

Can high-speed rail continue to expand, if low-cost airlines are taking over as the alternative also on short routes ?

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Outline of JR East

-the largest railway company in Japan-

High Speed (Shinkansen)



Metropolitan



Regional



Network: 7.513 km
Number of Passengers: 17 million /day
Number of Trains: 13.000 /day
Annual Operating Revenue: € 22,3 billion
Net Annual Income: €1,5 billion
Number of Employees: 59.000

*Numbers are as of FY ended March 31 , 2013

**Calculated by €1 = 120 JPY



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- East Japan Railway Company (JR East) was established in 1987 due to the division and privatization of Japanese National Railways (JNR). JNR's railway business was divided into six regional passenger railway companies and one nation-wide freight railway company. JR East is one of these six passenger railway companies.
- While JR East is still called “*de fact* regional monopolistic private company” by European Commission, JR East doesn't have any PSO. Then, JR East has had “No Subsidies” from the central and local government or “No Red account” for the past 27 years.
- In addition, JR East is already listed in the stock exchange market and “No Shares” are owned by the governments. Approximately 30 % of the shares of JR East are now held by the foreign institutional investors.

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- And “No Special relation” with the governments doesn’t exist today. Therefore, it can be said that JR East resembles “Total”, a French oil and gas company, very well.
- JR East is an integrated railway company, namely owns the railway infrastructure and operates trains. It is also possible for JR East to lease its infrastructure to other operators on commercial basis. Actually, JR East has been leasing it to the freight railway company.
- In Japan, customers have very high expectation toward railway services and JR East has to respond it. Therefore, JR East has been making a lot of efforts to provide reliable and punctual services to customers.

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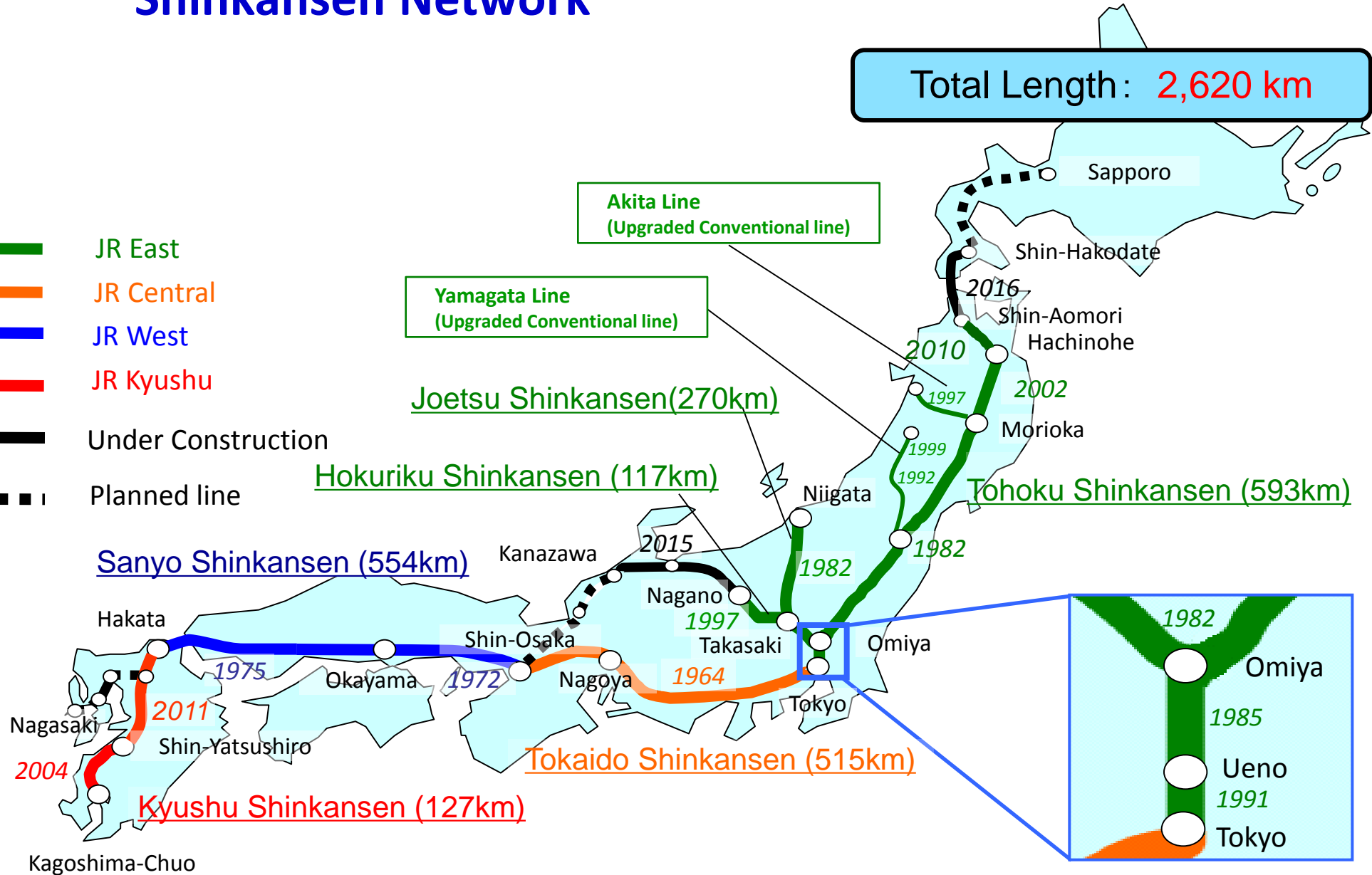
- Regarding high-speed rail, despite that it is provided by the incumbent or the entrant, it is not PSO but commercial services.
- Also, low-cost airlines mean low-cost services provided by not only the incumbent but also the entrant. Low-cost services are usually provided together with middle-cost service (sometimes high-cost services) whose additional and optional services have to be paid for. It goes without saying that they are commercial services.
- Then, the competition between the two modes shall be severe and customers have their choice to select each of them based on the time and occasion as well as their preference.
- This is a thing in common which is applicable to both EU and Japan.

