

Logistics Policy in Japan

Tatsuyuki Kose,
Director, International Logistics Division, MLIT
March. 27, 2013

Contents

Part 1: The Fundamental Principle of
General Logistics Policy of Japan

Part 2: New Topics

Part 1:

The Fundamental Principle of General Logistics Policy
— The Fundamental Principle of General Logistics
Policy and Its Background

— Directions and Measures of the Future Logistics
Policies

The Fundamental Principle of General Logistics Policy and Its Background

The Fundamental Principle of General Logistics Policy

On June 25, 2013th Cabinet decided to approve the Fundamental Principles of General Logistics Policy (2013-2017) in order to present guiding principles on the logistics policies and public administration of the Government of Japan as well as to endeavor to promote the government's efforts in a comprehensive and integrated manner through the collaboration of the related ministries and agencies.

Current Situation and Issues Surrounding “Logistics”

1. Deeping of the Global Supply Chain and Structural Change of “Logistics”

Japanese Industry is expanding the overseas production while leaving the high-valued industries in the country ; and expanding the procurement, production and sales network within Asia.

→ Necessary to take measures to Strengthen the locations' competitiveness of Japan promoting the advancement of Japanese logistics system to overseas.

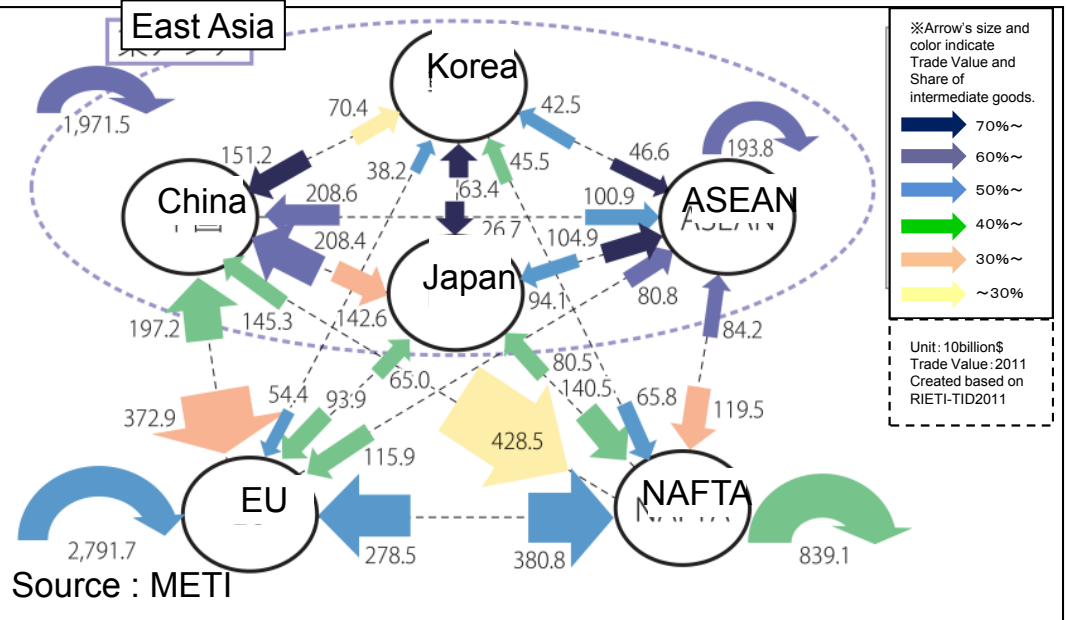
2. The Situation of Environmental Problems such as Global Warming

3. The Situation Surrounding Safe and Secure “Logistics”

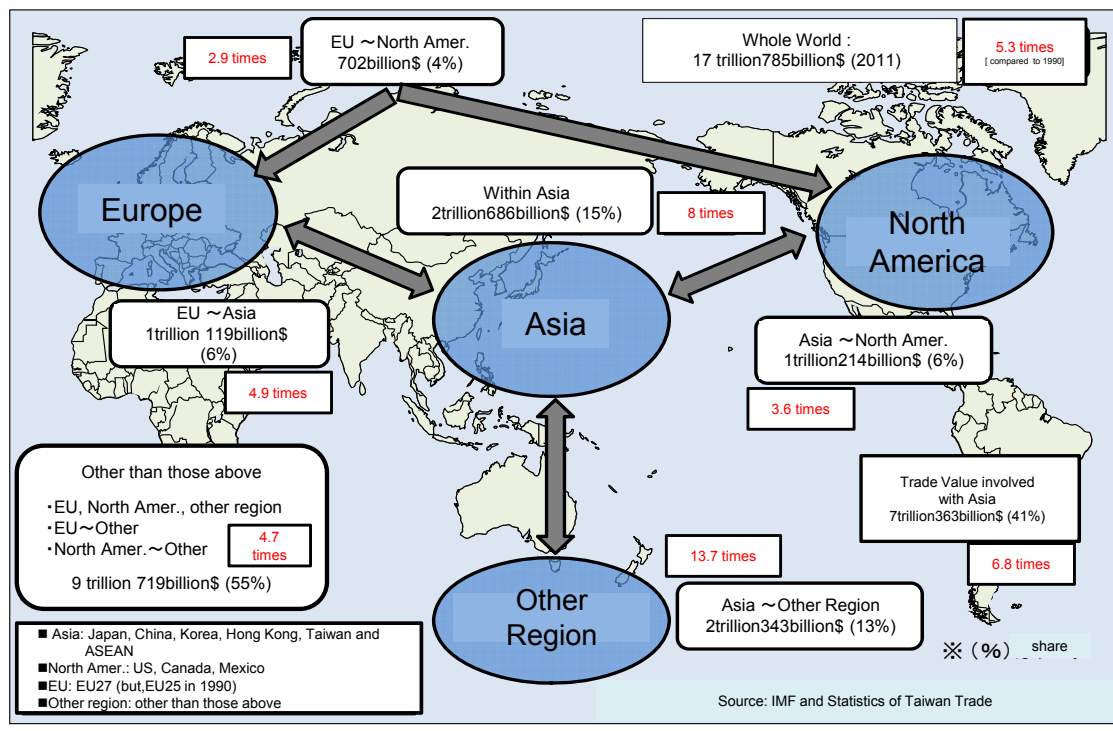
- ❑ The international economic division of labor within Asia has evolved, and the globalization of Supply Chain has deepened
- ❑ As the total trade amount of the world is increasing, trade value of inside and outside Asia has been growing rapidly.

