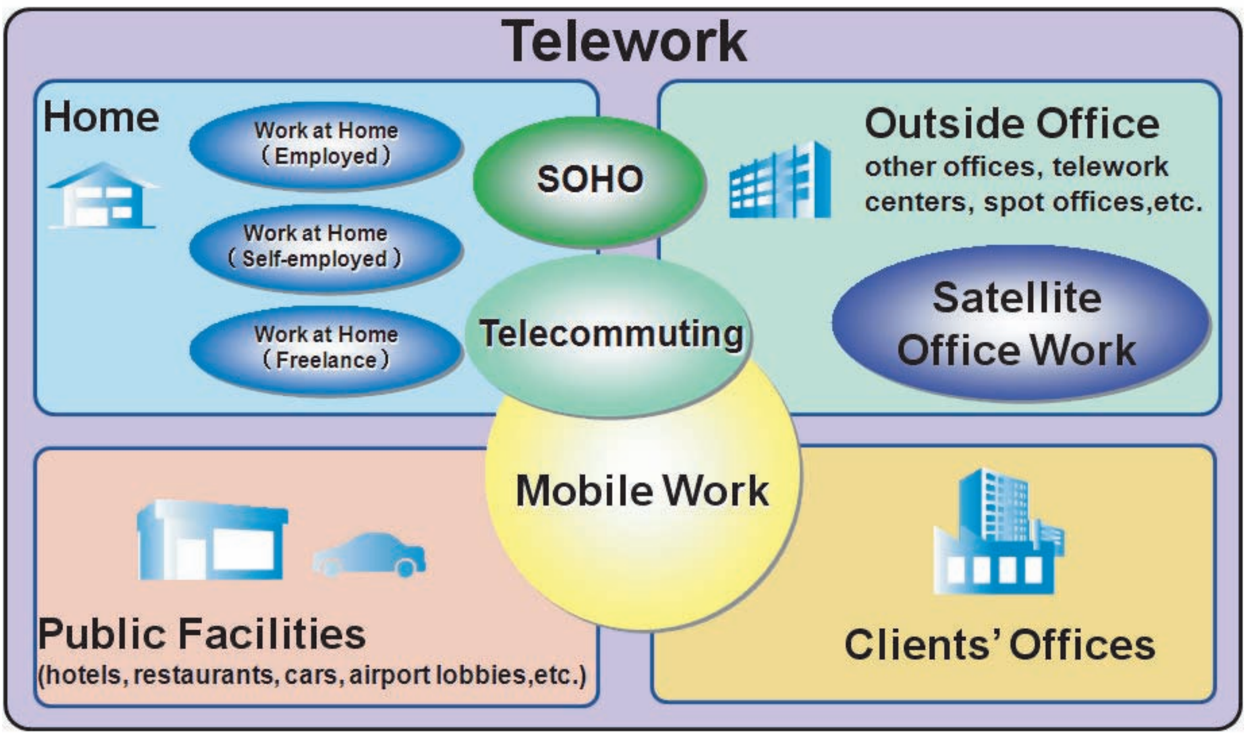
Yuko Shouzugawa Ph.D.
Senior Specialist Social Innovation Consulting Sector NTT DATA INSTITUTE OF MANAGEMENT CONSULTING,INC.

1. Introduction

With the enhancement of the Internet, PC and mobile phone, as well as developments in the communication environment such as wireless LAN, telework has spread quickly as "a flexible way of working which utilizes information and communication technology (ICT), free from restriction of place and time." Telework includes working at home, working in satellite offices and mobile work. There are two types of telework. The "employed type" applies to those who work for companies and serve in public offices, and the "self-employed type" applies to those who are SOHO(*2), freelance or have their own businesses. They are called employed type teleworkers and self-employed type teleworkers respectively (Fig. 1).

Considering the continued spread of telework in Japan, this article aims to look at its history and the means by which telework is expected to help solve various social issues by changing work and life styles and eventually reforming social structures.

Fig. 1: Flexible Work Style with Free Choice of Workplace and Work-time by Utilizing ICT



(*1) Innovation: Creating new values and causing substantial changes in society with new technology and perspectives.
(*2) SOHO: An abbreviation of the term "Small Office Home Office." Usually refers to those who work in specialty jobs and are self-employed.

2. Population of Teleworkers (equal to or more than 8 hours/week) in Japan is Ten Million

In 2003, the government' s "e-Japan Strategy," created by the IT Strategic Headquarters, set the following target(*1): to increase, under appropriate working conditions, the ratio of teleworkers in Japan to 20% of all workers by 2010. The document narrowly defines teleworkers as those who work more than 8 hours per week. We are reaching the time limit for that target this year.

The population of teleworkers was 4.08 million (6.1% of all workers) in 2002, increased to 6.74 million (10.4% of all workers) in 2005 and reached 10 million (15.2%of all workers) in 2008 (Note 1)(Table 1).

Furthermore, the "i-Japan Strategy 2015" formulated by the IT Strategic Headquarters in July 2009 set a new goal to double the number of home-based teleworkers to 7 million, which may contribute toward a safety net against Japan' s low birthrate and aging population. It is important to focus on the increase in home-based teleworkers since having individuals work in their living area is expected to reduce commuting-related burdens, create good child-care or nursing environments, ease traffic congestion, respond to air pollution and global warming issues, and increasing awareness of regional problems and participation in local activities.

Table 1 Telework Population in Japan (estimated)

		Telework Population (million)			Teleworker Ratio		
		Employed	Self-employed	Total	Rate of Total Employed	Rate of Total Self-employed	Whole
2008	Narrowly-defined Teleworker (equal to or more than 8 hours/week)	8.21	1.80	10	14.3%	21.0%	15.2%
	Broadly-defined Teleworker (less than 8 hours per week)	16.41	3.87	20.30	28.7%	45.4%	30.8%
	Total Teleworkers	24.62	5.67	30.30	43.0%	66.4%	46.0%
2005	Narrowly-defined Teleworker (equal to or more than 8 hours/week)	5.06	1.68	6.74	9.2%	16.5%	10.4%
	Broadly-defined Teleworker (less than 8 hours per week)	14.66	3.81	18.47	26.8%	37.5%	28.5%
	Total Teleworkers	19.72	5.49	25.21	36. 0%	54.0%	38.9%
2002	Narrowly-defined Teleworker (equal to or more than 8 hours/week)	3.11	0.97	4.08	5.7%	8.2%	6.1%
	Broadly-defined Teleworker (less than 8 hours per week)	4.43	1.91	6.34	8.0%	16.0%	9.5%
	Total Teleworkers	7.54	2.88	10.42	13.7%	24.2%	15.6%

Source: Metro-area Development Section, City and Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism - Review and Research on Total Support Measures for Local Revitalization by Promoting Telework and SOHO (2003), Field Survey Report of Telework in 2005, Final Version (2006), Telework Population Survey in 2008 - Summary of Survey Results (2008), MLIT website: http://www.mlit.go.jp/crd/daisei/telework/20telework_jittaichosa.pdf

Note 1: The definition of the target value in "e-Japan Strategy II" includes both "employed type telework" (working at home, mobile work, working at satellite offices) and "self-employed type telework" (SOHO and working at home).