Shinkansen Network

Total Length: 2,620 km

- █ JR East
- █ JR Central
- █ JR West
- █ JR Kyushu

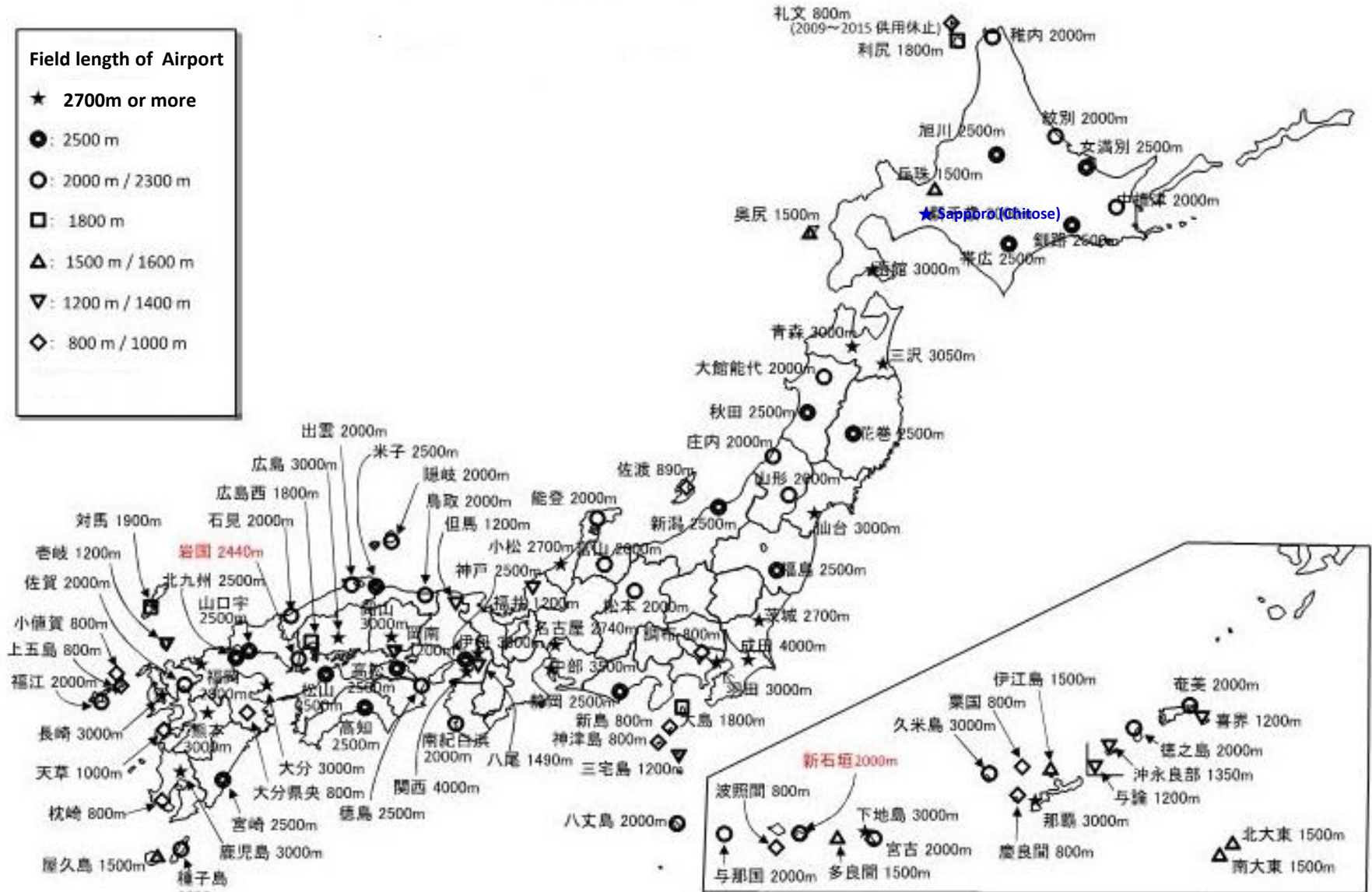
- █ Under Construction
- █ █ █ █ Planned line



