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# Osaka Renaissance News

No5 April 2004

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Welcome to “Osaka Renaissance News” - the email newsletter of Osaka City Government’s “Urban Revitalization Task Force”.

## The Osaka Urban Revitalization Task Force

We are the first *City Task Force* established in Japan to address urban regeneration and revitalization at the same time. For this we are also collaborating with the central government’s “Urban Renaissance Program”. The role of the task force is to coordinate and promote the set of initiatives that taken together form the Osaka Revitalization Plan.

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## This Issue: A Tourism Metropolis

“Osaka Renaissance” is published on a monthly basis, and distributed through multiple email channels to spread the word about the new and most important initiatives taking place in Osaka. This month’s issue is about how the city is setting out to become the tourist gateway to the tourist-rich Kansai area, and a major destination for Asian tourists.

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## The Osaka City Blue Print for Urban Revitalization covers:

- Urban regeneration
  - Business stimulation (notably through technology clustering)
  - Tourism and life-style services
  - Education – especially professional and life-time learning
  - Foreign direct investment
- .....

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# TOURISM METROPOLIS

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## Author's Introduction

Osaka's tourism plans are part of the city's shift to re-make itself from a traditional commercial centre, dealing in things, to a regional lifestyle city, dealing in ideas, images, and services.

It is the shift from manufacturing towards services, which has forced Osaka like Manchester to reappraise its assets. Fortunately it has discovered at least as many post-manufacturing assets as Manchester, including the potential to host many more visitors. Like Manchester it has made a bid in the recent past to hold the Olympic Games. The bid was based on such assets as: a large number of hotels, world-class convention facilities, a superb transport network, and its convenient location to the rest of the Kansai region, and Japan, through the Kansai International Airport.

The opening of Universal Studios Japan (USJ) in the waterfront area was the first major step in the redefinition of Osaka. Based on the success of USJ the city has the opportunity to communicate a new image, and an aspirational vision of what it will

become. Cities around the world are doing this successfully. Manchester and Glasgow in the UK are examples.

Osaka has several advantages compared with these smaller regional cities however. One is that it is at the heart of the main tourist area in Japan - the Kansai region - the birthplace of Japanese culture. Another is that Osaka is only a short hop by air from China, Taiwan, and Korea, which are likely to spawn the largest outflow of tourists over the next 20-30 years. This is an opportunity for Japan, but it is Osaka which is making the strongest efforts to promote itself to these markets.

The opportunity for Osaka to become a real visitor destination depends heavily on how the tourist industry develops in Asia, especially China. As charter and cut price air carriers increase, Osaka, which has long been a mirror image to China's Shanghai, should become a popular destination for groups who want a change of pace and to dream about a future Japanese-style life.

**Alex Stewart**

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## TOURISM METROPOLIS

*In this issue we look at how Osaka is positioning itself to become a major tourist gateway, particular for Asian visitors to Japan*

### **(1) A shift in the economic structure**

The promotion of tourism has become part of the national strategy for the economic revitalisation of Japan, which is headed by the Prime Minister's office. The government launched its "Visit Japan Campaign" in April 2003, with the goal to double tourist numbers, from under 5million in 2002, to 10 million by 2010. Kansai has responded enthusiastically, with a plan to triple the number of foreign visitors over the same period. Its success however will depend very largely on the effective entry of Osaka into the tourism arena.

Ten years ago, even five years ago, the idea that Osaka might seek to make itself a tourist city would have seemed incongruous. The city was so well known for its commercial activity and focus on industry that the two activities appeared mutually exclusive. The shift in thinking started in the mid-1990s when the municipality purchased Matsushita's 25% share in Universal Studios Japan, when it was still at the planning stage. The city took the action to buy because it wanted to ensure that

USJ would become the centre-piece of the city's bay area revival project. USJ opened in 2001, with first-year visitor numbers far exceeding expectations, and thereby creating for the first time a genuine linkage between the city and mass tourism.