3. Telework Expected to Act a Decentralization Measure

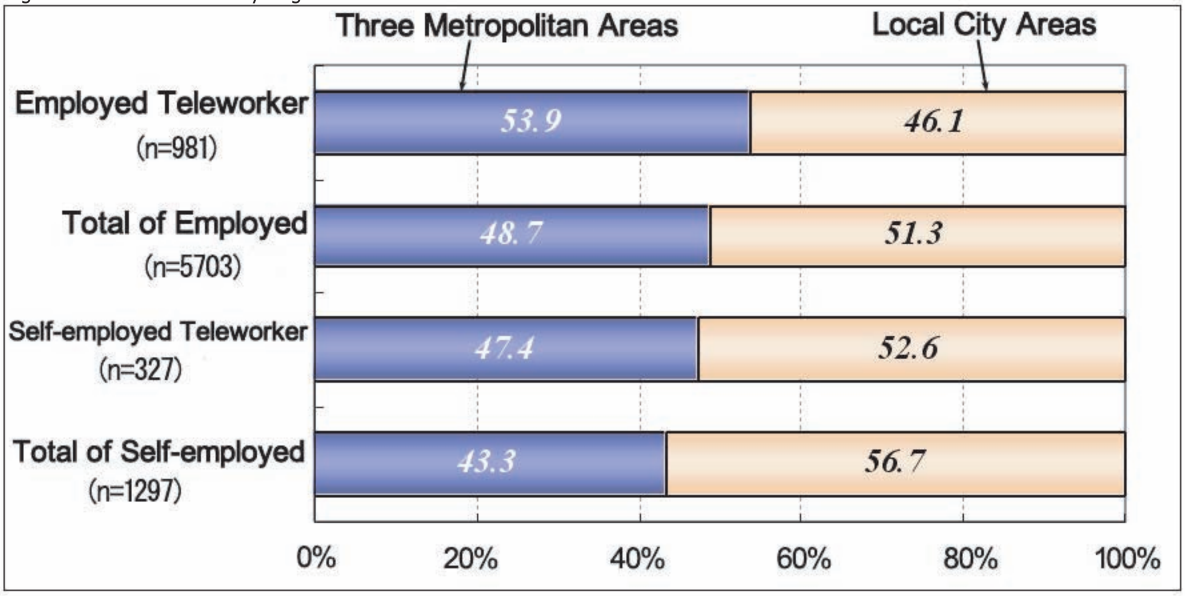
In terms of geographic location, 53.9% of employed type teleworkers are in the three metropolitan areas, while 46.1% are in local city areas. 48.7% of all employees are in the three metropolitan areas and 51.3% are in local city areas. Therefore, as far as employed type telework is concerned, the ratio of teleworkers in the three metropolitan areas is slightly higher than in local city areas. With respect to self-employed type teleworkers, 47.4% are in the three metropolitan areas while 52.6% are in local city areas. Compared with the figures of total self-employed (43.3% in the three metropolitan areas and 56.7% in local city areas), the ratio of self-employed teleworkers is a little higher, although the majority of self-employed teleworkers is in local city areas(Fig. 2).

As for the regional composition ratio of telework styles such as home-based, mobile, telework center and other office, results of a survey of employed type teleworkers show that the category "other office" accounts for over 60% of teleworkers in both areas. In the three metropolitan areas, 19.3% of workers use a mobile style of telework, which is a little higher than the number of mobile teleworkers in local city areas (13.9%). On the other hand, the survey shows that 18.6% of teleworkers in local city areas are home-based (as compared to15.5% in the metropolitan areas), while 6% operate from telework centers (as compared to 3.0% in the metropolitan areas)(Fig. 3).

When employed type teleworkers are categorized by region and business type, the ratio of teleworkers is high in the three metropolitan areas, especially in the information and telecommunication, real estate and lease service industries. Meanwhile, the ratio of teleworkers in local city areas is slightly higher than in the three metropolitan areas in the finance and insurance; academic research, professional engineering service; education and study support ; medical and welfare; and combined services industries (Fig. 4).

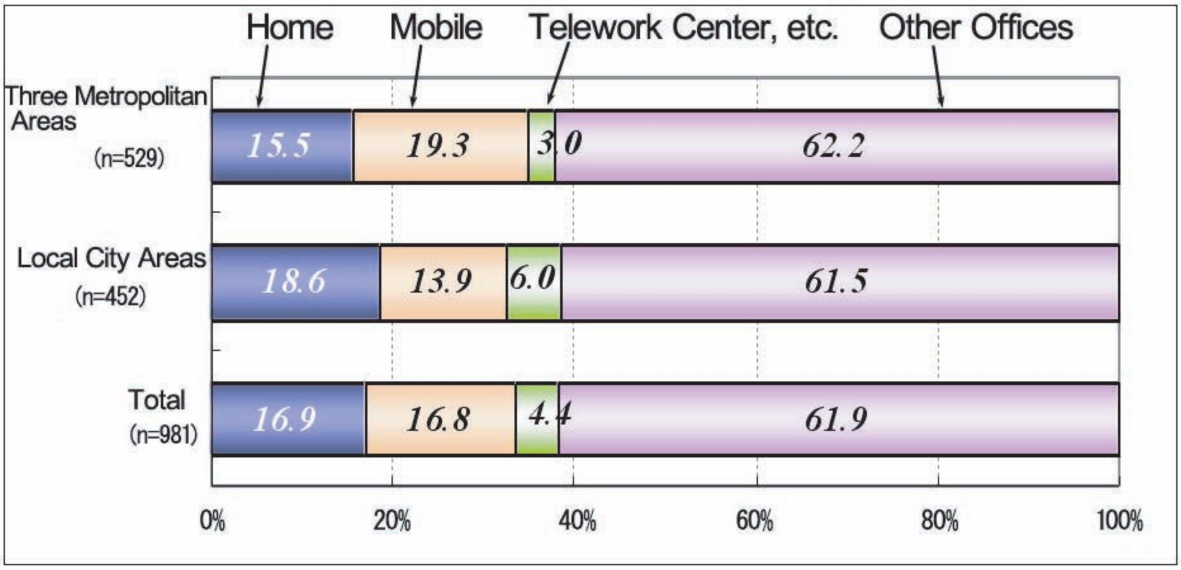
Since 1995 when ICT started to be used widely across the country, it has been pointed out that population, business activities and universities have been centralized in the metropolitan areas. However, from the viewpoint of telework, we can see subtle signs of both centralization and decentralization.

Fig. 2: Teleworker Status by Region



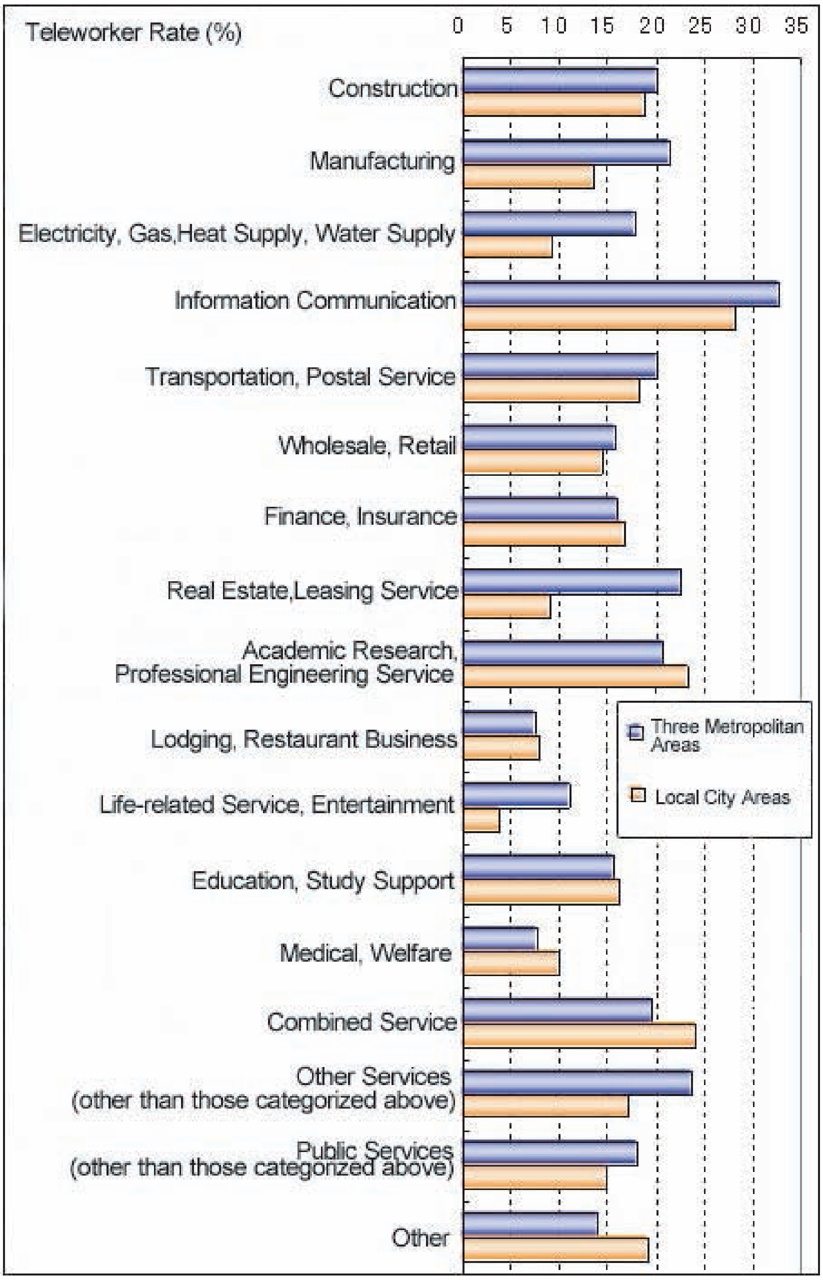
Source: Metro-area Development Section, City and Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism
2008 Telework Promotion Research Report (Second Phase: Telework Population Survey)

Fig. 3: Type of Telework by Region: Employed Type Telework



Source: Metro-area Development Section, City and Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism
2008 Telework Promotion Research Report (Second Phase: Telework Population Survey)

Fig. 4 Teleworker Status by Region and Business Type



Source: Metro-area Development Section, City and Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism 2008 Telework Promotion Research Report (Second Phase: Telework Population Survey)

4. Reforming Work Style, Life Style and Social Structure by Telework

Since 2010, the Telework 2.0 Research Group of the Japan Telework Society has studied about "How Individuals, Organizations and Society Should Be" in the future society where telework becomes more common, with respect to business management and structure, business processes, human resource management, technologies, workplaces and regions.