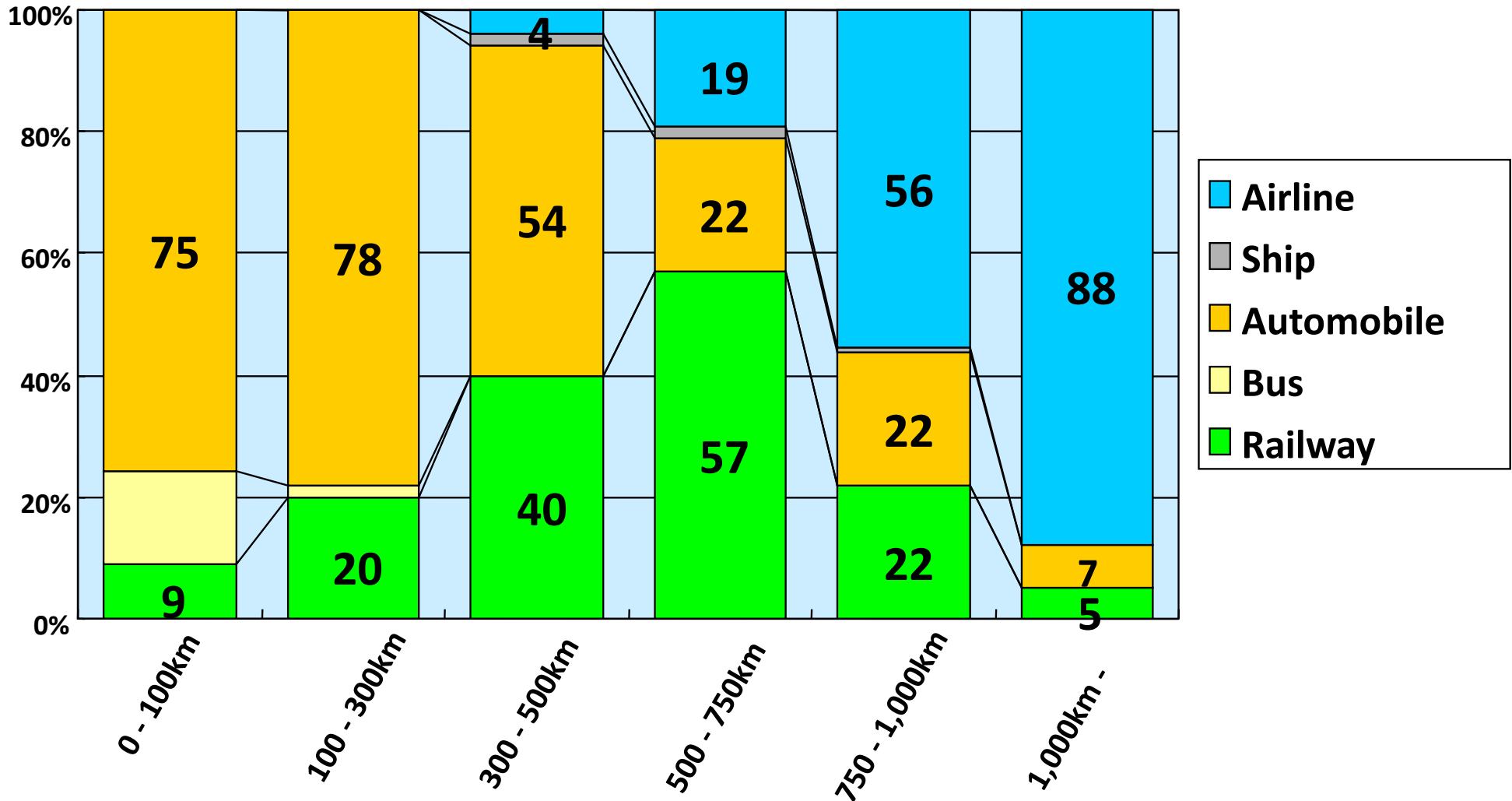
Airports in Japan

Field length of Airport

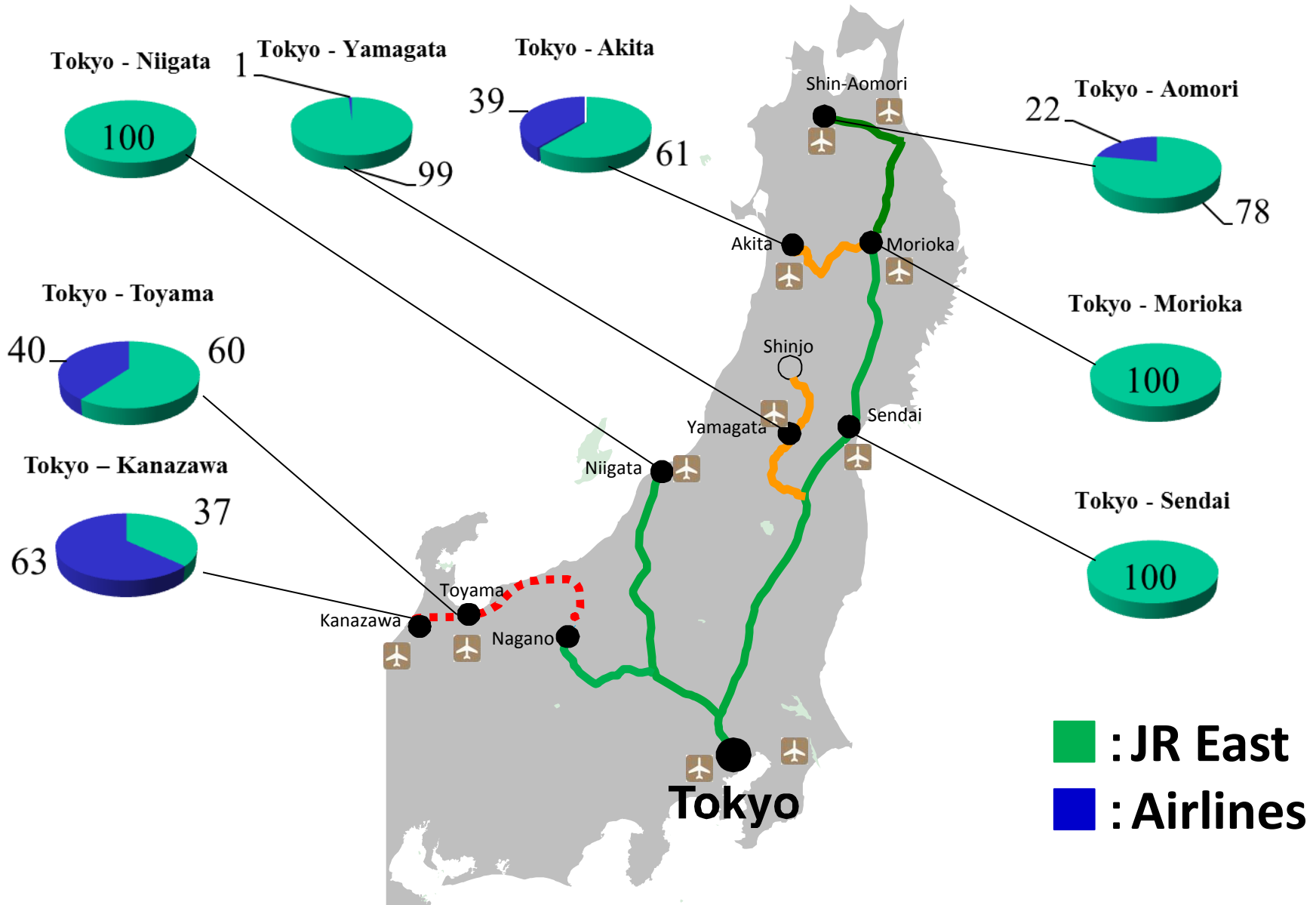
- ★ 2700m or more
- : 2500 m
- : 2000 m / 2300 m
- : 1800 m
- ▲ : 1500 m / 1600 m
- ▼ : 1200 m / 1400 m
- ◇ : 800 m / 1000 m



