

# **Government and Port Administration in Japan in the Aftermath of the Port and Harbour Law of 1950**

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## **Introduction**

Japan consists of four main islands (Honshu, Kyushu, Shikoku, and Hokkaido) plus numerous smaller ones. It is claimed that there are 3500 islands in all.<sup>1</sup> Entirely surrounded by the sea and possessing an immensely indented 30,000-kilometre coastline, the Japanese archipelago has as many as two thousand ports of various descriptions. These were divided into major and local classifications by the Port and Harbour Law of 1950. By 1960, there were seventy-three major ports "possessing important relations with the interest of the nation."<sup>2</sup> A number were further classed as "specially-designated major ports" due to their important roles in foreign trade. In this category were Yokohama, Osaka, Kobe, Nagoya, Tokyo, Shimizu, Yokkaichi, Shimonoseki, Moji, Kokura, Kawasaki and Dokai. Local ports included some 1900 harbours, of which thirty-five were designated "ports of refuge," designed to provide havens to small vessels during storms.

The Port and Harbour Law was enacted to provide guidelines for port planning, construction, management and administration in the aftermath of the Second World War, which had left much of Japan's infrastructure in ruins. It was a landmark in Japanese maritime administration, for it represented the first conscious attempt to codify regulations governing port development and administration. Although much has been written on Japanese maritime history, the significance of this bill has been neglected.<sup>3</sup> Yet the Law had as much impact on port development and administration as did the government-sponsored Programmed Shipbuilding Scheme and the Interest Subsidy for Shipping Finance on postwar Japanese shipping and shipbuilding.<sup>4</sup> This essay will place the legislation in the wider context of Japanese port development and administration, focusing on the overarching role of the state in the peculiar circumstances of Japan's postwar economic recovery and constitutional evolution. It concludes by drawing parallels with contemporary port growth in the United States and Western Europe.

## **Prelude to the Port and Harbour Law**

The institutional framework for Japanese port development and administration was not clearly defined until the enactment of the Port and Harbour Law of 1950. Its passage was therefore a turning point in the evolution of the policy and practice of port administration in Japan. Developments before 1950 which provide perspective are outlined below.

Economic and political developments since the 1850s, mainly the "opening up" of the country and the increasingly successful efforts to industrialize put new pressures on domestic ports. It was understood that port and harbour improvements were the responsibility of the national government, which "in line with the national interest, should plan, improve, and manage ports."<sup>5</sup> The ports were then managed by heads of local public bodies appointed by the national government.

Arising from this was the classification of ports on the basis of their importance to the nation as either "major" or "local;" the former were further categorised as first- or second-class. This determined the extent of central government financial involvement. For example, first-class major ports were operated by the government but financed partially by local public authorities. The national government was responsible for the construction of breakwaters, seawalls, and other protective facilities; as well as for anchorages, basins, channels and related water facilities. It also bore half or sometimes a higher percentage of the cost of other port facilities and land reclamation projects. Second-class ports were operated by local bodies which received "considerable" central government funding; this took the form of fifty-percent subsidization of port construction, but national assistance did not extend to land reclamation. Local ports were operated independently by public bodies without financial assistance from the central government.

What emerges from the foregoing survey before 1950 is the implicit control or coordination of port activities by the national government. This tendency must have been accentuated by the exigencies of the militarism of the 1930s and the imperatives of the Second World War, which rendered centralized control of ports and maritime endeavours in the national interest. A clearer picture emerges as we consider the Law of 1950.

### **Major Provisions of the Port and Harbour Law of 1950**

This comprehensive legislation, containing sixty-two articles, provided definitions of concepts, allocated roles among various port-related interest groups, and placed ports into various categories. The Law, which took effect from April 1951, had a number of supplementary amendments added between June 1951 and 1 April 1957, all dealing with minor matters. The fundamental principle behind the Law was that "ports and harbours belong to local residents."<sup>6</sup> But it was made clear that port development was not solely a local affair; rather, ports had national importance and thus merited central government involvement. The key provisions of the Law were that:

- (a) local governments should be responsible for the management of their respective ports;
- (b) port development would be a joint enterprise between the central and local governments, with the latter being primarily responsible for planning its own port(s);
- (c) a well-defined ratio for funding port infrastructure development was established;
- (d) the national government, through the Ministry of Transport, had the right to review and authorize the master development plan of major ports; and

- (e) port management bodies were prohibited from engaging in port-related activities that could be undertaken by the private sector.

In Articles 4-11, the Law prescribed the mode of establishing a port authority, while its activities were detailed in Articles 12 and 13. The organization of port authorities formed the subject of Articles 14-27, with finances covered by Articles 28-32. Provision was made in Articles 33-36 for local public bodies to be transformed into port authorities. Regulations governing permission for construction work in the ports were detailed in Articles 37-41. The rest of the Law dealt with sundry issues of financial management, port charges, sharing of expenses for development between port authorities and other institutions, subsidies for expenses, review of port *planning, relations with the* Ministry of Transport and Transportation Council, and penalties for violation of the Law.

