

The JITI Journal

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Welcome

The JITI Journal is a bimonthly publication of the Japan International Transport Institute, USA (JITI), in which JITI shares information on transportation developments in Japan and elsewhere, as well as recent JITI programs. As a supplement to our regular events, we hope that the Journal likewise serves as a resource for the transportation community.

In this issue, JITI staff member Sarah Fraser reports on the concession style of airport management recently adopted at three major Japanese airports. Additionally, JITI staff member Molly Kisner brings us a short article reminiscing on the many temples of Kyoto, which she visited during her time studying overseas.

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JITI Events

UPCOMING:

[JITI Self-Driving Car Seminar 2016](#)

To be held at the Mayflower Hotel Washington D.C. on May 18th, 2016. More information to follow soon. Please check our website in the upcoming weeks.

PAST:

[JITI 2016 Drone Seminar: Strategies on Drone Application in the Transportation Sector](#)

Quick Links

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May 18th: Self-Driving Vehicle Seminar 2016

On Wednesday, May 18th, JITI will host a seminar focused on self-driving technology:

"JITI Self-Driving Vehicle Seminar 2016: "The Future of Self-Driving Vehicle Technology"

The Mayflower Hotel,
Washington D.C.

Time: 3:00 - 6:00 p.m.
(Reception to follow from 6:00 - 7:30 p.m.)

The event will feature expert speakers from various fields related to self-driving technology.

More information to come soon!

Our Sponsor



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On March 3rd, JITI hosted a seminar at the Ritz-Carlton Hotel in which experts from various drone manufacturers, enforcement agencies, and the transportation sector discussed future drone development, including potential strategies to maximize drone use, as well as maintain the safety and security of national airspace. The speakers also participated in a panel discussion and Q&A session with the audience. [Click here](#) for an overview and bios of the keynote speakers.

[JITI Railway Workshop and Luncheon 2016: Initiatives Targeting On-Time Departures for Metro Areas](#)

On January 29th, JITI hosted a workshop at the Four Seasons Hotel in which audience members heard from the NY Metro and the Tokyo Metro about the difficulties in maintaining punctuality and reliability with metro systems, as well as the different strategies and methods they use to provide excellent service to riders. [Click here](#) for an overview and presentation materials.

Airport Privatization and the Concession Style of Airport Management

by Sarah Fraser

◆3 Airports in Japan Adopting a Concession-style of Management

In Japan this year, three major airports- Kansai International, Osaka International, and Sendai Airport- will be adopting a concession style of management.

Concession management is a technique that is used in the private sector of the infrastructure business, where the facility owner has set management rights that private companies purchase by contract. The private companies that have bought the operation rights are allowed to perform operations at their own discretion, within the specified range of their contract, i.e. operations, management of facilities, building of facilities, etc. In the case of these three airports, the commissioned business entity, called the concessionaire, is to take advantage of their own business expertise to raise the retail revenue and standard of services within the terminals, and to use this revenue to operate and maintain the airport facility and terminals. Though government and public companies have little experience with raising retail revenue, these private companies have a much better idea of how to maximize profits.

Though an airport adopting a concession style of management has been seen many times in other places, Europe for instance, this is the first time the style will be adopted

in Japan.

This article will briefly discuss the history of the airports in Japan which are adopting a concession style of management, as well as a discussion of future trends.

◆ **Kansai International Airport (Kansai Airport) and Osaka International Airport (Itami Airport)**

Kansai International Airport is south of Osaka on a man-made island, and Itami airport is located north-west of Osaka.

Originally, Itami Airport had both international and domestic travel and was the 'gateway to the sky' for the Osaka area. However, Itami airport is in a residential area, with no room for expansion, and the noise pollution problem in the surrounding area led to the opening of the Kansai Airport in 1994, which could handle with the expanding demand for aviation in the area. Now the Kansai district; which includes Kyoto, Osaka, and Kobe; has a 'gateway to the sky' that is split: Kansai Airport for international flights and Itami Airport for domestic ones.

Itami Airport's land and airfield facilities are owned and operated by the national government of Japan, and on that state-owned land, Osaka International Airport Terminal Co., Ltd. separately operates and installs the airport terminal buildings. Kansai airport facilities and land, with the exception of air traffic control, are owned, operated, and managed by a company called Kansai International Airport Co., Ltd., which is invested in by the country of Japan and by Osaka prefecture. Kansai International Airport was built on a man-made island, offshore in Osaka bay. Because the demand has not been as high as expected, the revenue has also not grown as expected, and it has become difficult to pay off the debt from the construction costs. In order to integrate operation of the two airports, and improve the efficiency of both, the New Kansai International Airport Co., Ltd was established in 2012. However, in an effort to utilize the expertise of the private sector, to maximize the revenue of the airport, and to activate the Kansai regional economy while promoting and creating demand for the airport, it was decided that both airports would adopt the concession style of management.

The operation of these airports will be a new joint venture, headed by Orix and France's Vinci Airports. This joint venture will start on April 1st of 2016.

◆ **Sendai Airport**

Sendai Airport is located in the southern part of Sendai, Miyagi Prefecture. It is the 'gateway to the sky' for the Tohoku region.

