

THE UNIVERSITY OF STIRLING

IAN B SMITH

Department of Japanese Studies

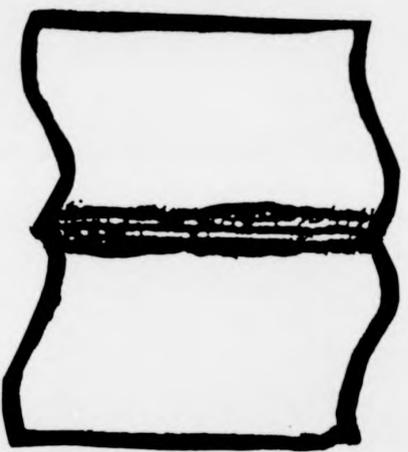
The Privatisation of the JNR in Historical Perspective: An
Evaluation of Government Policy on the Operation of the
National Railways in Japan

Submitted for the Degree of Doctor of Philosophy

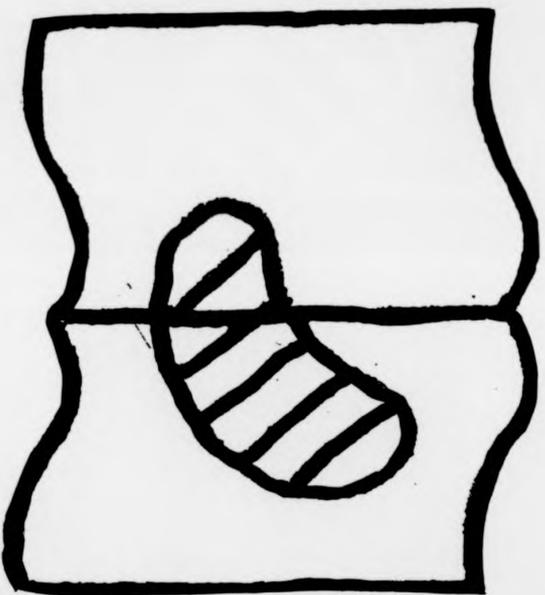
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In terms of research sources, I would particularly cite the significant contributions made (through extensive Interviews) by Professor Imashiro Mitsuhide of Daito Bunka University, by Maeda Kiyoji, the Director General of *Unyu Chôsa Kyoku* (Institute of Transport Economics) and by Ishii Naoki, the Managing Director of *Kôtsû Tôkei Kenkyûjo* (Institute of Transport Statistics), Tokyo.

The aforementioned Professor Imashiro is a prolific writer on the railways of Japan and I was able not only to tap his wealth of knowledge on transport issues in discussion but to gain access through his extensive contacts to many of the railway experts with whom I arranged interviews. Similarly, Ishii Naoki, in addition to providing introductions to many of the important interviewees, and to making available the research material contained in the library at the Institute of Transport Statistics (*Kôtsû Tôkei Kenkyûjo*)

gave me freely of his time to discuss the JNR privatisation and the operation of the national railway as a public corporation. His former position as a Senior Manager in the JNR Staff Relations Department made his contribution to my knowledge of national railway labour matters particularly valuable. My second year of research in Japan was as Ishikawa Fellow of the Institute of Transport Statistics (*Kôtsû Tôkei Kenkyûjo*). This Fellowship was established in honour of the Institute's Chairman Ishikawa Tatsujirô from whom I gained many insights on the operation of the JNR and its relationships with the bureaucracy and government.

Maeda Kiyoji of *Unyu Chôsa Kyoku* also granted me a series of interviews, during which we discussed the entire range of topics contained in this thesis, ranging from the history of the railways in Japan, through the JNR public corporation era, to the privatisation of the national railway. It was also through his generosity that I was able to access material from the library at *Unyu Chôsa Kyoku*, including extensive work on the immediate post Second World War period (contained in the *Abiko Bunko* - Abiko Library) in which plans were drawn up to reform the national railway from a government department to a public corporation.

My wife, Gillian and small daughter, Rachel, who were together with me in Tokyo during my two year research period, provided both great moral support, and the motivation to complete the thesis. It is to them that this thesis is dedicated.

GLOSSARY OF TERMS

The following is a list of the most significant Japanese terms which feature in the text of this study. Listed alphabetically, the terms are, for the most part, given in English form first, translated from their Romanised and italicised Japanese titles which follow in brackets. Exceptions to this stylistic form of presentation apply, however, in cases in which translation of particular Japanese terms into English is imprecise and, therefore, the original Japanese form is considered more appropriate. In these cases the Japanese form is given first, with a translation into English following in brackets. Italics are also not applied to hybrid terms such as Second Rinchô, nor to the names of individuals or organisations cited in the text.

The terminology covers the national and private railways since their inception in the 1870s up to and including the division and privatisation of the state railway corporation in 1987. Certain of the organisations listed in this Glossary of Terms are, consequently, no longer in existence and many of the laws quoted have, likewise, been superceded.

In this Glossary, and throughout the thesis, Japanese technical terms and names of organisations which contain long vowel sounds are marked with a circumflex above the appropriate letter. Place names mentioned in the passing in the text eg. Tokyo are, however, left unadjusted for long vowel sounds.

A

Administrative Management Agency (*Gyōsei Kanri Kyoku*)

Administrative Reform Commission (*Rinji Gyōsei Chōsakai*: see *Rinchō* below)

Amakudari (Lit. Descent from Heaven: the Japanese practice of employing senior public servants on retirement from government service in influential positions in other public sector organisations or in private sector companies)

Avoidable Cost System (Accounting system in which JR Freight is subsidised by bearing only the marginal costs of accessing the track owned by the JR passenger companies)

B

Bunkatsu (Lit. Partition. Synonym for the dissolution and break-up of the Japanese National Railway)

Bullet Train (*Dangan Ressha*: original name for the high speed passenger rail network which was later renamed *Shinkansen*)

C

CTS (Civil Transportation Section of SCAP: see SCAP below)

CTS Memorandum on the JNR (Memorandum on SCAP proposals for the reorganisation of the JNR sent by Ogden, W. L., SCAP Civil Transportation Section to Shimoyama Sadanori, Transport Vice Minister, on 13 September 1948)

D

Daisan Sector ('*Sekutâ* ') (Third Sector: established in legislation in 1980 to take over the operation of lossmaking local lines from the JNR)

Dantai Kôshô (Collective Bargaining)

Dôrô (National Railways Locomotive Crew Union: originally known as *Kirô*)

E

Eidan (Public sector corporations financed by national or joint national and local government)

F

Futô Rôdô Kôi (Unfair Labour Practices)

G

Genbachô (Manager at the Workplace in the JNR organisation)

Genba Kyôgi Sei (System of Meetings at the Workplace in the JNR management organisation)

GHQ (Alternative abbreviation for SCAP: see SCAP below)

H

Heisei Jidai (The Era of Emperor Heisei 1989 -)

I

ILO (International Labour Organisation)

J

Japan Economic Research Council (*Nihon Keizai Chōsa Kyōgikai*)

Japanese National Railway (JNR: *Nihon Kokuyū Tetsudō* or *Kokutetsu*)

Japanese National Railways Law of 1948 (*Nihon Kokuyū Tetsudō Hō*)

Japan Railway Construction Public Corporation (*Nihon Tetsudō Kensetsu Kōdan*)

Jinmyaku (System of personal contacts in Japanese society akin to the 'old boy network' in the West)

JNR Basic Policy of Business Improvement (*Keiei Kaikaku no Kihon Hōsaku* : internal JNR management improvement plan of 1985)

JNR Management Improvement Plan of 1980 (*Keiei Kaizen Keikaku* : dubbed The Plan Without Successor by the LDP: see LDP below)

JNR Plan for the New Management of Goods Transportation of 1983 (*Atarashii Tetsudō Kamotsu Eigyō ni Tsuite* : internal JNR plan to rehabilitate the national railway's freight operation)

JNR Reform Commission (*Kokutetsu Saiken linkai*)

JNR Restructuring Sub-Committee of the Liberal Democratic Party

(Kokutetsu Saiken ni Kan Suru Shô linkai or Mitsuzuka linkai)
JNR Restructuring Law of 1986 (*Kokuyû Tetsudô Kaikaku Hô*)

JNR Settlement Corporation (*Kokutetsu Seisan Jigyô Dan*)

JNR Special Account (*Tokutei Kanjô* : Special Account into which a proportion of the JNR's long term debt was transferred)

JNR Tariff Law of 1948 (*Nihon Kokuyû Tetsudô Unchin Hô*)

JR Group (Synonym for the group of companies created by the break-up of the JNR)

JR Operating Companies:

JR East (*JR Higashi Nihon*)

JR Central (*JR Tôkai*)

JR West (*JR Nishi Nihon*)

JR Freight (*JR Kamotsu*)

Three Islands JRs (*Santô JR* : JR Companies on the islands of Kyushu, Hokkaido and Shikoku)

JR Sôren (Japan Confederation of Railway Workers Union: see *Tetsudôrôren* below)

Junpô Tôsô (Law Abiding Struggle: tactics adopted by the JNR labour unions in lieu of illegal strike action from the 1950s)

K

Kaishu Kenjû (Priority on Renewal) : conflicting policy objectives
Kenshu Kaijû (Priority on New : national railway
Construction) : administration in the early
Taishô era.

Kamotsu Anrakushi Ron (JNR Freight Euthanasia Debate in the mid-1970's)

Kanson Minpi (Lit. Putting Government above the People: denoting the high social status of Japanese civil servants)

Kigyôshin (Spirit of Enterprise)

Kintetsu (Kinki Nippon Railway: a major private railway company)

Kôdan (Social service public corporations, with responsibility for social overhead public works investment)

Kôbusho (Ministry of Public Works)

Kokurô (National Railway Workers Union)

Kokutetsu Ikka (National Railway Family)

Kokutetsu Zoku (Lit. JNR tribe: specialists amongst Diet members on national railway matters)

Kôkyô (Term to denote Public Welfare - as used in Public Corporation titles)

Kôkyô Kigyôtai Chûsai linkai (Public Corporations Arbitration Commission)

Kôkyôshin (Sense of Public Service)

Kôsha (Term adopted for Japanese public corporations, such as the JNR, whose annual budgets were subject to prior Diet approval)

Kôyû (Term to denote Public Ownership)

Kyô santô (Japanese Communist Party)

L

Labour Relations Adjustment Law of 1946 (*Rôchô Hô*)

Labour Standards Law of 1947 (*Rôki Hô*)

Law for the Fixed Level of Personnel in Administrative Organisations of 1949 (*Teiin Hô*)

LDP (Liberal Democratic Party: *Jimintô*)

M

Mago no Rishi (Lit. Grandchild Subsidies: the subsidy of the JNR's loan interest payments from public funds)

Mashokan (Letter from General Douglas MacArthur, SCAP, to Japanese Prime Minister, Ashida Hitoshi on 22 July 1948)

Management Stabilisation Fund (*Keiei Antei Kikin*: Fund to 'stabilise' the income of the Three Islands JR Companies)

Marusei Undô (Increasing Productivity Movement: JNR management policy in the early 1970's)

MoT (Ministry of Transport : *Unyushô*)

MoF (Ministry of Finance: *Okurashô*)

Meiji Jidai (The Era of Emperor Meiji 1868 - 1912)

Meitetsu (Nagoya Railroad: a major private railway company)

Mineika (Privatisation: defined as the transfer of the provision of services previously undertaken by the Japanese public sector to the private sector, 'new' private companies being created by the sale of government stock)

Ministry of Public Works (*Kôbushô*)

Ministry of Railways (*Tetsudôshô*)

N

National Enterprises Labour Relations Committee (*Kôrô linkai* or *Kôrôi*)

National Public Service Law of 1947 (*Kokkô Hô*)

National Railway Arbitration Committee (*Kokutetsu Chûsai linkai*)

Nihon Denden Kôsha (Japanese Telephone and Telecommunications Public Corporation: since its privatisation NTT)

Nihon Senbai Kôsha (Japanese Salt and Tobacco Monopoly Public Corporation)

Nippon Express (*Nittsu* : the largest road haulage corporation in Japan)

Nôrin Zoku (Lit. Agricultural 'tribe': specialists amongst Diet members on agricultural matters)

O

Opinions on the Restructuring of the JNR (*Kokutetsu Kaikaku ni Kan Suru Iken* JNR Restructuring Commission Report of July 1985)

Oyakata Hi no Maru (Lit. The Japanese Flag is the Boss: the concept that public sector organisations are intrinsically financially irresponsible because their management are aware that any losses and debt incurred will be funded by the National Treasury)

P

PARC (The LDP's Policy Affairs Research Council: *Seichôkai*)

PARC Transport Affairs Committee (*Kôtsu Bukai*)

Plan for Building A New Japan of 1970 (*Nihon Rettô Kaizô Ron*)

Public Corporations and National Enterprise Labour Relations Law of 1948 (*Kôrô Hô*)

R

Railway Construction Act of 1922 (*Tetsudô Fusetsu Hô*)

Railway Construction Council (*Tetsudô Kensetsu Shingikai*)

Railways Agency (*Tetsudôin* : established in 1908)

Railways Ministry (*Tetsudôshô* : established in 1920)

Railway Development Fund (*Tetsudô Seibi Kikin*)

Railways General Bureau (*Tetsudô Sôkyoku*)

Railway Nationalisation Law of 1906 (*Tetsudô Kokuyû Hô*)

Rinchô (Synonym for Administrative Reform Commission; *Rinji Gyôsei Chôsakai*)

Rôdô Kumiai (Labour Union)

S

Sanbetsu (Communist organised Confederation of Labour Unions: established in 1946)

Sankei Shinbun (Newspaper which was influential in promoting the Government's administrative reform proposals)

San Kôsha (The three public corporations - JNR, NTT and the Tobacco and Salt Monopoly - whose privatisation was proposed by the Administrative Reform Commission)

San Nin Gumi (Group of Three. Name given to three JNR executives who epitomised the pro-reconstruction viewpoint within the national railway management during the administrative reform debate in the 1980's.)

SCAP (Supreme Commander for the Allied Powers: synonym for the Administrative Authorities of the Allied Occupation of Japan - otherwise abbreviated as GHQ: see GHQ above)

SCAPINS (SCAP Policy Directives to the Japanese Government)

Seibi Shinkansen ('New' *Shinkansen* in preparation)

Seichōkai (LDP Policy Committees)

Shakaitō (Japanese Socialist Party)

Shingikai (Advisory Councils, on to which lay representatives are invited, and which advise Government Ministries on policy)

Shinkansen (Lit. New Trunk Line: high speed passenger rail network)

Shinkansen Holding Corporation (*Shinkansen Hoyū Kikō*)

Shotoku Baizō Keikaku (1960 Income Doubling Plan of PM Ikeda Hayato)

Shōwa Jidai (The Era of Emperor Shōwa 1926 -1989)

Sixteen Principles for Japanese Trade Unions (Principles adopted by the Far Eastern Commission in December 1946)

Sôdômei (Nihon Rôdô Kumiai Sôdômei - Federation of Japanese Labour Unions)

Sôhyô (Nihon Rôdô Kumiai Sôhyô Gikai - General Council of Japanese Trade Unions)

South Manchurian Railway Company (*Minami Manshukuo Tetsudô*)

Special Act for the Promotion of JNR Reconstruction of 1980 (*Kokutetsu Keiei Saiken Sokushin Tokubetsu Sochi Hô*)

Special Law for the Promotion of JNR Business Rehabilitation of 1983 (*Kokutetsu Saiken Kanri linkai Sechi Hô*)

Sutokensuto (Illegal strike in 1975 by JNR workers for the reinstatement of the legal right to strike)

T

Taishô Jidai (The Era of Emperor Taishô 1912 -1926)

Teishinshô (Ministry of Communications: established in 1892 with the Railways Bureau under its control)

Teito Rapid Transit Authority (*Teito Kôsokudo Kôtsu Kôdan* : Tokyo Subway Corporation)

Tetsudôrôren (JR Sôren : Japan Confederation of Railway Workers Unions: established in 1986)

Tetsurô (Japanese Railway Workers Union)

Tetsusanrô (Japan Railway Industry Workers Union: established in 1987)

Three K's (*Kokutetsu*, *Kome*, and *Kenkô Hoken* : the national railway, the rice subsidy system, and the national health service - the key factors in the national financing deficit in the 1970's

Tôkyû Corporation (*Tôkyô Kyûko Dentetsu* : a major private railway company)

Trade Union Law of 1945 (*Rôdô Kumiai Hô*)

Transport Council (*Unyu Shingikai*)

U

Unyu Zoku (Lit.Transport 'tribe' : specialists amongst Diet members on transport matters)

Y

Yami Kara Poka (Journalistic catchphrase to describe what was said to be symptomatic of the JNR's failings)

Yami : getting overtime pay without working overtime

Kara : being paid for non-existent operation of services

Poka : taking holidays without due notice

Yôin Gôrika (Rationalisation of the Essential Workforce: JNR management policy in the late 1960's to rationalise its labour force)

Z

Zenshirô (Railway Construction Workers Union)

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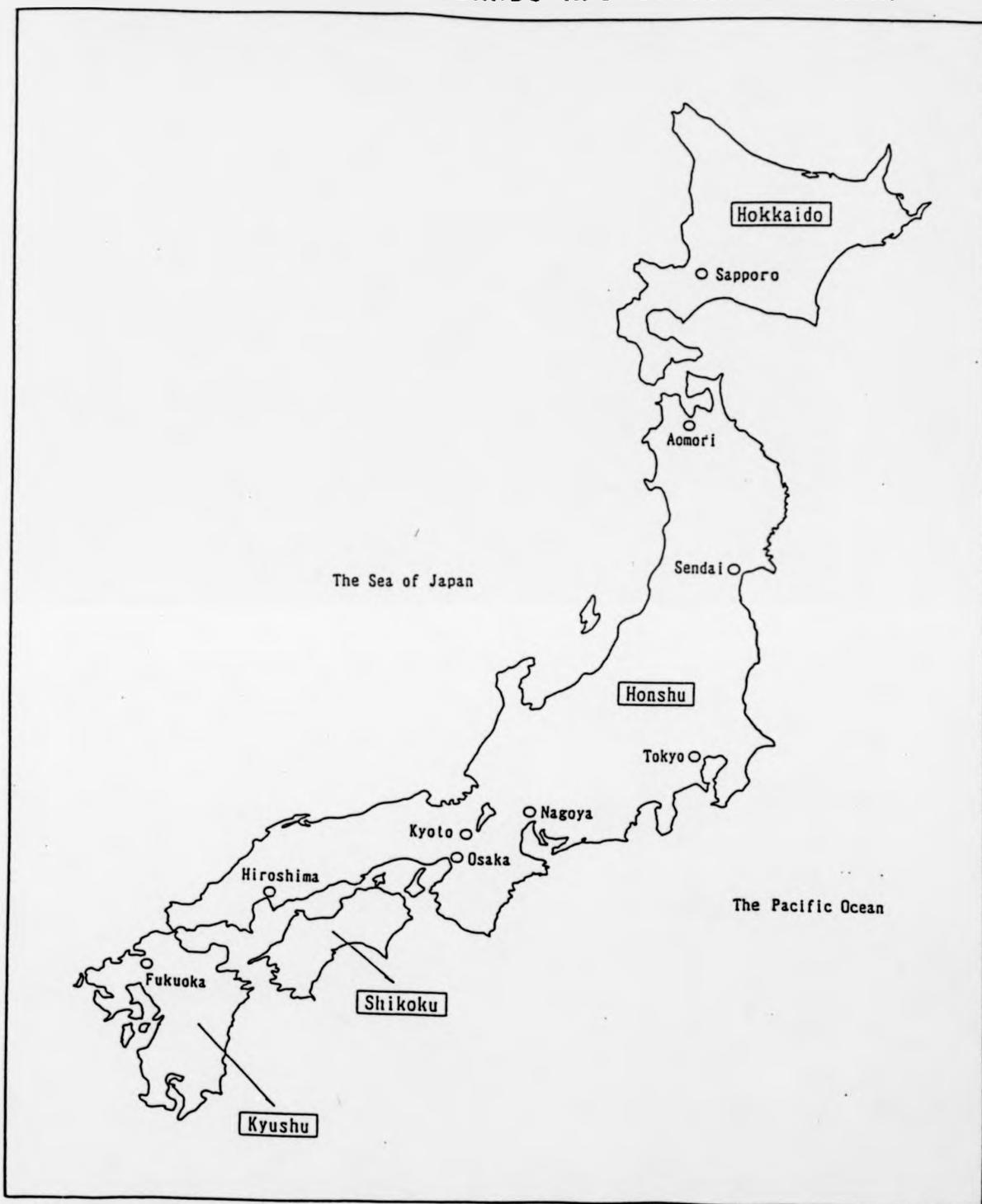
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Source : Adapted from data in Jichisyō Gyōseikyoku Shinkōka (Ministry of Home Affairs Local Administration Bureau Administration Improvement Division). Heisei 5 Nendo Zenkoku Shichōson Yōran (Digest of Municipalities Throughout Japan For Fiscal 1993). 1993.

INTRODUCTION

THE SETTING AND METHOD OF THE STUDY

Study Outline

The main purpose of this thesis is to examine the policies adopted by successive Japanese governments towards the administration of the country's national railway, the motivation behind the implementation of these strategies, and their political and financial consequences. Within this framework, the culmination of the study is post Second World War Japan, particularly the Japanese National Railway (JNR) before and after privatisation.

The most recent watershed in Japanese national railway policy was the reorganisation of the JNR, in 1987, through a process of break-up (*Bunkatsu*) and privatisation (*Mineika*) into the Japan Railways (JR) group of companies. The reform of the JNR, and its replacement by privatised operating companies is the conclusion of this evaluation of government policy on the operation of the national railway in Japan. Consequently, a key focus of the study is an examination of the political process leading up to the policy decisions to dissolve the JNR and transform it into a group of private enterprises which, since 1987, has administered the

former national rail network. The thesis further addresses the implementation of the JNR privatisation policies, the legislative programme which effected the change from public corporation to privatised operators of the state railway system. Finally, a detailed political and financial analysis is made of the national railway run as a group of privatised enterprises in the period since the implementation of the privatisation policies.

In the context of national policy on Japan's railways, the thesis therefore provides an assessment of the policy making process in the post JNR privatisation era. It is essential, in order to evaluate the position of national transport policy in the running of what was hitherto the state railway network, that this is undertaken by exploring the effect which the privatisation of the JNR has had on the relationships between the new JR companies, the national bureaucracy, and the main 'players' in the Japanese political system¹.

Such an approach is intrinsic to the study because, even in the railway's divided and privatised state, the formulation of national railway policy in Japan still remains the product of the inter-

relations between the operators of the railway network, the Ministry of Transport (MoT) - responsible in theory at least for the development of strategy in the transport sector - politicians sitting as elected members of the National Diet, and governments charged with the duty of their implementation. The outcome of this inter-play has been the critical determinant in shaping the development of the Japanese state railway. It is essential, moreover, to acknowledge that, despite the existence now of a 'private' company structure² to administer what was formerly the national rail network, these relationships remain in the post-privatisation era as fundamental to the decision making process of transport policy.

The evaluation of the policies of division and privatisation of the JNR inevitably involves value judgements on the issue of whether the new policies can be deemed to have been 'successful'. Any such evaluation of the success or otherwise of the privatisation process can not be undertaken in a vacuum, but requires a basis for comparison. A clear understanding of the JNR privatisation policies, the motivation behind their implementation, and their effect on the operation of the national railway network can only be

achieved if these matters are examined in the context of what went before. This study of the privatisation of the JNR has therefore been undertaken in historical perspective, with the present day events set against previous policies adopted for the running of Japan's national railway.

In the course of its extensive history the Japanese National Railway has been administered as a government department, as a public corporation, and now as a group of privatised enterprises. It is clear that the process of negotiations between the key participants in the administration of the national railway, be they the railway's management, bureaucrats in the MoT, parliamentarians, and government ministers, have produced varying approaches to railway policy through the different phases of the national railway's existence. It has therefore been the charge of this study to address this issue of policy on the national railways of Japan from its inception up to and including its now privatised structure.

The evaluation of government policy on the railways in Japan as it applied in the period before the JNR was broken-up and privatised

provides the necessary standard against which to judge the key issues addressed in this study in relation to the national railway in its post-privatisation phase of operation. The analysis which is fundamental to this thesis comprises examination of the motivation for the policies of division and privatisation, of the political process by which they were realised, and of the financial results of their implementation on the operation of the national railway system in Japan. These topics are, however, addressed in this study within the framework of a critical assessment of the methods adopted for the administration of the national railway through its entire 120 years of operation. It is thus that this thesis is The Privatisation of the JNR in Historical Perspective.

Research Methodology

As an examination of the policies adopted for the administration of the Japanese national railway, both before and after its privatisation, this study is multi-disciplinary. The main theoretical framework is that of political economy, particularly as the subject - the national railway of Japan - has been, for the greater part of its existence, a constituent of the Japanese public sector. However, the thesis also draws on other disciplines,

political analysis, government:bureaucracy relations, government:industry relations, economic policy, and social policy to address particular points in the text.

The evaluation of Japanese government policy on the railways clearly requires an understanding of the political process in Japan, and of the inter-relations between the national administration and the bureaucracy. Thus, in the study of railway policy as applied to the management of the state railway operation, critical objects of inquiry include political behaviour at the national level and the roles of politicians and the bureaucracy in the formulation and passage of laws.

The debate during the early 1980's concerning the policies formulated to effect the division and privatisation of the Japanese National Railway took place in a climate of inquiry as to the appropriate role of the state railway operation. The privatisation process effected fundamental changes in the concept of the function of the railways in Japan. The position of the national railway in Japan may have changed since its privatisation to one run on 'profitable grounds', but an understanding of its current

raison d'etre still requires an examination of the current political and bureaucratic framework, not least as a basis within which to evaluate the post privatisation regulatory climate. Thus, while the declared overriding objective of the JNR privatisation policy was the attainment of greater economic efficiency, its significance to the Japanese administration which effected it can clearly be addressed in political terms. The implementation of the JNR privatisation was, in itself, a major political achievement, realised through the Japanese political process. This study therefore acknowledges that an important element of the evaluation of the division and privatisation of the Japanese National Railway is that undertaken within the bounds of political analysis.

However, the importance of a judgement of the JNR privatisation as political theory notwithstanding, the avowed policy aim of increasing the efficiency of the privatised organisations must also be tested in the form of a financial critique. The multi-disciplinary approach is thus emphasised by the application of a rigorous analysis of the financial effects of the privatisation of the JNR. The economic analysis, is moreover, undertaken in

historical perspective, in addressing the question of whether the privatisation policies resulted in a 'more efficient' structure for the operation of the national railway than its preceding forms as public corporation and government department. In this sense, the study has a strongly empirical basis to set against the theoretical elements of analysis of the Japanese political system.

It is, indeed, a further contention of this study that the empirical examination of the subject should test hypotheses which arise out of an acceptance that analysis of the administration of the national railway system may have only a political dimension. The technique is therefore also here adopted of evaluating the process of government policy on the railways in relation to its financial results, and not simply on the basis of broad political consequences of such strategy on the operation of the JNR.

Thesis Structure

The conceptual framework adopted has its roots in the method of assessing the JNR privatisation in its historical setting. This approach has revealed the national railway in three distinct phases of its development, the identification of the critical turning points

acting as a focus of the analytical process. It is therefore this conceptual basis which facilitates the study of railway policy in the context of the following outline of the development of the national railway in Japan.

1872 - 1964: the national railway as a major public sector asset with a high status in the bureaucratic hierarchy

1964 - 1987: the national railway as a major public sector financial liability with its hierarchical status greatly diminished

1987 - 1992: the rehabilitation of the national railway under privatisation, its status in Japanese public life consequently restored

The study is therefore divided into three chronological Sections, the basic premise of an historical basis for comparison of the current policies of division and privatisation of the JNR dictating that the examination of the JNR privatisation be preceded by an

analysis of the prior forms of organisation and operation of the national railway.

Section 1 provides the historical setting for the study, encompassing the development of national railway policy from the inception of the railway network in the 1870's. It further traces the relationships between the railway bureaucracy and the national administration as a prelude to an examination of the political process of the establishment of a public corporation structure for the Japanese National Railway in 1949. The first Section concludes with a financial analysis of the profitable operation of the JNR public corporation up to 1964, the end of the period in which the national railway was a major public sector asset.

Section 2 covers the administration of the national railway from 1964 to its dissolution in 1987. It focuses on the JNR's relations with the bureaucracy, politicians, and government in this period in which the railway incurred significant losses. The JNR's management strategies in the public corporation era are also examined in relation to the operation of two key business sectors, the *Shinkansen* high-speed passenger network, and the National

Freight Division. A financial analysis of the JNR in its final phase concludes this Section on the national railway as a major public sector financial liability.

The period covered in Section 3 is that from 1987, the year in which the JNR was restructured through division and privatisation. It traces the development of the national administrative reform policies, and the position of the JNR in the formulation and implementation of the government's privatisation strategies. Examination of the political process of the JNR privatisation is followed by a financial analysis of the national railway in its form as a group of privatised enterprises both at the end of its first year (as at 1988) and after five years of operation (as at 1992). The rehabilitation of the national railway operation under privatisation is finally examined by an evaluation of the current organisation of Japan's railway system in the context of the country's national policies on transport.

The Setting for the Study

1. The Significance of the National Railways in Japan

Implicit in the setting out of the structure of this study is the view that, in the everyday lives of the people of Japan, the railways have retained a significance far greater than is the norm in other industrialised countries. As the Japan scholar Paul Noguchi says

In several respects knowledge of the railroads acts as a unique agent of socialization in Japanese cities ... Because the major interurban transportation services are the trains and subways, the (Japanese) child is socialized very early into the hazards of crowded platforms and uncomfortable riding facilities during the rush hours.... For all urbanites the train station acts as a point of reference.³

Noguchi's assessment of the position in Japan of the railways as such a social focus is strengthened by mundane but highly pertinent examples from day to day life. The country's abundant railway stations are regarded as the natural choice for meeting points and, as points of reference, are used as the focus for directions to offices, restaurants, shops and peoples' homes. Discussion of railway issues, such as the extent of congestion of commuter services, the train timetables, and the detailed consideration of the length and route of journeys from point A to

point B is, in Japan, truly at a level which in other nations is confined to what most would regard as somewhat eccentric 'train-spotters'.

The well-established nature of the railway as a socialising agent - over many generations of regular usage - has, moreover, sustained in Japan a high degree of nostalgia connected with the railways. In a comparison with the USA, Noguchi's evaluation of this factor is that

... among the Japanese, railroad nostalgia appears to be more internally shared and firmly embedded. I believe one of the primary reasons for this is that a greater proportion of the Japanese population has had direct contact with railroad transportation.⁴

A high level of interest in railway matters has therefore remained widespread amongst the Japanese people. The development of the national railway system; its early nationalisation; its use by the government as part of the war machine in the 1930's and 1940's; the subsequent setting up of a public corporation in 1949 and the build-up of huge losses which led to its demise; and finally the dissolution and privatisation of the Japanese National Railway in 1987 are all issues which have evoked strong responses from the rail users in Japan. Whatever the differing views which these

events have provoked, there has existed an enduring perception that the national railway network is an integral part of Japanese culture and society.

2. The Japanese Railways in an International Context

It is not the intention of this study to provide a detailed comparative analysis of the Japanese national railways in relation to the systems adopted for their organisation in other countries. Nevertheless, the fact that the continuing evolution of the railways in Japan has prompted interested reactions from non-Japanese observers cannot be ignored. In particular, not only have academics specialising in the study of Japan, such as the aforementioned Paul Noguchi, utilised the national railway as a paradigm of Japanese political and social structures, but a wide range of writers has taken the issue of the privatisation of the JNR in 1987 - and its implementation - as the signal for an examination of the question of whether the method chosen for the reorganisation of the Japanese state railway could provide other nations with a model for the efficient operation of their national rail systems⁵.

It is pertinent, therefore, prior to the commencement of an analysis of the national railway as organised in Japan to set out the development of the Japanese railway system in an international context. As a starting point for such an appraisal it must be acknowledged that the national railways in other developed, particularly Western countries have developed - as they have done in Japan - to reflect those nation's individual political, economic and social backgrounds. Thus, for example, in the USA - the epitome of the 'market economy' system - the country's railways evolved as private enterprises.

However, with the single major exception of America⁶, it has been a common feature of the historical development of the railway systems of the world that they have been concentrated under public ownership. Thus, in the main industrialised nations in Europe, while the initial driving force for the establishment of the railways derived from private enterprise, state intervention in the financing and regulation of the national railways was, as in Japan, an early feature of their development⁷. By the mid-twentieth century, indeed, the major railways of Europe were operated within the public sector, albeit with varying forms of organisation

within different governmental systems⁸. The shared feature in Western Europe has been that the national railway public corporations have been regarded by governments as essential instruments of the state, their development comprising an integral part of national policies and planning.

Governments worldwide, Japan included, have had to address the problems inherent in developing transport infrastructure within the public sector, that of attempting to reconcile the provision of necessary social capital with maintaining the state transport enterprises in profitable form. The common framework for the international development of railway systems has, however, been for their retention under state control, the need to maintain national rail networks on broad social and economic considerations taking precedence over the profitability or otherwise of the specific railway enterprises.

In this respect, therefore, it must be said that the historical pattern in Japan of having a high degree of state involvement in the development of the country's railway from an early stage (the nationalisation of the main private rail companies having taken

place in 1906/7) and of having thereafter been administered as an adjunct to national economic and social policies is by no means atypical in world terms. Japan is, likewise, not unusual in having adopted a public corporation⁹ structure (as it did in 1949 to administer its national railway), this form of state organisation also being practised both in the public sector in the USA and in the major European states for the operation of their rail networks in the post-War period. The singular difference between Japan and the rest of the world has, however, been that the former responded first to the dichotomy between the social and economic benefits from the operation of a national rail system and the unprofitability of the state railway enterprise by implementing radical policies of division and privatisation.

It has, indeed, been the successful culmination of the privatisation of the Japanese National Railway which has provoked an upsurge in analysis of the Japanese railway system as it might be applied in non-Japanese locations. The following quotes on rail privatisation from observers in the UK, reveal an interest in relating the Japanese experience to the British 'problems' by examining the financial consequences of the newly privatised railway system.

Gourvish, T. R. British Railways. 1948 - 1973.

... One of today's ironies is that Japan, currently a model of business success and managerial competence, has recently embarked upon a Beeching-type rationalisation (and privatisation) exercise in an attempt to restore the flagging fortunes of its state railway system.¹⁰

Irvine, Keith Track to the Future

The Japanese National Railways were reorganized and prepared for privatization on 1st April 1987. As was stated in 'The Right Lines' the Japanese were no April fools! For years the nationalized railways had been consuming ever increasing amounts of public money, far greater than their European counterparts. The railways were the lepers of a successful manufacturing and service economy.

Characteristically, the Japanese government decided that immediate action was required. Noting the success of the eighty or so private railway companies, privatization was the obvious solution.¹¹

The Financial Times

Lonely is the path to railway privatisation. Outside Britain, the only country in the world to have attempted it on a national scale is Japan. But there, at least, experience may give the British government fresh heart. The solution adopted was to split up the railways, sell them to the private sector, and use the proceeds to pay off the borrowings. In April 1987, therefore, the larger part of the debts passed over to the JNR Settlement Corporation and the railway operations were split between six regional passenger railway companies and a national freight company.

Adverse stock market conditions have held up the planned flotation of the companies, but they are already showing how profitable running a railway can be. Immediately before privatisation, their losses had been running at \$10bn a year. In the financial year just ended, their combined profits amounted to \$2.6bn.¹²

Salvesen, Paul British Rail - The Radical Alternative to Privatisation

On April 1, 1987, the Japanese railways were drastically restructured. Thousands of workers were dismissed, and over 80 lines were closed. Six regional companies were formed with a separate freight operation for the whole of the country. The results have been impressive, at least for some of the regions: recently, the Tokyo-based companies announced large profits, and the freight operation is also profitable.

...However, difficulties have been encountered in developing the high-speed Shinkansen routes across regional boundaries as part of the Japanese government's development programme for more depressed areas. The independent companies have been reluctant to co-operate.

...The most crucial thing that needs to be said about the companies at present is that they are not yet privatised; the government split JNR up into six state-owned companies,

intending to privatise them in the 1990s. The financial about-turn on Japanese railways has been achieved under public ownership - but at considerable cost in terms of redundancies and line closures. How the companies will perform under private ownership remains to be seen.¹³

Ministry of Transport (UK) New Opportunities for the Railways - The Privatisation of British Rail

In other countries the private sector is actively involved in the railways. Already 40% of Japan's railways are private and it is the Japanese Government's intention to privatise the remainder.¹⁴

Adley, Robert MP (Chairman of the House of Commons Transport Select Committee) Hansard

My right hon, and learned Friend the Secretary of State has frequently said to me, "We are going to do what the Japanese are doing." All that we have to do in order to do what the Japanese are doing is the following. It is quite simple. We

build 2000km of mainline railway for high-speed trains at public expense. Then we transfer British Rail free of charge to six non-competing regional monopolies, financed initially by the public sector. Having done that, we write off all British Rail's debts and financial commitments involved in any staff reductions which any new private railway might inherit. Then, to finalise the process, we give the six regional monopolies an open-ended guarantee that any new private railway company would automatically qualify for a 50 per cent grant for all new construction.

If that is what my right hon, and learned Friend means by privatisation, I am entirely in favour of it.¹⁵

The appreciation in this study of the significance of the railways in Japanese society, gained from observation of the important role the rail system plays in the life of the ordinary Japanese citizen, has been reinforced by the level of interest in Japan's railways being shown by other outside observers such as those listed above. These two factors have therefore combined to provoke a spirit of enquiry to understand the basis of operation of the Japanese

railway system, and to evaluate the policy decisions which have resulted in the present privatised state of the national railway enterprise.

The examination of the policies implemented for the operation of the national railways in Japan, leading up to the privatisation of the JNR, has been undertaken against the background of the railway's important status not only in the transport field but in the wider context of Japanese society. The analysis of the privatisation process, and of the results of its implementation, is here also carried out in the knowledge that the policies designed to reorganise the state railway system had provoked interested reactions from outside Japan which require evaluation.

Sources of Research Material

1. Existing Publications on the Japanese National Railways

The methodology and structure of this study having been set out, it is necessary to put the present work in the context of the existing body of literature on the Japanese National Railways. This review of published research in the field is now undertaken by relating the existent material to the key issues addressed in this study.

In respect of the major issues of the present work, the central theme is that of the privatisation of the JNR and, taking this topic as the starting point, there already exists a substantial volume of journalistic and academic material, both in English and Japanese language form. An approach common to much of the recent literature on the JNR privatisation issue is that of comparative analysis. Such an objective, applying the experience of privatisation in Japan to the railway systems in other countries, is typified by the World Bank publication Japanese National Railways Privatisation Study - The Experience of Japan and Lessons for Developing Countries. It was written for the World Bank by Fukui Kôichirô, a financial officer in the Private Sector Development and Privatisation Division of its Continuing Financial Advisory Services Department. Its Foreword expressed the following sentiment:

It is hoped that this study will make valuable information on privatization of railway sectors available to a broad readership, particularly in developing countries looking to transform their state-owned corporations to private companies. Japan's privatization experience can provide valuable lessons to development communities, private entrepreneurs and government officials who anticipate privatizing their own railway sectors.¹⁶

As such the World Bank study represents a genuine attempt to apply the Japanese 'model' of privatisation of its state railway to the requirements of other national railway operations. Its major conclusions are discussed in Chapter 7 of this Thesis in relation to an assessment of the 'success' of the implementation of the Japanese railway privatisation policies.¹⁷

The World Bank publication on the JNR privatisation acknowledges that "it would not be appropriate to generalise Japan's experience of privatisation and apply it directly to other countries, because Japan's experience is, in part, attributable to those unique economic and social environment in Japan at the time."¹⁸

Nevertheless, it holds that "... fundamental lessons of the JNR experience can be highly applicable to other countries, making allowances for the individual circumstances of each country."¹⁹

The World Bank's viewpoint was of "... the successful privatization of JNR"²⁰, a conclusion shared by many other publications in English language sources. Thus, publications on behalf of Japanese organisations such as the Japan International Cooperation Agency²¹, the Japan Transport Economics Research Center²², and

the *Kokusai Daigaku Nichi-Bei Kankei Kenkyūsho* (International University Japan-America Research Institute)²³ have given a positive reaction to the JNR privatisation policies. In the UK, writers representing the Adam Smith Institute²⁴ (the right wing economic 'think-tank'), the International Railway Journal²⁵, and the UK Ministry of Transport²⁶ have similarly painted a favourable picture of the effects of the privatisation of the JNR.

Amongst academics specialising in transport issues, Professor Okano Yukihide²⁷ stands out as having written positively about the JNR privatisation without going to the extremes of eulogistic praise. A similarly reasoned approach was taken by Suga Tatsuhiko²⁸ in his paper Privatisation in Japan presented at a Rail Privatisation Seminar held in London in March 1992 under the auspices of the Institute of Civil Engineers.

Suga Tatsuhiko, then General Manager, Corporate Planning Headquarters East Japan Railway Company was also invited to give evidence (on 20 January 1993) before the UK Transport Select Committee²⁹ to give his views on the outcome of the JNR privatisation and how its implementation might provide lessons

for the proposed reorganisation of British Rail. The then Chairman of the Transport Committee, Robert Adley MP, in fact, referred to Mr Suga as "... in some ways our star turn. Not only have you made more progress in the implementation of a changed structure for the Japanese Railways but the very success of your railways and the amount of traffic you carry is something that most railways in the world would envy."³⁰

Amongst less favourable judgements (in English) of the JNR privatisation process are opinions that there are transport policy problems which remain in the post-privatisation era as expressed by Professor Imashiro Mitsuhide (Daitô Bunka University)³¹, Associate Professor Yamamoto Tetsuzo (Waseda University)³², and by Associate Professor Abe Seiji (Osaka City University)³³. These three leading academics writing on the privatisation debate have balanced the positive initial aspects of the break-up of the national railway with consideration of transport issues the resolution of which the JNR's privatisation could not have achieved, such as the dissolution of the JNR's indebtedness, and the future financing of railway investment.

The last mentioned source has developed an eloquent argument that any evaluation of the JNR privatisation would be incomplete without a financial analysis of the public corporations set up as part of the privatisation process to dispose of the massive debts inherited from the JNR public corporation, and to effect the division of the Shinkansen assets and liabilities. The example of Abe Seiji's work is utilised in the analysis carried out in Chapter 7 of the five year financial results of the post-privatisation JR Group, consolidating the two new public corporations, the JNR Settlement Corporation (*Kokutetsu Seisan Jigyô Dan*) and the Shinkansen Holding Corporation (*Shinkansen Hoyû Kikô*)³⁴.

Amongst those prominent in the pro-privatisation school of thought in Japanese language literature have been key participants in the administrative reform process such as Professor Katô Hiroshi and Dr Kakumoto Ryôhei. Katô Hiroshi, then Professor of Economics at Keio University, Tokyo, was Chairman of the Fourth Sub-Committee in the Daini Rinchô, and a member of the JNR Restructuring Supervisory Commission (*Kokutetsu Saiken Kanri linkai*) whose brief was to formulate practical means to effect the break-up and privatisation of the JNR.

His judgement was that there were even in 1982 "No More Chances for the National Railway"³⁵. An important fellow contributor to the privatisation debate was Dr Kakumoto Ryôhei. Dr Kakumoto is one of the elite breed of Tokyo University law graduates. He was a member of the Shinkansen Development Group in the JNR and sat on its Audit Board. At the time of writing on the JNR privatisation issue³⁶ he was a Director of the Japan Transport Economics Research Center in which capacity he had addressed the Katô Hiroshi chaired Sub-Committee of the Second Rinchô³⁷, expressing the view that there was no alternative to the proposals to dissolve the JNR and privatise its operation.

Kusano Atsushi's book *Kokutetsu Kaikaku* (The Reform of the National Railway)³⁸ is a further example of the pro-JNR privatisation position but is, in addition, as the sub-title would suggest - *Seisaku Kettei Gemu no Shûyakitachi* - (The Main Players in the Game of Policy Decisions) - a thorough exposition of the political process of implementing the privatisation policies. Consideration of the financial results of the JR Companies at the end of their first and fifth years of operation has also been made in Special Issues of the Tokyo transport journal *Unyu to Keizai*

(Transportation and Economics)³⁹ in Tokyo, which regularly gives comprehensive coverage of major transport issues in Japan.

Representative writers in Japan taking a less positive stance on the JNR privatisation include at least two of the academic authors whose work has also been translated into English. Those are Imashiro Mitsuhide⁴⁰ and Yamamoto Tetsuzo, the latter casting critical eyes on the priority given to proposals to float the shares of the privatised JR companies on the stockmarket⁴¹. Isozaki Satoshi (a former JNR President) in his *JR ga Kuraji ni Naru no wa Atarimae Desu* (It is Just a Matter of Course that the JRs are in the Black)⁴², has further pointed to the achievement of profits by the privatised JR companies as a natural result of the pre-conditions of the privatisation proposals.

A second key issue in this study is the examination of the administrative reform movement and, in particular, the position within it of the Japanese National Railway. Abundant material on this topic is available for study, the proposed restructuring of government organisations being a subject of great interest in Japan in the mid-1980's. In particular, significant

contributions towards the administrative reform debate have been made by the aforementioned Professor Imashiro Mitshuhide⁴³, Ishikawa Tatsujiro⁴⁴, Dr Kakumoto Ryôhei⁴⁵, Katô Hiroshi⁴⁶, and Professor Okano Yukihide⁴⁷. Supporting material for the administrative reform movement has also been forthcoming in a Ministry of Finance publication written for it by Fujii Takeshi⁴⁸, and by Yayama Tarô whose position as a Jiji Press journalist writing on transport matters was summarised in Kokutetsu ni Nani o Manabu Ka - Kyodai Soshiki Fuhai no Hosoku (What Can One Learn from the National Railway? - As a General Rule Very Big Organisations Go Wrong)⁴⁹.

The thoughts of Dokô Toshio, the eminent Chairman of the second Administrative Reform Commission (*Daini Rinji Gyôsei Chôsakai*) were expressed in 1981 in his Konomama Ittara Nihon wa Hasan Da (If We Continue in This Manner, Japan Will be Bankrupt)⁵⁰. Dokô's contribution towards the administration debate was amplified by the views of Mitsuzuka Hiroshi, in his position as Chairman of the LDP'S JNR Restructuring Committee. The Mitsuzuka opinions were succinctly summed up in Kokutetsu o Saiken Suru Hôhô wa Kore Shika Nai (This is the Only Way to Reconstruct the National

Railway)⁵¹. Mitsuzuka later became Minister of Transport⁵² and was a major influence on the implementation of the JNR privatisation policies.

A major study of the political dimensions of the process of the division and privatisation of the JNR has also been made by Iio Jun in *Mineika no Seiji Katei - Rinchô Gata Kaikaku no Seika to Genkai* (The Political Process of Privatisation - Institutional Reform in Japan in the 1980's)⁵³. Published in 1993 this work is the most recent analysis of the political process of the administrative reform policies of the 1980's. Specifically on the JNR privatisation, Iio provides valuable insights into the key factors behind the development of the reform policies and of their successful accomplishment.

Existing publications on a number of other topics had an important bearing on the development of this thesis. An understanding of the process by which the JNR was reformed⁵⁴ into a Public Corporation in 1949 was, for example, greatly facilitated by a reading of material gathered by Abiko Yutaka, then a Manager in the Staff Relations Department of the JNR. Much of Abiko's work, and that of the current Ministries of Transport and Labour is held in the *Abiko Bunko* (Abiko Library) of *Unyu Chōsa Kyoku* in Tokyo, and the research on the JNR's public corporation phase was greatly aided by access to these unpublished papers⁵⁵.

In the labour relations field, the work of Ariga Sokichi⁵⁶, Ayusawa Iwao⁵⁷, once again Kakumoto Ryōhei⁵⁸, and of Ishii Naoki⁵⁹, the Managing Director of *Kōtsu Tōkei Kenkyūjo* in Tokyo was very relevant to consideration of the state of management:labour relations in the JNR era. In the same field, Paul Noguchi's study - Delayed Departures, Overdue Arrivals - Industrial Familialism and the Japanese National Railways is not, as might be thought from its main title an indictment of the operating inefficiency of the JNR, but an analysis of the concept of the industrial family as applied to the national railway

operation⁶⁰. It is "... about trains and the people who run them"⁶¹ and, as such, it also offers valuable insights on the JNR's management:labour relations.

Analysis of the development of the *Shinkansen* high speed passenger network benefitted from the work of Kakumoto Ryôhei⁶², the reminiscences of the architect of the Shinkansen policy, from that of Sogô Shinji in his *Tôkaidô Kôki Shinkansen* (The Wide Gauge Shinkansen)⁶³, and the JNR's General Statement supporting its application to the World Bank⁶⁴ for a loan to finance the construction of the *Tôkaidô Shinkansen* , further examined in this thesis in relation to the management of the national railway is the JNR's Freight Division; the primary material in this area is by Nakanishi Kenichi, in *Sengo Nihon Kokuyû Tetsudô Ron* (Discussion of the Post War National Railway)⁶⁵. Both Kakumoto Ryôhei and Ishikawa Tatsujiro have also produced prophetic work on the national railway's freight operation, the former having prompted the *Kamotsu Anrakushi Ron* (Freight Euthanasia Debate) in the mid 1970's⁶⁶.

Finally, in relation to the historical background to the development of the Japanese National Railway, regarded in this study as critical to the analysis of the formulation of the later privatisation policies, there are several publications both in English and in Japanese which deal with the establishment and development of the Japanese national rail network. English language material in this field utilised in this study includes works by Professors Harada Katsumasa⁶⁷, and by Yuzawa Takeshi⁶⁸ and from Tom Richards and Charles Rudd of Brunel University, whose Japanese Railways in the Meiji Period 1868 - 1912⁶⁹ contains valuable information on the initial phase of the Japanese railway system. The early inception, and development of the railways in Japan is further covered in Imashiro Mitsuhide and Ian Smith's Research Note on the History of the Private Railways in Japan, this material being significant to the content of Chapter 1 of this study⁷⁰.

Japanese language material on the history of the railways in Japan is available in further work by Dr Kakumoto Ryōhei⁷¹, in Kinoshita Yoshio's *Kokuyū Tetsudō no Shōrai* (The Future of the National Railway)⁷² and in the JNR's *Nihon Kokuyū Tetsudō Hyaku Nen Shi* (The Hundred Years History of the Japan National Railway)⁷³.

2. Research Fieldwork

Having spent two years researching the topic of the Japanese National Railways from sources available in the UK, the author undertook the main fieldwork for this thesis during a period of two years in Japan. In the first year the writer was a Visiting Researcher in the Institute of Business Research of Daitō Bunka University, Tokyo. The second year was spent as Ishikawa Fellow of the *Kōtsu Tōkei Kenkyūjo* (Institute of Transport Statistics) in Tokyo, during which time access was given to the Institute's extensive library of Japanese railway related material. Significant material was also derived from the library of *Unyu Chōsa Kyoku* (Institute of Transport Economics) in Tokyo and, particularly on the Occupation period, from the *Kokuritsu Kokkai Toshokan* (The Diet Library).

The study has drawn on material from the published sources cited in the review of the relevant literature, much of it having been made available through the libraries in Tokyo cited above.

Significant additional research material was also obtained from attendance at Transport Conferences in Tokyo⁷⁴ and particularly from an extensive number of interviews with a wide range of influential figures in various aspects of the Japanese National Railway operation⁷⁵.

Those with whom research meetings were conducted are listed below, encompassing leading academics with specialist knowledge of transport matters and of the privatisation issue, members of various transport research institutes, Ministry representatives, current management officials from the JR companies, former management officials of the JNR, and former JNR labour union leaders. The subject matter of the meetings varied according to the specialist field(s) of expertise of each interviewee but the collective interviews encompassed the following topics:

The establishment of the railways in Japan; the Allied Occupation of Japan; the JNR public corporation; JNR management:labour relations; the JNR in the administrative reform movement; the division and privatisation of the JNR; the post-privatisation operation of the JR Group; the private railway sector; transport policy in Japan.

The thesis quotes extensively from the material gathered in interview, primarily with full attribution to the source. However, in matters of a sensitive nature, the confidentiality of the interviewees has been respected, and a number of quotes are cited without attribution. A full list of the Research Interviews conducted by the author is contained in Appendix 1.

The thesis has therefore been compiled from a wide range of sources, encompassing English and Japanese language literature on the railways in Japan, and extensive verbal material derived from interviews with key figures in the Japanese transport field. The literature containing material related to this study is listed in the Bibliography and reference to material obtained in interview is contained both in the text and in the Endnotes to each Chapter.

The Position of This Thesis in Relation to Previous Academic Studies

In addition to the existing literature on the subject of the Japanese National Railways already surveyed, there is a body of academic work in the area in the form of PhD Dissertations. This study has utilised material from such previous theses, notably that authored by Eunbong Choi. The Ohio State University PhD Dissertation by Eunbong Choi, published in 1991, is entitled The Break-up and Privatization Policy of The Japan National Railways, 1980 - 87: A Case Study of Japanese Public Policy-Making Structure and Process. Its particular strength is an analysis of the political process of the JNR privatisation but the analysis ends at the point where "The JNR break-up and privatization policy is now just half accomplished ... an evaluation of its success remains to be done sometime in the future."⁷⁶ Such an evaluation, not attempted by Choi, is undertaken in respect of the relevant political and financial factors in this present study.

Other PhD dissertations from which material has been obtained comprise those produced in 1980 by Le Trung Thuong (Michigan State University) on A Comparative Study of Administration of

Nationalized Railroads in The United Kingdom, France, West Germany and Japan⁷⁷; Key Whan Kim's The Price and Output Policies of the Japanese National Railways 1949 - 1963, The University of California 1971⁷⁸; Mikio Higa The Role of Bureaucracy in Contemporary Japanese Politics, The University of California 1968⁷⁹; and Ehud Harari's The Politics of Labor Legislation in Japan, also submitted to the University of California in 1968⁸⁰.

The works of Ehud Harari and Mikio Higa are particularly relevant to the discussion of the process of establishment of a public corporation structure for the administration of the national railway in 1949. Both studies contain valuable references to the debate then current on the merits and demerits of SCAP's proposal to reorganise the national railway from a government agency to a supposedly autonomous public corporation⁸¹. These previous PhD Dissertations⁸² on the subject of the Japanese National Railway having been acknowledged, it is pertinent to observe that this study adopts, by comparison, a wider basis of analysis. The works of Harari and Higa, for example, concentrated, respectively, on labour legislation and the role of the bureaucracy in Japanese politics in the post-War period, at least up to the mid 1960's.

As such the period covered by these two dissertations is considerably narrower than that encompassed in this thesis. Published some twenty-five years ago they could not, by definition, have dealt with the JNR's lossmaking phase, nor its dissolution and privatisation. They did not, however, have any intention to deal with issues beyond their avowed specialisations and therefore do not incorporate any analysis on matters covered in this study such as the finances of the JNR operations or the historical background of the establishment and development of the national railways in Japan. The contributions they have made to the study of the relation between the legislature and bureaucracy in the formulation of policy in Japan have, nevertheless, already been acknowledged in this document, which makes several references to these valuable sources⁸³.

The PhD Dissertation of Key Whan Kim has also been utilised in the examination of the JNR public corporation in operation in its profitable period. Its main analysis is on the period 1949 - 1963, although it also contains a summary of the prior history of the national railways in Japan. Choi's work, as previously intimated, is similarly contained within a limited timespan, that of the

1980's, during which the policies aimed at the break-up and privatisation of the JNR were developed and implemented. The final JNR related PhD thesis quoted in this study is that written by Le Trung Thuong and, while there is no such time constraint as in the Dissertations of Choi and Kim, as a comparative study of the nationalised railways in four countries, it is only partially devoted to Japan.

One significant difference in the approach to the present study brought out by its evaluation in relation to previous Dissertations on the subject is that there is no intention to adopt the technique of cross-national comparative analysis. It is, however, acknowledged that it was the publication of opinions in non-Japanese sources⁸⁴ on the privatisation of the JNR which aroused the intellectual curiosity of the writer to investigate the methods adopted to administer the Japanese National Railway. This study is unashamedly about the railways in Japan and their privatisation, in relation to previous systems of operation of the state railway network. The reader can use the information and views expressed herein to make judgements on the applicability (or otherwise) of the Japanese system of managing its railway network as a model

for other countries to adopt⁸⁵, but no attempt is made here to come to any definite conclusion on such a question.

The adoption in this study of a timescale wider than that covered by many of the published sources in the field is justified by the requirement that only by examining the history of the national railway in its entirety can its recent privatisation be put in its proper context. Coverage of the national railway in all of its manifestations - government department, public corporation, and privatised enterprises - further enables this study to take issue with many of the conventions about the Japanese state railway operation.

Thus, this thesis adopts a questioning attitude towards the analysis of national railway policy. Specifically, the study sets out to test the validity of the following hypotheses:

- that the division and privatisation of the Japanese National Railway has produced definitive solutions to the problems inherent in the operation of the JNR as a public corporation

- that the JNR privatisation has, in itself, resulted in a sea-change in the management performance of the national railway

- that the reorganisation of the JNR into a group of private enterprises has meant a significant and durable reduction in the level of public subsidies for the national railway operation

- that the motivation for the JNR privatisation policies was solely to solve the national railway's financing difficulties

- that the financial problems of the JNR as run in the form of a public corporation were simply the result of an organisational structure inappropriate to Japan, and that this gave rise to irresponsible management of the national railway operation

- that the public corporation was, itself, an 'alien concept', and one imposed by a foreign administration on an unwilling Japanese government
- that it is acceptable to evaluate the performance of the JNR in its public corporation mode singly on the basis of its financial results
- that the state of management:labour relations in the JNR public corporation was inherently negative, and that this provided justification for its break-up and privatisation
- that the concept of a 'politicised' national railway only materialised with the adoption of the public corporation structure in 1949.

It is the approach of this thesis that hypotheses such as those above might be called to account, and which reinforces the conceptual and empirical foundation of the study. It is on this basis that it should be judged against the standards of previous literature on the subject of the national railways in Japan.

1. The relationships referred to amongst those parties with an interest in the management, operation, and regulation of the JNR have involved, over the history of the national railway, the following groups:

(a) Politicians

<u>The Cabinet of Government</u> (<i>Naikaku</i>)	<u>Diet Members</u> (<i>Giin</i>) LDP & Opposition Party MPs; the Transport specialists (<i>Unyu Zoku</i>)	<u>The Research Policy Committee of Government</u> (<i>Seichōkai</i>)
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(b) Bureaucrats

<u>Ministry of Transport</u> (<i>Unyushō</i>)	<u>Ministry of Finance</u> (<i>Okurashō</i>)	<u>Ministry of Labour</u> (<i>Rōdōshō</i>)
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(c) Japan National Railways

JNR ManagementJNR Labour Unions

The changing balance of power amongst the various participants, and its effect on the administration of the JNR is discussed through this study. Wider consideration of the Japanese political process, particularly in relation to the operations of public sector organisations, is contained in Campbell, John (1977), Contemporary Japanese Budget Politics. Berkeley ; Koh, B.C. (1989), Japan's Administrative Elite. Berkeley ; van Wolferen, Karel (1990), The Enigma of Japanese Power London ; and Yoshitake Kiyohiko (1973), An Introduction to Public Enterprise in Japan, London.

2. Gow, Ian (1989), "Government - Industry Relations: Japanese-Style Public Corporations and Privatisation", Japan Forum, Vol. 1, No. 2, October, pp.173 - 190, examines the process of reorganising the public corporations in Japan in the context of the

administrative reform programme of the early 1980's, and assesses the effect of the privatisation policies on their organisational structures. His analysis encompasses the JNR, NTT (*Nihon Denden Kōsha*), and the Tobacco and Salt Monopoly organisation (*Senbai Kōsha*).

3. Noguchi, Paul (1990), Delayed Departures, Overdue Arrivals - Industrial Familialism and the Japanese National Railways, Honolulu, p.46.

4. Ibid. p.49.

5. Quotes from UK observers on the JNR privatisation are contained in pp. 18 - 22 of this Chapter. The sources of these quotes are given in Endnotes 10 - 15.

6. Even in the USA today - the epitome of free enterprise - there is a public presence in the national rail system, the establishment of AMTRAK - the National Railroad Passenger Corporation - in 1971 providing a skeletal national network of long distance passenger services to add to the country's remaining short haul private railway lines. Discussed in Salvesen, Paul (1989), British Rail - The Radical Alternative to Privatisation, Manchester, pp.57-59 ; and in Faith, Nicholas (1993), Locomotion, London, pp.229-235.

7. Salvesen (1989), refers to the involvement of governments in the developing railways of the world as a significantly more positive factor than was the case in the UK at the time (pp.11-12). He does not amplify this - but might have been justified in so doing - by referring to the early role of the State in the foundation of the national rail network in Japan, which culminated in the 1906 nationalisation of the private trunkline railway companies (see the discussion in Chapter 1 of this thesis, on pp.60-66).

8. The variations in organisation in Europe have been in the degree of financial and managerial autonomy given to the national railway operations. Examples of a relatively high level of autonomy have been found in West Germany, whose state railway has been run with an independent system of accounting and budgeting independent of general government financing, and in the UK. Indeed, the most coherent expression of the principle of the

exclusion of the national railway budget from that of central government, and of the financial independence which derives from exemption from parliamentary approval of its annual budgetary plans, has been the public corporation (British Rail) which, since 1947 to 1994, administered the state railway in Britain. See discussion of public enterprises in Europe in Robson, W.A. (1960), Nationalised Industry and Public Ownership, London, pp.24-28 and pp.495-498; and of the different forms of railway organisation in the major European states in Salvesen (1989), pp.56-57, and pp.59-61.

The recent reorganisation of British Rail, the first stage of which took effect on 1 April 1994 with the split of the state railway into a national railway track authority (infrastructure), and companies providing the railway services on the national rail network (franchisees), is outside the scope of this study. The previous mode of organisation of the UK national railway had, however, been one of a public corporation, established with the nationalisation of the four major private railway groupings in 1947. See Gourvish, T.R. (1986), British Railways 1948 - 1973. A Business History. Cambridge, Passim.

9. In addressing this issue Choi, Eunbong (1991), in the PhD Dissertation The Break-up and Privatization Policy of The Japan National Railways, 1980 - 87, Ann Arbor, Michigan, took the particular view (p.250) "... that the Japan National Railway public corporation system was an alien concept." Discussion of this issue comprises a major section of Chapter 1 of this thesis (notably on pp.93-120).

10. Gourvish (1986), p.582.

11. Irvine, Keith (1988), Track to the Future, London, p.34. This publication supported proposals then current to privatise British Rail, and the experience of the JNR privatisation was cited as evidence of the success of such a policy.

12. The Financial Times (19 July 1991), "All the Signals are Flashing Red - The Japanese Experience", London. In this article, the Japanese experience of privatisation of its national railway was considered in relation to proposals to privatise British Rail.

13. Salvesen (1989), p.56. This publication was anti-British Rail privatisation, and cited the railway privatisation process in Japan to suggest - incorrectly as yet - that the Japanese reorganisation has led directly to the termination of rail services.

14. Ministry of Transport (UK) (1992), New Opportunities for the Railways - The Privatisation of British Rail, White Paper, London, p.2. This quote - an attempt to cite Japan as an example of a successful implementation of a national rail privatisation exercise - implied that the creation of privatised railways in Japan had been a recent phenomenon. This was an erroneous impression, a private railway network having been established in the Meiji era and, in fact, having grown much more rapidly than the Government railways up to the nationalisation policy adopted in 1906 (see Chapter 1 of this thesis, pp.63-64).

15. Adley, Robert, MP, then Conservative Member of Parliament and Chairman of The House of Commons Transport Select Committee. Quoted in Hansard (11 July 1991), "Debate on British Railways Board (Finance) Bill", London, pp.1132 - 1133. Mr Adley's comments were made in the context of a debate on the proposed privatisation of British Rail in the course of which discussion took place on the experience of other countries which had reorganised their national railways. The Secretary of State to whom Mr Adley referred was Malcolm Rifkind, MP, who was then the Minister of Transport.

16. Fukui Kôichirô (1992), Japanese National Railways Privatisation Study - The Experience of Japan and Lessons for Developing Countries, Washington, Foreword, p.III.