A related piece of legislation was the "Law for Promotion of Improvement," enacted in 1953, which required the central government to provide funds to prepare industrial and other sites, and to construct transit sheds, cargo-handling equipment, and other facilities. "The drastic improvement of ports in post-war Japan," it has been asserted, "can be fundamentally attributed to this Law, as well as the Port and Harbour Law and the Law for Emergency Measures for Port Improvement," which outlined a five-year investment plan.<sup>7</sup> Altogether, the laws facilitated integrated port development and laid a solid foundation for the remarkable economic growth and development after 1955.

### **The Thrust of the Port and Harbour Law of 1950**

The Port and Harbour Law of 1950 for the first time clearly defined the status, roles and obligations of port authorities. It must be noted, however, that the institutional framework within which Japanese ports have operated since 1945, and within which the Law was formulated, derived from a combination of two elements. These have been identified as "the traditional centralized control on planning, budgeting and tariff-setting, and...the straight copy of the American port authority system which was introduced by the Allied Forces during their occupation after World War II."<sup>8</sup> While the main features of the Law have been itemised in the preceding section, those relating specifically to port management include defining the powers of port authorities, setting out the responsibility of the central government, establishing cost-sharing procedures by both tiers of government, structuring port finances, and designating ports according to their economic importance.

First, the Law stipulated that ports should be run by "Port Management Bodies," of which there were two types. In the first case, this meant a port authority established in accordance with the provisions of Chapter II, Section I of the Law. Article 4 under this head stated that:

Any public entity which actually manages port facilities at the port concerned, which has borne expenses for establishment or maintenance and management of port facilities at the port concerned or whose area (hereinafter referred to as "the interested local public entity") or combination of such local public entities may establish a Port Authority after making out the articles of incorporation separately and jointly.<sup>9</sup>

Table 1  
Classification of Japanese Ports, 1960

Location	Specially Designated	Major Ports	Ports of Refuge
Hokkaido		Hakodate, Otaru, Muroran, Kushiro, Rumoi, Wakkanai	Matsumae, Okujiri, Horoizumi, Soya, Todohokke
Honshu (Sea of Japan)		Akita, Funakawa, Sakata, Niigata, Naoetsu, Ryotsu, Fushiki, Toyama, Nanao, Tsuruga, Maizuru, Sakai, Hamada, Saigo	Fukaura, Toga, Nuzugaseki, Futami, Wajima, Takasu, Shibayama, Tajiri, Shichirui, Yuya
Honshu (along Pacific Ocean)	Tokyo, Kawasaki, Yokohama, Shimizu, Nagoya, Yokkaichi	Aomori, Hachinonohe, Miyako, Kamaishi, Ofunato, Shiogama, Onahama, Chiba, Yokosuka, Kinuura	Shiriyamisaki, Kuji, Okatsu, Hisanohama, Okitsu, Borawasawa, Omaezaki, Shimoda, Irako, Hamashima, Katsuura, Yura
Honshu (along Inland Sea)	Osaka, Kobe, Shimonoseki	Wakayama, Shimotsu, Sakai, Himeji, Amagasaki, Uno, Hiroshima, Onomichi, Itozaki, Kure, Ube, Tokuyama, Kudamatsu, Iwakuni, Mitajiri	
Shikoku		Komatsujuma, Takamatsu, Sakaide, Imabari, Matsuyama, Niihama, Kochi	Kamikawaguchi, Murotsu
Kyushu	Moji, Kokura, Dokai	Hakata, Kanda, Miike, Karatsu, I man, Nagasaki, Sasebo, Fukue, Izuhara, Gonoura, Misumi, Yatsushiro, Oita, Tsukumi, Beppu, Hosojima, Aburatsu, Kagoshima, Naze	Oshima, Wakinomisaki, Odomari, Koniya

Source: *Principal Ports in Japan, 1960* (Tokyo, 1960), 5-6.

This provision did not apply if a port had been established and managed by persons other than the state or local public entity. But where a decision had been reached in the appropriate circumstances for a major port, approval had to be obtained from the Minister of Transport. If the matter concerned a minor port in which a local government sought to establish a port authority, Ministerial approval was still required. The second type of "port management body" approved by the Law was a local public entity under the

provisions of Article 33. This category was intended to encompass port authorities other than local governments, that is, "public trusts." Yet it was observed in 1984, over three decades later, that "[f]hough the law expected that port authorities would play an important role after the enforcement of the law, few...have been established. The majority of ports are owned by the local governments."<sup>10</sup> In 1993, eighteen of twenty-one specially-designated major ports; 109 of 112 major ports; 896 of 967 local ports; and 1023 of all 1100 Japanese ports were controlled by either prefectural or municipal governments."