We recognize that the possibility of telework needs to be considered as a factor which can support future trends beyond a new work style.

In terms of lifestyle, the effects of telework have become obvious in areas such as work-life balance(*3) in that individuals can make a living while also satisfying the needs of child-care and elder-care. Telework gives people a chance to improve their information literacy(*4). Meanwhile, in social life, people can enrich their intellect and sensitivity through various exchanges and create the "zest for living" through learning different kinds of knowledge and conducting self-directive work.

As for work style, working remotely promotes the visualization of business processes and results while ensuring security. Recently, it was pointed out that telework would be an excellent business continuity measure in cases of natural disasters or pandemics(*5) including the super-flu.

In terms of the effect of telework on social structure, it is possible that the improvement of the in-home ICT environment and literacy will allow for more effective function when disaster control and environment-related issues arise.

Connecting the urban districts with depopulated areas through networks may create new service businesses and may even contribute to improving Japan's food self-sufficiency through vitalizing the agriculture and fishing industries. It is expected that coalitions between individuals and business organizations with the know-how needed to visualize and standardize their businesses will contribute to the development of a diversified and balanced country and society (Fig. 5 and 6).

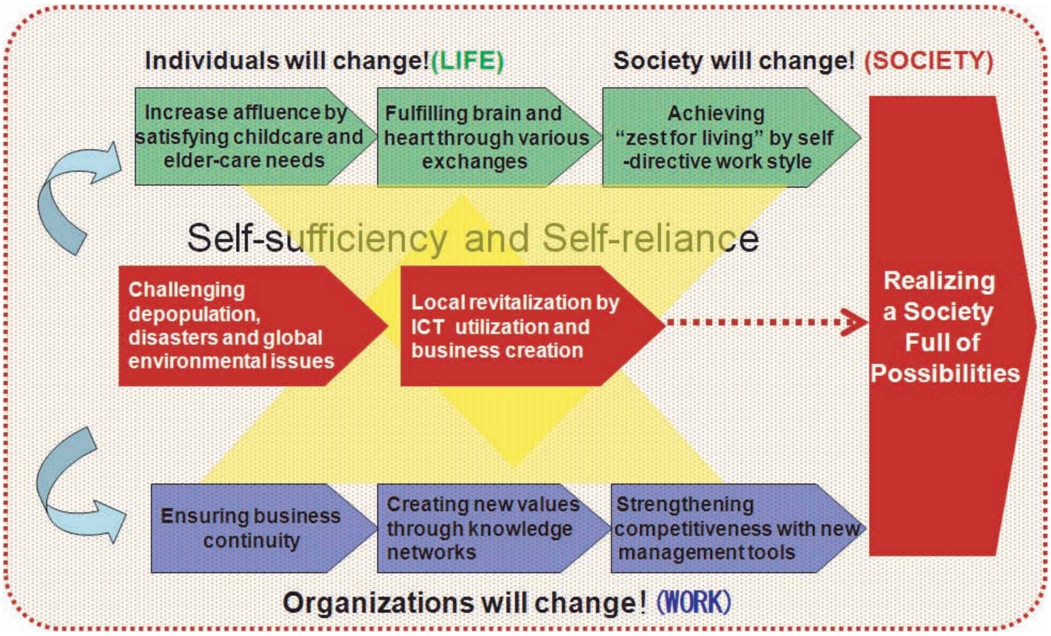
Fig. 5: Effects of Telework

Effects of Social Change (1)Creating a sustainable society	■Crisis management: Responses to pandemics (infectious diseases such as super-flu, SARS), natural disasters (earthquakes, heavy snow, etc.) ■Environmental preservation society: Countermeasures against air pollution, responses to global warming issues
Effects of Social Change (2)Local revitalization	■Collaboration among agriculture, commerce and industry sectors -Stimulating and networking local industries ■Creating jobs and employment in local areas -Expanding business and employment chances by double residency -Increase of exchange population between metropolises and local cities -Redressing centralization to the three metropolitan areas, developing diversified and balanced land / society
Effects of Work and WorkStyle Change	■Reducing cost, improving productivity and efficiency ■Sharing knowledge and information, enhancing cooperative work ■Making organizations into professional teams ■Ensuring superior human resources ■Crisis management: Business continuity plan (BCP, CCP)
Effects of Life Changes	■Improving work-life-balance by reducing commuting time ■Improving quality of life (QOL) ■Creating local activities, voluntary activities and independent careers

Development of a Knowledge-Creating Society

Source: Japan Telework Society, Telework 2.0 Research Group

Fig. 6: Innovation by Telework



Source: Japan Telework Society, Telework 2.0 Research Group

In the United States, with its advanced teleworking systems, 102,900 federal government employees are engaged in teleworking, and 64% of them actually telework more than one day a week (Note: 2). Just like in Japan, major impediments for the spread of telework in the U.S are that teleworkable jobs are limited and some managers resist implementing telework systems. During the 1990s, when telework was in its first stage, it was promoted as a measure for cost reduction and improvement of working conditions. Since 2000, a second stage has been entered where telework is considered as an essential way of improving business continuity.

Even prior to the 9.11 terrorist attacks in 2001, the Federal Emergency Management Agency issued a warning that stated, “Try to work at home as much as possible to ensure business continuity.” Also, the Office of Personnel Management made and publicized a guideline for implementing telework. In 2003, a report from the Director of the OPM to Congress stated that telework would be useful in coping should a workplace fall into a state in which business could not be continued. After the Hurricane Katrina disaster in 2005, a congressman sent a letter to President Bush saying that the slow recovery of government organizations compared to that of the private companies was largely due to their lack of telework capabilities.

In 2006, the Federal Emergency Management Agency and the OPM cooperated to release a guideline for telework implementation and an action plan for countermeasures against the super-flu. This indicated that the integration of business continuity plans and telework was progressing quickly. Compared with 33% of private company employees, 75% of federal government employees say that their business can be continued by telework even if their offices are closed due to disasters (Source: CDW-G).

In the transition from an industrialized society to a knowledge-creating society, the added value generated by ICT is no longer produced independently between one individual and another or one organization and another. Rather, such added value is produced by mutual communication and edification among individuals, organizations and society. Through peacetime teleworking, we should establish a framework that can ensure business continuity in a time of emergency. It is time for us to look again at the potential of telework as a system in which knowledge networks produced by individuals lead to the dynamic development of business organizations, communities and the nation.

(*3) Work-life balance: the balance between one’s work and life
(*4) IInformation literacy: Ability to obtain, understand and utilize information
(*5) Pandemic: Worldwide epidemic of disease

Note 2: “Status of Telework in the Federal Government -Report to the Congress” United States Office of Personnel Management, August 2009
http://www.telework.gov/Reports_and_Studies/Annual_Reports/2009teleworkreport.pdf

Contact Information:

Capital Functions Relocation Planning Division National and Regional Planning Bureau
Ministry of Land, Infrastructure, Transportation and Tourism
E-Mail: itenka@mlit.go.jp
Phone: +81-3-5253-8366 FAX.: +81-3-5253-1573

Risk Management/BCP

Supporting Company Disaster Prevention Efforts Through Financing

Kentaro Noda
Director of Economic Research Department, Japan Economic Research Institute Inc.
(Temporarily transferred from the Development Bank of Japan)

1. Increase in Awareness of Company Disaster Prevention

The large earthquakes that occurred in recent times in regions with a traditionally lower probability of earthquakes, such as the 2004 Chuetsu Earthquake, the 2005 Fukuoka Earthquake, and the 2007 Noto Peninsula Earthquake, have raised people's awareness of disaster prevention. In disaster-hit areas, damage to local companies has a tremendous impact on the local economy. In modern society, which is based on supply chains(*1) and information systems, the impact of a disaster or accident spreads throughout a region and various business sectors through networks. In the case of the 2004 Chuetsu Earthquake, damage to some major companies affected the whole regional economy. Furthermore, damage to an automotive part supplier in the area caused the suspension of all auto production in Japan. From this perspective, it is important to improve local disaster prevention capacity and to strengthen companies' business continuity capability in preparation for emergent situations.