17. Fukui's (1992) study is a very thorough analysis of the break-up and privatisation of the JNR and in this thesis is regarded as a representative work in favour of the privatisation process as applied in Japan.

18. Ibid, p.127.

19. Ibid, p.127.

20. Ibid, p.126.
21. Fukushima Toru (1989), Privatisation of Japanese National Railways and Its Operation Afterwards , Tokyo.
22. Tanahashi Yasushi (1992), Reform of Railways in Japan, Tokyo.
23. Taniuchi Mitsuru (1991), "Privatisation and Deregulation in Japan", Outlook , Summer, Tokyo, pp.31-46.
24. As previously cited, Irvine (1988).
25. International Railway Journal (1986), "The Break-up of JNR", Vol. 26, No 11, November ; and (1988), "JR - One Year On", Vol. 28, No. 4, April.
26. As previously cited, Ministry of Transport (UK) (1992), New Opportunities for the Railways - The Privatisation of British Rail, White Paper, London.
27. Okano Yukihide (1989), Privatisation of Railways in Japan. Manuscript, Tokyo, and " *Kisei Kanwa Ka no Unchin Seisaku* " Pricing Policy under Deregulation), Kôtsu Gaku Kenkyû -1988 Kenkyû Nenpo. Tokyo.
28. Suga Tatsuhiko (10 March 1992), Privatisation in Japan, Paper presented at Rail Privatisation Seminar, The Infrastructure Policy Group, Institute of Civil Engineers, London.
29. The UK Transport Select Committee was gathering evidence on the railways in Japan in order to assess the extent to which the Japanese system provided a model for the privatisation of British Rail.
30. Minutes of Evidence Taken Before the Transport Select Committee. Quoted in Hansard (20 January 1993), London, p.658.
31. Imashiro Mitsuhide (1988), Restructuring of JNR and Its Problems, Tokyo; and (1991) Outcome of the Privatisation of the Japanese National Railways, Tokyo.

32. Yamamoto Tetsuzo, An Analysis of the Privatisation of Japan National Railway Corporation, Manuscript, Tokyo.

33. Abe Seiji (1991), "Privatisation of Japanese National Railways and Its Consequences", The Society of Business Research of Osaka City University (ed.). Keiei Kenkyû. Vol 41, No 5-6, January, pp.111-132.

34. Abe has looked beyond the JR company results taken in isolation, and for the first financial year since privatisation has compared the entire JR Group - consolidating the results of the two new public corporations - with the former JNR. Ibid, pp.119-123.

35. Katô Hiroshi (1982), "*Kokutetsu yo, Mo Chansu was Nai*" (No More Chances for the National Railway), WILL, Tokyo, July, pp.100-104.

36. Kakumoto Ryôhei was an early pioneer of the proposals to reorganise and privatise the JNR. He was also one of the first to recommend the rationalisation of the JNR Freight operation. Various references to his work are contained in this thesis, and the Kakumoto publications to which reference is made are listed in the Bibliography. His (1977) Kono Kokutetsu o Dô Suru Ka (What Shall We Do With This National Railway), Tokyo, is a typical reference to Dr. Kakumoto's foresight on the issue of the need to reform the JNR.

37. Dr Kakumoto was invited by Katô Hiroshi to talk about the proposed reform of the JNR to the Second Rinchô Sub-Committee of which he was Chairman. Kakumoto's views were an important influence on the eventual decision to break-up the national rail operation. As discussed in Chapter 5 of this thesis, pp.355-356, and p.425. See also Iio Jun (1993), Mineika no Seiji Katei - Rinchô Gata Kaikaku no Seika to Genkai (The Political Process of Privatisation - Institutional Reform in Japan in the 1980s), Tokyo, p.76.

38. Kusano Atsushi (1989), Kokutetsu Kaikaku - Seisaku Kettei Gemu no Shuyakutachi (The Reorganisation of the National Railway - The Main Players in the Game of Policy Decisions), Tokyo.

39. Unyu to Keizai (1988), (Transportation and Economics), Tokushu. JNR kara JR e (Special Issue, From JNR to JR), Vol.48, No.10, Issue 496, October, pp.6 - 80; and (1992), Tokushu. JR Go Nen no Kiseki to Kadai (Special Issue, Five Years' Progress of JR and Its Future Tasks), Vol.52, No.12, Issue 546, December, pp.4 - 81.
40. Imashiro Mitsuhide (1988), "Keiei no Shinkyokumen to Tômen no Sho Kadai" (The New Management Situation and Confronting Issues), Unyu to Keizai (Transportation and Economy), Vol.48, No.10, Issue 496, October, pp.78 - 80.
41. Yamamoto Tetsuzo (1992), "JR Kanzen Mineika ni Mukete - Saikô Subeki Unchin: Kabunushi Yûgû Seido" (Looking Towards the Complete Privatisation of JR - The System of Favouring Shareholders and the Tariff Policy Should be Reconsidered), Shukan Tôyô Keizai, pp.114 - 118.
42. Isozaki Satoshi (1989), (Interviewed by Itô Mitsuharu), "JR ga Kuroji ni Naru no wa Atarimae Desu" (It is Just a Matter of Course that the JRs are in the Black), Sekai, pp.134 - 140.
43. Imashiro Mitsuhide (1984), Tetsudô Pikutoriaru (Railway Pictorial), "Zaisei Hatan to Kokutetsu Kaikaku" (The Failure of Public Finance and the Reform of the JNR), July, pp.59 - 61; and (1984) "Saiken no Hôkô to Kadai" (The Direction and the Problems of the Reconstruction), December, pp.57 - 60.
44. Ishikawa Tatsujirô, currently Chairman of *Kôtsû Tôkei Kenkyûjo* (Institute of Transport Statistics), was an executive of the JNR from its inception as a public corporation in 1949 until 1975. In his JNR career he acted for the National Railway in negotiations with the Ministry of Finance for the JNR's annual budget; he was a senior manager in the Freight Division (during which time he recommended the drastic rationalisation of the Freight operation - see discussion in Chapter 4); he was responsible for the cost accounting system in the JNR which provided for the separate analysis of the results of passenger and freight services on each line; and he was Advisory Director to the JNR President in the Tokyo area, involved in raising project finance

for the increased capacity on the JNR's commuter lines in and out of the capital city. His various publications, citing his visionary position on the need to reorganise the JNR Freight Division and in relation to the debate on the proposed reforms of the JNR are listed in the Bibliography. Substantial quotes from his work are also incorporated at points through this thesis, notably in Chapter 3 (pp.220-222, pp.225-227, pp.261-262) on national railway policy in the JNR's lossmaking period, 1964-1987 ; Chapter 4 (pp.296-298, p.318, pp.321-324) on the development of the Shinkansen network and the Freight Division, and Chapter 6 (p.494) on the implementation of the JNR Division and Privatisation policies and their immediate consequences.

45. Kakumoto Ryōhei. His contribution to the administrative reform debate is reflected in (1977), Kono Kokutetsu o Dō Suru Ka (What Shall We Do With This National Railway?), Tokyo; and (1982), "Kokutetsu Itsutsu no Taizai " (The National Railway - Five Grave Offenses), Gendai , Vol.16, No.7, July, pp.57-74.

46. As previously cited, Katō (1982). Also (1976) Gendai Nihon no Kōkigyō - Keiei Saiken no Michi o Saguru (Present Day Japanese Public Enterprises - A Search for the Way to Rehabilitate Their Management), Tokyo ; (1983) Kokutetsu. Denden. Senbai. Saisei no Kōzu (The Plans to Regenerate the JNR, NTT and the Tobacco and Salt Monopoly), With Sando Yōichi, Tokyo ; and (1985) Kokutetsu Saiken wa Kō Naru (The JNR Reconstruction will be Like This), Tokyo.

47. Okano Yukihide (1983), "Kokutetsu - Shijo Henka no Naka ni Okeru Kōkigyō" (The National Railway - A Public Corporation in a Changing Market), in Nihon no Kōkigyō , Tokyo.

48. Fujii Takeshi (1983), "Kokutetsu o Ika ni Saiken Suru Ka" (How can the JNR be Reformed?), Fainansu , April, pp.18 - 26. This source also examined the issue of the choice of title for the JNR public corporation, in relation to an evaluation of the actual role played by the national railway operation (see discussion in Chapter 2 of this thesis).

49. Yayama Tarō (1987), Kokutetsu ni Nani o Manabu Ka - Kyōdai Soshiki Fuhai no Hōsaku . (What Can One Learn from the National

Railway? - As a General Rule Very Big Organisations Go Wrong), Tokyo. Yayama had been a consistent critic of the JNR, this work summing up his position on the need to reform the national railway operation.

50. Dokô Toshio (1981), in *Gendai*, Vol.15, No.7, July, pp.88 - 94. Extensive discussion of Dokô's role in the administrative reform process is contained in Chapter 5 of this thesis.

51. Mitsuzuka Hiroshi (1984), Tokyo. Mitsuzuka had become an enthusiastic convert to the pro-privatisation cause and this source (notably in the 4th. section of Chapter 3, pp.196-225) gave a succinct account of the plans to break-up and privatise the JNR.

52. Mitsuzuka was appointed Minister of Transport by PM Nakasone Yasuhiro in December 1985, a position which reflected the significant contribution he had made to over-turning opposition within the LDP to the JNR privatisation proposals. Confirmed in Choi (1991), pp. 328 - 329.

53. As previously cited, Iio (1993).

54. Discussion of this process in the context of the operation of the Allied Occupation of Japan forms a substantial part of Chapter 1, in the section on the National Railway and the Occupation, Policy Aims and Implementation 1945 - 1948, pp. 76 - 120.

55. References to Abiko's own work are taken from (1949), *Kôkyô Kigyôtai Rôdô Kankei Hô Kaisetsu* (A Commentary of the Public Corporation Labour Law), Tokyo; and (1971) *Kôtsu Mondai no Hôteki Kenkyû* (Research of Legal Aspects of Transport Problems), Tokyo.

56. Ariga Sokichi (1978), *Kokutetsu no Rôdô Undô - Jô:Ge* (The National Railway's Labour Administration and the Labour Movement - part 1:part 2), Tokyo.

57. Ayusawa Iwao (1966). *A History of Labor in Modern Japan*. Honolulu.

58. Kakumoto's views on the management:labour relations problems in the JNR are contained in the previously cited (1982)

Kokutetsu Itsutsu no Taizai.

59. Labour matters feature particularly in Ishii Naoki (1991), Short History of Labour Problems on JNR, Manuscript, Tokyo; and (1991) The Drift of the Unions of JNR - JR Before and After JNR Reform, Manuscript, Tokyo. Library of Kôtsu Tôkei Kenkyûjo, Tokyo.

60. A cursory glance at the title of Noguchi's work Delayed Departures, Overdue Arrivals may lead the reader to suppose - wrongly - that he was accusing the JNR of an inability to run efficiently the national rail services. Not even the sternest JNR critic could sustain such a position; the JNR did get into severe financing difficulties and became - as expressed in the Introduction of this study - a public sector liability but, even when in substantial losses, it sustained a high level of operating efficiency. As set out in pp. 10 - 11 of the Introduction to this thesis, and as discussed in Noguchi (1990), pp. 30 - 33.

61. Ibid. Preface. pIX.

62. Kakumoto Ryôhei (1964), Tôkaidô Shinkansen, Tokyo.

63. The role of Sogô Shinji in the development of the *Shinkansen* high-speed network is discussed in Chapter 4 (pp. 285 - 291) in a case study of the JNR's *Shinkansen* operation.

64. Japan National Railways (1959), General Statement Supporting The Loan From International Bank For Reconstruction and Development, Tokyo. This document provides interesting insights on the opinions of the JNR management at that time on the national railway's position in the Japanese transport market. Prophetic in the case of the *Tôkaidô Shinkansen* which was to prove immensely profitable, the JNR's positive view of the prospects for rail freight transport were soon overtaken by events. Parts of the General Statement are reproduced in this thesis in Chapter 4 (pp. 289 - 291 and pp. 309 - 310) in discussion, respectively, of the JNR *Shinkansen* policy and the JNR Freight operation.

65. Nakanishi (1984). This work was a primary source of material for the case study of the JNR Freight Division in Chapter 4 (notably

pp. 312 - 318).

66. The *Kamotsu Anrakushi Ron* was a discussion of a policy initiative of Kakumoto Ryōhei that the JNR's Freight operation should be 'killed off'. The proposal, which was not adopted by the JNR, was debated in Nihon Keizai Chōsa Kyōgikai (1976), Chūkan Hōkoku Sho. 50 Nendai ni okeru Kōtsu Seisaku no Kihonteki Kadai (Interim Report. The Basic Themes on Transport in the Shōwa 50s), Tokyo, pp. 186 - 191, pp. 192 - 194.

67. Harada Katsumasa (1981), Technological Independence and Progress of Standardisation in the Japanese Railways, Tokyo. This work discusses the motivation for the Japanese railway nationalisation policy of 1906, and assesses the major factors behind the compulsory purchase of the main private railways, namely technological standardisation and national security.

68. Yuzawa Takeshi (1985), "The Introduction of Electric Railways in Britain and Japan", Journal of Transport History, Vol. 6., No. 1.

69. This publication, (1991) London, also contains interesting pictorial material on the initial period of development of the railways in Japan.

70. Daitō Bunka University (1993), Research Papers No. 18, Tokyo, pp. 1 - 16. This article emphasises the significant role of the private railways in the formative period of railway development in Japan. At the time of its nationalisation in 1906, the private rail network was more than twice the length of the state railway service.

71. Kakumoto Ryōhei (1988), "*Tetsudō 120 Nen no Nagare to Tenbō*", (A History of Railways in Japan and their Future Prospect), MOBILITY, No. 73, October, pp.58 - 73; and (1989), Tetsudō Seisaku no Kenshō - 1869 - 1987. JR no Mirai o Saguru, (Review of Railway Policy - 1869 - 1987, Searching for the Future of JR), Tokyo. These works relate the privatisation policies of the 1980's to the historical development of the railways in Japan since their inception in the Meiji era. This analysis places the privatisation of the JNR in its historical context, an approach shared by the present study.

72. Published in Tokyo in 1924, this was the earliest, comprehensive account of Japanese national railway policy.

73. *Nihon Kokuyû Tetsudô* (JNR) (1973 - 1974), *Nihon Kokuyû Tetsudô Hyaku nen Shi*. (The Hundred Years History of the Japan National Railway), Vols. 1 - 14, Tokyo.

74. Particularly the International Symposium of General Transport Policies organised by the Japanese Ministry of Transport, 24 October 1991, *Nippon Kaiun Club*, Tokyo; and the Japan Planning Institute, The New Thrust of Administration Policy of the Ministry of Transport and the Development of Diversification Policies by JR East, 13 November 1991, Tokyo Station Hotel, Tokyo.

75. A list of the Research Interviews conducted by the author is contained in Appendix 1.

76. Choi (1991), p.492. Choi's work is particularly relevant to an understanding of the process by which the JNR privatisation plans become reality. She also helps to place the privatisation of the national railway in its appropriate context in relation to the overall administrative reform movement.

77. The Thuong Thesis, as a comparative Study of Administration of Nationalised Railroads in the United Kingdom, France, Germany, and Japan is, by definition, only partially concerned with the Japanese National Railway. Material on the Administration of the Japanese Railways is contained in Thuong's Chapter 3 pp.88-98 (on the Legal Models of Organization), and pp.135-144 (on Railroad Organization); Chapter 4 pp.204-219 (on the Performance of the Railroads). There are, in addition, references to Japan on a comparative basis in Thuong's Chapter 2 pp.54-60 (on Technical Efficiency); in his Chapter 4 pp.219-244 (on Comparative Notes on the Performance of the Railroads); and in the Summary and Conclusions pp.245-267.

78. Kim's Dissertation is largely concerned with the 1949 - 1963 period (Chapters 2-5, pp.70-284) during which the JNR was in profit, although the analysis pointed to imperfections in tariff

policy - lack of management autonomy and excessive political interference - which would have very negative consequences for the JNR in later years. The subject of Regulation and Rates is covered in Kim's Chapter 4, pp.214-269, and the issue of political interference discussed therein on pp.231-246.

79. The work of Mikio Higa addresses the broad topic of the bureaucracy as part of the decision-making process in Japan. Examination of the role of the bureaucracy in the national railway operation forms a substantial part of her Dissertation. As covered in Chapters X-XII, pp. 228 - 298.

80. Although concerned with labour legislation in the wider sense, Harari's work contains extensive references to the JNR and to the importance of the public corporation labour legislation for the operation of the national railway from 1949. As covered in his Chapter III, pp. 85 - 159 (and particularly on pp. 107 -122).

81. Matters regarding the reorganisation of the national railway are contained in the Harari and Higa Dissertations within the context of their discussions on labour legislation and civil service reform respectively. For specific references to the railways see particularly Harari (1968), pp.102-105, pp.109-110, pp.115-117, and pp.120-121; and Higa (1968), pp.284-285.

82. In addition to the Ph.D Theses to which references have already been made, one further JNR-related Ph.D Dissertation is acknowledged. This is Lincoln, J. (1978), Technical Change on the Japanese National Railways: 1949 - 1974, Yale University. No specific references are made to this study given its technical subject matter.

83. Particularly in consideration of the Occupation policies in Japan, and on the establishment of a public corporation to administer the national railway in 1949. See Chapter 1 of this thesis, pp. 84 - 116.

84. It was the publication of widely conflicting accounts of the JNR privatisation in English language sources - a number of which are quoted in the Introduction to this thesis (see pp. 18 - 22) - which provided the initial incentive to this writer to analyse the

process of dissolving and privatising the JNR and to examine the Japanese national railway in its previous forms of organisation as public corporation and as a government department.

85. Several of the non-Japanese writers quoted in this study have attempted to assess the application to other countries of the Japanese 'system' of managing its national railway. This issue is addressed by Irvine (1988), Salvesen (1989), The Ministry of Transport (UK) (1992), and it is the rationale behind the World Bank Study on the JNR Privatisation (1992), *Passim*.

CHAPTER 1

SETTING THE SCENE: THE DEVELOPMENT OF NATIONAL RAILWAY POLICY 1868 - 1949

The Inauguration of the National Railways

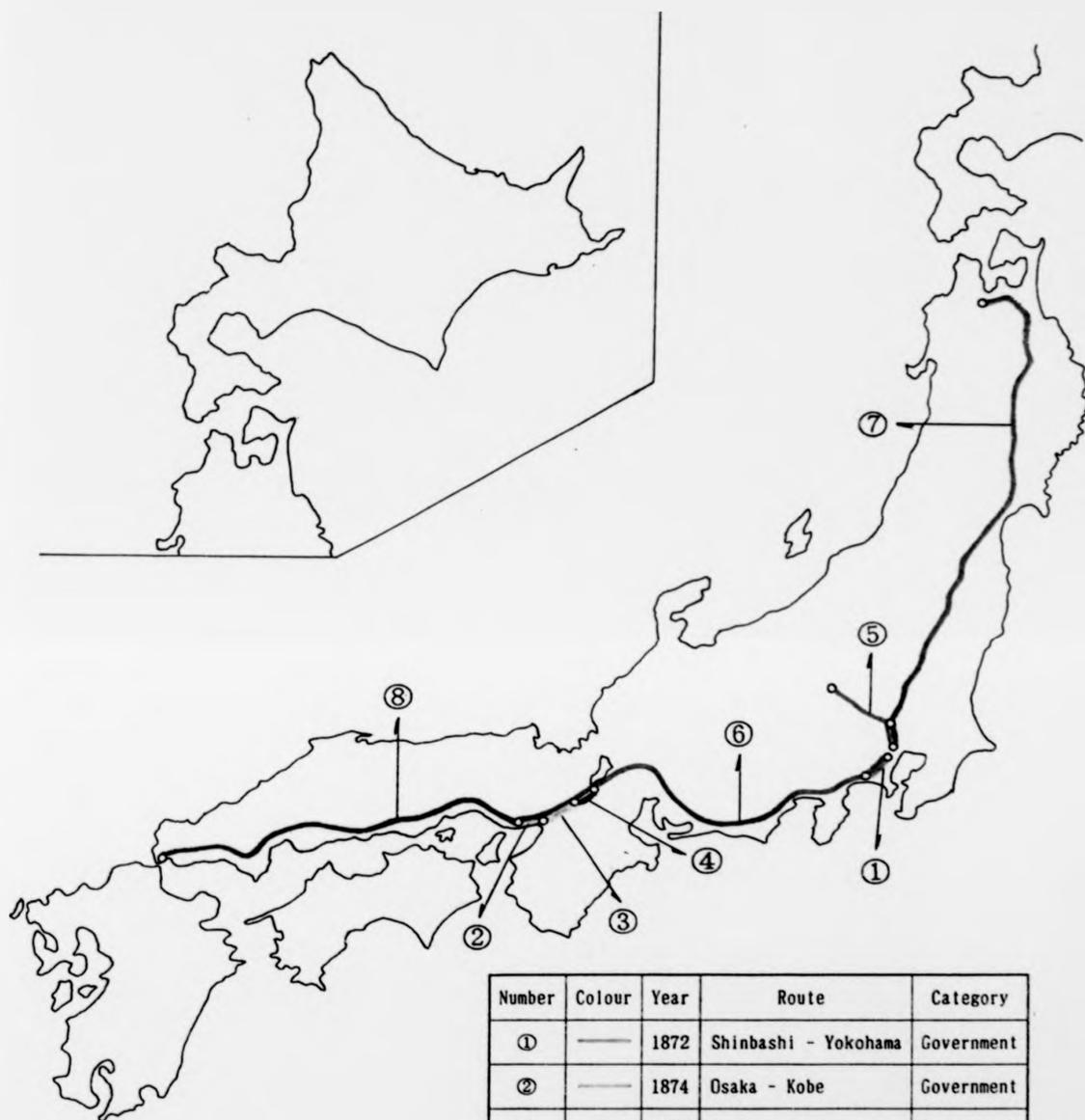
In 1868 the form of centralised feudalism under the Shogunal system of government in Japan was replaced by the administration of a modernising elite intent on creating a progressive state. The revolution of 1868, usually described as the Meiji Restoration (the replacement of the Shoguns by the Emperor Meiji as the Head of State) can be regarded as a watershed in Japan's development. It finally ended a period (the Tokugawa Era) of some 200 years during which Japan was largely isolated from the rest of the world, and set in motion a transformation of national policies.

It is not the brief of this study to give a detailed account of the process of restoration of the Emperor, a topic which is fully covered in many published sources¹. The initial context of this Chapter is, rather, the evolution of transport policy under the new Meiji government², as a vital part of its strategy of modernisation of the Japanese political, social and economic systems. The Meiji regime began its administration in 1868 committed to policies

which would transform Japan from a feudalistic state into a modern industrialised nation. Within this framework, an important pre-requisite of the economic policies of the Meiji government was the development of an efficient communications network, deemed essential to the country's modernisation and industrialisation. The construction of a national railway system - utilising foreign technology and expertise where necessary - was thus an integral part of this evolutionary process, to provide the transport communications required for the country's rapid economic development³.

Consideration of the establishment of a nationwide rail network, to be adopted on grounds of national security, had actually preceded the Meiji Restoration⁴. These earlier plans were taken up by the newly established Meiji government and the railway building project became an important early priority. The first railway line was opened in 1872, only four years after the Meiji Restoration. This was the line from Shinbashi Station in Tokyo to the port of Yokohama, a distance of some 18 miles.

The construction of the Tokyo to Yokohama line, and the subsequent building of the first major trunk lines was dependent in the main on the importation of British technology, although German and American influence was also important in Kyushu and Hokkaido respectively⁵. The Meiji government was, however, anxious to develop self-sufficiency as soon as possible, and by the early 1880's new lines were being developed with minimal foreign involvement. Independence in the financing of the new national railways was more difficult to achieve. Thus, although the government constructed the lines from Shinbashi to Yokohama, Kyoto to Osaka and Kobe to Osaka, it was difficult to extend them because of financial limitations. Under these circumstances, a new policy was adopted by the national administration which advocated the construction of railways utilising private capital, the government encouraging the establishment of private railways companies by providing financial incentives such as exemption of their landholdings from taxation⁶.



Number	Colour	Year	Route	Category
①	—	1872	Shinbashi - Yokohama	Government
②	—	1874	Osaka - Kobe	Government
③	—	1876	Osaka - Kyoto	Government
④	—	1880	Kyoto - Otsu	Government
⑤	—	1884	Ueno - Takasaki	Private
⑥	—	1889	Shinbashi - Kobe	Government
⑦	—	1891	Ueno - Aomori	Private
⑧	—	1901	Kobe - Shimonoseki	Private

Source : Adapted from data in Nihon Kokuyū Tetsudō (Japanese National Railways). Nihon Kokuyū Tetsudō Hyakunenshi Bekkan (The Hundred Years History of Japanese National Railways. Supplement Volume). 1973. p. 53-59.

Table 1 MAJOR TRUNK LINES CONSTRUCTED BY THE JAPANESE IMPERIAL GOVERNMENT RAILWAY AND THE MAJOR PRIVATE RAILWAYS: 1872-1906

Line	Route	Date of Establishment	Date of Nationalization	Line	Route	Date of Establishment	Date of Nationalization
Tokaido	Shinbashi ~ Kobe	1889. 7	—	Sanin	Kyoto ~ Sonobe	1899. 8	1907. 8
Yamate	Tabata ~ Shinagawa	1903. 4	—		Ayabe ~ Fukuchiyama	1904. 11	—
Akabane	Akabane ~ Ikebukuro	1885. 3	—		Aoya ~ Yonago	1905. 5	—
Negishi	Yokohama ~ Sakuragi-cho	1872. 5	—	Maizuru	Ayabe ~ Maizuru	1904. 11	—
Yokosuka	Ofuna ~ Yokosuka	1889. 6	—	Kansai	Kameyama ~ Kamo	1897. 11	1907. 10
Iida	Toyohashi ~ Omi	1900. 9	1943. 8		Kizu ~ Minatomachi	1896. 4	1907. 10
Osaka-	Nishikujo ~	1898. 4	※1907. 10	Nara	Kyoto ~ Inari	1879. 8	1907. 10
Kanjo	Osaka ~ Tennouji				Momoyama ~ Nara	1896. 11	1907. 10
Fukuchiya-	Amagasakiko ~	1899. 11	※1907. 8	Kusatsu	Kusatsu ~ Tsuge	1890. 2	1907. 10
ma	Fukuchiyama			Sakurai	Nara ~ Takada	1899. 10	1907. 10
Hokuriku	Maibara ~ Toyama	1899. 3	—	Katamachi	Katamachi ~ Kizu	1898. 6	1907. 10
Nanao	Tsubata ~ Nanaoko	1900. 8	1907. 9	Wakayama	Wakayama ~	1903. 3	※1907. 10
Jyohana	Takaoka ~ Jyohana	1897. 10	1920. 9		Tennouji		
Himi	Takaoka ~ Fushiki	1900. 12	1920. 9	Kisei	Nagoya ~ Taki	1895. 11	※1907. 10
Chuo	Ochanomizu ~	1904. 12	※1906. 10	Sangu	Taki ~ Iseshi	1897. 11	※1907. 10
	Nagasaka			Tohoku	Ueno ~ Aomori	1891. 9	1906. 11
	Fujimi ~ Seba	1906. 6	—	Jyoban	Nippori ~ Iwanuma	1898. 8	1906. 11
	Nakatsugawa ~	1902. 12	—	Suigun	Mito ~ Hitachiota	1897. 11	1926. 12
	Nagoya						
	Matsumoto ~	1902. 6	—	Ryomo	Oyama ~ Takasaki	1889. 11	※1906. 11
	Shinonoi			Mito	Oyama ~ Tomobe	1889. 1	1906. 11
Sanyo	Kobe ~ Shimonoseki	1901. 5	1906. 12	Nikko	Utsunomiya ~ Nikko	1890. 8	1906. 11
Bantan	Himeji ~ Wadayama	1906. 4	1906. 12				
Tsuyama	Okayama ~	1898. 12	1944. 6				
	Tsuyamaguchi						
Hukuen	Okayama ~	1904. 11	1944. 6				
	Higashisojya						
Mine	Asa ~ Omine	1905. 9	1906. 12				

Table 1 Continued

Line	Route	Date of Establishment	Date of Nationalization	Line	Route	Date of Establishment	Date of Nationalization
Hachinohe	Hachinohe ~ Honhachinohe	1894. 1	—	Nagasaki	Tosu ~ Nagasaki	1896. 11	1907. 7
Banetsu-South	Kouriyama ~ Kitakata	1904. 1	1906. 11	Karatsu	Kubota ~ Oshima	1903. 12	1907. 7
Ou	Fukushima ~ Aomori	1905. 9	—	Sasebo	Takeo ~ Sasebo	1896. 1	※1907. 7
Shinetsu	Omiya ~ Niigata	1904. 5	※1907. 8	Omura	Haiki ~ Omura	1905. 4	—
Soubu	Ryogoku ~ Shinsei	1904. 4	1907. 9	Nippo	Kokura ~ Yanagigaura	1897. 9	1907. 7
Sotobo	Chiba ~ Ohara	1899. 12	1907. 9	Hita-hikosan	Gotoji ~ Nishisoeda	1903. 12	1943. 5
Narita	Sakura ~ Sawara	1898. 2	1920. 9	Chikuhou	Wakamatsu ~ katsuragawa	1901. 12	※1907. 7
	Abiko ~ Narita	1901. 4	1920. 9	Gotoji	Kigyo ~ Gotoji	1897. 10	—
Togane	Oami ~ Togane	1900. 6	—	Hakodate	Hakodate ~ Asahikawa	1905. 8	※1906. 10
Tokushima	Kawada ~ Tokushima	1900. 8	1907. 9	Sekisho	Oiwake ~ Yubari	1892. 11	1906. 10
Dosansen	Takamatsu ~ Kotohira	1897. 2	1906. 12	Muroran	Muroran ~ Iwamizawa	1892. 8	※1906. 10
Kagoshima	Mojiko ~ Yatsushiro	1902. 12	1907. 7	Nemuro	Hurano ~ Ochiai	1901. 9	—
Kashii	Saitozaki ~ Umi	1905. 12	1944. 5		Obihiro ~ Kushiro	1905. 10	—
Sasaguri	Yoshizuka ~ Sasaguri	1904. 6	—	Furano	Asahikawa ~ Furano	1900. 8	—
Misumi	Uto ~ Misumi	1899. 1	—	Soya	Asahikawa ~ Nayoro	1903. 9	—

Note: ※ Lines constructed partly by the IGR and partly by private railways.

Source: Adapted from data in Nihon Kokuyū Tetsudō (Japanese National Railways). Nihon Kokuyū Tetsudō Hyakunenshi Bekkan (The Hundred Years History of Japanese National Railways, Supplement Volume). 1973. p. 6. 60-65.

Table 2 NATIONAL AND PRIVATE RAILWAYS IN JAPAN:ROUTE MILEAGE

Fiscal Year	Route Mileage		
	National	Private	Total
1890	551	1147	1698
1895	593	1697	2290
1900	953	2902	3855
1905	1500	3283	4783
1906	3092	1716	4808
1907	4453	446	4899
1908	4870	252	5122

Notes : (1) Excluding branch lines.
 (2) The Figures from 1906 reflect the nationalisation of the trunk line private railway companies.

Source: Annual Statistics of Imperial Japan. Incorporated in Yuzawa Takeshi. The Introduction of Electric Railways in Britain and Japan. Journal of Transport History. Vol.6, No.1, 1985. p.10.

The Development of Private Railways

In 1881, the Nihon Railway Company (Nihon Tetsudô Gaisha) was founded as Japan's first private railway, and proceeded to construct a succession of long distance lines to the Tohoku region in the North East. Prompted by its success, and by that of the Nankai Railway Company in Osaka, the first railway investment boom occurred in the late 1880's. This resulted in the construction of a network of privately constructed trunk and branch lines. By 1895, the private rail network had reached the figure of over 1700 miles, almost three times as long as the track operated by the government railway (see Map 2 and Tables 1 and 2)⁷.

By the early 1900s, following expansion by the state railway, the nationwide network of trunk lines was virtually complete, Table 1 shows the major services inaugurated by the Imperial Government Railway (IGR) and by the major private railways. The national network was still run in parallel with the more local services provided by the various other private railway companies, whose overall route network length even in 1905 was more than double that of the Imperial Government Railway (again see Table 2). The

split of the government:private rail network then changed dramatically with the nationalisation of the private trunk line companies in 1906.

Nationalisation of the Major Private Railways

The decision to take all trunk lines into government ownership was made in the aftermath of the Russo-Japanese War (1904 - 5), on the basis that centralised control of the rail network was not only necessary in terms of military considerations but was also vital for the country's strategic industrial development. However, the issue had been under discussion for a considerable period, and the final verdict in favour of nationalisation was the manifestation of the views of those in the Japanese government who had been, from the outset of the construction of the railway network, opposed to the development of private railways⁸.

The legislation for the nationalisation of the seventeen main line private companies had actually already been foreshadowed by the Railway Construction Act of 1892. This Law established the principle of the Government designating those lines which should be built in the future, and authorised the state to acquire the

existing private railways. It also provided for the subsequent acquisition of other private lines which the government might initially permit to be constructed, in the interests of the development of an efficient and technically uniform national communications system.

To this early identification of the requirement, for economic development reasons, for a technically standardised national communications network was added the perception of the strategic importance to the country's national defence of an integrated state railway system. The conviction of the crucial role of the railways in wartime was also established in Government circles a decade prior to the nationalisation policy, in fact during the Sino-Japanese War of 1894-5. In that campaign the Honshu rail network was critical to strategic movement of war materials, and the national railway was thus a key factor in the conduct of national military policy⁹.

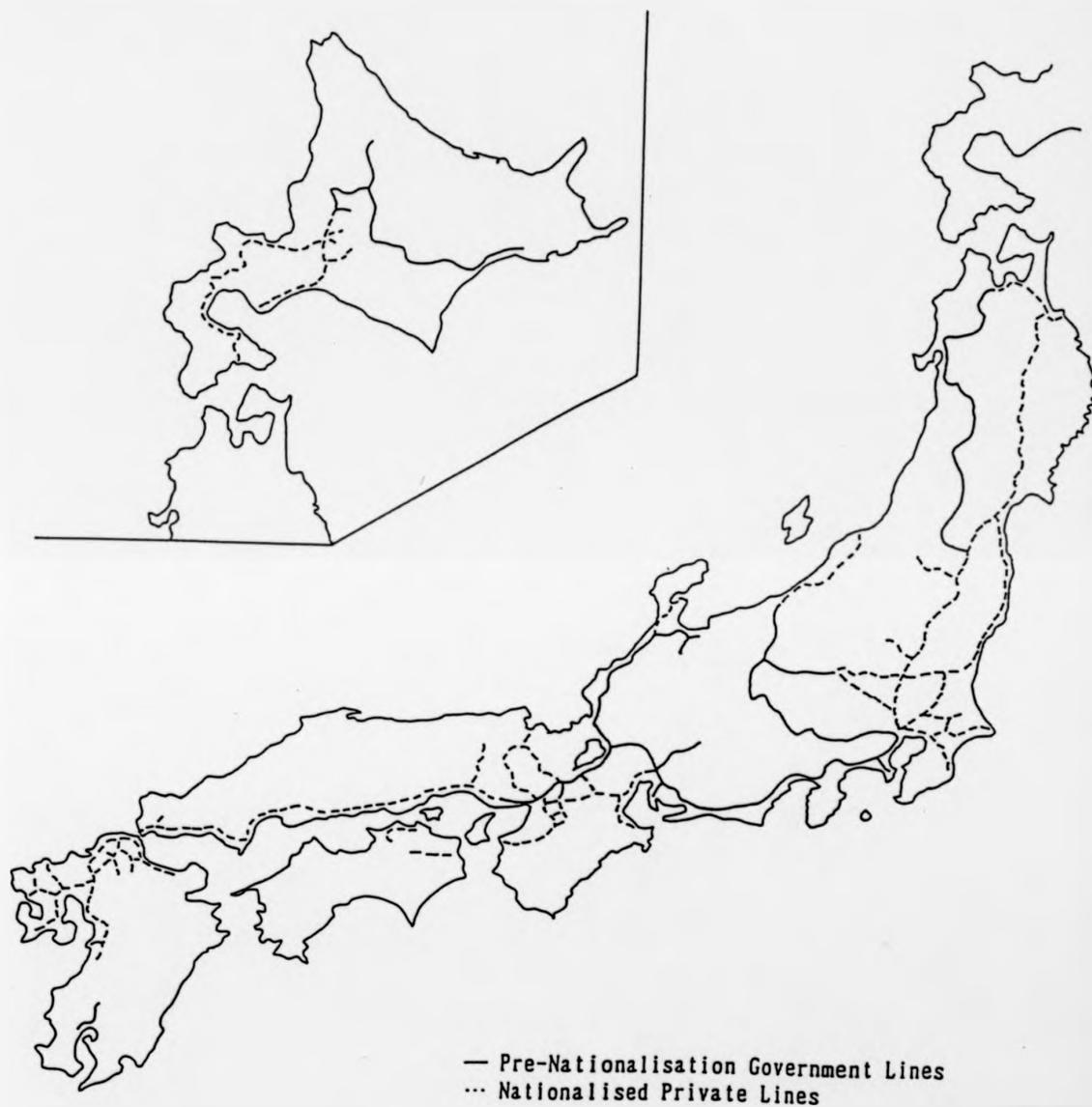
This 'national strategy' argument became compelling with the outbreak of the Russo-Japanese War in 1904, this military campaign being the catalyst for the plans being drawn up¹⁰ (while

the War was in progress) for the legislation to engineer the complete take over of the strategic private trunk lines needed for the country's security. The principle which was thereby adopted for the separation of, and the granting of higher priority to military train services was one, moreover, which remained firmly established in the post-nationalisation era. As Harada Katsumasa states

Learning a lesson from their experience during the war, Japanese railway operators from 1906 on made it their usual practice to draw lines for military trains first in preparing train schedule diagrams, so that military trains could be operated at any time required without altering the schedule of civilian trains.¹¹

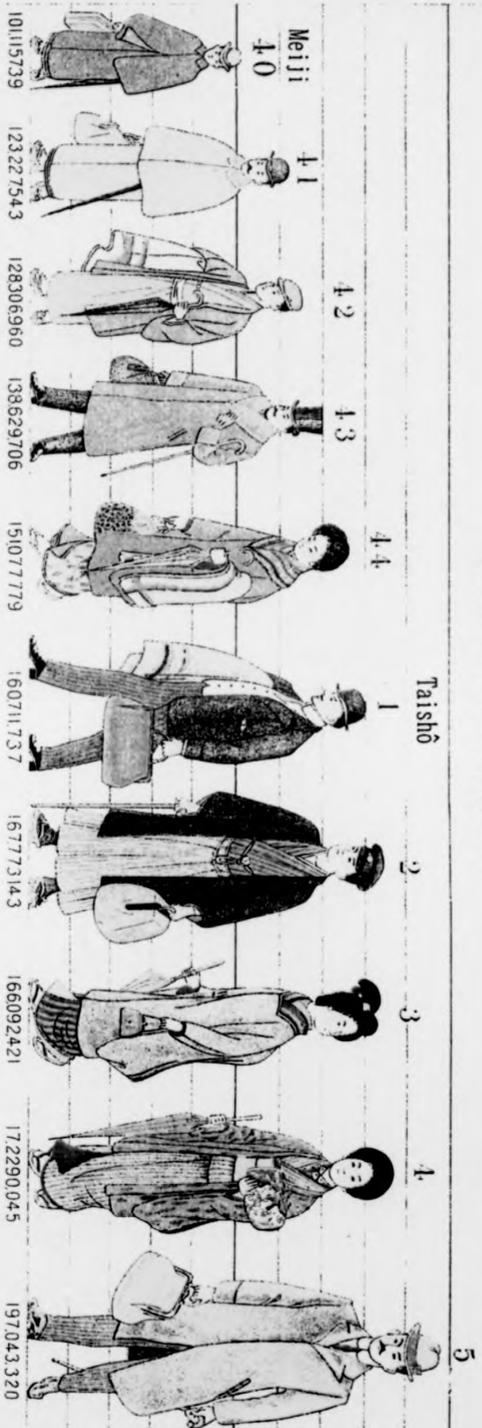
The Railway Nationalisation Act (*Tetsudô Kokuyû Hô*) was thus passed in 1906 and the nationalisation of 17 private railways was completed by the following year. This placed all of the country's trunk lines in government hands (as shown in Map 3) and significantly increased the scale of the state railway operation.

Map 3 POST NATIONALISATION MAJOR TRUNK LINES OPERATED TED
BY THE IMPERIAL JAPANESE GOVERNMENT RAILWAY (IGR)

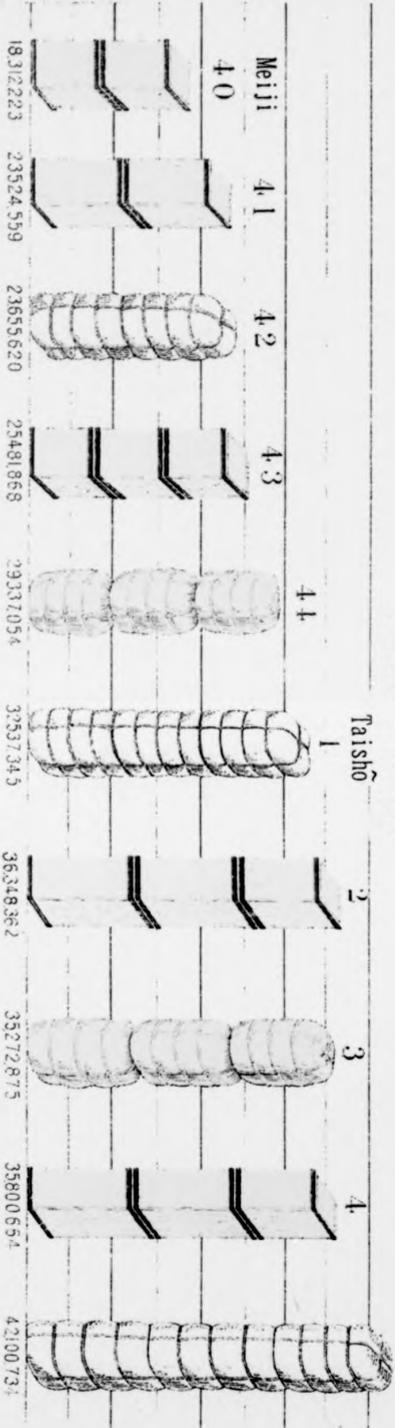


Source : Adapted from data in Harada Katsumasa. Nihon No Kokutetsu (National Railway of Japan). 1984. p. 30.

Number of Passengers



Freight Tonnage



Note: The years shown in this Table are from Meiji 40(1907) to Taisho 5(1916).
 Source : Teisudōin(The Railways Bureau). Teisudō Tōkei Yōran(General Survey of Railway Statistics). 1917. p.7.

The Post-Nationalisation Railway Development

The immediate post-nationalisation period was marked by rapid increases in demand in both passenger and freight traffic, during which time the national railway began to establish a near monopoly position in the land transport market. The impact of this on the business of the state railway, shown in Table 3, is as reproduced from a Railways Bureau publication, *Tetsudô Tôkei Yôran*.¹² The period covered by this Table is from the year following nationalisation (Meiji 40 or 1907) to Taishô 5 (1916), ten years in which the passenger and freight volume of the national railway grew at unprecedented rates.

Despite the fact that the official English name, Imperial Government Railways, continued to be used, the post nationalisation railways gradually became known as the Kokutetsu, or national railway. After nationalisation, the railway authority was restructured into a new organisation called the *Tetsudôin* (Railways Bureau). With the establishment of the *Tetsudôin* in 1908, the Imperial Government Railway underwent major changes and the substance of the national railways, operating on an accounting system independent from the Government's General

Accounts was formed. The preservation of this principle of independent accounting in the enlarged national rail administration after nationalisation served to enhance the impression of the state railway system as a unique and powerful organisation within the Japanese bureaucratic hierarchy¹³.

The advantage of promoting the environment of an institution with a special, distinct character was also seen by Gotô Shinpei, then President of the *Tetsudôin* (Railways Bureau), who advocated the principle of the *Kokutetsu Ikka* (National Railway Family)¹⁴ in which the national railway was regarded as an independent organisation following the style of the German state administration. The aim of Goto's principle was to generate in employees taken over from the private railways a self-awareness and sense of togetherness as employees of the national railway. He also intended through this principle of autonomous operation to prevent intervention by political parties in the management of the national railway. The development of this concept of the National Railway Family¹⁵ was a key characteristic of the operation of the state railway organisation in the period up to the Second World War.

Goto's wish, as outlined above, to minimise political involvement in the management and policies of the national railway was, in practice, unfulfilled. Instead, from around the time of World War 1, when Japanese party politics became active and politicians were eager to have railway lines extended into their favoured constituencies, the national railway was identified as a medium for political gain.

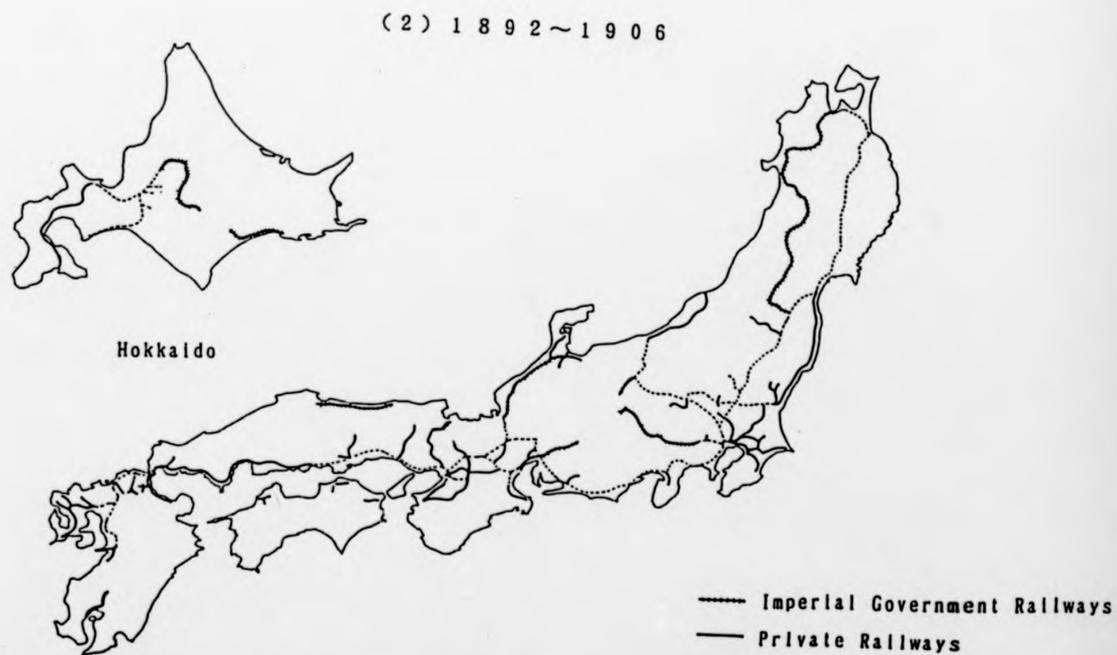
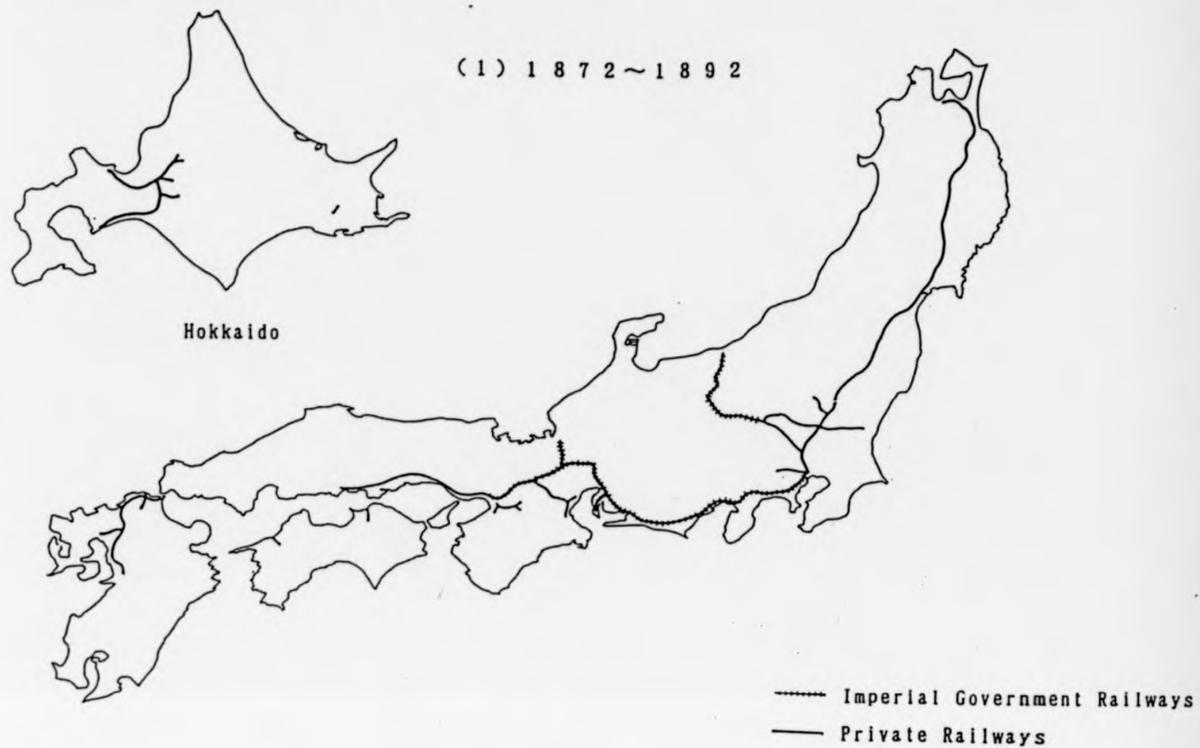
The first significant demonstration of political intervention in the operation of the state railway was the instigation of the policy of *Kenshu Kaijū* (Priority on New Construction). This policy, promoted by Hara Takashi of the *Seiyūkai* political party¹⁶, stated that investment in the railways should be aimed mainly at the building of new lines, while the improvement of existing lines should be postponed. Most of the proposed new rail services at that time were to be provincial lines, while the existing lines were trunk routes, so Hara's policy was geared to the construction of rural lines which would gain favour from local interests¹⁷.

Opposed to the major extension of the national network to rural areas, the railway administration (led by the Tetsudōin President

Gotô Shinpei) advocated a counter-policy of *Kaishu Kenjû* (Priority on Renewal), arguing that investment should be directed to the improvement of trunk lines including the laying of double tracks, electrification, and the consideration of broadening the gauge¹⁸. Ahead of its time, the Gotô plan was rejected; the Seiyûkai party successfully prevented the gauge-widening project from being put into practice and, instead, promoted the Railway Construction Act (*Tetsudô Fusetsu Hô*) of 1922¹⁹. This Act laid the foundation for the construction of a nationwide network of lines to be constructed by the national railway, and 'set in train' the process of building local lines whose unprofitability was to become a major burden on the JNR as a public corporation in the post war period²⁰.

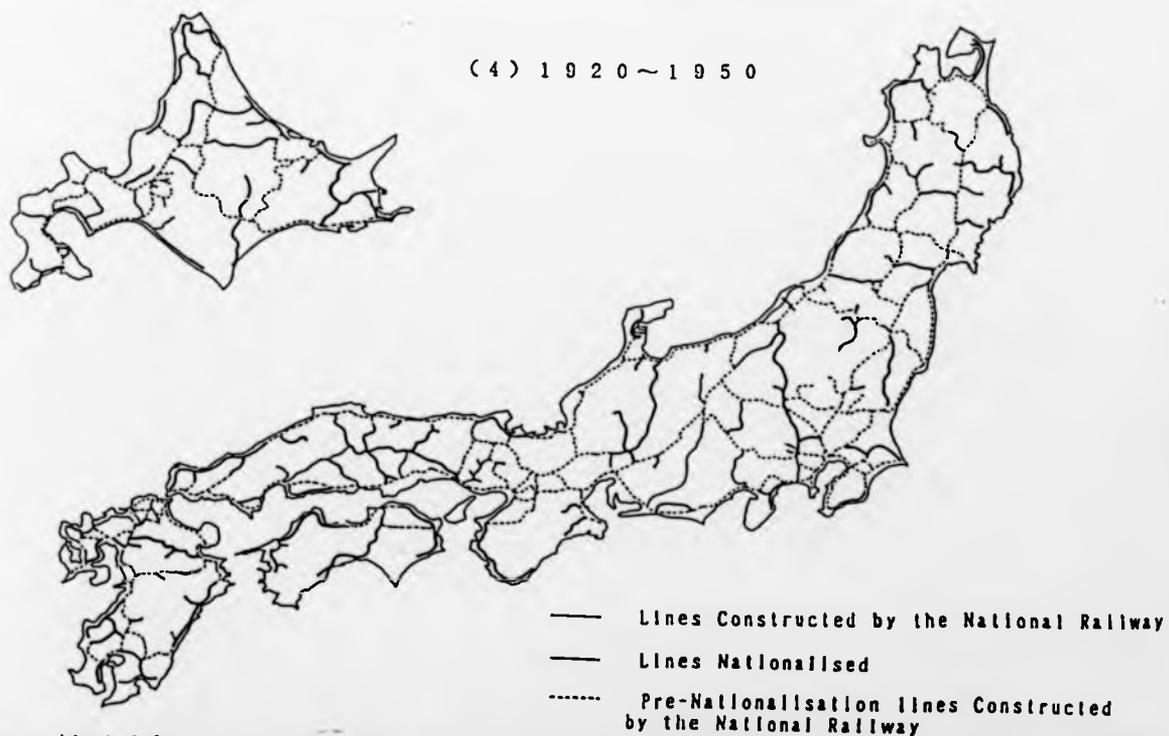
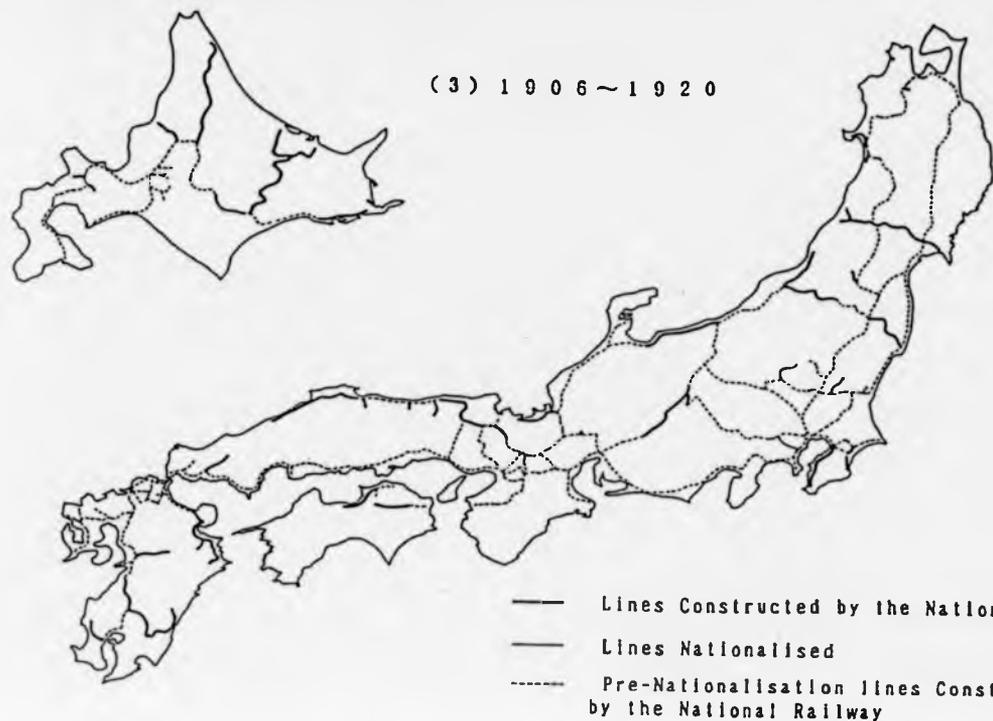
The 1920s thus saw continued expansion of the network (the contrast between pre and post nationalisation being shown in Maps 4 and 5) in response to the growth in traffic volume. Abundant profits into the 1930s funded improvements to the trunk line services, the repayment of the fund for the nationalisation of the railways, subsidies to the private railways, and the construction of rural lines.

Map 4
RAILWAY LINE DEVELOPMENT 1872-1906



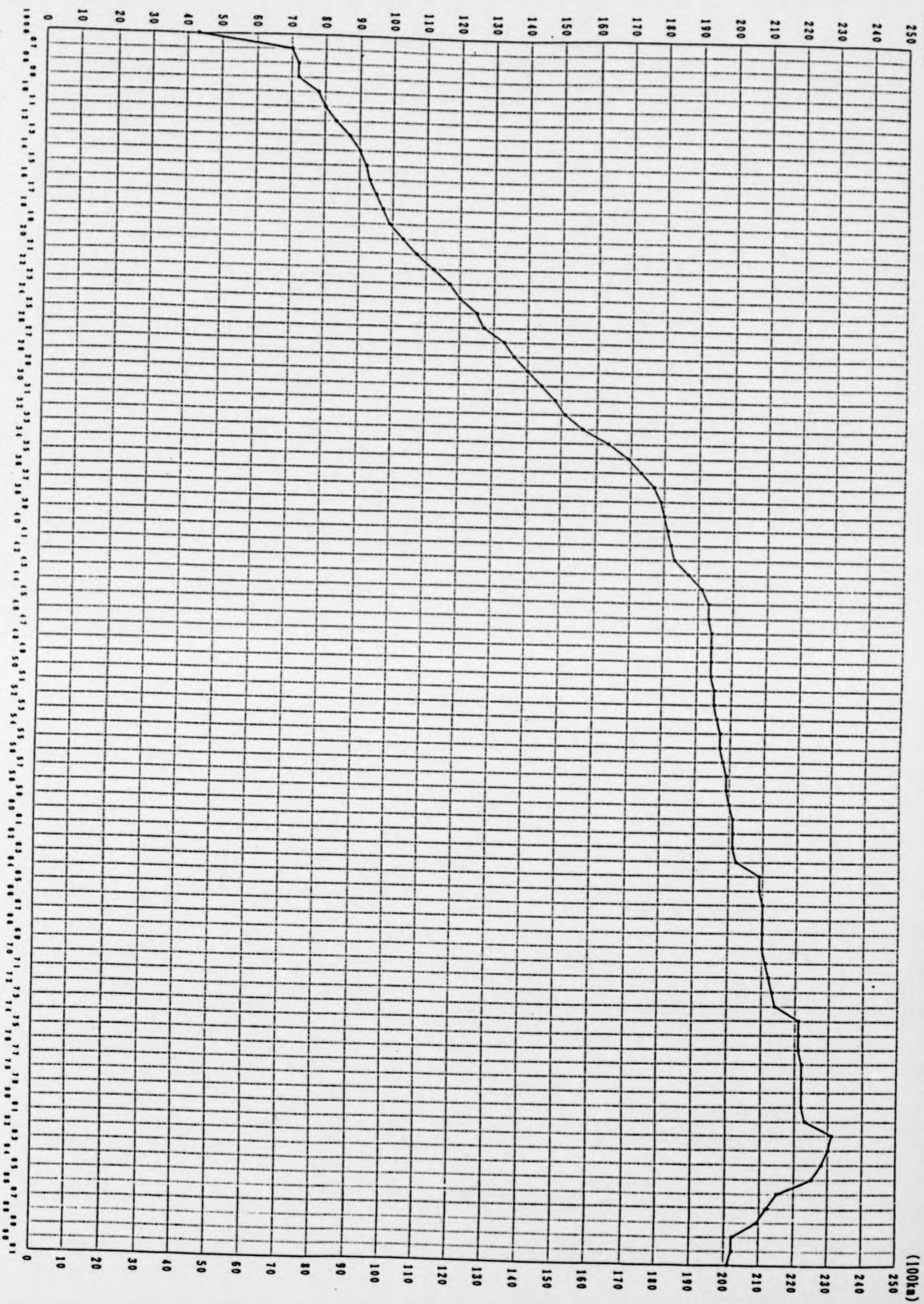
Source : Adapted from data in Nihon Tetsudō Kensetsu Kōdan (Japan Railway Construction Public Corporation).
Nihon Tetsudō Kensetsu Kōdan Jyūnenishi (The Ten Years History of The Japan Railway Construction
Public Corporation). 1974. p.5.8.

Map 5
RAILWAY LINE DEVELOPMENT 1906-1950



Source : Adapted from data in Nihon Tetsudō Kensetsu Kōdan (Japan Railway Construction Public Corporation).
Nihon Tetsudō Kensetsu Kōdan Jyūenishi (The Ten Years History of The Japan Railway Construction
Public Corporation). 1974. p. 11, 14.

Chart 1 THE JAPANESE NATIONAL RAILWAY NETWORK: LENGTH OF LINES OPERATED FOR PASSENGER TRAFFIC 1906-1991
(100km)



Note: In official transport statistics in Japan, the Shinkansen lines are not counted separately from other lines but, in this data, the length of the Shinkansen network is included.

Source: Adapted from data in Nihon Kokuyū Teisudō Jyūhō Shisutemubu (Japanese National Railways Information Systems Division). Shōwa 58 Nendo Teisudō Tōkei Shiryo Ruitenhyō (Chronological Digest of Materials Concerning Railway Statistics for Fiscal 1983), 1985, p. 1. 2.

Nihon Kokuyū Teisudō Seisan Jigyodan (Japanese National Railways Settlement Corporation), Shōwa 61 Nendo Teisudō Yoran (Railway Digest for Fiscal 1986), 1987, p. 2. 6.

www.mhlw.go.jp/english/transport/teisudo_tokai_honpou/annual_report_on_railway_statistics_1986-1991_editions.

The national railway, freed by government statute (in the 1906 Railway Nationalisation Act) from competition from any new private rail services which might impinge on its own operations, enjoyed a phase of growth²¹ which was only later matched by the 1950s. The investment in new transport capacity was such that the length of the total route network at the end of the 1930s was only some 10% less than the figure which prevailed in 1991 (see Chart 1)²².

The state rail network (as envisaged by the 1922 Railway Construction Act) was, consequently, broadly in place by the 1930s. Although therefore greatly expanded in scale, the quality of operation of the national railway was nevertheless severely tested by the military expansion policies promoted in that period²³. Planned investment in new strategic trunk lines was thus 'postponed', funds were diverted to be used for the purchase of rolling stock and other capital equipment for the movement of war materials, and during World War II, profits from railway services were even syphoned off to finance the supply of armaments to the military²⁴.

The only compensation for the shortage of investment funds during the War was the use of intensive labour in the running of the railway services. This was not, however, a sustainable alternative as the conscription of skilled railway personnel for military duties lowered the quality of the remaining staff who were therefore unable to sustain the full working of the state railway network. The continuing increases in traffic volume were carried by the railways only by overusing track and equipment to the extent that they became grossly inefficient. The higher freight traffic, moreover, did little to benefit the national railway directly, since the government ensured that tariffs were used to subsidise the transport of war materials. The effect of the over-intensive use of facilities, exacerbated by the effects of Allied bombing on the infrastructure, was that the government railway's financial position, hitherto a strong one, began to deteriorate²⁵.

A Summation of Government Policy on the National Railway 1868 - 1945

The experiences of the 1930s and the Second World War provide confirmation of the position in Japan of the state railway as an instrument of political, rather than simply of economic, policy. The adoption of policies for the national railway to serve the vested interests of the bureaucracy and of parliamentarians had in fact, however, been established from the early days of the railways. The policy approach towards the state railway was devoid of any consistency in terms of national transport requirements, rather it was the case that the function of the railways could be of flexible interpretation, to be redefined according to the political priorities of the time.

Political considerations were to the fore as early as the process leading to the decision to nationalise the main private railway companies in 1906. This nationalisation policy initiative was initially a military matter, a technically standardised state railway network at that point in time being used as a pillar of the strategy for national defence.

In the 1920s, the role of the national railway acquired a different definition, the expansion of the railway network being used by politicians as a means of gaining kudos - and electoral support - from the construction of local lines. While apparently done on the basis of providing rail services to rural areas, the motivation for such policies was much less related to concerns with the efficiency of the state railway than with what beneficial side-effects they would have for politicians and political parties.