The policy thrust of the Law was the designation of "major" and "minor" ports. The first category was defined in Article 2 as "those ports and harbours...being of great importance to the interest of the State." All others were classified as "minor." There were also "ports of refuge," where the main object was to give refuge to small vessels during storms. Table 1 summarizes the designation of ports in Japan in 1960.

A third component of the Law was the allocation of responsibility to port authorities. Article 12 prescribed the following activities of port authorities.

- (a) Preserving and maintaining the port area and the port facilities under its management in good operable and usable condition (including removal of obstructions to navigation);
- (b) Making plans for the construction and improvement of port facilities considered essential to port development and the preservation of areas adjoining the port;
- (c) Executing port construction work necessary to implement approved port plans, reclaiming land and engaging in related activities in the port area;
- (d) Managing on trust those port facilities (including the land necessary for port operation) owned by the State or local public entity and which would be offered for general public use;
- (e) Operating, of the mooring facilities for public use, those necessary for promoting the public convenience and effecting the necessary regulation over vessels using these facilities, including assignment of berths;
- (f) Providing necessary equipment for fire-fighting, rescue and guard;
- (g) Conducting or preparing investigation, study or statistical data necessary for port development, and giving publicity to the utility of the port;
- (h) Providing services to vessels such as water-supply or aid to vessels in mooring or unmooring, if these services were not rendered properly or sufficiently by others;
- (i) Leasing out those port facilities under its management which were not ordinarily meant for public use or which were unsuitable to be operated by the port authority itself;
- (j) Regulating the use of port facilities, such as sheds and cargo handling gears under its management, by persons who rendered services necessary for port operations using those facilities, to

- achieve smooth movement **OF** cargo or effective use of port facilities;
- (k) Rendering good offering of services necessary for port operation, including the loading, unloading, storage terminal service and transportation facilities of goods within the port area and the waterfront;
- (l) Establishing or managing facilities to improve the welfare of ships' crews or port workers such as rest-houses;
- (m) Making and publishing up-to-date tariff showing scheduled rates and charges covering services or facilities necessary for utilization of the port; and
- (n) Engaging in other activities necessary for ensuring the success of the preceding ones.

The organization of the port authority was set out in Articles 14-27. **IT** was to have a Board of Directors to make policies and to direct and control the business of the authority. The Board would comprise a maximum of seven members, but if the port authority included more than three local public entities, membership could be increased to eleven. The members would be appointed by the chief of the local public entity that established the Authority, with the consent of its Assembly, from among persons judged to possess sound knowledge and experience in relevant fields. Certain categories of people were excluded from the Boards: members of the National Diet; members of the Assembly of the local public entity, except if one member were recommended by the assemblies of the local public entities organizing the Authority; private contractors engaged in port works; and those whose professional or business interests might conflict with service. In the event of a conflict of interests, the Board member had to retire. Members were to elect one of their own as chairman of the Board and all decisions would be by simple majority. The tenure of the Board was fixed at three years, although members could be reappointed. Terms of office would be arranged in such a way that members did not all retire at the same time. The appointment could be revoked by the chief of the local public entity which organized the port authority, with the consent of the Assembly, if the Director(s) were found unsuitable or incapacitated in any way.

Articles 28-32 detailed the principles of financial administration. First, none but sponsors of the port authority could invest in it. Second, all expenses incurred in the course of its business operations, except those required for port construction, would be defrayed by port charges, rents and associated revenue. Third, the Authority was empowered to issue bonds to raise funds for construction, improvement or rehabilitation of facilities. The Authority was empowered by Article 44 to levy charges approved by the Minister of Transport, who would also consider objections by aggrieved parties. After a public hearing by the Transportation Council, and if the charges were found to be unreasonable, the Minister would order the Authority to revise them.

Related issues of mutual sharing of expenses and of subsidies were dealt with in Articles 42 and 43. Where the management body of a major port undertook an important project, costs were shared equally with the state. If the port were considered especially important for foreign trade, the state would bear all expenses for water or contour

facilities and up to three-quarters for mooring facilities. State subsidies for port construction (construction or improvement of port traffic facilities) were standardized as follows: up to seventy-five percent at a specific major port; up to half at a major port other than the specific port; and up to forty percent of the cost of constructing or improving water, contour or port facilities at a minor port. If a port facility had been provided to serve other entities as well, the latter would bear part of the cost of its construction to the extent of the benefit they derived. This also applied to a person who derived "much profit as a result of a harbour work."