Current State of Supply Chain in East Asian Region

Various intermediate goods (parts) are exported from Japan, Korea, and ASEAN to China. Assembled in China, completed products are exported to mass market nations such as North America, EU etc



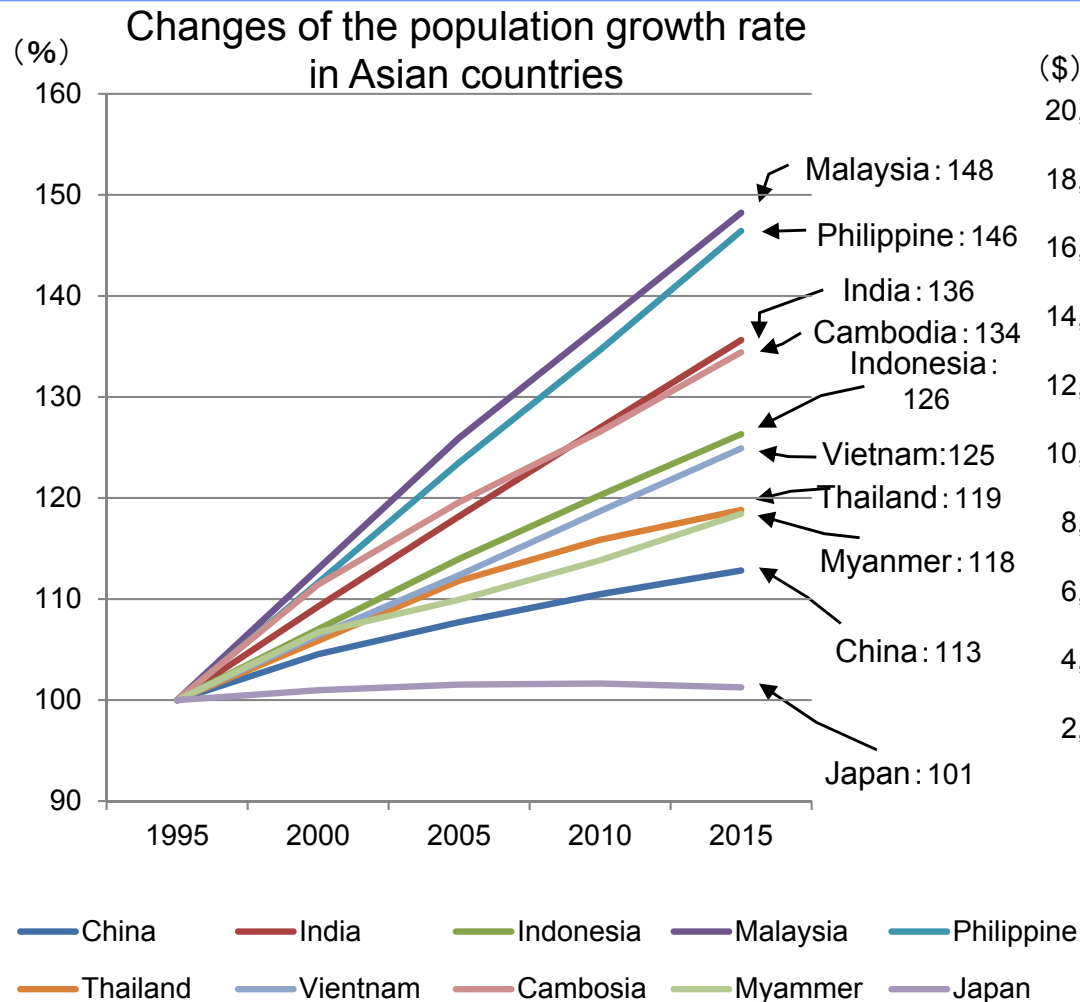
Trade Value in the world (the growth from 1990 to 2011)