Disaster prevention cannot be completed through the efforts of just one company. Producing results largely depends on collaborations among communities and businesses. As past disasters such as the Great Hanshin-Awaji Earthquake or the Niigata Chuetsu Earthquake showed, existing public supports by themselves are not sufficient in times of catastrophe. The problem is more serious in densely-populated areas like the Tokyo metropolitan district. It would generate a great deal of momentum if citizens or companies, who could help themselves and who could confirm the safety of their families or employees, engaged in public aid. Companies with organizational power, in particular, are expected to make contributions equal to or greater than those of the government by converting their unique skills or facilities to provide public support. For that purpose, in peace time, private businesses are required to establish networks with their local communities and the government and to implement measures and policies for strengthening the business continuity capability of the whole local area. Recently, a new risk management method called "Business Continuity Plans" (BCP) has been introduced and is attracting attention. The Earthquake Disaster Prevention Strategy for an Epicentral Earthquake in the Capital, formed in April 2006, urged businesses to address BCP and disaster prevention measures, setting a target that almost all major companies and more than 50% of medium-sized companies should implement BCP.

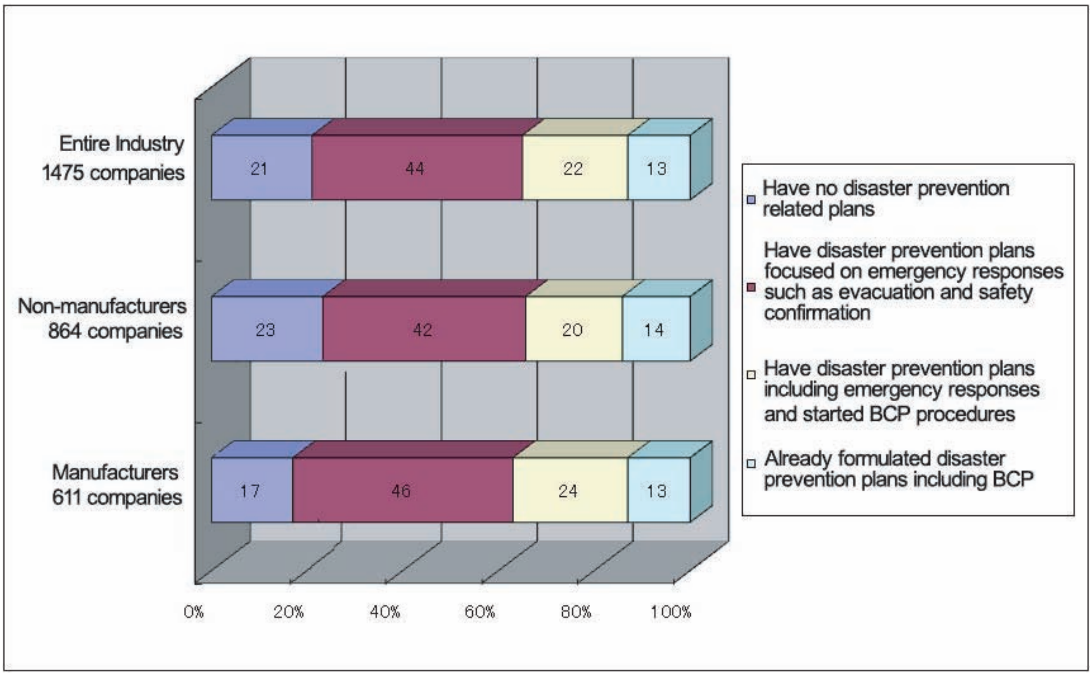
(*1) Supply chain: A series of product and service provision processes from raw material procurement to production to sales to final consumption.

2. Current Status of Company Disaster Prevention Efforts

According to a special survey on company disaster prevention efforts conducted by the Development Bank of Japan in June 2009, only 13% of companies in all industries (13% in manufacturing and 14% in non-manufacturing) have implemented BCP. The Central Disaster Planning Committee of the Japanese Cabinet Office established "business continuity guidelines" in August 2005 and "self-evaluation indicators for company disaster prevention efforts" in October 2005 to encourage companies to make further efforts for disaster prevention. Following that, there were moves by various industry groups to create industry-specific disaster prevention guidelines; however, BCP efforts have not necessarily progressed. Furthermore, survey results show 21% of companies have no disaster prevention plans. This indicates that there is still significant room for improvement of company disaster prevention efforts (Fig.1).

[Survey Content]
Time: June 2009
Object: 3,402 domestic companies with over 1 billion yen in capital (excluding industries such as agriculture, forestry and medicine)
Responses: 1,475 companies responded (611 manufacturers 864 non-manufacturers).

Fig.1: Current Status of Company Disaster Prevention Efforts



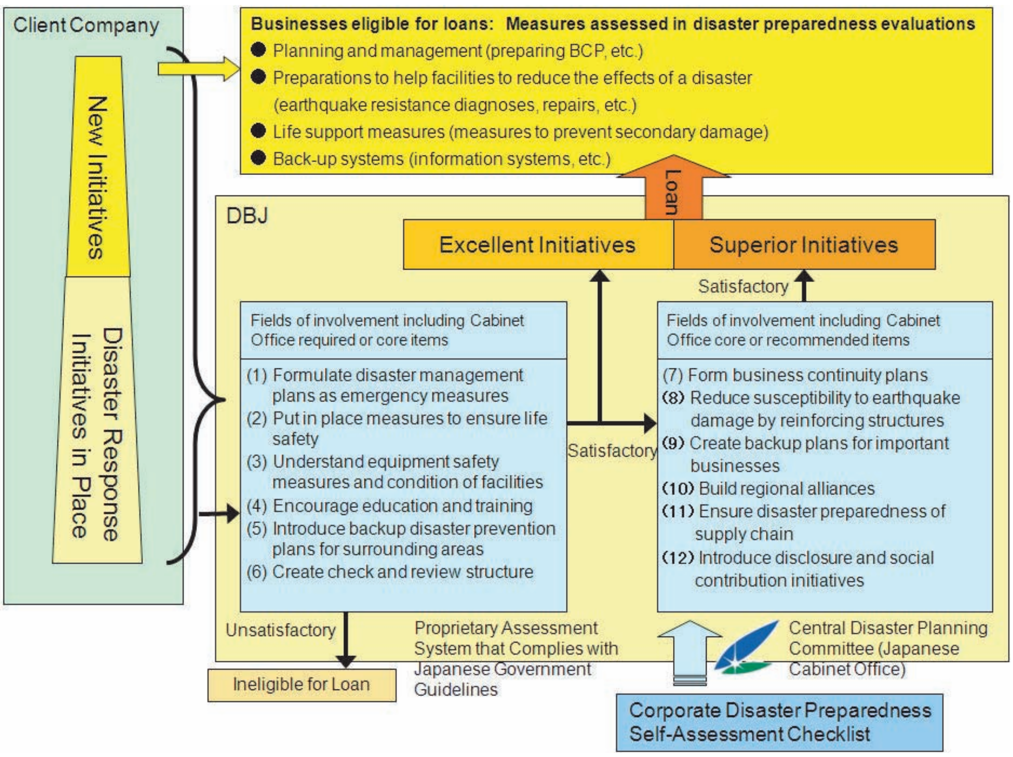
3. Promotion Measures

Disaster prevention measures and business continuity plans entail many costs. But it is hard to evaluate their real value until a disaster actually happens. This is why measures taken by companies tend to be at a lower level than is essentially required. In order to improve company disaster prevention capacity, promotion measures other than regulations, tax systems and subsidies are necessary. To break out of this situation, it may be effective to evaluate companies' efforts on disaster prevention utilizing market dynamics and to create an environment in which each company makes voluntary and strategic efforts to improve its disaster prevention capacity.

One method for doing this involves implementing a loan system which evaluates companies' efforts toward disaster prevention and BCP and reflects them in loan interest rates. Distinct from ordinary loans, this loan is classified as part of a program using ratings.

The chart below shows a summary of the effects of such loans using the example of a program based on the disaster prevention ratings of the Development Bank of Japan (Fig 2). Loan programs based on disaster prevention ratings are systems to evaluate each company's disaster prevention capacity and reflect it in its loan interest rate. Companies can promote their disaster prevention efforts by taking advantage of this type of loan.

Fig.2: Summary of a Loan Program with Disaster Prevention Ratings



In the evaluation phase, the bank checks clients' disaster prevention achievement level with regard to approximately 60 items in 12 categories to make the decision to award or refuse the loan. The first four requirements are that company is (1) formulating disaster management plans as emergency measures, (2) putting measures to ensure life safety in place, (3) understanding equipment safety measures and condition of facilities, and (4) encouraging education and training. For each of these four requirements, the bank evaluates the effectiveness of client' efforts by verifying their legal compliance with mandatory criteria specified in the self-evaluation indicators prepared by the Cabinet Office. If clients satisfy the above four basic disaster prevention requirements and also take measures either (5) introducing backup disaster prevention plans for surrounding areas or (6) creating check and review structure, the bank will evaluate their disaster prevention efforts as "excellent" and qualify them for loans.