While the foregoing dealt with the functions of the port authority, the Law also prescribed crucial supervisory — indeed, interventionist — roles for the central government. Its overarching role, through the Ministry of Transport, is outlined below:

- (i) formulating national port development policies, and making necessary laws and regulations for port administration and development;
- (ii) offering advice to Port Management Bodies on port development and administration;
- (iii) examining and coordinating the port and harbour plans of major ports;
- (iv) financing port construction works;
- (v) executing port construction by itself;
- (vi) developing and maintaining channels out of port areas;
- (vii) establishing technical standards for port planning, design, and construction; and
- (viii) pursuing technical innovation in ports.<sup>12</sup>

We should note that port matters were not expected to be a monopoly of the Ministry of Transport. Justice (through the Emigration and Immigration Law); Agriculture, Forestry and Fishery (through the Plant Quarantine Law and Livestock Infectious Diseases Prevention Law); Health and Welfare (through the Quarantine Law); International Trade and Industry (through the Foreign Exchange and Foreign Trade Control Law); Finance (through the Customs Law and restrictions on moving cargo to or from bonded areas); Construction (for obvious reasons); and the Environment Agency (through various environmental pollution laws) all had important roles to play in the administration of Japanese ports and the enforcement of requisite laws within them.

### **Port Planning and Administration Under the Law**

While the Port and Harbour Law of 1950 provided the framework for port development and administration, it has had to adapt to the practical realities of day-to-day activities. Hence, the Law has been revised a number of times, although not in any fundamental way. Still, there were supplementary provisions in 1951, 1952, 1954 and 1957.

A consistent policy platform since the passage of the Law has been the insistence that a port need not pay its way but can be run at a loss to spearhead local or regional development. This has been demonstrated in the case of Kashima.<sup>13</sup> Situated on the Pacific

coast on the island of Honshu, Kashima initially was "one of the most underdeveloped areas of Japan." As its coastline was exposed to severe buffeting by waves, it was developed over a twelve-year period as "an inland-excavated port." Beginning with the construction of breakwaters in 1963, its completion in 1969 represented the triumph of a unique port engineering, and was followed by tremendous economic and social changes. Between 1960 and 1975, the population rose from 57,000 to 300,000, while the number of workers grew from 28,000 to 122,000. While the number employed in primary industries declined from 20,000 to 12,000, those in secondary and tertiary industries increased from 3000 and 5000 to 58,000 and 52,000, respectively. Tonnage of shipping rose spectacularly from 26,000 in 1965 to 31.9 million in 1975.<sup>14</sup> Second, while most ports operate under local government control, the superintending role of the Ministry of Transport is an immutable fact. Within the Ministry, the Ports and Harbours Bureau plays the leading role in port affairs. As a result of the process of economic development, which boosted demand for port facilities, the central Bureau was decentralized into five Port and Harbour Construction Bureaus to undertake port construction in the five regions into which the country had been divided. The regional offices were based around the key ports of Yokohama, Kobe, Kanmon, Niigata and Nagoya. The last one earned a district essentially because of the extensive harbour works necessitated by the great typhoon of 1959, which caused considerable damage in the Nagoya area; because of accelerated economic development in the Ise-Wan area; and to cater for the large number of ports in the area.<sup>15</sup>

The crucial role of the central government in port construction is underlined by the activities of the Port and Harbour Research Institute and the Ports and Harbours Bureau. The former is guided by the motto "work together with field engineers."<sup>16</sup> Its research findings coupled with field experience have been reflected in the remarkable advances in Japanese port development which were taken to justify annual expenditures of US \$100 million by 1984 on engineering research. The exploits of the Institute are complemented by those of the Bureau's engineering staff. Numbering over 1500 in 1984, they were considered as perhaps "the world's largest and strongest group of port engineers...[who, together with] their 'old boys' who are actively engaging in academic and business fields after their retirement...become the mainstay of Japanese port life."<sup>17</sup>

The foregoing has shed light on the institutional framework created by the Law. To place this in a broader perspective, we next need to examine the process of port development from planning to execution. Port plans are made for the long-term, that is, for ten to fifteen years in the future. They take into consideration not only optimal use of space in coastal areas in accordance with the expectations of the citizenry but also the *economic outlook*. As ports function in the contexts of local, regional and national economies, individual port plans are coordinated with regional and national communication, economic and land development plans. Given the broad range of activities carried out within ports, plans have to be comprehensive, and thus require broad-based consultations among users and various authorities concerned with port-related matters. Starting from the top, the Minister of Transport lays down basic policy to guide port management bodies. At an intermediate level, port and harbour councils are established to give expert advice to the management bodies; the Councils are comprised of persons with relevant education and experience, representatives of relevant administrative agencies,

and practitioners. These consultations are intended to harmonise various port plans with "basic policy." At the base of the structure, individual port authorities propose plans in line with higher policy. The draft plans are examined by the local port council and, after approval, local official plans are formulated. In the case of major ports, local official plans are appraised by the Ministry of Transport and the Ports and Harbours Council to ensure compliance with national policy.