### **(2) Tourism assets**

There were other influences encouraging Osaka to think seriously about its future as a tourism centre. In October 2001, the city hosted the general meeting of the World Tourism Organisation, which adopted the "Osaka Millennium Declaration". This declared the importance of tourism in enhancing the quality of life, the revitalisation of cities, and exchanges with other countries. In January 2002, the city acted on this by declaring Osaka a "Tourism Metropolis". In doing so it emphasised three things: 1) the importance of "exchange", especially with East Asia, calling it, "The Great Age of Exchange"; 2) urban regeneration, which impacts the attractiveness of the city's built environment for tourists; 3) the service infrastructure, such as tourist

information centres, transportation, and foreign language signage.

In the Osaka City Revitalisation Master Plan, which was launched in April 2003, tourism is one of three areas, alongside new business stimulation and urban regeneration, on which the city is focusing. Among the key infrastructure projects is the construction of a second runway at Kansai International Airport, due to open in 2007. The city already has a major international convention centre, which was opened in 2000. In May, it will host one of the largest single convention events in Japan – the International Rotary Club’s Annual Meeting - which 45,000 participants will attend, nearly a quarter of them from outside Japan. The city has re-organised the Tourism and Convention Bureau into a single agency so that it can enjoy more synergistic effects from promoting the two.

The standard and availability of hotel rooms is another factor in a successful visitor strategy. There are 150 hotels registered with the Tourism and Convention Bureau representing a total of 60,000 beds. Among these are at least 15 de-luxe quality hotels. The latest, Swissotel, had its official launch party in April. At the top end is the Ritz-Carlton, which is currently the group’s only hotel in Japan. In 2003, the hotel survey guide, Zagat, awarded the Ritz Osaka the highest score in Japan.

Another reason that major convention facilities and good quality hotel accommodation are essential is to secure business in the booming field of corporate incentive packages. These are popular among companies which want to reward staff for a successful sales year or sales campaign. Recently Osaka hosted a tour comprising no

fewer than 3,600 people from a single Taiwanese insurance company. It calculates the spending effect on the local economy was around \$6million - a massive impact by a single corporate spender.

Osaka’s tourist potential is supported by its excellent transport links, which makes it a natural gateway to the tourist-rich Kansai area, with Kyoto and Nara the best known destinations. Both cities are only 30 minutes’ train ride from the city’s rail hubs. Access to downtown Osaka from the international airport is less than one hour, which contrasts favourably with Tokyo’s Narita.

### **(3) Heart of Kansai Campaign**

The goal is to encourage visitors to use Osaka as a touring base, enjoy the genuinely sophisticated city nightlife, and during the day take excursions east, west and south. Osaka therefore promotes itself as the “Heart of Kansai”. The Ritz-Carlton Hotel enthusiastically endorses this concept. The hotel is a stone’s throw from the main railway terminus of Umeda, and therefore ideal for a day-time excursion to Kyoto, the hot springs of Arima, or the cosmopolitan charms of Kobe. Its general manager, Ricco De Blank, who took up his current position in the middle of last year, comments that “Osaka is the perfect place to stay, especially for the sophisticated traveller, who can return after a day of sightseeing in the more traditional parts of Japan just beyond the city’s gates to an urbane contrast at night”.

There is no doubt that the night-life of Osaka, especially the food, is in a class of its own in western Japan. Indeed, outside Tokyo no city in Japan comes close to the variety and quality of entertainment available in Osaka. For

the music sophisticate there is a first-class orchestra. For food fans there is as much on offer as in Tokyo, and more easily accessible. Osaka indeed is renowned for its fastidious and bucolic interest in dining out, a reputation built up over centuries rather than years, due to the fact that Osaka was for most of its long history the merchant capital of Japan, handling the country's trade in food staples and commodities.