The development of a strong national railway from the 1920s was, moreover, used as the basis for building a bureaucratic empire inside the *Kokutetsu*. The prestige of the Imperial Government Railway in the Gotō Shinpei mould, even in its metamorphosis into the *Kokutetsu*, had the unforeseen consequence of creating a railway administration more concerned with the preservation of its own high status than with maintaining efficiency and financial self-sufficiency²⁶.

Finally, the revival of military expansion in the early-1930s resulted in the taking over of the state railway for grandiose 'national' purposes, the impact of which on the rail infrastructure,

and on the efficiency of services to the public, was not considered a high priority by its proponents.

The adaptability of the national railway in serving varying ends was no doubt a political expedient of great value. The identification of the railways as a convenient servant of vested interest groups had a significant bearing on the structure and development of the state railways over the forty year period from the implementation of the nationalisation of the private trunk services in 1906. While the national railway retained its high status in the bureaucratic hierarchy²⁷ the impact of these variations in government policy on the railways became less favourable in practical terms through each phase up to World War Two. The legacy of the final period of nationalist expansion was such, moreover, that it left the state rail system in dire need of new policies aimed at its rehabilitation in the post war period.

THE NATIONAL RAILWAY AND THE OCCUPATION: POLICY AIMS AND IMPLEMENTATION 1945 - 1948

The Allied Occupation

Following Japan's surrender in World War II, the Allied Occupation of the country began in September 1945. For almost seven years, until April 1952, the Supreme Commander of the Allied Powers (SCAP) administered the country through the issue of policy directives to be implemented by the Japanese Government. The Occupation's basic aim was to effect what the SCAP administration saw as the necessary democratisation of Japan²⁸, the major features of which were the promotion of civil liberties, the establishment of a democratic labour movement, as well as an intended reform of the bureaucracy.

Sufficient time was, however, not allowed to elapse for the realisation of these lofty objectives. Within two years of taking over the nation's administration, a change in SCAP's perception of how Japan should develop led to a major shift in its attitudes towards the country's economic and social structure. What began as a broad policy encompassing Western ideals of individual freedom and responsibility soon narrowed - as the SCAP

administration took fright at the extent to which it perceived the Japanese people were adopting the new democratic principles - to an aim to rebuild Japan economically and politically into a strong US ally in the Far East against the rise of Communism in the area.

These aspects of the Allied Occupation of Japan have been the subject of considerable academic study and many broad social and political themes will not be dealt with here²⁹. In looking specifically at the national railway, however, the Occupation was the political context for the development of post-War transport policy and the swings in political mood in that period - with the initial implementation of SCAP policies of democratisation and with their quick replacement by other less elevated priorities which reinstated many of the old Japanese administrative practices - can be identified in microcosm in the operations of the JNR. As will now be expounded, the changes in policy towards the state railway organisation from 1945 to its restructuring as a public corporation in 1949 were therefore the epitome of the oscillations in national administration strategy which took place in the same timespan³⁰.

The Restructuring of the National Railway

The national railway at the end of the Second World War was, like the general Japanese economy, in a state of collapse³¹. The need to rehabilitate the national railway was appreciated immediately by the SCAP administration, which realised early on that an efficient land transportation system was essential for the recovery of the Japanese economy. Because of the country's traditional dependence on rail as a mode of transport of goods and people, the national railway figured prominently in the SCAP objective of rebuilding the economic infrastructure.

The immediate task was to assess the condition of the national railway, and this was undertaken with alacrity by the newly established SCAP Civil Transportation Section (CTS). The findings of the CTS officials were very influential in the development of SCAP's economic and financial policies for the railway and, significantly, helped shape the changes in its system of administration. The SCAP evaluation of the state of the railways, and of its administrative structure, are contained in the following observations:

Land transportation in post war Japan depended almost entirely on the railway system. ... Although Japan had a well developed railroad system, it was naturally wasteful because politically organised. Its operational efficiency had been further lowered by years of overuse, deferred maintenance, and the transfer of personnel, supplies and materials to wartime projects. The heavy demand placed on the railways after the diversion of coastwise freight to rail lines beginning in 1942 was an important factor in the deterioration of facilities and equipment. Because of the limited supply and poor quality of repair and construction materials, the tremendous increase in freight traffic was resolved by overloading all facilities ...

... The close of the War, moreover, found freedom of enterprise and individual initiative almost non-existent in fields previously open to competition. Private rail and motor transport facilities were controlled by the Ministry of Transport in the interests of national policy. The fact that the Ministry was responsible for administration and operations, in turn, prevented the successful and desirable functioning of the Ministry as an administrative and regulatory agency.

... The establishment of an efficient business structure for the state railway was a major SCAP responsibility since their financial condition so greatly affected that of the Government itself. Operated by and as a bureau of the Government, political aims predominated throughout the railway system. Wasteful practices resulted from the emphasis on serving local communities where political leaders would gain benefits. Pre war price levels and wages made such practices possible without having too serious an effect on the railways' financial condition. Accounting practices and methods, moreover, made it possible to conceal deficits in such a way that an appearance of prosperity was maintained until 1945.³²

These comments indicate that the SCAP administration set great store on the restoration of the national railway as a means of promoting economic recovery in Japan. They also clearly demonstrate that a reform of the administrative structure of the state railway was an important priority, without which economic and fiscal measures to rehabilitate the country's transport system would be rendered ineffective.

The national railway's overall "appearance of prosperity", which had been preserved up to the end of hostilities had soon vanished in the immediate post war period in the face of "changing economic conditions such as the necessity for paying living wages to employees and meeting the rising costs of materials."³³ As a result, and as shown in Table 4, the national railway was in deficit by 1946.

The appreciation by the SCAP administration of the poor condition of the national railway, and of the important economic role of improving the transport infrastructure, thus led to policy measures concentrating on the financial reconstruction of the rail network.

Table 4 JAPANESE NATIONAL RAILWAY: POST-WAR FINANCIAL POSITION

(m. Yen)

Year	Operating Revenues	Expenditure			Operating Profit/(Loss)
		Operating	Capital	Total	
1946	5,844	9,625	247	9,871	(4,027)
1947	27,352	39,696	978	40,674	(13,322)
1948	72,171	97,603	5,696	103,299	(31,128)
1949	111,659	110,584	4,635	115,219	(3,560)

Source : Adapted from data in Nihon Kokuyū Tetsudō Jyōhō Shisutemubu (Japanese National Railways Information Systems Division). Shōwa 58 Nendo Tetsudō Tōkei Shiryō Ruinenhyō (Chronological Digest of Materials Concerning Railway Statistics for Fiscal 1983). 1985. p. 210, 211.

The key element was the adoption of the specific policy aim of revising tariff rates in line with general wages and price levels, which would therefore have covered the railway's increases in operating costs. This attempt at 'economic pricing', introduced as an independent policy by the national railway was not, however, a success. Indeed, it foundered as a result of its variance with the objectives of official government economic policy. As a result, instead of tariff revisions concurrent with increases in costs, adjustments in rail fares were unrelated to the JNR's financial position and were determined by overall national economic and political feasibility³⁴.

It was therefore clear to the SCAP administration that new financing policies for the JNR would not succeed were they not to be accompanied by major structural changes in the operation of the national railway. Indeed, the SCAP evaluation of the pre-War Japanese transport system which it, in effect, inherited had already identified that "many of the deficiencies in the then current organisation stemmed from the fact that the (Transport) Ministry was both operator and regulator of the state railways, and that its activities were dominated by them."³⁵ Weaknesses which

had been identified in the running of the railways by the Ministry of Transport were "particularly the lack of clear authority to administer transport legislation, lack of comprehensive and adequate regulation, and the lack of clearly delegated responsibility to plan for the transport system."³⁶

A Wider Debate on JNR Reform

It was not only the SCAP administration which saw the reformation of the state railways as being necessary in the immediate post war era. To correct the structural weaknesses mentioned above

... studies were undertaken by the government and SCAP beginning in January 1947. These studies revealed the necessity for separating the operating functions from the administrative functions of transportation and for establishing the predominant place of administrative functions in the transportation system.³⁷

Abiko Yutaka, then General Manager of the JNR's Staff Section (and later to be the National Railway's Vice President) further confirms that official Japanese thinking on the issue of reform of the state railway operation had itself, already reached an advanced stage.

Even before receiving the MacArthur letter, the management structure of the national railway had been put into question by the Japanese Government. Should the railway operate on a self financing basis, should rationalisation of its

management be made, were some of the key issues discussed. In any case, it was at a point at least where the government was considering separating the Ministry of Transport's supervision and administrative section from the state railway's business management section.³⁸

The consideration - quoted by Abiko - which the Japanese government gave to the restructuring of the national railway involved the research activities of the Tokyo Institute of Transportation Economics (*Unyu Chôsa Kyoku* or *Unchô*). According to its present Director Maeda Kiyoji³⁹, this Institute was, in late 1947, a constituent part of a Ministry of Transport Committee charged with a review of the operational structure of the national railway, its management systems, the relationships with both the MoT and the Diet, and the method of determining tariff rates.

The *Unchô* Committee, in reviewing the then present state of the JNR's management, further investigated the policy objective of making the national railway operation independent of general government financing. In this process, close study was made of public sector corporations in the Soviet Union and of the New Deal policies in the USA typified by the Tennessee Valley Authority. GHQ's own evaluation was of the significant role of the national railways in civilian Japan; it was on this basis that action was

taken as an early priority to deal with the economic, social and political aspects of their operation. In addition to its financial rehabilitation, this involved the desire to cut down bureaucratic influence on the Kokutetsu in the shape of a removal of the Ministry of Transport's control over its operation, and the enactment of laws granting fundamental rights of organisation to labour⁴⁰. It is in this sense that the policies adopted for the state railways⁴¹ can be seen as SCAP strategy for the Japanese nation in miniature.

The Changing Climate

The inauguration of a 'reverse course' by the SCAP administration " ... which involved making economic recovery first priority when it had not even been on the list of priorities to begin with ..." ⁴² had no specific starting date. It instead developed gradually, not least by the expedient of a reducing commitment to the implementation of the original democratisation policies of the Occupation.

Two aspects of the SCAP 'reverse course' were highly relevant to the national railway, namely the reshaping of the policies originally intended to reform the bureaucracy and of those which

had encouraged the establishment of a Western-style labour movement in Japan. With regard to the first, in relation to the implementation of the initial programme of 'purging' the right wing elements of the bureaucracy⁴³ there had indeed, been early evidence of doubts within the SCAP administration⁴⁴ as to its rationale in the context of the, by then, top priority to revive the Japanese economy. The original Purge had been designed to rid the Japanese government service of the nationalistic and military inclined elements of the order which prevailed in the 1930s and during the Second World War. In practice, however, "While the purge was designed to achieve both *demilitarization* and *democratization*, its implementation emphasized demilitarization and barely scratched the surface of the bureaucracy."⁴⁵

Table 5 PURGE OF JAPANESE CIVIL SERVICE 1946-1947

Ministry	Number Screened	Number Passed	Number Removed/ Excluded
Education	1,805	1,727	78
Home Affairs	564	244	340
Justice	252	215	37
Finance	223	218	5
Transportation	170	152	18
Foreign Affairs	153	107	46
Cabinet Office	144	138	6
Welfare	120	97	23
Agriculture and Fisheries	120	105	15
Communications	13	13	0
Other Public office Holders	5,356	4,837	495
Total	8,920	7,853	1,063

Source: SCAP. History of the Non-Military Activities of the Occupation of Japan 1945-1951.
Vol. 3. Political and Legal, Part A; Vol. 6. The Purge, p34.

As a consequence , in terms of changing the behavioural patterns of the bureaucracy, the 'reform' was conspicuously unsuccessful. Specific to the topic of this study, the Purge failed to alter the 'conservative' attitude of the Departments in the bureaucracy whose co-operation would be essential in implementing SCAP's proposals to reorganise the running of the state railways. As shown in Table 5, the Ministries most closely concerned with railway matters, Transport and Finance, escaped lightly in the Purge, certainly by comparison with the impact on the politically sensitive Ministries of Education and Home Affairs. In the Finance and Transport Ministries, 393 senior civil servants were screened, and only 23 purged, and the overall result was that the spirit of the bureaucratic system in which "as officials of the Emperor, they had a status above and beyond the reach of the people, the legislative body, and the political parties"⁴⁶ continued to prevail.

The second aspect of the re-evaluation of policy vital to the national railway was in the labour field in which the SCAP administration began to have second thoughts on the validity of a 'labour movement' towards the end of 1946. The very rapid growth in trade union membership⁴⁷, and the success of the Communist

Party in becoming the driving force in union politics were undoubtedly signal elements in the process of overturning SCAP's hitherto pro-labour stance.

Growth of union membership had been particularly significant in communications and transport, workers in these two sectors accounting for 85% of the total labour organisations at end 1947. Table 6 shows the development of labour unions in the transportation sector. There is little doubt that the substantial increase in union membership in this field was closely correlated with the activities of the Japanese Communist Party. The Communists had already had early success in approaching factories to stimulate interest in trade unions and an aggressive campaign during 1946 was instrumental in a marked upsurge in the numbers joining unions in the docks, and in the state railways⁴⁸.

Table 6 UNIONISATION IN THE TRANSPORTATION SECTOR

End of Year	Number of Unions	Membership
1945	74	66,294
1946	1,539	817,325
1947	2,820	993,885
1948	3,083	925,801
1949	2,831	801,011
1950	3,249	826,518

Source: Adapted from data in SCAP. History of the Nonmilitary Activities of the Occupation of Japan. 1945-1951. Vol.53. p.36.

Table 7 JAPANESE NATIONAL RAILWAY UNION MEMBERSHIP

Fiscal Year	Union Membership	Number of JNR Employees
1945	(46.2) 508,656	(46.3) 518,134
1946	N/A	(47.3) 573,086
1947	562,874	(48.3) 610,543
1948	606,861	(49.3) 604,243
1949	(49.6) 575,837	(50.3) 476,095
1950	(50.6) 444,111	(51.3) 473,473

Source : Adapted from data in Nihon Kokuyū Tetsudō (Japanese National Railways).
Shōwa 24 Nendo Tetsudō Yōran (Railway Digest for Fiscal 1949). 1950. p.124.
 Nihon Kokuyū Tetsudō (Japanese National Railways). Shōwa 25 Nendo Tetsudō
Yōran (Railway Digest for Fiscal 1950). 1951. p.145.

The first trade union among government employees was the Federation of Government Railway Workers (*Kokutetsu Sôren*), inaugurated in March 1946 by a series of local unions. This Federation was replaced in June 1947 by a single national railway union, the Government Railway Workers Union (*Kokurô*)⁴⁹. As can be seen in Table 7, union membership in the state railway was immediately substantial, reaching its highest level in 1948 and remaining a major force in the public sector unions after the creation of the Japanese National Railway public corporation in July 1949.

The decision to turn back the tide of labour reforms was influenced by the practical experience of the SCAP administration in dealing with the union movement. The impression gained in the Labour Section of SCAP was that "Indifference to union affairs among union members and the pattern of multiple affiliation, which created a maze of intermediate union bodies and effective minority control, made it easy for top union officials eg the Communists to exercise control of unions for political purposes."⁵⁰ This was epitomised by the activism of the national railway labour unions,

the tactic of interference with the running of mainline services being adopted within months of their formation in March 1946.

The rail union position hardened further in August 1946 as a reaction to a government's proposal that 130,000 temporary workers in the state railway be dismissed in order that ex-servicemen and repatriates from military service overseas could be employed. The Government Railway Workers' Union's opposition almost led to a national rail strike in September 1946 but the dispute was settled, after intervention by PM Yoshida. The solution, resulting in the hiring of the repatriates and ex-servicemen without the sacking of any temporary workers, became a costly legacy for the JNR public corporation when it was established in 1949⁵¹. As further discussed in this Chapter, some 95,000 employees of the JNR were, in fact, dismissed prior to the commencement of operations by the public corporation in June 1949. This did not, however, go anywhere near to offsetting the effect of the earlier obligation to employ 168,651 war repatriates, and the net result was the institutionalisation of a policy of employing excess labour in the national railways.

There was a further 'struggle' for higher wages for government workers in the latter months of 1946 with the *Kokutetsu Soren* and *Zentei* unions at its focus. Prime Minister Yoshida's New Year 1947 radio broadcast referred to the actions of the labour leaders as *Futei no Yakara* - translated by Ayusawa Iwao as "gang lawlessness"⁵² but this did not prevent the announcement by the unions' All Japan Joint Struggle Committee (*Zenkoku Rôdô Kumiai Tôsô linkai*) of a proposed National Strike for 1 February 1947.

Despite a meeting at GHQ on 30 January between SCAP labour officials and the unions' Joint Struggle Committee at which moderation of the unions' position was counselled, it looked certain that the strike, due two days later, would go ahead. That it did not was due to General MacArthur's formal prohibition order⁵³ issued late on 31 January prohibiting the General Strike. The labour unions immediately called off the General Strike and disbanded their joint struggle organisations. Moreover, they quickly renewed negotiations with the government on public sector pay and conditions. By late February 1947, in fact, agreements were reached for wage increases with the government sector labour unions encompassing the supposedly militant Government

Railway Workers' Union, *Kokutetsu Sôren* , and the Communications Ministry Union, *Zentei*.

Civil Service Reform Legislation

Despite the capitulation of the unions in the General Strike issue, the experiences in the labour market in the build-up to the proposed General Strike still reinforced SCAP's fears that there remained a threat to the stability of the State, and this strengthened the Occupation administration in its resolve to 'get tough' with the labour unions⁵⁴.

The reverse of the previous liberal intentions towards labour rights was, moreover, given a sharper focus when combined with proposed new legislation in relation to the civil service, and the operation of public sector organisations. This legislation took the form of the National Public Service Law (*Kokkô Hô*) of 21 October 1947, which was the intended culmination of the US Personnel Advisory Mission to Japan (commonly known as the Hoover Mission) which had begun its review of the Japanese Civil Service in December 1946.

The leader of the Mission, Blaine Hoover, then President of the Civil Service Assembly of the United States and Canada, was charged with the duty of producing a civil service reform bill in line with SCAP's original intention to make the Japanese bureaucracy democratic and efficient. The Hoover Mission's stay in Japan, however, coincided with the period leading up to the proposed General Strike and beyond and, as such, its members were able to obtain ample evidence to support the, by then, revisionary SCAP opinion that the public sector unions were a subversive element which must be crushed⁵⁵.

During the period of discussion on the terms of the new Law, however, the Socialist party gained control of the Japanese government for the first time. From the time of the General Election of April 1947 the Socialist led coalition under PM Katayama Tetsu, shifted the weight of opinion against the proposals. The draft which became law in October 1947, at which time Blaine Hoover had returned temporarily to the USA, had therefore more than a hundred alterations and deletions compared with the original⁵⁶. It did not include Hoover's original provisions to ban strikes or to deny collective bargaining rights to

government employees, nor did it contain the proposed curbs on the power of the upper bureaucracy. In fact the Act satisfied no interested party except for the bureaucrats, whose position effectively remained inviolate, while the unions were left with the feeling that theirs was only a temporary reprieve from further repressive legislation from GHQ.

The Mashokan (The MacArthur Letter)

From the failure of the first National Public Service Law it was the firm intention of the SCAP administration to revise the relevant legislation. That objective was finally put into effect by the issuance of a letter signed by General Douglas MacArthur, Supreme Commander of the Allied Powers, to the Japanese Prime Minister Ashida Hitoshi, on 22 July 1948. The *Mashokan* (the MacArthur letter) set out the terms for the proposed recasting of the National Public Service Law to make a clear distinction between labour relations in the private and in the public sectors. Specifically, the new National Public Service Law was designed to introduce restrictions on the collective bargaining rights of public sector workers, to be accompanied by a prohibition on strikes by government employees.

The definition of government employees to whom these new restrictions would apply was, however, restricted to exclude certain government enterprises of which the national railway was the principal one. Specific recommendations in the *Mashokan* were, in fact, aimed at the national railway which, along with the Tobacco and Salt Monopoly organisation, was deliberately and categorically offered a set of proposals for its reorganisation much less onerous than those which were to apply to the bulk of the Government service. The *Mashokan* plan for the state railways was embodied in the following:

... So far as the railways, salt, camphor and tobacco activities presently under Government ownership, I believe that employees thereof might well be exempted from the regular civil service. In this event, however, public corporations should be established by appropriate action to manage and operate these activities. Proper provision should be made for standards, policies and procedures of employment, and ... substituting mediation and arbitration measures for the protection accorded others under the civil service safeguards should be provided to the public interest against any interruption of operations resulting from failures of employees faithfully to discharge their responsibilities of employment ...⁵⁷

The *Mashokan* proposals provoked at least an outward appearance of consternation on the part of its Japanese recipients⁵⁸. B.C. Koh states that "The proposals sent a shock wave through both the

Japanese government and, particularly, labor circles"⁵⁹, while in Ayusawa Iwao's words "The effect of the 'letter' ... was devastating. 'Devastating' that is to those people who had cherished ideas of such unrestrained freedom as the working class had enjoyed in Japan in the postwar period until the revisions were made as a result of the general-strike plots of February 1, 1947, and March, 1948."⁶⁰

Nevertheless, the Ashida Cabinet responded with alacrity to MacArthur's letter by issuing the complying government ordinance (Cabinet Order 201) only nine days after its receipt. By so doing, the Cabinet readily interpreted Mashokan as an order, "superceding all domestic laws"⁶¹, thereby stating that the responsibility for its promulgation was on the Occupation authorities.⁶²

The revised National Public Service Law was enacted on 3 December 1948, replacing the hastily issued ordinance of 31 July. In it, the original intention to set up an independent central civil service personnel agency was, at least ostensibly, fulfilled. The National Personnel Authority (*Jinjiin*) was established as an

agency of the Cabinet with the sole power to implement the standards set out in the public service law.

Its existence was theoretically in line with SCAP's aims of safeguarding the ideals of democracy and efficiency in public administration. In practice however,

... some of the ideas, although enshrined in law, were never implemented Nor have the power and influence of the National Personnel Authority turned out to be nearly as great as its American architects had hoped. ... moreover, the old patterns of Japanese bureaucracy - stratification, elitism, legalism, retirement practices, and the like - have proved to be singularly resilient.⁶³

Significantly, this resistance by the bureaucracy in Japan to the implementation of changes in government policy proposed by SCAP was to turn out to be a crucial factor in the weakness of the other major legislation which arose out of the *Mashokan*, namely the laws relating to the setting up of public corporations to manage and operate the tobacco and salt and national railway enterprises.

The Public Corporation and Related Proposals

As a result of the reference in the *Mashokan* to the setting up of public corporations the employees of the railways and government monopoly enterprises - but significantly not those in Post and Communications - were exempted from the revised National Public Service Law. Instead, the labour relations rights of the employees of the tobacco and salt and national railway government enterprises were set out in the Public Corporations Labour Relations Law (generally known as the *Kôrô Hô*) of 20 December 1948. This Law was prepared together with the provisions of the public corporation structure which, in the case of the railways, were enacted on the same date, 20 December 1948, in the form of the Japanese National Railways Law, both taking effect from 1 June 1949⁶⁴.

The Public Corporations Labour Relations Law acted upon the wish that special provision be made for the workers in the government owned commercial enterprises and, in effect, created a new category of public employee. As in the case of the JNR Law, less than six months elapsed between the proposals and its enactment. The provisions for a new Labour Relations Law for the public

corporation employees had been an integral part of the *Mashokan* letter but this issue was not regarded by the Japanese side⁶⁵ in the same light as the creation of the public corporations themselves. The setting up of the public corporations had been taken initially as a directive but, on the labour relations issue, however, the Japanese government acted on the basis that it was a broad recommendation from the SCAP administration. According to Abiko Yutaka, the official Japanese interpretation of the labour relations provisions in the *Mashokan* was that "... it left that issue up to the Japanese government."⁶⁶ The labour relations law was therefore drawn up with input not only from several SCAP Divisions, the CTS, Government, Labour and the Legal sections, but also the two relevant Japanese ministries, Transport and Labour.

The result was the creation of a general labour law for public corporations and public enterprises, the terms of which specified that all such employees were denied the right to strike, but were permitted to bargain collectively on matters relating to wages and working conditions. Mediation and arbitration procedures, to be implemented by new independent commissions, were also provided for in the law, although mediation affecting the prerogatives of

management and the operation of the national railways was excluded. Similar exclusions were applied to the employees' collective bargaining rights, and any agreements so reached which would involve the expenditure of funds not provided for in the annual budget of the public corporation required the approval of the Diet⁶⁷.

The enactment of the law introducing a new set of provisions for labour relations in public corporations and national enterprises fits neatly into the model of SCAP's 'reverse course' labour policy. As Ehud Harari put it, "... it fragmented the labour movement by creating, through the legal differentiation of types of employment, different conditions for union activities, hence different targets for union activities."⁶⁸ In a similar vein, the new measures in the labour field were also described by Yoshitake Kiyohiko as "... a typical policy of "divide and rule"⁶⁹ in the Japanese public sector.

If, however, the aim was to curb the militancy of the public sector unions, this had already been accomplished in the provisions of the amended National Public Service Law. This Law had, as previously stated, removed the rights of strike and collective bargaining from

the entire public sector, and there was therefore no specific requirement to introduce a further set of rules and rights for the employees of the public corporations and national enterprises.

By contrast, the positive discrimination, in fact, points to the argument that the new labour relations provisions were actually still part of a genuine attempt by the SCAP administration to introduce an autonomous and self supporting structure for these newly created bodies. To quote Abiko Yutaka again "It was clear from the relevant part of the *Mashokan* letter that workers in the railway and monopoly goods operations should be treated differently from general civil servants only if these businesses change their management and operational structures by becoming public corporations."⁷⁰

The decision to produce a different legal framework for labour relations in the public corporation field, far from introducing additional controls on the unions in the state railways actually provided greater freedom than in the rest of the public sector. Should the suppression of the labour unions have been the aim of the setting up of the public corporations, the right of collective

bargaining - taken away in the revised National Public Service Law - need not have been restored to the national rail employees whose union, Kokurō, had been at the forefront of the campaign of labour activism in the previous two years.

Not even the manifestation of further disruptive action by the national rail union in protest at the amendments to the National Public Service Law - involving stoppages beginning in August 1948 in Hokkaido, Shikoku and Hiroshima on Honshu - prevented the legislation being enacted providing the employees of the new railway public corporation with greater rights than their other public sector counterparts.

The key point is that the legislation served to differentiate the labour relations rights of the national railway from those in the government post and communications enterprise. The less restrictive legal framework introduced for the *Kokutetsu* was a clear reflection of the perception within the SCAP administration of the greater threat to the country's stability posed by the Post and Communications labour union *Zentei*. GHQ's identification of *Zentei* as the 'real' radical labour union in the Japanese public

sector had been confirmed when, in the 1948 March Struggle (*Sangatsu Tōsō*), the *Zentei* leadership had attempted to organise another general strike, comparable to that planned for February 1947. This prompted a letter from General William F Marquat, Chief of the Economic and Scientific Section of SCAP which, mirroring what happened in 1947, forbade the proposed national stoppage. The unions were forced to accept the wage scale recommended by mediation and *Zentei* was thereafter marked down for specific negative provisions in the forthcoming legislation. Quoting Harari,

Not only was it (*Zentei*) driven to split, but its ministry's employees were left for awhile in the category of the national public service, whereas the national railway employees were transferred immediately to the more privileged category under the Public Corporations and National Enterprises Labour Relations Law.⁷¹

From SCAP Proposal to Legislation

The *Nihon Kokuyū Tetsudō Hyaku Nen Shi* (The Hundred Year History of the Japanese National Railway) confirms that there were actually three variations on the restructuring plans for the *Kokutetsu*. These were collated by the Ministry of Transport on 29 July 1948 in response to the *Mashokan* proposals, and were as follows:

1. To establish a national railway supervisory authority as an operational Ministry (*Jigyô Kanchô*) under Cabinet control
2. To establish a national railway agency as a special corporation (*Tokubetsu Hôjin*) under the direction of the Minister of Transport
3. To establish a national railway public corporation (*Kôsha*) in the form of a management agency (*Kanri Kikan*) .72

It was evident that the Civil Transportation Section (CTS), representing SCAP's intentions in the field of transport policy, was opposed to the first two options. The aim of the CTS was to establish a public corporation, as set out in General MacArthur's letter (*Mashokan*) of 22 July 1948, in order to instil the characteristics which in Japan could be defined as a sense of public service (*Kôkyôshin*) and of a spirit of enterprise, (*Kigyôshin*) into the operation of the national railways⁷³.

The outline of SCAP's plan to reorganise the state railway was contained in a memorandum of 13 September 1948 sent to Shimoyama Sadanori, the Transport Vice Minister and soon to be the first President of the JNR public corporation, by the SCAP Civil Transportation Section (CTS). Its aims for the reorganisation of the JNR are reproduced below, illustrating that the original

intention of SCAP was to create autonomy of operation, and freedom from political interference in the running of the national railways (see next pages for the Outline of Reorganization Plan of Government Railways).

Outline of Reorganization Plan of Government Railways

13th September 1948

A. Target of reorganization of Japanese Government Railways shall be:

- (1) assure the efficient operation of the railroad.
- (2) attain the autonomous and self-supporting management of the railroad.
- (3) separate the operative activity from administration.
- (4) keep the railroad free from political influence.

B. Form of organization shall be:

- (1) an independent public corporation, called "Japanese National Railways" (Nihon Kokuyu Tetsudo).
- (2) one operating body of the present JNR system as a whole.

C. Physical organization of "Japanese National Railways" (hereinafter called JNR)

- (1) Executive officers of JNR shall be:
 - a. President, with four-year term of office, appointed by the Cabinet with the approval of the Diet, eligible for reappointment.
 - b. Vice-President, with four-year term of office, appointed by the President with the consent of the Minister of Transportation.
 - c. Managers, appointed by the President.

(2) Board of Directors

a. Board of Directors:

1. shall inspect the result of the management of operation of JNR.
2. shall supervise the financial administration of JNR.

b. Members of the Board of Directors:

1. shall consist of nine members including the Minister of Transportation.
2. shall be appointed by the Cabinet with the consent of the Diet.
3. shall be honorary, expense incidental to attend the meeting will be reimbursed.

c. Chairman of Board of Directors shall be selected from among the members with mutual election.

D. Relationship to Japanese Government:

- (1) Capital of JNR shall be invested by the Japanese Government.
- (2) Basic policies of transportation activities of JNR shall be under the control of Ministry of Transportation.

E. Financial and Accounting System of JNR:

- (1) The accounting system of industrial enterprise in general shall be adopted in lieu of the existing government finance system.

(2) Issuance of bonds and borrowing of funds shall be authorised.

(3) Settled account shall be submitted to the Diet.

(4) Same categories of taxation as the present JNR shall be followed.

F. Labor Relations of JNR

(1) Labor shall be allowed to organize unions on the open shop basis.

(2) Labor shall be denied the right to strike, but shall have the right to bargain collectively, pertaining to their working conditions, but shall not intervene in the management and operation of the railroad.

(3) Special organisation for mediation and arbitration shall be established to adjust grievances to make up for the denial of the right to strike.

(4) The decision of the Board of Arbitration shall be binding both on management and labor.

G. Remarks

(1) Fares and charges of JNR shall not be submitted to the Diet.

(2) Fares and charges of transportation (including JNR) shall be decided by the adequate authoritative body, such as the "comprehensive regulatory body" of the Ministry of Transportation.⁷⁴

In marked contrast to these established principles of policy, the public corporation which actually began operations on 1 June 1949 was a far cry from the model laid out in the CTS memorandum. The departure from SCAP's integral aims was, indeed such that not one of the four CTS tenets of the "Target of reorganization of Japanese Government Railways" was achieved. The national railway public corporation - as enacted and as opposed to that envisaged - did not "assure" the efficient operation of the railroad. It failed to "attain the autonomous and self-supporting management of the railroad". It did not succeed in the objective to "separate the operative activity from administration" and nor did it "keep the railroad free from political influence."⁷⁵

Between the laying down of SCAP's policy on the reorganisation of the operating structure of the national railway, and the enactment of the JNR Law and the Public Corporations Labour Relations Law (*Kôrô Hô*) major changes were made in the key provisions on the independence of management, and on the JNR's relations with government. The critical factor which created the dramatic gap between intention and reality was as Kakumoto Ryôhei has expressed, "...politicians and government officials didn't wish to

lose their power” The end result was that “This public corporation was given almost no independent capacity.” Looking back at the formation of the *Kokutetsu* “... it was ...ridiculous to expect efficient operation from this organisation.”⁷⁶

An important manifestation of the inherent weakness in the new organisational structure for the JNR was that the concept of a self-supporting operation of the national railway significantly did not extend to the idea that its management would be independent of the government. The reaction of the existing senior management of the state railway to the SCAP proposals specifically reflected the perception of their historical standing as high ranking public officials of the Imperial Japan. The concept of *Kanson Minpi* (Putting Government above the People), had, as outlined in the earlier section on the initial development of the railways, been a key characteristic of the JNR in the pre-War years. Its existence resulted - even without any overt campaign of resistance - in a natural opposition to any change in the position in society of the senior civil servants in the national railway.

The epitome of the attitude towards reform within the upper echelons of the *Kokutetsu* management was the decision not to adopt the term *Kôsha* - the Japanese for public corporation - as the name of the new *Nihon Kokuyô Tetsudô* (JNR). Unlike the government monopoly (*Nihon Senbai Kôsha*) and the later created telecommunications enterprise (*Nihon Denden Kôsha*) the national railway's formal title thus did not specifically include the designation 'public corporation'. The Japan scholar Paul Noguchi has also stressed the importance of the differentiation in the status of the JNR implied in its name; that it "... was called (Nippon) Kokuyû Tetsudô (Japanese National Railway) and not some other more descriptive yet mundane label such as 'railway corporation.'⁷⁷ He adds "For some older workers this uniqueness remains a source of pride"⁷⁸ a trait to which can also be attributed the strategy of the senior management of the *Kokutetsu* in minimising the impact of the changes proposed by SCAP.

In terms of the status of the personnel of the new railway enterprise, the position of the 'old guard' wishing to remain senior civil servants was safeguarded in the legislation which followed. In the Japanese National Railways Law, the officers and employees

of the JNR were, as they had been in the pre public corporation era, to be regarded as civil servants in the same category as all other personnel engaged in public service. This successful preservation of their status was a discernable example of the contrast between apparent complicity by the executive of the national railway with the SCAP plans for its reorganisation, and the reality of unobtrusive but determined resistance to those parts which endangered their position⁷⁹.

The significantly different legislation setting up the reformed JNR - as compared with the original SCAP intentions as set out in the *Mashokan* - was enacted after a six month span of deliberation amongst the various interested parties. As previously discussed, there had been prior evidence of earlier such discussion between the SCAP administration and both the Japanese transport bureaucracy and government of the basis on which the national railway should be reorganised - including previous reference to the concept of a public corporation structure to effect the separation of the JNR's operation and administration⁸⁰.

Moreover, in relation to the SCAP notion of public corporations being devised for state activities whose financial and personnel management would be more efficiently undertaken in the form of enterprises outside the direct operation of government, organisations with these characteristics were actually already in existence in Japan. During the Second World War, the *Chûo Shôkuryo* and the *Chihô Shôkuryo* food distribution *Eidans* ⁸¹ operated as an integral part of the war economy, their existence being pointed out by Dr Kakumoto Ryôhei in interview; he also drew attention to the potential use as a model for the proposed public corporations of the better-known (and still operational) *Eidan*, the Teito Rapid Transit Authority (*Teito Kôsokudo Kôtsu Eidan*). As operator of the principal Tokyo subway system, the *Teito Eidan* had the characteristics required of a public corporation in the SCAP mould, namely that its provision of social overhead capital was administered autonomously from parliamentary control, and that its finances, while provided by government, were independent of the central state budgeting system⁸².

The presence of such public corporations in Japan at the time of consideration of SCAP's recommendations for the national railway appears to have been overlooked. While consideration was given to public corporations existent outside Japan - such as the Tennessee Valley Authority in the USA, public entities as developed in Germany after the First World War, and public trusts in the Soviet Union⁸³ - the actuality of potential home-grown models for the JNR public corporation therefore did not prevent the eventual legislation from being enacted in a decidedly watered-down form.

During the period of debate the SCAP proposals were subject to pressure, most significantly, from the representations of the Ministries of Transport and Finance, a disagreement between which on the matter of control over the setting of the JNR's tariffs was won by the latter⁸⁴. The internal conflict amongst the interested groups on the Japanese side was mirrored by similar differences of view within the SCAP administration, which led to the emasculation of the proposals as laid down in the CTS Memorandum to the Japanese Vice Minister of Transport. Thus, while the Director of the Rail Transportation Division of the SCAP Civil Transportation Section (CTS), Lieutenant Colonel D R Changnon⁸⁵

was prominent in promoting the policies designed to restore the national railway to a sustainable basis of economically viable operation, the CTS view of the virtues of an autonomous public corporation with private enterprise characteristics became subservient to the economic revivalist line personified by Major General William F Marquat⁸⁶, Chief of the GHQ Economic and Scientific Section. The substantial wishes of the Japanese Finance and Transport Ministries to limit the JNR's financial independence were therefore incorporated in the final draft of the Railways Bill⁸⁷.

The critical concession made by SCAP was that, if the new JNR was not to operate as originally intended as a quasi private enterprise with a high level of autonomy, the most democratic form of control of the new national railway enterprise would be through the Diet. This resulted in a JNR Law in which the *Kokutetsu* required prior Diet approval for the fundamental matters of the setting of tariff rates for both passenger and freight services and for the implementation of the corporation's annual financial budget.

Ministry of Transport approval was also a prerequisite for decisions on investment in railway related enterprises, on important construction investment projects such as electrification and new line construction, and on the question of closure of existing railway lines.

Specific provisions with regard to the remit of the new public corporation, its management and freedom of operation were thus, as embodied in the JNR Law, at major variance with SCAP's original intentions. In the crucial policy matters of management autonomy and labour relations⁸⁸, the contrasts between SCAP's original aims for an efficient, self determining and self financing railway operation and the terms of the actual legislation which set up the JNR as a public corporation were striking. Instead of creating an autonomous JNR, the Japan National Railways Law and the Public Corporations Labour Relations Law, passed on 20 December 1948, left both the bureaucracy and the national Diet with the impression that national railway affairs remained firmly in their domain. The legislation also preserved for the management of the public corporation its high ranking within the public service, but without any real autonomy to carry out the

duties of an organisation which was ostensibly charged with the responsibility of efficient operation of the railway enterprise for the benefit of the public.

Summation of the JNR Legislation

The result of the legislative process - with its major changes from the original SCAP proposals - should not have come as much of a surprise to those involved in the build-up to the implementation of the JNR Law. One telling example of the warning signs of problems to come was given, in the early months of 1949, by the first person to be approached to be the JNR's new President. It was an episode which made it abundantly clear that independent management of the new public corporation was an aim unlikely to be achieved under the terms of the enacted legislation. The context was the attempt, by Prime Minister Yoshida Shigeru, in the period following the passing of the Japanese National Railway Law, to use established channels to obtain a suitable candidate from private industry to head the new JNR. Far from this being a straightforward matter, however, as Sakurada Takeshi - a member of the National Railway Consultative Committee (*Kokutetsu Shimon'in*) - describes, the outcome when an intermediary⁸⁹ of the Prime

Minister enlisted his help in approaching Kobayashi Ataru, then President of *Tôkyû Kyûko Dentetsu* (Tôkyû Corporation), was somewhat unexpected in Japanese public sector circles.

...In 1949, the year the Kokutetsu Kôsha law was enacted, Prime Minister Yoshida asked Miyajima to recommend someone from a non-government organisation to become the President of the Kokutetsu.

Since Kobayashi San had the experience of being president of Tôkyû Corporation, Miyajima felt he was the man for this job and told me to 'go and ask him'. I went to the President's office of Fukoku Life Insurance Company and told Kobayashi San about the matter. His answer was, 'Let me think it over for a couple of days.'

After about a week, Kobayashi San turned up in a fury. 'I had my subordinates check out this Kokutetsu Kôsha Law and I'm quite shocked. It is clear that according to the Law the JNR budget is decided by the Diet through the Transport Ministry, and the government decides everything from line construction to transport related businesses. The wages of the employees must also be decided within the budget. If wage levels can not be agreed upon, they will be decided by arbitration. In what area does the President have any authority? Why isn't the President in charge of business operations? It's not like Miyajima to ask me to do a job where I just sit around, while the GHQ, former Railway Ministry officials, and the labour unions continue in their roles as in the past. Tell him I won't do it.' Since I was ashamed of myself for not having studied the Kokutetsu and related Laws sufficiently, I then spent two whole days reading them over.

As Kobayashi San had pointed out, I discovered that there were no clear regulations for the Kokutetsu to be run by government officials, not was it a private company. It could not be called a 'business enterprise organisation'. In short, it appeared to be a ridiculous organisation. I told Miyajima

about this and asked him to tell the same thing to PM Yoshida. Because of this, Shimoyama, who had spent his whole career at the old Railway Ministry, became the President of the Kokutetsu ...⁹⁰

Kobayashi Ataru's views were shaped by his service at the highest level in the private railway industry and this may have been what gave him the foresight to turn down the 'opportunity' to lead the new public corporation. His decision reflected the perception - a correct one - that the JNR Law would institutionalise a fundamental lack of clarity as to the status and responsibility of the public corporation executive management, and as to its relations with the Ministries of Finance and Transport, the Cabinet, and members of the National Diet. The facility which the Law therefore offered to management, bureaucrats and politicians of being able to reinterpret a structure apparently enshrined in legislation to favour their own vested interests can now be seen as a fatal flaw, from the very start, in the operation of the new Japanese National Railway.

The regular recurrence of this theme in the analysis of the Kokutetsu from 1949 to 1987 will further confirm that the seeds of the ultimate destruction of the JNR were sown at the outset. The operating structure created in 1949 was far removed from

that envisaged to achieve the laudable aims of ensuring autonomy and efficiency in the operation of the national railway which, despite the SCAP 'reverse course', remained the Occupation's intentions for the reform of the JNR. The consequences of the preservation of bureaucratic and political influence in the running of the state railway were such that the new public corporation was never able to fulfil its intended function as a self financing and self governing enterprise. The crucial factor was that the vested interests in Japan - the management of the state railway, the civil service bureaucracy and the Diet parliamentarians - while appearing to submit to SCAP 'demands', managed to salvage sufficient of their position such that GHQ's original intentions in reorganising the railways were not put into practice.

The weakening of the original resolve of the SCAP administration, weighed down by its new self-imposed responsibility to rebuild the Japanese economy to establish a vibrant ally of America in the Pacific, resulted in the creation of a public corporation to run the national railway which was much more related to pre-Second World War Japanese models of bureaucratic organisation than to the original ideals of the Occupation administration to create

independent, efficient and financially responsible public sector enterprises. It is thus the contention in this study that it was the introduction of a version which was amenable to Japanese susceptibilities, rather than the original SCAP public corporation model, which was to lead to the future difficulties in managing the national railway enterprise. This theme is now developed in an analysis of the JNR public corporation in operation.

1. Representative consideration of the wider implications of the Meiji Restoration, and of the historical background of economic and social policies pursued by the Meiji government is given in Beasley W.G. (1981), The Modern History of Japan. London, and (1995), The Rise of Modern Japan. London; Allen, G.C. (1981), The Japanese Economy. London; Janet E Hunter, Janet E. (1989), The Emergence of Modern Japan - An Introductory History Since 1853. London.

2. Examination of this topic was undertaken in extensive discussion with Imashiro Mitsuhide, Professor of Business, Daitō Bunka University, Tokyo and with material as incorporated in Imashiro Mitsuhide and Smith, Ian (1993), Research Note on the History of the Private Railways in Japan - 1, Tokyo. Japanese language sources used for Japanese railway history comprised Nihon Kokuyū Tetsudō (1973-1974) (JNR), Nihon Kokuyū Tetsudō Hyaku Nen Shi (The Hundred Year History of the Japan National Railway), Vol.1-11, Tokyo; Kakumoto Ryōhei (1988), "Tetsudō 120 Nen no Nagare to Tenbō" (A 120 Year History of Railways in Japan and Their Future Prospect.), MOBILITY, No.73, October, p.58-73; and Harada Katsumasa (1984), Nihon no Kokutetsu. (The JNR), Tokyo, pp3-116.

3. The importance put on the provision of efficient transport communications by the Meiji Government was stressed in all of the English language sources cited in Endnote 1 above. In Beasley, W.G. (1995), p.104; Allen, G.C. (1981), p.5; and Hunter, Janet E. (1989), pp.111-112. This point is also made in the Japanese language source, Nihon Kokuyū Tetsudō (1973-1974), (JNR), Nihon Kokuyū Tetsudō Hyaku Nen Shi (The Hundred Years History of the Japanese National Railway), Tokyo, Vol. 1, pp.37-39.

4. The railway construction plans had first been drawn up in 1869, under the auspices of the *Kōbushō* (Ministry of Public Works) and with the significant involvement of UK engineers and financiers. Discussions on the establishment of a national railway had first taken place in that year between the Japanese government and the UK representative, Sir Harry Parkes, the British Minister to Japan. Those on the Japanese side, notably Okuma Shigenobu (Vice

Minister of Finance) and Itô Hirobumi (Okuma's Assistant), pressed for the creation of a national railway network which would promote the development of the country and strengthen national unity. Nihon Kokuyû Tetsudô (1973-1974), Nihon Kokuyû Tetsudô Hyaku Nen Shi, Vol.1, pp. 60-62. See also Imashiro and Smith (1993), p.2.

The Meiji government's intention was that the key section of the planned railway construction should be between Tokyo and Kyoto, with branch lines running from Tokyo to Yokohama and from Kyoto to Kobe. With the provision of British finance (a loan of £3m) the first part of the project (the Tokyo to Yokohama Line) came to fruition within three years of its inception. Nihon Kokuyû Tetsudô (1973-1974), Vol.1, pp.63-70.

5. Harada Katsumasa (1981), Technological Independence and Progress of Standardisation in the Japanese Railways. Tokyo, p.11.

6. Nihon Kokuyû Tetsudô (1973-1974), pp.139-43. The incentives offered by the Meiji government to private investors in railway enterprises are also discussed in Richards, Tom and Rudd, Charles (1991), Japanese Railways in the Meiji Period. 1868-1912, London, p.27.

7. See Table 2, adjoining p. 62.

8. The epitome of the pro-nationalisation viewpoint was Inoue Masaru, one of a group who returned from study at University College, London to take up influential posts in the 'new' Japan. In 1871, Inoue had been appointed Director of the Railways Bureau (Tetsudô Ryô) and, in this role, presided over the initial period of the development of the railways. Inoue was in favour of reducing the dependence on foreign technology and personnel as quickly as possible. He also consistently advocated that the country's railways be nationalised and, as with the foreign influence on the development of the network, regarded the private railways as a necessary expedient, to be removed at the earliest opportunity.

Inoue's influence on national railway policy is discussed in Imashiro and Smith (1993), pp.3 - 4. The legislation for the nationalisation of the seventeen main line private companies had,

however, already been foreshadowed by the Railway Construction Act of 1892. This Law established the principle of the Government designating those lines which should be built in the future, and authorised the state to acquire the existing private railways. It also provided for the subsequent acquisition of other private lines which the government might initially permit to be constructed, in the interests of the development of an efficient, and technically uniform national communications system. See also *Nihon Kokuyū Tetsudō* (1973 - 1974), (JNR) Vol. 1, pp.180 - 182, and p.189.

9. Harada Katsumasa (1984), *Nihon no Kokutetsu* (The Japanese National Railway), Tokyo, p.39. See also Tōyō Keizai Hen (ed.) (1962), *Nihon Keizai to Kokuyū Tetsudō* (The Japanese Economy and the National Railway), Tokyo, p.13. The point is further discussed in Harada Katsumasa (1981), Technological Independence and Progress of Standardisation in the Japanese Railways, Tokyo, pp.7-9.

10. The nationalisation policy was given further impetus by a concern that, in its absence, Japan would have to look to foreign capital for railway construction. "... the government had been concerned about an inflow of foreign capital since the opening of the first lines, fearing that Japan would become semi-colonised as a result in the same way as China." Imashiro and Smith (1993), p.4.

11. Harada (1981), p.9.

12. Tetsudōin (1917) (The Railways Bureau), *Tetsudō Tōkei Yōran* (General Survey of Railway Statistics), Tokyo. This publication gives a very vivid graphical presentation of the social and economic consequences of the development of the railways in Japan.

13. The status of the national railway in the Japanese public service - elevated by the nationalisation policy - was also maintained during the period of expansion in the rail network. In 1920, administrative supervision of the state railway was removed from the Ministry of Communications with the creation of a separate Ministry of Railways (*Tetsudōshō*). Eight years later, the Ministry of Communications also ceded to the Ministry of

Railways control of the automotive sector, and this helped to emphasise the power and prestige of the government railway operation. See Tôyô Keizai (ed.) (1962), p.27; and Nihon Kokuyû Tetsudô (1973 - 1974), Vol. 7, pp.15 - 16.

14. As further discussed in Imashiro and Smith (1993), p.6.

15. The operation of the national railway in the context of the existence of the 'One Railroad family' is the central theme of Noguchi, Paul (1990), Delayed Departures, Overdue Arrivals, Honolulu. This source was previously cited in the Introduction to this thesis.

16. The pre-War conservative mainstream *Seiyûkai* Party was one of the political forerunners of the alliance which, in 1955, became the Liberal Democratic Party (*Jimintô* or LDP). Kodama Kôta (1985), Hyôjun Nihon Shi Nenpyô (A Standard Chronology of Japanese History), Tokyo, p.47.

17. Harada (1984), p.81; and Imashiro and Smith (1993), p.6.

18. It was this proposal, later recounted in Chapter 4 in discussion of the development of the *Shinkansen*, which first advanced the concept of a wide gauge high speed rail network in Japan. As discussed in Chapter 4, pp.282 - 283.

19. The Railway Construction Act (*Tetsudô Fusetsu Hô*) of 1922 put into effect the *Seiyûkai* Party policy of *Kenshu Kaijû* (Priority on new Construction). See Imashiro and Smith (1993), p.7.

20. The early establishment of the concept of the *Seijisen* (political lines) is confirmed in *Ibid*, p.6 (and is further discussed in relation to its negative effect on the the JNR's finances in Chapters 3 and 4 of this thesis). See also Harada (1984), pp.80 - 84; and Tôyô Keizai (ed.) (1962), pp.27 - 29.

21. Described in Imashiro and Smith (1993), p.7 as a 'Golden Era' for the railways in Japan.

22. The further purchase and nationalisation of private railway operations contributed to this process, 71 companies and 2,400

kilometres of track being acquired between 1917 and 1944. Private railway lines were, in some instances, taken over by the national railway in order to preserve local services, although around the Second World War the motivation was much more to maintain transport services for the war economy. Ibid, pp.12 -13.

23. Somewhat paradoxically, an early effect of the militaristic policies of the Japan Administration in the 1930s was positive for the railways, in that the invasion of China in 1937 was accompanied by restrictions on the use of motor vehicles except for military purposes. This served to enhance the position of the railways in the Japanese transport market to something akin to a monopoly. The beneficial impact on the national rail operation was, however, short-lived, and was replaced by what were to become long term negative effects on the state railway in its use by the government as an integral part of the country's war machine. SCAP (1952), History of the Non Military Activities of The Occupation of Japan Vol.53, Land and Air Transportation, p.1.

24. The use by the government of railway funds to aid the military effort was facilitated by the temporary removal, in 1943, of the state railway operation's accounting independence when the Ministry of Transport and Communications (*Unyu Tsushinshô*) was set up to combine those parts of responsibility previously held separately by the Ministries of communications and Railways. Imashiro Mitsuhide (1988), Restructuring of JNR and its Problems, Tokyo, p.10. See also Nihon Kokuyû Tetsudô (1973 -1974), Vol.10. pp.58 - 59.

25. Harada (1984), pp.109 - 116; and Noguchi (1990), pp.24 - 25.

26. This conclusion was drawn from the analysis of the Gotô Era on pp.68 - 70 (the sources for which are given in this Chapter's Endnotes 14 - 20), and supported by the SCAP material quoted on p.79.

27. In May 1945, control over the state railway operation was again separated with the establishment of the Ministry of Transport to centralise control over all forms of transport; and the national and private railways were administered through the Railroad General Bureau (*Tetsudô Sôkyoku*). The close of the War

thus saw the state railways as the key operation under the aegis of the Ministry of Transport, as the official agency charged with serving the interests of the country's overall national transport policy. It should, moreover, be emphasised that this was a policy initiative by the national Japanese government which preceded the Allied Occupation administration. Nohon Kokuyû Tetsudô (1973 - 1974), Vol. 10, p. 60. See also SCAP (1952), Vol. 53, Land and Air Transportation, p. 5.

28. The aims of the Allied Occupation, as seen by its Supreme Commander are set out in MacArthur, Douglas (1964), Reminiscences, London, pp. 282 - 283, and p. 294.

29. Reference is, however, made to the broader implications of the Occupation policies, with reference to the national railway, in Johnson, Chalmers (1972), Conspiracy at Matsukawa, Berkeley and Los Angeles, and Ward, Robert E (1968), "Reflections on the Allied Occupation and Planned Political Change in Japan"; in Ward, Robert E, (ed.), Political Development in Modern Japan, Princeton, pp. 477 - 533.

30. Discussion of the variations in national economic policy, and of the decisions made on the running of the JNR - leading up to its reconstruction as a public corporation in 1949 - comprises the remainder of this Chapter, pp.78-120.

31. Noguchi (1990), p. 25.

32. SCAP (1952), Vol. 17, Land and Air Transportation. p.1, pp.3-4, p.5 and p. 21.

A further SCAP source, an unsigned and undated CTS Memorandum which comprises part of the Abiko Bunko (Abiko Library) at *Unyu Chôsa Kyoku*, indicates the significance of the national railway and its reform to the GHQ administration.

"... the Japanese Government Railways has been, and, when reorganized as the JNR, is destined to continue to be, a public utility of great importance and because its impaired operations are most likely to produce a considerable effect upon society in general.

...The JNR constitutes on a nationwide scale a tremendous transportation artery through which flows the life-blood of the national economy." SCAP, CTS Memorandum (23 September 1948). "Institution of a Law Governing JNR Labor Relations As Necessitated By The Forthcoming Reorganisation." In Kôkyô Kigyôtai Rôdô Kankei Hô Shiryô (Material on the JNR Labour Relations Law), Abiko Bunko, Tokyo, Vol. 1, p. 1. The complete Memorandum is on pp. 1 - 7.

33. SCAP (1952), Vol 53, Land and Air Transportation, p.21.

34. Freight rates were kept deliberately low by the Government to keep down the final prices of rail shipped commodities, which in effect gave a subsidy to industry at the expense of the national railway. In fiscal 1947 the state railway's freight revenues amounted to only 28% of its costs and even the passenger operation's revenue:cost ratio was only 79%. Further attempts were made by SCAP in 1948 to bring rail freight rates up to a level comparable to those of coastal shipping, and to revise the passenger tariff to match its real cost level. The proposal to increase freight rates by 600% and passenger fares by 200% was, however, mitigated by Diet legislation in July 1948 to rises of 250% and 155% respectively. Ibid, pp.91 - 93.

35. Ibid, p.17.

36. Ibid, p.18.

37. Ibid, p18.

38. Abiko Yutaka (1949), Kôkyô Kigyôtai Rôdô Kankei Hô Kaisetsu (A Commentary on the Public Corporation Labour Law), Tokyo, pp.19-20.

39. Maeda Kiyoji, Director General of *Unyu Chôsa Kyoku*, confirmed to the author in Interview (in one of a series of interviews between July and November 1991) that the Japanese Ministry of Transport had initiated, in the early post-War period, independently of SCAP Civil Transportation Section, an examination of the national railway to assess the means by which

it could be operated more efficiently.

The Ministry of Transport White Paper for 1947 further substantiates the fact that there had been on the part of the Japanese administration an acknowledgement of the need to reform the state railway. The MoT reiterated in the 1947 White Paper that "the operating condition of the government railway is as critical as the financial condition. The railway authorities alone cannot combat this situation owing to their financial and material conditions, no matter how hard they try." In its consideration of the need for reorganisation, the White Paper for 1947 further proposed the promotion of electrification, and the enhancement of transportation capacity. In addition, it raised the issues of decreasing the number of employees and of prohibiting new employment as measures which might be required to improve the operation of the Government Railway. *Unyushô* (1947), White Paper for 1947. The Government Railway as it Stands, p.3 and pp.73 - 75.

In April 1947, moreover, a new accounting system was adopted for the national railway. This facilitated the computation of the financial results of the national railway operation on the basis of accrued income and expenses, rather than on the previous and more general system adopted for the Japanese public sector of cash receipts and outlays. This had the symbolic effect of restoring the separation of the state railway from Government general accounting which had existed up to the Second World War, and was a further indication of the government policy of treating the railways enterprise as a definitive and separate element of the public sector. *Nihon Kokuyû Tetsudô* (1973 - 1974), Vol. 10, pp. 149 - 150.

40. The fundamental elements of SCAP labour policy were enacted in three basic laws passed in less than two years after the beginning of the Occupation. The Trade Union Law (*Rôdô Kumiai Hô*) of 22 December 1945 granted labour the basic rights of organising, collective bargaining and of strikes, and the Labour Relations Adjustment Law (*Rôdô Kankei Chôsei Hô* or *Rôchô Hô*) of 27 September 1946 laid down procedures to be adopted to settle grievances which arose in the course of labour:management relations. Finally, the Labour Standards Law (*Rôdô Kijun Hô* or

Rôki Hô) of 7 April 1947 set out the legal framework for minimum standards of working conditions. The JNR Labour Laws are contained in the (Annual) Roppô Zensho (Compendium of Laws), Tokyo. The 1989 Edition has the Rôdô Kumiai Hô listed on pp.2804-2812; the Rôchô Hô on pp.2813-2818; and the Rôki Hô on pp.2702-2723.

The labour policy of the Allied Occupation is extensively discussed in SCAP (1952), History of The Nonmilitary Activities of The Occupation of Japan, Vol. 31, Labor and Agrarian Reforms - Part A. Development of the Trade Union Movement, Tokyo. Material for the research undertaken in this area was also forthcoming in interviews particularly with Kakumoto Ryôhei, Ishii Naoki, Maeda Kiyoji, Kanematsu Manabu, Kitsutaka Hiromasa, and Mutô Hisashi. The Interviews were conducted in the period from July 1991 to May 1992.

41. The culmination of the discussions on civil service reform as they affected the national railway, was the plan finally adopted to effect the:

“... reorganisation of the Ministry (of Transport) as an agency charged with the supervision, regulation, and necessary control of transportation services, and the establishment of the state railway as a public corporation. This line of action was expedited by SCAP’s message on 22 July 1948 recommending the creation of a public corporation to manage and operate the state railways.” SCAP (1952), Vol. 53, Land and Air Transportation, p.18.

The reference to SCAP’s message on 22 July 1948 was the letter of that date by General MacArthur, Supreme Commander Allied Powers, to Japanese Prime Minister Ashida Hitoshi, in which he proposed that a new public corporation structure be introduced for the national railway. The contents of this letter, since then referred to in Japanese as the *Mashokan* (The MacArthur Letter), are analysed later in this Chapter.

Katô Hiroshi and Sando Yoichi (1983) in Kokutetsu. Denden. Senbai. Saisei no Kozu (The Plans to Regenerate the JNR, NTT and the Tobacco and Salt Monopoly), Tokyo, further confirm that “... there were discussions ... regarding the management system of state

owned enterprises, ever since the period just after the end of World War II. Thus, it can be said that the letter from MacArthur provided a chance to actually implement the reform.”, p.19.

42. Johnson (1972), p.19.

43. The purge of right wing extremists had begun under a Directive issued early in the SCAP administration, on 4 January 1946 implemented under the terms of the 'Removal of Undesirable Personnel from Public Office'. SCAP (1952), Vol. 6, The Purge, p.15.

44. The dilemma - and its resolution - is well illustrated in quotes from a speech made in San Francisco in January 1948 by the US Secretary of the Army, Kenneth C Royall. In this, Royall declared that Japan must be turned into a bulwark of the free world against the 'Communist menace'. Army Secretary Royall's explanation of SCAP's thinking on reversing its original labour policies was that "... on the one hand we cannot afford to leave the Japanese war system intact nor forget that there is a danger in retaining in power leaders whose philosophy helped bring on World War II ... On the other hand we cannot afford to sterilize the business ability of Japan." Horsley, William and Buckley, Roger (1990), Nippon, New Superpower - Japan Since 1945, London, p.28.

45. Harari, Ehud (1973), The Politics of Labor Legislation in Japan, Berkeley, p.60.

46. Higa Mikio (1968), The Role of the Bureaucracy in Contemporary Japanese Politics, PhD Dissertation, University of California, Berkeley, p.179.

The failure of the proposed reform of the bureaucracy, according to Harari, came about above all because of the "... unique position (of the bureaucracy) as the institution through which the Occupation exercised its authority. At first they complied (with GHQ directives) with few exceptions but as they regained confidence and saw that there was often a difference of views within SCAP, they became more difficult - not least in the SCAP initiatives to reform the bureaucracy itself." Harari, Ehud (1968), The Politics of Labor Legislation in Japan, Ph.D Dissertation, University of

California, Berkeley, p.88.

47. Prompted by SCAP's enthusiastic support, the process of unionisation spread rapidly from the last quarter of 1945. At the end of that year, the Trade Union Law having been enacted on 21 December 1945, the number of unions was only a little over 500, with a total membership of 377,000. Within a further year these figures had risen to around 16,700 and 4.8 million respectively. The pre-war peak level of unionisation was in 1936 when membership had reached 420,000. This compared with the post-war high, at the end of 1948 of 6.7 million union members, representing 38% of Japan's total workforce. Ayusawa, Iwao F. (1966), A History of Labor in Modern Japan, Honolulu, p.258; Harari (1973), p.73; and as discussed in SCAP (1952), Vol.31, (The Development of the Trade Union Movement), pp.85-91.

48. SCAP (1952), Vol. 31, Development of the Trade Union Movement, p.35. This issue is also discussed in Yamazaki Goro (1957), Nihon Rôdô Undô Shi (A History of the Labour Movement in Japan), Tokyo, pp.171-172 and pp.182-183.

49. SCAP (1952), Vol. 53, Land and Air Transportation, p. 37.

50. SCAP (1952), Vol. 53, Land and Air Transportation , pp. 40-41.

51. Ibid, pp. 37 - 38.

52. Ayusawa, Iwao (1966) A History of Labor in Japan, Honolulu, p.270.

53. MacArthur forbade the General Strike in a formal order issued on 31 January 1947, in which he stated:

"Under the authority vested in me as Supreme Commander for the Allied Powers, I have informed the labor leaders, whose unions have federated for the purpose of conducting a general strike, that I will not permit the use of so deadly a social weapon in the present impoverished and emaciated condition of Japan, and have accordingly directed them to desist from the furtherance of such action." Statement by the Supreme Commander Banning the Proposed Strike, January 31, 1947. Ibid, p.270.

54. Noguchi (1990), p. 29. See also Johnson (1972), p. 54, and SCAP (1952), Vol. 31, Development of the Trade Union Movement, p. 91. The impact of the increasingly politicised union activity on the economy was, however, more illusory than real. The number of days lost through labour disputes was, even in the period of apparently greatest strife, extremely insignificant. The year from September 1946 to August 1947 was the one with the maximum degree of conflict in labour relations during the Occupation, but the impact of the supposed disharmony can be put into context by taking account of the fact that work stoppages amounted during that 12 month period to less than 1% of the available working time. In 1947 - 8, moreover, time lost through stoppages was only one-fifth of 1%, and in 1949 a mere one-tenth of 1% of the time available for work. SCAP (1952), Vol. 31, The Development of the Trade Union Movement, p. 69.