The remaining six requirements determine if clients' disaster prevention measures can be evaluated "superior" from a more sophisticated viewpoint. The bank evaluates clients' BCP effort in (7) forming business continuity plans. More specific points are evaluated in the areas of (8) reducing susceptibility to earthquake damage by reinforcing structures, (9) creating backup plans for important businesses and (11) implementing disaster prevention measures across the supply chain. These are expected to produce effects in a synergistic manner with BCP. The final two criteria, (10) building regional alliances and (12) introducing disclosure and social contribution initiatives, involve CSR(*2) factors. Since companies operate their businesses as members of society, these areas can be considered parts of BCP. Clients who satisfy the above-mentioned six requirements in addition to the first six qualify for loans with more advantages.

The loan is provided, subject to the result of evaluations (1) to (12), as the fund required for implementing disaster prevention measures. The funds can be invested not only in hardware, such as quake-proof construction, but also in software, including planning and maintaining information systems. The loan program covers a broad range of measures that contribute to the establishment of BCP.

The advantages for loan clients can be summarized as follows:

1. The preferential interest rates enable clients to save money on disaster prevention measures which do not directly contribute to their revenue.
2. Through the rating procedure, the bank obtains information about clients' disaster prevention efforts. By disclosing such information with clients' approval, the bank may be able to help improve their corporate evaluation. Also, providing examples of others' disaster prevention measures stimulates more companies to strengthen their capacity, which may lead to the enhancement of disaster prevention efforts throughout the entire society.
3. Through the evaluation, clients may be able to find in-house problems or understand their positioning in the industry. Also, clients will be given opportunities to evaluate the contributions made by sections that have seldom been acknowledged.

In addition, this program gives clients higher incentives by recognizing the measures that have not yet been achieved at the time of evaluation but are likely to be achieved within about a year. By the end of fiscal year 2008, a total of 20 companies had taken advantage of the loan program, and the total amount financed was approximately 10.5 billion yen.

Shiga Bank, Ogaki Kyoritsu Bank and the Bank of Kyoto also launched similar loan programs. Besides loan programs that rate companies' disaster prevention efforts, it is expected that the evaluation of disaster prevention and BCP will be integrated into SRI (Socially Responsible Investment) programs which, at present, mainly recognize companies' efforts in the environmental field.

(*2) CSR （Corporate Social Responsibility）
Besides focusing on making profit, companies are responsible for explaining adequately the social effects of their business activities to their stakeholders (shareholders, clients, communities, etc.) and for building trustful relationships with them.

4. Conclusion

In order for companies to accomplish their responsibilities for disaster prevention and business continuity, they need collaborative efforts with public entities in addition to their own efforts. Companies should understand that enhancing their business continuity capability is a part of their social responsibility and improves their company value. On the other hand, public entities should create a coordinating mechanism with companies' efforts by promoting mutual usage of resources among organizations and disclosure of infrastructure information.

To accelerate such moves, financial institutions are required to encourage companies' efforts by integrating disaster prevention measures and BCP efforts into loan terms. Furthermore, public entities may need to consider providing further incentives to companies such as paying loan interest for them if, for example, companies deliver necessities in a time of disaster to local governments, where such incentives are shown to be effective beyond a single company.

(*3) incentive: an inducement that encourages decision-making or activities of organizations or individuals.

Contact Information:

Capital Functions Relocation Planning Division National and Regional Planning Bureau
Ministry of Land, Infrastructure, Transportation and Tourism
E-Mail: itenka@mlit.go.jp
Phone: +81-3-5253-8366 FAX.: +81-3-5253-1573

Explanation of keywords

◆ Telework

Telework is a way of working that enables people to choose their workplace and time freely by utilizing ICT (Information and Communication Technology). The term is a composite of the words “tele” (meaning distant) and “work,” which together mean “working at a place distant from the office.” It is said that telework started in the 1970’s in Los Angeles, U.S.A. with the aim of easing commuting traffic congestion and air pollution and mitigating the energy crisis. Also since the 1994 Northridge Earthquake, Californian corporations have been increasingly distributing the office functions so they will be able to cope with any large-scale disaster by implementing a stay-home work system and by using telework centers. Telework is expected to produce various effects including the expansion of employment opportunities for those who need to care for seniors, the disabled or small children; regional revitalization through incubation and employment support in any local areas; prompt disaster response through distribution of office functions; and a contribution to the prevention of global warming by reducing carbon dioxide through changing workers’ means of transport.

< Reference >
Guidebook for Corporations for Telework Implementation and Operation February 2009 Published by: Ministry of Land, Infrastructure, Transportation and Tourism/Ministry of Internal Affairs and Communications/Ministry of Health, Labor and Welfare/Ministry of Economy, Trade and Industry

◆ CSR (Corporate Social Responsibility)

Corporate Social Responsibility (CSR) is the responsibility that business enterprises should take in their relationship with the societies in which their activities are based. The notion of CSR was established based on the thought that, as well as pursuing profit, companies ought to behave responsibly for stakeholders such as consumers, employees, trading partners and local communities. Specific CSR activities include social contributions such as supplying safe and high-quality products, improving business activities in consideration of the environment, and building organizations that comply with all relevant laws and regulations. In Japan, it is said that merchants in the Edo Period(1603-1867) conducted their business based on a principle called “Sanpo Yoshi (good for three directions),” meaning “good for sellers, good for buyers, and good for society.” It appears that the CSR concept lay beneath Japanese business practices already in ancient times. After the post-war high-growth period, especially from the1960’s to the 1970s, under increasing criticism for problems such as air pollution, price-gouging, buyout and holding off caused by the oil crisis, Japanese business enterprises were forced to make efforts toward environmental countermeasures, profit sharing and so on. During the bubble economy in the 1980’s, philanthropic and patronage activities picked up steam among Japanese companies. From the 90’s to date, the discussion on CSR has focused on social and corporate sustainability due to some corporate scandals as well as emergence of global environmental problems.

< Reference >
Council for Corporate Social Responsibility, Interim Report by the Ministry of Economy, Trade and Industry, Sep. 2004
Corporate Social Responsibility – Background and Efforts – Research and Information Vol.476, National Diet Library, Mar. 2005

Contact Information:

Capital Functions Relocation Planning Division National and Regional Planning Bureau
Ministry of Land, Infrastructure, Transportation and Tourism
E-Mail: itenka@mlit.go.jp
Phone: +81-3-5253-8366 FAX.: +81-3-5253-1573

Parliament Buildings around the World

New Buildings and Old Buildings - Australia, Germany and Russia

◆ Commonwealth of Australia (Canberra)

Since the first parliament meeting in 1927 until the completion of the new parliament building in 1988, the federal parliament had met in the old building located in front of the new one. Most of the new buildings have been built at the foot of the hill with an aim to offer the general public easy access to the buildings. The old building was made into a museum that exhibits parliament-related materials.

New Parliament Building of Australia (Photographed by National and Regional Planning Bureau of MLIT)

New and Old Parliament Buildings (Canberra)
(The white building in front is the old parliament building. The one behind it with a flag is the new building.)
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◆ Federal Republic of Germany (Berlin)

In 1894, the parliament building (Reichstag in German), planned since the birth of the German Empire in 1871, was finally completed. It was severely damaged in the Battle of Berlin in 1945 during the Second World War. After the 1990 German Reunification, the country decided to relocate the parliament to Berlin. The current parliament building, with a glass-made dome designed by English architect Norman Robert Foster, was completed in 1999.

Parliament Building of Germany (Berlin)
(Photographed by Guenter Schneider, a German photographer)

Parliament Buildings around the World

◆ Russian Federation (Moscow)

During the era of the Soviet Union, the Supreme Soviet Building, called “Byely dom” (meaning white building in Russian) or “white house,” was the state parliament building. After the collapse of the Soviet Union in 1991, the building was attacked during the 1993 Moscow Riot. In 1994, both the State Duma (lower house) and the Federation Council (upper house) were moved to the current parliament building in Moscow. The old parliament building is being used as an administrative building by the federal government.

The Upper House of Russia (Moscow)
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The Lower House of Russia (Moscow)
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Contact Information:

Capital Functions Relocation Planning Division National and Regional Planning Bureau
Ministry of Land, Infrastructure, Transportation and Tourism
E-Mail: itenka@mlit.go.jp
Phone: +81-3-5253-8366 FAX.: +81-3-5253-1573

Relocation of Capital Functions around the World

◆ Countries with Two Capital Cities - Germany and Russia

2010 is the 20th anniversary of the reunification of Germany in 1990. It should also be noted that nearly 20 years have passed since the birth of the Russian Federation in 1992. Besides the steady growth of their new government systems over the past two decades, the countries have another thing in common: they each have two capitals.

