



EUROPEAN BUSINESS COUNCIL IN JAPAN
THE EUROPEAN (EU) CHAMBER OF COMMERCE IN JAPAN

LOGISTICS & FREIGHT

ISSUES AND RECOMMENDATIONS

FUTURE DELIVERY MODERNISATION



Future Delivery Modernisation

YEARLY STATUS REPORT: New Issue

- ❑ The final mile delivery in Japan can be hugely challenging, with service providers working extended hours and dealing with re-deliveries as a result of the consignee being away from home or unable to receive the delivery, even if the delivery is made within the agreed time window.
- ❑ Against the background of an overall tightening of the labour market and, in particular, a well publicised driver shortage, the EBC believes that a new approach is required to improve the sustainability and effectiveness of final mile deliveries.



Future Delivery Modernisation

RECOMMENDATIONS

The Government of Japan should:

- ❑ Enable use of larger vehicles for inter-city movement to reduce the number of vehicles and drivers required.
- ❑ Allow and encourage the use of autonomous vehicles by delivery companies.
- ❑ Increase the subsidy for non-proprietary “open” parcel lockers and simplify the application process for such subsidies. In particular switching from the pre-installation to a post-installation application process should accelerate the deployment of parcel lockers.
- ❑ Educate the public about socially responsible delivery arrangements by highlighting the social and environmental costs of failed delivery attempts and encouraging the consignee to be home and able to receive the delivery within the requested time window or to choose alternative “delivery options”.





LEVEL PLAYING FIELD WITH JAPAN POST'S EMS



Level Playing Field with Japan Post's EMS

YEARLY STATUS REPORT: No Progress

- ❑ Currently, Japan Post is only required to declare EMS packages to customs through the Nippon Automated Cargo and Port Consolidated System (NACCS) system when the goods they contain exceed 201,000 yen in value, while private sector operators are required to declare all packages through NACCS (as de minimis up to 10,000 yen and Low Value Dutiable up to 200,999 yen).
- ❑ Additionally, although the National Police Agency has declared that EMS is subject to the Parking Law, in practice the Law is not applied to EMS-carrying vehicles.
- ❑ EMS shipments containing materials such as quarantine-related goods, which are subject to control by various regulations (tahourei) other than the Customs Law, may be checked in postal facilities, whereas such packages transported by private sector operators must be inspected at the first port of entry (usually an airport).



Level Playing Field with Japan Post's EMS

RECOMMENDATIONS

- ❑ The Government of Japan should ensure a level playing field by (1) applying the same NACCS declaration method to both EMS and private express deliveries, (2) applying the Parking Law equally to all parties, and (3) ensuring equal rules for submitting advance cargo information.
- ❑ The Government of Japan should allow private express delivery companies to transport all shipments directly to their off-airport bonded warehouses in the first instance, and ideally allow inspections of quarantine-related goods in those facilities.



A delivery person in a white shirt, blue cap, and blue pants is seen from behind, carrying several large cardboard boxes. The person is walking on a paved path outdoors, with green foliage and a building in the background. A white horizontal bar with the text 'LABOUR SHORTAGE' is overlaid across the middle of the image.

LABOUR SHORTAGE

Labour Shortage

YEARLY STATUS REPORT: New Issue

- ❑ Given Japan's projected population decline and ageing society, it is anticipated that the current shortage of available labour will continue, severely impacting the logistics sector even as expansion of e-commerce drives up demand.
- ❑ In order to continue meeting the demand for logistics services, it is important that the Government puts in place practical strategies to improve the availability of labour in the short- and medium-term.
- ❑ There is particular concern around the short-term challenge, since potential solutions such as the use of new technologies, including autonomous driving and increased use of automation in freight handling will only become available in the long term.



Labour Shortage

RECOMMENDATIONS

- ❑ Japan should ease its visa requirements to allow foreign temporary labour, particular during peak periods of demand, such as Golden Week and around the end of the year.
- ❑ The authorities should support companies in setting up child care provision, including through access to training and certification for child care workers, to facilitate the employment of women in the sector.
- ❑ Japan should promote the importance of the logistics sector to encourage more female participation.