55. As discussed in Harari (1973), pp. 62 - 66.

56. On the enactment of the initial National Public Service Law, Koh states: "In sum, it is plain that, from the American standpoint, what was enacted into law by the Japanese Diet in October 1947 was a watered-down version of the original draft. However, it would be too simplistic to view the revisions in the hands of the Japanese as the product of the bureaucracy's scheme to perpetuate its power. The notion of a powerful central personnel agency, although by no means alien to the Japanese, evoked fear and resistance from the Left and the Right alike. The entrenched bureaucrats justifiably saw the danger of the erosion of their power, whereas proponents of democracy feared that the proposed agency might help perpetuate the privileged position of senior bureaucrats. The near-unanimous support for the guarantee of labor and political rights for public servants, moreover, stemmed primarily from the widespread desire for democratization." Koh, B. C. (1989), Japan's Administrative Elite, Berkeley, p.50.

57. General Douglas MacArthur (22 July 1948), Letter to Prime Minister Ashida Hitoshi (Mashokan), Tokyo. The original of the *Mashokan* is in the Gaimushô Kanbô (The Recording Room of the Minister's Secretariat of the Ministry of Foreign Affairs), Tokyo. The copy of the *Mashokan* (22 July 1948) used in this thesis is in

the Kôrô Hô Seitei Keika Gaiyô (An Outline of the Process of Enactment of the Kôrô Hô), Vol.9, pp10-14, Abiko Bunko (Abiko Library) at Unyu Chôsa Kyoku (Institute of Transport Economics) Tokyo.

58. The apparent shock induced by MacArthur's letter may well actually have had little to do with the content of the proposals which, after all, were merely the culmination of the revisionist trend in SCAP thinking which had been building up for at least the previous year. The consternation in the minds of the government and the public sector labour movement might rather have resulted from the uncertainty as to whether or not the letter represented recommendations from SCAP or orders which would have to be obeyed without question.

Even then, such semantics had not proved to be an area of great concern to the Japanese national administration in the interpretation of previous SCAP proposals for government policy. There were many incidents during the Occupation of what Koh describes as "... the general tendency of Japanese bureaucrats and politicians to engage in subtle subversion of SCAP policy whenever the latter was perceived as threatening". A prime example of this, indeed, had been the initial National Public Service Law on which Koh comments about "... the ease with which the Japanese succeeded in circumventing the intentions of SCAP..." Koh (1989), p.51.

59. Ibid, p. 53.

60. Ayusawa (1966), p. 293.

61. Japanese Government (31 July 1948). Cabinet Order 201. The copy of Cabinet Order 201 used in this thesis is in the Kôrô Hô Seitei Keika Gaiyô (An Outline of the Process of Enactment of the Kôrô Hô), Vol.9, pp.19-20, Abiko Bunko (Abiko Library), at Unyu Chôsa Kyoku (Institute of Transport Economics), Tokyo.

62. A further suggestion that the Cabinet's early capitulation was really more independently motivated is mentioned by Ehud Harari. Quoting Saito Tatsuo from Nihon Rôdô Kyôkai Vol. 1, pp.174-5, one important reason for the almost immediate issue of Cabinet Order

201 was the Ministry of Labour's wish to lighten the punishments that could be handed out under SCAPIN 311 of 22 June 1946 for activities harmful to the Occupation, by creating a new special category of punishment. In Cabinet Order 201 the 'new' punishment was designated as one year's imprisonment and a fine of under 5000 Yen, whereas in Order 311 it had been up to 10 years in prison. Harari (1968), Note 38, p.371.

63. Koh (1989), p. 65.

64. *Kanpô* (Daily Proceedings of the National Diet), Kokkai Tôshokan (National Diet), 1 June 1949.

65. The creation, through the *Kôrô Hô*, of a new category of public servant with different labour relations rights was a measure which provoked differing responses from Japanese observers. Reactions ranged from the perception amongst the *Kokutetsu* workforce that they were being accorded relatively favourable treatment, to objections from others based on constitutional principles. The subject was debated, after the *Mashokan*, in Diet Committees (*Kokkai no linkai*) and in public hearings (*Kôchôkai*). According to an account of the establishment of the railway public corporation in a book published in 1962 entitled *Nihon Keizai to Kokuyû Tetsudô* (The Japanese Economy and the National Railways), a typical question in such discussions was:

"Why should the national railway be treated differently (in labour relations rights) from the postal, telegraph and telephone operation? They are both government enterprises, and does the differentiation in the new *Kôrô Hô* not violate the fundamental human rights provisions in the Japanese national constitution?"

This source also quotes questions related to the new labour relations provisions being made identical for the state railway and for the government salt and tobacco monopoly operation.

"We cannot be convinced that the national railway enterprise and the government monopolies are in the same category of operations. Rather, the provisions concerning labour issues contained in the Railways Bill (*Tetsudô Hôan*) should have

applied only to the national railway, and not to the tobacco and salt monopoly." *Tôyô Keizai Hen* (1962), *Nihon Keizai to Kokuyû Tetsudô*, Tokyo, p. 250.

66. Abiko (1949), p.19.

67. Harari (1968), p. 117 and Harari (1973), p. 67.

68. Harari (1973), p.67.

69. Yoshitake Kiyohiko (1973), *An Introduction to Public Enterprise in Japan*, London, p. 58.

70. Abiko (1949), p.19.

71. Harari (1973), p.70.

Significantly, as Harari also states "... the difference in the degree of militancy of the two national unions (*Kokutetsu Sôren* and *Zentei*) before the *Mashokan* was very important in their subsequent legal status." Harari (1968), Note 46, p. 372. The post and communications workers were kept under the amended National Public Service Law, which meant they had no rights of collective bargaining. Furthermore, the Communications Ministry was thereafter split on SCAP orders into two agencies (one for postal services and the other for communications), specifically to ensure that *Zentei* was divided into two separate unions. Harari (1973) makes the same point in references to the break-up of the Communications Ministry into two separate agencies, p. 66 and p. 67.

72. *Nihon Kokuyû Tetsudô* (1973 - 1974) ,(JNR), *Nihon Kokuyû Tetsudô Hyaku Nen Shi* (The Hundred Years History of the Japan National Railway), Vol. 12, Tokyo, p.10. While setting out the variations in the proposals for the structure of the reformed JNR, however, this source also indicates a level of nostalgic support for the old system of organisation as a government department. Thus in Vol. 12, on p.8, the post facto opinion is proffered that "There was much doubt as to whether directly importing (from America) a system for the railways that had a different social background and a different historical foundation would be able to make

achievements.”

73. As discussed in SCAP (1952), Vol. 53, Land and Air Transportation, pp. 21 - 24.

74. Ogden, W. L. (13 September 1948), Outline of Reorganization Plan of Government Railways, SCAP Civil Transportation Section, Tokyo. The copy of the Ogden Memorandum used in this thesis is in the Kôrô Hô Seitei Keika Gaivô (An Outline of the Process of Enactment of the Kôrô Hô), Vol. 9, pp.5-7, Abiko Bunko (Abiko Library), at Unyu Chôsa Kyoku (Institute of Transport Economics), Tokyo.

75. The quotes are from the Ogden Memorandum, as set out in this Chapter on pp. 105 - 107.

76. Kakumoto Ryôhei (1991), Why and How From JNR to JR, Manuscript, Tokyo, p.1.

77. Noguchi (1990), p.17.

78. Ibid.

79. A further manifestation of the covert resistance to the GHQ aim of instilling the spirit of the private sector into the national railway was the choice of name for the Headquarters of the new Japanese National Railways. The formal title of the JNR Head Office was *Honchô*, which is symbolic of a Japanese government agency and certainly not that of a private enterprise. The adoption of the term *Honsha* - used by the private sector - for JNR Headquarters did not take place until April 1956.

80. Confirmed in discussion with the Director General of *Unyu Chôsa Kyoku*, Maeda Kiyoji. Interview, Tokyo, September 1991.

81. Even in present day Japan - in the post privatisation era - there is a proliferation of public corporation organisations. They numbered, indeed, more than a hundred by the late 1960's, their classification by title only varying according to what type of state business was being operated. Thus, public corporations exist

called *Kōsha*, *Kōdan*, *Kigyōdan*, *Kōko*, *Ginko*, *Kinko*, *Tokushu-gaisha* , as well as the *Eidan* (Teito Rapid Transit Authority) whose principles and structure were present in the late 1940's to be studied in relation to SCAP's proposals for a like organisation for the national railway. Kakumoto Ryōhei in Interview, Tokyo, December 1991.

The apparent 'confusion' which the *Mashokan* recommendations provoked has not prevented the public corporation concept from being embraced in Japan by post-Occupation governments. A fuller account of the establishment and classification of public corporations in Japan is contained in Tsuji Kiyooki (ed.) (1984), Public Administration in Japan, Tokyo, Chapter 4, pp.35 - 52; and in Yoshitake (1973), *Passim*.

82. Material provided by Dr Kakumoto Ryōhei in interview, Tokyo, February 1992.

83. Cited in Imashiro Mitsuhide (1988), Restructuring of JNR and its Problems, Tokyo, p.11.

84. "The bureaucrats of the Ministry of Transport showed strong support for the concept that the JNR should have autonomy in tariff adjustment, although they were reluctant to grant management autonomy to the new corporation. To abolish the principle of basic tariff rates specified in Article 3 of the Financial Law (*Zaisei Hō*) of March 1947 and the JNR Fare Law (*Kokutetsu Unchin Hō*) of July 1948 they therefore stated in a proposal on the new public corporation (6 September 1948) that 'Diet approval should not be necessary in changing tariffs'. However, they were not able to win the battle over bureaucrats of the Ministry of Finance, who emphasised the importance of Diet control of railway fares in relation to anti-inflation measures." Nakanishi Kenichi (1987), Kokuyu Tetsudō: Keiei Keitai Ron Shi - Gendai Kōtsū Keizai gaku Soshō 2., Kyoto, pp.121 - 122. Harada Katsumasa (1988), Kokutetsu Kaitai - Senjō Yonjū Nen no Ayumi (The Break up of the National Railways - The Course of the Forty Years since the Second World War), Tokyo, further confirms that the Finance and Transport Ministries were more concerned to wrest control of JNR management policy away from the Diet than they were to ensure an independent administration in the new public corporation. "There

was strong opposition within the Ministry of Finance and Transport in granting the JNR private enterprise-like independence or autonomy, which public corporations are assumed to have." p.45.

85. The CTS memorandum quoted in this Chapter (signed by the CTS official, W L Ogden) represented the views of the Rail Transportation Division, and of its Director, Lt Col Changnon, on the approach which should be made to reorganise the national railway along more efficient lines. Changnon's views on the importance of improving the efficiency of the JNR through a reorganisation of its structure and administration are contained in SCAP(1952), Vol.53, Land and Air Transportation, p.24, p.89, and p.99. Johnson.(1972), p.84, also refers to Lt. Col. Changnon as the real source of authority in the SCAP Rail Transportation Division.

86. Major General Marquat was one of the principal proponents of the 'Dodge Line' deflationary economic policies imposed in Japan in the Spring of 1949. The Dodge Line is further discussed in Chapter 2 of this thesis, in relation to the effect which the anti-inflation strategy had on the initial operation of the JNR public corporation. See Chapter 2, pp. 142 - 144.

87. This conclusion was drawn from the discussion on pp. 107 - 113, supported by the material in this Chapter's Endnotes 76 - 86. The Railways Bill became the JNR Law (*Nihon Kokuyû Tetsudô Hô*) on enactment on 1 June 1949. . The text of the Law is contained in the Chûkai Tetsudô Roppô (Annual Compendium of Railway Laws), 1993 Edition, pp. 3001-3032.

88. In the period between the issue of the *Mashokan* recommendations and the formulation of the legislation for the establishment of the railway public corporation, the provisions for labour relations in the new JNR were also subject to intense debate.

The Civil Transportation Division Memorandum (reproduced in this Chapter) laid down the SCAP position on the principles to be adopted in the legislation governing labour relations procedures for the JNR. Referring to "the interest of 'public welfare' which the Constitution of Japan is designed to safeguard (Ref. Articles 12 and 13 of the Constitution)" the further CTS Internal

Memorandum cited in Endnote 23 emphasised the SCAP view that "It is ... necessary to make a special law governing railway labor relations in accordance with the spirit of the Constitution and as suggested in the SCAP letter" (*Mashokan*). CTS Internal Memorandum, Institution of a Law Governing JNR Labor Relations As Necessitated by the Forthcoming Reorganization, Abiko Bunko (Abiko Library), at *Unyu Chōsa Kyoku* (Institute of Transport Economics), Tokyo, p.1.

This Memorandum additionally confirmed that the thinking behind the recommendations for the JNR was based on the experience of labour relations procedures in the USA, the proposal having been "... drawn up after a careful study of our existing law legislation, of the Railway Labor Act of the United States (May 20, 1926; partially amended on April 10, 1936 and August 13, 1940), of the Constitution of the Utility Workers Union of America, 1946, of the labor supervision policy of the T.V.A." (Tennessee Valley Authority). CTS Internal Memorandum, p.2.

Japanese language material in the *Abiko Bunko* at *Unyu Chōsa Kyoku* (also cited in Endnote 32) suggests that there was no unanimity of view amongst the Japanese Ministries which had an interest in the operation of the national railway as to the method by which the SCAP proposals on labour relations would be implemented.

Internal Memoranda from the Ministries of Transport and Labour which form part of the *Abiko Bunko* further indicate that the JNR labour relations measures were formulated only after a conflict in the Japanese bureaucracy over where the future control of national railway labour markets would lie. The Labour Ministry position, as outlined in a confidential Labour Affairs Department document, was that all public corporation labour matters should be dealt with by a Public Corporation Committee - which would be under the jurisdiction of the Ministry of Labour. This Labour Committee would have control over mediation and arbitration procedures in the event of disputes which, in the MoL view, could (in certain circumstances) include strike action. Ministry of Labour (1948), Labour Affairs Department, Internal Memorandum, Tokyo, pp.34 - 35. The MoT opinion, as set out in its Outline of the Bill for the JNR Labour Relations Adjustment was that labour relations

legislation relating to the JNR should be separate from labour matters in other public corporations, and therefore incorporated in the JNR Law. JNR employees, in common with other public corporation workers, were not to have the right to strike but, in the view of the MoT, labour disputes in the national railway, should be settled under the jurisdiction of Railway Labour Mediation and Conciliation Committees (1948), Ministry of Transport Discussion Document, p.22, *Abiko Bunko*, Tokyo.

The dispute between the competing Ministries was settled in the labour relations legislation in favour of the Ministry of Labour position (although the MoL idea of granting the right of strike action was not granted to JNR employees), by the establishment of conciliation and arbitration procedures for all public corporation workers. Ehud Harari confirms that the wishes of the SCAP administration for the establishment of a distinct set of labour relations procedures for all the new public corporations were incorporated in the draft legislation of the Public Corporations Labour Relations Law and that "... the Labour Ministry steered the bill through the Diet". Harari (1973), p.68.

89. The intermediary, Miyajima Seijiro, was then the President of the Industrial Club of Japan (*Nihon Kōgyō Kurabu*). Sakurada Takeshi (1982), *Kobayashi Ataru San no Koto Domo* (About Mr Ataru Kobayashi), Tokyo, p. 52.

90. Ibid, pp. 52-53.

CHAPTER 2

THE JNR IN ITS PROFITABLE PHASE 1949-1964

From Legislation to Implementation

The previous chapter ended with the view expressed that the SCAP model for a self supporting public corporation was reshaped to the point where the organisation which began operations on 1 June 1949 bore it very little resemblance. It was that, as Kakumoto Ryōhei has succinctly put it

... the old system of decision making through the government budget was left intact. By rights, the budget system should have been revised at that time in order to make the JNR organisation responsible for its own organization, as is the case of a private enterprise. However, people lacked the foresight and courage to make such a decision.¹

The legislation which created the JNR Public Corporation was, as already stated, enacted on 20 December 1948, and was not then modified or revised in any way in the six months prior to the start of operations. The events of the first half of 1949 did, however, have a major impact on the spirit in which the *Kokutetsu* was viewed by its management, labour force, and by the SCAP administration. In addition to the structural imperfections in the laws setting up the JNR, the occurrence of further social unrest in Japan, not least involving the national railway, in the early months

of 1949² set a negative tone for the commencement of operations by the new railway enterprise. During those first few months of 1949, and for a considerable time after the *Kokutetsu* was in operation, the "foresight and courage" which Dr. Kakumoto had looked for amongst the protagonists in the reform of the national railway continued to be conspicuous by its absence.

In the period from the enactment of the JNR Law to its implementation in June 1949 the hardening of SCAP attitudes against the left wing was encapsulated in the economic stabilisation policies of 1949 which became known as the Dodge Line (*Dojji Rain*)³. The Dodge economic plan was named after the leader of the January 1949 US Mission to Japan, Joseph Dodge, a leading American banker. Dodge and his mission of financial and economic experts had been invited to visit Japan by the SCAP administration to advise on policies which would combat inflation and help reduce the by then substantial US outlays⁴ supporting the Japanese economy.

The Nine Points of Economic Stabilisation in the Dodge Line involved, among its anti inflationary tenets, the imposition of a

balanced budget in Japan. Reluctance on the part of the Yoshida government⁵ to implement the draconian measures of the Dodge Line was overcome by the offer of a further \$100m loan from the USA, and the April 1949 budget put the policy into operation with increases in taxation, and substantial reductions in government spending⁶.

The cuts in government outlays necessitated a major decrease in the number of public sector employees. Even before this was formalised in the Law for the Fixed Level of Personnel in Administrative Organisations (*Gyôsei Kikan Shokuin Teiin Hô* or *Teiin Hô*) which was passed at the end of May 1949, it was abundantly clear that a substantial reduction in employment in the national railway would be the target of the Yoshida administration⁷ as a means of achieving the aims of this new policy. The reaction within the National Railway Workers Union (*Kokurô*) was an active campaign to oppose the proposed cutbacks.

The impact of this union opposition was, however, shortlived as first, on 16 May, (on the orders of SCAP's CTS division), all new employment by the JNR was frozen and, secondly, the *Teiin Hô* was

enacted on the last day of that month. Having obliged the national railway to act as a reservoir for the country's returning service personnel at the end of the Second World War, the government, through the *Teiin Hô*, now required the JNR to fire almost 100,000 of its 618,000 employees⁸.

The day following the passing of the *Teiin Hô* the Railway Public Corporation came into being (1 June 1949), with the immediate problem of putting into effect the government's new employment policy. The implementation of the personnel cuts in 1949 still left the JNR with a labour force greater in number than its real requirements. However, the manner of the swings in policy from excessive over-employment in 1945 to dramatic cuts four years later left an undercurrent of bitterness⁹ which had a lasting effect on labour relations in the Japanese National Railway.

The effect of these problems on the newly established railway public corporation was further compounded by the impact on labour matters of several contentious clauses in the Public Corporations and National Enterprise Labour Relations Law (*Kôrô Hô*). The provisions which were to cause practical problems in the

implementation of the Law in respect of labour relations, were four in number. Much of the blame for what was to follow in the 'abnormality'¹⁰ of the relations between management and labour in the JNR can be traced back not only to the constraints imposed on management autonomy in the JNR Law but also in the following four Articles of the Public Corporations Labour Relations Law.

Organisational Rights of Employees: Article 4. Although "Employees may organise or refrain from organising trade unions" as they should collectively decide, in Article 4:3 "... only the employees of the public corporation shall be eligible to become members of the employees' unions of the said public corporation or to be elected as officers of such unions."

Scope of Collective Bargaining: Article 8. "Matters affecting the management and operation of the public corporation shall be excluded from collective bargaining".

Requirement of Diet Approval for Additional Expenditure of Funds: Article 16. "Any agreement involving the expenditure of funds not available from the appropriated corporation budget or available corporation funds shall not be binding upon the Japanese Government and no funds shall be disbursed pursuant thereto until appropriate action has been taken by the Diet."

Decisions of the Arbitration Committee: Article 35. "Decisions of the Arbitration committee shall be final and binding upon both the public corporation and the employees, except that the provisions of Article 16 of this Law shall be invoked whenever the said provisions are applicable to a decision of the Arbitration Committee."¹¹

Article 4:3 was a contentious issue from the start of the JNR's operations. In limiting union membership to employees of the particular public sector body, it was viewed by the labour unions as clearly in breach of the International Labour Organisation (ILO) Convention 87, Concerning Freedom of Association and Protection of the Right to Organise, which had been adopted in 1948. The opinion that it was "... way out of step with common international practice ..."12, however, was not restricted only to the labour side within the JNR. Abiko Yutaka of the Staff Relations Department of the JNR quoted earlier, in relation to the restructuring of the national railway, referred in the following way to the implications of Article 4:3 in reminiscences on his JNR career in a compilation of interviews published in 1966.

... near the end of that year (1948) a law called the Public Corporation Labour Relations Law, known as Kôrô Hô, was created. I participated in the drawing up of that law, and its drafting is one of the things I cannot forget during the period I worked as the general manager of the staff section.

In its operation, thereafter, the well-known Kôrô Hô Article 4 Clause 3 caused a problem which still has not been resolved. We were obliged to ratify the ILO Convention 87 but, in order to do so, we would have to change Kôrô Hô Article 4 Clause 3. This became a major problem, and even today it still has a negative effect on management and labour relations ...

At the time, the JNR's labour union itself indicated in the union's own agreement that only the staff of JNR were able to be a member of the JNR union. In the form in which it was written in JNR's labour agreement it was incorporated in the law: one had to be on the staff of the public corporation to become a member of the union. However, after that, illegal strike actions were conducted many times, many people were punished by the JNR administration for their actions, and the number of people who were dismissed increased quite rapidly. Hence a group of people who were, in reality, union members but were not public corporation staff emerged. The aforesaid Kōrō Hō Article 4 Clause 3 thus became a major hindrance, so the union then wanted to change the law. They began to shout that it is against the ILO Treaty 87, to amend the law; this issue still remains today.

As I was the general manager of the staff section at the time this issue began to create a problem I felt that, in a sense, I have played an historical role. In addition, during the time that I was in charge of the staff section, although I hated it very much, I was in a position where I was forced to tell people they were to be dismissed. I did that kind of thing many many times.

Today there are many member of the Diet, both Lower and Upper House, who used to be in JNR's labour union. Those people probably all understand that I had not dismissed people because I personally hated them, but that I was forced to do so as I was in a position where I had to enforce the provisions governing labour-management relations ...¹³

Abiko Yutaka's personal feeling of discomfort in having to carry out offensive labour relations policies as a result of unfortunate legal provisions is clear from these comments. His shared unease as to the status of Article 4.3, and the staff dismissals which followed union attempts to override it, did nothing, however, to

bring about an early revision. The problem thus remained a "hindrance" to the achievement of stable labour relations in the JNR through the crucial formative years after the public corporation's inception in 1949.

Article 8, which limited the scope of collective bargaining to exclude "matters affecting the management and operation of the public corporation", also put effective constraints on the workability of the labour relations mechanisms. With the benefit of hindsight, this Article can be seen as being open to differing interpretations depending on the perspective of the viewer. In practice, however, its use in the early period of the JNR as a public corporation was a major restriction on the consideration of issues important to the labour side. Thus, while pay, working hours, holidays, promotion and safety were all matters to be incorporated in the collective bargaining procedures, they would be excluded if it were deemed "part of the management and operation of the railway corporation."¹⁴

Articles 16 and 35, taken together, placed further significant and irrefutable constraints on the ability of the JNR management to

enforce agreements made with its staff counterparts. The JNR Budget, only applicable once sanctioned by the Diet, became the legal limit of any decision approved by the Arbitration Committee, and the flexibility of interpretation of this constraint on the powers of the arbitration authorities opened the way for regular political interference in JNR labour relations matters.

The very first test, indeed, of the new procedures was one in which the Government overruled the decision of the Arbitration Committee (*Kôrô linkai* or *Kôrôï*) to uphold the JNR decision on a wage increase to the JNR staff. This initial use of the mediation and arbitration services set up in the Public Corporations Labour Relations Law took place in December 1949. The pay increase agreed between the JNR management and the labour union, *Kokurô*, was within the scope of the public corporation's budget already agreed for its first year but, despite this, the Japanese government - not the SCAP authority - overruled the decision and scaled down the pay award. The new labour procedures were set aside for the sake of 'general economic policy' and after that both the JNR's management and its labour movement abandoned the legal

structure of labour negotiations in the full knowledge that they would not be enforced by a government whose priorities lay elsewhere¹⁵.

The climate for management:labour relations in the JNR worsened further in 1950 with the initiation by the SCAP authorities of an official purge of what was deemed to be the far left in Japan. This began in earnest in June of that year with a directive from General MacArthur to Prime Minister Yoshida¹⁶. In his letter, without actually using the term Communist, MacArthur referred to the emergence of a new opponent of his definition of democracy. This was summed up by the comment that "... a new and no less sinister groupment has injected itself into the Japanese political scene"¹⁷ The comparison he was making in this statement was with "... those persons who because of position and influence bear responsibility for Japan's totalitarian policies which led to adventure in conquest and exploitation".¹⁸ ie. the right wing elements which had been the target of SCAP's first purge in 1946. His expressed view was that the aims of this supposedly new grouping would "... if achieved, surely lead Japan to an even worse disaster".¹⁹

General MacArthur's letter clearly set out the by then overwhelming judgement by the American SCAP administration that their real enemy in Japan was the left wing of the political spectrum. Ironically, the initiation of a purge of left wing "extremists" was carried out under the same SCAPINS²⁰, numbers 548 and 550, as had been formulated for the purge of the right in 1946. Category G within SCAPIN 550 was now simply broadened to encompass left wing opponents of SCAP policies although, in reality, by this time there was little or no continuation of the purge of the far right²¹.

Realisation that MacArthur's letter, and its accompanying SCAPIN directive represented the administration of SCAP's conversion to an ally of the Conservative forces in Japan, prompted an immediate implementation of the new policy by the Yoshida government. Indeed, the Yoshida Cabinet, emboldened by SCAP's measures, began its own red purge in tandem with the business sector. A substantial number of dismissals were carried out in the private sector of industry²² and, in the public domain, the government used the SCAP directives as the official sanction of its policy of taking out the remaining anti-establishment pockets in its workforce.

The communications and post operations, earlier in 1949 split into two and not given public corporation status, suffered 335 dismissals and, in the Japanese National Railway, 467 people defined as left wing activists lost their jobs²³.

Signalling the death knell of any lingering Communist hopes of controlling labour matters in the JNR, this government policy might have been thought to have finally removed the most contentious elements from the national railway's management:labour relations. However, combined with the early failure of the arbitration procedures brought in with the Public Corporations and National Enterprise Labour Relations Law, it instead served to galvanise union opinions and to initiate a negative approach amongst the participants towards labour relations matters.

The weaknesses in the arbitration machinery convinced *Kokurô* that the public corporation's management had little or no authority to deal with labour issues, and the draconian left wing purge further demonstrated that the government - strongly backed by the SCAP administration - was an implacable opponent of progressive

labour policies. It cannot be emphasised too strongly that these weaknesses from the outset, by entrenching the attitudes of government management and labour unions, had a profound effect on the later performance of the Japanese National Railways. This factor, combined with the effect of the drafting out of the clauses which would have ensured the autonomous operation of the National Railway Public Corporation, goes a long way to explain the JNR's lack of enterprise and its ultimate demise²⁴.

The JNR at the Outset

Although the problems were almost immediately obvious, the new public corporation was regarded by its management and employees prior to the beginning of its operations as a likely improvement on the previous government railway department. The JNR workforce interpreted their new status as public corporation employees, with their collective bargaining and arbitration rights protected, as being above the public sector norm and particularly favourable relative to their equivalents in the post and communications operations²⁵. Initially the JNR management likewise believed that the new structure was better than its predecessor. One favourable signal was that the SCAP proposals preserved the depreciation

system introduced in 1947 (as previously outlined in Chapter 1) and this helped to foster the illusion that there would be internal control of the JNR's finances. The public corporation therefore appeared to offer the attractive combination of increased independence from government with the retention of the status of management as high ranking public officials.

Both sides were quickly disappointed as the early experience of the JNR in operation dashed the hopes of autonomous management and of equitable labour relations. The national railway management quickly realised the practical limits on their independence with the initial decisions on tariff policy and on wage increases in 1949 taken not by the JNR but by the Diet despite the existence of legislative procedures for their internal settlement. Likewise the workforce and their representatives in the labour unions knew almost at once that the machinery set up to reach agreements on wage claims and work grievances had no autonomous authority²⁶.

It was therefore clear from the initiation of the JNR as a public corporation that the factional groups which might benefit from a particular style of operation of the national railway, namely the

bureaucracy and the members of the Diet - in particular the *Unyu Zoku* (transport specialists) in parliament - were able to continue putting a higher priority on their sectional interests than on the 'public good'. Given the controls imposed on the JNR's management and, as a consequence, its workforce, those in a position to exercise these constraints ie the respective Ministries, the elected members of the Diet, and ultimately the government, must be held particularly responsible for what very quickly became a dereliction of duty to the Japanese people.

The Role of the JNR

The policy of favouring sectional interests, and the consequent struggles for power amongst the various competing groups was given impetus by the absence of a clear and unambiguous definition of the prescribed role of the Japanese National Railway. As discussed in Chapter 1 the JNR Law was succinct in its description of the statutory duties of the state railways, while emphasising "... their development through efficient operation for the benefit of the public".²⁷

This may seem to be a relatively straightforward objective, and one not open to the prospect of misinterpretation. However, even those writing much later about the setting up of the JNR public corporation - and despite having had practical experience of its operation - have not been able to agree on a common definition of the objectives. Kakumoto Ryōhei²⁸ and Fujii Takeshi²⁹, in publications written towards the end of the JNR's existence, agreed that the description of the JNR using *Kōkyō* (public society, or community) was not a true reflection of the practical character of the organisation. Both suggested that *Kōyū* (public ownership) should have been used instead, thus avoiding the stating of the JNR's implied function of "public welfare" which had proved in practice to be difficult to fulfil without major financial repercussions.

By contrast Yamaguchi Masahiro, writing in 1961 in his book interpreting the JNR Law, stated that the interpretation of the purpose of Article One should have been "... that the goal of the Japan National Railway Law is, to the utmost, to promote the welfare of the people, and that the initial form of public

corporation was planned for the efficient management of the national railway operation as a method of attaining this aim."³⁰

In the operation of any public utility there is inevitably some degree of conflict between the aims of providing social benefit and of maximising profitability. In its statutory form, however, the JNR was established to maintain and develop the national railway network, (the social benefit) without the profitable commuter railways operated by the private sector³¹, and was expected to achieve this without any autonomy in the management of its finances (maximising profitability). In 1949 when the JNR was set up it could be said that there was in Japanese government circles a lack of any clear understanding of the potential conflict which might arise in attempting to meet these two aims. There was, however, a realisation that the provision of the 'social benefit' was an attractive political asset which, if financed through the JNR budget, could be gained without recourse to the less attractive method of raising direct taxes on the voting public. Management and labour within the JNR were effectively constrained by the legislation from fulfilling their perceived roles in carrying out the aims of the public corporation.

The real guiding of JNR policy thus remained in the hands of the politicians in the Diet, whose interests were not consistent with the maintenance of a profitable national railway.

The consequent burden of trying to balance the conflicting policy goals of public utility and financial solvency was finally revealed, as will be discussed in Chapter 3, in the JNR's deteriorating performance from the mid - 1960s. That this management problem took so long to be revealed in the financial performance of the national railway was a consequence of the buoyant nature of the transport market during the 1950s, and the JNR's dominant position within it. It was the second period akin to a 'Golden Age'³² for the railways in Japan, and it was only when operating conditions became more difficult - from the early 1960s - that the imperfections in the JNR's structure became truly apparent.

The strength of the demand for transport from the early 1950s, and the comparative lack of competition to the railways in meeting it, served in fact, to conceal a number of the problem areas which were later to have a major adverse effect on the JNR. In the labour field, it has already been established that the JNR's management

and its labour unions soon lost any illusions they had harboured about the efficient operation of the public corporation. The failure of the arbitration procedures in late 1949 put an end to the hopes of independent decision making by the JNR executive on labour matters. The unions were quick to realise that their aims of protecting the JNR workers' position in respect of work conditions and pay would be little served by cooperating with management³³.

The almost immediate realisation of the corporation's inability to deal autonomously with labour issues was accompanied by a similar experience in the area of tariff policy. In a manner which was to set the pattern for decision making on JNR's passenger and freight rates, the mechanism set up in 1949 in conjunction with the public corporation through which tariff rates would be regulated also failed in its first test case.

The Transport Council (*Unyu Shingikai*) which was established in June 1949 - in conjunction with the JNR public corporation - had been intended by SCAP to operate as a transport review body with the purpose of protecting the public interest. In line with GHQ's aims of eliminating the interference of party politics, and of

reducing government control of transport administration, the Transport Council was envisaged as the organ through which tariff policy would be decided. In addition to making recommendations to the Ministry of Transport on changes in fares - which the Ministry was then to be obliged to take the necessary measures through the Diet to put into effect - the Council was to monitor policy on the setting up of new transport services and also on the closure of existing railway lines³⁴.

The model which the SCAP administration adopted for the Japanese Transport Council was the American Inter State Communications Commission (ICC)³⁵, which served as a transport regulatory committee independent of the US government. However, as had been the case with the setting up of the JNR as a public corporation, the SCAP plans for this Council underwent considerable changes when subjected to the opposition of the Japanese bureaucracy.

Professor Hosono Hideo, further quoted in Yoshitake Kiyohiko's An Introduction to Public Enterprise in Japan, records what happened when SCAP's proposals for an independent Transport Council became known.

As this plan of the SCAP would deprive inevitably the Ministry of Transport of many functions and leave it an almost empty shell, the politicians and bureaucrats related to transport strongly requested that the contents be changed. At last they succeeded and the contents of the plan became less drastic. Accordingly the Transport Council was realized in a degenerated form: it became solely a consultation body of the Minister of Transport with authority for licencing and approval.³⁶

From the time of its establishment the Transport Council was thus a passive organisation which could be consulted and then ignored. It could not take steps to initiate policy reviews without the Ministry of Transport's approval and it even depended on the Ministry for staff to carry out such investigations. In its 'Japan approved' form the Transport Council proved unable to act as an independent watchdog in the areas of tariffs and the provision of transport services, to the extent that, even when applications by the railway enterprises were given the approval of the Council, they were not put forward for implementation to the Diet by the Ministry of Transport.

The elevation of political considerations above the deliberations of the Transport Council was evident within months of its establishment. The JNR proposed to impose a substantial increase in freight rates, which had, hitherto been restricted by the Prices Board, the revenue from which would be used to cut passenger fares. In September 1949, the new Transport Council approved such a plan, involving a 90% rise in the freight tariff of which 10% would be utilised to reduce the price of passenger travel.

The Council's approval was not, however, ratified by the Diet which limited the freight increase to 80% and delayed its introduction until January 1950. This made it impossible for the JNR to cut passenger fares as had been recommended by the Transport Council. It also necessitated a transfer from the government's General Account to the national railway to offset the adverse effect on its revenues resulting from the delay in implementing the increase in freight rates³⁷.

Any authority which the Transport Council was supposed to have was, like the Arbitration Committee in labour matters, undermined from the outset. The JNR management were thus quickly made

aware that they would have no autonomy in the setting of tariff rates to match the cost of providing the rail services which the national railway was committed to provide.

It is a point worthy of considerable debate that the supposedly all-powerful SCAP authorities should have tolerated, apparently with little protest, these examples of policy measures not implemented to anything like the letter of the original proposals. By early 1950, if not before, it was clear that the national railway was being administered by a public corporation structure far removed from the autonomous organisation envisaged in SCAP's plans. It had, moreover, no real control over those aspects crucial to its requirement of being self-financing, or in tariff policy and labour relations. The two bodies set up to provide for independent, impartial guidance to the JNR, the Transport Council and the Arbitration Committee, were already shown up as being toothless and subservient to political decisions. In these matters, and in complete contrast to GHQ's avowed aims on setting up the Occupation administration, the Japanese bureaucracy continued to reign supreme.

Provision of an adequate explanation for SCAP's acceptance of major changes from its intended policies on the reorganisation of the national railway is not a simple matter. This may be because, on the Japanese side, there has been little wish to admit that the implementation of the SCAP policies was only carried out after the proposals had been radically altered from their original form. It makes it considerably more difficult, of course, to pin the responsibility for the subsequent failure of the JNR on the enforced enactment of proposals from the Occupation administration if it is acknowledged that the structure actually introduced was in fact in a form approved by the Japanese civil service and politicians.

A critical factor must also have been the influence of SCAP's own changed perceptions as to the 'real enemy' in Japan, involving its conversion from an ally of liberalism to that of implacable opponent of the Japanese left. In the later years of the Occupation this reversal by SCAP undoubtedly helped the Japanese authorities to implement policies in which GHQ would tolerate measures which restored or at least preserved the privileged position of the pre-war bureaucratic structure of government.

The supposed left wing threat was given a broader perspective by the Communist successes elsewhere in Asia, and culminated in the North Korean invasion of its southern neighbour in June 1950 which resulted in the outbreak of the Korean War. Even supposing that General MacArthur was fully aware³⁸ of the subtle but critical changes which had been made in his proposed legislation for the Japanese National Railways, the American commitment to the Korean offensive made it extremely unlikely that his attention would be drawn back again to the national railway as such an important issue as it had been in the period immediately after the Occupation began.

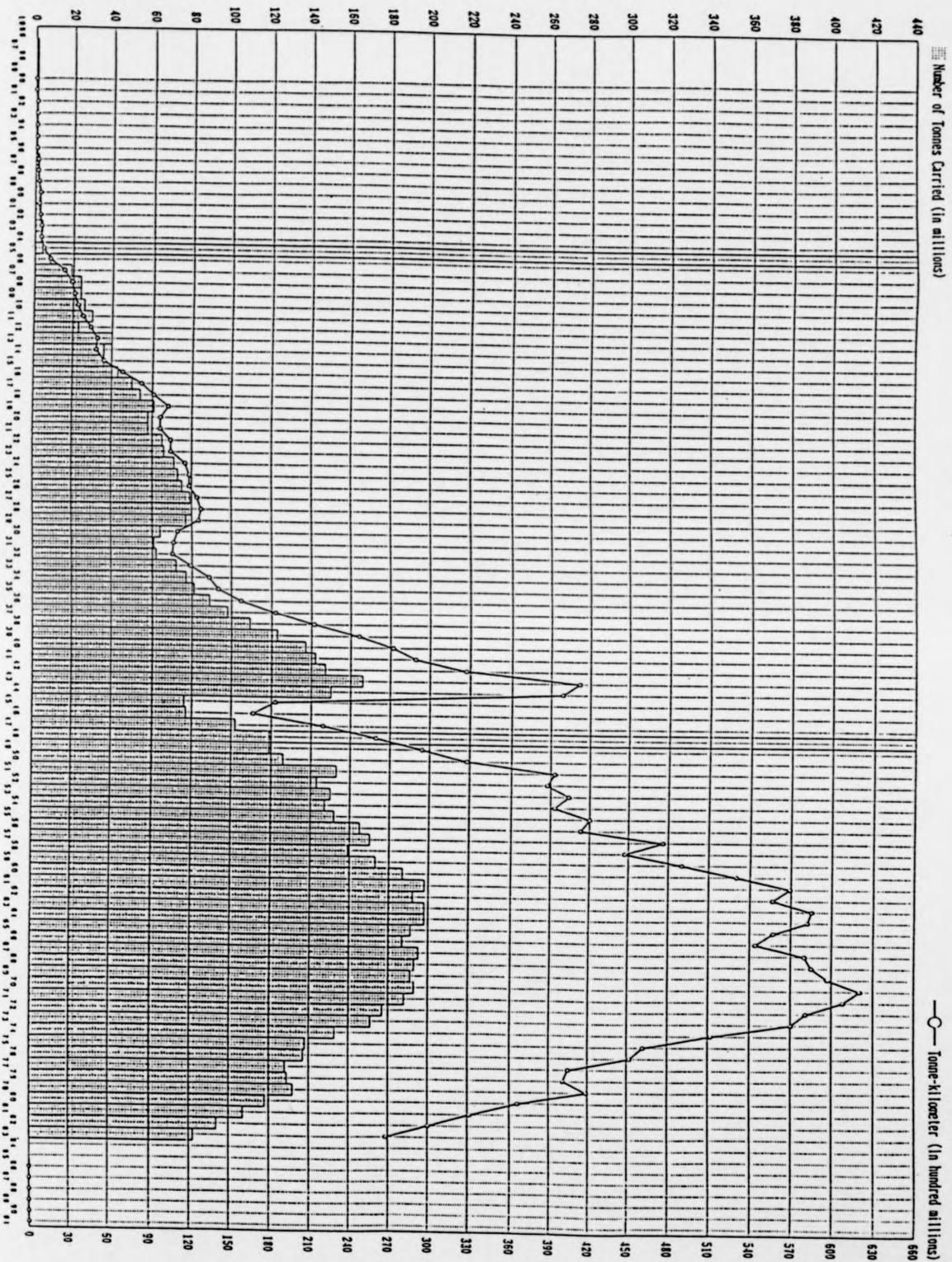
The JNR's Business Operations

It was the aforementioned Korean War that transformed the prospects for the Japanese economy and, aside from the merits and demerits of the new structure of the national railway, which gave a substantial boost to the demand for transport services. The requirements of the War, and the rebuilding of the economic infrastructure, initially led to an upsurge in business for the JNR freight operation which, despite the short recession which followed the ending of the Korean War, exceeded its pre-war peak

level of ton:kilometres volume in 1955. This is shown in Chart 2, which also indicates the continuing growth in freight ton:kilometres up to the early 1960s.

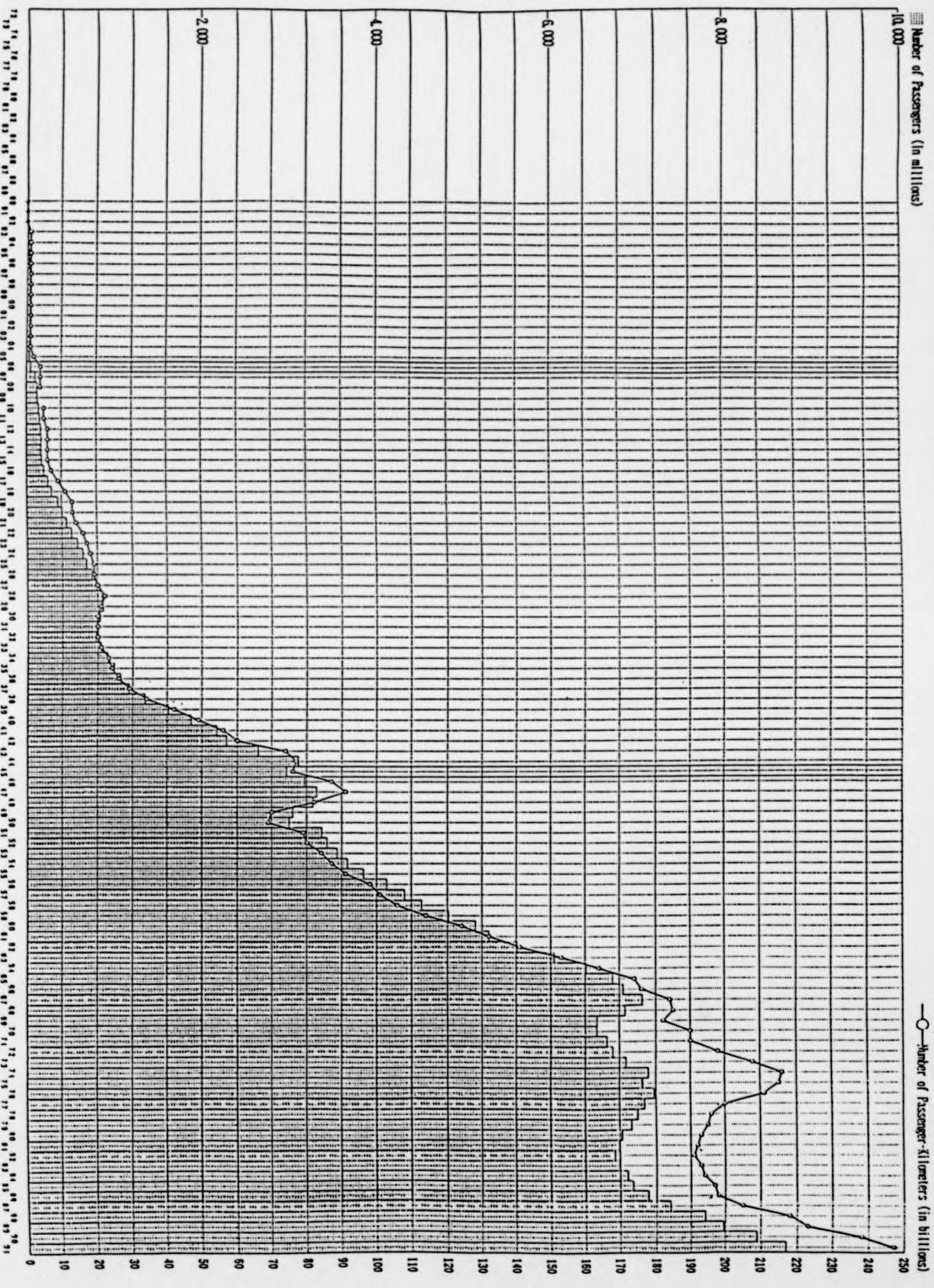
The expansion of the JNR's freight business (1950 - 1965: + 69%) was, however, insignificant in comparison to the growth in passenger services. Chart 3 shows the increase in the national railway's passenger business, the level of passenger:kilometres falling in only one year between 1950 and its peak prior to the first oil shock in 1973. As further indicated in Table 8, the JNR's passenger volume rose by 150% between 1950 and 1965, exceeding the growth rate of the private railways and helping to mask the rapid expansion of travel by motor vehicles. In the early part of this period, therefore, the JNR retained a dominant share of the transport market, its 60% of passenger business and 52% of freight volume dwarfing both the private railways and the then embryonic motor industry.

Chart 2 JAPANESE NATIONAL RAILWAY FREIGHT BUSINESS



Source: Adapted from data in Nihon Kokuyū Teisudō Jyōhō Shisutemubu (Japanese National Railways Information Systems Division), Showa 58 Nendo Teisudō Tokai Shiryō Ruihenhyō (Chronological Digest of Materials Concerning Railway Statistics for Fiscal 1983), 1985, p. 78-81.

Chart 3 JAPANESE NATIONAL RAILWAY PASSENGER BUSINESS



Source : Adapted from data in Nihon Kokuyū Tetsudō Jyōhō Shisusemubu (Japanese National Railways Information Systems Division). Shōwa 58 Nendo Tetsudō Tokai Shiryō Ruimenhyō (Chronological Digest of Materials Concerning Railway Statistics for Fiscal 1983). 1985. p. 38-44.
 Nihon Kokuyū Tetsudō Seisan Jigyōdan (Japanese National Railway Settlement Corporation). Shōwa 61 Nendo Tetsudō Yoran (Railway Digest for Fiscal 1986). 1987. p. 24, 25.
 Uiyushō Unyuseisakuyōku Jyōhokanrikyoku (Ministry of Transport, Transport Policy Bureau Information and Research Department). Tetsudō Yusei Tokai Nenpō (Annual Report On Railway Transport Statistics). 1987-1991 Editions.

Table 8 TRAFFIC VOLUME BY TRANSPORTATION MODE

(a) Passenger-Kilometres (000 m. Pass-Km)

Fiscal Year	Railways				Motor		Shipping		Air	
	JNR		Private		vol.	mkt. sh.	vol.	mkt. sh.	vol.	mkt. sh.
	vol.	mkt. sh.	vol.	mkt. sh.						
1950	690	60%	365	32%	90	8%	5	-	-	-
1955	912	55%	449	27%	275	17%	20	1%	2	-
1965	1,740	45%	814	21%	1,208	32%	30	1%	29	1%

(b) Freight Ton-Kilometres (m. Ton-Km)

Fiscal Year	Railways				Motor		Shipping		Air	
	JNR		Private		vol.	mkt. sh.	vol.	mkt. sh.	vol.	mkt. sh.
	vol.	mkt. sh.	vol.	mkt. sh.						
1950	33,309	52%	540	1%	5,430	8%	25,500	39%	-	-
1955	42,564	52%	690	1%	9,510	12%	29,022	35%	1	-
1965	56,408	30%	890	1%	48,392	26%	80,635	43%	6	-

Source : Adapted from data in Unyu Keizai Kenkyu Center (Japan Transport Economics Research Center). JTEEC Reports-'90. 1991. p. 15, 17.

By the mid 1960s, however, the national railway's market share position had fallen markedly, the growth in passenger and freight travel by road giving motor vehicles 32% and 26% of these respective markets. The dramatic increase in transportation by car and truck, particularly from the late 1950s, could have alerted the Ministry of Transport that the business strategy being implemented by the national railway's managements required a fundamental review. Instead the bureaucracy and the Diet, while rigidly controlling the JNR's tariffs, were content to use the Kokutetsu as a vehicle for politically motivated railway construction projects. The JNR management was, moreover, prepared to carry out the resultant policy of continued expansion of the national railway network with little regard to its long term viability³⁹.

Attempts had already been made to reorganise the structure of the JNR Board of Directors ostensibly to provide a clearly defined system of internal management responsibility. The original Board had, from 1949, served merely as an advisory committee to the President who was effectively solely responsible for JNR policy proposals made to the Ministry of Transport. In 1953 a new

structure was introduced⁴⁰ in which the five other Directors - nominated by the Cabinet - made up, with the JNR President, a Board which would collectively formulate the policy of the national railway.

The 1953 Board structure was closer to the original public corporation model of management controls than its predecessor. In practice, however, the Board of the JNR remained subordinate in matters of important policy, to the Ministries of Transport and Finance, and ultimately to the Diet. The JNR Board system was changed again in 1956⁴¹ when the President - no longer the Cabinet - was given the authority to nominate the remaining Directors. This might have provided a more united Board to argue the JNR's case in policy initiatives with the bureaucracy, but the system of external controls on decisions regarding such matters as tariff rates and new line construction remained firmly in place. While the JNR Board continued to have a high status within the civil service hierarchy the changes made in the Corporation's structure in the 1950s failed to make any real impact in terms of the JNR making independent, strategic policy decisions for the operation of the national railways⁴².

In matters of railway construction investment, the means by which decisions were taken had been established in 1951 with the Government's establishment of a Railway Construction Council (*Tetsudō Kensetsu Shingikai*)⁴³. This Council comprised twenty nine members only one of whom was a representative of the JNR. The national railway's sole member, its President, was joined in making decisions on railway construction plans by ten Diet members, ten bureaucrats - of whom just one was from the Ministry of Transport - and eight outside representatives.

The operation of the Railway Construction Council established the procedure for securing investments by the JNR irrespective of their financial viability. The Council's initial concentration was on the construction of local lines, eighty of which were built by the JNR between 1952 and 1963. The rationale for the spread of local railway services was also provided by reference to the 1922 Railway Construction Act (*Tetsudō Fusetsu Hō*) which set out the then government's long term plan for a comprehensive national railway network. It seems inconceivable now that such a framework, already 30 years old when the Railway Construction Council was set up, could have provided the justification for the

building of new railway lines in the 1950s. Even more incomprehensible is the fact that the same 1922 Act was still being used in lieu of a national transport policy to sanction new local line construction up to the late 1970's⁴⁴.

The impact of this programme of lossmaking new line construction on the JNR's finances became severe from the mid 1960s. Prior to then, however, it is clear that the JNR's management acquiesced with this policy, its operational strategy continuing to emphasise the increase in transport capacity. There was, therefore, broad agreement amongst the JNR, the MoT, and Government for the commencement of formalised JNR Expansion Plans, the first of which took effect in 1957.

The objectives of the initial Five Year Plan were not, in fact, solely expansionary. The Plan was introduced because of a growing realisation of the obsolete nature of a substantial proportion of the JNR's capital resources and over half of the proposed expenditure of some 410 billion Yen was designated for the renovation and replacement of old equipment⁴⁵. The remainder comprised a commitment to increase the double tracking of lines

and to raise the proportion of electrified track in the network. This latter aim would have been implemented to a greater extent, and would have been of greater long term value, had the JNR not been obliged to construct 3500 km of low density local lines in the ten years from 1952. As it was, the percentage of electrified line which was less than 10% when the JNR Public Corporation was formed in 1949 had still not reached 20% prior to the opening of the *Tōkaidō Shinkansen* in 1964⁴⁶.

1957 also saw the introduction by the JNR of a decentralised management structure through the establishment of a branch office system. Annual objectives were set in the form of an annual Profit and Loss Budget and, so long as the targets in the internal budget were met, the Chief of a Branch Office had broad autonomy to manage the expenses of the Branch. The system was refined in 1961 and the changes further enhanced the operation of a decentralised control system⁴⁷.

The strategy adopted in 1957 was, therefore, aimed at enhancing the services provided through a combination of management decentralisation and by promoting capital investment in the rail

network. The decision to adopt such an expansionary stance was, moreover, reinforced by clear evidence of a continuing shortage of capacity, particularly on commuter passenger services. Those complaining of congestion levels of over 200%⁴⁸ in current commuter rail services, both JR and private, in urban Japan would do well to remember that overcrowding on commuter trains was actually even higher in metropolitan areas thirty years ago.

The first five year plan was terminated after only three years and, as a response to the perceived failure to cope with the increased demand for rail services, a second expansionary programme introduced. The Second Five Year Plan, beginning in 1961, likewise did not serve its full term, coming to an end in 1964. Its planned expenditure of 950 billion Yen was aimed at increasing transport capacity, at large scale conversion to diesel locomotives, and at further electrification of major lines⁴⁹. It is most memorable, however, for the building of the *Tôkaidô Shinkansen*, a project which Chapter 4 covers in greater detail⁵⁰.

The *Tōkaidō Shinkansen* , which provided the impetus for the worldwide transition to high speed rail, was completed in 1964. It was built by the JNR, its own resources being supplemented by a loan from the World Bank, and no Japanese government subsidies were paid towards its construction. The lack of any public sector contribution to the Shinkansen construction costs reflected the rare implementation of one of the original SCAP principles of the public corporation, namely that it should be self-financing. The only grants received by the JNR from public funds in this period amounted to 3 billion Yen of interest subsidies between 1961 and 1965, a grudging and wholly inadequate compensation for the obligation to build the network of lossmaking local lines⁵¹.

Transport Policy and the JNR

The granting of subsidies on the JNR's interest costs in this period set the precedent for the annual subsidy payments from the public sector which commenced in 1968 and continued until the dissolution of the public corporation in 1987. They were not, however, part of any formalised, consistent, policy decision by the government acting on the advice of the Ministry of Transport⁵². As will be discussed in Chapter 3, the concept of making available

public funds, in recognition of the social obligations of the national railway, was not one which gained much credence in the Japanese government sector.

National economic policy objectives, embodied in the central government's Economic Plans from the mid 1950s, had clear implications for important matters relating to the management of the national railway. Thus the overall targets in the Plans for the rate of economic growth, the level of price inflation, and the state of public sector finance had a direct bearing on the attitude of the bureaucracy and the Diet to the JNR's management policy aims on tariffs and capital investment.

The objectives of national economic policy and of the JNR's own corporate plans were not, however, co-ordinated in any way which would have set out a realisable objectives for the operation of the national railway within the overall context of Japanese society as a whole. The emphasis in the first JNR Expansion Plans on substantial capital investment to facilitate extensions in the rail network was thus consistent with the overall national policy aims of maximising economic growth, and of creating full employment⁵³.

The means by which the JNR could finance its obligation to maintain, and enlarge, the nationwide railway system was not, however, included as part of the national economic planning process.

It has been implicit in economic policy through the 1950s, and then notably in the first National Development Plan of 1962, that the JNR would continue to invest heavily on renewal of capital equipment, and on facilities to increase the capacity of the passenger and freight network. This process of linking investment in the rail infrastructure with overall economic and social requirements was, unfortunately, not extended to any comprehensive national policy on the financing of public transport services. The JNR was therefore obliged to submit its annual budgets with the confines of its own resources and without regard to the impact of its proposed policies on the economic and social development of the nation as an entity.

The national railway's corporate plans were incorporated in national policy to the extent that its internally financed capital expenditure would contribute to the wellbeing of Japan as a whole.

The burden of providing this service was, however, viewed by government as an internal state railway matter. The method of its funding, unlike the treatment of the national road network⁵⁴, was therefore not regarded as a central or local government requirement.

Crucially, in the absence of a framework of national transport policy for the national railway, the JNR was denied the only independent means in its power to remain self-financing, the use of the pricing mechanism. The degree of political influence on the JNR's pricing policy thus continued, maintained ostensibly on broad national economic considerations.

As previously indicated, the requirement on the national railway from 1949 was that application for a change in the basic tariff had to be submitted, in advance, as part of the JNR's budget process to the Diet, whose approval was necessary for its implementation. The linkage of such decisions on the national railway's tariff with the competing objective of national pricing policy thus introduced a crucial basis of justification for controls on fare increases by the JNR. The legislation process therefore established a system in

which tariff revisions always lagged behind increases in the national railway's operating costs. It also institutionalised a convention in which, even when increases in tariffs were authorised by the Japanese parliament, they were consistently lower than the rate the JNR management would have wished to implement⁵⁵.

Examples have already been given of the scaling down of proposed tariff increases in the context of the initial experience of the public corporation's freight pricing policies in 1949. The subject of the enforced subsidisation of freight rates by the JNR will be further discussed in Chapter 4, and it should also be noted that the JNR's passenger operations were given no leave to increase the minimum fare structure between 1951 and 1966⁵⁶.

To Diet politicians in this period, the controls placed by parliament on JNR pricing had a simple rationale. A selective reading of the JNR Tariff Law (*Nihon Kokuyô Tetsudô Unchin Hô*) of 1948 could draw attention to the policy aims on the determination

of tariff rates that "The (railway's) charges should be such as to contribute towards the stability of the general level of prices and wages" and that "... they should contribute to the development of industry in Japan"⁵⁷.

Such a limited interpretation of the Act, however, ignored the remaining principles laid down for the policy of establishing tariff rates, namely:

 "the charges should be just and reasonable;

 the charges should be such as to cover the cost of the service rendered"⁵⁸

The lack of any official acknowledgement in the National Diet of these policy objectives prevented the JNR from introducing an economic fare structure for its potentially profitable commuter services. This resulted in a permanent imbalance between the costs and revenues of a business operation which amounted in 1964 for 47% of the JNR's passenger - kilometres volume⁵⁹. It further preserved a tariff structure in the freight division - with mandatory discounted rates for many commodities - which could not, as will be shown in Chapter 4, be justified on the grounds of good business sense.

Most damaging in the long run, the emphasis on rigid price controls, on the supposed basis of serving the national interest, meant that the JNR's nationwide uniform tariff rate system remained in place. The objective of the JNR had been to secure recognition of the need for a differential fare structure to reflect the variations in the JNR's cost base - which would have served to offset the burden of providing politically inspired lossmaking services - but the MoT disallowed the proposed changes⁶⁰. The national tariff stayed in operation, moreover, despite the national railway's application in 1957 for a review of its pricing policy⁶¹.

The JNR Budgetary Process

The annual process of submitting the JNR budget, including applications for changes in the tariff, to the Diet for authorisation was only completed after the approval of the appropriate Ministries was secured. Prior to the Diet's consideration of the budget the main proposals had to be agreed between the management of the JNR and the Transport Ministry; they were then put before the Ministry of Finance for consideration as part of the government's overall annual budget⁶².

In addition to the need to secure the final sanction of the Diet, the annual budget process - crucial to the financing of the national railway's operations - thus involved complex relationships between the JNR and the bureaucracy. The state of these relationships varied over the life of the JNR as a public corporation, a matter which will be touched on at several points in this thesis. During the JNR's pre-deficit phase, ie. prior to 1964, the position of the national railway management was one of relative strength in comparison with the Ministry of Transport⁶³. This related to the preservation of the management status as high ranking civil servants in the JNR Act, such that they continued to operate as the superior bureaucrats they had been up to the start of the public corporation in 1949. What is more, the national railway had been the most powerful division in the pre-War Transport Ministry and the 'official' bureaucracy of the MoT was deprived of most of its most competent members when they became the managers of the JNR Corporation⁶⁴. The perception of the higher status of the JNR relative to the MoT which resulted, can be further neatly illustrated by the fact that the Ministry of Transport at that time was housed as a tenant in one floor of the National Railway's head office.

The benefits to the JNR of this apparent weakness of the Ministry of Transport in the public corporation's early years were, however, definitely not apparent in the sense of improving the operation of the national railway. While it prevented any threat to the standing of the JNR management in the Japanese public service, the subservience of the MoT weakened the railway public corporation's position in relation to the Diet⁶⁵. The JNR's management had expected that the Transport Ministry would act on the national railway's behalf in negotiations with parliament on the annual budget and would leave the JNR in effect to run the railway services⁶⁶. Instead, the realisation by the MoT of its inferior position in the bureaucratic hierarchy led to a growing spirit of opposition to the JNR within the Transport Ministry. There was therefore no countervailing influence in support of the JNR position against the Diet, thus allowing the political interference in the national railway's affairs to continue unabated.

In the Japanese political process something akin to a power struggle between the Ministries - the civil service bureaucracy - and the Diet is an enduring feature⁶⁷. The situation which prevailed in the administration of the Japanese National Railway in

the pre-1964 period, as described above, of a relatively weak bureaucracy (the Ministry of Transport) and of comparatively strong political influence (the Diet) on railway affairs was not, however, typical of the general position in Japanese government circles at that time⁶⁸.

The JNR operated as part of a legislative system in which Bills were drafted by the particular Ministry bureaucrats, and which were considered by the relevant section of the *Seichōkai* (the LDP's Policy Affairs Research Council or PARC). The PARC Sections, corresponding with the various Ministries, would make recommendations on the policy matters put before them to the LDP's Executive Council for approval prior to the proposed Bill being returned to the Diet for legislative consideration⁶⁹.

During the 1950s and 1960s, that part of the JNR's history currently under review, the general balance of power in this process lay with the civil service. Not least because of the influence of the substantial number of former bureaucrats elected to parliament as LDP members - an element of the system of *Amakudari*, its literal meaning of Descent from Heaven having a

somewhat ironic ring in this context - the PARC Sections served largely to rubber-stamp plans put up by the Ministries.

This general picture in the Japanese political process of legislation being formed through a strong bureaucracy and a relatively weak parliament, however, contrasted somewhat with the situation regarding railway matters. In the transportation field there existed, in the PARC sectional structure, a Transport Affairs Section (*Kôtsu Bukai*), whose LDP members also regularly sat on the all-party Transport Standing Committees (*Kokkai Unyu linkai*) in the Diet. The machinery was, therefore, in place for the influence of the Ministry of Transport (MoT) to be brought to bear on proposed railway related legislation. That the bureaucracy was not then the prime force in formulating policy in the transport field, in sharp contrast to the general pattern in the sphere of other ministries, can only confirm the relatively weak position of the MoT in that period, denuded as it had been of many of its 'bright lights' to the JNR on the latter's formation⁷⁰.

It might also be said that the concept of the promotion of policy measures by *Zoku* specialists within the Diet - those MP's who

had a strongly influential position in the legislative process - developed earlier in the transport area than in many other sectors of the national administration. The position of the parliamentary Zoku was to strengthen in most policy issues from the 1970's onwards particularly as, by then, there was a considerable body of Diet members who had built up extensive knowledge and, at least as important, connections (*Jinmyaku*) in their particular area of specialisation⁷¹. As will be seen in the next Chapter on the JNR's final phase, 1964 - 1987, this trend was also present in the transport field, and it further strengthened the authority of the Diet on national railway matters. The fact that the groups which later became known as the *Unyu Zoku* - and, for that matter, the *Kokutetsu Zoku* (National Railway specialists) - attained such a powerful position in the formation of railway policy before their counterparts in other fields was not the consequence simply of the comparative weakness, and intransigence, of the MoT. The very tangible benefit to local politicians of influence on national railway policy, a concept with which Diet members could readily identify, was a definite additional factor.

Management:Labour Relations in the JNR's Profitable Phase

Although, as already seen, internal labour disputes were a feature in the JNR soon after its establishment, it is easy to exaggerate the impact of the politicising of the unions on the operations of the national railway. As was argued in the previous Chapter in relation to the function of the earlier (1948) legislation controlling labour matters in the public sector, the effect of union action in the JNR's early years was noticeable more in the volume of noise made about labour issues than in the real effect on the running of the railways⁷². As can be seen in Table 9 labour productivity in the national railway, after dropping significantly in the period immediately after the ending of the Second World War, rose sharply in the early 1950s and by 1953 surpassed the pre-War record level set in 1936.