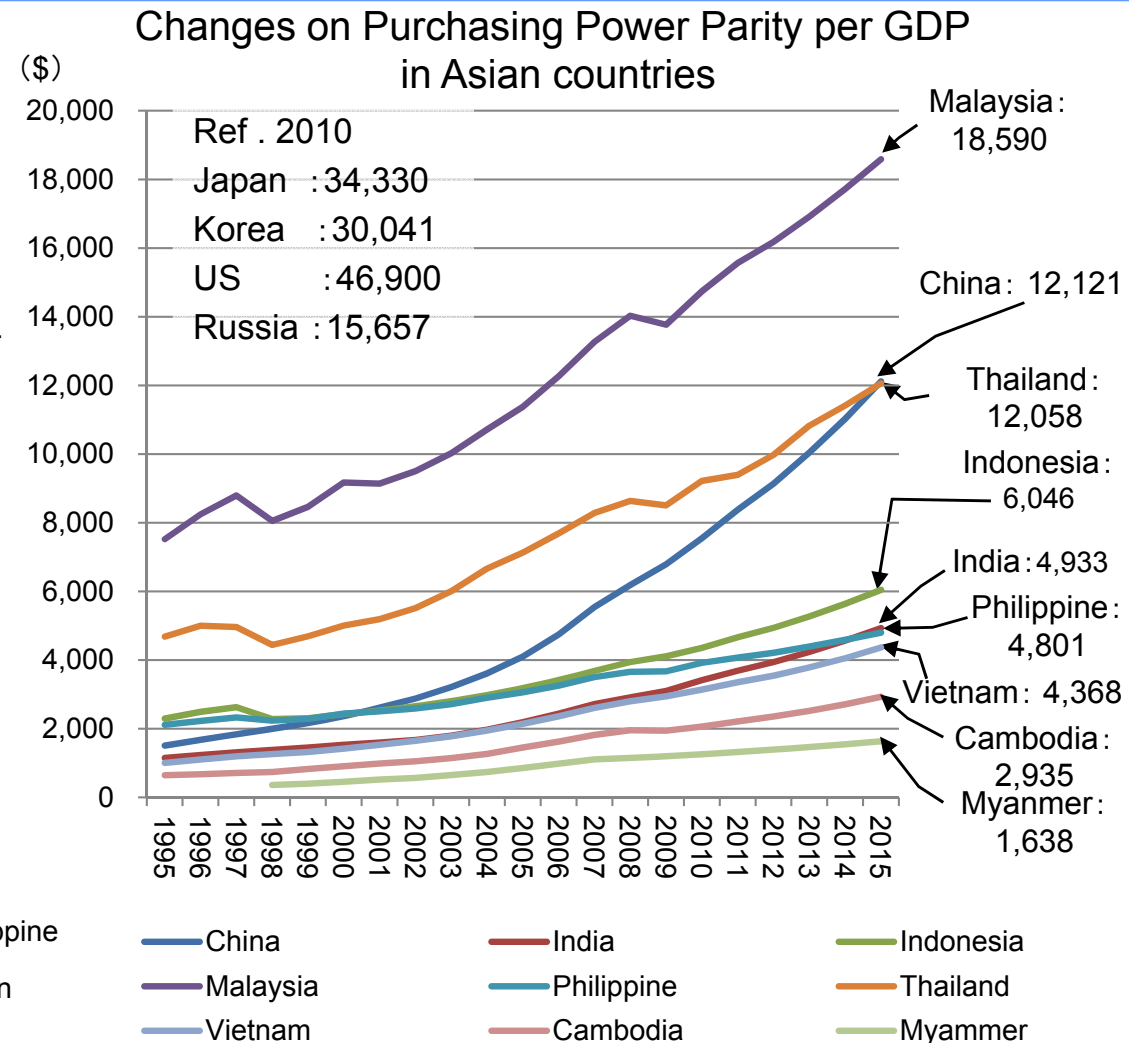
The Growth of ASEAN Market

– the Growth of Population and Purchasing Power

- ▣ The Population in ASEAN countries shows the high growth rate and its prospect.
- ▣ The purchasing power in China shows the high growth rate and its prospect, and ASEAN countries are also expected to indicate the continued high growth rate.
- ▣ Asia is growing rapidly not only as the production base but also as the consumer market.



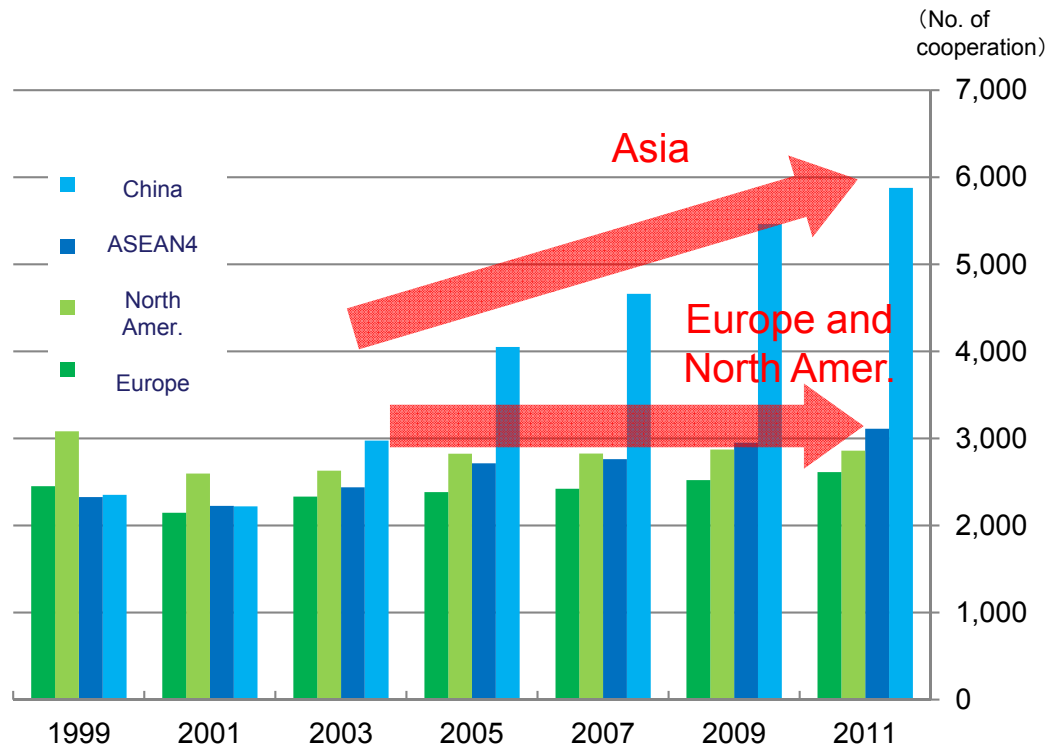
Ref. Indexing the population in 1995 as 100%
Source: UNDESA "World Population Prospects"



