



Japan International Transport Institute
JITI Newsletter No. 2
October 2005

Greeting

Since our last newsletter we have experienced an unusually hot and humid summer and autumn has finally come. We hope that in that interim all has been well for you. We are very pleased to be sending out our second JITI newsletter.

Fuel prices have continuously increased without any future signs of stopping. This fuel price increase has deeply affected the transportation industry. One of the biggest impacts was the effect on airlines. Two U.S. major network carriers were forced to apply for bankruptcy protection. Hurricane Katrina has further impacted the prices of crude oil, and as a result, energy efficiency has and will continue to become a critical issue.

In July we recognized again the vulnerability of mass transit operations such as rail and bus by the terrorist attacks in London. We feel it necessary to immediately find effective security measures in the field of surface transportation.

Against the backdrop of the aforementioned current events, JITI will hold a "Seminar on Global Warming and Transport – The Impact of Motorization in Developing Countries, Particularly China and India" in November and a "Transportation Security Technology Conference" in December. We introduce the agendas of these conferences in this news letter. In addition, we will hold another seminar in March, a "Seminar on Low-Emission Heavy-duty Vehicles".

These are urgent and issues of great concern in the international community. If you are interested, please do attend them. We welcome your participation.

Jiro Hanyu, President
Japan International Transport Institute



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Seminar and Conferences

(1) Seminar on Global Warming and Transport – The Impact of Motorization in Developing Countries, Particularly China and India

[Date and Place]

November 15, Tuesday, Seminar 2:30-5:00pm, Reception 5:00-6:30pm
Ritz-Carlton 1150 22nd Street, NW Washington D.C.

[Purpose]

With respect to the percentage by country of carbon dioxide emissions, which are the main cause of global warming, China ranks second at about 14% of worldwide emissions, following the United States at about 24%. India ranks fifth at about 4%. Developing countries, including China, have been achieving significant economic development and are expected to achieve dramatic economic growth in the early 21st century. As a result, these countries are predicted to emit large amounts of carbon dioxide, thus, for effective implementation of countermeasures against global warming these developing countries also have to take effective measures to reduce future carbon dioxide emissions.

Furthermore, it is necessary to pay attention to the possibility that if progress is made in measures to reduce carbon dioxide emission from power plants and other stationary sources, then measures to reduce carbon dioxide emissions in the transportation sector will become the most critical in the future. Transportation sector emissions account for about 25% of carbon dioxide emissions in the world (especially, in road transport which is the center of the transportation sector). When thinking of measures to reduce carbon dioxide emissions from the road transport sector, it is necessary to understand the momentum of the progress of motorization in the economic development occurring in developing countries. Among the most prominent concerns of this are technical problems such as difficulty in monitoring individual automobiles, problems in terms of social infrastructure development that necessitate capital for construction of fuel delivery networks, and difficulties in changing these networks once they are constructed.

This seminar will provide an opportunity to introduce a model for predicting carbon dioxide emissions from the road transport sector in China up to 2030 as well as specific forecasts of emissions from the road transport sector in fast-growing China. In addition, the seminar will discuss not only the present and future conditions of the road transport sector in India, but also the direction of the framework for measures to reduce carbon dioxide emissions from the road transport sector throughout the world. Specific numerical predictions concerning China will help us to understand the urgency and necessity of measures for reducing carbon dioxide emissions from worldwide road transportation in developing countries

JITI will also hold a similar seminar in Tokyo in October in order to discuss such issues among experts in the field of energy and transportation in China and international policies on environment. We will introduce the results of the discussion held in Tokyo at our upcoming seminar.



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[Agenda]

OPENING REMARKS

Jiro Hanyu – President, Japan International Transport Institute

KEYNOTE SPEECH

Takamitsu Sawa – Director, Institute of Economic Research, Kyoto University

PRESENTATIONS

Iwao Matsuoka– Research Associate, Institute of Economic Research, Kyoto University

Sanjay Marwah – Research Manager, Japan International Transport Institute

COMMENTS

Lee Schipper – Director of Research, The Center for Transport and the Environment,
World Resources Institute

Representative– U.S. Environmental Protection Agency (invited)

Shigenori Hiraoka – Senior Representative, Japan International Transport

(2) Transportation Security Technology Conference

(Planned for the beginning of December 2005)

After the September 11th terrorist attacks, transportation security measures have been steadily enhanced. However, there remain still some outstanding issues including simultaneously improving security and ensuring smooth transport of passengers and cargo, and utilizing more efficient and inexpensive measures.

Adopting advanced technologies will be helpful in resolving these issues. Currently, governments and private sectors throughout the world are working individually and separately on technological developments. To facilitate the development and dissemination of new technologies, it is important to have cooperation among countries that have advanced technologies. This includes sharing and standardizing specific technologies across the world, which would allow for reduction in costs.

At this conference, top leaders from governments and private sectors will provide keynote speeches and technology presentations to help us explore the nature and extent of international cooperation on the development and dissemination of new technologies in transportation (aviation, maritime and surface). We will also demonstrate state of the art technologies including an intelligent surveillance system, an explosive detection device, and active RFID.

In addition, this conference will play a significant role in that it provides a forum for private entities to provide their perspectives on important issues that will also be addressed at the Ministerial Conference on International Transport Security to be hosted by Japan in January 2006.