Table 9 LABOUR PRODUCTIVITY IN THE JNR 1936-1957

Year	Total Number of Employees	Adjusted Number of Employees	Railway Passenger Km (000m. Km.)	Total Car Km. (000 Km.)	Labour Productivity	
					Total Car Km. / Adj. Number of Employees	
					Km. Volume	Index
1936	227,648	227,648	26.2	9,615,180	42,237	100
1945	518,134	518,134	76.0	9,490,296	18,316	43
1946	573,086	547,818	87.4	9,283,962	16,945	40
1947	610,543	535,810	91.2	9,585,600	17,754	42
1948	604,243	529,401	82.0	10,893,823	20,575	49
1949	490,727	419,121	69.7	12,173,635	29,042	69
1950	473,473	402,792	69.1	13,482,595	33,469	79
1951	442,153	372,024	79.0	15,303,798	41,140	97
1952	447,385	377,340	80.5	15,521,704	41,130	97
1953	450,046	380,046	83.6	16,543,375	43,519	103
1954	444,566	374,566	87.0	16,840,711	44,942	106
1955	445,637	375,637	91.2	17,748,334	47,217	112
1956	447,715	377,715	98.1	18,851,683	49,910	118
1957	450,425	380,273	101.2	19,497,412	51,272	121

Note : The Adjusted Number of Employees is that number which would have been required to produce a total of work hours comparable with the base figure in 1936. This enables a measure of labour productivity to take account of the substantially higher work hours common in the pre-war period.

Source : Adapted from data in Nihon Kokuyū Tetsudō Shinkansen Sōkyoku (Japanese National Railways Shinkansen General Bureau). Rainichi Sekai Ginkō Eno Teishutsu Shiryōshū-Eigyō Kankai Bessatsu (Collection of Materials Submitted to the World Bank Survey Commission To Japan: Supplement Volume On Operation). 1960. Nihon Kokuyū Tetsudō (Japanese National Railways): Kokusai Fukkou Kaihatsu Ginkō Karano Karire No Tameno Ippanteki Setsumei (General Explanations To Obtain Loans From the International Bank for Reconstruction and Development). 1959. Chapter 10.1. p. 23.

By 1957 (the final year covered in Table 9) there existed three separate unions representing JNR workers⁷³. This had the effect of complicating labour relations within the national railway, although it did not lead to an upturn in the incidence of serious disputes. The splits, however, pushed *Kokurō* (the founding railway labour union) in a leftwards direction, especially after the establishment of the more moderate *Tetsurō* (Japan Railway Workers' Union). The new less militant union's strength increased as it was joined by other regional factions, with subtle encouragement offered by JNR management so to do⁷⁴. The favouring by the JNR administration of *Tetsurō* members over those in *Kokurō* took the form of such things as ease (or otherwise) of promotions, and of differential wage increases. The practice of these management policies had a favourable effect initially in terms of reducing *Kokurō's* bargaining power, and therefore in the occurrence of active labour disputes. The unions' loss of bargaining position, combined with the period of great JNR strength in the transport market, thus resulted from the late 1950s until the mid 1960s in an appreciable reduction in visible strife in labour relations matters inside the national railway⁷⁵. During that time, the third union *Dōrō* (National Railways Locomotive Crew Union) was not a

major force on the labour side, and, in any case, it continued to pursue moderate policies. At the time of the formation of *Dôrô* which, as in the case of *Tetsurô's* establishment, was supported by JNR management⁷⁶, it had been thought that most if not all locomotive crew members would join. However, some 30% of the JNR's train drivers, including the bulk of the locomotive staff in the Tokyo area, stayed with *Kokurô*, thus greatly reducing the new union's effectiveness as a weapon in any labour disputes. Even so, with *Tetsurô* also on the moderate wing of the railway unions, *Kokurô* was left to plough a lonely furrow on the left side of the labour relations field⁷⁷.

The phase of rapid growth in the JNR's business - encompassing its profitable period up to 1964 - thus coincided with a time of relative stability in its management:labour relations. The initial problems caused by imperfect legislation of labour procedures were largely forgotten through the prosperous 1950s and into the next decade, only to be resurrected when the JNR's financial position took an irreversible turn for the worse in the mid 1960s.

Table 10 JNR FINANCIAL RESULTS: FISCAL YEARS 1949-1963

(00m. Yen)

Fiscal Year	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Revenues: Passenger	685	739	916	1,098	1,264	1,321	1,355	1,482	1,733	1,834	1,990	2,242	2,808	3,086	3,384
Freight	411	664	868	1,026	1,192	1,147	1,201	1,320	1,521	1,427	1,575	1,695	2,074	2,021	2,115
Other	21	29	55	58	64	59	73	77	85	97	113	138	172	184	188
Total Revenues	1,117	1,432	1,839	2,182	2,521	2,527	2,630	2,879	3,339	3,358	3,678	4,075	5,054	5,291	5,687
Pre-Tax Profit/(Loss)	(23)	50	(3)	(17)	4	(35)	(183)	(153)	226	102	35	55	464	497	574
Cumulative Net Profit	1949-1963		Profit		2,007		Loss		414		Net Profit		1,593		

Source: Adapted from data in Nihon Kokuyū Tetsudō Jyōhō Shisutemubu (Japanese National Railways Information Systems Division).
 Showa 58 Nendo Tetsudo Tokei Shiryo Ruinenhyo (Chronological Digest of Materials Concerning Railway Statistics for Fiscal 1963).
 1985. p. 210, 211.

The JNR in 1964

From its inception in 1949, the national railway corporation had been clearly seen as a vehicle for extending political influence. Even in this pre-deficit phase, therefore, the JNR had operated in an environment in which its revenues suffered, through external price controls, a far greater degree of regulation than did its costs. This manifested itself in a fundamental imbalance between the JNR's obligation to maintain and develop the national rail network, and the lack of freedom of management to finance it though changes in the tariff.

As such the financial results of the JNR for the fifteen years up to 1964, far from reflecting the successful implementation of an efficient system of managing a national railway enterprise, were only sustained by the overall strength of the transport market. The results, shown in Table 10 were, however, taken by the MoT, the government and by the national railway's management as an indication that the JNR could continue to cope with the justifiable demands of substantial capital investment to enhance trunk and commuter services and the somewhat more questionable demands for the construction of new lines in rural areas. The avoidance of

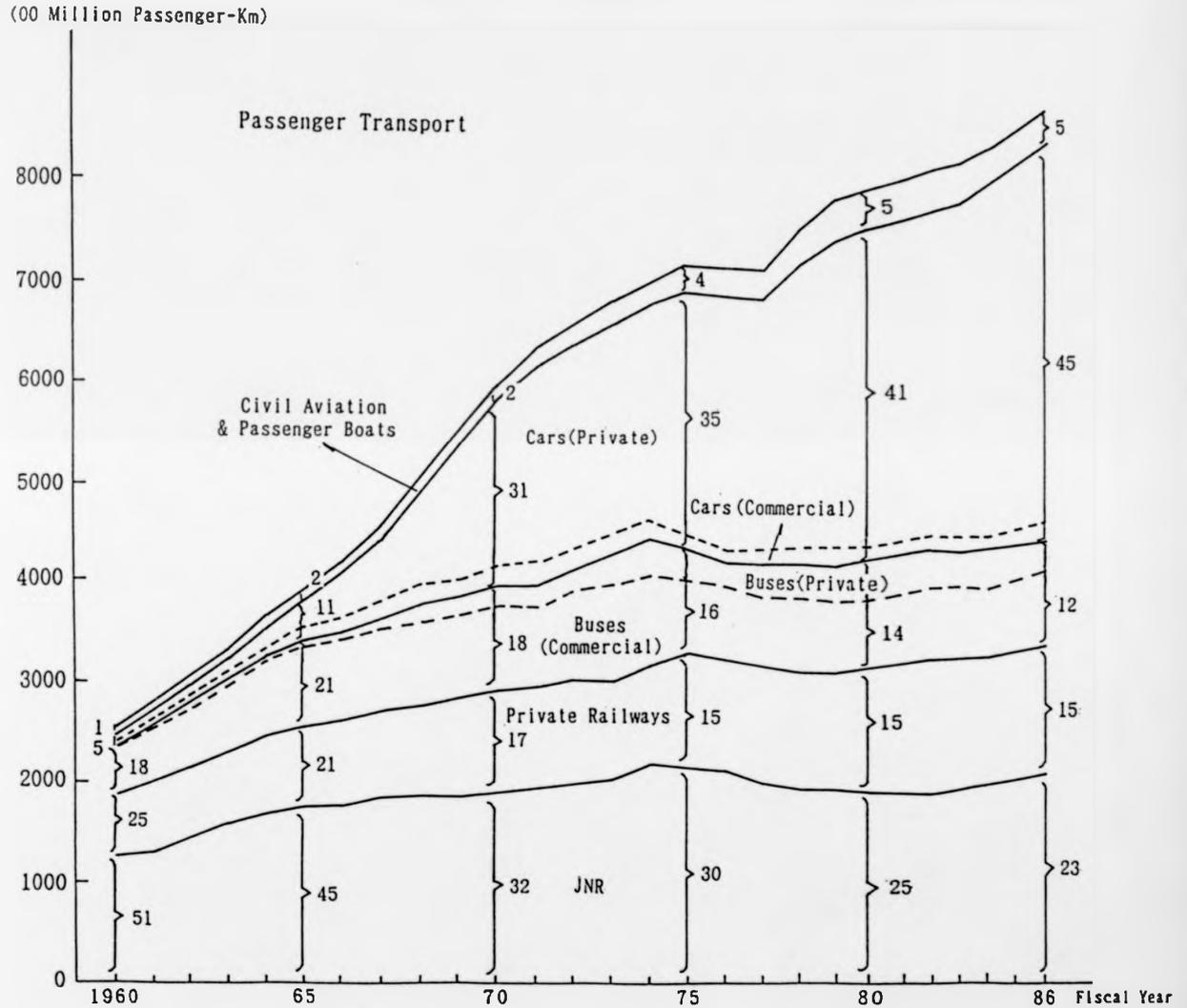
overall losses also reinforced the JNR's willingness to maintain a strategy which reflected political rather than economic interests.

On the matter of local line construction - a topic of considerable debate from the later 1970's - the prevailing JNR view was summed up by Takahashi Koji, now President of the railway construction company Tekken Construction Ltd. "Up to 1964 the JNR was in profit, so constructing new lines was not a problem. If new local lines were lossmaking it was of no great significance, and so the JNR was prepared to build lines which the government said should be constructed"⁷⁸. The weakness of the Ministry of Transport resulted in this view continuing unchallenged by any independent transport authorities, despite the significant changes taking place in the competitive position of the railways.

This lack of objective analysis, in the face of the dramatic increase in the market share of road haulage, also applied to the JNR's adherence to its nationwide freight system. As in the case of lossmaking rural passenger line construction, there was later to be a clamour of protest at the scale of losses from the JNR's freight operations. Up to the mid-1960s, however, the apparently healthy overall financial state of the national railway was allowed to obscure the fact that maintenance of a national freight network ignored the growing competitive threat from the road sector⁷⁹.

The trends illustrated in Charts 4 and 5 of the decline in market share of both the JNR's passenger and freight operations thus failed to provoke any re-examination of the pricing and output policies of the national railways. Such an evaluation might have prevented the escalation of losses and debt which finally led to the JNR's dissolution in 1986. Instead, with sentiment buoyed up by the successful completion of the *Tôkaidô Shinkansen* in time for the 1964 Tokyo Olympics, the national railway entered a new era with little perception by the participants as to the impending changes in its fortunes.

Chart 4 PASSENGER TRANSPORT BY MODE OF TRANSPORTATION

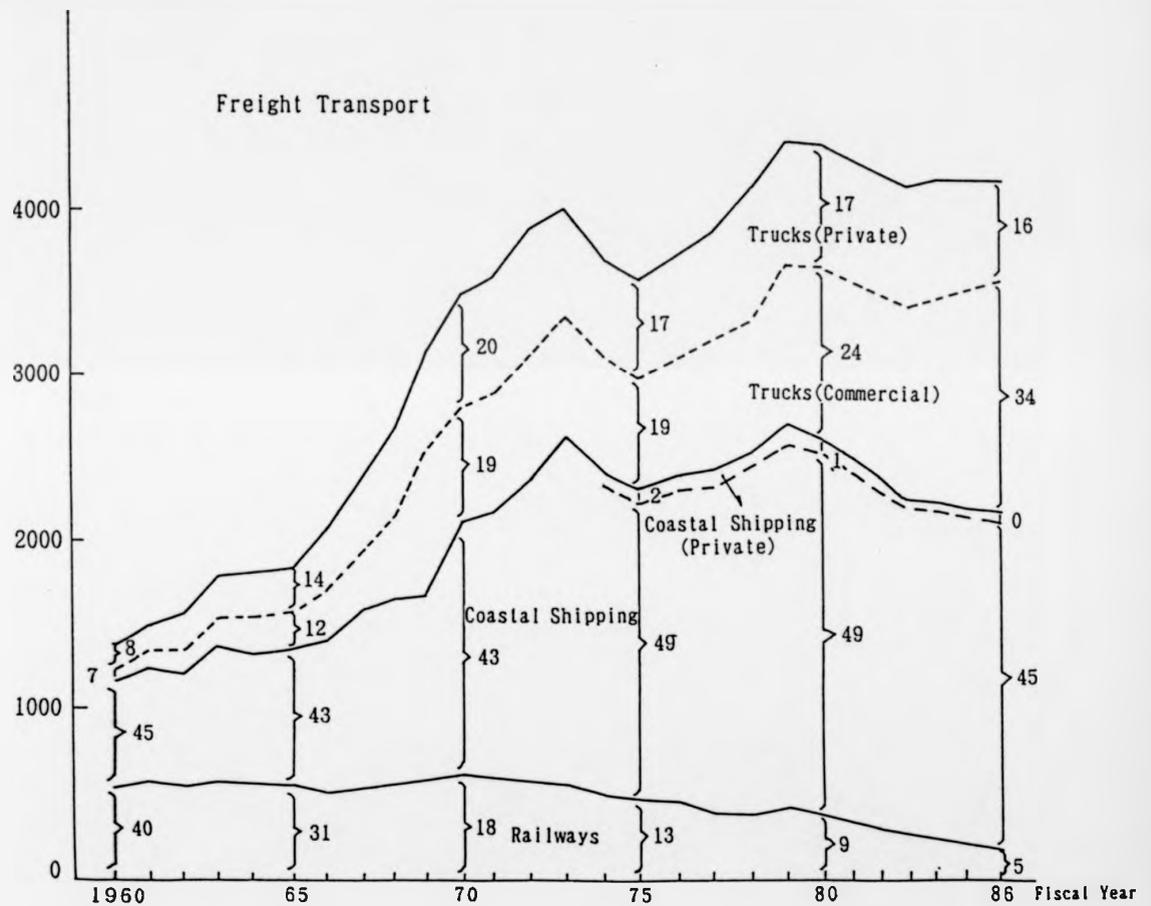


Source : Adapted from data in Unyushō (Ministry of Transport). Shōwa 62 Nenban Unyu Hakusho (Annual Ministry of Transport White Papers for 1987). 1988. p.387.

Unyushō (Ministry of Transport). Rikuun Tōkei Nenpō (Annual Report on Statistics Concerning Land Transportation). 1960-1969 Editions.

Chart 5 FREIGHT TRANSPORT BY MODE OF TRANSPORTATION

(00 Million Ton-Km)



Source : Adapted from data in Unyushō (Ministry of Transport). Shōwa 62 Nenban Unyu Hakusho (Annual Ministry of Transport White Papers for 1987). 1988. p.398.

Unyushō (Ministry of Transport). Rikuun Tōkei Nenpō (Annual Report on Statistics Concerning Land Transportation). 1960-1974 Editions.

1. Kakumoto Ryôhei (1982) "The JNR's Failings as a Public Organization", Japan Echo, Vol. 9, No. 3. p.88.

2. The resolve within SCAP to carry out the swingeing job cutbacks in the public sector, and to tailor them to enact the other major objective of reducing Communist influence in the labour unions, had been strengthened by further disputes during May and June 1949 including several involving the national railway. A number of incidents of sabotage of national railway lines took place, the JNR President being moved to say in late June that "Some cases have occurred in areas known for the presence of radicals, suggesting that these incidents were politically motivated." Quoted in Johnson, Chalmers (1972) Conspiracy at Matsukawa. Berkeley and Los Angeles, p.82. Only a few days prior to President Shimoyama's interpretation of these railway incidents, the transformation of a welcoming home party by their families for a large group of Japanese prisoners or war returning from Soviet territory into a demonstration of the POWs' allegiance to the Japanese Communist Party gave SCAP further cause for concern about the stability of the Japanese society it was attempting to shape into a solid ally against the perceived common enemy, the global Communist threat. Ibid, pp. 82 - 83.

3. Chalmers Johnson describes it thus "... the tumultuous year 1949 - namely, the year of the 'Dodge Line' (*Dojji rain*) or, more graphically, the 'Dodge whirlwind' (*Dojji sempû*)." Ibid, p.65.

4. By 1949 there was growing criticism in America as to the cost (and purpose) of the Occupation. "For one thing, they had to pay \$400 million annually to feed the Japanese people. Their policies also exposed Japan to a spiralling inflation, a black market, continuous strikes, government loans to businesses just to meet payrolls, corruption, and a general lowering of popular morale - ideal conditions from the point of view of the Japanese Communist party." Ibid, p.19.

As a consequence "The Americans feared that this could lead to more serious social unrest, and they enforced a new set of drastic measures in what was called the Economic Stabilisation

Programme. In February 1949 President Truman sent the president of the Bank of Detroit, Joseph Dodge, to Japan. He was given wide powers to carry out his mission - to curb inflation and to report on ways of rebuilding a strong economy. Dodge had earlier performed a similar role in West Germany. The medicine he prescribed was severe. He ordered large-scale lay-offs to improve productivity levels in industry and further undercut the already weakened influence of the trade unions. Public spending was pared down sharply to balance the budgets, and a quarter of a million government officials were made jobless. The 'Dodge Line' resulted in a severe short-term economic recession, but it served its purpose - inflation fell sharply." Horsley, William and Buckley, Roger (1990), Nippon, New Superpower - Japan Since 1945, London, p.29.

5. Chalmers Johnson reports that Yoshida was initially reluctant to sanction a severely deflationary budget but that "On February 10, Yoshida visited MacArthur himself, as he had done many times in the past, and found that this time he would not be able to pull an end run around lesser SCAP officials - in this case, Dodge." Johnson (1972), p.66.

6. Johnson (1972), p. 67.

7. Major cutbacks in public sector employment were required in order that the Japanese government meet the 'Dodge Line' requirement of a balanced budget. As the largest single employer in the government service, the national railway was an obvious target for the implementation of the *Teiin Hô*. Ibid, pp. 66 - 69.

8. Ibid, p. 69.

9. A number of interviewees, in particular Kitsutaka Hiromasa, Ishii Naoki and Dr Kakumoto Ryôhei - all former members of the management of the JNR - and Mutô Hisashi of *Kokurô*, and thus representing both the JNR management and labour union sides, expressed the view that the *Teiin Hô* cuts in employment in the national railway - combined with the impact of the ineffectiveness of the arbitration procedures laid down in the *Kôrô Hô* - were telling factors in establishing a negative climate in the JNR's management:labour relations.

10. The 1985 Opinions of the JNR Reform Commission (discussed in detail in Chapter 5) cited the repair of the 'abnormal' JNR labour relations as one of the motivating factors behind the privatisation of the National Railway. Nihon Kokuyû Tetsudô Saiken Kanri Iinkai (1985), (JNR Reform Commission), Kokutetsu Kaikaku ni Kan Suru Iken (Opinions on the Restructuring of the JNR), Tokyo, pp. 28-29.

11. Public Corporations and National Enterprises Labour Relations Law (20 December 1948) (*Kôrô Hô*).. The *Kôrô Hô* was listed in the (Annual) Chûkkai Tetsudô Roppô, (Compendium of Railway Laws), Tokyo; in the 1986 Edition on pp. 308 - 336.

12. Ehud Harari states that the Ministry of Labour gradually realised that Article 4:3 of the *Kôrô Hô* was not a feature of public sector labour relations procedures outside Japan and that, consequently it "...favoured the abolition of section 4 (3) at a propitious moment." Harari, Ehud (1973), The Politics of Labor Legislation in Japan, Berkeley, p.92.

13. Horiki Kenzô, Abiko Yutaka, Taki Kiyohiko (Interviewees) (1966), Senpai o Tazunete (Visiting the Senior Figures), Tokyo, p.36.

14. These quotes are from Article 8 of the *Kôrô Hô*, as set out on p. 145 of this Chapter.

15. This view was expressed in Interviews (in the period from September 1991 to March 1992) both by JNR management representatives, Kitsutaka Hiromasa and Ishii Naoki (and confirmed in Ishii's Manuscript(1991), Short History of Labour Problems on JNR, Tokyo, pp.3-4) and by the JNR Labour Union (*Kokurô*) leader, Mutô Hisashi.

16. MacArthur, General Douglas, SCAP, (6 June 1950), Letter to Japanese Prime Minister Yoshida Shigeru, Tokyo. The author consulted the copy of the MacArthur letter to PM Yoshida in the *Kensei Shiryô Shitsu* (Modern Japanese History Materials Room) in the *Kokkai Tôshokan* (Diet Library), Tokyo. Available on microfiche, GHQ/SCAP Records (RG331), Box 2229B/ Sheet 45 (B) - 02177, *Kokkai Tôshokan* (Diet Library), Tokyo.

17. Ibid.

18. Ibid.

19. Ibid.

20. SCAPIN was the name given to the Policy Directives sent by the SCAP administration to be implemented by the Japanese government.

21. SCAP (1952), History of the Non-Military Activities of the Occupation of Japan 1945-1951, Vol. 6, Political and Legal, Tokyo, pp.61-63. See also Higa (1968), pp.200-203.

22. Almost 11,000 according to Harari (1973), p.73.

23. Kôkyô Kigyôtai to Rôdo Kumiai Kyôkikai (ed.) (1978), (Public Corporations and Labour Unions Council), Kôrôkyô Sutoken Dakan Tôsôshi (A History of the Struggles of Labour Unions), Tokyo, pp.342-343.

24. This conclusion was drawn from the analysis (on pp. 141 - 153 of this Chapter) on the inherent weaknesses of the initial structure of the JNR Public Corporation.

25. Kitsutaka Hiromasa, then a JNR management recruit from the Law Faculty of Tokyo University, expressed the view in interview that there was a distinct feeling in the national railway ranks that they had been treated favourably, in the 1948 legislation, relative to other public bodies. "Zentei (the Post and Communications union) were regarded by the SCAP administration as the 'bad boys' in the public sector labour movement so they were not given the collective bargaining rights granted to the JNR. SCAP wanted to treat the railway and postal workers differently so, as the 'good boys', the JNR was given public corporation status." Material obtained in interview, Tokyo, December 1991.

The Postal union, *Zentei* had contributed to the JNR employees' feeling of superiority by openly protesting after the Mashokan at what it saw as discriminatory treatment by its employer, the

government. *Zentei's* enthusiasm for the Japanese public corporation model, however, waned drastically after the difficulties experienced by the JNR in its wage negotiations in late 1949. Material obtained in the same interview with Kitsutaka Hiromasa, Tokyo, December 1991.

26. Kitsutaka Hiromasa, Ishii Naoki, and Mutô Hisashi. Interviews conducted in Tokyo between September 1991 and March 1992.

27. Japanese National Railway Law (December 1948), Article 1. The JNR Law is listed in the (Annual) Chûkai Tetsudô Roppô (Compendium of Railway Laws), Tokyo; in the 1993 Edition on pp. 3001 - 3032.

28. Discussed in Kakumoto Ryôhei (1977), Kono Kokutetsu o Dô Suru Ka (What Shall We Do With This National Railway?), Tokyo, pp.153- 159.

29. Fujii Takeshi (1983), "Kokutetsu o Ika ni Saiken Suru Ka" (How can the JNR be Reformed?), Fainansu (Finance), April, p.20.

30. Yamaguchi Masahiro (1961), Nihon Kokuyû Tetsudô Hô Chikujô Kaisetsu (A Clause by Clause Interpretation of the Japanese National Railway Law), Tokyo, pp. 6 - 7.

31. The nationalisation of the trunk line private railways in 1906 left their local services in private hands. These local lines later became profitable commuter services and the foundation of the present day private railway groups. (See Chapter 7, pp. 579 - 582, for discussion of the current private railways).

32. The first period to which the appellation 'Golden Age' was attached was (as discussed in Chapter 1) in the 1920s. The second phase of major growth in the railways began in the early 1950s and encompassed the 'Showa 30s' (1955 - 1965). Even the then Secretary General of the JNR's most radical labour union *Kokurô*, Mutô Hisashi, described, in Interview, the 'Showa 30s' as a Golden Age for the JNR. Interview, Tokyo, March 1992.

33. This view was emphasised in Interviews with JNR management and union officials of the time, notably with Ishii Naoki, Kitsutaka

Hiromasa, and Mutô Hisashi, conducted in Tokyo between September 1991 and March 1992.

34. The Transport Council was established as an integral part of the SCAP policies of "democratising" the administration of the transport administration in Japan. GHQ's aim was to set up a body similar to the Interstate Commerce Commission in the USA, free from bureaucratic interference and independent of the Regulatory System of the Ministry of Transport. The process of its establishment is set out in SCAP (1952), Vol. 53, Land and Air Transportation, pp.19-20.

35. Yoshitake Kiyohiko cites Professor Hosono Hideo (see Endnote 26) as believing that the Inter-State Communications Commission (ICC) was "... the original pattern of the Transport Council in Japan ..." Yoshitake Kiyohiko (1973), An Introduction to Public Enterprise in Japan, London, pp.283 - 284. "... In the immediate postwar period, the purpose of the SCAP was to eliminate the interference of party politics and to reduce strong governmental control from the administration of transport utility services in Japan. Therefore the contents of the articles of the Tribunal which the SCAP had attempted to establish in Japan were quite similar to the ICC. The Japanese side was shocked at the radical contents and tried to alter them." Ibid, pp. 283 - 284.

36. Ibid, pp. 284. The original source quoted, Professor Hosono Hideo, is further cited in the Bibliography of this study, (1971), "*Tetsukidô Kisei Rippo no Chinpu Sei to Sono Kindaika - Tetsudô Eigyô Hô, Chihô Tetsudô Hô, Kidô Hô o Chûshin Ni*" (Obsolescence of Railroad Regulation Acts in Japan and Need of Their Modernization), in Kôtsû Kenkyû Nenpô (1970 Nen) (Transport Research Annual Papers, 1970), Tokyo, pp.165-182. This work is a debate on the system of regulation of the railways in Japan, the need for its modernisation relating to the initial problems incurred in the implementation of the public corporation legislation in 1949. Professor Hosono Hideo was also, as revealed in discussion with Maeda Kiyoji, Director General of *Unyu Chôsa Kyoku*, a member of that Institute's 1948 investigation of the public corporation structure proposed for the JNR. Material obtained in one of a series of Interviews, Tokyo, between July and November 1991.

37. SCAP (1952), Vol. 53, Land and Air Transportation, pp. 94 - 95.

38. General MacArthur was still closely involved in matters concerning the administration of the national railway in its public corporation mode in the implementation of the *Teiin Hô* labour cuts in July 1949 and during the period of 'railway incidents' which took place between July and August of that year. He ceased, however, to take any day-to-day interest in the management of the national railway after the laws setting up the JNR were passed in the Diet.

The first of the 'railway incidents', the mysterious death of JNR President Shimoyama Sadanori, on 5 July 1949, occurred one day after the first round of the *Teiin Hô* railway staff dismissals. The Mitaka incident, in which a sabotaged JNR locomotive killed 6 people at Mitaka Station, Tokyo, on 15 July 1949 also happened a day after the second JNR labour cuts. The third, which is the subject of Johnson (1972), was the derailment of a JNR passenger train bound for Matsukawa, on 17 August 1949, in which three JNR operatives were killed. The suspicion that there had been direct Communist Party involvement in these acts of insurrection, while unproven, strengthened MacArthur's view that further measures must be taken to curb the influence of the left in Japanese public life. The consequence, as set out earlier in this Chapter, was the purge of left wing 'extremists' - including several hundred in the JNR - initiated by MacArthur's letter of 6 June 1950 to PM Yoshida.

Beyond his addressing of these broad issues, which encompassed SCAP policy towards Japan as a whole, MacArthur does not, however, seem to have remained concerned, after the setting up of the JNR, with what may have seemed the minutiae of the mechanics of managing the new railway public corporation. In researching this issue the author, in fact, found no categorical evidence of General MacArthur taking any particular interest in the day to day management of the railways after the implementation of the JNR Law and the Public Corporations Labour Relations Law. Supporting evidence comes from MacArthur's own book, (1964) Reminiscences, London, in which Part Eight, pp. 269 - 324, deals with his experiences during the occupation of Japan. In this section, he refers (on p. 309) to the achievement of the reforms

effected in 1949 to set up the public corporations, but, thereafter, makes no further mention of the JNR or of the other *Kōsha*.

39. Various Interviewees, including Maeda Kiyoji, Kitsutaka Hiromasa, and Ishii Naoki - all of whom held management positions in the JNR - expressed the view that the JNR Executive was prepared to 'go along with' the continued expansion of the national railway network, even though they knew that it was not economically viable, because it had the result of increasing the size of the JNR 'empire'. Interviews conducted in Tokyo between July 1991 and March 1992.

40. The 1953 changes to the JNR Board structure were made in order to dilute the previous autocracy of the JNR President in negotiations on national railway policy with the Ministry of Transport and the Diet. Thuong, Le Trung (1980), A Comparative Study of Nationalized Railroads in the United Kingdom, France, West Germany, and Japan, Ph.D Dissertation, Michigan State University, pp.136-137.

41. The fine tuning of 1956, giving the JNR President the right to nominate the corporation's Board members, was in response to the JNR administration's wish to reduce the influence of government in the conduct of the affairs of the national railway. See Yoshitake (1973), p.233. As expounded in this and later Chapters of this thesis, this policy was not successful. The theme of 'political interference' in the running of the JNR is a key part of Chapters 3 and 4, notably pp.207-245, pp. 254-259, pp.279- 281, pp. 294-300, pp.304-307, p.315, pp. 325-327. The point is also confirmed in Thuong (1980), p.236 and p.241.

42. This is the conclusion drawn from the analysis of the JNR's management structure, and of the effects of government transport policy on the operation of the national railway on pp. 169 - 184. See also this Chapter's Endnotes 40, 41 and 43.

43. The setting up of the Railway Construction Council was the method adopted by the Ikeda administration to thwart any attempts by the JNR management to take a position on the construction of new lines independent of national political considerations. Interviewees, such as Ishikawa Tatsujirō and Ishii

Naoki - in service as JNR Managers in the period under discussion - stressed that the management of the national railway of that time was aware that the establishment of the Railway Construction Council had been politically motivated. Interviews conducted in Tokyo between September 1991 and May 1992.

44. As discussed in relation to the *Seijisen* (political lines) in Chapter 3 of this thesis.

45. Nihon Kokuyū Tetsudō (Annual), (JNR), Kokutetsu Yosan Sankō Shiryō (Reference Material for Budget Discussions), Tokyo. The JNR Five Year Plans are contained in the 1976 Edition on pp.508-513; the First Five Year Plan is on pp.508-509.

46. Nihon Kokuyū Tetsudō Jōhō Shistemu Bu (ed.) (1983), (JNR Department of Information Systems), Tetsudō Tōkei Shiryō Ruinen Hyō (Annual Statistical Material on the Railways), Tokyo, p.273.

47. Ishikawa Tatsujirō (1983), "Kyōdai Soshiko no Kokufuku - Kokutetsu ni okeru Bunken Kanri no Keiken" (The JNR's Experience with Decentralized Management), Unyu to Keizai, Vol. 43, No.3, March, p.10.

48. 200% congestion is a measure in which there are twice as many passengers as the train's capacity; it is defined by the Japan Non-Government Railways Association (*Nihon Minei Tetsudō Kyōkai*) as being a level of congestion in which 'bodies may not be moved voluntarily. Even hands cannot be moved. Passengers tend to fall over together with sudden train movements'. Japan International Cooperation Agency (ed.) (1993), Ote Mintetsu no Sugao (Profile of the Major Private Railways), Tokyo, p. 16.

49. Nihon Kokuyū Tetsudō (1983), Kokutetsu Yosan Sankō Shiryō, pp. 510 - 511.

50. The *Tōkaidō Shinkansen* is discussed in case study in Chapter 4, in the context of the development of the JNR's high speed passenger network.

51. The first interest subsidies were granted based on Law 117 (1961), Nihon Kokuyū Tetsudō Shinsen Kensetsu Hojo Tokubetsu

Sochi Hô (Special Law for the Construction of New Lines). The matter of the granting of subsidies for the building of loss-making new lines is discussed in Takai Shigehisa (1961), Nihon Kokuyû Tetsudô (The JNR), Tokyo, pp.24-5; and in Nihon Tetsudô Kensetsu Kôdan (1974), Jû Nen Shi (The Ten Years History of the Japan Railway Construction Public Corporation), Tokyo, p.18.

52. This is the conclusion drawn from the analysis on public sector financial support for the JNR in Chapter 3, pp. 239 - 245.

53. An account of Japanese government economic policy in this period is given in Nakamura Takafusa (1995), Lectures on Modern Japanese Economic History 1926-1994, Lecture 5, pp.217-225.

54. In Japan, roads are built and maintained under the aegis of the Ministry of Construction, whereas railways, as well as air traffic and harbours, come within the jurisdiction of the Ministry of Transport. Expenditure on road construction forms part of the Government's annual investment budget, although funds for roads and motorways are provided by revenues from the Fuel Tax and from the Toll System on motorways. No such funding from taxes or tolls is available directly for railway construction projects. The author is indebted particularly to Ishii Naoki, Managing Director of Kôtsu Tôkei Kenkyûjo (Institute of Transportation Statistics) and Maeda Kiyoji, Director General of Unyu Chôsa Kyoku (Institute of Transport Economics) - both in Tokyo - for an explanation of the system of financing road construction in Japan. Interviews conducted between July 1991 and May 1992.

55. Taking average price levels in the mid-1930's as the base for comparison, the JNR's passenger tariffs rose up to the mid-1970's by considerably lower levels than other everyday items of expenditure. Over that 40 year period, JR fares rose by a multiple of 4.9 times, which compares with 17.8 times for newspaper prices, and 24 times for sentô (public bath) prices. Bank of Japan Statistics, as quoted in Tsuru Shigeto (1993), Japan's Capitalism: Creative Defeat and Beyond, Cambridge, Table 7:11, p. 209.

56. Nihon Kokuyû Tetsudô Ryokaku Kyoku (1981), (JNR Passenger Department), Ryokaku Handobuku (Passenger Handbook), Tokyo, p.56.

57. JNR Tariff Law (1948), Articles 3 and 4. The *Kokuyū Tetsudō Unchin Hō* (JNR Tariff Law) is contained in the (Annual) *Chūkai Tetsudō Roppō* (Compendium of Railway Laws), Tokyo; in the 1993 Edition on pp.3080-3086.

58. Ibid, Articles 1 and 2.

59. Kōtsū Tōkei Kenkyūjo (ed) (1994), (Institute of Transport Statistics), *Tetsudō Tōkei Ruinen Hyō* (Railway Statistical Annual), pp. 98-99.

60. An account of the JNR's attempt - unsuccessful as it was - to persuade the regulatory authority (the MoT) to allow it to abandon its nationwide uniform tariff rate system is given in Kim, Key Whan (1971), The Price and Output Policies of the Japanese National Railways. 1949 - 1963. Ph.D Dissertation, Berkeley, pp.140-142.

61. The review of JNR tariffs was undertaken by the Railway Rate System Study Commission which set out to evaluate the JNR's proposal to be allowed to abandon its adherence to a rigid nationwide tariff rate. The Commission's judgement (upheld by the Ministry of Transport) that the national railway would not be permitted to introduce differential pricing, taken on the grounds that the continuation of the uniform rate would promote regional economic development, put the JNR from that point at a permanent disadvantage in its ability to compete with other transport modes. Again see Kim (1971), pp. 140 - 142.

62. The legislative process of deciding on, and ratifying the annual budgets for the JNR, was no different from that which applied to the other public corporations in Japan. The process is as described in Tsuji Kiyooki (1984), Public Administration in Japan, Tokyo, Chapter 4, pp.35-52.

63. Choi, Eunbong (1991), The Break-up and Privatisation Policy of the Japan National Railways, 1980-87: A Case Study of Japanese Public Policy - Making Structure and Process. Ann Arbor, Michigan, pp.315-317. For example she writes "From 1949 to 1987, the MOT

and the JNR maintained a very peculiar relationship with each other. The JNR, although nominally supervised by the MOT, actually outclassed it."

64. Interviewees, Ishikawa Tatsujirō, Kakumoto Ryōhei, and Kitsutaka Hiromasa, all graduate recruits of the JNR in its early phase, confirmed that the national railway public corporation was regarded as a much more attractive career choice than the Ministry of Transport which had a relatively low status in the Japanese bureaucratic hierarchy. Interviews conducted in Tokyo between October 1991 and May 1992.

65. Ishikawa Tatsujirō explained to the author in Interview that the JNR executive management found, unexpectedly, that they were obliged to represent the national railway's interests directly to the government's policy-making Committees (the *Seichōkai* or PARC) in the Diet. The weakness of the MoT left a vacuum in the political process of deciding on railway policy, and played into the hands of Diet politicians anxious to use the JNR as a means of securing the construction of local lines which could not be justified economically. Interview conducted in Tokyo, November 1991.

66. Ibid.

67. For an extended discussion of the post-War relationships between the bureaucracy and the executive in the formation of policy in Japan see Campbell, John (1977), Contemporary Japanese Budget Politics, Berkeley; Koh, B.C. (1989), Japan's Administrative Elite, Berkeley; and van Wolferen, Karel (1990), The Enigma of Japanese Power, London.

68. Choi (1991), p.162, makes this point succinctly - "During the period 1957-1972, the LDP had reigned, but the bureaucracy had actually ruled." See also Van Wolferen (1989), p.33 and pp.120-126; in particular, p.122 - "The golden age of the MOF bureaucrats extended from the United States occupation era to the mid-1960s. This was the period when, operating in tandem with MITI bureaucrats, they more or less ran Japan."

69. The process is described in Choi (1991), pp.157-162.

70. Interviewees Ishii Naoki, Ishikawa Tatsujirô, and Kitsutaka Hiromasa, all former JNR Managers, confirmed that, on the setting up of the JNR, the 'first' career choice for executives was the new railway public corporation rather than the MoT. Interviews, Tokyo, September 1991.

71. Choi (1991), pp. 172 - 178.

72. See Table 9, adjoining p.185 (for JNR labour productivity statistics), and Kôshiro Kazuyoshi (1982), *Nihon Rôshi Kankei* (Labour Relations in Japan), Tokyo, Table VII - 14, p.178 (for statistics on labour disputes in the JNR).

73. *Dôrô*, the National Railway Locomotive Crew Union, was formed in 1951 to act for the JNR's engine drivers and firemen. *Tetsurô*, initially called *Shin Kokurô* (New Kokurô) was established initially in 1957, as a breakaway from the radical union *Kokurô* in the Niigata district. *Tetsurô*, whose name in English is the Japan Railway Workers' Union, sought to represent all categories of JNR workers, and so developed in direct competition to *Kokurô*. Mutô Hisashi, the former Secretary General of *Kokurô*, explained to the author in interview that his labour union regarded *Tetsurô* as a potentially serious threat from the outset of its establishment because it appealed to the mass of JNR employees. Material obtained in Interview, Tokyo, March 1992.

74. Having been set up in one small area of the JNR's operations (Niigata), *Tetsurô* gradually established a foothold throughout the national railway. This moderate union had originally been formed with the unofficial encouragement of the JNR management, in order to reduce the influence of *Kokurô*. The policy of establishing a second labour union with incentives from management is described by van Wolferen as common practice in the Japanese corporate sector: "A preferred tactic of companies with troublesome unions was to establish a moderate rival union, Within a short time this alternative union would generally attract many more members than the activist union, since employees soon realised that not to co-operate would block their promotion prospects." van Wolferen (1990), p.68.

The principle of corporate management favouring the members of the moderate labour union which van Wolferen cites was also a feature in the JNR era. Introduced as a means of weakening *Kokurô*, and so in theory reducing the threat of radical action by the unions, the policy served instead to worsen the climate for labour relations in the national railway. One senior manager in the JNR's Staff Relations Department described the system to the author in the following way: "The atmosphere amongst the JNR personnel, in those areas in which *Tetsurô* was organised, became spiteful because managers encouraged members of *Kokurô* to leave and join *Tetsurô*, which was no doubt unfair labour practice. Moreover, those who left *Kokurô* were given favourable treatment from managers such as accelerated promotion, and exceptional wage increases." In view of its sensitive nature, this comment from one of the author's interviewees cannot be attributed. Interview conducted in Tokyo, March 1992.

75. Interviews with both JNR Management of the time - notably with Ishii Naoki and Kitsutaka Hiromasa - and with union leaders such as Mutô Hisashi (the former Secretary General of the leading labour union, *Kokurô*) - confirmed that the operation of the JNR in the period from the mid-1950's to the mid 1960's was not substantially affected by labour disputes. Any tendency towards militancy by *Kokurô* was suppressed- successfully by the so-called 'unfair labour practices' of the JNR Management, and the new breakaway labour union, *Dôrô*, began its existence as a relatively moderate organisation. Interviews carried out between September 1991 and March 1992. Confirmed in Kôshiro (1982), Table VII - 14, p.178.

76. The tacit support given to the establishment of *Dôrô* in 1951 was the first significant intervention by JNR management in the structure of the unions in the JNR. It represented the formation of the JNR executive's policy of 'divide and rule' in relations with the labour unions. Interviewees on both sides of the 'divide' within the JNR - Management and Labour Union Officials - such as Ishikawa Tatsujirô, Ishii Naoki, Kitsutaka Hiromasa, and Mutô Hisashi, confirmed that it was the deliberate policy of the national railway executive to dilute the influence of the labour unions on the operation of the JNR by helping to split the labour movement into divisive factions. Interviews conducted in Tokyo between October

1991 and May 1992. Confirmed in Ariga Sôkichi (1973), *Sengo no Kankô Rôdô Undô no Hensen ni Tsuite* (About the Changes in the Postwar Labour Movement), Tokyo, pp.205-206.

77. This comment was made by Mutô Hisashi, the former Secretary General of the labour union, *Kokurô*, in Interview, Tokyo, March 1992.

78. This view was expressed in interview by Takahashi Kôji, the now President of Tekken Construction Ltd. The comment was in response to a question on the attitude of the JNR management towards the construction of politically motivated rural lines. Interview, Tokyo, February 1992.

79. Chart 5, adjoining p. 190, shows that, even as far back as the early 1960s, the road transport sector was taking away market share from the railways in the transportation of freight.

CHAPTER 3

NATIONAL RAILWAY POLICY IN THE JNR'S LOSSMAKING PERIOD 1964-1987

The JNR in the Red

In 1962 the Japanese government launched the first National Development Plan (*Zenkoku Sôgô Kaihatsu Keikaku*) which incorporated, amongst its targets, the Double The National Income goal of PM Ikeda Hayato. This Plan prolonged a phase of rapid economic growth in Japan which had begun in the mid 1950s and consolidated Japan's position in 1964 as a leading force in heavy industry, and with a major presence in the electronics field¹. By then recognised as a potential world economic power, Japan's technological prowess was, moreover, epitomised by the JNR's successful completion of the pioneering *Tôkaidô Shinkansen* ².

The inauguration of services on the new high speed line from Tokyo to Osaka took place in 1964. That year was also, however, the first occasion on which the national railway recorded a sizeable annual loss, a position from which the JNR was never to recover. The deficit in 1964 of 30 billion Yen was attributable to the unprofitability of the operation of the state railway's local passenger and freight services³. The dilemma of how this deficit

could be funded was solved by the introduction of the annual system of financing the JNR losses by its incurring further debt⁴, a procedure which lasted right up to the national railway's eventual dissolution.

There is no evidence that this move into the red by the JNR produced any discernable change in policy adopted towards the national railway by either the transport bureaucracy in the MoT or by the corporation's management. Indeed, the JNR put into force, the next year, its third ambitious Five Year Plan, involving the expenditure of 1420 billion Yen⁵.

1964 did see, in addition, government ratification of the establishment of the Japan Railway Construction Public Corporation (*Nihon Tetsudō Kensetsu Kōdan*). The official justification of the setting up of this publicly financed body was that it would provide funding for railway construction projects in both the national and private sectors. This was, indeed, a laudable aim and might have suggested that the national government was going to develop a more comprehensive approach to transport planning.

The potential availability of finance towards the construction of new lines was certainly used by politicians to maintain the illusion that the Railway Construction Corporation would have a substantial role within the framework of a national transport policy. The Construction Corporation's resources have since been utilised by the private sector for capital investment projects⁶ but it is evident that the real reason for its establishment at the time was as a device to ensure that any objections by the JNR⁷ to the construction of new lossmaking lines would be removed. By sanctioning a system in which the capital cost of most new line construction would be borne by the Railway Construction Corporation, the Diet effectively removed the impetus of JNR opposition to the continuation of the policy of building lines which even at the outset were known to be unprofitable.

The use of the national railway as a means of furthering political aims was therefore reinforced by the existence of this new public corporation. Between 1968 and 1975 it resulted in the construction of new rural lines which added to the JNR's operating losses, and further such local lines were still being built up to 1980. At that point the rural routes accounted for over 40% of the

JNR total, but contributed a mere 5% of its transport volume. Proposals made by the JNR in 1968⁸ to close a substantial number of its lossmaking local lines took - because of political objections - more than a decade to implement. In the meantime the JNR was obliged to take responsibility for the running of further new rural services into the 1980s at which time government legislation finally permitted a number of its lossmaking local lines to be closed or converted to Third Sector operation⁹.

The burden which would remain with the JNR of financing the running costs of the operation of the facilities built by the Railway Construction Corporation was a point conveniently overlooked when the latter organisation was set up in 1964. In addition to the problem of funding losses on the operation of rural lines which ensued, the Construction Corporation's Jôetsu Shinkansen (opened in 1982) also left the JNR a legacy of massive operating deficits in the remaining five years of its existence¹⁰.

JNR Corporate Policy in the Lossmaking Phase: Continuing Expansion in a Changing Transport Market

Within the framework of the JNR's own corporate planning, the Five Year Plan drawn up in 1964 continued to echo the expansionist theme of its two predecessors. Known as the Five Directions Plan (*Gohômen Sakusen*), it sought principally to increase capacity in the JNR's commuter services and on its major trunk routes. The capital investment requirements of increased electrification and of double and quadruple tracking of lines were augmented by the costs of the construction of the *Sanyô Shinkansen*, a further integral part of this Five Year Plan. The *Sanyô Shinkansen* extended the Tôkaidô line beyond Osaka and eventually into Kyushu¹¹.

Given that the national railway was in losses when the third Five Year Plan was inaugurated, a fundamental factor in its financing was the requirement by the JNR that it could implement an increase in its tariff rates. In conjunction with its proposals to issue domestic bonds - for the first time without government guarantee and from the private capital market - the national railway thus sought approval in 1965 for a revision of the tariff.

As on previous occasions this was denied, the Satō Government¹² taking the view that while it would sanction, in the national interest, the JNR's capital investment plans, the national railway would not be able to fund its expenditure even to the extent of raising fares up to the prevailing rate of inflation.

The failure of the national administration to adjust its attitudes towards the funding of railway investment, and of the JNR towards the scale of its expansion programme reflected a common lack of awareness of the rapidity of the changes in the transport market. The loss made by the national railway in 1964 was regarded by government as a temporary phenomenon¹³ and, although the capital investment requirements of the third JNR Plan were considerably higher than in the previous two instances, it was reasoned in the Diet that they could be funded without recourse to measures on the tariff which would affect national pricing policy¹⁴.

The acceptance by the JNR of the financing burden of its expansion plans without the corresponding freedom to adjust tariffs was therefore made without a realisation of the extent to which the railways were losing market share to other modes of transport.

Reference to the earlier Charts 4 and 5 indicated the sudden acceleration in car and truck usage in Japan from the early 1960s which appears to have escaped the notice of the protagonists in the railway sector.

The trend towards road transport was of course, reinforced by government policy on infrastructure investment, and its effect on the national railway might not have been so hard to detect. As shown in Chart 6, public sector investment in the road network from the mid 1960s rapidly outpaced that on the rail infrastructure. While the urgent need to improve road communications made the Ministry of Transport deem such a heavy investment programme imperative from a national standpoint, it inevitably reinforced the move by both passenger and freight traffic away from the railways¹⁵.

Instead of a co-ordination of the elements required to produce a national transport policy, the political system lent itself to the preservation of decision making by disparate groups without real regard to the national interest. Thus, the national railway was allowed to ignore the trends in the transport market, particularly

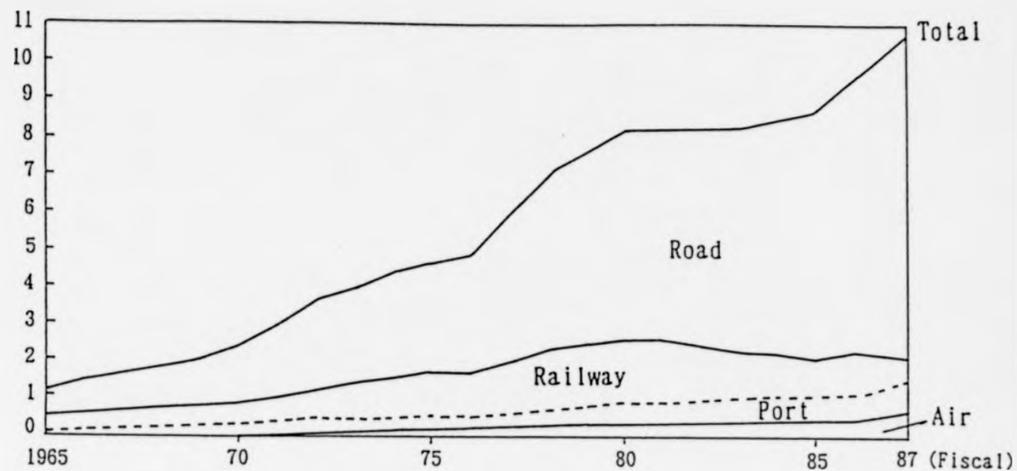
the growth of transport by car and truck to which government spending was contributing. Thus, the bureaucracy and parliament were able to ignore the true cost of incorporating a substantial social element in the national railway network. Thus, the management of the JNR was allowed to pursue a policy of 'empire building' with scant regard to the impact on the public corporation's finances or ultimately on the public purse.

That the policy of expansion of the rail network had resulted in the creation of an 'empire' not sustainable by the internal financial resources of the national railway was abundantly clear by 1966 when the scale of the JNR's accumulated operating losses eliminated its capital reserves. The objectives of the Plan implemented the previous year were then acknowledged as being no longer realisable, and it was finally abandoned in 1968¹⁶.

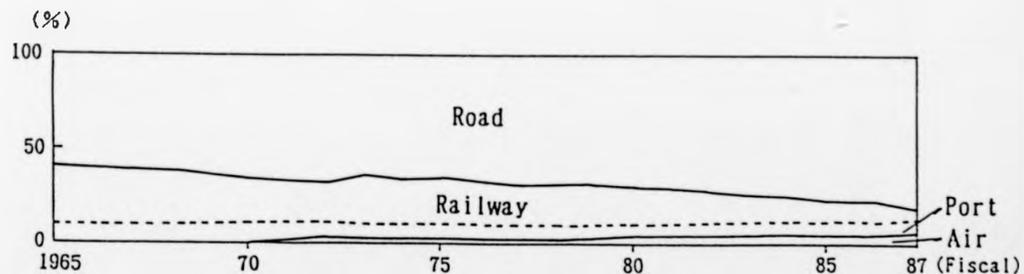
Chart 6 CAPITAL INVESTMENT BY MODE OF TRANSPORTATION

(1) Capital Investment by Mode of Transportation

(000b. Yen)



(2) Percentage by Mode



Note : (1) The data is from the General Planning Bureau of the Economic Planning Agency.

(2) Up to 1986, Railway includes the national railway, the Railway Construction Public Corporation and subways. In 1987, Railway includes only the Railway Construction Public Corporation and subways.

Source : Adapted from data in Unyushō (Ministry of Transport). Unyu HaKusho (Annual Ministry of Transport White Papers), 1967-1989 Editions.

The Turning Point

In examining the history of the Japanese National Railway it is appropriate to regard the mid 1960s as the watershed in the JNR's fortunes. The fact alone that the JNR had gone into the red by then need not, however, have led, inexorably, to the decline in the financial performance of the national railway which thereafter took place. It need not have, had there been any fundamental re-appraisal by the management of the JNR and, crucially, by the MoT acting on behalf of the government, of the sustainable role of the national railway as part of an integrated transport network.

The crucial time for such a review of the national railway's function and of its financing was, in reality, after the announcement of the JNR's results for 1966. Had it been a private enterprise, those figures - losses of 123 billion Yen and negative capital reserves - could have resulted in its liquidation. The JNR's public corporation status saved it from that fate, but the original intention of it being self-financing could now be seen as hopelessly incompatible with its perceived role as operator of comprehensive national passenger and freight rail services.

The next policy initiatives by the national railway, beginning with the Reconstruction Plan implemented in 1969, were therefore introduced without regard to any review of the scale of operations which the JNR could realistically support, and without any challenge to the assumptions of continued increases in transport volume in the national railway network inherent in its proposals.

The 1969 Plan preserved the JNR's major capital investment programme, including the start of construction work on the *Tôhoku Shinkansen*. An expansionist theme was adopted again in the succeeding Corporate Plan¹⁷, which was initiated in the year after the appointment of Tanaka Kakuei as Prime Minister in July 1972.

The 1973 JNR Reconstruction Plan was put forward within the framework of PM Tanaka's Plan for Building a New Japan (*Nihon Rettô Kaizô Ron*). The central theme of the Tanaka strategy was the promotion of regional development, and his plan thus envisaged the establishment of new industrial centres to offset the concentration of economic activity in the Kanto and Kansai areas. Communication with the regional economic zones would be achieved through the completion of a national highway network and

through the construction of new *Shinkansen* services. The *Shinkansen* network (still now in reality awaiting completion¹⁸) was to total 11 lines, one of which was to be that from Tokyo to Tanaka's home town of Niigata. This was the *Jôetsu Shinkansen*, one of the proposed lines which was actually constructed, and one which became a significant contributor to the JNR's operating losses in the 1980s. Overall the Tanaka Plan, which also incorporated the construction of the Seikan Tunnel linking the islands of Honshu and Hokkaido, and the bridge (the *Seto Ohashi*) from Honshu to Shikoku, thus gave the political seal of approval to the JNR's similarly grandiose proposals for the development of the national rail network¹⁹.

Warnings at that time of the need to scale down the JNR's freight operations from both within the corporation and from outside sources²⁰ were ignored by the National Railway's Board, and by the Diet members who approved the Plan for the Tanaka administration to implement. Consideration of the closure of lossmaking lines was rendered even less likely to succeed by the inclusion of a specific provision requiring the consent of local residents. Moreover, the policy on government subsidies²¹ remained ad hoc in

its nature, and unconnected to the scale of losses on lines run by the JNR in the national interest.

The burden of the capital expenditure programme might not have been so damaging to the JNR's finances had the Reconstruction Plans paid more than lip-service to the Corporations's wish to be relieved of its historic obligation to employ a considerably higher level of personnel than its operation justified. Even in 1973 manpower expenses were almost two thirds of the JNR's annual revenues and in the wake of the inflation which followed the Middle East oil embargo, employment costs were to double again by fiscal 1980²². The political pressure which successfully prevented the implementation of the JNR's proposed reductions in staffing levels (110,000 less employees by fiscal 1978) was therefore a further significant factor in transferring what should have been a national cost on to the budget of the national railway.

It is difficult to believe that neither politicians - particularly the transport 'experts' of the *Unyu Zoku* - nor the JNR management noticed that, in a period in which the railway was losing market share, a policy which combined massive capital investment and

significant overmanning, particularly with the associated problem of funding high levels of pension and retirement allowance costs²³, was a recipe for financial disaster. It took, however, the advent of the first Oil Shock to bring the realisation that the policy of the national railway would have to be altered. The shelving of the 1973 Plan within a year of its introduction was thus forced by outside events and not by any willing fundamental re-think of Japanese government transport policy.

From Reconstruction to Rehabilitation

The abandonment of the Plan conceived in 1973 led to a hiatus of some two years, following which a set of objectives was drawn up for the rescue of the JNR from financial insolvency²⁴. Although, however, the emphasis of the Rehabilitation Plans dating from 1976 was on more 'economic' pricing to bridge the gap between income and expenses, the belief that the national railway could look forward to increased demand for its services was also not banished from the JNR's thinking. Thus, bowing to the pressure from regional interests, no major rationalisation of the nationwide freight operation was inaugurated. Thus, no agreement was

forthcoming on an adequate level of public sector financial support for the operation of the JNR's rural passenger services.

The one significant difference from the previous Plans was in tariff policy, where it was proposed that fares would be doubled, in two stages, by the end of fiscal 1977. The first 50% increase in fares was implemented in November 1976 which, true to the form of previous revisions in the tariff, was several months later than planned²⁵. The general public, however, had become accustomed to artificially low pricing on the national railway thanks to what had masqueraded as part of government economic policy. The 50% fare increase therefore met with an adverse reaction from the JNR's customers and a sharp fall in usage levels offset the intended positive effect on revenues²⁶

From that time, nevertheless, the greater flexibility offered by the new procedures provided an incentive for the JNR to become more aggressive on tariff increases. Table 11 shows the basis rate revisions in the passenger and freight tariff from 1978 until the end of the JNR era in 1986, there being only one year (1983) in this period in which fares were not increased.

Table 11 JNR TARIFF REVISIONS: 1978-1986

Fiscal Year	Passenger Tariff	Freight Tariff
1978	+16.4%	+ 5.0%
1979	+ 8.8%	+ 9.0%
1980	+ 4.5%	+ 8.9%
1981	+ 9.7%	+ 9.7%
1982	+ 6.1%	+ 6.3%
1983	—	—
1984	+ 8.2%	+ 4.2%
1985	+ 4.4%	+ 3.1%
1986	+ 4.8%	—

Source : Nihon Kokuyū Tetsudō Keirikyoku Shukeika (Japanese National Railways Accounting Bureau Budget Division). Shōwa 59 Nenban Yosan Sankō Shiryō (Reference Materials for Budget Discussion for 1984). p.313. Nihon Kokuyū Tetsudō Seisan Jigyōdan (Japanese National Railways Settlement Corporation). Shōwa 61 Nendo Tetsudō Yōran (Railway Digest for Fiscal 1986). 1987. p. 224, 225.

The framework for these fare increases was, however, the obligation put on the JNR to adhere to its standard national tariff. This limitation prevented the introduction of a pricing system which would have identified the real costs of providing local services. The increases in the basic tariff instead resulted in the situation which exists at the present time of JR fares being considerably higher in metropolitan areas than comparable private railway tariffs.

The workings of the JNR system of cross subsidisation, and the negative impact it had on the national railway's public image are shown in the following quote from an article written by Ishikawa Tatsujiô in 1980.

It has become obvious that the rate system of JNR, which has long been supported by internal subsidization where losses incurred by lines operating in the red are compensated for by profits from trunk lines, is now reaching its limits. However, a recent paper on the subject has again argued that such a standpoint is clearly based on a misconception, and that losses incurred by lines running in the red should, in fact, be compensated for by profits derived from overall services through the establishment of a rational tariff rate system for JNR as a whole. Although it is unclear what type of system would conform to this description, not only semantically or conceptually but in actual practice, JNR's current rate system can be regarded as such an overall system anyway since it is based on a uniform national rate which balances total costs with revenues on an aggregated basis.

This is a convenient system for management divisions which incur losses as a normal state of affairs. In spite of its appearance as a user-oriented approach, however, the system has resulted in a situation where, at the western entrance of Shinjuku Station for example, a ticket for Hachioji cost 440 Yen at one ticket window while at another window only five metres away a ticket for the same destination costs 220 Yen. The former ticket window belongs to JNR and the latter to the Keio Line, whose track runs almost parallel to JNR's. What is the reason for this difference in rates? It is inconceivable that costs would differ to the point of being double between one service provider and the other operating over the same section. In actual fact, the reason is not that costs differ, but that one of the parallel tracks happens to belong to JNR, the provider that operates the nationwide network. The 440 Yen fare is merely a reflection of the policy that JNR users should share the burden of nationwide management equally in the section between Shinjuku and Hachioji. The focus here is not on how to most efficiently utilize the two lines as constituents of the metropolitan transportation network so as to provide better services to the large number of daily users. Rather, priority is given to the policy that all users of JNR should pay equally on a pro rata basis, whether traveling on the Chuo line in Tokyo or the Ibusuki Line in southern Kyushu.

A memo from a manager of a private company tells the following story:

Because a traffic jam was reported on the highway, I bought a ticket for the Hankyu Line, a private railway line, from Kobe - Sannomiya to Kyoto for 350 Yen. When I returned by JNR, however, I was surprised to find that the fare was 860 Yen, 2.46 times that charged by the Hankyu Line. As is well known, the level of service provided is not consistent with the higher rate. This illustrates the difference between private and national management.

It is the inflexible uniform rate system that generates such criticism of JNR, and it is easy to simply conclude that the difference in rates reflects a difference in management efficiency. This leads to a dangerous misunderstanding of JNR, however, because far more users than only those in local areas continue to receive the impression that the JNR is inefficient. While the JNR has been making efforts in recent years to upgrade its image, investing a great deal of money and employing various media in the process, allowing such negative publicity to continue indefinitely is a questionable practice since its influence is by no means insignificant.²⁷

In relation to the rate of inflation, the level of JNR fares had been too low between 1964 and 1975 but, in the public corporation's remaining ten years of the uniform fare system, the rate of increase in the tariff was excessive. Once again, as was the case with the cuts in employment levels and the substantial capital investment in the last period of the JNR, the beneficiaries of the post 1977 tariff policy have been the JR companies. Much has been made of the lack of any fare increases since the JNR's division in 1987 but it can be argued that the final JNR tariff revisions served to delay the need or justification for any subsequent rise in the price of rail travel.

The 1977 Reconstruction Plan which contained the new tariff policy remained in place until 1980 when its basic principles were incorporated in a Special Act for the Promotion of JNR

Reconstruction (*Kokuyū Tetsudō Keiei Saiken Sokushin Tokubetsu Socchi Hō*). The JNR Reconstruction Act, passed by the Diet in November 1980, finally released the JNR from its obligation to construct all lines deemed by the 1922 Railway Construction Law as necessary new services²⁸. The enactment of this 1980 Law therefore put an end to the bizarre phenomenon of the national railway building new local lines which, even before the completion of construction were being added to the list of lossmaking services to be terminated or transferred to operation by the newly formed Third Sector (*Daisan Sector*)²⁹. The setting up of the Third Sector was incorporated in the Act's provisions for the rationalisation of unprofitable rural lines, and its full implementation came all of fifteen years after the original JNR Consultative Committee proposals in 1968.

In 1980 legislation, which was enacted with an attached Liberal Democratic Party resolution that it was considered to be the final plan for the reconstruction of the national railway, provided for the drawing up of a JNR Management Improvement Plan (*Kokutetsu Keiei Kaizen Keikaku*). The purpose of this plan was to establish a foundation for the sound operation of the JNR by fiscal 1985, and it

was based on the assumption that there would be government recognition of the existence of operations which had unavoidable deficits. The division of the JNR's lines into categories which reflected their financial status was extended beyond the local services, at least an implicit recognition that the structural problems were not simply due to losses on rural lines³⁰.

The final approval for line closures thus formed part of an eventual MoT policy change which allowed for separate consideration of the JNR's rail operations into those which were structurally unprofitable, and those which would be self-financing. This new policy approach still did not, however, combine this admission that the JNR network contained inherently lossmaking services with the assurance that additional public funds would be forthcoming to maintain their operation. Beyond the decision to take the 83 lines out of the JNR orbit, therefore, the autonomy required to produce overall drastic measures to reduce the scale of the operations which were inherently unprofitable was not available to the JNR management³¹.