The planning process takes into consideration whether it is an industrial, foreign trade, or domestic distribution port, or a port of refuge. Second, the natural, geographic, social and economic environments which surround it and the needs that these generate are also important. In this regard, the existing or anticipated hinterland and the traffic potential are defined relative to other ports. Projections are made of traffic volumes and the capacity required to handle them. By extension, the nature of cargo also helps to determine the type of facilities needed. Provision must be made for various types of cargo and the requisite storage facilities. The allocation of waterfront land receives close attention because of the diversity of demand for space by the port, industry, and the city. *Again, expected shipping capacity is also taken into account. In the final analysis, a port facility plan is drafted to incorporate the following elements:*

- (i) protective facilities, such as breakwaters;
- (ii) mooring facilities, such as piers and landing sites, dolphins and buoys;
- (iii) water facilities, for example, waterways, basins for small craft, and mooring basins;
- (iv) freight handling and storage and passenger facilities;
- (v) port traffic facilities, such as roads, railways and parking lots in and around the port; and
- (vi) facilities relating to port environmental improvement: waste disposal and pollution prevention facilities.

The next stage in the process is the implementation of approved plans. We should note that various projects are handled by different agencies or bodies according to the nature of the development schemes involved. Thus, projects to provide basic facilities are implemented by port management bodies or the Ministry of Transport as general public works with central government subsidies. Projects for basic facilities for specific users or general public use are handled by a variety of public organizations and private bodies, such as container terminal and marina companies, public corporations and local governments. The cost is borne by the beneficiaries in proportion to the benefits accruing to them. Finally, owners implement projects for the provision of private facilities to be used by themselves.

A corollary of all this is the clarification of sources of funding. As has been indicated, various bodies, both governmental and private, are involved in port development, and they share the burden of port improvements and raise the revenue for this purpose in the following ways. The national government raises funds through taxes and bonds, burden charges from local public bodies, and burden shares paid by beneficiaries. Port management bodies earn revenue from direct port charges, funds transferred from the

owner local public bodies, Treasury disbursements from the central government, local government bonds, and beneficiary burden charges. Private interests, expectedly, raise funds from their business operations. Funds for port works were raised through bonds issued by port management bodies. While *kino* bonds were specifically for the purposes of upgrading and expanding port facilities, *rinkai* bonds were meant primarily for reclamation projects.<sup>18</sup>

We should note that the system is fairly flexible in practice to accommodate certain contingencies. First, for projects which do not have specific beneficiaries, such as port repairs and improvements, there are variations in the proportions of total cost borne by the national government and the port management body. Second, regarding those carried out at least partially by funds raised by the beneficiaries, the balance is shared by the national government and the port management body. Third, when the cost of improvements is quite substantial and exceeds the revenue generated by the port management body, the balance is covered by transfers from the parent local public authority and other external sources. This is consistent with the principle that ports are basically the spearhead of regional development and need not pay their way.<sup>19</sup>

Consequently, the national government subsidizes the provision of basic facilities up to a maximum of fifty percent in major ports and forty percent at minor ports. But it is responsible for the total cost of developing and maintaining channels outside the port area.<sup>20</sup> As a rule, the national government bears a higher share of port improvement costs at specially designated ports and harbours of refuge than at major ports. It also applies a higher national subsidy rate to exceptional local ports irrespective of their classification. Further, the national government grants subsidies for land for port and harbour facilities at such places as Okinawa, Hokkaido, and certain remote islands.

An analysis of the contributions of various funding bodies between 1966 and 1980 shows that there were virtually as many publicly-funded as bond-funded works.<sup>21</sup> As well, the national government and port management bodies bore up to ninety percent of the total cost of public facility improvement projects. While their actual respective shares were fifty-five and thirty-five percent, funds from Treasury investments and loans and private enterprise accounted for only three and seven percent, respectively, of the total. And the percentage of contributions by port users or beneficiaries increased, while those of government and port management bodies declined, especially between 1969 and 1975. The reason for this is the substantial increase in port improvement projects dealing with iron, steel and petroleum, a hallmark of an era of accelerated economic development. As port enterprises were required to contribute a share of the cost of those projects, this was reflected in their relatively high share of total port costs. The respective shares of port development costs borne by the funding bodies also varied with classification and region. In the latter case, relatively disadvantaged or remote areas receive special concessions. Port projects in exceptional regions like Hokkaido and the more remote islands could attract central government funding of up to ninety percent of total costs. To illustrate this differentiation, the central government and the port management body generally share costs equally at major ports, but at minor ports, the latter takes sixty percent. This ratio is reversed in the case of ports of refuge.<sup>22</sup>

It can be deduced from the foregoing that Japanese ports depend especially on direct financial assistance from the central government and the parent local authorities.

Even so, they levy port dues and charges for the use of facilities, most of which, at least in the case of container terminals, are "decided centrally and apply at each port."<sup>23</sup> While it is already known that ports are not necessarily expected to be self-financing, it is worth examining their financial operations. A study of port finances in eight specially-designated major ports in the 1980 fiscal year concluded that port revenues offset "approximately 60% of ordinary expenses...The proportion met by port revenues is growing, however, with each passing year."<sup>24</sup> The breakdown of revenue and expenditure at eighty-nine of the 111 major ports in 1980 is given in table 2.