Shares by transport modes



JR East vs Airlines



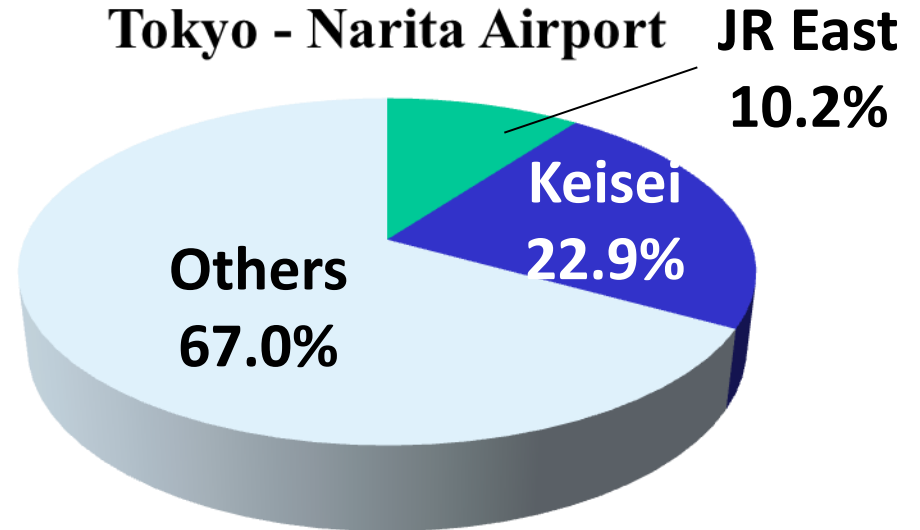
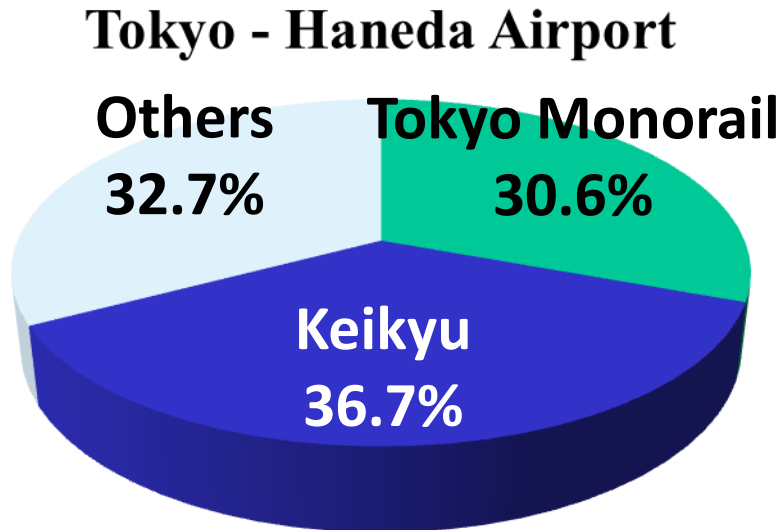
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- The actual competition between high-speed rail and airlines in Japan can be seen in the distance 500 - 1,000 km.
- Very difficult to create such competition by intention because of very high cost to build high-speed rail lines and airports.
- The best resolution is to leave everything to market.
- If you wish to promote competition, you had better focus your mind on the connection services between airports and downtowns.

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- JR East is one of several service providers to connect between downtown Tokyo and two Tokyo airports (Haneda and Narita). Then, we can see such “competition” within JR East.
- Also, airport access services are usually lucrative and competitive.

Market share of Tokyo Airport access



Thank you for your attention.

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