The extent of the local line closures made possible by the establishment of the Third Sector railways was, in reality, minimal in relation to the scale of the JNR's burden of having to run unprofitable services. The lack of autonomy of the JNR management to deal with its fundamental problems was, moreover, compounded by a lack of awareness in the country at large as to the root of the difficulties faced by the national railway operation.

As Ishikawa Tatsujirō pertinently commented in September 1982 "Although the Balance Sheets clearly reflect the problem, the fact that trains continue to operate reduces the overall level of concern and slows down the rate at which the issues are addressed".³²

With regard to the shackles on the JNR preventing the rationalisation of lossmaking services, Ishikawa Tatsujirō further wrote:

With regard to the problems of certain designated local lines, which are in difficult straits in many areas, there are those who advocate more vigorous efforts to obtain the understanding and cooperation of the people affected by possible service changes in each area, as well as more aggressive promotion of the necessary measures. While this assessment is quite correct, is it really possible to believe that these problems will be solved if only JNR vigorously pursues the understanding and cooperation of local residents affected by its actions from now on? As the burden on areas

that have railway services is minimal, it is obviously more convenient for the residents to have a wider choice of transportation media available regardless of how often those media are actually utilised in daily life. Moreover, such areas receive financial benefits based on a system which provides ides for annual payments by JNR to cities, towns, and villages through which its tracks run. Many of these local bodies, in fact, refuse to participate in officially sanctioned negotiations to discuss changes to the services in their area, but these entities have no reason for concern because the local trains continue to operate as long as the negotiations are stalled. To the extent that this mechanism supports local lines, it is unrealistic to believe that understanding and cooperation can be achieved in those areas merely by means of sincerity and persuasion.

For all that, the urgency with which this problem must be solved will not, of course, disappear as long as a solution is indefinitely postponed; rather, the problem will simply penetrate to the very depths of JNR's management and the situation will steadily worsen.

Losses incurred by local lines, which account for 5% of JNR's overall services, amounted to 347.3 billion Yen in 1981 - even after the special grant for local lines provided by the national government was applied. There is no way to make up for this deficit other than by creating new liabilities. Let's try a rough estimate of what the effect would be on JNR's management if no progress were made in introducing measures addressing the problem of local lines during the coming decade. Assuming that the scale of these local lines and the deficit incurred by them are sustained at the current levels (actually, the deficit has increased every year and an increase in the national grant cannot be expected in the current political climate), and that the deficit is covered by debt at an 8% annual interest rate, the interest costs would amount to 347 billion Yen in the next decade. Thus, in order to maintain the local lines, an amount almost equal to the current deficit would be required for interest expenditures, and the accumulated deficit would exceed 5 trillion Yen in ten years. This would undoubtedly put considerable pressure

on JNR's future management. The question is whether the public supports, as an equitable social policy, the fact that a deficit of as much as 5 trillion Yen - for which it must eventually pay - is incurred by a service division which provides only 5% of the overall transportation services offered by the JNR.³³

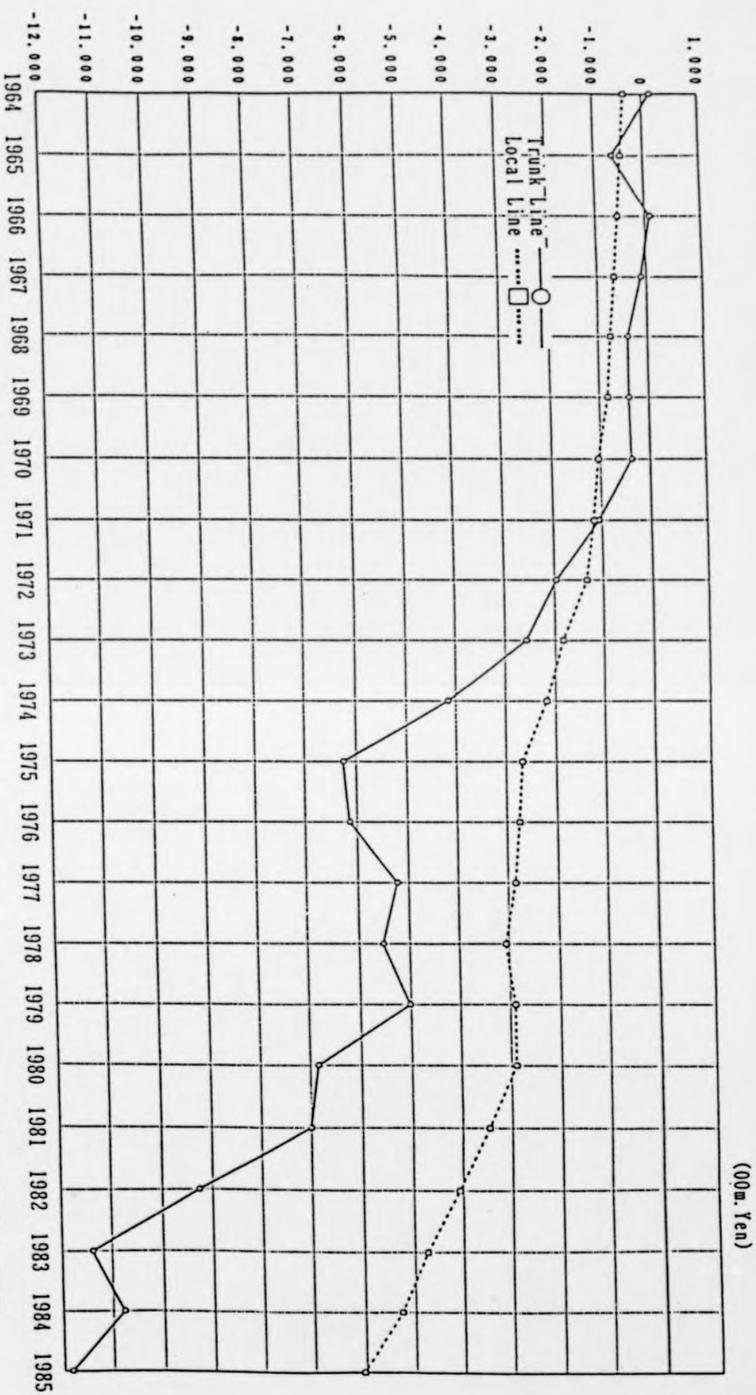
Despite the continuation of these effective constraints on management action, the 1980 JNR plan was to achieve break-even on its trunk lines by 1985. The proposed balanced budget was calculated without taking into account the unprofitable rural lines, the extraordinary provisions to fund retirement pensions and allowances, nor the interest costs related to these two categories in the group's overall deficit. Even so, the fact that it was still geared to the contribution from government subsidies at no more than the 1980 level, and that no concession was made to the JNR to abandon its heavy capital investment commitments, the Management Improvement Plan did not properly address the national railway's fundamental problems.

The key reason why this "Plan with no Successor" was, like its predecessors, doomed to failure, was that there was no fundamental change in the political will to allow a management policy which would put the JNR on a sustainable basis. The General Elections of 1980, in which the need for administrative reform

was a key issue, indicated that the emphasis on reform of the national railway would be switched from preservation of the public corporation structure to a new policy aim of division and privatisation³⁴. The internal JNR management objectives were therefore undermined by the lack of government support, and by the weight of political pressure to break up the JNR organisation.

The Management Improvement Plan was thus implemented in a climate of growing political opposition to the continuation of the status quo in the national railway. To this lack of support from government must, however, be added the fact that, like its predecessors, the Plan was predicated upon unrealistic forecasts of traffic levels. Estimates in the Plan were for a slight increase in passenger volume and a maintenance of the existing level of freight traffic. Instead, passenger traffic between 1980 and 1982 showed a further decrease - albeit relatively insignificant - while freight volume declined sharply³⁵. The basis of the plan was not matched by reality, and the efforts at management improvement were thus insufficient to arrest the escalation of operating losses which, from fiscal 1980, ran at an annual level of not less than 1 Trillion Yen.

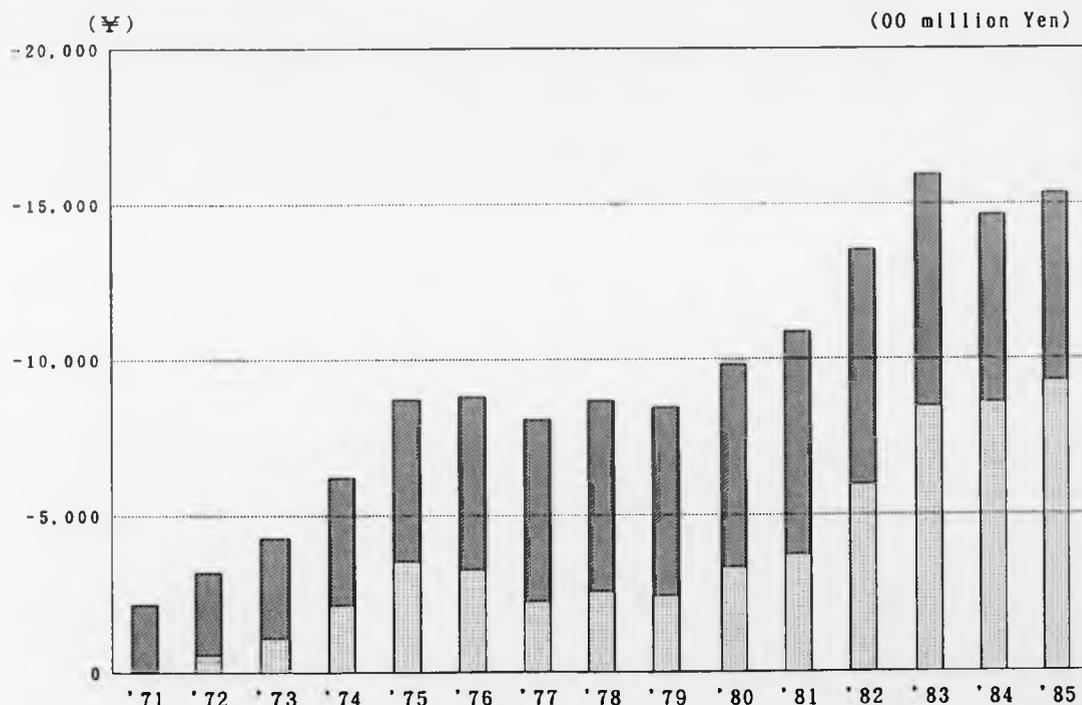
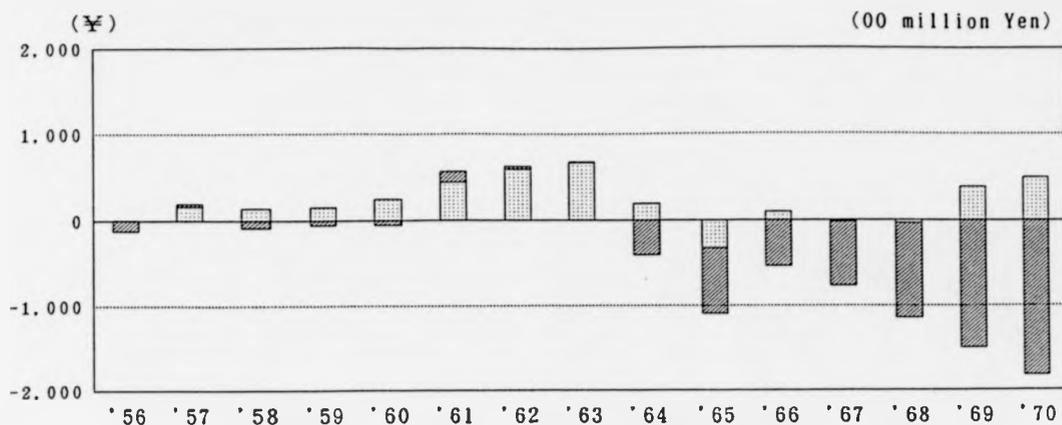
Chart 7 JNR FINANCIAL RESULTS: DIVISION BY TRUNK LINE AND LOCAL LINE



Fiscal Year	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	
Trunk Line	153	(644)	98	(116)	(405)	(401)	(378)	(1,070)	(1,967)	(2,575)	(4,157)												
Local Line	(376)	(466)	(558)	(665)	(762)	(837)	(1,052)	(1,172)	(1,338)	(1,835)	(2,180)												
Fiscal Year	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985												
Trunk Line	(6,252)	(6,145)	(5,225)	(5,523)	(5,014)	(6,843)	(7,005)	(9,268)	(11,400)	(10,781)	(11,846)												
Local Line	(2,675)	(2,753)	(2,850)	(3,071)	(2,896)	(2,902)	(3,473)	(4,073)	(4,740)	(5,264)	(6,048)												

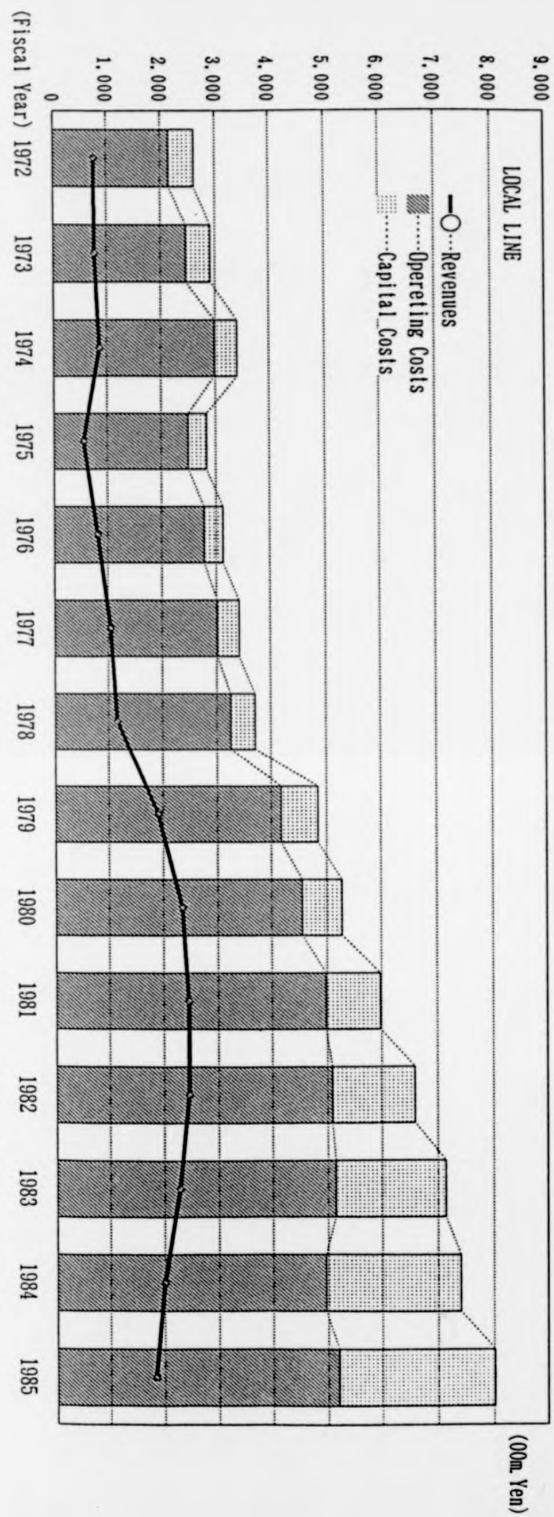
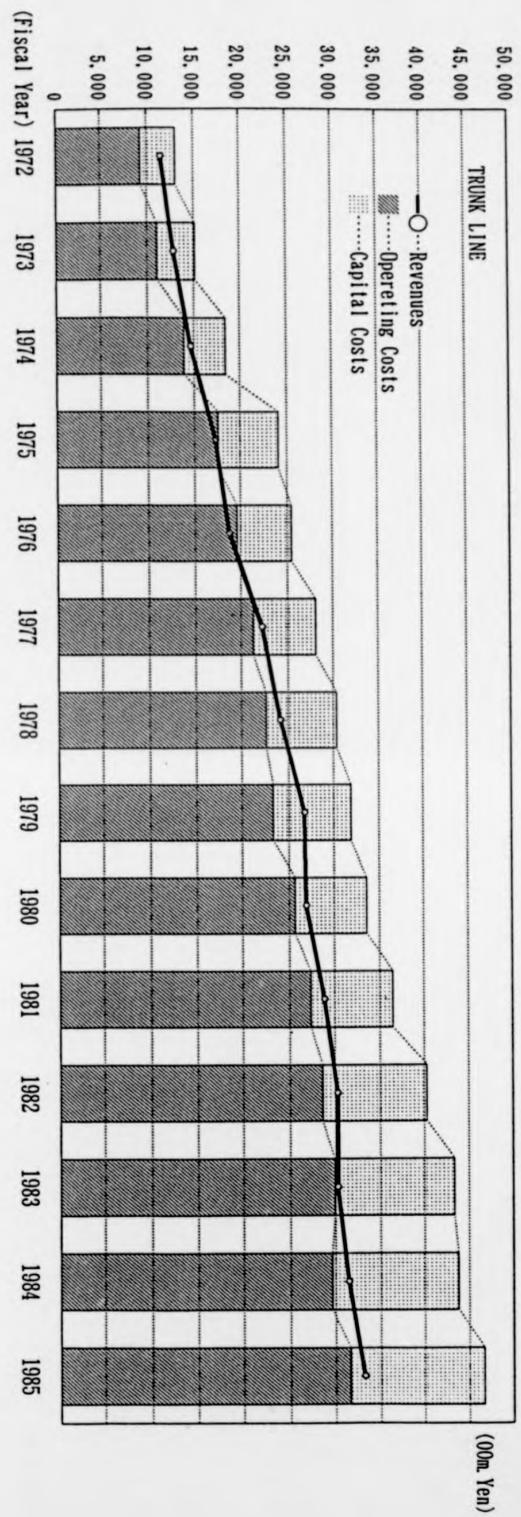
Source : Adapted from data in Nihon Kokuyū Teisudō(Japanese National Railways). Senbetsu Keiei Tōkei(Statistics Concerning Financial Status of Each Line), 1964-1971 Editions.
 Kōtsū Tōkei Kenkyūjo(Institute of Transportation Statistics). Nihon Kokuyū Teisudō Teisudō Tōkei Ruinenhyō(Chronological Digest of Japanese National Railways Statistics), 1995, p.465,467.

Chart 8 JNR FINANCIAL RESULTS:
DIVISION BY PASSENGER AND FREIGHT BUSINESSES



Source: Adapted from data in Nihon Kokuyū Tetsudō Keirikyoku Shukeika (Japanese National Railways Accounting Bureau Budget Division). Shōwa 59 Nenban Yosan Sankō Shiryō (Reference Materials for Budget Discussion for 1984), p. 738, 739. Nihon Kokuyū Tetsudō Kansa Iinkai (Japanese National Railways Audit Committee). Kansa Iinkai 30 Nen No Kiroku (A Thirty Year Record of The Audit Committee), 1987, p. 511. Nihon Kokuyū Tetsudō (Japanese National Railways). Senbetsu Keiei Tōkei (Statistics Concerning Financial Statistics of Each Line), 1956-1968 Editions. Kōtsū Kyōryoku kai (Traffic Cooperation Association). Kokuyū Tetsudō (National Railways), 1986, Volume 44, Number 10, p. 13.

Chart 9 JNR REVENUES AND COSTS: DIVISION BY TRUNK LINE AND LOCAL LINE



Note: The reduction in Local Line expense is due to a change in the length of Trunk Lines from 10,200 to 12,200km, and of Local Lines from 11,200 to 9,200 km, based on an advisory committee report preceding the granting of subsidies.

Source: Adapted from data in Kōshū Tokai Kenkyūjō(Institute of Transportation Statistics). Nihon Kokyū Tetsudō Tetsudō Tokai Rinembyō (Chronological Digest of Japanese National Railways Statistics). 1985. p.464-467.

The Composition of the JNR's Losses

That the JNR's problems stemmed not only from the operation of local lines can be seen in Chart 7. Losses from the local network had risen steadily, 1979 being the only occasion in the twenty year period up to the JNR's demise that the deficit was reduced. The loss on operation of the trunk lines, however, surpassed that on the local network from 1972, and in the 1980s was consistently more than double the local line operating deficit. The losses made on the new Shinkansen lines from 1982 were a contributory factor, as was the cost of the freight division's maintenance of its nationwide marshalling yard system. These two sources do not, however, provide a complete explanation for the escalating losses on the JNR's trunk lines, and the inescapable conclusion is that there was a very substantial proportion of even the national railway's non local passenger network which was inherently unprofitable.

Chart 8 indicates that it was actually the passenger division which was primarily responsible for the increase in losses from 1980. The deficit on the freight operation peaked in 1982 at a level which was only marginally higher than the loss from the passenger

division. The final abandonment of the freight yard network in 1984 and the rationalisation of this division which followed, resulted in a reduction in losses. For the remaining years of the JNR, the deficit on the passenger operations was substantially higher than that in the freight division.

The JNR's local line operation, as can be seen in Chart 9, produced revenues well below even its operating expenses. This was not the case, however, with the trunk lines. Again reference to Chart 9 shows that the trunk division's operating income and expenses over the period 1972 - 1985 were broadly in balance. The unsustainable expense was that of capital investment, the cost of which comprised virtually all of the losses made on the trunk operation in this period.

The Japanese National Railway Law was, in that year, revised to remove the restriction which limited JNR investment only to activities directly related to transport, and it thereby allowed for diversification by the national railway into commercial activities. The greater flexibility in pricing policies provided from 1977 by the ending of Diet control on alterations in the tariff, and the

ending of restrictions on investments outside the mainstream railway business, were measures in the spirit of the original public corporation proposals³⁶.

Their implementation was, however, almost twenty years too late, and by 1977 neither could seriously have been expected to offset the continuing lack of real strategy for the JNR within the national transport system. Had it not been that the system was so beneficial to the protagonists within the JNR and in political circles, it might have been realised long before the mid 1970s that the national railway operation was unsustainable. That it was unsustainable was directly related to the elements in its cost base which were not open to autonomous management decision, namely the financing burden of its capital investment programme, and the funding of its overmanned labour force.

Reference has already been made to the inclusion in every Reconstruction Plan from 1969 of measures to reduce the JNR's staffing levels. Reference has also been made to the fact that these proposals were easily suppressed, and that the national railway continued to employ personnel numbers greatly in excess

of its real requirements. Chart 10 and Table 12 show the number of national railway employees from the Meiji Era and highlight the massive build-up at the end of World War II. They also indicate the very limited success which the JNR had in post war times in alleviating the burden of its enforced overmanning.

By the mid 1970s, even after the attempts in the JNR's productivity campaign (Marusei Undō) to reduce labour costs, the total employment roster in the national railway was only 5% less than it had been in 1963, the last year in which a profit had been achieved. The level of employment in 1975 of some 430,000 was, moreover, double the figure deemed by the Supervisory Commission for the Reconstruction of the JNR in 1985³⁷ to be appropriate for the continued operation of the JR companies after the national railway's division and privatisation.

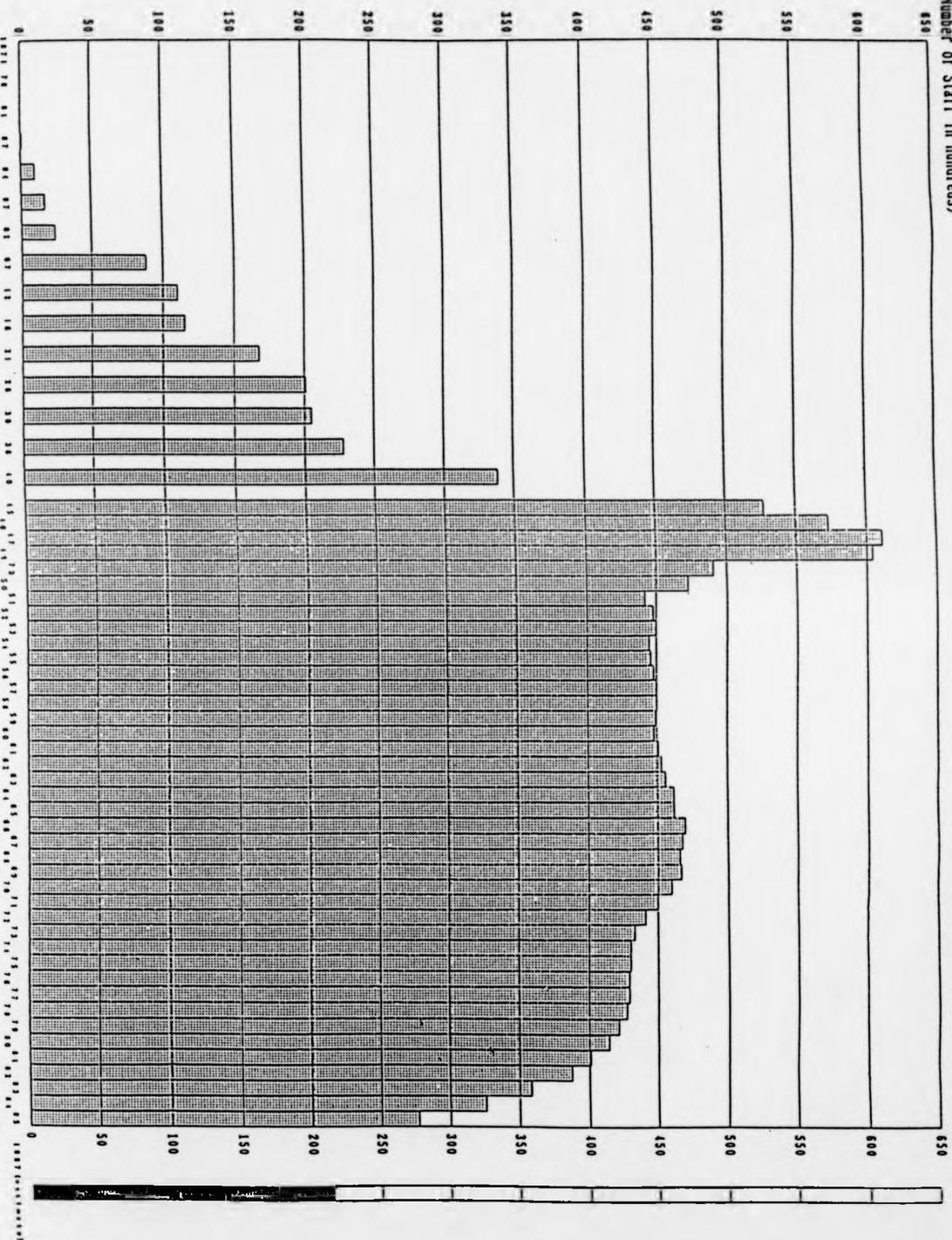
The on-going cost of this level of staffing is shown in Table 13, the lowest annual rates of employment outgoings to group revenue in the post 1964 period being 44%. Even ignoring the funding of retirement expenses, the average of employment costs to revenue between 1964 and 1986 was 58%, a level over one and a half times

higher than that which pertained in the private railways. Those in the MoF and MoT who examined the JNR Budgets, incorporated in the Reconstruction Plans in the mid 1970s, would have required a vivid imagination to suppose that profitability was remotely possible after nearly 60% of annual revenues were absorbed in employment expenditure.

The problem of overmanning was exacerbated by distortions in the age structure of the JNR personnel caused by the influx of repatriated workers after the Second World War. The impact of this obligation on the JNR's employment structure is shown in Chart 11, the cost position reaching crisis proportions in the early 1980s.

Chart 10 JAPANESE NATIONAL RAILWAY: RECORD OF EMPLOYEE NUMBERS

(Number of Staff in hundreds)



Source : Adapted from data in Teisudoshō(Ministry of Railways). Showa 8 Nendo Teisudoshō Nempō Daijippen Furoku(Annual Ministry of Railways for Fiscal 1933 Volume I appendix). 1934. p.23. Nihon Kokuyū Teisudō(Japanese National Railways). Teisudō Yōran(Railway Digest). 1934-1949, 1984-1987 Editions. Nihon Kokuyū Teisudō Jyōhō Shisutembu(Japanese National Railways Information Systems Division). Showa 58 Nendo Teisudō Tokel Shiryō Reinenhyō(Chronological Digest of Materials Concerning Railway Statistics for Fiscal 1983). 1985. p.232.

Table 12 JAPANESE NATIONAL RAILWAY: NUMBER OF EMPLOYEES

Year	Number of Employees
1860	93
1875	210
1880	380
1887	1,004
1894	9,893
1897	17,079
1902	23,702

1907	88,266
1912	109,983
1916	115,282
1921	168,371
1926	200,893
1930	204,885
1936	227,689
1940	339,401

1945	527,447
1946	573,157
1947	610,543
1948	604,243

1949	490,727
1950	473,473
1951	442,153
1952	447,385
1953	446,837
1954	442,782
1955	442,512
1956	442,573
1957	443,879
1958	444,757
1959	448,996
1960	448,390

Year	Number of Employees
1961	451,356
1962	452,688
1963	455,797
1964	461,931
1965	462,436
1966	469,693
1967	467,791
1968	466,351
1969	466,873
1970	459,677
1971	450,338
1972	441,054
1973	432,894
1974	430,269
1975	430,051
1976	429,216
1977	428,928
1978	426,697
1979	420,815
1980	413,594
1981	401,362
1982	386,677
1983	358,045
1984	326,025
1985	276,774
1986	223,947

..... Nationalisation of private railways

..... The end of World War 2

..... JNR

..... JR

Source: Adapted from data in Nihon Kokuyū Tetsudō (Japanese National Railways). Nihon Kokuyū Tetsudō Hyakunenshi Bekkan (The Hundred Years History of the Japanese National Railways. Supplement Volume). 1973. p. 49.
Nihon Kokuyū Tetsudō Seisan Jigyōdan (Japanese National Railways Settlement Corporation). Shōwa 61 Nendo Tetsudō Yōran (Railway Digest for Fiscal 1986). 1987. p. 116
Nihon Kokuyū Tetsudō Jyōhō Shisutemubu (Japanese National Railways Information Systems Division). Shōwa 58 Nendo Tetsudō Tōkei Shiryō Ruinenhyō (Chronological Digest of Materials Concerning Railway Statistics for Fiscal 1983). 1985. p. 232.

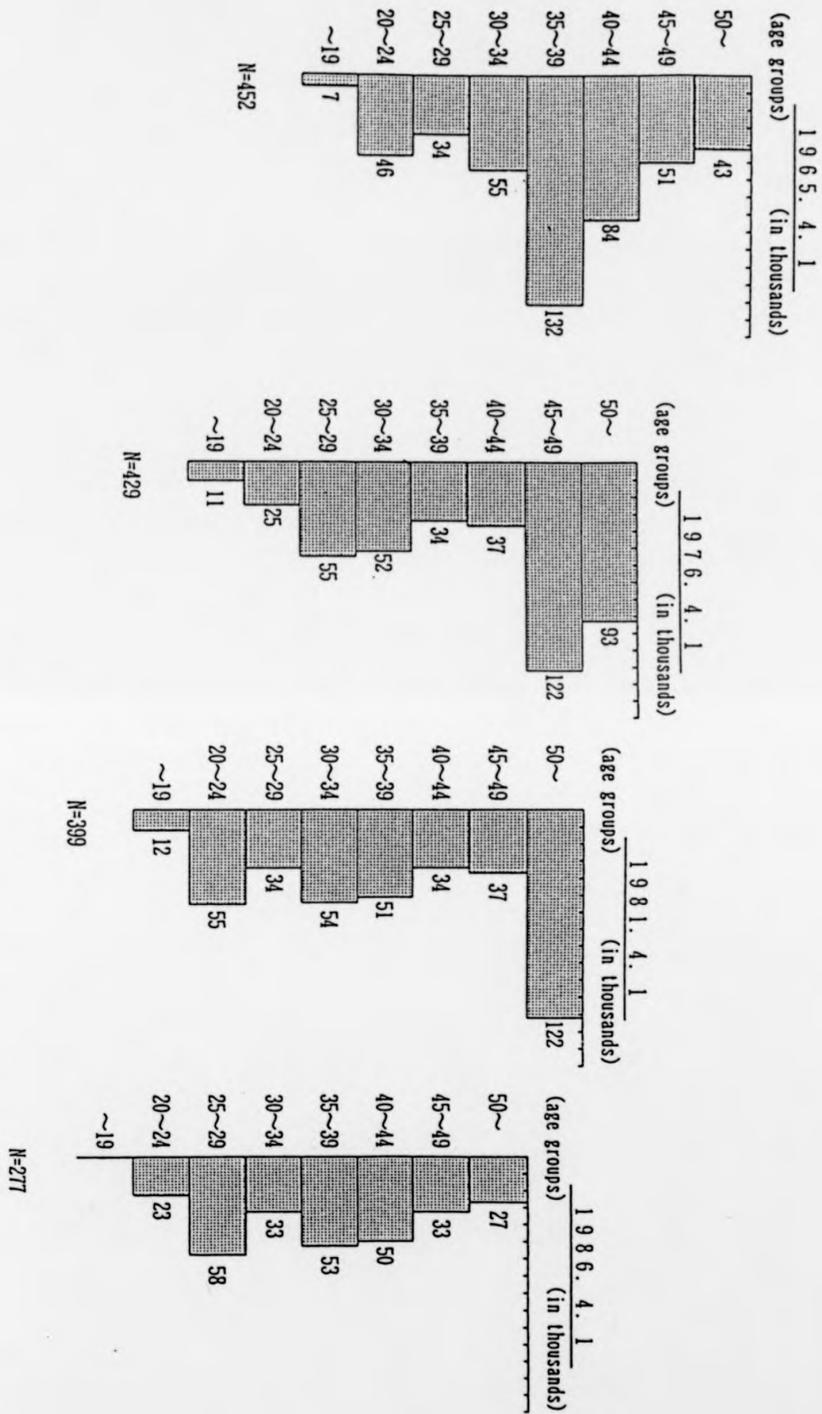
Table 13 JNR EMPLOYMENT AND INTEREST COSTS

(000, Yen)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Personnel Costs	2735	3090	3468	3849	4328	4970	5728	6452	7216	8018	10335	12663	13968	15302	16567	17303	18587	20072	20574	21141	20939	23024	21152
Interest and Lease Costs	386	646	836	1012	1196	1383	1522	1632	1923	2278	2698	4055	3160	4019	4777	5525	4764	6000	7980	9785	10926	12199	13253
Total Personnel and Interest Costs	3121	3736	4303	4861	5523	6353	7250	8084	9199	10296	13033	16718	17128	19321	21344	22828	23351	26102	28554	30926	31865	35223	34405
Annual JNR Group Revenues	6200	6341	7939	8561	9165	10440	11457	11762	12443	13791	15714	18209	19931	20690	23702	29021	29637	31730	33130	32989	33898	36528	36011
Personnel Costs as % of Annual JNR Revenues	46%	49%	44%	45%	47%	46%	50%	53%	56%	52%	66%	70%	70%	65%	64%	60%	63%	63%	62%	64%	62%	63%	59%
Personnel and Interest Costs as % of Annual JNR Revenues	52%	59%	54%	57%	60%	61%	63%	69%	74%	79%	83%	92%	86%	82%	82%	79%	79%	82%	86%	94%	94%	97%	96%

Source: Adapted from data in Nihon Kokuyu Tetsudo Jyoho Shisutsumbu(Japanese National Railways Information Systems Division). Showa 58 Kendo Tetsudo Tokei Shiryo Ruimehyo(Cronological Digest of Materials Concerning Railway Statistics for Fiscal 1983), 1985, p.226.
Nihon Kokuyu Tetsudo Seisan Jigyodan(Japanese National Railways Settlement Corporation). Showa 61 Kendo Tetsudo Yoran(Railway Digest for Fiscal 1986), 1987, p.100.

Chart 11 AGE DISTRIBUTION OF JNR STAFF



Source: Adapted from data in Nihon Kokuyū Tetsudō Kansā Inkaishi (Japanese National Railways Audit Committee).
 Nihon Kokuyū Tetsudō Kansā Hōkokusho (Japanese National Railways Annual Audit Reports). 1965-1985 Editions.

Excess manning in the national railway was combined with a tradition of long service, the average length of employment of the JNR staff in 1981 being 21 years. By that time over 31% of the total JNR staff were in their fifties and the burden of funding the pensions and retirement payments of the employees retiring in each of the remaining years of the national railway served to escalate the decline in its finances. By 1986, less than 10% of the JNR workforce was over 50 years old, but the benefits from normalising the age structure flowed only to the succeeding JR companies which were able to select the national railway's remaining younger employees³⁸.

When the JNR was established as a public corporation in 1949 it inherited staff in two categories, government officials and railway workers. The former bureaucrats from the era of the national railway as a department of the government entered service with the JNR in possession of a non contributory pension scheme, a benefit which the ordinary workforce did not enjoy³⁹. To restrict its future outgoings, the JNR management initiated a new contributory scheme for the railway employees and this was subsequently unified with that for the former government

officials. The bureaucrats' pension scheme was, however, unfunded⁴⁰, and the accounting method for the future pensions for the expanded workforce was to treat that retirement payment as a cost only at the time that each person retired. It was therefore clear at the outset that the fund would be substantially short of the amount required to meet the pensions obligations which would ensue in the 1980s.

The JNR's financial results benefitted from the underfunding of pension costs in the early years, but from the mid 1960s, when 30% of the total number of employees was in the 35 - 39 age group, the JNR Board was fully aware that a pension reserve should be implemented to meet the future calls on the fund⁴¹. In 1964, the JNR made a submission to the Ministry of Transport to introduce a reserve system for future retirement payments. The lack of autonomy given to the JNR management made such a request mandatory, and it was turned down by the transport bureaucracy. The matter remained at the 'discussion' level in the JNR budget process until 1970, when it was finally dropped from consideration⁴².

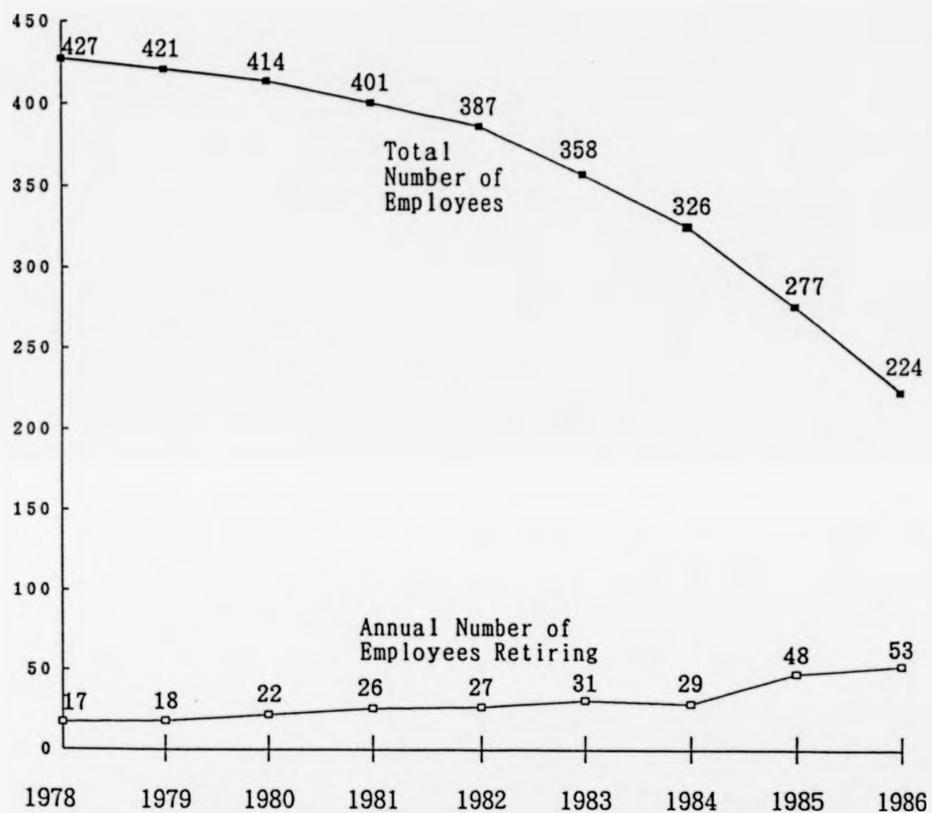
The operation of such a reserve would have had to be funded from the JNR revenues and by 1964, of course, the national railway was already lossmaking. The Ministry of Transport took its decision to sweep this issue under the carpet fundamentally because increases in the JNR tariff would have been required to finance the pension reserve. The policy of using the JNR as an adjunct of national economic policy by keeping its fares artificially low thus continued to be regarded as more important than the national railway's future financial solvency, even to its supposed guardians of its interests in the Ministry of Transport.

It took the decline of the JNR pension fund into deficit in 1976 to make the continuation of such a blinkered outlook impossible⁴³. Two years later, therefore, a new policy of extra-ordinary contributions to the fund was instigated designed to meet the anticipated upsurge in retirements (shown in Chart 12) in the 1980s. In its first year of operation, 1978, the additional contributions to fund pensions and lump sum retirement payments took the JNR's total personnel costs to a figure equivalent to 72% of overall group revenues. These outgoings were treated in the JNR accounts as extraordinary items, taken below the line, and

therefore are not included in the group's operating losses shown hereafter in Table 15. However, in Table 14 they are combined with the normal on-going personnel costs to illustrate the ultimate burden on the JNR resulting from the government policy in the late 1940's, to use the national railway as a reservoir to mop up its former colonial workforce. From this Table it can be seen that, between 1978 and 1986, total personnel costs amounted to 79% of the group JNR revenues generated over the nine year period, more than double the level in the private railway sector.

Even had there not been an accompanying debt position which had to be financed, an organisation with such an imbalance in its cost structure could not seriously have been called upon to avoid making substantial losses. There was, of course, such a substantial debt position in the national railway, the price of funding a massive capital investment programme from 1967 solely from borrowed money. The resultant interest burden was therefore the second main element in the JNR's costs which led to the increasing scale of financial losses by the national railway.

Chart 12 JNR EMPLOYMENT AND RETIREMENT TRENDS



Source : Adapted from data in Yokobori Takashi. Unyu To Keizai (Transport & Economy).
Volume 48. Number 10. 1988. Chart 11. p. 74.

Table 14 JNR PERSONNEL AND PENSION COSTS 1978-1986

(00m. Yen)

	1978	1979	1980	1981	1982	1983	1984	1985	1986
Personnel Costs	16567	17303	18587	20072	20574	21141	20939	23024	21152
Special Pension Costs	1177	1308	1484	1848	2247	2752	3283	3558	3331
Special Retirement Allowance Costs	768	936	1784	2638	2947	3877	3788	7621	5153
Total Personnel Expenditure	18512	19547	21855	24558	25768	27770	28010	34203	29636
Annual Group Revenues	25702	29021	29637	31730	33130	32989	33898	35528	36051
Total Personnel Expenditure of % of Group Revenues	72%	67%	74%	77%	78%	84%	83%	96%	82%

Source : Adapted from data in Nihon Kokuyū Tetsudō Kansa Linkai (Japanese National Railways Audit Committee).
 Kansa Linkai 30 Nen No Kiroku (A Thirty Year Record of the Audit Committee). 1987. p. 481.
 Kōtsū Kyōryoku Kai (Traffic Cooperation Association). Shōwa 63 Nenban Kōtsū Nenkan (Traffic Yearbook
 for 1988). 1988. p. 322.

Table 15 JNR INTEREST COSTS AND FINANCIAL DEFICITS

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Interest and Lease Costs	386	646	835	1012	1195	1383	1522	1622	1983	2278	2698	4055	3160	4019	4777	5525	4764	6030	7980	9785	10926	12199	13253
Annual Operating Loss	300	1230	601	941	1344	1316	1517	2342	3415	4544	6503	9147	9141	8339	8867	8218	10084	10859	13778	16604	16504	18478	13610
% of Interest Costs to Annual Operating Loss	129%	53%	139%	107%	89%	105%	100%	70%	58%	50%	41%	47%	35%	48%	54%	67%	47%	58%	58%	59%	66%	66%	97%
Annual Increase in Debt Position	1423	2789	5287	2446	3171	2885	3846	4834	6320	6488	11702	12412	(12193)	14284	15753	16873	(17478)	17524	18941	19376	18437	17361	15042
% of Interest Costs to Annual Increase Debt Position	27%	23%	32%	41%	38%	48%	40%	34%	31%	35%	23%	35%	26%	28%	30%	33%	27%	34%	42%	51%	59%	70%	88%
Accumulated Debt Position	8313	11102	13689	16135	19306	22191	26037	30871	37191	43679	55381	67793	54582	68866	84619	101492	90770	108294	127235	146611	165048	182409	197451

(000, Yen)

Note: () Adjusted for JNR Debt transferred to the JNR Special Account in 1976 and 1980.
 * Excludes Interest on Debt transferred to the JNR Special Account.

Source: Adapted from data in Nihon Kokuyū Tetsudō Kansa Jinkai (Japanese National Railways Audit Committee), Kansa Linkai 30 Nen no Kiroku (A Thirty Year Record of the Audit Committee), 1987, p. 527-539.
 Nihon Kokuyū Tetsudō Seisan Jigyōdan (Japanese National Railways Settlement Corporation), Shōwa 61 Nendo Tetsudō Yoran (Railway Digest for Fiscal 1986), 1987, p. 98-111.

The impact of the increasing interest charge, together with that of personnel costs, on the JNR Profit and Loss Account was also shown in Table 13. The figures for employment costs do not include the special topping up of the pension fund from 1978 (which can be seen in Table 14) but, even in its absence, combined personnel and interest costs amounted to more than the total JNR group revenues in the final four year period 1983 - 1986. In the prior lossmaking years, ie. from 1964, employment and interest outgoings were never less than half of the JNR's annual income (including subsidies); after 1973 they were never less than 80%.

Interest and lease costs alone accounted for 66% of the grand total of the JNR's operating losses between 1964 and 1986, as highlighted in Table 15. This figure also shows the build-up of the JNR's debt position which, by 1986, the Special Account apart, amounted to 19.7 trillion Yen. During the twenty three years following the lapse into losses in 1964, annual interest and lease costs contributed 45% of the yearly increases in the national railway's indebtedness. In other words, almost half of the rise in JNR debt can be accounted for merely by the accumulation of interest costs.

The major capital spending plans of 1969 and 1973 were thus sanctioned at times when it was already clear that the JNR was unable to service the debt accumulated in previous years, let alone pay out of operating revenues the interest on the substantial new borrowings which would inevitably result from these decisions. It is in this light that the Japanese government's policies on subsidies for the JNR should be judged, and not simply on the absolute amounts of public funds which were given over to the national railway between 1968 and 1986.

Public Sector Financial Support for the National Railway

Public sector subsidies to the JNR had begun in 1968 following pressure by the JNR management for government to take fiscal responsibility for the provision of unprofitable services by the national railway⁴⁴. The basis on which the amounts were paid was, however, much less to do with any objective calculation of the scale of losses incurred by the JNR in running services which could not be justified on economic grounds than with the state of the overall government budget at any particular time. The payment of subsidies began, in reality, as a political expedient to maintain the national railway's expansion, the option remaining for their

withdrawal as and when the JNR's financial position improved. The decision to subsidise the JNR's operations did not form part of any long term national transport policy, nor did it even involve any clear identification of that portion of the national railway network which could be maintained on social grounds.

In 1976 a new type of subsidy to the JNR was inaugurated, incorporating the creation of a Special Account (*Tokutei Kanjō*) into which was transferred a portion of the JNR's accumulated debts⁴⁵. The interest on this 2.5 trillion Yen of the national railway's indebtedness - over 30% of the total debt which existed in 1976 - would thereafter be paid through subsidies from the government central budget. Thus, from 1976, the JNR received, in addition to the general subsidies negotiated annually, interest subsidies which came to be known as *Mago no Rishi* (literally grandchild interest - or interest on interest - subsidies).

While this represented a more favourable position than had been the case hitherto, the Diet approved 'new policy' on subsidies was, in fact, still only a post-facto reaction to the losses built up by the JNR in operating the national rail network in prior years. The

funds provided from the general account's budget to repay the JNR's principal debts simply substituted a new creditor for an old one, albeit that their interest free nature reduced the on-going JNR interest bill. Similarly, the interest on interest (*Mago no Rishi*) subsidy referred to the debt accumulated as a result of the capital spending programme in the previous decade. It did nothing to address the problem of defining a realisable role for the national railway, nor did it produce a system to fund that part of the railway network deemed socially necessary but which remained inherently unprofitable for its operator.

The supposed new policy introduced in the mid 1970s actually bore little relation to the JNR's future investment commitments from that time. In the absence of a re-evaluation by the MoT of the national railway's sustainable scale of operations, only a radical increase in the level of public financial support would have provided the justification for the continuation of a programme of heavy capital spending. Such an investment programme was, indeed, adhered to by the JNR without any more than the continuation of ad hoc decisions on annual subsidies to support the operation of the national railway network⁴⁶. The amounts provided

by government to fund the JNR's on-going operations thus did not represent any fundamental change to the system of financing the national railway, despite the fact that a large part of the network could by then be clearly seen to be justifiable only on a national basis of providing a public service.

An analysis of the total amount of public financial support for the national railway over its existence as a public corporation is shown in Table 16 (adjoining p. 245), the subsidies being split into their four major categories. The first, government equity finance, took place over a five year period from 1971 providing new equity capital at a time when other subsidies were of limited significance. The second group, making provision for the JNR Capital Account, were directly related to specific elements of JNR expenditure, but were of a minor scale. The third category, the JNR Special Account, represented the policy developed in the mid 1970s of shelving a portion of the national railway's debt, and providing subsidies to meet the interest costs on that 'Special Account' debt. It did not eradicate the debt which, as will be seen later, still exists in the post JNR era. The analysis of the relationship between interest costs and JNR revenues also

indicates that the policy had a limited impact on the JNR's ability to fund either its past debt or the new borrowings which arose as a consequence of the capital spending burden dictated by political considerations.

The final group of public subsidies, that included in the annual JNR Profit and Loss Account, was the category most clearly identified with its requirement to invest in the national railway network. Even so, the final three sub-headings in this grouping of public subsidy relate not to the JNR's future investment obligations but to grants to fund past interest costs and to facilitate the payment of retirement allowances. Elimination of these non-operational amounts would reduce the contribution to the JNR Profit and Loss Account by 14%, further loosening the connection between government policy on subsidies and the JNR's capital investment commitments⁴⁷.

The overwhelming impression from Table 16 is the haphazard nature of the granting of public sector financial assistance to the JNR. The fundamental criterion for decisions on the amounts of public finance available to the JNR, decisions made after annual

negotiation as part of the process of approving the national railway's budget, was not that which was required by the JNR to fulfil its obligations to provide a national rail service, but rather the general state of government finance in each particular year.

There was not until 1980 a formal policy of identifying that part of the JNR's network of services the continuation of which could be justified only on the basis of national interest⁴⁸. The implementation of the Third Sector policy of operating lossmaking JNR lines was, moreover, a far from complete recognition of the inherently unprofitable nature of the national railway's operations. The payment of subsidies from 1976 to support the operation of local line services was therefore woefully inadequate in relation to the real cost of continuing to provide these services.

In relation to the cost of implementing the agreed JNR capital investment budgets, the level of public subsidy was also seriously inadequate. Table 17, which compares the JNR's capital expenditure and the contributions from government funding for such investment in fact implies a direct relationship which in practice existed only on an ad hoc basis. Thus, while the scale of

investment subsidies increased in time, they did not increase at a rate commensurate with the JNR's capital spending obligations. From 1973 the JNR embarked on a major ten year capital investment programme out of all proportion to its foreseeable internal resources and with absolutely no firm commitment from government that any significant level of public funding would be forthcoming. It took until the sixth year of that programme, 1978, for subsidies contributing to its financing to reach one quarter of the JNR's annual requirement⁴⁹.

A belated recognition of the need for greater public sector investment support, coinciding with the period in which the break-up and privatisation of the JNR was approved, took the level of subsidy to around one third of the annual JNR capital spending budget in the early 1980s. As was the case, however, with the reduction in manning levels in the 1981 - 1986 period, any gain from the late increase in subsidies for investment went to the JR companies created out of the national railway enterprise in 1987.

Table 16 PUBLIC SECTOR FINANCIAL SUPPORT FOR THE JNR:
SUBSIDIES AND LOANS

(00m. Yen)

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Government Finance: Equity				35	656	1950	1130	700											
JNR Capital Account: Facility Maintenance Costs										169	311	380	288	327	87	78	49	37	36
Emergency Prevention Costs											87	99	97	97	95	90	81	68	88
Shinkansen Survey Costs												19	18	19	11	8	13	15	14
Maglev Development Costs												1	10	6	7	3	3	3	3
Special Loans for Local Line Costs										214	319	225							
Total Capital Account										383	716	725	413	449	200	178	146	123	141
JNR Special Account: Interest Subsidies									1850	1806	1759	1709	3457	3457	3457	3457	3457	3457	1728
Reconstruction Loans									591	635	682	732							
Total Special Account									2441	2441	2441	2441	3457	3457	3457	3457	3457	3457	1728
JNR Profit and Loss Account: Construction Costs	54	70	83	230	320	701	905	1136	976	1102	1305	1421	1436	1643	1606	1674	1574	1353	734
Local Line Costs									172	276	337	765	1170	1264	1250	1155	857	698	632
Local Bus Line Costs										11	14	16	18	21	23	25	26	26	20
City Transport Maintenance Costs									20	23	30	30	31	28	29	26	28	28	55
Special Rationalisa- tion Costs				11	7	4	3	1	2	1	32	21	37	37	37	38	29	11	91
Extraordinary Subsidies										177	471	610							
Retirement Allowance Costs											38	101	201	432	693	463	358	305	391
Interest Subsidies for Reconstruction Costs		13	39	62	78	193	395	416											
Special Interest Subsidies						44	268	426											
Total Profit and Loss Account	54	83	122	303	405	942	1481	1979	1150	1587	2219	2964	2891	3428	3638	3383	2871	2422	1883
Grand Total of Public Sector Financial Support for the JNR	54	83	122	338	1061	2892	2611	2879	3590	4410	5376	6130	6761	7334	7294	7018	6474	6001	3752

Source: Adapted from data in Nihon Kokuyō Tetsudō Kansa Iinkai (Japanese National Railways Audit Committee), Shōwa 60 Nendo Nihon Kokuyō Tetsudō Kansa Hōkokusho (Japanese National Railways Annual Audit Reports for Fiscal 1985), 1986, p. 200, 201.

Table 17 JNR CAPITAL INVESTMENT AND GOVERNMENT SUBSIDIES

(00m Yen)

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Capital Investment and Lease Costs	3804	3767	3684	3964	5043	7103	6846	7299	6879	8130	10568	10484	10373	10518	9616	8889	7878	5659	7220
Government Subsidies	54	70	83	241	327	705	908	1137	1150	1970	2897	3588	3103	3445	3145	3098	2659	2240	1633
% of Government Subsidies to Total Capital Investment Costs	1	2	2	6	6	10	13	15	17	24	27	34	30	32	33	35	33	39	23

Note : For this analysis Government Subsidies exclude Equity Finance, Special Account and Interest Subsidies and the Special Retirement Allowance Subsidies.

Source : Adapted from data in Nihon Kokuyū Tetsudō Kansa Linkai (Japanese National Railways Audit Committee).

Shōwa 60 Nihon Kokuyū Tetsudō Kansa Hōkokusho (Japanese National Railways Annual Audit Reports for Fiscal 1985). 1986. p. 194, 195, 200, 201.

Management:Labour Relations in the Lossmaking National Railway

Compared with the relative calm of the previous ten year period, there is no doubt that the climate for management:labour matters worsened from the mid-1960s⁵⁰. The deterioration in labour relations thus coincided with the decline in the financial condition of the national railway, the increase in the JNR's operating losses bringing with it the decreasing prospect of substantial wage increases and the increasing prospect of job losses.

That the latter threat was not carried out until well into the 1980s - until, that is, the proposals to dissolve and privatise the JNR had already been taken - was less a matter of overt JNR management policy of retaining a manning level way beyond the railway's requirements than of the political pressure on the JNR to continue to act as provider of public sector employment.

The JNR's productivity campaign launched in November 1970, entitled *Marusei Undô*⁵¹, was, in fact, an attempt by the national railway management to effect a programme of rationalisation of the workforce.

The *Marusei* strategy was, however, adopted at a time when there was already considerable friction between management and the unions. In 1970, for example, there were over 300 cases pending on JNR staff claims of unfair labour practices from prior years. The labour unions regarded those dismissed by the JNR as something akin to heroes, and gave them financial support. Many of the sacked workers therefore became labour movement professionals, albeit unofficially, and this enhanced the feeling within the unions of conflict against the JNR management. It was not surprising that, in the prevailing climate, the unions interpreted the aims of the *Marusei* policy less as of improving productivity but rather more as an attempt to reinforce the discrimination against their members who had participated in previous labour disputes⁵².

The official line on *Marusei Undō* was that a fundamental review of the JNR's operating methods was required if the Corporation's losses were to be stemmed. The proposed policy incorporated three principles, namely increasing efficiency, providing a fair distribution of rewards, and increasing the overall wealth of the corporation. These overall objectives could not be faulted but, in

the light of the previous failures to secure working agreements between management and labour, the claim that its implementation would mean tangible benefits for the JNR workforce had, to union ears, a rather hollow ring. The background of conflict, in the 1968 - 1970 period, during which the unions believed that management employed less favourable policies towards those staff members who were active in the labour movement⁵³ were not conducive to the success of the *Marusei Undô* strategy.

The labour unions also took the view, backed by the evidence of regular failures of the collective bargaining machinery, that the JNR management were in no position to deliver to the workforce the gains which they said would arise from the *Marusei Undô* policies. Their suspicion of the motivation of the management tactics was, moreover, reinforced by the decision of the Public Corporations Labour Relations Committee (*Kôrôji*) to uphold a number of claims by JNR members that the national railway administration was guilty of unfair labour practices⁵⁴.

The Labour Relations Committees' rulings were that management had given illegal incentives to workers to leave the militant

unions, *Dôrô* and *Kokurô* , and to join the less radical group *Tetsurô*. This was in direct conflict with Article 7.3 of the Trade Union Law (*Rôdô Kumiai Hô*) which stated: "The employer should be disallowed to do the following practices: ... 3. To control or interfere with the formation of, or management of a trade union by workers or to give financial support to it ..."

Tetsurô had originally co-operated with management on the implementation of *Marusei Undô* , in contrast with the attitudes of *Kokurô and Dôrô* . The 'victory' of the more radical unions in overturning the productivity policy therefore served to drive an even deeper wedge between the left and right wings of the labour unions in the national railway and this remained a significant feature in JNR labour relations for the next ten years until the proposals for its break-up and privatisation⁵⁵.

After the failure of the *Marusei Undô* , the management of the national railway tried a new approach in a genuine attempt to improve the state of labour relations in the JNR. Called *Kaifuku Shôkyû* (Compensatory Preferment) it might have succeeded in reversing the decline caused by the *Marusei* policies, had it not

been for political opposition and for a short-sighted adverse reaction by the radical unions, *Kokurô and Dôrô*. The JNR's *Kaifuku Shôkyu* strategy was inspired by its previous adoption by NTT as an antidote to the negative effects on the workforce of its rationalisation policies. Although not acknowledged publicly it was used by the management of the Nippon Telegraph and Telephone Public Corporation (later NTT) to secure, in exchange for the restoration of normal treatment of workers hitherto discriminated against on account of their union activities, a non-strike agreement from the previously radical union *Zen Dentsu* ⁵⁶.

The JNR administration utilised *Kaifuku Shôkyû* to compensate staff members previously denied annual wage increases because of past involvement in labour disputes and, if they were no longer participating in illegal strikes, restored their pay to the then current average level. The objective of the policy was simply to stop the unions from indulging in strike activity outlawed by the public corporation legislation. While this would have seemed a laudable aim, the reaction of the governing Liberal Democratic Party (*Jimintô*) was, however, that this secret strategy was

merely a back-scratching alliance between the labour unions and JNR management, and its use (and that by NTT) was firmly discouraged⁵⁷.

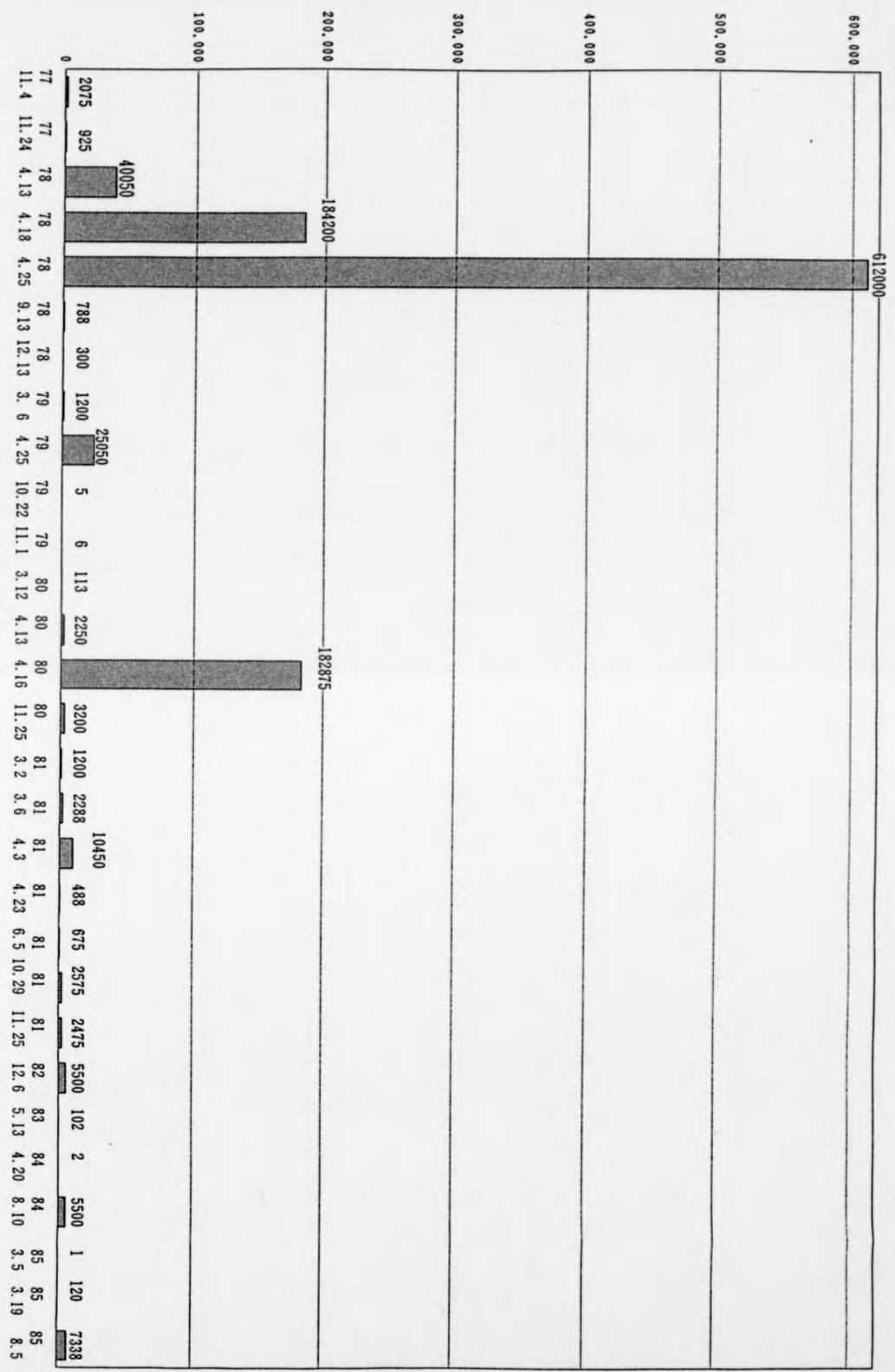
The unions' reaction was, moreover, to place less emphasis on a pragmatic approach to the restoration of benefits to their members, but to insist on an intensification of the political struggle. This was epitomised by the *Sutokensuto* movement, in which the radical unions sought to have the basic right to strike restored to the workers in the public service. It came to a head in November 1975 with the eight day long *Sutokensuto*, an illegal strike by JNR workers for the restoration of the right to strike legally, which the unions confidently expected would paralyse the whole country. That it had instead only a minimal impact on the national economy was surely evidence of the rise of forms of transport other than the railways, evidence that was clear to many people at that time but not, it would appear, to the JNR labour unions⁵⁸.