**AUTHORISED ECONOMIC
OPERATOR (AEO)**

Authorised Economic Operator (AEO)

YEARLY STATUS REPORT: Some Progress

- The current system of AEO has not led to the anticipated easing of the administrative burden.
- In many cases the burden has increased.
- The EBC seeks a system giving companies a simplified process and extended powers to handle matters without involvement of the authorities in every single case, provided operators can demonstrate sufficient control over the flow and that traceability is ensured.

Authorised Economic Operator (AEO)

RECOMMENDATIONS

- ❑ The AEO concept should focus more on offering simplifications, provided the operator meets the agreed criteria for tracing each product and adhering to the agreed process flow.
- ❑ The Government should introduce more benefits for imports handled by AEOs, including but not limited to:
 - Enabling access to NACCS from servers outside Japan
 - Allowing quarantine checks at transporters' own bonded warehouses
 - Reducing the physical examination of shipments
 - Allowing the use of digital archives



PORT COSTS AND DEVELOPMENT

Port Costs and Development

YEARLY STATUS REPORT: Limited Progress

- ❑ Port costs in Japan are exceptionally high in comparison to other advanced economies.
- ❑ High costs not only hinder European companies from operating to their maximum potential in Japan, but also drive many Japanese companies to switch production to overseas and ship lower volumes through Japanese ports.
- ❑ High port costs also undermine the competitive position of Japanese ports in Asia, for example in the provision of trans-shipping services, since South Korea and China offer far more competitive services.

Port Costs and Development

YEARLY STATUS REPORT: Limited Progress

- ❑ Furthermore foreign shipping lines are still not allowed to trans-ship their own overseas cargo on their own vessels in Japan, thus encouraging them to trans-ship such cargo elsewhere, reducing business at Japanese ports.
- ❑ While similar restrictions apply in Europe, it is nevertheless possible for a Japanese carrier to transport its cargo across borders within the EU, for example from Germany to France, thereby meeting business requirements.



Port Costs and Development

RECOMMENDATIONS

- ❑ Japan should address the high cost of the port operations structure within its Asia Gateway Strategy Council.
- ❑ Rules and regulations that prevent container lines from offering intermodal-through-transportation in Japan should be reviewed and brought in line with international standards. The same applies to coastal transportation of empty containers where, currently, special permits are required unless the country in which the pertinent vessel is registered has a bilateral agreement with Japan.
- ❑ The current system of fixed operating hours, which today limits port efficiency, should be removed and replaced with a more effective system.
- ❑ The Government should act to relieve traffic congestion in and around the port of Oi. Without prompt action, the 2020 Olympics will probably make the situation even worse.





**PROMOTE COMPETITION IN
PORT OPERATIONS AND
STEVEDORE SERVICES**



The image is a composite of two photographs. The top photograph shows a large, red gantry crane at a port, with its complex metal structure and cables extending across the frame. The bottom photograph shows a large container ship docked at a port, with its hull painted in dark blue and red, and its deck stacked with numerous colorful shipping containers. The text is centered over a white horizontal band that spans the width of the image.

Promote Competition in Port Operations and Stevedore Services

YEARLY STATUS REPORT: Limited Progress

- ❑ The Japan Harbour Transportation Association (JHTA) still wields enormous discretionary power on the waterfront and changes to operations require prior approval from JHTA.
- ❑ The process lacks transparency and effectively prevents shipping lines from seeking alternative, competitive services.
- ❑ If shipping lines want to operate a terminal independently, they may apply for a licence.



Promote Competition in Port Operations and Stevedore Services

YEARLY STATUS REPORT: Limited Progress

- ❑ Whilst the MLIT has committed to process applications within two months of receipt, requirements such as minimum employment levels still prevent firms from developing true competition for port services in Japan.
- ❑ It is not yet possible for a foreign company to set up its own terminal handling operations in Japan.



Promote Competition in Port Operations and Stevedore Services

RECOMMENDATIONS

- ❑ Japan should promote competition by establishing a system allowing shipping companies to change their operations without seeking prior approval from the JHTA, especially for routine business matters.
- ❑ The Government of Japan should allow foreign shipping companies to own their own handling facilities or, at the very least, be allowed to run port operations in a competitive manner.
- ❑ Competitive bidding for stevedore services through open tenders should be promoted and regulated.
- ❑ The prevailing “Grandfather Principle” that effectively prevents shipping lines from changing container terminal service providers should be eliminated.