Source: IMF "World Economic Outlook Database (Apr. 2012)"

- Japanese companies expanding into overseas market especially in Asia has accelerated. The number of Japanese companies operating in China have grown by 2.6 times in ten years, and the number of Japanese companies advanced to ASEAN 4 have grown by 1.3 times in ten years.
- Following the Japanese manufacturers' expansion to overseas market, advancement of Japanese logistics companies into Asia is quickly growing.

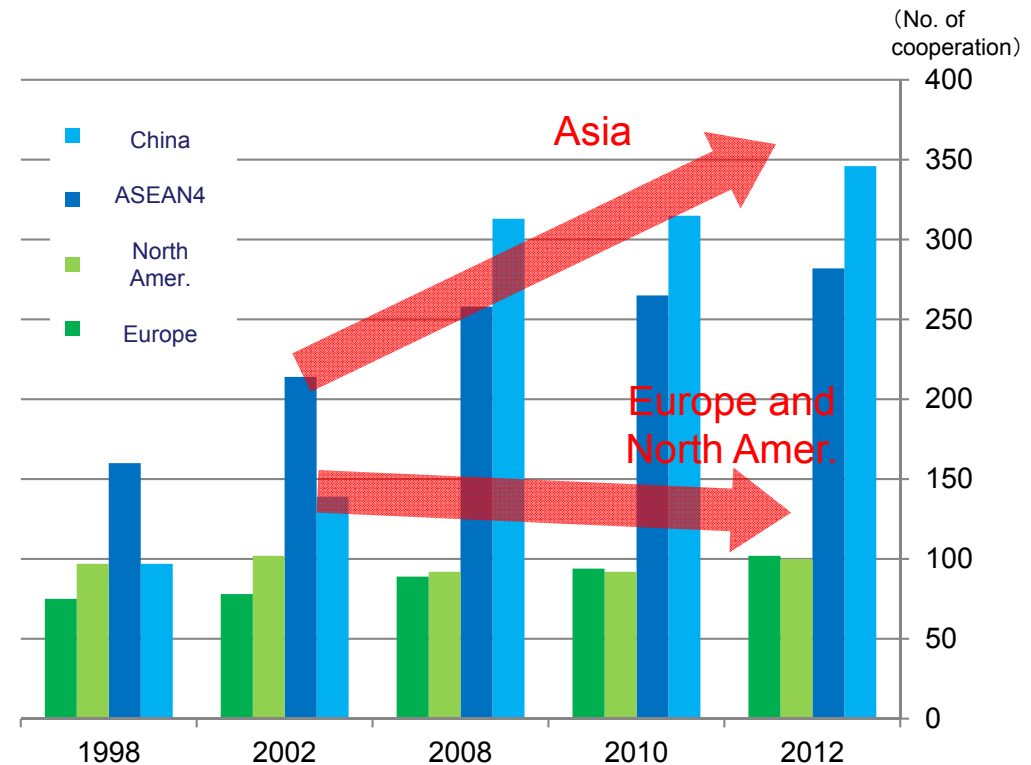
Japanese Industry Overseas Advancement



※ASEAN4: Philippines, Malaysia, Thailand, Indonesia

Source : METI

Situation of the overseas expansion of Japanese logistics operators (Freight Forwarders)



Source : JIFFA



Direction of the Future Logistics Policies and Works

◆ Direction of the Future Logistics Policies and Countermeasures

➤ **Promote the Expansion of Japan's Logistics Systems to Asian Logistics Market**

- ① **Organize the Environments for Global Expansion of Japan's Logistics Systems through G to G Policy Dialogues with Asian Nations Aimed to Propose the Logistics System Improvement Measures, Standardization of Logistics Equipments such as Pallets, and Introduction of Japan's Logistics System.**
- ② **Support the Global Expansion of Japan's Infrastructure System such as the Expansion of Infrastructure Exporting such as Ports, Roads, or High-Spec Logistics and/or Terminal Operations etc.**
- ③ **Contribute to Improvement of Logistics Efficiency by Promoting the Visualization of Cargo Flows through Roll Out of Logistics Information Service Network such as NEAL-NET Starting to be Established between Japan/China/Korea.**
- ④ **Seek the Global Expansion of NACCS (Export/Import& Ports Related Information Processing System) and Modernize/Sophisticate the Developing Nations' Trade Custom System and Environment by Offering the Technical Support to Asian Nations' Custom Area.**

◆ Direction of the Future Logistics Policies and Countermeasures

➤ **Promote the Expansion of Japan's Logistics Systems to Asian Logistics Market**

- ① **Organize the Environments for Global Expansion of Japan's Logistics Systems through G to G Policy Dialogues with Asian Nations Aimed to Propose the Logistics System Improvement Measures, Standardization of Logistics Equipments such as Pallets, and Introduction of Japan's Logistics System.**

Common Challenges Discussed at the Policy Dialogues w ASEAN Nations to Promote Logistics Systems

Foreign Investments

- Majority Equity Share Restriction for Investments Made by Foreign Companies.