While it was a bitter pill to swallow, it was the unions' final acceptance of the failure of the *Sutokensuto* which was the catalyst in changing their policy on labour matters. As a result, from 1977, the *Kokurô* line became appreciably less militant. The General Meeting of *Kokurô* in that year proposed a new slogan which, while emphasising the continuing struggle for workers' rights, put equal stress on the need to work hard when on JNR duty. The revised policy stance, termed *Jishu Kisei* (Spirit of Self Restraint)⁵⁹, marked a distinct contrast with *Kokurô's* prior image as a radical body, and was a belated recognition of the practical limits of achieving the ends of the labour movement by militant means.

A transformation of the *Dôrô* position also took place in 1977, after agreement was reached with the JNR management on a long standing dispute on train drivers' pay and working conditions⁶⁰. *Dôrô's* new found flexibility in dealing with the realities in the labour market was to hold the union in good stead in the JNR privatisation process, out of which it emerged considerably stronger than did *Kokurô*.

Chart 13 JNR: WORKING DAYS LOST THROUGH LABOUR DISPUTES 1977-1986

(DAYS)



Source: Adapted from data in *Kōtsū Kyōryoku Kai* (Traffic Cooperation Association). *Kōtsū Nenkan* (Traffic Yearbook). 1979-1986 Editions.

The adoption of a more conciliatory stance by the JNR trade unions in the later years of the 1970s led to a significant drop in the incidence of labour disputes involving disruption to train services. Chart 13 plots the extent of time lost through stoppages from 1977 up to the end of the JNR's operations in the mid 1980s. With two exceptions, in 1978 and 1980, both relating to annual *Shuntô* disputes on wage levels, the level of man days lost was minimal over the final ten year period of the JNR as a public corporation. While going nowhere near to solving the problems in the freight division, and while unpopular, the management's 1978 proposals for *Yôin Gôrika* in JNR Freight at least provoked no radical union reaction. Most annual wage award negotiations (*Shuntô*)⁶¹ passed without incident, and the final scaling down of the Freight division in 1984 (discussed in Chapter 4) and the policy of reducing the overall level of manpower in the JNR in the latter years before its privatisation met with no radical union opposition.

It is ironic, therefore, that the picture painted of worsening labour relations, and of conflict between management and the unions - used later by the pro-JNR reform movement⁶² should have produced, in reality, relatively little disruption to rail services.

Whatever other sins of omission can be laid at the door of the JNR, the failure to maintain regular, prompt and efficient train services was manifestly not one of them. There were commuter protests, there were *Junpô Tôsô* and *Anzen Junpô Tôsô* 'disputes'⁶³ but, in the main, the level of service provided to the public was kept at a level of which any other national railway would be immensely proud. In any case, the number of disruptions had already started to decline dramatically, several years before the administrative reform process moved into action. It remains a moot point, therefore, whether the reform policies were formulated in relation to the reality of the state of labour relations in the JNR in the early 1980s, or in line with some image of strife and conflict which by then was not supported by fact.

Oyakata Hi no Maru

The JNR Board cannot completely escape responsibility for its acquiescence with the policy of investment in the rail infrastructure without any remote possibility of the programme being financed by the national railway's internally generated revenues. The JNR was a participant, by definition in the process of parliamentary approval for such expenditure, involving the

Diet's consideration of the JNR's spending plans and, as the JNR had to resort to large scale borrowings, of the consequent sanctioning of increases in public sector debt.

The attitude of the JNR management and workforce to the absence of a self financing, autonomous operation during its public corporation phase was regarded by many of the Japanese public as that typified by the expression *Oyakata Hi no Maru* . This is normally translated as meaning, for public sector bodies such as the JNR, "Since the Government is the boss, it can foot the bill"⁶⁴. As an explanation for the decline in the JNR's fortunes, it therefore implied that only the national railway side was aware that the system could be played to its advantage and that successive governments were taken in by a devious, irresponsible JNR management.

Such an interpretation of the 'problem', however, ignored the balancing factor that the parliamentarians in the National Diet and the JNR's supposed guardians in the bureaucracy (the MoT) likewise played the system of utilising JNR expenditure for political gain in the secure knowledge that the blame for the resultant failure

would fall on the shoulders of the national railway's employees and management⁶⁵. This point is made in relation to observations in the previous Chapter to the comparatively early development of the parliamentary *Zoku* concept in the transport arena.

While the JNR was still a profitable organisation, it was perhaps less culpable that a weak - and unsupportive - bureaucracy in the Ministry of Transport failed to act as the agency responsible for ensuring that transport legislation fully reflected the real needs of the national railway, and not just simply the aspirations of the JNR management and of the Diet *Unyu Zoku*. When the Japanese National Railway became a lossmaker, and began to build a very un-Japanese debt mountain, it was critical that the transport bureaucracy began to assert its authority and influence in the shaping of government strategy in the transport sector, and defining the position of the JNR within that overall policy. That function the MoT singularly failed to carry out, the need for it to adopt a more responsible position coinciding with the general trend in the Japanese political system of a swing in the balance of power away from the bureaucracy toward the parliamentarians.

The MoT's position within the bureaucracy itself, never particularly strong in any case, was further weakened in the post 1964 period vis a vis affairs concerning the JNR, because the requirement to provide subsidies from public funds to support the national railway's investment programme put the Transport Ministry in a position subservient to the holders of the governmental purse strings, the Ministry of Finance.

That the management of the national railway was not unaware of this subtle change in the relative influence of the two Ministries to which it related is evidenced by the closer links developed between the JNR executive and the MoF⁶⁶, at the expense of the Ministry of Transport. This turned out to be a somewhat short-sighted policy on the part of the management of the JNR, and had distinctly negative consequences in terms of the MoT's eventual support for the proposals to dissolve the JNR as part of the administrative reform process in the 1980s.

In the transport field, therefore, the growing power of *Zoku* politics had no counterbalance in the form of an authoritative Ministry with the interests of the national railway at heart. In

relation to the phrase *Oyakata Hi no Maru*, there is little doubt in JNR terms that, while the parliamentarians - the LDP *Unyu Zoku* - can be identified as the 'Boss', it was not so much the Government but the Japanese people who were 'footing the bill'.

As will be discussed in Chapters 6 and 7, one of the myths which has become attached to the supposed gains from the privatisation of the JNR is that it has dealt successfully with the *Oyakata Hi no Maru* problem in the sense of removing the burden of the national railway debt. In fact, this is far from the truth, the current level of indebtedness carried by the JNR Settlement Corporation (at the end of fiscal 1992) actually being higher than that which existed at the time of the JNR's division into the JR operating companies⁶⁷. The debt built up during the JNR era to which the famous expression refers therefore remains in place as a burden on the Japanese people. It remains as a lasting testament to the lack of effective Government responsibility for sustaining a realistic policy for the national railway within the nation's transport system.

Prior to this, however, the previous sections of this study having dealt with the establishment and expansion of the national railway system in Japan and with its Post-War restructuring and subsequent operation of the JNR, the present Chapter also brings the depiction of the public corporation era to a conclusion with an evaluation of the JNR in its final phase of operation, just prior to its dissolution and privatisation.

The End of the Public Corporation Era

By the early 1980s, the time of the initial proposals to reform the national railway operation, the JNR had become a pale shadow of the dominant transportation enterprise it had been when established as a public corporation some thirty years before.

The scale of the operations of the JNR had actually increased during the public corporation era, a reflection of the enforced policy of sustaining a comprehensive national service irrespective of cost to the state railway. At the end of its profitable phase in 1963, the JNR rail network stood at 20,600 kilometres⁶⁸. Twenty years of escalating losses later, and with the addition of the

unprofitable *Tôhoku* and *Jôetsu Shinkansen* , the JNR's operating track system had risen to 21,400 kilometres.

This increase in the national track network contrasted dramatically with the market share figures achieved by the JNR. The continuing pressure from politicians and from the transport bureaucracy to retain services even if unsustainable on financial grounds was maintained in the face of irrefutable evidence that the national railway's position in the overall transport market had suffered a massive decline. Thus by 1982, when the reconstruction plans for the JNR were first taking shape, the national railway's share of the passenger rail market was down to 24%, compared with 60% in 1950; in freight traffic the state railway accounted for only 8% of cargo ton kilometres transported, compared with 52% in 1950⁶⁹.

The contrast between the system of nationwide services which the JNR was obliged to maintain, and the inherent unprofitability of this scale of operation can be further illustrated by examination of the national railway's individual lines. The 'progression' of JNR lines from profitable operation to irreversible losses is shown

graphically in Appendix 3, concluding that, at the end of its public corporation phase of operation, fewer than 10 out of its network of 245 lines were still 'in the black'. Those few profitable services were, moreover, dominated by 3 individual lines, the *Tôkaido/Sanyô Shinkansen*, the Yamanote Line in Tokyo, and the Kanjô Line in Osaka, such that over 98% of the JNR's national rail network was, at best, marginal in terms of income against operating costs and, at worst, significantly lossmaking.

In the face of this overwhelming picture of a state railway operation run, in reality, as an adjunct of national economic and social policies, it is not surprising that the various attempts at the financial reconstruction of the JNR - described earlier in Chapter 3 - were doomed to failure. Recognition that the reconstruction of the national railway would instead succeed only through the removal of the excessive burden which the JNR had shouldered as a result of implementing social policies on behalf of the nation had not, however, been lost on all observers. As early as 1967, Ishikawa Tatsujirô had written

...in the management of the JNR there are ...some areas that it is necessary to maintain and operate from a national standpoint, without taking profitability into account. ...

Since an increase in demand for services provided by JNR is anticipated with the growth of the national economy, preinvestment cannot be avoided to raise the trunk line system of JNR to a higher standard. ... As originally conceived such an improvement of the national infrastructure is almost impossible to accomplish with the JNR's balance of revenues and expenses, from the broader perspective of the national economy.⁷⁰

Regrettably it took some fifteen years for this view to be reflected in government transport policy and, even then, the reconstruction measures devised were aimed not at the preservation of the national railway operation but at its dissolution.

The depiction above of the national railway operation in its final phase leads to a bleak conclusion, the picture being that of a public corporation with substantial operating losses, and with a massive burden of indebtedness. Given, however, that the losses and debt were incurred in the provision of a national rail service irrespective of its financial consequences, the surface view takes no account of the 'social cost' of the JNR's responsibility to operate and maintain lossmaking railways in the name of national transport policy.

Table 18 JNR FINANCIAL RESULTS ADJUSTED FOR EXCEPTIONAL ITEMS

(00m. Yen)

Fiscal Year	1963	1980	1983	1986
Revenues:				
Passenger	3384	22424	25797	30269
Freight	2115	3296	2415	1676
Miscellaneous	188	1026	1394	2223
Subsidies		2891	3383	1883
Total Revenues	5687	29637	32989	36011
Non Operating Profit/Loss	31	-78	1808	3391
Costs:				
Interest Costs	252	4764	9785	13253
Lease Charges		303	1376	1889
Depreciation	810	3978	5875	6681
Personnel Expenses	2293	18587	21141	21152
Material and Other Costs	1789	12011	13224	10280
Total Costs	5144	39643	51401	53255
Net Profit/Loss	574	-10084	-16604	-13813
Unfunded Special Retirement Allowances		1784	3877	5153
Unfunded Special Pension Payments		1484	2752	3331
Capital Expenses on Tohoku and Joetsu Shinkansen			3351	4565
Adjusted Net Profit/Loss	574	-6816	-6424	-764

Source : Adapted from data in Nihon Kokuyū Tetsudō (Japanese National Railways). Tetsudō Yōran (Railway Digest). 1970-1986 Editions.
 Unyushō (Ministry of Transport). Shōwa 62 Nenban Unyu Hakusho (Annual Ministry of Transport White Papers for 1987). 1988. Reference Materials p. 5.

Before going on to describe the process by which the national railway was restructured through its division and privatisation, it is therefore instructive to reassess the state of the Japanese National Railway at the end of the public corporation era by taking account of the real cost of its financial responsibility to operate a nationwide railway service. This process may be undertaken by adjusting the Profit and Loss Account of the JNR to remove from its cost base those aspects of its operation which might be deemed to be outside its financial remit, and which more reasonably should be regarded as part of wider national government policy considerations⁷¹

The findings of this exercise are shown in Table 18, adjustment having been made for two major constituents of the JNR's cost base, namely its capital expenditure requirements for the completion of the *Shinkansen* programme, and the special pension and retirement payments relating to the corporation's over-large workforce. It will be noted from Table 18 that government subsidies paid to the JNR have not been deducted from the income of the national railway corporation; had this been done, it would be argued here that the lease payments to the Japan Railway

Construction Public Corporation should simultaneously be removed from the JNR's costs, since they represented a 'social' expense incurred in the building and running of unprofitable lines. Since, in the final years for which this analysis is undertaken, the figures for subsidies received and for leasing costs paid out were almost exactly the same, the JNR Profit and Loss Account has been left unadjusted for those two balancing items.

Table 18 thus shows the JNR's financial results for 1963, the last year in which a profit was made, and for the final years prior to its break-up and privatisation adjusted for its 'social' costs. In its very last year, fiscal 1986, the JNR had announced a loss of 1.3 trillion Yen which, although 25% lower than the deficit in 1985, was regarded as the final justification that the government's policy of privatisation and division was the only option. If adjustment is, however, made for the excess pensions costs, and for the burden imposed by the construction of the two *Shinkansen* known at the outset as being unprofitable to run, the operating loss of the JNR in fiscal 1986 would have been reduced by 95% from 1.3 trillion Yen to 76 billion Yen (which represented only 2% of group revenues).

The evaluation of the JNR's management of the state rail network in terms of its unavoidable costs related to matters of national economic and social policy shows that virtually all of its losses were incurred in carrying out operations which were far beyond its financial capabilities. Had any such objective analysis been made of the real 'social' costs of maintaining an excessive labour force and of supporting an inherently lossmaking national rail service at an earlier stage of the JNR's operation, it might have provoked a different set of policy initiatives from the divide and privatise strategy which emerged from the Japanese government in the 1980s.

1. Nakamura Takafusa (1994), Lectures on Modern Japanese Economic History 1926-1994, Tokyo, pp.215-224.
2. A case study of the development of the *Shinkansen* is contained in Chapter 4 of this thesis.
3. Nihon Kokuyū Tetsudō (JNR) (1984), Kokutetsu Yosan Sankō Shiryō (Reference Material for Budget Discussions), Tokyo, pp.738-739. Also Nihon Kokuyū Tetsudō Kansa Hōkoku Sho (1964), (JNR Annual Audit Report), p.1, p.246.
4. In its annual approval of the JNR budget from 1964, the Diet authorised the issue of bonds by the national railway to finance its expenditure. After 1966, when the operating losses became so high that the JNR's capital reserves were exhausted, additional debt was the predominant source of the national railway's funds. The financial data was taken from the annual Nihon Kokuyū Tetsudō Kansa Hōkoku Sho (JNR Annual Audit Reports).
5. Nihon Kokuyū Tetsudō (JNR) (1976), Kokutetsu Yosan Sankō Shiryō , pp.512-513.
6. Appendix 6 shows the Outline of the Japanese Railway Subsidy System, within which funds are made available to the Railway Construction Corporation to contribute towards private railway investment projects.
7. A number of interviewees - former JNR managers - gave the view that the dismissal of President Sogō Shinji in 1963 was because he was opposed to the policy of building lossmaking local railway lines. The establishment of the Railway Construction Corporation in 1964 provided a convenient means of continuing the construction of lines in rural areas, unprofitable services which the JNR was thereafter obliged to operate and maintain.
8. The proposed closure of 83 local lines was a part of the JNR's first Reconstruction Plan but Ministry of Transport approval for the termination of these service was not then forthcoming.

Permission to proceed with a significant divestiture of its lossmaking local lines was not obtained until after the 1980 enactment of the JNR Reconstruction Act, which set up the Third Sector railway system to manage lines in rural areas. See also Endnote 16 of this Chapter and, for a detailed analysis of the Third Sector, Imashiro Mitsuhide (1993), Provincial Railway Policy and the Third Sector Railways in Japan, Tokyo.

9. For a detailed exposition of the establishment of the Third Sector Railway system, see Imashiro Mitsuhide (1993), Provincial Railway Policy and the Third Sector Railways in Japan, Tokyo.

10. The financial results of the Jōetsu Shinkansen are shown in Chart 15, and Table 21, adjoining p. 299.

11. The chronology of the development of the Shinkansen network is contained in JNR International Department (1984), Shinkansen, Tokyo, pp.5-6.

12. Diet deliberations on the JNR tariff during the Satō regime, as was the norm during the public corporation era, were the subject of intense political manoeuvring between the government and the opposition. The uniting factor, which resulted in the 1965 application for a revision of the tariff system being turned down, was that JNR fare increases contributed to inflation.

Interviewees, then employed as JNR Executives, notably Ishii Naoki, Ishikawa Tatsujirō, Maeda Kiyoji, and Izumi Nobuhisa, stressed to the author in interview that there was a common perception amongst the national railway management that decisions on changes in the tariff system were taken on the basis of national political considerations rather on the basis of what was right for the financial well-being of the JNR. Interviews, Tokyo, July 1991 to May 1992.

13. Interviewees, Ishii Naoki and Ishikawa Tatsujirō, then both JNR executives, indicated that there was no particular feeling of concern amongst the management of the national railway when the 1964 loss was announced. The transport market was still expanding, the *Tōkaidō Shinkansen* had been completed successfully, and the still optimistic stance of the JNR was also reflected in the attitude of the Ministry of Transport and of Diet

politicians. Interview, Tokyo, November 1991.

14. Decisions on JNR fares were taken, in the Diet, on an ad hoc basis but, implicit in the thinking of Government, was the concept that increases in the JNR tariff had to be suppressed in the interests of its wider economic policies. This matter was also covered in this Chapter's Endnote 12.

15. Chart 6, adjoining p.213, shows the significant differences in the amounts invested by the Japanese government on, respectively, the road sector and the railways. The effects of these policies is shown in the earlier Charts 4 and 5, adjoining p.190.

16. Nihon Kokuyū Tetsudō (JNR) (1976), Kokutetsu Yosan Sankō Shiryō, pp. 514-515.

17. There had been a previous JNR Plan, structured on a 10 year basis, and with the envisaged return to profitability put forward to 1981. It was admitted by the JNR management that the scale of investment required to implement the plan would add substantially to the corporation's debt position. There was no attempt made, however, to link the proposed cost outlays of 7,000 billion Yen to the evidence in the market place of falling volume in the freight operations or even to the slowdown in business in the passenger division of the national railway. Reference to the earlier Chart 2 shows the peaking of freight volume in 1970, and the impact of competition from road transport on the JNR's passenger operations at that time. These visible signs were not allowed to inhibit the expansionary nature of the Plan.

Initially put forward in January 1972, this Second Reconstruction Plan was abandoned in June of that year without having been put into force. It further resulted in the non-implementation of a proposed 15% fare increase for 1972. The JNR's income thus continued to lag behind the rate of domestic cost inflation, and its operating loss for fiscal 1972 rose by 46% to 342 billion Yen. See Nihon Kokuyū Tetsudō (JNR) (1976), Kokutetsu Yosan Sankō Shiryō, pp. 512 - 513.

18. Having been shelved in 1982 on grounds of cost, the *Shinkansen* building programme was revived in 1991 with the establishment of

a new financing system under the auspices of the Railway Development Fund. This topic is further covered in Chapter 7, pp. 536 - 561.

19. The Tanaka Plan is set out in Tanaka Kakuei (1972), *Nihon Rettô Kaizô Ron* (Plan for Building a New Japan), Passim. The expansionist Tanaka plans gave moral support to the established JNR leadership which wanted to preserve -and, indeed, expand - the National Railway 'Empire'. This theme was previously discussed in Chapter 2, pp.179-184.

20. Such as Kakumoto Ryôhei whose views are discussed in greater detail in Chapter 4 (pp. 318 - 319) in relation to the JNR Freight operation.

21. A detailed financial analysis of the public sector subsidies to the JNR is contained later in this Chapter.

22. See Table 14, adjoining p. 237.

23. The issue of the JNR pension fund, the cost of which had a severely negative effect on the national railway's finances in its final years, is further covered in this Chapter. The research material on this topic was obtained in interview with former JNR management officials Ishii Naoki and Ishikawa Tatsujirô, Tokyo, November 1991.

24. Nihon Kokuyû Tetsudô (JNR) (1984), *Kokutetsu Yosan Sankô Shiryô*, pp.352-355. The author is also indebted to the Director General of *Unyu Chôsa Kyoku*, Maeda Kiyoji, for this account of the shift of the JNR Management Plans from a concentration on the 'reconstruction' of the national Railway to that of its 'rehabilitatation'. Interviews, Tokyo, July to November 1991.

25. Nihon Kokuyû Tetsudô (JNR) (1984), *Kokutetsu Yosan Sankô Shiryô*, p.308. This issue is also discussed in Nihon Kokuyû Tetsudô Keiei Kaikaku Shitsu (JNR Management Plan Division), *Keiei Shiryô Shû (Saiken Keikaku Kankei)* (Compilation of Management Data Concerning the Reconstruction Plans), p.229 and p.236.

26. The proposed second half of the doubling of passenger fares in

1977 was, in the face of strong opposition from the travelling public, quietly abandoned, and with it went any possibility of the Reconstruction Plan's goals being realised. See Nihon Kokuyū Testudō (1984), Kokutetsu Yosan Sankō Shiryō, pp.308-309.

27. Ishikawa Tatsujirō (1980), "Kakuitsu Unchin Shisō ga Ikitsuku Tokoro" (The Destination of the Uniform Rate Concept), Kōtsū Shinbun, 22 June.

28. As discussed in Smith, Ian (1992), "The History of the Japanese National Railway 1949-1987 - A Balanced View", Tetsudō Shigaku, December, p.56.

29. Of the 83 local lines chosen by the JNR in 1968 for closure, 12 actually ceased operation (amounting to some 121 kilometres of track) between 1969 and 1972. As previously stated, however, the amount of new rural line construction in the 1960's and 1970's far exceeded the closures and the problem was not properly tackled until the passing of the JNR Reconstruction Act of 1980. That Act defined those remaining lines to be terminated or converted to Third Sector operation as being characterised by extremely low traffic density, all of them carrying less than 4000 passengers per kilometre per day. The first line in the closure programme ceased operation in October 1983, and the first service to be taken over by a new Third Sector company began operating in April 1984. The total track length of these services removed from the JNR's responsibility was 3157 km, representing 14% of the total JNR track network but only 1% of its passengers carried.

The Third Sector companies formed by this legislation are partnerships between local governments and private investors. Thirty eight of the eighty three rural lines to be terminated by the JNR were taken over by such Third Sector enterprises, the remaining services being transferred to local bus operations. The JNR provided the required railway facilities (track, signalling, stations) to these new Third Sector companies without cost, and government subsidies were made available for the purchase of rolling stock and engine sheds etc. In what was the first overt acknowledgement of the requirement of public funds to maintain non profitable services, moreover, central government agreed to cover 50% of all trading losses by the Third Sector companies for

the first five years of operation.

The geographical distribution of the line closures and transfers to Third Sector operation is shown in Appendix 4. In terms of public rail service, the island of Hokkaido suffered most from the introduction of this policy, only one of its twenty three local lines abandoned by the JNR being taken over by a Third Sector railway operation. A detailed account of the establishment of the Third Sector Railway system is available in Imashiro Mitsuhide (1993), Provincial Railway Policy and the Third Sector Railways in Japan, Tokyo.

30. The 1980 Management Plan divided the JNR's trunk lines into three groups - those between Tokyo and Osaka, the *Shinkansen*, and other trunk lines - and more clearly defined the operating conditions for each category. Material provided in Interview by Maeda Kiyoji, Director General of *Unyu Chôsa Kyoku* (Institute of Transport Economics), Tokyo, September 1991. Confirmed in the discussion of the JNR Reconstruction Plans in Nihon Kokuyû Tetsudô (1984), pp.352- 355.

31. Article 4-2 of the Nihon Kokuyû Tetsudô Keiei Saiken Sokushin Tokubetsu Sochi Hô (1980) limited the areas in which the JNR could effect its Management Improvement Plan - and excluded any rationalisation of the scale of the operations of the national railway. The Law is contained in the (Annual) Chûkai Tetsudô Roppô (Compendium of Railway Laws), Tokyo; in the 1993 Edition on pp. 3033 -3054.

32. Ishikawa Tatsujirô (1982), "*Jitai Shinkô no Sokudô to Saiken Sokudô*" (An Escalation of the Present State of Affairs Versus Speedy Reconstruction), Kôtsû Shinbun, 19 September.

33. Ibid.

34. Iio Jun (1993), Mineika no Seiji Katei - Rinchô Gata Kaikaku no Seika to Genkai (The Political Process of Privatisation - Institutional Reform in Japan in the 1980's), Tokyo, pp.29-30.

35. As shown in Chart 4, adjoining p. 190.

36. As set out in Chapter 1, pp. 105 - 107.

37. The Opinions Regarding JNR Reconstruction, submitted by the Supervisory Reform Commission to PM Nakasone in July 1985, put the appropriate level of manpower for the new JR companies to be created after the JNR's dissolution at 215,000. Nihon Kokuyu Tetsudô Saiken Kanri linkai. (JNR Reconstruction Supervisory Commission), Kokutetsu Kaikaku ni Kan Suru Iken - Tetsudô ni Mirai o Hiraku Tame ni (Opinions on the Restructuring of the JNR), p.93. One would have had to go back as far as 1930 for the national railway's actual level of employment to be as low as this figure. See Table 12, adjoining p.233.

38. This was facilitated by the policy permitted to the JR companies to choose their new employees from the pool of former national railway staff, all of whom had been dismissed on the dissolution of the JNR. See discussion in Chapter 6 (pp. 471 - 480) on the process of preparation for the JNR's privatisation.

39. The Law Governing the pensions paid to public servants, the Onkyû Hô (Pensions Law), is contained in the Roppô Zensho (Compendium of Laws), Tokyo; in the 1993 Edition on pp.313-330.

40. The term 'unfunded' means that, according to actuarial calculations, the *Kokutetsu* pension scheme would not have sufficient resources to meet the pension requirements of its existing members. "... an unfunded scheme can be looked upon as equivalent to a funded scheme under which no contributions have yet been paid and which accordingly has no assets." Davies, Mike; Paterson, Ron; and Wilson, Allister (1992). UK GAAP - Generally Accepted Accounting Practice in the UK, London, p. 983. The application of this actuarial term to the JNR was explained by Ishii Naoki in an Interview on the JNR pensions issue, Tokyo, September 1994.

41. See Ishikawa Tatsujirô (1967). Kokutetsu Sono Zaiseiteki Kôzô (JNR's Financial Structure), Tokyo, p.331.

42. Ibid.

43. The JNR Pensions issue, including the fund's decline into

deficit, was a matter discussed with Ishii Naoki, Interview, Tokyo, September 1994.

44. Maeda Kiyoji in Interview, Tokyo, September 1991. See also Table 16, adjoining p. 245.

45. See Table 16, adjoining p. 245.

46. As shown in Table 17, adjoining p. 245.

47. This conclusion was drawn from analysis of the statistics in Table 16, adjoining p. 245.

48. The reference to 1980 is in connection with the establishment of the Third Sector Railway system in that year. See p.223, Endnote 29, and Table 16, adjoining p.245.

49. This conclusion was drawn from analysis of the statistics in Table 17, adjoining p. 245.

50. Kôshiro Kazuyoshi (1982), *Nihon Rôshi Kankei* (Labour Relations in Japan), Tokyo, Table VII-14, p.178.

51. The *Marusei Undô* policy was introduced by the management of the JNR with three broad objectives, namely to increase efficiency, to enhance the overall wealth of the national railway, and to provide a fair share of rewards to its staff. As regards its motivation, Paul Noguchi is succinct in his description "... JNR management was aware that Kokutetsu needed government assistance for its financial reconstruction. One of the prerequisites of this grand-scale reconstruction program was to have government's confidence in the JNR restored by carrying out an impressive productivity drive. Thus, the movement was both a management philosophy and a moral reform campaign for employees." Noguchi, Paul (1990), Delayed Departures, Overdue Arrivals - Industrial Familialism and the Japanese National Railways, Honolulu, pp.117 - 118.

52. Mutô Hisashi, former Secretary General of *Kokûro*, in Interview, Tokyo, March 1992.

53. Management:labour relations in the JNR had deteriorated in the late 1960s, the worsening climate coinciding with the introduction of the policy of *Yōin Gōrika* (Rationalisation of the Essential Workforce). The *Gōrika* strategy - aimed at reducing the level of employment in the national railway - was first addressed at the JNR's freight operation. Management attempts to convince the workforce of JNR Freight that a reduction in overall numbers of staff would bring benefits, for example, in higher wages or shorter working hours to those who remained in employment were not fruitful. Application of the *Yōin Gōrika* policy to the passenger division of the JNR had equally little success. As Mutō Hisashi, the *Kokurō* Secretary General, expressed in interview the labour unions knew that the JNR management had no real autonomy, and could therefore not deliver the "fair share of rewards to its staff" as later set out in the *Marusei* objectives. Interview, Tokyo, March 1992.

54. Mochizuki, Mike (1993). "Public Sector Labor and the Privatization Challenge: the Railway and Telecommunications Unions", in Allinson, Gary D. (ed.), Political Dynamics In Contemporary Japan, Ithaca and London. p.184. See also Noguchi, (1990), p.32.

55. The conclusion that the *Marusei Undō* period had resulted in a widening of the split between the 'moderate' and 'militant' JNR Labour Unions was drawn from the analysis on pp.246-249. Discussion of labour relations in the final 10 years of the JNR is contained in pp.249-254, the conclusion being that the divisions in the various JNR Unions continued right up to the time of the national railway's reorganisation.

56. One interviewee, in a staff relations management position in the JNR during the 1970's, claimed that the national railway *Kaifuku Shōkyū* initiative was modelled on the policy implemented by NTT. As a result of technological developments the telecommunications enterprise had a decreasing staffing requirement, and its *Kaifuku Shōkyū* strategy was introduced as a 'quid pro quo' for the remaining employees. Kitsutaka Hiromasa, Former Staff Relations Department, Advisory Director to the JNR President, in Interview, Tokyo, October 1991.

57. As the *Kaifuku Shōkyū* practices in both NTT, and in the JNR were 'secret', the evidence of their operation and abandonment is no more than anecdotal. However, the interviewee cited above in Endnote 56 indicated that "...the LDP found out, and accused the management of the JNR and NTT of operating a cosy system of employee benefits with public money". In any case, the policy was dropped in the two public corporations, and the career prospects of the management associated with it thereafter suffered.

58. This conclusion was drawn from the analysis of the effect of the *Sutokensuto* on the Japanese economy. Confirmed in Mochizuki (1993), p.185.

59. The new moderate line of *Kokurō* was epitomised by the devising of a slogan which emphasised the duty to work as a higher priority than the traditional emotive concept of the labour 'struggle'. This read as *Hataraku Beki wa Hataraki, Yokkyū Subeki wa Yokkyū Shi, Tatakau Beki wa Tatakau* (When Working We Should Work Hard, When Demanding We Should Demand Strongly, When Fighting We Should Fight Hard). Mutō Hisashi, Former Secretary General of *Kokūro*, in Interview, Tokyo, March 1992.

60. In internal discussions during 1979, the *Dōrō* leader Matsuzaki Akira - prophetically - expounded what he saw as a need to develop policies to deal with the 'strong siege' which would inevitably face the unions from the LDP Government. This is confirmed in Mitsuzuka Hiroshi (1986), *Saraba Kokuyū Tetsudō* (Farewell National Railway), Tokyo, p. 167.

61. *Shuntō* (Spring Offensive) is the name given to the annual system of wage negotiations in Japan, originally initiated by *Sōhyō* (the labour union federation) in the 1950's. While the bargaining, and the general level of wage increases so agreed ('base-up'), is geared to the private sector of Japanese industry, the annual wage settlements by the public corporations were, during their period of operation, influenced by the rate set in the *Shuntō* negotiations.

In practical terms, however, there were regular problems in the JNR in the implementation of the *Shuntō* guidelines on wage increases. This was because the JNR budget - including the proposed salary levels for the next financial year - was submitted

to the Ministry of Transport, and then to the Diet, several months in advance of the general *Shuntô* negotiations. As a consequence, the provision within the JNR budget for wages in the following year approved by the Diet did not necessarily match the rate of increase agreed in the Spring '*Shuntô*'. Moreover, in years in which the JNR's budgeted wage increase was lower than the *Shuntô* rate, the gap could not simply be bridged without further Diet approval.

Although this was regularly the cause of friction between the JNR management and the labour unions, it ceased to be - coincident with the decline in labour disputes in the national railway - a major problem in the public corporation's final decade of operation. The substantial fall in the number of working days lost through labour disputes is shown in Chart 13, adjoining p. 252.

62. The tactics of the pro-reform group within the national railway management are further discussed in Chapter 5 in the context of the position of the JNR in the administrative reform movement. Various interviewees, when asked about the importance of 'solving the JNR's labour problems' as a motivating factor in the JNR reform process, indicated to the author that the labour issue was considered to be central to the proposals which later emerged for the break-up and privatisation of the national railway.

One such comment was the following;

"As for labour issues, there was a strong concern among the members of the LDP, especially after the strike for the right to strike (the Sutokensuto), and they felt that something had to be done to reform the JNR unions (Kokurô and Dôrô)." Ishii Naoki in Interview, Tokyo, September 1994. The viewpoint is also as set out in Ishii Naoki (1991), Short History of Labour Problems in the JNR, Manuscript, Tokyo, pp. 16 -17.

63. *Junpô Tôsô* was the name given to the 'work to rule' struggles practised by the JNR labour unions in place of illegal strike action. Their incidence increased in the early 1970's, and they were accompanied by a growing number of *Anzen Junpô Tôsô* - 'safe operation' struggles in which as Paul Noguchi explains "... train speeds are lowered and strict observance of stopping and starting trains paralyzes traffic and disrupts the schedules of commuters.

In 1972 and 1973 commuters responded with angry riots." Noguchi (1990) p.33.

64. Interestingly, the Kenkyusha New Japanese - English Dictionary translation of *Oyakata Hi no Maru* is the following "... the 'Uncle Sam will foot the bill' attitude". The problem identified as symptomatic of the JNR as a public corporation, may therefore have been thought of as of US derivation. This has a certain irony, however, given that the original US inspired proposals for the establishment of a public corporation structure for the JNR were designed to instil a spirit of private enterprise within the context of financial and managerial autonomy.

65. See Chapter 2, pp. 185 - 190.

66. Interviewees Imashiro Mitsuhide and Ishii Naoki both cited the changing characteristics of the relationships between the JNR management and the bureaucracy as important in conditioning the attitude of the MoT towards the proposals to divide and privatise the national railway operation.

In the JNR's lossmaking phase, successive railway management groups developed and maintained direct contacts with the MoF on the basis that the provision of government finance was essential to the railway's continued existence. The close links between the JNR and the MoF transcended the traditional direct relationship with the Transport Ministry, which regarded the railway management's 'initiative' with hostility.

The issue of the MoT's position in the JNR reform debate is covered more fully in Chapter 5, it being expressed there (pp. 418 - 420) that the final Ministry of Transport support for the JNR break-up and privatisation reflected the desire of the transport bureaucrats to 'get their own back' on the JNR management for the latter's previous attempts at independence.

67. As shown in Table 41, adjoining p. 523.

68. As shown in Chart 1, adjoining p. 70.

69. As shown in Charts 4 and 5, adjoining p. 190.

70. Ishikawa Tatsujirô (1967), Kokutetsu - Sono Zaiseiteki Kôzô (JNR's Financial Structure), Tokyo, p.412, p. 414 and p.415.

71. This financial analysis has been undertaken with data from the Annual Accounts (*Kessan Hôkoku Shô*) of the Japanese National Railway, and with basic statistics obtained from the Library of *Kôtsû Tôkei Kenkyûjo* (Institute of Transport Statistics), Tokyo.

CHAPTER 4

JNR MANAGEMENT POLICY IN OPERATION

The Development of the Shinkansen Network and the Freight Division: Their Role in Shaping the JNR's Overall Financial Position

It has been a central theme of this thesis that the operating performance of the JNR was consistently undermined by its obligation to carry out policies based on matters unrelated to financial expediency. That there was an excessive degree of political influence on decisions affecting the national railway's operations which should have been the preserve of the management of the JNR is clear. The abuse of the system of administering the national railway enterprise for purposes - such as the building of lossmaking local lines - other than the efficient operation of the rail network had a major impact on the financial results of the national railway, and was a crucial factor in leading to its final demise.

In the context of these political aspects of the administration of the national railway the previous Chapter concluded with a financial analysis of the JNR's operations in its final phase, just prior to its dissolution and privatisation. That examination of the

JNR's finances incorporated the results of the key elements of the national railway's activities, its network of high-speed passenger lines (the *Shinkansen*), and its nationwide Freight Service. The policies of the JNR in respect of these two activities were carried out in the context of its role as the operator of the national rail network, and were devised within the framework of political interference in the national railway's management. The relationships between the JNR and its agents in the bureaucracy (particularly the Ministry of Transport) and those with politicians and government were thus important factors in shaping the strategy adopted in respect of these two operations.

The fiscal results of the *Shinkansen* and JNR Freight were highly influential in shaping the JNR's overall financial position. Specific proposals aimed at dealing with both the *Shinkansen* and Freight operations were, therefore, drawn up as important constituents of the JNR privatisation process. The consequent implementation of the reorganisation of both the Freight and *Shinkansen* businesses within the privatisation strategy has since, moreover, had important implications for transport policy matters such as the financing of railway investment, government regulation of the

railways, and the payment of subsidies for the operation of railway services. As an integral part of the evaluation of the financial state of the JNR in its latter years, and as a prelude to examination of the policies adopted on behalf of the *Shinkansen* and Freight operations in the post-privatisation environment there thus follows an analysis of these two important business sectors as they developed through the JNR public corporation era..

The Shinkansen

The *Shinkansen* high speed rail network remains the single, most potent symbol of the Japanese National Railway. The *Shinkansen* is, indeed, taken as a symbol of the Japanese nation as a whole, reflecting the virtues of operating efficiency and reliability, and it has, moreover, inspired the worldwide development of high speed passenger rail services.¹ While this international image as a pioneer of the construction of rapid transit railways is richly deserved, however, an analysis of the aspects of the development of the nationwide *Shinkansen* network in Japan is also required in order to judge its impact on the JNR's financial position. In that detailed proposals for the restructuring of the finances of the existing *Shinkansen* and of the planned construction of 'new' high

speed lines - as detailed in Chapters 6 and 7 - were needed as key elements of the JNR privatisation plans, it is, furthermore, particularly pertinent that the *Shinkansen* operation be subject to more detailed examination than that encompassed at the 'image' level held up by foreign observers.

A Brief Historical Summary of the Original Plans for High Speed Rail

Although the *Shinkansen* was inaugurated during the JNR public corporation era, its history long pre-dates that phase of the development of the national railway. Indeed, the first proposal was some 50 years earlier when, shortly after the nationalisation of the private trunk line companies (described in Chapter 1) in 1906, it was proposed that the *Tōkaidō* line be electrified. The targeted speed on the Tokyo - Osaka route of 80 kilometres per hour would, if the plan had gone ahead, have represented an early attainment of high speed rail passenger transport².

The Railways Agency (*Tetsudōin*), set up to administer the railways following their nationalisation, also favoured a change from the Japanese narrow gauge to the standard gauge to facilitate the construction of high speed lines. This proposal was put

forward by Gotô Shinpei, the President of the Railways Agency, and the lines were mapped out in the 1922 Railway Construction Act. This contained the blueprint for the national railway network on which all subsequent railway construction decisions have been made.

The planned routes for fast passenger services thus existed as early as 1922, and their construction was even by then at least implicit in government transport policy. It took, however, the switch to an economy geared to military expansion in the 1930's to bring the concept nearer to reality. Under a proposal for the military-geared construction of a national network of high speed lines plans were drawn up for a bullet train (*Dangan Ressha*) network to link Japan with the Asian continent. Land was progressively acquired for the purpose of building a new line westwards to Osaka, but the plan foundered as short term economic priorities related to the war effort gained sway. The visionary proposal, drawn up in 1938, to build a new *Tôkaidô* line from Tokyo to Osaka which would halve the then eight hour journey between the two cities was shelved in 1944, where it remained

until the idea was revived at the approach of the 50th anniversary of the national railway in 1957³.

The catalyst for the new proposals to build a new high speed passenger line was the need to provide an appropriate commemoration of the JNR's half century. The specific idea of a standard gauge line taking only three hours from Tokyo to Osaka was outlined by the staff at the JNR's Railway Technical Research Institute, and presented to the Board of Directors in May 1957⁴.

No longer requiring a military justification, the rationale for the construction of the new *Tōkaidō* line was now overwhelmingly an economic one. Although its electrification had been completed in 1956, the existing *Tōkaidō* line had already reached the limits of its capacity. The area covered by this line was of major economic significance, its land space of 16% of the national total accounting for 40% of the population, and over 60% of the total industrial production in Japan.

The alternative means of extending the capacity of the *Tōkaidō* line would have been to double track it, although this would have left

the maximum speed at 110km/hr. It was, moreover, estimated that the cost of double tracking the line would have amounted to more than a full year's revenues from the entire JNR passenger division. There was therefore a strong argument for building a new standard gauge, dedicated line which would reduce the journey time by half on a route which, while accounting for only some 3% of the national rail network, catered for 24% of the JNR's total passenger and freight business volume.

The Role of Sogô Shinji

Despite the compelling economic logic of such a plan, it might well have stayed on the drawingboard had it not been championed by one individual, the then JNR President Sogô Shinji. Sogô, previously a Director of the South Manchurian Railway (*Minami Manchukuo Tetsudô*), had been appointed to the post of President of the JNR in 1955 and, in the face of opposition from both within and outside the national railway, promoted the Shinkansen project to the Ministry of Transport. Sogô believed in the force of the argument that a new high speed broad gauge line was infinitely preferable in the long run to double tracking the existing *Tôkaidô* line⁵.

The counter proposal of double tracking was still one favoured by a considerable body of opinion in the JNR management, along with the further suggestion that, if a new standard gauge line was to be built, cost savings would be achieved by constructing it alongside the existing *Tōkaidō* service. The main faction of anti-*Shinkansen* opinion inside the JNR was in the Freight Division, as goods trains would not have been able to use a new standard gauge line. With demand for freight services still at a high level, the double tracking of the existing *Tōkaidō* line would better have served the interests of the JNR Freight operation⁶.

The radical proposal to build a completely new standard gauge line on a different route from the old *Tōkaidō* was also subject to criticism from independent observers who argued that the railway was already an outmoded form of transport. A widely publicised view was that of the novelist Agawa Hiroyuki⁷ who included the planned *Shinkansen* in the list of the World's Three Great Follies (*Sekai no San Baka*). This expression was one originally coined as a reaction to the 1934 plan to build the battleship *Yamato*. The *Yamato* came into service in late 1941 and was sunk by the Allies in April 1945. In Agawa's view the *Shinkansen* could join the

Yamato (and its contemporary the *Musashi*) warship as an other example of ill conceived government planning, replacing the other originals in the *San Baka* , the Great Wall of China and the Pyramids of Egypt.

Agawa's judgement on the *Shinkansen* project was soon proved wrong. In 1965 he was quoted in conversation with the former JNR President Ishida Reisuke (Sogô Shinji's successor in the post) as saying that

When the project started, I wondered why the JNR was going to construct it. So I wrote the *Tôkaidô Shinkansen Yamato Musashi Ron* (discussion) to criticise it. But, as I later found out that my guess was completely off the mark, I apologised to Mr Isozaki for my mistake. The project has been very good hasn't it.⁸

Unfortunately, Agawa's apology was directed not to Sogô Shinji, who was the project's real architect, but to Isozaki Satoshi, the JNR President from 1969 - 1973, who by then was the official recipient of the plaudits for the success of the completed *Tôkaidô Shinkansen* .

In the face of such opposition at the time of the proposal for the project, Sogô's belief in the merits of the *Shinkansen* plan was

absolutely crucial to its success. Particularly important was the fact that his support for the proposal was not based just on the narrow principle of what was favourable for the national railway. It was also related to his earlier view that the *Shinkansen* would be a positive factor in promoting the economic development of the country as a whole and, in this respect, Sogô acted on the basis that the JNR was an instrument of national policy.

The national interest in the *Shinkansen* project was further boosted by the award of the 1964 Olympics to the city of Tokyo⁹, and this offered a clear target for the completion of the new line. Approval for the project from the Ministry of Transport was thus obtained in 1959, although the JNR was given no indication of the provision of government funds to aid its construction. The project might still have foundered in the face of the lukewarm reaction from the government had it not been for the approach by Sogô Shinji to the World Bank, which agreed to provide a 20 year loan of \$80 million towards its construction¹⁰. Although this represented only one-third of the eventual costs of completing the new *Tôkaidô* line, it gave a seal of world approval for the project necessary to convince the doubters in Japan that the plan had merits.

The World Bank Application

The JNR application to the International Bank for Reconstruction and Development (The World Bank) was supported by extensive documentation. The following is a brief summary of the salient points:

1. Why New Tōkaidō Line is Needed

... the Japanese National Railway has been carrying a yearly increasing volume of passengers and freight as the nation's main artery of inland traffic. However, the transport capacity is now almost at its limit on most of the main lines. Various means have been resorted to in an attempt to increase the capacity and thereby to break through the stalemate as well as to prepare for the anticipated voluminous increase in the future.

The shortage in the transport capacity is most acutely felt on the Tōkaidō Line, the primary trunk line of the system, and some drastic measure is considered of immediate concern to cope with the situation.

(1) Present status of Tōkaidō Line

Viewing the railway system in Japan as a whole, the Tōkaidō Line (Tokyo - Kobe) of the Japanese National Railways, is a vital section of the main artery linking the northeastern region with the southwestern region; and it in itself contributes the most important trunk line connecting Tokyo, Yokohama, Nagoya, Osaka, Kobe and more than 30 other cities.

The route length of this line is only 590km (367 miles), or about 2.9% of the total kilometer length of the entire system but the districts served by this line are inhabited by about 40% of Japan's entire population and are credited with producing over 60% of the nation's total industrial output.

The rate of annual increases, both in population and production, is higher in these districts than the nation-wide average.

... 2. Reasons for Looking to the World Bank Loan

In order to solve the problem of the future transport capacity of the Tōkaidō Line, as previously referred to, there is no alternative but to construct a New Tōkaidō Line. The cost of this project will be approximately 172,500 million yen or about \$479 million and whether or not the construction can be completed as planned depends solely upon how the required funds can be raised.

Procurement of all of the funds within our country appears to be extremely difficult under present conditions. Completion of the New Tōkaidō Line could not be accomplished for many years if we were to depend entirely on domestic funds. A delay in completion means an incapacitated Tōkaidō Line as a whole, which will eventually paralyze national transport and prove to have a serious effect upon the national economy.

Because of these circumstances, the World Bank Loan is highly desirable for completion of this project in the shortest possible period. World Bank investment has been the key symbol in the economic rehabilitation of Japan and our Government places the highest emphasis on this point. And herein lies the reason for the Japanese National Railways' application to the World Bank. Increased investment in the field of transport, especially in the part creating the bottleneck, is essential to the stabilized development of our national economy.

... As regards passenger service, the plan is to operate on the new line high-speed multiple-unit railcar trains of modern design capable of covering the distance between Tokyo and Osaka in three short hours, against the present 6 2/3 hours. The equipment designed for such electric trains will be airconditioned, and noise-and vibration-proof to ensure comfortable travel. The inconvenience of not being able to effect through operation of trains between the new line and

any other line, will be compensated for by adequate transfer facilities at junction stations. Steps such as ensuring seat reservation for passengers from the new line to stations beyond Osaka will be taken. Such measures will make it possible for one to travel by train from Tokyo to Kyushu Island in one day. This would be a great benefit to the general public.¹¹

The *Tôkaidô Shinkansen* of 515km from Tokyo to Shin Osaka was finally completed in October 1964 at a total construction cost of some 320 billion Yen, over 90% higher than originally envisaged in the JNR submission to the World Bank¹². Its opening on 1 October 1964, coming a mere nine days before the start of the Tokyo Olympics, however, provided the world with a testament to Japanese technological expertise.

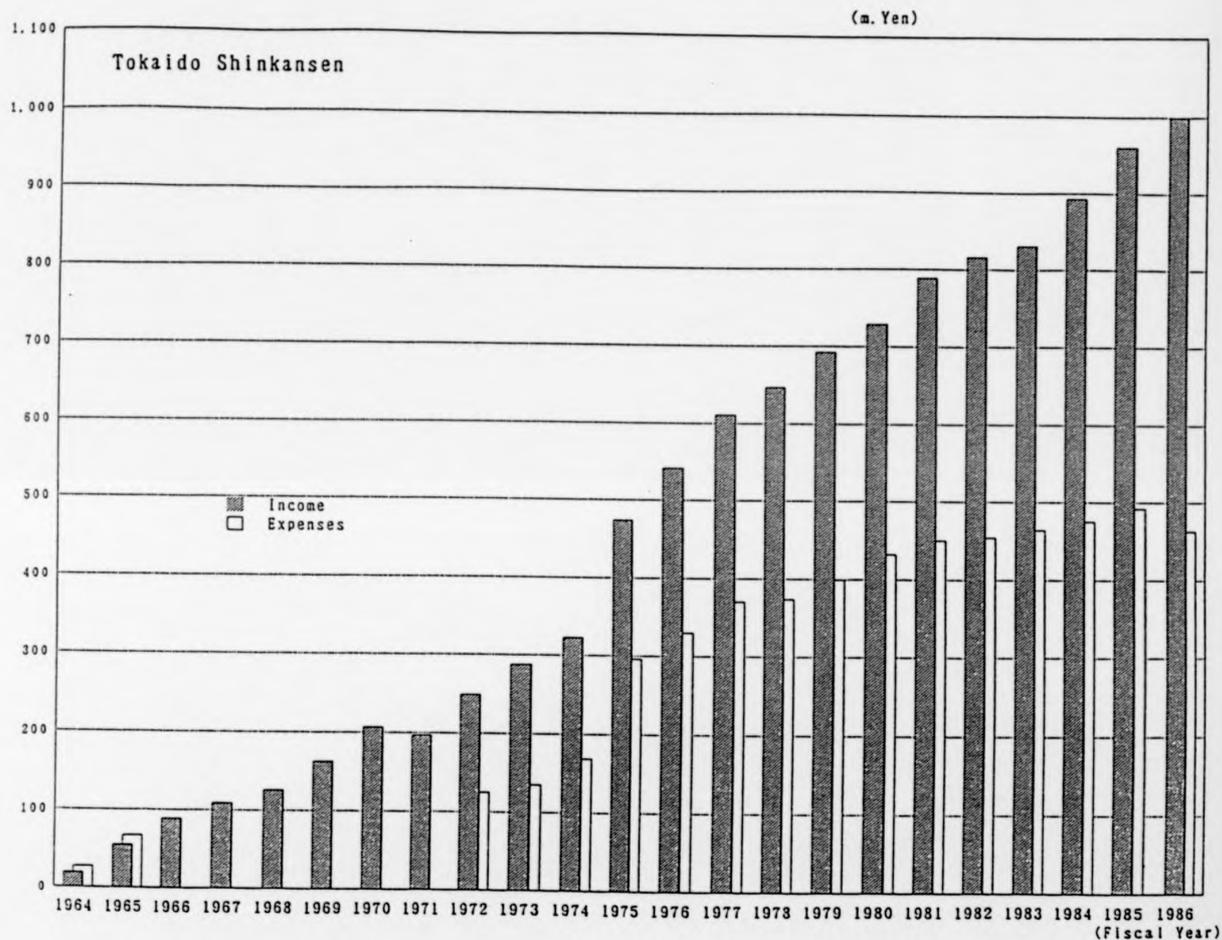
Sogô Shinji, who provided the inspiration for the completion of the *Tôkaidô Shinkansen*, was not invited to the inauguration ceremony. The credit which should have reflected on him for the successful construction of the new high speed line was offset by his unpopularity with politicians who wished to see the national railway acting as an agent for the building of loss-making, but vote winning local lines. Sogô's policy favouring capital investment in economically viable trunk lines instead of on rural services led to his forced resignation as President of the JNR in 1963¹³.

Table 19 POPULATION DISTRIBUTION ALONG SHINKANSEN ROUTES

Year	National Population (000)	Percentage of Population Along Shinkansen Route				Percentage of Population in Areas not Served by Shinkansen	Total
		Tokaido	Sanyo	Tohoku	Joetsu		
1955	90076	39.9%	10.3%	9.3%	2.7%	37.7%	100.0%
1965	99209	46.2%	9.5%	8.3%	2.4%	33.5%	100.0%
1980	117060	50.6%	9.2%	7.8%	2.1%	30.3%	100.0%

Source : Population Census of Japan. Reproduced in Uchihori Mitsuomasa. Estimates and Results of Shinkansen Traffic. JNR. October 1984. Table 3.

Chart 14 FINANCIAL RESULTS OF THE TOKAIDO SHINKANSEN



Source : Adapted from data in Nihon Kokuyū Tetsudō (Japanese National Railways). Senbetsu Keiei Tōkei (Statistics Concerning Financial Status of Each Line). 1964-1986 Editions.

Table 20 ESTIMATES AND ACTUAL RESULTS OF SHINKANSEN TRAFFIC

(00m. Pass-km)

Shinkansen	Original	Estimates		Actual Results	Actual Results/ Final Estimates
		Middle Stage	Final		
Tohaido (for fiscal 1970)	180.3	173.9	258.8	278.9	+7.8%
Sanyo (for fiscal 1975)	172.2	192.7	166.7	180.9	+8.5%
Tohoku (for fiscal 1983)	122.4	80.6	56.0	59.8	+6.8%
Joetsu (for fiscal 1983)	53.4	42.2	24.0	22.6	-5.8%

Source: Uchibori Mitsumasa. Estimates and Results of Shinkansen Traffic. Japanese National Railways. 1984. Table 1.

Post-Tôkaidô Shinkansen Development

Besides symbolising Japan's economic recovery, the *Tôkaidô Shinkansen* justified Sogô's faith in it by becoming immensely profitable¹⁴. The forecasts of passenger traffic flows contained in the submissions to the World Bank were quickly proved to have been extremely conservative. The immediate success of the 'New Tôkaidô Line' then prompted the building of extensions, to be named the *Sanyô Shinkansen*, beginning in 1967 to Okayama, and in 1970 to Hakata in Kyushu. As had been the case with the original *Tôkaidô Shinkansen*, the financing of the *Sanyô* extensions - completed respectively in 1972 and 1975 and costing 910 billion Yen in total - were a JNR responsibility, without it having specific recourse to government subsidies¹⁵.

The area covered by the *Sanyô Shinkansen* did not have the concentration of population density which was a feature of the *Tôkaidô* Line. As shown in Table 19, which incorporates data relating to the later *Shinkansen*, the Tôhoku and *Jôetsu* lines, the percentage of the Japanese population living along the *Sanyô Shinkansen* actually fell marginally between the time of the line's planned construction, and its completion. The strong growth of the

Japanese economy in the latter half of the 1960s, however, resulted in the forecast traffic levels for the *Sanyô Shinkansen* being surpassed substantially by the actual results¹⁶. Table 20 (adjoining p. 291), again including the *Jôetsu and Tôhoku Shinkansen*, shows that the traffic volume on the *Sanyô Shinkansen* exceeded the estimates used to justify its construction by a margin greater than had been the case in the *Tôkaidô* line. Thus, although the actual traffic on the *Sanyô* line has been considerably lower, particularly beyond Hiroshima to the west, than on the *Tôkaidô Shinkansen*, it has continued to contribute towards the favourable financial results outlined in Chart 14.

With the exception of 1971, the operating income of the combined *Tôkaidô* and *Sanyô Shinkansen* rose every year between its inauguration in 1964 and the dissolution of the JNR in 1987. The substantial profits generated on this line provided an element of cross subsidy for the lossmaking services provided by the national railway, which gave governments a false basis on which to justify their retention long beyond the internal means of the JNR to support them were exhausted.

In contrast, moreover, to the opposition shown in government to the original Sogô Shinji proposal, the popularity of the concept of high speed passenger services as epitomised by the *Tôkaidô Shinkansen* offered the potential of a new form of investment which would, like the JNR's local line network, confer political benefits without adding directly to the national public sector indebtedness.

A proposal to construct a major network of *Shinkansen* was one of the central features of the Plan for Building a New Japan¹⁷ drawn up by Tanaka Kakuei two years before his election as Prime Minister in 1972. The Tanaka proposals had been encapsulated in the Law for the Construction of a Nationwide Shinkansen Railway Network of 1970, and within three years detailed plans had been drawn up for five new Shinkansen. Inclusive of the further twelve new lines in outline planning, the completed network would have comprised 7000km of Shinkansen, compared to the actual *Tôkaidô* and *Sanyô* route length of 1070km.

Had the Tanaka plan, as laid down by the Shinkansen Construction Act, been part of an integrated government transport policy - with

clear indications as to how it was to be financed - it would have been a major statement in support of the necessity for substantial public sector investment in the national infrastructure. As an instrument of government strategy for the improvement of communications and for the development of regional policy in Japan, the expansion of the *Shinkansen* network would have been eminently justifiable. There was, however, a crucial missing link in the policy of *Shinkansen* construction as a national project, that of any coherent strategy for its financing.

The decisions on the construction of the two lines - the *Tôhoku* and *Jôetsu Shinkansen*, already approved, were indeed, taken in the clear light of their likely unprofitability. The areas covered by the two proposed 'new' *Shinkansen* encompassed only some 12% of the country's population, a share of the national total which was also in decline (again see Table 19). The original estimates of traffic flows for the *Tôhoku* and *Jôetsu Shinkansen* were almost identical to those for the Sanyô line but their total forecast construction cost, at 3,700 billion Yen was four times as high. Following the first Oil Shock of 1973, and its effect on the Japanese economy, the traffic estimates for both the new *Tôhoku*

and *Jōetsu* lines were drastically lowered (see Table 20) but the actual results of the *Jōetsu* did not even reach the level of the final forecast¹⁸. Even on the estimates of traffic volume made before construction began, it is inconceivable that the projects could have been sanctioned as likely profitable investments.

Writing on 20 December 1982, Ishikawa Tatsujirō made the following observations on the building of the *Jōetsu Shinkansen*, in an essay entitled *Kokkateki Purojekuto Toshite no Sekinin* (Shouldering Responsibility for a National Project):

About a month has passed since the *Jōetsu Shinkansen* Line, connecting the Pacific and Japan Sea coasts of Honshu in only two hours, was opened to traffic after eleven years and an enormous outlay of 1.7 trillion Yen. Expectations and enthusiasm for this new Shinkansen are extremely high in the areas along its route, as shown by such comments as 'this marks the opening of a new era for the regions along the Japan Sea,' and 'this is the world's first superexpress train that will run through areas with heavy snowfall'.

The traffic on this line, however, is considerably less than that on the existing Shinkansen lines. In a sense, this was to be expected. The *Tōkaidō Shinkansen* passes through a region with a population of over 30 million, an unusually high density anywhere in the world, while along the *Tōhoku Shinkansen* the population is about a quarter of that figure. Compared to these lines, the *Jōetsu Shinkansen*, which has a track length of 270 kilometers, is shorter and its service area smaller than even that of the *Tōhoku Shinkansen*. Since demand for passenger transportation services is generated based on trips per person, any difference in population density is directly reflected in a difference in the level of

traffic, which undoubtedly has a crucial effect on the Shinkansen's facilities and investment funding.

Unlike the existing Shinkansen lines which were constructed and operated by JNR itself, the Jōetsu Shinkansen was constructed by the Japan Railway Construction Corporation under the direction of the national government and loaned to JNR. Formally, the JNR leases the facilities required to operate the line from the corporation, which owns and manages them. JNR currently anticipates approximately 50 billion Yen annually in fare revenues from the Jōetsu Shinkansen, while the amount paid to the corporation in rent comes to 100 billion Yen. In addition, expenses for maintaining the line such as the costs of train operations and track maintenance, coupled with the decrease in revenues from ordinary express services due to passengers shifting to the new Shinkansen, are negative factors with which JNR's management must contend. These factors will undoubtedly burden its management for a long time.

... The government and the Diet seem to apply a different standard to JNR than to other public corporations in raising the wage base of its employees by a lower percentage because of its deficit, while renting it facilities that are clearly the product of a national project of policy, then charging rents double the amount that JNR earns by operating them. What explanation could the government and the Diet possibly have for this mechanism which governs the operations of the Jōetsu Shinkansen? ... The nation, particularly after taking such a strict stance with respect to JNR's responsibility for the deficit, should acknowledge its own responsibility in creating such a large and long-lasting factor contributing to JNR's funds shortfall at this time.

... Renting a building for 100 billion Yen when sales are estimated at only 50 billion yen would clearly not be a logical way to start a new business in general management terms, and it goes without saying that those in control of a business should not adopt any policies that would put its management at risk. While it is considered that the salaries of JNR's employees should be treated differently to those of

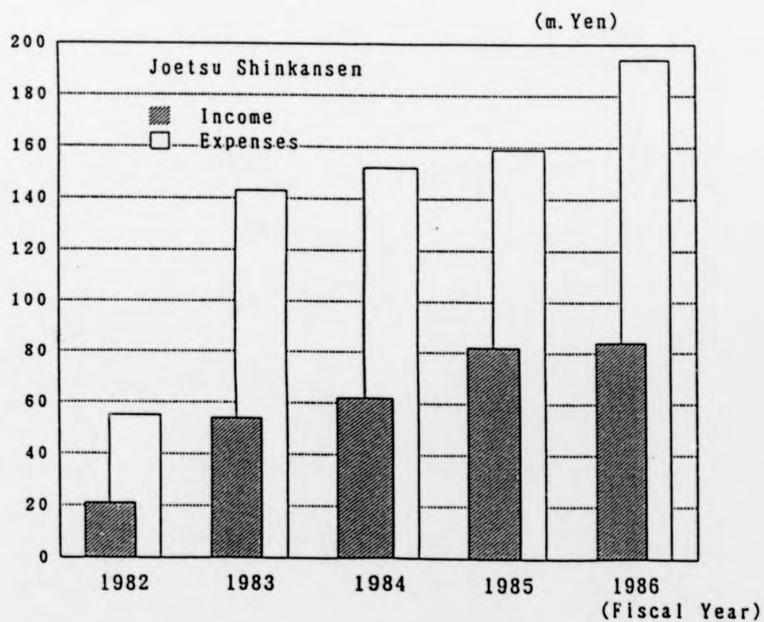
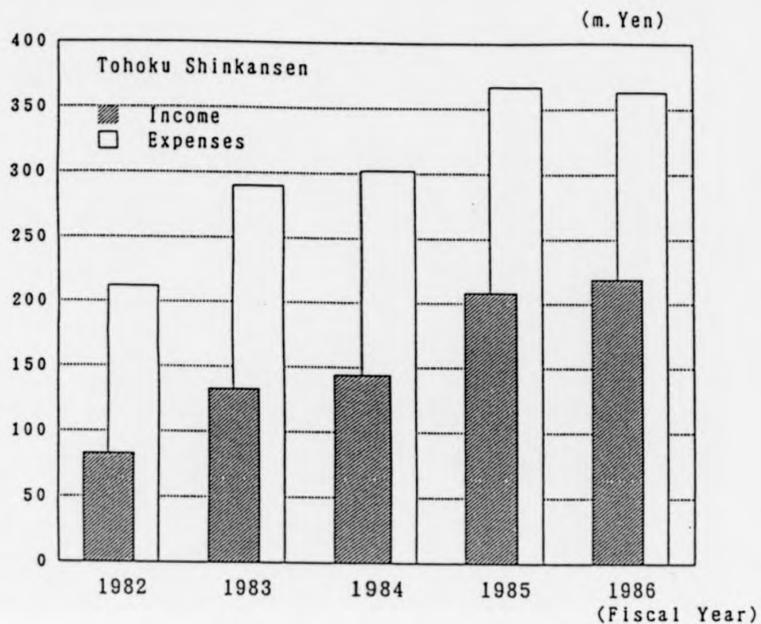
other governmental organizations because of its deficit and various emergent measures taken in connection with its reconstruction, JNR tolerantly shoulders an enormous addition to this deficit without clarifying the conditions of the agreement on which it is based. Instead, we hear only vague wishes and hopes that things will be better in twenty years, or that the situation can be coped with through the efforts of its own management. One cannot help but wonder just where the responsibility for managing JNR lies.