On March 11th, 2011 the Tohoku Earthquake struck Japan and, in the ensuing tsunami, the entire airport was flooded and temporarily devastated. The Japanese Ministry of Land, Infrastructure, and Transport, the established operator of the airport, was able to carry out restoration work to runways with support from the Japan Self-Defense Forces, as well as the United States Air Force. On April 13th of the same year, provisional operations resumed at the airport, and it has since become the base for personnel and goods transport during recovery.

In order to raise revenue and help Sendai Airport fully recover after the Tohoku Earthquake and Tsunami, there was a decision to adopt the concession system so that airport management could be centralized. Up until this decision the airfield facilities, such as the runways and tarmac, were installed, operated, and managed by the central government, whereas the passenger and cargo terminal buildings were run

by the local government and with private sector investment.

The joint venture for Sendai Airport is composed of Tokyu Group, Maeda Corporation, and Toyota Tsusho Corporation. The terminal buildings were opened on February 1st, 2016 and management and operation of the entire facility will commence on July 1st, 2016.

◆ The Advantages and Disadvantages of the Concession System

In general, one of the main benefits of adopting a concession system is that airports are able to take advantage of the expertise of the private sector and improve service level and profitability. Private companies, from their own experience, have expertise on how to increase revenue, expand service delivery and marketing campaigns, as well as having experience in promotional activities. In adopting a concession system, the airports can take advantage of this knowledge and it, in theory, improves the management efficiency and profitability of the airport. In the case of Sendai Airport, for example, the airport operator set lower landing fees for LCCs, which prompted new regulations on aircraft and revitalized the airport. The train of thought is that the concession system can improve airports.

On the other hand, if there is too much of a focus on the pursuit of management efficiency and profitability, there is concern that airports will cease to focus on the public good. In the private sector, there are many examples of businesses or departments not being able to turn a profit and thus being downsized or truncated, but even if an airport is not profitable it can't be truncated, as it is required for the infrastructure of the surrounding area. With airports, because they provide infrastructure, there is also a strong need to avoid situations where insufficient investments or a lack of management resources endanger safety.

In addition to this, private companies often think more short-term, i.e. creating profits and pleasing their shareholders, however the management of infrastructure related facilities, including but not limited to airports, need to be carried out with a long-term perspective. For this reason, there is a risk that some conflict will arise related to business continuity when using the concession system.

In order to prevent these disadvantages from materializing, and to continue a stable operation of the airport, there must be a strong relationship between the owning entity, i.e. the government or public corporation, and the contracted concessionaires. This relationship must be reciprocal as the private side relies on the leasing side for infrastructure operation and management, i.e. the owner must manage the concessionaires operations of the airport, but the concessionaire must maintain the relationships with the investors and work to raise overall retail revenue for the airport.

In doing this and maintaining this relationship the hope is the best from both sides will come together in the management of the airports.

◆ The Future Prospects of Other Airports

As mentioned above, the management side, government and public corporations, and the operating side, contracted private companies or concessionaires, need to both make efforts to cooperate well together. In particular, the future performance of Kansai and Itami Airport should garner attention as Vinci Airports is one of the concessionaires. Vinci Airports has a rich experience with airport operations in Europe and Asia.

In addition to the above airports, Hokkaido Airport, as well as Takamatsu Airport and Hiroshima Airport, are also considering taking advantage of the expertise of private companies in their airport operations. Hokkaido Airport is particularly unique as it

would be a bundle of four airports.

Depending on the subsequent operation status of the above mentioned airports, it may become easier to expand this system to even more airports, which would lead to their revitalization and also the revitalization of their surrounding areas.

The Temples of Kyoto

by Molly Kisner

With over 2000 shrines and temples scattered across the city, Kyoto is widely recognized as one of the most popular tourist destinations in Japan; welcoming visitors from all over the country - not to mention the world. In my five months in Kyoto, I barely touched the tip of the iceberg of what the city has to offer. Each site I visited held its own charm and was steeped in years of history, spinning a captivating narrative.



Connected by rail, buses, and the city's most popular transportation method of bicycles, you're sure to be able to visit everywhere you want to see.

Perhaps you'd like to enjoy the wondrous gardens of Toji-in () or stroll through the bamboo forest of Arashiyama to reach Tenryū-ji (). Outside, the carefully tended trees provide a welcome respite from Kyoto's hot summer sun. Or maybe you'd prefer the serene quiet offered by Kennin-ji () and Ryōan-ji (); a satisfying hike through the torii of Fushimi Inari (), or delicious soba at the foot of Kiyomizudera (). Each of these locations is just one of the many temples, gardens, and shrines that can be found within the city.



My personal favorite was Kennin-ji; the immense calm I felt walking along the walkways

of this temple was more profound than any I had previously experienced or have yet to experience again. Kyoto has a little bit of something for everyone and I encourage you to explore what the city has to offer, both on and off the beaten path.

Stay in Touch with JITI

Please follow the Japan International Transport Institute Twitter feed at [@JITIUSA](https://twitter.com/JITIUSA). We look forward to providing you with the most up to date information on our organization and events.

*Thank you for reading the JITI Journal. Until the next issue, whatever your mode,
travel safely!*

The JITI Team