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After its 1949 defeat in World War Two, Germany was divided into East and West. Each made its own capital. West Germany designated Bonn as its temporary capital, while East Germany selected Berlin, which had been the capital of the German Empire. West Germany's decision to make a small city like Bonn the temporary capital was based on the thought that it would be easier to integrate the capital functions in Berlin when German reunification eventually took place. In the meantime, Bonn started receiving high praise as the capital and, when reunification did happen, there were many debates over which city, Bonn or Berlin, should be Germany's capital. As a result, Berlin was designated as the capital of Germany where the federal parliament was placed, but government functions were divided between the two cities. At present, there are six ministries in Bonn while eight are in Berlin. The number of people who work for federal government agencies is about the same in both cities. Because of the dispersion, the government employees travel back and forth between the two cities about 65,000 times annually (2008), although efforts are made to reduce travel by making full use of the latest IT technologies such as TV conferencing.

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Moscow was originally the capital of the Russian Empire. In 1682, Peter the Great built a new capital in Saint Petersburg near the Baltic Sea. He moved into the city in 1712 to lead the introduction of the advanced technologies and cultures of Europe. Even after Saint Petersburg was built, Moscow continued to hold important events like the coronation. Thus, both cities played the role of the capital of the Russian Empire. When the Soviet Union was established by the Russian Revolution in 1917, the official capital was moved back to Moscow. Since the establishment of the Russian Federation in 1992, Moscow has been the capital. However, the government spent 220 million rubles (approx. 660 million yen) to transfer the Constitutional Court to Saint Petersburg with an aim to upgrade the position of the city. Today, it is said that Moscow is the heart of Russia while Saint Petersburg is the head of Russia. Moscow is the center of politics and administration; on the other hand, Saint Petersburg has developed as the center of science and culture. Both cities are still the "two capitals" of Russia.

*This article was created with the cooperation of Mr. Peter Rondorf, Minister of the Embassy of the Federal Republic of Germany in Japan and Mr. Jasenof Sergei, Counselor of the Embassy of the Russian Federation in Japan. We wish to express our cordial gratitude to them. (Articles about the visits and interviews at both embassies are in Vol. 69 of New Era.)

■ Contact Information: ■

Capital Functions Relocation Planning Division National and Regional Planning Bureau
Ministry of Land, Infrastructure, Transportation and Tourism
E-Mail: itenka@mlit.go.jp Phone: +81-3-5253-8366 FAX.: +81-3-5253-1573

Regional Information

◆ Celebrating the 1300th anniversary of Nara Heijo-kyo Capital in 2010

In 2010, the Heijo Sento 1300th Year Festival will commence in Nara Prefecture.
Memorable opening events on the theme of “four sacred symbols” will be held in four different sites: Muroji Temple, representing the azure dragon of the east; Kinpusenji Temple, representing the vermilion bird of the south; Shigisan Chogosonshiji Temple, representing the white tiger of the west; and Nara Park, representing the black tortoise of the north. Each site will hold various events that express the characteristics of the themed symbol. The festival period is from January 1, 2010 to December 31, 2010.

Also in January 2010, aiming to promote attractive tourist spots in Nara Prefecture, a campaign called “Tour around Nara” will start. There will be a special exhibition of Nara’s world-class treasures, including hidden Buddhas. After April 2010, many kinds of events and fairs will be held at the Heijo Palace ruins, the main venue of the festival. Visitors can experience Nara’s history and culture hands on. 2010 will be a perfect year to visit Nara.
For details, visit the website of the Association for Commemorative Events of the 1300th Anniversary of Nara Heijo-kyo Capital http://www.1300.jp (displays in a new window).

Image of the Opening Event

Mascot character "Sento-kun"

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An interview with Mr. Peter Rondorf, Minister in charge of economy and science (December 2, 2009)

Embassy Visit & Interview

Current Status of and Issues around the Dispersion of Capital Functions in Germany

Mr. Peter Rondorf
Minister in charge of economy and science, the Embassy of the Federal Republic of Germany in Japan

The history behind the dispersion of capital functions to Bonn and Berlin

Can you tell us about the history behind the dispersion of German capital functions?

Although Germany is now a federal republic, the country has aggressively promoted the decentralization of power, and local regions have always played central roles in German history. Therefore, decentralization has been a very important factor in Germany.

The country was united*1 for the first time in 1871 and Berlin became the capital. After the unification of East and West Germany in 1990, there were serious disputes over where the capital should be located. However, German Basic Law*2, which is equivalent to a constitution, clearly stated that Bonn was a temporary capital. Therefore, when the Reunification Treaty came into effect in October, 1990, it was apparent that Berlin would be the capital.

In the case of Germany, there was never any intention of putting all the major government offices in the capital, and there were heated debates about how to define the cities where the federal government offices would be located.

On June 20, 1991, a parliamentary resolution was passed to make Berlin, the capital, the location of most federal government organizations, but affirmative votes only outnumbered negative votes by a slim margin. Behind this resolution was a compromise and agreement between supporters and opponents. The Berlin/Bonn Act*3 stipulated that essential organizations would be left in Bonn even after the federal government offices were relocated to Berlin. Both sides thought as long as the Act remained unchanged, those organizations would always stay in Bonn.

Even today, especially among politicians from Berlin, we hear opinions that some symbolic organizations remaining in Bonn should be transferred to Berlin. However, I don't think this kind of idea will be put into practice during the current administration, which lasts another four years. Under this government, I don't think that affirmative votes for revising the Berlin/Bonn Act will surpass negative votes.

Mr. Westerwelle, who is Deputy Prime Minister and Minister of Foreign Affairs, is from Bonn. As a matter of fact, I am also from Bonn, but I don't think anyone will object to the policy of keeping federal government organizations in both Berlin and Bonn as long as Mr. Westerwelle remains as the deputy prime minister.

Currently, there are six ministries located in Bonn and eight in Berlin. As for the number of people working in federal government organizations, there used to be about 10,000 in Bonn and 8,500 in Berlin, but at present there are about the same number in the two cities. Although the number of government workers may change, it is hard to imagine that any ministries or functions will be relocated to Berlin.

Note 1: The German Empire was established by the Kingdom of Prussia.
Note 2: The Basic Law of the Federal Republic of Germany was constituted in 1949.
Note 3: Constituted in March, 1994 as the basic law for the transfer of capital functions.

Advantages and disadvantages of the dispersion of capital functions

Tell us about any disadvantages created by dispersing capital functions between two cities after the 1990 German unification.

Obviously, there is criticism that the dispersion impairs the efficiency of administrative work, incurs a lot of costs, wastes time through redundant operations, and the like. I do not deny that work efficiency is impaired to a certain extent, compared with cases where administrative functions are centralized. With regard to the cost, the German government officially estimates that nine million euros are spent annually due to the dispersion of capital functions. That is about one billion yen, so it is not surprisingly large.

Nine million euros is the cost accrued only from the dispersion of capital functions?

Most of that is the cost of transporting government workers between Bonn and Berlin. In 2008, they made about sixty-five thousand round trips by air between the two cities and spent almost nine million euros. However, there is no evidence that the traveling decreases the government's quality of service by obstructing the workers' official duties. Efforts are being made to reduce business travel as much as possible by using, for instance, the latest IT technologies such as TV conferences.

Dispersing capital functions between the two cities has never been considered a way to promote decentralization. We can say the dispersion of capital functions was done in response to the demand of the time.

In fact, it cost the country 10 billion euros to relocate its capital functions and to concentrate those functions in Berlin. Currently, there are six ministries in Bonn. It is estimated that it would cost an additional 40 billion euros if the ministries were to be moved to Berlin.

Even now, the money borrowed for the relocation expenses is being paid back, with interest. I said earlier that the dispersion costs the country 9 million euros annually. To tell the truth, it is thought that the amount of interest to be paid is also as much as 9 million euros.

What are the advantages of dispersing capital functions?

First of all, this is the most natural way of dealing with political functions. The dispersion was not decided from an economic perspective but from a political perspective in every respect. Capital function dispersion gives political advantages to the Bonn region as well as to the entire country.

In addition to the six ministries, there are twenty-two offices related to the administrative and international organizations in Bonn.

As a matter of fact, some point out that Bonn has gained economic advantages as a result of the relocation of capital functions to Berlin.

For instance, the unemployment rate in Bonn has decreased remarkably compared to that of the rest of the country. This is due to the fact that the federal government compensated Bonn and made the city into a center of telecommunication and information technology. Purchasing power per capita in Bonn is much higher than the federal average.