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(3) Seminar on Low-Emission Heavy-duty Vehicles (Planned for March 2006)

Automobiles have a significant influence on regional air pollution and global climate change problems. One potential solution to the problem of existing modes of transportation is greater use of low-emission vehicles. However, the development and dissemination of low-emission vehicles presents major challenges. Automobile manufacturers of passenger vehicles in Japan, the United States and other countries have been steadily promoting the development of low-emission vehicles. However, such development for heavy-duty vehicles is difficult to advance because the market size of these vehicles is smaller than that of passenger vehicles. In line with this problem, the government and the private sector of Japan are now cooperatively promoting the development of “next-generation low-emission vehicles,” which can replace existing large diesel vehicles. These vehicles aim to reduce emission gas to almost zero and maintain or improve mileage. Our institute is promoting the study of the present conditions and future prospects of this development of next-generation low-emission vehicles, focusing on large trucks fueled by DME (dimethyl ether) that Japan has successfully developed and made trial production of, ahead of other countries.

This seminar will discuss the present conditions and future prospects of the development of next-generation low-emission vehicles based on the characteristics of the market for heavy-duty vehicles with special reference to Japan’s experience. In addition, vehicles actually developed by Japan will be on display.

Holding Study Groups

(1) Chicago Convention Study Group

After being in effect for more than 60 years, the Chicago Convention has not only become unsuitable for the actual economic activities of the rapidly progressing field of civil aviation, but it also seems to have developed fundamental problems as an international law body that disciplines international civil aviation.

Because of these problems, we have established the Chicago Convention Study Group consisting of practitioners and experts in Japan including individuals from the Ministry of Land, Infrastructure and Transport. JITI has organized Japan’s positions on amendments to the said convention. We will establish a study group in cooperation with U.S. experts to analyze the current situation, discuss the future direction, and to consider preparation of a draft amendment to the said convention, based on the culmination of research efforts in Japan, through cooperation between Japan and the United States.

(2) Intelligent Surveillance Technologies in Transportation Terminals including Rail Station Study Group

In order to address the problem of terrorism to surface transportation, transit operators are enhancing patrol by police in transportation terminals such as rail stations. Due to the limitations of the workforce, it is extremely difficult to screen



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suspicious activities in an open area environment where massive numbers of passengers freely come and go. Therefore, we will establish a study group to evaluate the feasibility of promising technologies that can support efforts by police in transportation terminals.

We are now considering several integrated technologies. One of these technologies is a system which automatically alerts authorities once suspicious activities are captured on surveillance equipment. Another system captures the faces of suspicious persons on camera, which can then be screened in a terrorist database. JITI will develop measures of evaluating these intelligent surveillance technologies and conduct a pilot project in Tokyo in 2006 to ensure feasibility of these technologies.

Some of these technologies will be demonstrated at our upcoming conference in December entitled "Transportation Security Technologies"

**Issuing Report: The Current State of the U.S. Aviation Industry
And its Future Outlook**
-The Rise of Low-Cost Carriers and Countermeasures Takes by Major Network Carriers-

This year, JITI has conducted some unique research and has completed a report that focuses on the actual condition of major network carriers' and low cost carriers' performances and the reasons behind the significant difference between the two groups.

We have been conducting this research since 2003. In our first year, we researched the major network carriers' and low cost carriers' performance situation as well as the impact on major network carriers' management by federal relief measures. In the last year of our research, we found that the major network carrier's business model was the cause of the clear difference between major network carriers' and low cost carriers' performance. Major network carriers' business model has two inherent problems which caused travelers to shy away from major network carriers and switch to the competitive low cost carriers. The first problem is that major network carriers depend on business travelers who pay expensive fares to keep the high-cost structure of the hub and spoke system. The second problem is that their network structure of flights via hub airports is inconvenient for travelers.

In our third year (2005), we conducted further research to find changes in major network carriers' and low cost carriers' performance situation and response. Specifically, we put data about demand, passenger revenue and average fare by flight distance, market size, and route type together to clarify the trend of low cost carriers' market expansion. In addition, we conducted research on how major network carriers are trying to review their business model in the wake of low cost carriers' market expansion. We also focused on regional carriers who have been growing by partnership with major network carriers in our analysis. Finally, we attempted to present an outlook for the future direction of the US aviation industry based on our analysis.

If you would like any further content, please feel free to contact us.



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Notice: Change in Senior Representative

Former Senior Representative, Mr. Nagamatsu returned to Japan and Mr. Hiraoka took over in July.

Kenji Nagamatsu, former Senior Representative and General Manager, JITI returned to Japan at the end of June after a 3 year assignment in Washington, DC. He was appointed Director of Oceangoing Shipping Division, Maritime Affairs Bureau, Ministry of Land, Infrastructure, and Transport (MLIT), on August 2.

Shigenori Hiraoka is his successor. Mr. Hiraoka joined the Ministry of Transport in 1989. Since joining the ministry, he has been assigned to various positions related to transportation issues. He was involved in GATT and WTO negotiations, and US-Japan aviation negotiations. He was Deputy Director, Japan Railway Companies Office, Railway Bureau, MLIT from 2001 through 2002. He served as Deputy Director, Aviation Industry Division, Civil Aviation Bureau, MLIT from 2002 through 2004. Before coming to Washington, DC, he was Director of the Global Environmental Policy Office, Policy Bureau, MLIT. From his background, he has a keen interest in environmental and aviation issues. He received Bachelor of Law in 1989 from University of Tokyo, and Mater of Public Policy in 1995 from the Kennedy School of Government, Harvard University. He is married, and has one daughter. He lives in Bethesda, Maryland.

(For inquiries)

- Please contact the following for inquiries about JITI's activities.

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(Application for participation in a seminar, etc.)

- We will inform you of seminars as soon as detailed information is available. We will also place information and updates on our website (www.japantransport.com).
- In regards to participation in any seminar, we would ask you to pre-register. You can register either by sending a fax transmission of a registration form or through the registration page on our website.



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