**Table 2**  
**Revenue and Expenditure in Major Ports, Fiscal Year 1980**

<b>Revenue Breakdown (Million Dollars)</b>					
Port Revenue	Treasury Outlays	Transfer of General Finances	Bonds	Others	Total
80.6	175.4	253.4	287.4	36.2	833.0
(9.7%)	(21.1%)	(30.4%)	(34.5%)	(4.3%)	(100%)
<b>Expenditure Breakdown</b>					
Maintenance and Management	Port Facility Improvement Cost	Bond Redemption	Others	Total	
96.5	505.2	217.5	13.7	832.9	
(11.6%)	(60.6%)	(26.1%)	(1.7%)	(100%)	

*Source:* Ryuji Nakamura, "Port Development System in Japan," in ESCAP, *Proceedings* (Bangkok, 1983), 70.

A further illustration is provided by a case study of Shimizu port, which depended upon, among others, the financial support of the owner-prefecture. Here the relationship was symbiotic rather than parasitic. The city, and indeed the national government, derived substantial revenue from various port-related activities. These sources were business taxes; property taxes on company offices, factories, and ships; and municipal and prefectural taxes and income taxes paid by employees of factories and private businesses dependent upon the port. Returns for fiscal 1980 indicate that the respective tax revenues derived from these related sources by the city, prefecture and national government were \$5,515,000; \$3,927,000; and \$15,575,000, totalling \$25,017,000." For its part, the port drew direct revenues from tonnage duties; special tonnage duties; port facility utilization fees; and water charges. As table 3 shows, direct port revenues totalled \$3.4 million, which was collected by the various controlling bodies: Shimizu City, Shizuoka Prefecture, and the national government.

A comparison of investments by the three supporting bodies and revenues from port-related enterprises shows that the motives behind port development were justified. Table 4 shows that returns on port development ranged between twelve and ninety-nine

percent of expenditure. The city and the prefecture appear to have been the chief gainers. It has thus been concluded that "increase in tax revenues brought about by development of ports amply exceeds ordinary port outlays...in ports such as Shimizu Port, where well-planned investments were carried out, port development is amply effective financially."<sup>26</sup> Yet it was conceded that this conclusion might not apply to the entire country.

**Table 3**  
**Breakdown of Shimizu Port Revenue, 1980**

<b>Category</b>	<b>Amount (\$'000)</b>	<b>Collector</b>	<b>Remarks</b>
Tonnage Duty	<b>510</b>	National Government	
Special Tonnage Duty	<b>640</b>	Shimizu City	Reimbursed to Shimizu City after collection by National government
Fees for use of Port facilities	<b>2,190</b>	Prefecture	
Charges for ship's water	<b>60</b>	Shimizu City	
<b>Total</b>	<b>3,400</b>		

*Source:* Nakamura, "Port Development System," 76.

**Table 4**  
**Revenues and Expenditures of City, Prefecture, and National Government in Shimizu Port (\$'000)**

<b>Item</b>	<b>City</b>	<b>Prefecture</b>	<b>National</b>	<b>Total</b>
Port revenues (A)	<b>700</b>	<b>2,190</b>	<b>510</b>	<b>3,400</b>
Tax revenues	<b>5,515</b>	<b>3,927</b>	<b>15,510</b>	<b>25,017</b>
Total revenues (B)	<b>6,215</b>	<b>6,117</b>	<b>16,085</b>	<b>24,417</b>
Ordinary expenditures (C)	<b>720</b>	<b>3,600</b>	<b>4,380</b>	<b>8,700</b>
(A) - (C)	<b>20</b>	<b>1,410</b>	<b>3,870</b>	<b>5,300</b>
A/C (%)	<b>99</b>	<b>61</b>	<b>12</b>	<b>39</b>
(B) - (C)	<b>5,495</b>	<b>2,517</b>	<b>11,705</b>	<b>19,717</b>
B/C (%)	<b>876</b>	<b>170</b>	<b>367</b>	<b>327</b>

*Source:* Nakamura, "Port Development System," 78.

Whatever the direct and indirect returns from port operations, it is generally conceded that most of these ports do not balance their books. The balance sheets of eight leading ports, including Osaka, Kobe, Yokohama and Tokyo, in 1980 show a deficit of

\$116 million, the difference between revenues of \$173 million and expenditures of \$289 million.<sup>27</sup> The balance for 1962 (see table 5) was little different and suggests a tradition, perhaps justified, by the developmental impact of the ports.