#### **(4) Museums**

During the day there are places to appeal to the city sophisticate as well, notably several top-quality museums, such as the Museum of Ethnology. The city's plan is to concentrate most of the new cultural facilities where the Yodo river divides and creates an island, called Nakanoshima. The centre-piece is a new National Museum of Art, due to open in the Autumn, designed by Cesar Pelli, the designer of New York's Museum of Modern Art.

However, one should also note the appeal of museums dedicated to the achievements of the great entrepreneurs, for which Osaka is famous. These include the Konosuke Matsushita Museum, the Matsushita Electric Hall of Science and Technology, the Sanyo Museum, and the Museum of Innovation. They are increasingly frequented by business tour groups from Asia, which like to combine research with sightseeing around the sides.

There is not absolute agreement on what Osaka represents but most people agree it is not the history or the culture, impressive though they are – here one should note it has been an important centre for 1,500 years (it even claims the site of the oldest imperial palace) – but rather it is the modern city culture and Osakan character, which make it distinctive. This distinctiveness is set

to increase once the urban regeneration projects now planned are completed.

#### **(5) Asian tourist potential**

The tourist market to which this appeals most is Asia - especially the neighbouring countries of China, Taiwan, and Korea. Each year, approximately 1.3 million foreign visitors enter Osaka (out of the total of 5 million who visit Japan), of which 70% are from China, Taiwan and Korea, while Europeans and North Americans account for under 20%. The city therefore recognises that it must cater to this group, and understand their needs. For example, western tourists may like a ryokan experience, but most Asian visitors are likely to prefer a first-class modern hotel. Similarly, Asian visitors are not so likely to devote half a day to visit Osaka castle and its related historical sites, but more likely to go window shopping and to restaurants or other city entertainments.

The city's marketing budget is focused on the Asian visitor accordingly, especially the China market. It started promoting last year a "Visit Osaka" campaign on the sides of buses and metro cars in Hong Kong and Seoul, and is planning to do the same in Shanghai this year with a larger marketing budget. On the other hand, efforts to attract North American and European visitors are now primarily the preserve of the Central Government's Visit Japan Campaign.

Asia is also a natural focus for a number of reasons. In particular the character of the Osakan is more Asian, or, as some like to say, "Latino", in contrast to the more conservative posture of Tokyoites. Tourists from Korea or China are generally higher-income urbanites with aspirations to understand why and how Japan

became successful. In Osaka, they can understand it at a more intimate and familiar level because Osaka feels and behaves less like a well-sprung Swiss clock compared with Tokyo. It has the bustle, the noise, the shops, and the entertainment, as well as the unique Japanese level of service and distinctive style. Hence it makes a good point of transition between the future and the past of Japan.

#### **(6) A retail mecca**

When it comes to shopping, Osaka has always been known inside Japan as a retail mecca. Although the sector was hit hard after the asset bubble, in the last two years it has shown unmistakable signs of recovery, especially in the fashionable areas such as Shinsaibashi, where almost every known brand shop is represented. Overall, the city boasts the highest concentration of retail and wholesale establishments in Japan, and includes the largest underground shopping mall, the longest underground shopping street, and the longest street-level shopping arcade. Given how Japan builds underground, it is safe to say that Osaka has the largest area of contiguous below ground shopping in the world, which is a pleasant asset on the hottest days of summer.

Shinsaibashi is one of the main intersections along Midosuji Avenue, a 4.4km boulevard traversing the city north to south. Not long ago much of the avenue was occupied by dreary head office buildings, but under the twin impetus of head offices moving to Tokyo, and consolidation of head offices, notably after the mergers in the financial sector, many of these buildings have lost key tenants. At the same time, the central government-backed urban renaissance program has encouraged new initiatives to revitalise such areas, and as a result both public

and private projects have surfaced to take advantage of lower rents and the shift in the economic structure, from an emphasis on business to leisure and services.