Germany consists of sixteen states and each of them has proportionate advantages in politics, economy and culture. This is clearly different from the situation in countries with centralized governance structures like Japan.

About the Capital, Berlin

We hear that Berlin is an underprivileged city.

We can say Berlin is underprivileged compared to Bonn. The mayor of Berlin says, "Berlin is poor but extremely attractive.''

Berlin has established itself as Germany's cultural and tourism center as well as an artistic city, particularly in the design field. Also, there are already about eight thousand government workers. The prosperity of the city does not have to depend on the further relocation of the six ministries currently located in Bonn.

Frankly speaking, Berlin does not have any big local industry and its unemployment rate is quite high compared with the average rate in Germany. Although a quarter of the population of Berlin works for the federal government offices or other administrative institutions, no business industry has ever really been developed. Berlin is a city without an industrial or economic background. Therefore, we think that the future prospects of Berlin will rely on its strength in the area of culture and arts, as well as on its role as a gate to Eastern Europe. For the past 20 years, as far as I recall, there have been no transfers of the headquarters of large German enterprises or financial and other businesses to Berlin from cities like Munich, Hamburg or Frankfurt because of the capital relocation.

Why capital functions have remained in Bonn even after unification

According to what I heard about ten years ago, all ministries were not moved from Bonn because there was a concern that Bonn would deteriorate. Is this true?

That's absolutely right. At that time, some brought up such a concern, but actually the concern never turned into a real issue. The reason it did not become an issue was because six ministries remained in Bonn.

Besides, with the capital function relocation, 1.5 billion euros were paid to Bonn annually for ten years from 1995 to 2006, and the city could use the funds for its economic development.

Also, Bonn has established itself as a UN city in Europe, following Geneva and Vienna. In fact, the federal government has also given a substantial amount of money to Bonn to establish its position.

Bonn was originally a college town and never had major industries. Why was Bonn chosen to be the capital in the first place?

A scale-wise comparison between Berlin and Bonn may not mean much. Bonn only has a population of about 300,000.

There were three reasons for deciding to place the capital functions in Bonn after World War II.

First, it the placement of the capital in a small city which did not have much importance was intentional. This was to avoid difficulty in changing the capital if unification was ever achieved. Also, it was to indicate the desire for unification and to suggest that the division of the country into East and West was not at all supported by German people.

Second, it was intended to change the image of "Deutschland" from the days when Berlin was the capital. During the war, there was this image of Germany as imperialistic, militaristic, and dictatorial. By making a small city like Bonn the new capital, West Germany tried to show that the country was peace-oriented and aimed to associate with other European countries and to realize European union.

The third reason was related to the first prime minister of West Germany after the division of the country, Konrad Adenauer. He was from Cologne that is only 30 km away from Bonn. Also, he lived in Rhoendorf, sounds similar to my name Rondorf. So, Bonn was a convenient place for him to perform his duties.

Why capital functions are not concentrated in Berlin

Why is the federal constitutional court placed in Karlsruhe?

I presume that the court was placed in Karlsruhe to demonstrate the independence of the three branches of government - legislative, administrative and judicial - despite the fact other judicial organizations are in Bonn.

Karlsruhe was the state capital of Baden at the time of the first unification of Germany in 1871. The city resembles Bonn in many ways, including its population and its palace.

You mentioned that the current status of Berlin and Bonn is expected to be maintained. Is there any political party that has a policy of unifying capital functions in Berlin?

In my view, there will be no change in the system as long as the current administration continues to be in power.

Amendment of the Berlin/Bonn Law needs to be resolved by a majority vote. However, under the present status of the congress seat numbers, it is hard to think any change would be made.

If, in the future, supporters of capital function concentration in Berlin increase, what kind of political background do you think would be behind them?

Firstly, I think their thoughts are partially based on the need to bring consistency to the unification of Germany. The Reunification Treaty stipulated that the capital would be placed in Berlin. Therefore, they claim that, in order to complete the unification, all the functions of the federal government besides the capital functions should be transferred to Berlin.

Secondly, I think they believe in the need for strengthening the presence of Berlin in Europe and the world as a liberal and open capital city. To date, Berlin has not been able to shed completely images from its history such as Hitler and Weimar Republic. Of course, German people don’t deny the past. But there are opinions that the capital, Berlin, needs to appeal to the world as a liberal and open city just like the old capital, Bonn, used to be, and this may help the country overcome those negative images.

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An interview with Mr. Sergei Jasenof, Counselor in charge of press reports (December 15, 2009)

Embassy Visit & Interview

Moscow and St. Petersburg

Mr. Sergei Jasenof
Counselor in charge of press reports, the Embassy of the Russian Federation in Japan

The history of capital relocation in Russia

Tell us about the history of capital relocation in Russia. The capital was moved from Moscow to St. Petersburg and then back to Moscow.

Historically speaking, there were two capitals in Russia. Even now, in a sense, there are two capitals. Moscow is a city with quite a long history. The name of Moscow appeared in a document for the first time in 1147. Moscow was the capital of Russia for hundreds of years. When Peter the Great came into power, the policy of the country changed.

Peter the Great desired to improve the country's relationship with Europe. Pushkin, a famous Russian poet, wrote: "He made a window to Europe." That window was St. Petersburg. Even after Peter the Great became the Czar (emperor), he traveled in Europe and studied shipbuilding in the Netherlands.

The city of St. Petersburg was built in 1703. Ten years later, the capital was moved there from Moscow. Peter the Great was an extremely powerful Czar and did not respect democracy. His decision to relocate the capital to St. Petersburg was solely based on political reasons.

The capital relocation meant a drastic change in the direction of Russian politics. Previously, Russia was more focused on domestic affairs than diplomatic relations, but Peter the Great strengthened diplomacy and trade. For that purpose, he needed access to the ocean. During the days of Peter the Great both the Russian navy and civilian sea transportation began to develop. Under such circumstances, the capital was moved from Moscow to St. Petersburg, which was the closest big city to Europe.

After that, St. Petersburg (means "Saint Peter's city" in German) was the capital of Russia for over two hundred years. During World War I, St. Petersburg changed its name to Petrograd ("Petro" is "Pyotr" and "grad" is "city" in Russian). It means Pyotr's city.
In 1917, the Russian Revolution took place and the Lenin administration was established in Petrograd. However, when civil war broke out and Petrograd was considered to be in danger, the government moved the capital to Moscow. Even when St. Petersburg was the capital, Moscow was like another capital of Russia.

For example, Napoleon attacked Moscow, not St. Petersburg. St. Petersburg was considered to be the "head" of Russia while Moscow was the "heart." Napoleon thought it was more effective to attack Russian's heart than head if he wanted to do fatal damage.

Also, in the period of the Russian Empire, various ceremonies were performed only in Moscow, and all government officials traveled to Moscow from St. Petersburg. Diplomats and ambassadors from other countries also traveled to Moscow and stayed there for several months. This also shows how Moscow was considered to be one of two capitals.

In the Soviet era, relocation of the capital from Moscow to other places was never discussed. During World War II, the government was moved to Kuibyshev for security purposes. Kuibyshev was located in the Volga River area, far from Moscow. Even then, Moscow was still the capital.

After the collapse of the Soviet Union, discussion about the relocation of the capital or the transfer of some government organizations to St. Petersburg began around 2000.

Present status of and issues around the capital, Moscow, and St. Petersburg

How do Russian people characterize Moscow and St. Petersburg?

This is my personal view. Moscow's traffic congestion is quite bad now. Many business headquarters and government organizations are in Moscow. If you use a car in Moscow, you can only do one thing a day. If you want to accomplish multiple tasks, there is no other choice but to take the subway. Subways are also always crowded.

Officially, Moscow's population is a little over 10 million, but there are at least 3 million more people there. These people are visitors. There are a large number of temporary residents in Moscow, including workers from former Soviet Bloc countries, business visitors and job searchers from other parts of the country.

In order to reduce congestion in Moscow and to promote the efficiency of people's activities, it is necessary to relocate some organizations to other places.

One more important thing is to support St. Petersburg.

It is a very beautiful, really splendid city. Moscow is also a beautiful city, but St. Petersburg is completely different. Moscow is a traditional city and is not a 100% European city. For instance, the Red Square in the Kremlin represents pure Russia.

On the other hand, St. Petersburg is a totally European city.

In the center of the city, historical properties such as museums and other old buildings have been preserved. Building owners are prohibited from building any new buildings on existing sites. Preserving old buildings is more costly than building new ones.

In the socialist era, the government paid the city of St. Petersburg for property preservation. Today, since Russia is a capitalist country, the government uses taxes for that purpose. However, the amount of tax collected in Russia is not yet sufficient. .