**Table 5**  
**Financial Position of Major Japanese Ports, 1962**  
**(Billion Yen)**

Port	Income (A)	Operating Expenses (B)			Total	Difference	
		Admin- istration	Interest	Depre- ciation		(A-B=C)	(C/B)
Tokyo	379	419	37	319	775	-396	-51.1
Kawasaki	176	106	48	85	239	-63	-26.4
Yokohama	406	634	231	88	953	-547	-57.4
Nagoya	565	652	288	316	1,256	-691	-55.0
Osaka	773	461	582	414	1,457	-684	-46.9
Kobe	833	440	270	241	951	-118	-12.4
Shimonoseki	32	24	9	19	52	-20	38.5
Moji	85	102	39	21	162	77	47.5

*Source:* Kazuo Kudo, "Implementation of Port Development Policy in Japan: Problems and Counter-measures" in ESCAP, *Proceedings* (Bangkok, 1984), 13.

A number of issues arise from the discussion in this essay, especially the division of authority and the co-ordination of services, principally, the management of relations among various port authorities, ministries and agencies. These merit close study because in other lands friction among port authorities has been the scourge of port administration.<sup>28</sup> It is worth noting that although the Ministry of Transport exercises a kind of supervision over port matters, there is actually no overarching authority like a National Ports Authority. As a top official of the Ministry stated in reply to a question, "the operation and management in each port will be done without restrictions by each management body based on the Port and Harbour Law. We do not have any intention of organizing a national agency for co-ordination within the ports."<sup>29</sup>

This neither suggests a perfectly harmonious interdepartmental relationship nor means that there is no overlapping authority. With regard to the development of the waterfront, which is governed by both the City Planning Law and the Port and Harbour Law, Dr. Kudo noted that the territory had been clearly divided, controlled respectively by the Ministries of Transport and Construction. "It is so clearly set up," he stated, that "there is no real difficulty in our case. Of course, on the border line, some minor frictions can be observed, but it is not so serious."<sup>30</sup> In the case of port construction, responsibility

is shared among various bodies: the railways (until recently, a government corporation called the Japan National Railway), responsible for laying rail tracks; the Ministry of Construction, which handles road construction and river conservancy; and the Ministry of Transport, which is in charge of seaport and airport construction. As Ryuji Nakamura acknowledged, problems often arose on the border of jurisdictions in which case, he stated, "we will negotiate with each other."<sup>31</sup> This strategy would appear to be the oil that greases the entire system. Again, as another port official explained:

if the construction costs of the port are found to be inadequate within the five-year port development plan, necessary additional funds will be provided out of reserve funds, which have been appropriated in the plan, after the negotiations with the Ministry of Finance. This is the procedure taken for major adjustments.

Such an approach is necessitated by the multiplicity of departments and agencies involved in port affairs, and the fact that the Ministry of Finance, which holds the purse strings, calls the tunes. As stated succinctly by Dr. Kudo: "MOT [Ministry of Transport] has the substantial right to decide what port should be developed, but the final say comes from the Ministry of Finance."<sup>32</sup>

## **Conclusion**

This essay has examined aspects of port administration in Japan, principally since the enactment of the Port and Harbour Law, 1950. Though the discussion is by no means exhaustive, it has highlighted the principal actors and their complementary roles within the framework of the Law. While local governments in theory control the day-to-day activities of the ports, the overarching control of the national government, through various ministries and agencies, is clear. The private sector is active in those areas from which the Law excluded local management bodies. As these are the most lucrative aspects of port operations, a clamour has been raised to amend the Law to make the ports more solvent.<sup>33</sup> But it remains to be seen if this could be done given the understanding that ports are not necessarily profit-oriented.

We shall conclude with the observation of a top official of the Ports and Harbours Bureau, who identified "complicated port administration" as one of the "current problems of Japanese ports." Though the remarks were made in 1984, they are worth citing for the light they shed on existing practices and the prospects for change:

In Japan most of the port-related administration have not been transferred to the port management body, and are being carried out by the branch offices of the ministries concerned. For daily port operation, at least 6 ministries (11 branch offices) are involved. The system inevitably makes documentation complicated and port users suffer from inconveniences. Proposals for improvement have been attempted several times, but have not materialized except for one which was enforced by the military government during World War II and terminated with the war.<sup>34</sup>

These remarks reveal that although the Law of 1950 and subsequent legislation had streamlined port development and administration in postwar Japan, the system, while efficient, is not perfect. One should acknowledge that the Law was a product of the constitutional and economic changes that took place as Japan was establishing a Western-style democratic system under American tutelage. Yet it was not an uncritical copy of the American system. Under the latter, the financial involvement of the federal government was limited to the maintenance of channels and approaches to ports; states, local governments and port authorities shared the responsibility for terminal infrastructure and port operations. In Western Europe, only Belgium shared with Japan a tradition of central government intervention and a basic philosophy that as ports and harbours facilitate industrial growth, it was incumbent upon government to improve facilities and provide grants. In contrast, government policy in Britain, West Germany and the Netherlands required ports to be financially self-sustaining. The central governments of these nations declined to bear any direct financial responsibility, although the British did make loans.<sup>35</sup>

In the final analysis, the Japanese system of port development and administration, founded on the Law of 1950 and based on the principles that ports should be developed as growth poles and that they need not justify their existence by balancing their books, has been vindicated by the spectacular successes of Kashima and Shimizu in facilitating regional economic development. The galvanising role of the state, while accommodating the involvement of the private sector and local interests, as in Japan, points to the great possibilities of judicious state intervention in port development and administration in the face of a global drift towards *laissez faire*.