Multiple Licensing

- Multiple License Prohibition for Transport/Warehouse/Forwarding Business

Custom Clearance

- Long Average Process Time for Custom Clearance
- Unclear Classification Standards

Logistics Professionals Management

- Education/Training Need for Local Professional Logistics Managers/Specialists/Workers to Provide Efficient SCM
- Visa Acceptance Needs for Professional Logistics Workers to Teach, Monitor the SCM Logistics Site

◆ Direction of the Future Logistics Policies and Countermeasures

➤ Promote the Expansion of Japan's Logistics Systems to Asian Logistics Market

- ② **Support the Global Expansion of Japan's Infrastructure System such as the Expansion of Infrastructure Exporting such as Ports, Roads, or High-Spec Logistics and/or Terminal Operations etc.**

Promote Public-Private Partnership on Infrastructure Projects by Participating in Upstream (Planning) Stage, Top-Sales Development, and Downstream(Management./Operation) Stage. Actively Expand the Soft Infrastructure Systems such as International Standardization on Japanese Standards.

Involvement/Transmission of Information from the "Upstream"

Public and Private Sectors Work Together to Promote the Roll Out of Top Sales and Projects Creations, and Reinforce the Information Transmissions

- Conduct the High Level Conferences with Counterpart Governments incl. the Top Sales, Seminars, or Invitations etc of VIPs and Governmental Officials from Counterpart Nations
- Project Constructions by PPP Structure from the Planning Stage, and Support Creation of Consortium, or Conduct the International PPP Conferences etc
- Actively Transmit Information About the Superior Points of Japanese Infrastructure Systems at International Conferences etc.

Support Companies Working on Infrastructure Exporting

Offer Diversified Support on Corporate Infrastructure Exporting/Overseas Expansion of Our Nation

- Support to Reduce the Operational Risk for Companies Expanding into Downstream (Management/Operation) Area.
- Set Up the "Overseas Construction Hotline" as A Consulting Contacting Window from Private Sectors and Conduct Business Audit Seminars etc.
- Business Troubles Solutions Support through Bilateral Governmental Dialogues etc

Soft Infrastructure Development

Global Expansion of Soft Infrastructure such as International Standardization of Our Nation's Technologies/Systems and Becoming Standard at Other Nations

- Participation to International Organizations/Standardization Organizations etc, and Actively Promote to Obtain Increased Supports and Encouragements for Our Nation's Proposals.
- Spread/Promote the De Facto Standardization of Japanese Standards through Hosting the Seminars/Training Courses and Expatriating Specialists

◆ Direction of the Future Logistics Policies and Countermeasures

➤ Maintenance and Effective Use of Logistics Infrastructures to Strengthen the Japan's Locational Competitiveness

1. Promote the Empowerment of Port Functions; Promote the Integrated and Efficient Operations of Port Operations through Concentration of the Cargoes from Broader Regions, and Business Mergers of Special Port Operation Companies; and Empower the Global Competitiveness through Improving the Efficiency of Port Infrastructures.
2. Comprehensive Promotions on Traffic Congestion Reduction Near Container Terminals, and Consider the Extension of Container Terminal Gates Open Hours.
3. Streamline the Port Facilities to Accommodate Enlarged Cargo Vessels for Base Ports to Conduct Efficient Co-Shipments and Promote the Support Measures for Loading Machineries and Piers, and Promote the Studies to Resolve Restrictive Issues on Night Time Port Entrance or to Make Entrance/Departure of Ports Flexible Using the Differences of Tidal Levels.
4. Nurture NACCS into Core System for the Global Logistics Information Infrastructure
5. Streamline the High Spec Line Haul Networks Including the 3 Major Cities Interchange Roads
6. Promote the Improvement of User Convenience for Air Logistics
7. Realize the Efficient Domestic and International Multi-Modal Transports
8. To Achieve Efficiency of Marine Transports in Asian Logistics Network, Promote the Empowerment of Sea-Land Inter Modal Transport Logistics Networks and Container Transport Networks and their Transport Bases from both the Hard and Soft Aspects
9. Promote the Infrastructure Improvements to Strengthen the Railways and Inland Shipments
10. Streamline the Reverse Logistics Networks and Improve the Related Systems to Promote the Efficient Utilization of Resources
11. Promote the Go On-Line and Paperless Actions of Custom Related Documents to Facilitate the Trading Procedures

❑ The growth of the volume of container cargo handled in Asia main port is very large.