In 2003, St. Petersburg celebrated the 300th anniversary of its establishment.

Delegations from various countries who participated in the ceremony must have enjoyed the beauty of St. Petersburg. The Russian government spent a large sum of money renovating and cleaning the buildings in St. Petersburg. If some capital functions are relocated to St. Petersburg, the city will be able to receive funds directly from the government.

Today, St. Petersburg is called the second capital of Russia, and it has also been called the cultural capital since the Soviet era. St. Petersburg has many outstanding art museums. The State Hermitage Museum is one of the world's three major art museums. It takes more than three days to see all the exhibits.

Relocation of the Constitutional Court to St. Petersburg

Why was the Constitutional Court relocated to St. Petersburg from Moscow?

I think there were at least two reasons for the relocation: first, to reduce the financial burden of the capital by moving a major organization out of Moscow; and second, to strengthen the economic infrastructure of St. Petersburg by improving its social status.

Currently, some large businesses are planning to move their headquarters from Moscow to St. Petersburg. The more large businesses move into St. Petersburg, the more tax revenue the city can collect.

Right now, Gazprom is planning to build its headquarters in St. Petersburg. We hear that it will be a high-rise building. However, since St. Petersburg is a historical city, there are a number of people and organizations that are against the plan. Also, according to what I heard from the experts, if the tower is built, St. Petersburg might be eliminated from the list of UNESCO world heritage sites. But I hear the basic construction has already begun.

There are so many problems with relocating the capital functions or some organizations from Moscow. The first one involves relocation budgets. For example, the official expense for relocating the Constitutional Court was 220 million rubles, but this was just part of the real cost of the relocation. It is said that dozens of times that amount of money has been spent.

Besides the financial problems, transferring workers of major organizations from Moscow to other cities would cause other problems involving family, children and even relatives. As far as I know, some staff members of the Constitutional Court were unwilling to move to St. Petersburg.

Some stayed with the court's Moscow office, some quit their jobs, and some moved to St. Petersburg. For the staff who moved to St. Petersburg, nice offices, luxurious apartments and medical facilities were provided.

How many people are working at the Constitutional Court?

This information may be old, but probably about two hundred. In the past year or so, the Russian navy also had a plan to move its headquarters to St. Petersburg, but that did not happen.

Some newspapers reported that some members of the navy were reluctant to move. This may have been one reason the plan was not carried out. Also, the global economy and Russian domestic issues might have had a negative impact.

Why was the Constitutional Court chosen for relocation?

The main function of the Constitutional Court is to review and determine whether or not a law is against the constitution. Generally, the court does not require meetings with other organizations, so it was more suitable for relocation than other organizations.

The reason the relocation of the Constitutional Court came up in 2002 was because of the birth of the Putin regime. Putin was from St. Petersburg, and he appointed many people from St. Petersburg as government leaders. At the same time, he thought of improving the city's status by relocating government organizations.

Was the status of St. Petersburg low at that time?

Not necessarily. I think the government intended to make St. Petersburg more beautiful by increasing the city's budget. For that, its social status needed to be heightened. Also, the city needed to be renovated for its 300th anniversary in 2003.

Currently, it is said that there are not enough economy hotels in St. Petersburg. If any Japanese company builds an economy hotel in St. Petersburg now, I'm sure the hotel's property value will be much higher than an economy hotel in Tokyo.

Transportation conditions in Moscow and St. Petersburg

Is Moscow's population increasing?

Yes, it is increasing. And the number of cars is drastically increasing. This is not at all good. For instance, how do people go to work? They can use the subway, trolley bus (noiseless transportation system on the road), or cars. In Moscow, young people do not want to use public transportation. This seems to be a matter of style. Young people in Moscow want to drive expensive cars. Some young people proudly say, "I have not taken a subway for ten years." This is not good. I think that the image of public transportation in Russia must be improved.

I tell people from Moscow, "Japanese people take public transportation regardless of social status. They take subways when they need to be on time for important meetings."

One time I went to Moscow during my summer holidays. To go to my friends' house, I suggested to my wife that we take the subway but she refused. So, we took a taxi but it took twenty minutes to go two hundred meters. I asked the driver how long it would take to the destination. And he said, "An hour and half or two hours." Then, my wife said, "Let's take the subway!" Eventually, it took us only fifteen minutes to get to our friend's house by subway. The people in Moscow, especially young people, think only poor people take subways. As a matter of fact, subways in Moscow are the most convenient means of transportation. And they are really clean.

Does the cold winter in Russia make people want to drive?

I think so. The winter in Russia is extremely cold, but few families have an indoor parking space. Even when the temperature is –20°C, we need to remove snow before we can get in the car. Usually, it takes a while to start the engine in such cold weather. Then, we have to wait at for least ten minutes before the engine warms up. To avoid this kind of inconvenience, I sometimes take a trolley bus. In the past, whenever I took a trolley bus to the Foreign Ministry, it was so crowded that I had a hard time getting on. Recently, I can sit and read a book. Those who used to take the trolley bus drive to work now.

But unlike Japanese people, Russian people enjoy going for a long walk, even a few hours' walk, so they sometimes walk instead of driving.

How about traffic congestion in St. Petersburg?

In fact, traffic congestion is really bad in St. Petersburg now. The population is increasing rapidly, but the number of cars is increasing more rapidly.

Is there an airport near St. Petersburg?

Yes, there is Pulkovo airport. It is currently under renovation.

The distance between Moscow and St. Petersburg seems to be more than 500 km. Do people usually fly between the two cities?

St. Petersburg is located somewhere between 650 km and 700 km away from Moscow. I think more foreigners take a plane to go to St. Petersburg from Moscow than Russians. I have been to St. Petersburg more than a hundred times. My wife is from St. Petersburg. I spend summer holidays with my family in our vacation house in a suburb of St. Petersburg. I take a Friday night train to St. Petersburg. Especially during the Soviet era, I used to take a night train from central Moscow and arrive at central St. Petersburg at seven-thirty the next morning.

I recommend overnight trains to tourists, so they don't have to pay extra hotel charges. Truly, overnight trains are very convenient. The best trains in Russia leave Moscow close to midnight like at 23:00, 23:30 or 23:59. Even some celebrities take these trains. In the past, all parliament members form St. Petersburg took Friday night trains to go home.

Did those who took overnight trains have houses in St. Petersburg?

Their families lived in St. Petersburg, so they took Friday night trains to go home and returned to Moscow Sunday night to start working at eight-thirty Monday morning.

Characteristics of Moscow and St. Petersburg

What about relocating financial organizations such as banks to St. Petersburg to avoid an over-concentration in Moscow?

Considering the current economic situation, I don't think major organizations will be moved to St. Petersburg. But it is highly possible that headquarters of banks or enterprises will be relocated. As a matter of fact, compared to Moscow, apartment rents are lower and it is easier to find good manpower in St. Petersburg

For instance, it is not easy to find industry-specific experts in Moscow, but good quality human resources are readily available, and cost less, in St. Petersburg.
I think this is one of the reasons why various foreign enterprises build plants in the St. Petersburg area.

Is it less expensive to rent land and buildings in St. Petersburg?

The cost of land is much lower in St. Petersburg than in Moscow. And as I said before, labor costs are cheaper and there are many excellent human resources.

In Japan, there are also two big cities, Tokyo and Osaka. Tokyo may be equivalent to Moscow. Do Osaka and St. Petersburg share anything in common?

Moscow is the capital and is also the center of the Russian economy. So, I think Moscow has characteristics of both Tokyo and Osaka. St. Petersburg is regarded as a highly intelligent city.

During the Soviet era, St. Petersburg was the capital and the cultural center of the country, while Moscow was just like a local city. Probably, St. Petersburg is closer to Kyoto because of its cultural assets. These days, St. Petersburg has many tourists, particularly in summer and fall, but it is also very attractive in winter.

The possibility of relocating the capital

Because of the Winter Olympics, infrastructure in Sochi will be greatly improved. Considering today's traffic congestion in Moscow and St. Petersburg, do you think it may be possible to transfer the capital to Sochi?

Absolutely not. In August and September, Prime Minister Putin and some executive office members usually spend their summer holidays in Sochi.

While staying there, they also have meetings to discuss national issues. Prime Minister Putin particularly likes Sochi. During his presidency, he invited guests to visit from all over the world.
It is true that the city already has desirable infrastructure. However, a map shows how difficult it would be to relocate the capital to the area. From the viewpoint of defense, the area is too close to the border.

Moscow is located in western Russia. It is said that the capital should be located in the middle of a country for security reasons. What do you think?

At present, we have no worries about Moscow in that sense.

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