## NOTES

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1. Yoskio Takeuchi, "Development of Ports in Japan and the Role of the Central Government — History and Future of Port Development," in *Proceedings of the Arab-Japan Port and Harbour Joint Conference* (Tokyo, 1977), 13.

2. Japan Port and Harbour Association (JPHA), *Principal Ports in Japan, 1960* (Tokyo, 1960), 5.

3. The bulk of the literature on Japanese maritime history concentrates on shipping and ship-building, especially the histories of the leading firms. A recent bibliography on the subject is W.D. Wray (comp.), "Bibliography on Japanese Maritime History," *International Journal of Maritime History*, IV, No. 2 (December 1992), 255-272. The relative neglect of the ports in the literature is corroborated by the fact that Wray included only two items under that heading. Studies on the ports include H. Masuda, *Japan's Industrial Development and the Construction of Nobiru Port: The Case Study of Failure* (Tokyo, 1981); M. Miyajima and S. Kwak, "Economic Analysis of Interport Competition in Container Cargo: Peripheral Ports Versus Tokyo Bay Ports," *Maritime Policy and Management*, XVI, No. 1 (1989), 47-55; P.J. Rimmer, "Japanese Seaports: Economic Development and State Intervention," in B.S. Hoyle and D. Hilling (eds.), *Seaport Systems and Spatial Change: Technology, Industry and Development* (Chichester, 1984), 99-133, and Ayodeji Olukoju, *Maritime Trade, Port Development and Adminis-*

- tration: *The Japanese Experience and Lessons for Nigeria* (Tokyo, forthcoming). See also the works of Takeuchi, Kudo, Nakamura and Akatsuka cited in this essay.
4. For a discussion of the impact of government policy on shipping and shipbuilding, see Tomohei Chida and Peter N. Davies, *The Japanese Shipping and Shipbuilding Industries: A History of Their Modern Growth* (London, 1990), 89-91, 93-95 and 101-106.
  5. Ryuji Nakamura, "Port Development System in Japan," in ESCAP, *Proceedings* (Bangkok, 1983), 54.
  6. Takeuchi, "Development of Ports," 19.
  7. Yoskio Takeuchi, "The Economic Impact of Ports in Japan," in ESCAP, *Proceedings* (1983), 33.
  8. Kazuo Kudo, "Implementation of Port Development Policy in Japan: Problems and Counter-measures" in ESCAP, *Proceedings* (Bangkok, 1984), 6.
  9. See JPHA, *Principal Ports*, 124-147, for a copy of the Port and Harbour Law, 1950.
  10. Kudo, "Implementation," 6, n. 2.
  11. Ports and Harbours Bureau, *Ports and Harbours in Japan. 1993* (Tokyo, 1993), table I.
  12. *Ibid.* 15.
  13. See Y. Ataksuka, "Development of Kashima Seaboard Industrial Area," in ESCAP, *Proceedings* (1984), 38.
  14. *Ibid.*, 88; and Takeuchi, "Economic Impact of Ports," 38.
  15. Ataksuka, "Development," 38.
  16. Kudo, "Implementation," 5.
  17. *Ibid.*, 8.
  18. Nakamura, "Port Development System," 36, 63 and 65-67.
  19. *Ibid.*, 64-65.
  20. *Ibid.*, 59.
  21. *Ibid.*, 67.
  22. *Ibid.*, esp. table 4.
  23. S.J. Matthews, "Japan Takes Its Cities To The Seas," *Containerisation International*, XXIII, No. 2 (February 1989), 55.
  24. Nakamura, "Port Development System," 68.
  25. *Ibid.*, 72 and 76.
  26. *Ibid.*, 76.
  27. Nakamura, in answer to question, in ESCAP, *Proceedings* (1984), 41.
  28. See, for example, Ayodeji Olukoju, "Background to the Establishment of the Nigerian Ports Authority: The Politics of Port Administration in Nigeria, c. 1920-1954," *International Journal of Maritime History*, IV, No. 2 (December 1992), 155-173.
  29. Nakamura, in answer to question, in ESCAP, *Proceedings* (1984), 39.
  30. Kudo, in answer to question, in *ibid.*, 35.
  31. Nakamura, in answer to question, in *ibid.*, 39.
  32. Kudo, in answer to question, in *ibid.*, 33.
  33. Kazuo Kudo, "Current Problems of Japanese Ports," in *ibid.*, 13.
  34. *Ibid.*, 11.
  35. Takeuchi, "Development of Ports," 28-30; and John L. Hazard, "The National Role in World Port Development: United States and Western Europe," *Maritime Policy and Management*, B (1978), 269-288, especially table 1.