JNR (Japan National Railways) Reform

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Timeline of JNR Reform

1872

The first railway Opened
(UK’s cooperation)

1964

The first HSR Opened
(Tokaido Shinkansen)

1987

JNR Reformation
(Division and Privatization)

Total length : 27,655 km
(HSR : 2,765 km)
Railway Company : 204
- Passenger transportation volume hit the peak because of road improvement and motorization.
- Freight transportation volume also decreased because of changing industrial structure and motorization.
JNR recorded a loss in 1964, when it was its first year of continuous financial deficit.

Especially it recorded over 1 trillion yen every year in the 1980s and was heavily subsidized (¥600 bn = US$6 bn*, in 1985), which did **not even cover the interest**.
Various external and internal factors caused these problems. JNR Reform was the solution to them.

External Factor

Rapid development of other modes of transport → Car, Airplane, etc.

Internal Factors

Problems inherent in the public corporation system
a) the interference from outside, the lack of autonomous management
b) the unnatural labor-management relations
c) the limited scope of business

d) the stereotyped practice of management
e) the irrational dependency on profitable branches of JNR and on profitable urban lines
f) the lack of competition consciousness
Division of Railway Business

- Passenger railway was divided into 6 companies by region.
- Freight railway was decided to be exclusively operated by JR Freight.
¥11.6 trillion (=US$116 billion*) was allocated to JR East, JR Central, JR West, JR Freight and Shinkansen Holding Corp. whose amount was as much as not harming good management.

Remaining ¥25.5 trillion (=US$255 billion*) was allocated to JNR Settlement Corp. with the revenues of selling of lands unnecessary to railway business and JR stocks.

Railway Business

Facilities of Shinkansen (Bullet Train)

Shinkansen Holding Corporation

JNR Settlement Corporation

JR East

JR Central

JR West

JR Freight

JR Hokkaido

JR Shikoku

JR Kyushu

No debts were allocated to these three JRs.

*Exchange Rate US$1 = ¥100
<table>
<thead>
<tr>
<th>JNR</th>
<th>JR in 1987</th>
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<tbody>
<tr>
<td><strong>Legal Personality</strong></td>
<td><strong>Public Entity</strong>&lt;br&gt;(mostly same as governmental entities)</td>
</tr>
<tr>
<td><strong>Scope of Business</strong></td>
<td><strong>Limited to railway operation</strong> and related activities</td>
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<tr>
<td><strong>Governmental Regulations</strong></td>
<td><em>Budgets are approved by the National Diet&lt;br&gt;All directors are appointed by the Government&lt;br&gt;Annual accounts are submitted to the Diet</em></td>
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※ 3 major JRs (JR East, JR Central and JR West) have been exempted from the application.
It was decided that JR Hokkaido, JR Shikoku and JR Kyushu did not take over the long-term debts. In order to cover operating losses, it was decided to establish the “Management stability fund”, which has been providing proper management revenues to these JRs every year.
JNR had more than 460,000 employees in 1965. With a series of restructuring, it became 277,000 in 1986 the year before the privatization.

Among these employees, 201,000 were employed by JR; 76,000 were employed by governmental entities and private companies with the assistance of outplacement.
JRs’ Transportation volume has been increasing. This is because fares have not raised (one exception of JR Hokkaido, JR Shikoku and JR Kyushu) and their services have been improved.
Financial condition went dramatically better than the expectation of the Government of Japan.

- JNR was subsidized ¥600 bn (=US$ 6 bn*) a year (in 1985) but posted large deficits. However, JRJs reached ¥630 bn (=US$ 6.3 bn*) of profits and paid ¥260 bn (US$ 2.6 bn*) of taxes to the Government in 2012.
After the JNR reform, the number of accidents has been steadily reduced.