[Ranking in the number of throughput by ports in the world]

[Number of container throughput in major ports in Asia]

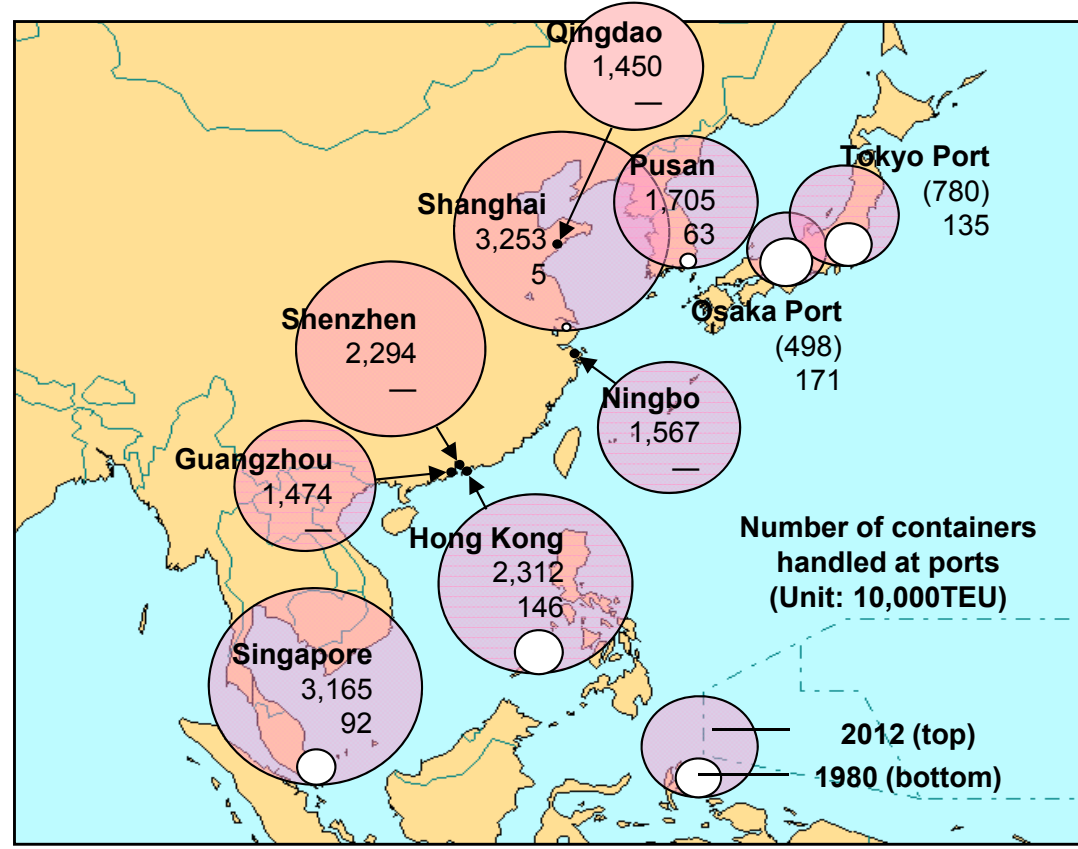
1980

(Unit: 10,000TEU)

2012

	Name of port	Quantity handled
1	New York/New Jersey	195
2	Rotterdam	190
3	Hong Kong	146
4	Kobe	146
5	Kaohsiung	98
6	Singapore	92
7	San Juan	85
8	Longbeach	82
9	Hamburg	78
10	Oakland	78
13	Yokohama	72
16	Pusan	63
18	Tokyo	63
39	Osaka	25
46	Nagoya	21

	Name of port	Quantity handled
1(1)	Shanghai	3,253
2(2)	Singapore	3,165
3(3)	Hong Kong	2,312
4(4)	Shenzhen	2,294
5(5)	Pusan	1,705
6(6)	Ningbo	1,567
7(7)	Guangzhou	1,474
8(8)	Qingdao	1,450
9(9)	Dubai	1,328
10(11)	Tianjin	1,230
28(27)	Tokyo	475
43(40)	Yokohama	305
50(47)	Nagoya	266
52(52)	Kobe	257
57(57)	Osaka	241