... A green and ivory bullet train runs under the gentle sunshine from the Kanto Plain to the Echigo Plain in early winter, passing en route through the tunnels under the snow-capped mountains dividing the two regions. If this Shinkansen Line was constructed as a result of the nation's wealth - or if, in other words, it is a symbol of that wealth - this fact should be reflected in the way the line is managed. JNR should not simply be left to suffer alone.¹⁹

As implied in the comments by Ishikawa Tatsujirō, the unprofitable nature of these planned new lines was partially acknowledged in the decision to use the Japan Railway Construction Corporation to build the *Jōetsu Shinkansen*. Thus, any objections made by the JNR to the go-ahead of this new line could be ignored, and a public corporation could be utilised to ensure the construction of a *Shinkansen* to the home town (Niigata) of Prime Minister Tanaka Kakuei. The JNR therefore did not directly bear the cost of building the *Jōetsu Shinkansen* but it did inherit from the opening of the line in 1982, as Ishikawa clearly states, the leasing charges to repay the construction costs, and it also had to bear substantial annual operating losses.

The other 'new' *Shinkansen* , the *Tôhoku* , was constructed by the JNR and its costs were met by borrowings incurred unalleviated by any substantial direct public sector financial support. Specific government subsidies for *Shinkansen* projects were introduced (see the earlier Table 16) only in 1977, and remained minuscule in relation to the JNR's expenditure. At no time was there a system of public sector subsidy related directly to long term investment projects such as the construction of *Shinkansen* . The decision to proceed with the *Tôhoku* line, therefore, was made in the knowledge that there would be no significant government funding of its costs, and despite the fact that the JNR had no internal resources to finance its construction.

Chart 15 FINANCIAL RESULTS OF THE TOHOKU AND JOETSU SHINKANSEN



Source : Adapted from data in Nihon Kokuyū Tetsudō (Japanese National Railways). Senbetsu Keiei Tōkei (Statistics Concerning Financial Status of Each Line). 1985. p. 38. 40. 1986 p. 38. 40.

Table 21 TOHOKU AND JOETSU SHINKANSEN: REVENUES AND COSTS

(b. Yen)

Fiscal Year	1 9 8 2	1 9 8 3	1 9 8 4	1 9 8 5	1 9 8 6
Combined Revenues	104.6	187.7	206.9	289.1	302.9
Combined Costs	267.5	433.3	454.5	526.1	557.6
Combined Operating Loss	162.9	245.6	247.6	237.0	254.7
Capital Expenses	219.6	355.1	366.5	412.1	456.5
JNR Lease Payments to JRCP	73.0	137.6	138.5	139.1	188.9

Note : JNR Lease Payments to the JRCP contain costs relating to non Shinkansen operations, but their amount is not material.

Source : Adapted from data in Nihon Kokuyū Tetsudō(Japanese National Railways). Senbetsu Keiei Tōkei (Statistics Concerning Financial Status of Each Line). 1985. p. 38, 40. 1986 p. 38, 40. Unyushō(Ministry of Transport). Shōwa 62 Nenban Unyu Hakusho(Annual Ministry of Transport White Papers for 1987). 1988. Reference Materials p.5.

Table 22 SHINKANSEN BUSINESS DEVELOPMENT

Year	Transport Volume m. passenger km.		Income m. Yen		Shinkansen Cars in Service no.
	Ordinary Tickets	Season Tickets	Ordinary Tickets	Season Tickets	
1964	3,912,092	—	19,283	—	368
1965	10,651,039	—	54,705	—	488
1966	14,488,533	—	88,781	—	608
1967	17,911,265	—	109,279	—	728
1968	21,026,597	—	126,458	—	838
1969	22,816,017	—	163,700	—	1,102
1970	27,889,621	—	207,305	—	1,150
1971	26,795,374	—	197,366	—	1,214
1972	33,834,699	—	249,160	—	1,358
1973	38,988,727	—	288,015	—	1,684
1974	40,670,929	—	322,736	—	2,055
1975	53,317,604	—	473,824	—	2,184
1976	48,146,638	—	542,356	—	2,352
1977	42,187,463	—	610,731	—	2,354
1978	41,073,627	—	647,074	—	2,358
1979	40,986,290	—	693,247	—	2,372
1980	41,789,974	—	722,795	—	2,415
1981	41,717,464	—	782,333	—	2,646
1982	46,096,724	8,548	912,497	99	2,706
1983	50,343,014	97,010	1,006,799	1,103	2,742
1984	50,696,828	129,269	1,087,217	1,568	2,853
1985	55,254,268	168,446	1,234,746	2,116	2,866
1986	55,709,844	233,577	1,284,614	2,764	2,888

Source : Adapted from data in Nihon Kokuyū Tetsudō (Japanese National Railways).
Senbetsu Keiei Tōkei (Statistics Concerning Financial Status of Each Line).
 1964-1986 Editions. Nihon Kokuyū Tetsudō (Japanese National Railways).
Tetsudō Yōran (Railway Digest). 1964-1986 Editions.

The operating results of the *Tôhoku*, and *Jôetsu Shinkansen* from 1982 are contained in Chart 15, offering a vivid contrast to the profitability also shown of the *Tôkaidô* and *Sanyô* lines. The operating losses of the *Tôhoku* and *Jôetsu* lines, moreover, give an incomplete picture of the total cost to the JNR, as the related capital expenses and the lease payments to the Railway Construction Public Corporation must be added. Table 21 shows the combined effect of the operating results of the two *Shinkansen* since 1982, together with the capital outflows and the annual lease cost of the JNR's contractual obligations to the Railway Construction Corporation.

The Shinkansen Network in the JNR Era

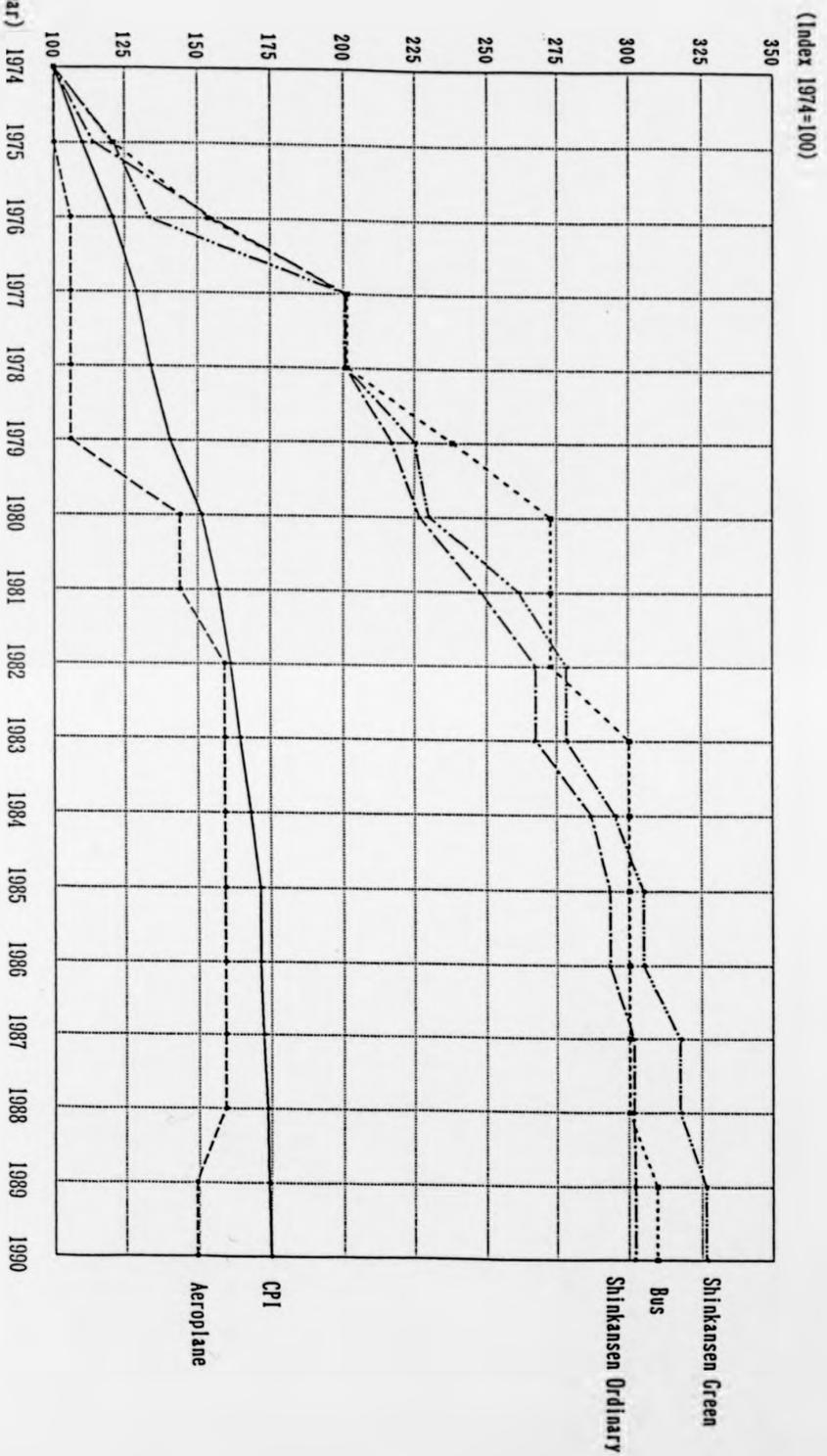
The development of the Shinkansen business through the JNR public corporation period is detailed in Table 22. Its strategic importance to the JNR is shown both in terms of transport volume as measured by passenger kilometres where the *Shinkansen* contributed some 28% of the national railway total by the mid-1980s, and in revenues where the *Shinkansen* was responsible for 35% of the income from the entire JNR group.

Within this overall position, however, the overwhelming influence

was that of the *Tôkaidô Shinkansen* which, together with the *Sanyô* extensions, accounted for 78% of the total revenue from *Shinkansen* operations in 1986. The *Tôkohu* and *Jôetsu Shinkansen* can be regarded as strategic, long term links in the national rail network; while their effect on the JNR was relatively insignificant in terms of revenues generated, it was severely negative in terms of operating losses.

The most striking achievement of the *Tôkaidô Shinkansen* has been that of preserving the railway's market share in middle distance travel which, in other areas has been captured by the airlines. The *Shinkansen* tariffs have risen considerably faster than those in other travel modes (see Chart 16) and, indeed, have outpaced by 80% the Japanese Consumer Price Index since 1974. Nevertheless, on the Tokyo - Osaka route the share of the market held by the *Shinkansen* has only fallen marginally from the level of thirty years ago.

Chart 16 TARIFFS BY MODE OF TRANSPORTATION



Source: Adapted from data in Uchihori Mitsunasa. Estimates and Results of Shinkansen Traffic. JNR, 1984.

Table 23 DOMESTIC TRAVEL BY MODE OF TRANSPORT:
COMPARISONS BETWEEN THE NATIONAL RAILWAY
AND AIR TRAVEL

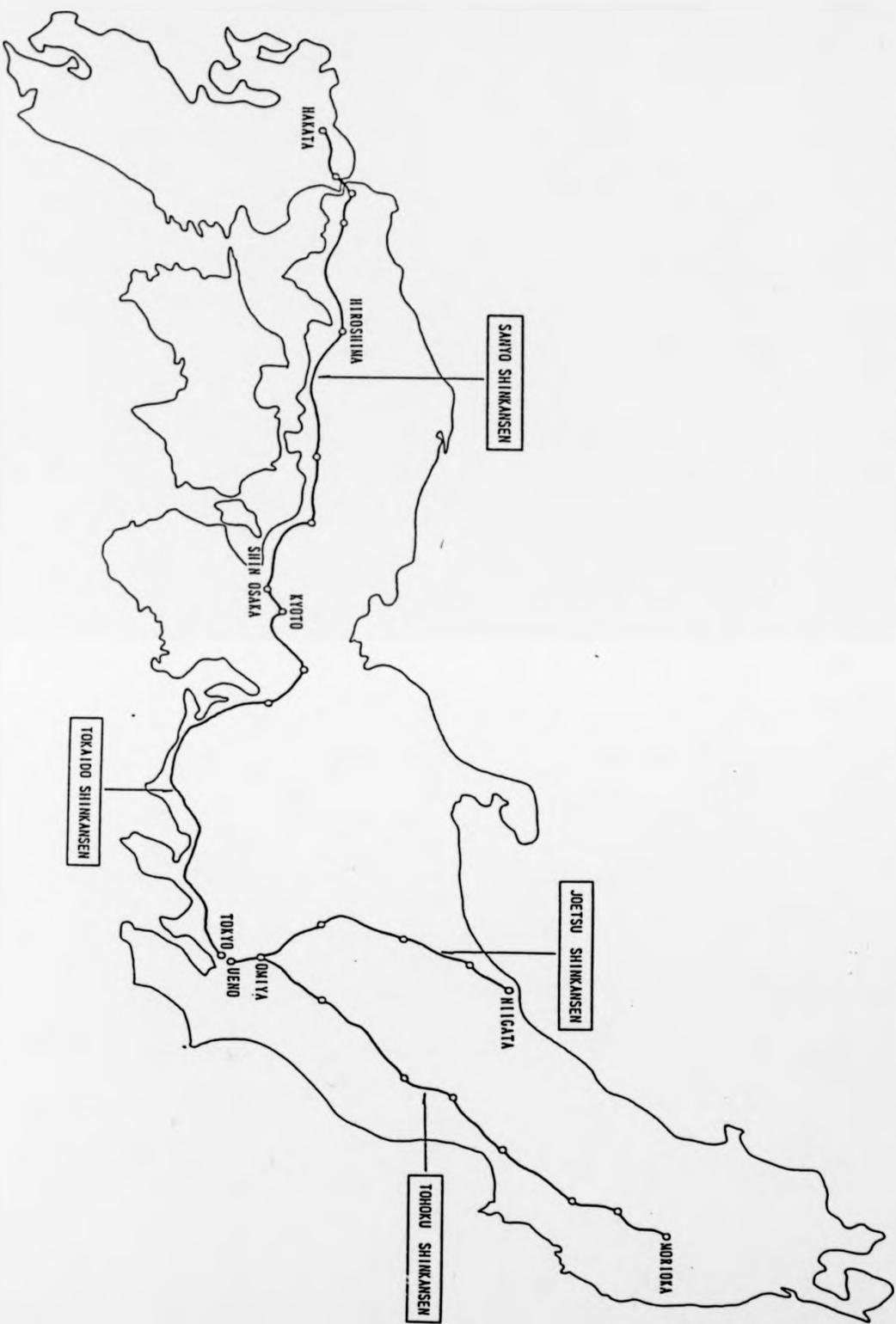
Route	Year	Traffic Volume (000 Passengers)		National Railway Market Share	Tariffs (Yen)		
		National Railway	Airlines		Shinkansen		Airlines
					Ordinary	Green Car	
		Tokyo ↵ Osaka	1960		5.572	441	92.7%
1965	11.837		1,248	90.5%	2,780	5,690	6,800
1970	21.097		2,466	89.5%	5,510	9,510	10,400
1975	19,955		3,161	86.3%	9,900	13,900	14,100
1985	24,452		3,225	88.3%	12,600	17,500	15,600
1986	24,264		3,614	87.0%	13,100	8,000	15,600
Tokyo ↵ Sapporo	1960	436	244	64.1%	3,400	7,880	11,700
	1965	696	724	49.1%	4,000	8,300	12,400
	1975	606	2,153	22.0%	6,510	11,310	12,900
	1980	548	3,323	14.2%	8,010	13,510	18,200
	1985	189	4,684	3.9%	23,200	33,500	25,500
	1986	178	5,120	3.4%	24,050	33,600	25,500

Source: Adapted from data in Nihon Kokuyū Tetsudō Kansa Iinkai (Japanese National Railways Audit Committee). Kansa Iinkai 30 Nen No Kiroku (A Thirty Year of the Audit Committee). 1987. p. 508, 509. Nihon Kokuyū Tetsudō (Japanese National Railways). Jikokuhyō (Time Table). 1960-1986 Editions.

As seen in Table 23, the JNR's share of the Tokyo - Osaka market in the inaugural year of the *Tôkaidô Shinkansen* , 1964, was 87.2%. The advent of faster *Shinkansen* services actually resulted in this market share rising to over 90%, and even in 1987 it remained as high as 87%.

This contrasts vividly with the situation on the Tokyo - Sapporo line, which comprises the *Tôhoku Shinkansen* to Morioka, and limited express services for the remainder of the route. By the time that construction of the *Tôhoku Shinkansen* began in 1971, the railway's market share was already only one-third of the level it had been only ten years before²⁰. This evidence of the growing impact of competition from air travel was clear when the *Tôhoku Shinkansen* was being planned, but did not prevent the decision made to direct the JNR to proceed with its construction. During the building phase of the *Tôhoku Shinkansen* , the railway's share of Tokyo - Sapporo travel fell further and although the new line opened in 1982 it failed to stop the airlines from taking yet more business on this long distance route.

Map 6
SHINKANSEN IN OPERATION 1986



Source: Adapted from data in Nihon Kokuyū Tetsudō (Japanese National Railways). Showa 61 Nendo Tetsudō Yōran (Railway Digest for Fiscal 1986). 1987. Gatefold Map.

At the end of the JNR era in fiscal 1986, the *Shinkansen* network covered an area in which 70% of the Japanese population lived (see Map 6). Within this network of high speed lines, the overwhelming significance of the *Tôkaidô Shinkansen*, in terms of population served, traffic volume, and profitability has been clearly demonstrated. The plan to build the *Tôkaidô* line was the single, most inspired business decision made during the era of the JNR as a public corporation. Not only did it provide significant profits throughout the twenty two years of the JNR after it opened in 1964, it was also a constant source of pride for the management and staff of the national railway. In international terms, moreover, the *Tôkaidô Shinkansen* gave Japan, at an early stage, the status of a major economic and technological power.

The decision to extend the *Shinkansen* network resulting in the construction of the *Tôhoku and Jôetsu* lines, was, however, a crucial change in emphasis. The building of these new lines, known in advance to be unprofitable, turned the development of high speed rail services from a business-related policy into one based on social considerations. It has here been argued that a substantial proportion of the JNR's operations were run on the basis of serving

the national interest. The enforced maintenance of lossmaking rural services and the construction of additional lines in the face of economic logic were examples of the use by government of the JNR as an engine of social policy. The spread of the *Shinkansen* network involving the JNR in massive capital and operating costs and adding to its annual losses, is a further reflection of the role imposed on the national railway to promote national policies which could not possibly be deemed to be part of its financial remit.

National Politics and the Shinkansen

In 1982 plans for further expansion of the *Shinkansen* network were shelved by Cabinet decision²¹. This reflected the already parlous state of the JNR's finances, and the lack of any integrated government transport policy incorporating alternative means of funding the construction of new high speed railway lines. It also came at a time when the process of administrative reform²² was on course to effect the dissolution and break-up of the JNR. The proposed policy of establishing new financially viable operating companies to operate the national rail network would have been

put in jeopardy by the go-ahead of the building of additional *Shinkansen* services which, however important in terms of the national transport infrastructure, would inevitably be lossmaking.

The decision to postpone any new *Shinkansen* construction came too late to prevent the damage inflicted on the JNR's finances by the previous sanctioning of the *Tôhoku* and *Jôetsu* Lines. The attitude of the JNR management to their construction had, moreover, weakened the counter-argument that the cost - as well as the concept of a nationwide network of high speed passenger services - should be regarded as a matter for separate funding by national and local governments. The JNR's outward position was of acquiescence to the decisions to build the two new lines, the prevailing view within the national railway Board being that which saw the expansion of the JNR empire - and therefore the status of its management - as more important than financial self-sufficiency²³.

The absence of such JNR complicity would have made it more clear to the government that decisions to build intrinsically lossmaking *Shinkansen* should have formed part of a comprehensive policy of

regional economic development which would have recognised the wider benefits of the provision of high speed rail services. The narrow view that the national railway should be used to carry out national policies without adequate provision of finance instead prevailed, and its implementation contributed significantly towards the JNR's eventual financial collapse.

Because of such political considerations, the *Shinkansen* policy of the JNR ceased to have commercial validity after the construction of the *Tôkaidô and Sanyô* lines. The national benefits from the extension of the network since then have come in the form of boosts to the regional economies along the *Shinkansen* routes. These benefits, however, were not paid for by the recipients but largely by a national railway already burdened with substantial indebtedness.

The *Shinkansen* construction programme was revived in 1989, two years after the privatisation of the JNR. A new financing policy was devised²⁴ in which the proposed new lines - detailed in Appendix 5 - will be financed with 50% of their cost being met by

the relevant local authorities and by central government. The JR companies which replaced the JNR public corporation are therefore responsible for only half of the construction costs²⁵.

The new system of deciding on, and of financing 'new' *Shinkansen* services has, therefore, finally been developed to take account of the broader considerations of the benefits which will be provided to both regional and national economics. Had such a system been in practice in the JNR period, the *Shinkansen* network might already have been more extensive, but the direct negative impact on the JNR's finances would have been greatly reduced.

JNR Freight

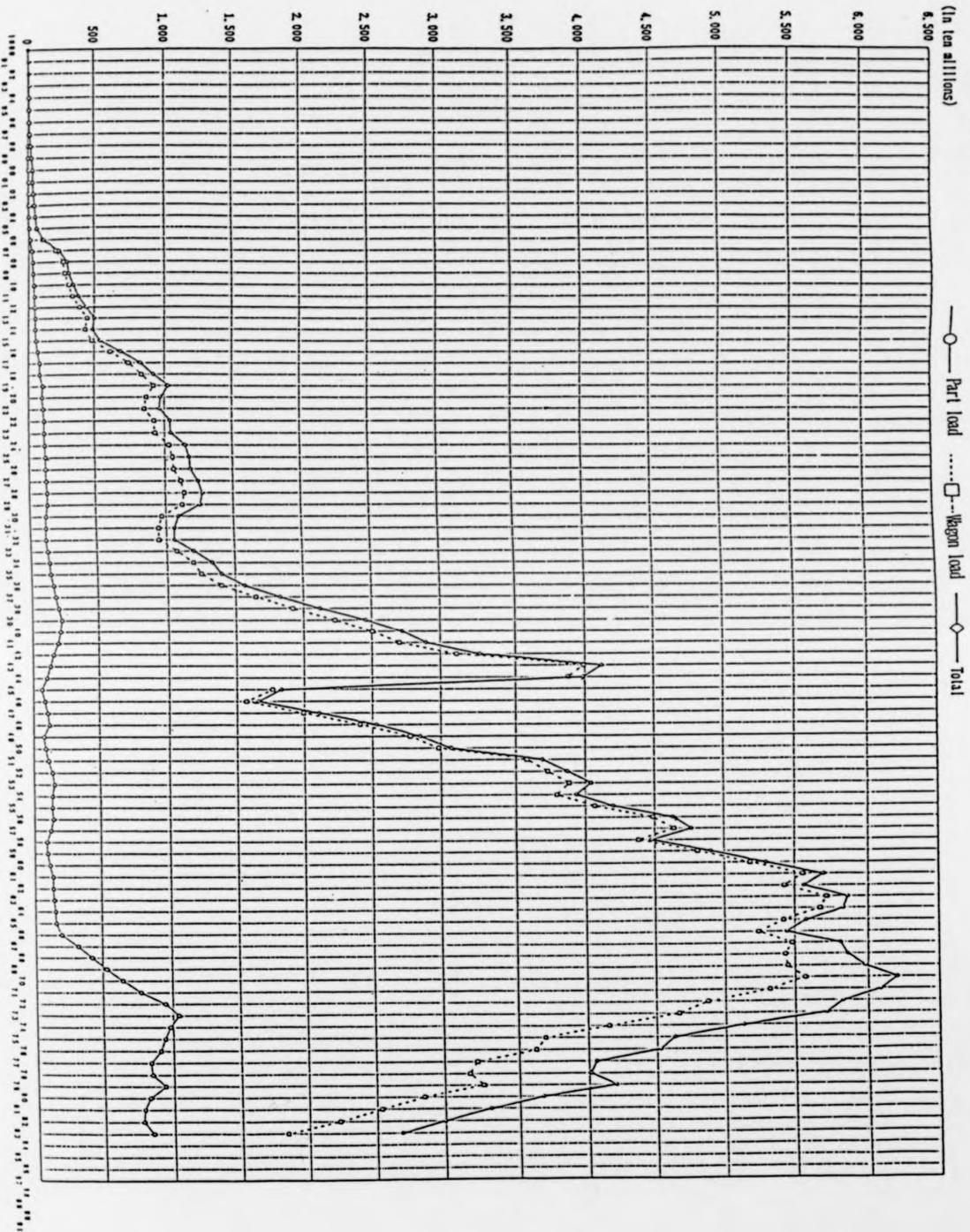
The JNR was most widely known in its capacity as operator of the national passenger network. It was also a nationwide transporter of commodities, and its role in the latter field, that of freight transport, was similarly subject to the 'obligation' to maintain national services. As with the *Shinkansen*, moreover, the Freight Division was addressed in the JNR privatisation proposals as requiring of financial reconstruction (see Chapter 6) and it is therefore apposite that the policies adopted for the development of the national railway's freight business - and its financial results - be examined during that public corporation phase of operation.

Rail Freight in the Post War Period

When the JNR was established as a public corporation in 1949, rail freight was still the dominant mode for the transportation of goods. As shown in Chart 17 there had been substantial growth in cargo traffic in the 1930's, the national railway's freight operation being used as the engine of an economy geared to military expansion. After the disruption to goods traffic during the Second World War, the growth in freight business was resumed, and the pre war peak of goods traffic by rail exceeded by 1955.

Chart 17 JNR FREIGHT BUSINESS

Tonne-Kilometres



Source: Adapted from data in Nihon Kokuyū Teisudō Jyōhō Shisutemubu (Japanese National Railways Information Systems Division). *Shōwa 58*
 Nendo Teisudō Tokel Shiryō Ruinenhyō (Chronological Digest of Materials Concerning Railway Statistics for Fiscal 1983). 1985. p. 80. 81.

At the time of the inauguration of the JNR, the freight division was therefore considered an integral part of the national railway's operations. The JNR Act was not absolutely specific about the requirement to maintain a nationwide freight service, certainly less so than in its provisions for the obligation to provide a national passenger network. Nevertheless, it was understood - and questioned by no one at the time²⁶ - that the JNR would continue to operate a national freight service.

The post war economy in Japan was dominated by heavy industry, and this led to burgeoning demand for the bulk materials - coal, limestone, cement and lumber - best suited to transport by rail freight. In 1950, the national railway's share of the cargo market remained as high as 52%, the as yet nascent motor sector accounting for only 8% of the country's total freight business. The organisation of the JNR's freight operation was no different from that of the pre-war government railway, namely a nationwide network of freight stations and marshalling yards²⁷.

The prevailing view of the JNR on the outlook for its freight operations, was well summarised within the 1959 documentation

supporting the loan applications to the World Bank for the funding of the 'New Tōkaidō Line'.

2. The Place Occupied by the Japanese National Railways in Domestic Transport

... The JNR, it will be noted, accounts for about 50% of the nation's entire freight traffic in terms of ton-kilometers. It will also be noted that in point of average distance of haul (271.0km, 168.0 miles) the JNR far outstrips trucking, although it is surpassed by coastal shipping.

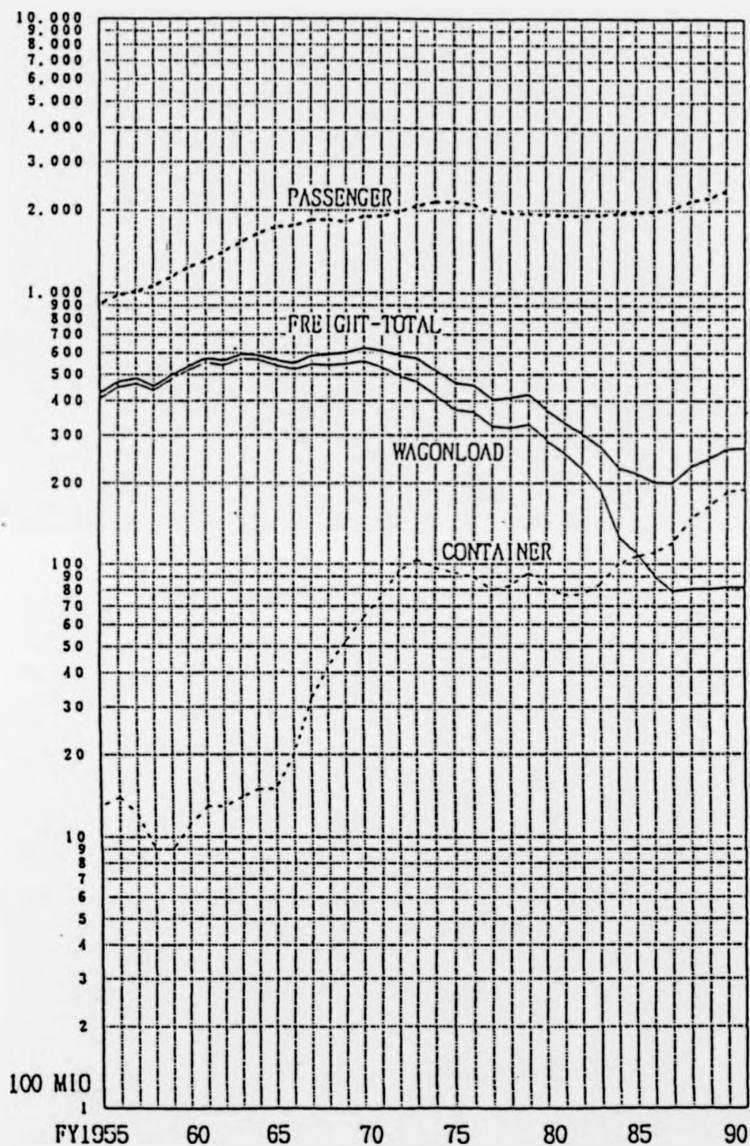
This is due to the fact that here in Japan transportation of commodities over long distances depends of necessity on the railway because the principal places of production of raw materials are in the northeastern and southwestern parts of the country from which both the railway and ships exclusively transport the raw materials to the industrial zones located in the central part. Commodities such as coal, lumber, gravel, sand, cement, limestone and iron and steel occupy large proportions in the freight carried by the JNR, which suggests, among other things, that the transport capacity must by all means be stepped up to promote the economic growth of the nation.

... It is considered that the transportation form as outlined above in this country will not be affected in the foreseeable future by whatever change there may be in passenger fares and freight rates or highway developments. According to the survey by the Economic Planning Agency of freight traffic for the fiscal 1975, the total ton-kilometers would reach 84,5000 million (52,500 million ton-miles), or an estimated increase of 180% over the fiscal 1956. This means that the JNR will keep on playing a leading part in domestic transportation for years to come.²⁸

Not only did the economic conditions of the 1950s therefore provide justification for the maintenance of the JNR's national freight business, but they prompted discussions to expand the range of services offered. In the early years of the JNR, the status of the freight division, and thus that of its management was at least as high as that of the passenger operation²⁹, and therefore the expansion of the freight business was an integral part of the Corporate Plans introduced in 1957 and 1961.

A key feature of the JNR Freight strategy was the introduction of Container services which, as seen in Chart 18, grew substantially until the early 1970s. That the freight operation was lossmaking as early as fiscal 1956 was not regarded as a major problem at the time, primarily as the deficits were incurred as a result of the cost of the capital investment undertaken to enhance the divisions's services. Indeed, profitability was restored, albeit at very modest levels, in the early 1960s as overall demand for freight continued to expand.

Chart 18 TREND OF JNR PASSENGER-KILOMETRE AND
FREIGHT-TON-KILOMETRE VOLUME



Source : Adapted from data in Unyushō (Ministry of Transport). Unyu keizai Tōkei Yōran (Transport Economy Statistics Handbook). 1955-1993 Editions.

The Changing Transport Market

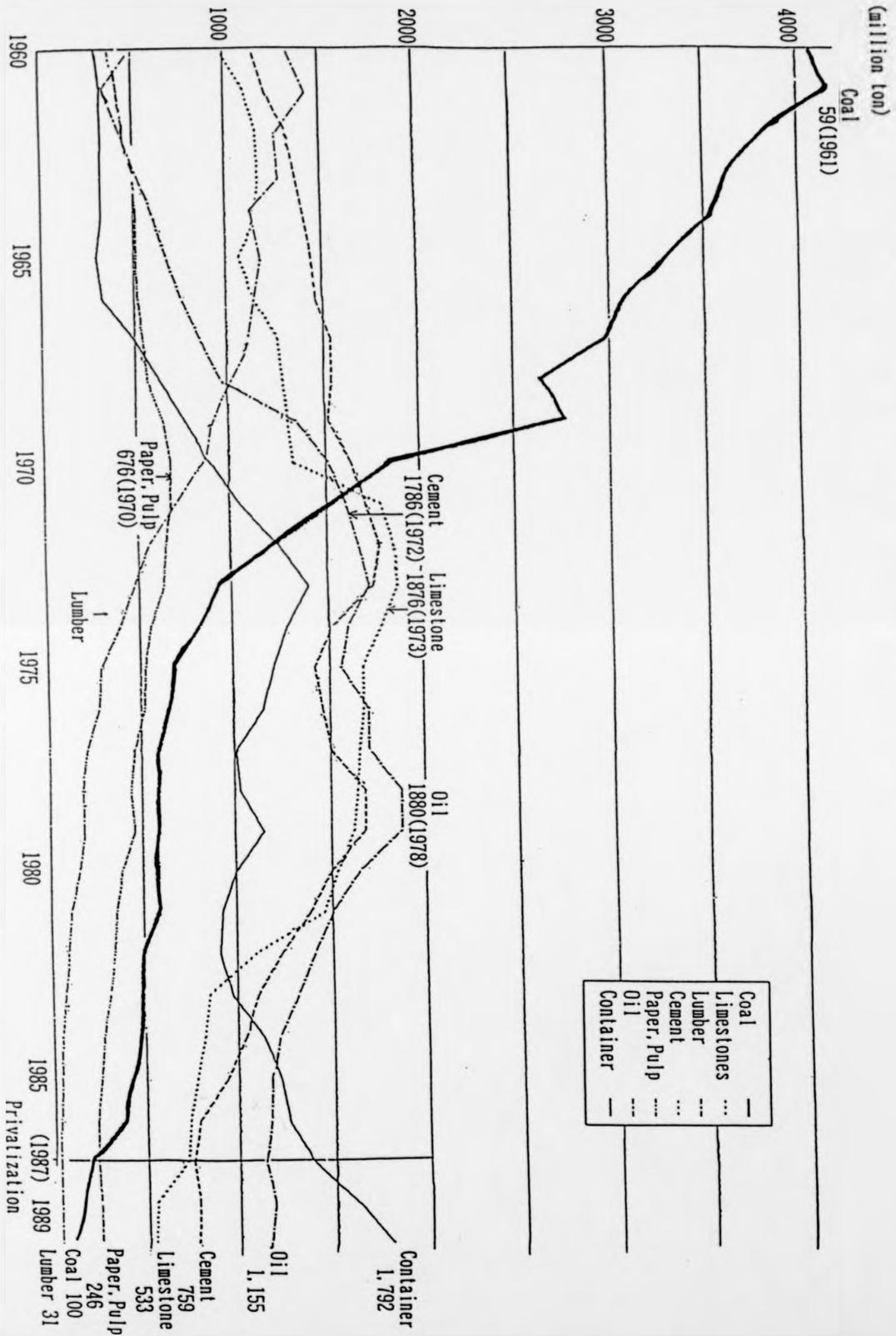
The buoyant economic environment of the period up to 1964 with the accompanying symbolic events of the Tokyo Olympics and of the opening of the *Tōkaidō Shinkansen*, however, masked major changes in the freight market which were overlooked by the management of the JNR. The unwillingness to face up to the reality of changing market conditions - apparent from the early 1960s - was to compound the difficulties faced by the JNR freight business with an inefficient system of operation dealing with the increasing competition from road transport. The danger signs of the loss of competitiveness of rail freight were already apparent in 1965, by which time the railway's share of the total freight market had fallen to 31%, while that of motor vehicles had risen to 26%³⁰. This major shift in the freight market was not, however, mirrored in any discernable change in the JNR's management policy, the strategy within the freight division remaining based on assumptions of continued increases in demand for its national services.

The question of the degree to which management policy within the national railway on the operation of its freight business was

influenced by political considerations revolves round the acceptance of the basic premise that the JNR should continue to provide a nationwide freight service. The lack of questioning of the wisdom of maintaining a countrywide network of freight collecting stations, with the marshalling of small lot cargoes in regional freight yards, burdened the JNR freight operation with an excessive labour force, an uneconomic cost base, and a weak bargaining position when eventually it was proposed that rationalisation in the system of small freight stations was required³¹.

The main charge that can be levelled against the JNR management with regard to the operation of its freight division is that they failed to adjust to the changes in the demand structure from the early 1960s. This failure, and the continuation of a management strategy in rail freight which flew in the face of economic reason, resulted in delays in modernising and restructuring the operational systems which proved fatal to the freight division and which was in turn a significant contributory factor leading to the eventual dismantling of the JNR as a whole.

Chart 19 JNR FREIGHT BUSINESS BY COMMODITY TRANSPORTED



Source: Adapted from data in Nihon Kokyū Tetsudō Kansa Inkaï(Japanese National Railways Audit Committee).
Kansa Inkaï 30 Nen No Kiroku(A Thirty Year of the Audit Committee), 1987, p.512, 513.

Table 24 FREIGHT TRANSPORT BY MAJOR CATEGORY

(000 Ton) () Index 1960=100

	1960	1965	1970	1975	1980	1985
Coal	40,633 (100)	33,107 (81)	18,698 (46)	6,716 (16)	5,891 (15)	4,847 (12)
Limestone	9,700 (100)	10,668 (110)	13,311 (131)	16,782 (173)	15,343 (158)	8,468 (87)
Cement	11,451 (100)	14,507 (127)	16,394 (143)	14,213 (124)	14,986 (131)	11,050 (97)
Oil	4,483 (100)	8,821 (197)	15,139 (338)	15,631 (348)	16,500 (368)	13,145 (291)
Total	66,267 (100)	67,103 (101)	63,540 (96)	53,342 (80)	52,720 (79)	37,510 (56)

Source: Adapted from data in Nakanishi Kenichi. Sengo Kokuyū Tetsudō Ron
(Studies of the Postwar National Railways). 1985. p.208.

The demand for the JNR's rail freight services in the mid 1960s was heavily dependent on what Nakanishi Kenichi describes as the *Four Se* ³². These were the bulk transport of coal, limestone, cement, and oil and, as shown in Chart 19, coal was by far the single most important commodity handled by rail freight. The importance of coal to the national freight division of the JNR was, moreover, highlighted by the substantial capital investment devoted to providing direct rail transport facilities from the major coalmining areas in Hokkaido and Kyushu. The steep decline in JNR coal transportation shown in Chart 19 from its peak level in 1961 reflected deliberate government energy policy³³ in reducing the national dependence on indigenous but expensive coal and replacing it with imported, but then less costly oil. This switch in national policy, however, provided no advantage to rail freight as the transportation of oil was a market captured almost in its entirety by the road sector. As can also be seen in Table 24, the growth in transport of oil products from 1960 to some extent offset the decline in coal business, although it did not compensate for the amount of tonnage lost from the 'new' energy policy.

It could be argued that, as the rationalisation of the coal industry was a government policy decision, the JNR freight business was adversely affected by a political process external to its management control. It could also be said that the specific government policy of restricting tariff increases on freight transport as an internal part of its strategy for the development of the national economy was to the significant detriment of JNR freight's revenues. There were therefore political factors in the 1960s which had an adverse impact on the financial results of the JNR freight division, to which would later be added the constraints imposed on the attempts by the national railway to cut back on the level of freight service provided. The effect of these external influences would, nevertheless, have been less significant had the JNR management been more alert to the changing demand structure in the freight market, and had altered its strategy accordingly.

Despite the escalation of losses from the freight division through the latter half of the 1960s and beyond, management policy on freight still reflected the expectation that transport volume would continue to increase. Even within this optimistic framework, however, the level of investment on capital equipment for the

promotion of modernisation of rail freight transport was limited by a shortage of available government finance, and by the JNR's own policy of emphasis on its passenger transport services. From 1962 to 1968, capital investment related to goods transport was, at 200 billion Yen, only 9% of the JNR total and between 1968 and 1975, it fell to less than 5% of the overall national railway's capital spending budget³⁴.

There was thus a considerable degree of inconsistency involved in the JNR's modernisation plans for the freight division. Their intended results never materialised, Table 25 showing the targeted split of freight business between straight transport (mainline station to station)³⁵ and freight marshalling yard operation varying markedly with the actual division in the period up to 1980. The JNR Freight Division management had projected that straight transport would account for 64% of total JNR freight business by 1978, with the marshalling yard operation making up the remaining 36%. In reality in 1980 the direct station to station transport system amounted to only 51% of rail freight volume, and the inefficient yard operation still accounted for 49% of the JNR's freight business.

Table 25 RAIL FREIGHT TRANSPORT VOLUME:
PLANNED AND ACTUAL

	1 9 6 8 Actual	1 9 7 8 Planned	1 9 8 0 Actual
Rail Freight Total Volume (m. Ton)	199	316	122
Freight Stations (Number)	2,894	1,500	1,234
Straight Transport System:			
Freightliner	0%	15%	6%
Exclusive Car	35%	39%	45%
Yard Transport System	65%	36%	49%

Source : Adapted from data in Nakanishi Kenichi. Sengo Kokuyū Tetsudō Ron
(Studies of the Postwar National Railways). 1985. p.221.

Table 26 JNR FREIGHT BUSINESS RESULTS 1980-1981

	1980		1981	
	Straight Transport	Yard Transport	Straight Transport	Yard Transport
Rail Freight Transport Volume (m. Tons)	62	60	61	50
Income (b. Yen)	121.2	210.0	127.4	187.3
Costs:				
Labour	73.9	321.6	81.9	334.3
Materials	34.7	76.9	39.6	72.7
Capital	7.1	31.3	8.9	33.6
Total	115.7	429.8	130.4	440.6
Profit/(Loss) (b. Yen)	5.5	(219.8)	(3.0)	(253.3)
Management Co-efficient	95%	205%	102%	235%

Source: Adapted from data in Nakanishi Kenichi. Sengo Kokuyū Tetsudō Ron (Studies of the Postwar National Railways). 1985. p. 223.

The preservation of the locally concentrated yard transport system was at the root of the problems faced by JNR Freight, and it resulted in the maintenance of over-capacity of capital equipment and labour estimated by Nakanishi³⁶ at around 50% by 1977. The impact of the marshalling yard operation on the freight division's financial results is highlighted in Table 26 which shows the split between the yard and straight transport businesses. In 1980 the transport volume of each system was almost exactly the same - direct transport 62m tons and yard 60m tons - but the financial results achieved were markedly different. Although the income from the yard business was considerably higher than that from straight transport, the costs of running the marshalling yard system were so much higher that it resulted in a substantial loss. The key factor in causing the operating deficit from the yard business was the massive cost of labour which alone, in 1980, amounted to 1.5 times the total level of income generated.

In 1980 the straight transport business was marginally profitable, with a management co-efficient (the ratio of costs to income)³⁷ of 95%, but by 1981 even this more efficient operation had moved into the red. The 1981 loss of 3 billion Yen from direct transport

still compared favourably, however, with that of 253 billion Yen from the yard operation. Total costs related to the yard business were almost 3.4 times those of the straight transport operation, with labour costs amounting to 1.8 times the level of income from yard transport. The JNR's decision to continue the operation of the traditional yard system of freight transport, which was extremely labour intensive and unable to compete with truck transport was, in Nakanishi's words "... without justification. ... The existence of the yard business only served to pay the wages of the excess labour, and the preservation by the JNR of such an inefficient system of freight operation was inexcusable."³⁸

Although the consensus view in 1949 had been that the newly established JNR should maintain a nationwide freight operation as an integral part of its rail services, by the mid 1970s there was a sizeable body of contrary opinion. Even as early as 1964 an internal JNR report produced by Ishikawa Tatsujirô³⁹ had recommended a freight reconstruction plan in which the future emphasis would be on direct transport. This theme was revived in August 1975 by Kakumoto Ryôhei when he informed the Ministry of Transport that the JNR's freight operations should be substantially

rationalised. Kakumoto Ryôhei's view was that, with the exception of the direct transport system of transporting goods from one main station to another, the national railway's freight operations should be 'killed off'⁴⁰. This gave rise to a debate about the future of JNR Freight which became known as the *Kamotsu Anrakushi Ron* (Freight Euthanasia Discussion), the principal features of which were summarised in 1976 by the Japan Economic Research Council (*Nihon Keizai Chôsa Kyôgikai*)⁴¹.

The Research Council concluded that if the JNR had concentrated on mass transit goods instead of continuing to accept small package transport, the significant operating deficits would not have arisen. The Council's view of the supposed obligation to maintain a countrywide freight service was that the JNR should not be expected to transport small lots which could better be sent by road.

In the late 1970s there was, within the JNR as well as from outside observers, opposition to the continuation of the freight marshalling yard system of operation. In an organisation in which the civil engineering faction was the dominant force, however, and

in which the senior JNR management of the time showed a distinct lack of leadership, the group favouring the abolition of the yard system had little influence on major decisions. The divided nature of opinion in the national railway on the future of its freight operation greatly reduced the JNR's bargaining strength in arguing with government for the need to close small, lossmaking freight stations. The genuine requirement to deal with local opposition to the intended closure of such freight stations thus became an intractable issue, and the compliance of the JNR management made it simple for politicians to exert their influence to preserve operations which were clearly unprofitable for the national railway⁴².

In the face of the JNR's inability to deal with the reality of a freight division which was unsustainable in its then present form, the initiative for radical reform was taken over by the Government's Provisional Commission on Administrative Reform (the *Daini Rinchô*). The general issue of administrative reform and the national railway is discussed in greater detail in Chapter 5. In relation to the national railway's freight operations, the July 1982 Report from the Ad Hoc Commission recommended, as part of its

proposals to reform the JNR, a policy of railfreight transport rationalisation which was encapsulated in the JNR Plan for the New Management of Goods Transportation (*Atarashii Tetsudō Kamotsu Eigyo ni Tsuite*) issued in early 1983⁴³.

The key element in the Freight Management Plan of 1983 was the final decision to abolish the yard system of operation. This was implemented in 1984 with the closure of every marshalling yard, the remaining JNR freight business being only a direct station to station transport service. The effect of this on JNR Freight's operational structure is shown in Table 27, adjoining p. 306 (and on its financial results in the earlier Chart 8, adjoining p. 218). Losses from the Freight Division peaked in fiscal 1982 and in the remaining years of the JNR's existence comprised a diminishing proportion of the overall operating deficit.

The timing of the JNR decision to rationalise its freight operations was discussed in an essay written by Ishikawa Tatsujirō in May 1983. As shown below, Ishikawa's view was that such action should have been taken many years before the JNR was finally forced into the drastic measures incorporated in the 1983 Plan.

Table 27 JNR FREIGHT:
CONVERSION TO A DIRECT TRANSPORT SYSTEM

	November 1982	February 1984	Change
Freight Handling Stations	851	467	- 384
Freight Yards	110	0	- 110
Freight Trains: Containers	137	159	+ 22
Exclusive Cars	618	599	- 19
Others	2,450	776	- 1674
Total	3,205	1,534	- 1671
Freight Train kilometres (00 km.)	372	295	- 77

Note: The number of Freight Stations is as at 1. February 1983.

Source: Adapted from data in Nakanishi Kenichi. Sengo Kokuyū Tetsudō Ron
(Studies of the Postwar National Railways). 1985. p.225.

Having introduced to his readers to the concept of time warps, and citing HG Wells in addition to Japanese authors in the process, Ishikawa argued that the then current proposals to rationalise the JNR freight operation had induced in him a strong feeling of 'deja vu':

This March (1983) a proposal entitled "What is Needed to Revitalise JNR's Freight Service" was issued by the Study Group on Management Systems for Freight Services. So-called dedicated industry rail tracks, for example, are described in this proposal as permitting bulk and regular, economical and efficient door-to-door service, providing substantial benefits to both shippers and JNR. The proposal recommends that in order to increase the demand for industry tracks in the course of future efforts to make services fully efficient, primarily by providing direct point-to-point service, improvements should be made in several areas including enhancing convenience and reducing track maintenance costs. These points are certainly correct, but when I first read the proposal, I felt somewhat odd.

Here is another description:

An industry track is the most typical type of door-to-door service provided by railway transportation. It is of great benefit to both JNR shippers in various respects. ...It is necessary to continue to cultivate demand for industry tracks by taking more advantage of this characteristic. In order to utilise the characteristic of railway freight transportation, a method of locating industry tracks should be considered that will enable bulk and regular point-to-point services.

This excerpt, which has almost the same content as the proposal mentioned above, is quoted from the report of the Committee for Improvement of Freight Service Management

in February 1970, explaining the odd feeling I had when I first read the proposal. In other words, I experienced a sense of déjà vu at having come across the same opinion after a time lapse of thirteen years.

JNR's freight traffic was reported to have fallen below 100 million tons in 1982, less than half the volume in its most prosperous years, and the proposal must have been issued as a measure to revitalise the freight services taking this situation into account. The recognition of the importance of industry tracks and container services, however, is almost the same as thirteen years ago. This proves that there was nothing wrong with the perceptions in the original proposal, or in other words, that it was already clear what to do. At the same time, when confronted by a proposal dating back thirteen years it becomes readily apparent whether the measures then proposed were of the kind that take a long time before results are obtained, or if they have simply been left unexecuted. Since it is unlikely that measures proposed to revitalise JNR's freight services when it stood at the threshold of life and death would be so slow in producing any results, the situation is probably the latter.

Freight traffic originating from industry tracks declined from 108.5 million tons in 1970 to 63.9 million tons in 1981. If freight services were to be researched today, what should be made clear is the reason for this inertia spanning more than a decade, or why measures that were so clearly recognized and put forth were neglected for such a long time. This is important in order to avoid repeating the same mistakes in connecting with other services, since nothing else will more roundly damage reconstruction than wasting time not doing what clearly needs to be done.

The coming decade, when such environmental changes and a revolution in distribution are expected to take place, will be the most favourable period in which to reconstruct JNR's freight services. It is necessary to take note of these conditions, and, in every aspect of the freight service industry including transportation, facilities, and systems, to positively break away from

the old composite structure so as to create a new railway for the era of the distribution revolution.

This statement was made in 1970. At that time, JNR still retained the capability to record peak amounts of traffic. Many people must have read the recent proposal with deep feelings of regret that it is not possible to travel back in time to implement the same measures then which are now being contemplated.⁴⁴

Despite the improvement in the freight operation which the 1984 Plan brought about, the management of the JNR was unable to resist the political pressure towards its break-up and privatisation. The final JNR show of supposed independence, the internally generated Basic Policy of Business Improvement (*Keiei Kaikaku no Kihon Hōsaku*) of October 1985, incorporated further refinements to the freight operation⁴⁵. The benefits from these measures were, however, derived by the new JR Freight Company established as part of the privatisation process in April 1987, and were too late to save the JNR from its inevitable fate of dissolution and division.

Transport Policy on Rail Freight

During the period in which outside commentators (such as those quoted in this study - Nakanishi, Ishikawa and Kakumoto) had sought to persuade the JNR management to carry out a voluntary process of rationalisation of its freight business, a counter argument was consistently produced by the national railway administration in which the benefits of railfreight were extolled. This line of reasoning was that, compared with goods transport by road, railfreight was less capital intensive, was more energy efficient, and was less damaging to the environment⁴⁶. While it had considerable validity from a national standpoint, this pro-rail argument was, however, never incorporated into government transport policy. It therefore had no countervailing influence on decisions on capital spending on the road network which provided the truck sector with a built-in publicly funded advantage over railfreight. It also contributed to the JNR management's blinkered attitude towards the freight division whose operation in the absence of specific government financial support, was eminently uneconomic.

On the question of the extent to which political influence was responsible for the demise of JNR Freight, there is evidence of factors beyond the direct control of the management of the national railway. Thus, the absence of an integrated national transport policy incorporating the positive aspects of railfreight, and the political pressure put on the JNR to keep open its nationwide network of freight handling stations, inhibited the ability of the national railway to keep its freight operation on a viable basis. This ability was further impaired by the controls placed by government on tariff policy which subjugated the JNR's profitability to national economic considerations.

A more unified - and enlightened - JNR management, less concerned with internal status and more conscious of considerations of profitability could have presented a stronger case to the Ministry of Transport and to Government for a significant reduction in the scale of the JNR Freight business. The words of the prophets arguing for such rationalisation (notably Ishikawa Tatsujiro and Kakumoto Ryōhei), however, fell upon deaf ears, both in the national railway management and in the Diet. The decline of the national railway's freight operation (and for the

present day status of railfreight in Japan with only a 5%⁴⁷ share of total goods transportation) has thus reflected the failure of the national railway administration to initiate management policies to deal with a changing transport market, and its inability to withstand the political pressures to maintain lossmaking services.

1. For an account of the international development of high speed passenger railway networks see Hughes, Murray (1988), Rail 300 - The World High Speed Train Race, Newton Abbott.
2. Nihon Kokuyū Tetsudō (JNR) (1973-1974), Nihon Kokuyū Tetsudō Hyaku Nen Shi, (The Hundred Years History of the Japan National Railway), Tokyo, Vol. 6, p.378.
3. Ibid, Vol. 12, p. 118.
4. Ibid.
5. Ibid, Vol.12, p.119.
6. Various of the former JNR executives interviewed by the author emphasised the factional nature of the national railway management structure. In the positive period for freight transport, the JNR Freight division had a position of high status in the national railway hierarchy. The freight operation attracted a high proportion of the JNR's engineering graduate intake, and the views of the Freight management were disproportionately influential in the shaping of the overall policy of the national railway. Such views were expressed by Ishii Naoki, Ishikawa Tatsujirō, and Kitsutaka Hiromasa. Interviews, Tokyo, September 1991 to May 1992.
7. Agawa Hiroyuki was a well-known popular novelist, who had served in World War II in the Japanese Imperial Navy. His comments, not only about the folly of building the *Shinkansen*, but also those critical of the construction of the country's two most famous Second World War battleships were therefore widely reported in Japan at the time. The San Baka reference is from Agawa Hiroyuki(1973), Norimono Shinshi Rōku, (The Travails of a Travelling Gentleman),Tokyo, p.135.
8. Ishida Reisuke and Agawa Hiroyuki (1969), "*Yangu Sorujā no*

Ikigai " (The Young Soldier's Purpose in Life), *Shokun* . July, pp.115-116. Also referred to in Kakumoto Ryōhei (1964), *Tōkaidō Shinkansen* , Tokyo, p.2.

9. Japan had originally been selected to host the 1940 Olympics in Tokyo, but the decision was rescinded after the Japanese military invasion of China.

10. Nihon Kokuyū Tetsudō (JNR) (1973-1974), Vol.12, pp. 684 - 685.

11. Quoted from Japan National Railways (1959), General Statement Supporting The Loan From International Bank For Reconstruction and Development, Tokyo, pp.36 - 55.

12. Japanese National Railways International Department (1984), *Shinkansen* ,Tokyo, p.18.

13. Kanematsu Manabu, then a Managing Director of the JNR and a Member of its Main Board of Directors, said in interview that "Sogō was obliged to resign because politicians believed that he wanted to cut the JNR's unprofitable lines and to concentrate the national railways's resources on the development of the Shinkansen. They therefore got rid of him, making his age (Sogō was by then almost 80 years old) the excuse for terminating his position as JNR President." Material obtained in Interview, Tokyo, May 1992.

14. The annual profit figures for the *Tōkaidō Shinkansen* are shown later in this Chapter in Chart 14, adjoining p. 291.

15. As confirmed in Table 16, adjoining p. 245.

16. See Table 20, adjoining p. 292.

17. Tanaka Kakuei (1972), *Nihon Rettō Kaizō Ron* (Plan for Building a New Japan), Tokyo, Passim.

18. See Table 20, adjoining p. 292.

19. Ishikawa Tatsujirō (1982), "*Kokkateki Purojekuto Toshite no Sekinin*" (Taking Responsibility for a National Project), *Kōtsū*

Shinbun, 12 December.

20. See Table 23, adjoining p. 302.

21. Up to the time of the JNR's division and privatisation in 1987, the only new section to be added to the *Shinkansen* network was the link between Ueno and Omiya which connected the *Tôhoku* and *Jôetsu* lines with a main station in Tokyo. This link was further extended to Tokyo Station itself in 1991, the final part of the construction policy which had been sanctioned in the JNR era, and bringing the *Shinkansen* network to a total length of around 1837 kilometres. *Kôtsû Tôkei Kenkyûjo* (1995), *Kokuyû Tetsudô Tôkei Ruinen Hyô* . (JNR Statistics for Successive Years), Tokyo, p.512.

22. The position of the JNR within the administrative reform process is the main theme of the following Chapter. It is argued in Chapter 5 that from the early 1980's 'internal' decisions on JNR corporate planning were heavily influenced by the wider consideration of the government's proposals to break-up and privatise the national railway. In the final years of its existence, the JNR had practically no autonomy to implement plans on *Shinkansen* construction or on any other projects which did not fit in with the privatisation strategy. See earlier discussion on pp. 218 - 228.

23. The 'dilemma' posed by the incompatibility of these two positions - either a bigger national railway empire or a profitable JNR - was explained to the author, in Interview, by a number of sources who had then been JNR Executives; in particular by Ishii Naoki, Ishikawa Tatsujirô, and Maeda Kiyoji. Interviews, Tokyo, July 1991 to May 1992.

24. The initial system of transferring the *Shinkansen* assets to the newly formed JR operating companies was by a leasing arrangement, using the *Shinkansen Holding Corporation* as the intermediary. The Holding Corporation remained the owner of the *Shinkansen* facilities until 1991 when, under a new arrangement, the JR companies entered into a long term purchase contract in which they will acquire the assets. The lines are split as to JR East, *Tôhoku* and *Jôetsu Shinkansen*; JR Central, *Tôkaidô Shinkansen*; and JR West, *Sanyô Shinkansen* . As shown in Table 44,

adjoining p. 552.

25. The JR companies which replaced the JNR public corporation are therefore responsible for only half of the 'new' *Shinkansen* construction costs. The JR companies' share of the remaining 50% of the new costs is, moreover, funded at present by their annual payments towards the purchase of the existing *Shinkansen* facilities. The author's analysis of the new *Shinkansen* funding system is contained in Chapter 7, pp. 535 - 543.

26. Even the SCAP proponents of the public corporation structure for the JNR were working on the basis that railfreight would remain, for the foreseeable future, a critically important mode of transport in Japan (see discussion in Chapter 1). This expectation was borne out by the experience of the 1950's, the Freight division producing 45% of the JNR's total revenues in the public corporation's first decade of operations. The JNR revenue figures in its profitable period (1949 - 1963) are contained in the earlier Table 10, adjoining p. 187.

27. The pre-Second World War system of railfreight transport, and which was maintained during the 1950's (and beyond) was that each JNR station had freight collection points, the goods so deposited for transportation being 'marshalled' at large, regional freight yards. The marshalling yard system involved intermediate transport of the various goods collected at local stations, onward transport being undertaken when the freight had been sorted into appropriate cargoes. In addition to the inefficiencies of the extra journeys entailed to and from the marshalling yards, the system was extremely labour-intensive; paradoxically, its uneconomic nature was exacerbated by the strength of the labour unions, particularly *Dôrô*, intent on preserving the overmanning endemic in the JNR Freight operation. Confirmed in Interview by Itô Naohiko, JR Freight, Tokyo, March 1992. This issue is also discussed in Nakanishi (1985), pp.222-224.

28. Quoted from Japan National Railways (1959), General Statement Supporting The Loan From International Bank For Reconstruction and Development, pp.13 - 14.

29. It was the opinion of Itô Naohiko, now Director of Planning of

JR Freight that "in the period of the JNR's public corporation operation up to 1965 the freight division's management was more powerful in the JNR hierarchy than those in the national railway's passenger operations." Material obtained in Interview, Tokyo, March 1992.

30. See Table 8, adjoining p. 167.

31. This is the conclusion of Nakanishi Kenichi(1985), Sengo Kokuyū Tetsudō Ron, Tokyo. The JNR Freight Division is discussed at length in his *Hoshō 1* (Supplementary Chapter 1), *Kamotsu Yusō wa Naze (Hōkai) Shitaka* (Why Did the Freight System Collapse?), pp.205-242.

32. Nakanishi (1985), p.209. The 'Four Se' (*Yon Se*) were *Sekitan* (Coal), *Sekiyu* (Oil), *Sekaiseki* (Limestone) and *Semento* (Cement).

33. Output from the indigenous Japanese coal industry reached its highest level in 1962 but, from that point, once the government decision to gear future industrial expansion to imports of oil had been implemented, coal production declined sharply. By 1970, output was down by a quarter from the peak reached eight years previously, and by 1978 it was a mere one third of the historical high. From a position of great dependence on coal transportation, the JNR Freight division's prospects diminished in tandem with its former number one customer. Nakanishi (1985), p. 207.

34. Ibid, p. 220.

35. The 'straight transport' freight system avoided the myriad collection points at rural JNR stations, and obviated the need to 'marshall' the goods at freight yards. Goods were, instead, picked up from and delivered to a much smaller number of JNR main stations; final delivery to the required destination was effected by forwarding truck delivery companies. Nakanishi (1985), pp. 217 - 222).

36. Ibid, p.223.

37. The 'management co-efficient' - shown in Table 26 - is a simple ratio of the costs of operating the JNR Freight division to

its income. If the co-efficient is less than 100%, the operation is in profit; if more than 100% it denotes a loss.

38. Nakanishi (1985), p.224.

39. Nihon Kokuyū Tetsudō (1964), Kongo no Kamotsu Yusō (Freight Transport in the Future), Written by Ishikawa Tatsujirō, Tokyo.

40. Cited in Kakumoto Ryōhei (1982), "Kokutetsu Itsutsu no Taizai" (The National Railway - Five Grave Offenses), Gendai, July, p.68. Also in Kakumoto Ryōhei(1989), Tetsudō Seisaku no Kenshō - 1869-1987. (Review of Railway Policy - 1869-1987), Tokyo, p.230.

41. 50 Nendai ni okeru Kōtsu Seisaku no Kihonteki Kadai - Kōtsu Rongai ni okeru Meishin to Tabū (The Basic Themes on Transport in the Showa 50's - Superstitions and Taboos in the Debate about Transport), Tokyo, p.171 and p.192.

42. This conclusion was drawn from the analysis of the JNR Freight operation in the post-1964 period on pp. 312 - 320.

43. The effect of the implementation of the 1983 Freight Plan is shown in Table 27, adjoining p. 321.

44. Ishikawa Tatsujirō (1983), "Taimu Surippu" (Time Warps), Kōtsū Shinbun, 8 July.

45. These included the introduction of 110km/hr freightliner trains, the operation of a 'piggyback' system (trucks which can be loaded on to freight trains), and additional closure of freight handling stations. Kokuyū Tetsudō (National Railway Monthly), (February 1985), p.8, shows the proposals of the Keiei Kaikaku no Kihon Hōsaku.

46. The JNR Management argued, not surprisingly, that the Freight Division should be maintained on the basis that it was more 'socially acceptable' than expanding road construction. Such views were expressed in Interview by Ishii Naoki, Ishikawa Tatsujirō, and Imashiro Mitsuhide. Tokyo, July 1991 to May 1992.

47. Even in its post-privatisation mode of operation, the market

share of goods transport held by railfreight in Japan (5%) is low by international standards. In Britain freight transport by rail accounted for 7% of the goods market in 1990, and in West Germany, France and the USA the figures for the railways' share of freight were, respectively, 21%, 26% and 37%. East Japan Railway Culture Foundation (1994), Japan Railway and Transport Review, Tokyo, No.1, March, p.4.