At the northern end of Midosuji is the main railway hub of Umeda. There are plans here to redevelop the former rail freight yard, which will be the largest redevelopment of central city land in Japan. It will take more than 10 years before the whole site is completed, but site preparation will begin as early as this year, and the first stages completed within five years. When the whole site is developed Osaka will have a truly world-class city centre. Recognising this, the city is making great efforts to ensure that in years to come the area will serve as a focal point and magnet for people from the Kansai and overseas as well.

#### **(7) Universal Studios Japan**

The best-known tourist attraction is the USJ theme park. Universal Studios says it chose Osaka because it has 35 million people within a 200km radius, the Kansai area around Osaka is already a tourist centre, notably Kyoto and Nara; and it has no major competitors like Tokyo Disneyland nearby. In 2003, the park attracted nearly 10 million visitors, of which overseas visitors were “less than 5%” says a USJ spokesperson.

Universal Studios covers 54 hectares and contains 20 major attractions with space to add around five more. Expansion will depend in part on the impact of the second runway at Kansai International Airport, as well as broadening the appeal of the movie theme park beyond Kansai, where it is a clear success. The park employs over 3,000 full and part-time staff, which rises to as high as 6,000 in the peak season. The net contribution to the

Osaka economy is significant, so much so that tourism is now one of the major drivers of economic growth.

### **(8) Other major attractions**

The other well-known tourist attraction is Osaka Castle. Although destroyed by war-time fire, the main tower was carefully reproduced on the outside and there is a well-designed castle museum inside. Those responsible for the management of the castle are now looking at new ways to stimulate even higher numbers of visitors to the castle and its precincts.

Another tourist asset with latent potential is Osaka's water network. In the Edo period the city boasted 808 bridges, which was not far behind the capital Edo (Tokyo). During the period of rapid industrialisation many of the rivers and canals were paved over, or were overshadowed by overpasses. Most of the main waterways remain though, which the city plans to revive under its "Osaka Water Metropolis" plan. Part of this calls for the city to build new promenades along two of the most important river and canal frontages. There are water tours now available traversing the city from the castle area to Universal Studios, on the edge of the port area. Shortly it will be possible as well to take a tour of the whole city by boat following a circular route of rivers and canals.

### **(9) The spirit of challenge**

In short, Osaka has the assets and the location to provide a full visitor experience. Its challenge is to develop strategies to build on these assets. Its top priority is to retain visitors for one or more nights. The USJ attraction is extremely helpful in this respect, since it requires at least a full day to enjoy all it has to offer. Another way is to create better linkages between Osaka

and other parts of Kansai which are attractive to tourists. For example, the city tourism bureau has noticed that discerning westerners prefer the ambience and compactness of Nara over Kyoto. The city therefore is planning to promote tours, which combine the night life of Osaka with day trips to Kyoto and Nara.

One of the things holding back tourism is the absence of foreign entrepreneurs and agencies offering tours and packages geared to their home markets. One of the exceptions is Lester Patrick, who with his colleague, Jeff Aasgaard, runs an online traditional inn booking service, Rediscover, which they started in October 2000. The company has over 325 ryokans on its books, serving all of Japan. Patrick believes there is a market for packaged tours, especially which include visits to nearby hot springs. "Osaka can be the hub of the Kansai for tourists visiting Kyoto, Nara, Mt Koya, Himeji Castle and to a lesser extent Kobe", he says. Rediscover's first target market will be North American visitors, but eventually it hopes to target sales to Asian visitors in their native language.

Patrick also points out that there has to be a hunger to make the new tourist oriented economy work. In his native British Columbia it was a pro-business government that promoted new industries like tourism and encouraged companies to take risks after the traditional resource industries started to fail in the 1970s. Among cities in Japan, Osaka is without doubt one of the most risk-taking and determined to change. Providing this spirit remains strong Osaka can create a brand new future as a lifestyle city, enjoyed by tourists, out of town visitors, and citizens alike.

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