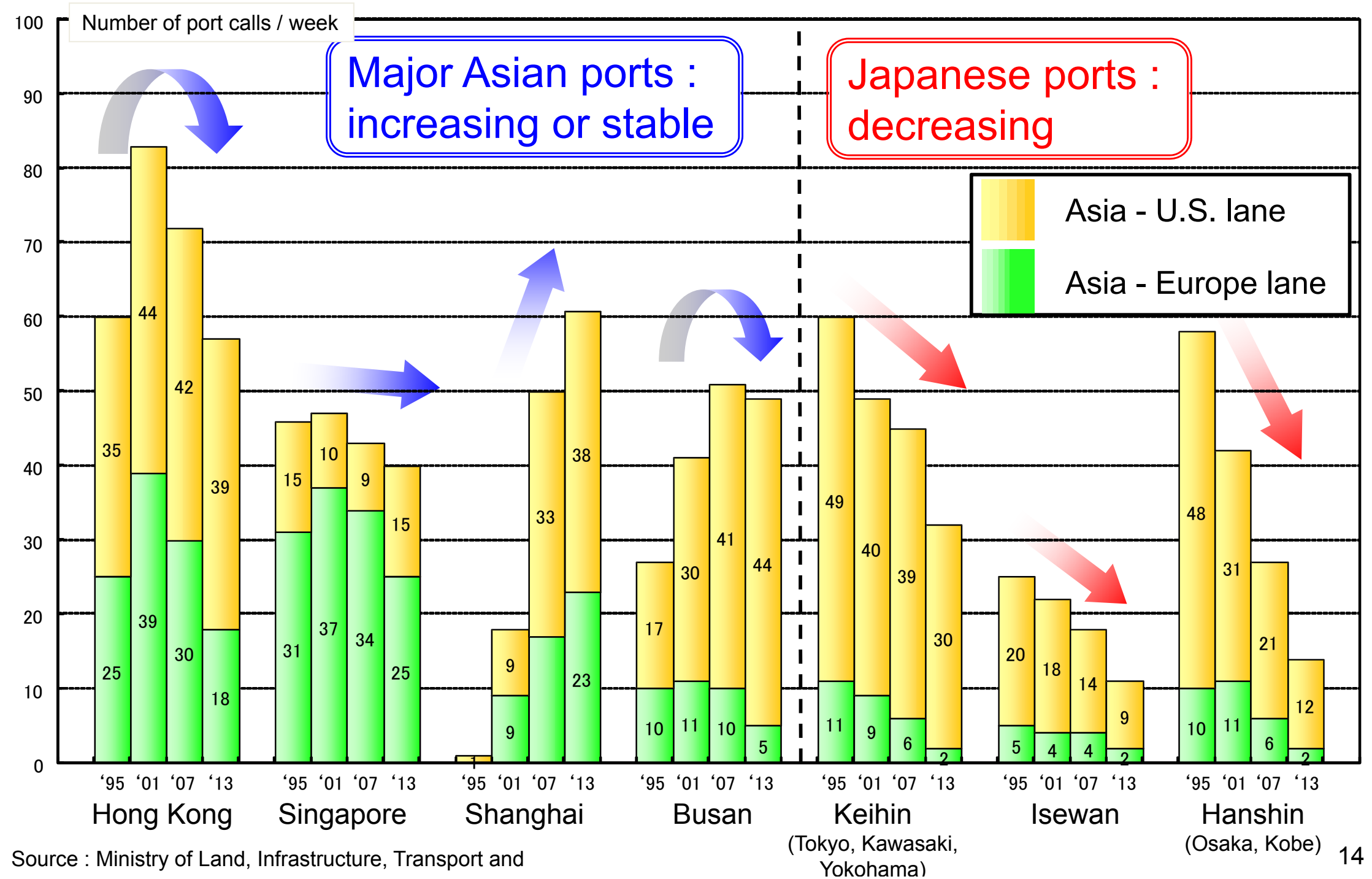


* Tokyo Port and Yokohama Port in Tokyo Bay.
Osaka Port and Kobe Port in Osaka Bay.

TEU (twenty-foot equivalent unit):
Unit of account
20ft container of ISO standard:1
40ft container of ISO standard:2

[Note] Figures include foreign and domestic trades.
Values in () indicate the rank in 2011

Transition of the number of port calls at Asian ports



~ Strengthen the International Container Logistics Network ~

With size of container ships getting larger and with environment surrounding cargo/port industry changing through reorganization of international main routes etc.; efforts seeking maintenance and expansion of international main routes touching ports in Japan are sought out ; setting “Collection of Freights”, “Creation of Freights”, and “Increase the Competitive Power of our Ports” as 3 Main Policy Measures

“Collection of Freights” toward Strategic Ports for International Container Ships



- Established Freight Collection Support Program toward Port Operators
- Empowered the Loading Transformation Function at International Containers Strategic Ports

“Creation of Freights” by Industrial Clusters behind Strategic Ports for International Container Ships



- Appointed areas to promote the port logistics sophistications and established Exceptional Measures that are build behind strategic ports
- Supporting measures to reorganize and sophisticate the old logistics facilities located behind strategic ports

“Increase the Competitive Power” of Strategic Ports for International Container ships




- Measures to accommodate the size increase of container ships and cargo volumes
- Lower the cost of strategic ports for international container ships
- Improve convenience of Strategic Ports for Containers
- Review the investment structures such as investment by government to ports and operation companies

By Setting “Collection of Freights”, “Creation of Freights”, and “Increase the Competitive Power of our Ports” as 3 Pillars, and by Taking All Possible Measures in Respective Sector; Pursue to Enhance the Industrial Competitiveness, and Further Pursue to Maintain and Create Employments and Incomes for Japan.

Promote the upsizing of Inland Vessel calling international feeder route


Consider the Easing Measure on Capacity Limit for Inland Vessel upon Installment of New Technology



Maritime Transportation



Measures for Congestion at Front of the Container Terminal Gate



Truck


Enhance the Logistics Hub Functions by Inviting the Retail Processing Companies to Back of Int'l Container Ports



Logistics Facility

- Realize Broad and Integral Port Management of Respective Port Unit by the Port Management Companies
- Strengthen the Function of Deep Sea Container Terminal to Accommodate the Size Increase of Container Ships and Cargo Volumes
- Establish the Investment System for Investment to the Port Management Companies by National Government
- Consider Study on Information Sharing of Integrated Operation of Consecutive Berths
- Establish the Freight Collection Support Program for the Port Management Companies

Study Solutions for Transit Obstacles due to the High Cube Containers



Railway

Promote the Visualization of Comprehensive Logistics Capability (Promote the Introduction of Logistics KPI)

Part 2:

New Topics

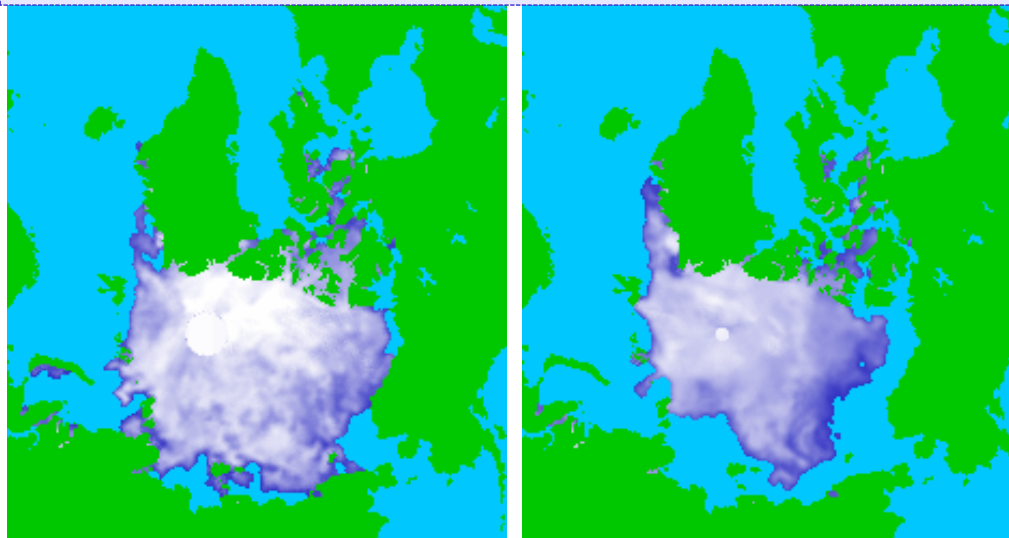
- Northern Sea Route
- The Situation surrounding Panama Canal Expansion

Current Status of Northern Sea Route and MLIT Measures

- Sailing During Summer Season Became Possible due to Recent Years' Reduction in Sea Ice Zone Size Influenced by the Climate Change. (Late June – Late Nov.)
- In Comparison, Sea Distance from Yokohama Port to Hamburg Port Using “Northern Sea Route” is about 60% of “Round South Route” via Suez Canal. There's Also Less Piracy Risk.

■ Ice Zone Spread of Northern Sea

Size of Ice Zone in Northern Sea is under Decreasing Trend Compared to 10 Years Ago

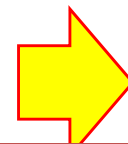
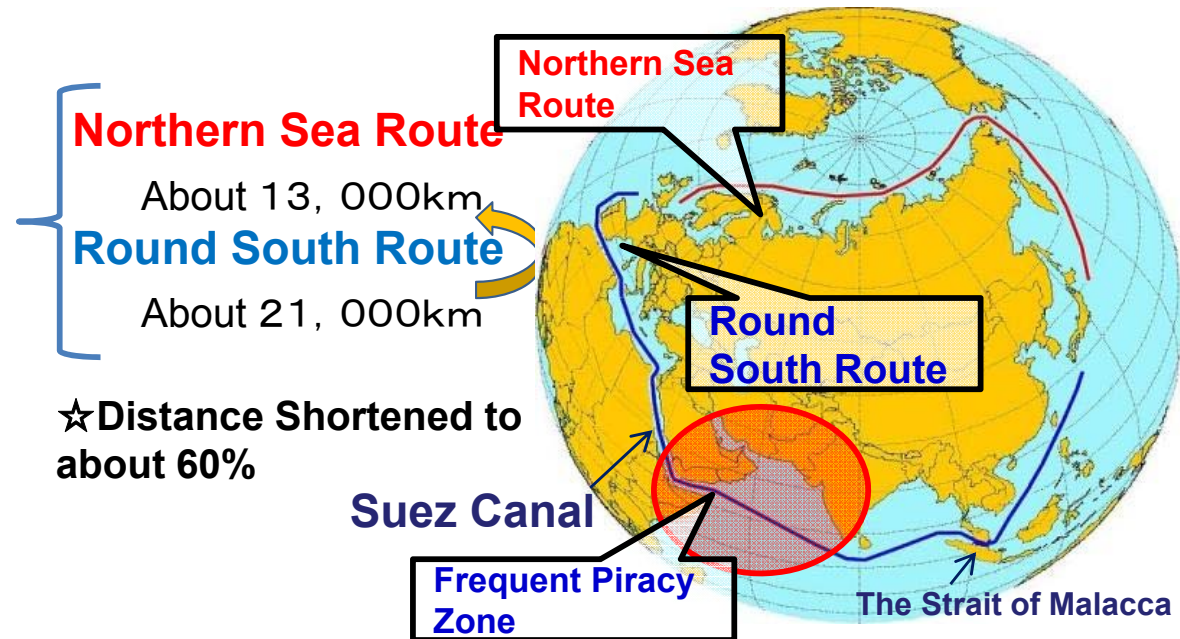


Aug. 10th, 2001

Aug. 10th, 2011

Source: Created by MLIT Based on the Meteorological Agency HP

■ Comparison of Sailing Distance from Yokohama Port to Hamburg Port (Germany)



Higher Possibility to Become a New Option Linking Europe and Asia

○ Northern Sea Route is Now Under Study as “Domestic and Global Feasibility Studies and Trial Studies on Marine Frontier”

- By the Panama Canal expansion, the new routes for energy transportation, such as shale gas, are expected to appear. The demand on new shipbuilding for LNG will increase and the transportation routes of agricultural products such as grains will diversify.
- Japanese shipping companies have expressed their concerns on increase of Panama canal transit tolls.
- The production base of Japan is shifting to South China and ASEAN. The distance from the ASEAN to U.S. east coast via the Suez canal route is shorter than via the Panama canal. The route via Suez canal may be more competitive.

