
Osaka Renaissance News

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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 issues within a common framework. We also collaborate 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 from the Osaka Revitalization Plan.

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“Osaka Renaissance News” is distributed through multiple email channels to spread the word about important initiatives taking place in Osaka.

This Issue: Metropolitan Hub

Metropolitan refers to the fact that Osaka is the central city of the important Kansai region. It also refers to its aspiration to be a bigger “hub” inside Asia.

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METROPOLITAN HUB

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EDITORIAL

As regular readers of *Osaka Renaissance News* will recognise Osaka is especially keen to strengthen its city ‘hub’ status and develop a more “international” image. In this issue I focus on how Osaka is pursuing an “Asianisation” rather than an “internationalization” strategy. Naturally, North America and Europe, better associated with “international” remain very important, but the Kansai region’s growing economic dependence on Asia, especially China, where 60% of its export business now flows is the real driver of “internationalisation”. It was once taken for granted that China was the Middle Kingdom and the pendulum is swinging back again

A successful strategy to embrace China will make the difference for Osaka to achieve its goal of becoming a “metropolitan centre” which is international and cosmopolitan. The strategy is one of the main themes endorsed by Osaka’s mayor, Jun-ichi Seki, who wants Osaka to become a “city of creative people.” To do which,

in his words, it must become “a city open to the world”.

In developing its links with China Osaka has two main advantages: 1) a long standing “special relationship” built on a friendship agreement signed in 1972 with Shanghai before even normalization of relations between Japan and China; 2) it is nearly one hour closer to Shanghai than Tokyo – which means it can be a day’s commute for a very busy salesman.

Osaka was a bustling and dynamic city during Japan’s Economic Miracle years it was the commercial centre of Japan. It wants to recapture this spirit, which is why “nigiyaka” (roughly translated as “popular and bustling”) is a buzz word found in city literature. A ‘nigiyaka city’ attracts people to it, and that attracts investment. Further integration with China will help it become both more “nigiyaka” and “international”, each essential elements for a “hub city”.

Alex Stewart

OSAKA RENAISSANCE NEWS

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METROPOLITAN HUB

Osaka wants to become one of the important hub cities in Asia. This article underlines the progress it is making.

(1) Hub aspiration

One of the themes of the Renaissance Newsletter Series is the question of how a city can achieve a hub position in its region and beyond. Hub city status can most easily be measured by the intensity and scale of movements of people and goods through the city: e.g. how many visitors does it attract, convention gatherers, commuters, and how much material does it handle for distribution beyond the city.

Osaka has for most of its long history been an “entrepot”, which is an essential activity for a ‘hub’ city. Historically, it was the main entrepot for trade with Japan. Since the end of World War II it has gradually ceded this role to the capital, Tokyo, and has had to content itself to play the role of a local ‘hub’ of the Kansai economy. Since the Kansai economy is larger than most Asian and even European economies this is still a considerable activity. However, it has larger aspirations, built on its long history of international commerce. The most powerful is to be a hub city for trade and interaction with Asia.

Potential investors in Osaka – be it in the port infrastructure, distribution, tourism, or property – need to know if Osaka is making actual progress to realise this

aspiration. We focus on three areas to suggest that Osaka is. They are:

- Infrastructure – hotels, transportation and other facilities for moving and accommodating large numbers of people.
- Cargo traffic – the growth of trade with Asia and the new second runway at Kansai International Airport (KIX)
- People movements – especially people from Asia visiting Osaka for business, buying trips, or sightseeing.

Underlying these, are two key attributes: an extremely dense urban and industrial fabric, which sees a huge concentration of industry and commerce in a relatively small and tightly connected area; secondly, a very active knowledge creation activity, such as the robot capital initiative which sets out to make Osaka the centre for advanced, autonomous robotics and ubiquitous IT together.

(2) Hub intensity indicators

Some of the evidence is still indicative of an upward trend but not yet a strong growth trend. For example, the number of foreign visitors to Osaka is increasing. In 2005, 1.38 mil people visited

according to the City Survey of Tourism. This was an increase of 16% over 2004 and an increase of 52% since 2001. Similarly, passenger numbers at the international airport KIX continue to increase. In 2006, 5.4mil domestic passengers used KIX, up from 4.3mil in 2004, while 11.2mil international passengers used the airport, up from 10.1mil in 2004. On the other hand, passengers using the shinkansen station at Shin-Osaka fell slightly, from 22.67mil in 2003 to 22.5mil in 2004. These numbers still show that Osaka has to work hard to develop as an “international hub”, but it is making progress.

(3) Asianisation

What is changing is that “Asian-isation” is taking over from “internationalisation”. Japan tended to think of “international” as principally Europe and North America. However, as Asia’s economies have kept expanding, and especially as China has become the undisputed power house of the region, Japan’s focus, and interest, has shifted as well. This is especially true for Osaka, which sees Asia as the key to boosting visitor numbers, trade, and with them its regional city status.

More than other parts of Japan, Asia has always been a very important part of Osaka’s international strategy. For example, the city was instrumental in setting up a “Business Partners City Network”, which groups seven leading cities, including Shanghai. The City of Osaka was the first government entity in Japan to sign a friendship agreement with Shanghai, before even the two central governments had ratified their epoch making Friendship Agreement in 1972. Lately Osaka has spent most of its

tourist promotion budget on attracting visitors from Shanghai and to a lesser extent Korea. The result has been that passenger traffic between Osaka and Shanghai measured by number of flights has increased from 53 in 2000 to 73 now.

In addition, Osaka has linked itself in what it calls a “Golden Triangle” with Shanghai and Pusan. All three are major ports and each is its country’s most important second city. The importance of China and Asia is shown by the fact that they account for 27.8% and 60.0% of exports through KIX and 28.4% and 54.0% of imports.

(4) Hospitality infrastructure

On the view that China’s growth would help expand trade and investment through Korea into western Japan (i.e. the Greater Osaka area), the property arm of Morgan Stanley began buying distressed property assets in the Osaka region in 2003, focusing especially on hotels, since many hotels had either been forced by the prolonged recession to close, or were on the brink of closing. Morgan Stanley now owns three hotels in the Osaka area. A good example is the re-branded Ramada Osaka which is designed to offer a simple yet clearly international level of service, at a very competitive price designed to attract tourists, especially from Asia. The hotel’s occupancy rate is high, and a visit to the hotel does indeed indicate that the majority of the hotel guests are from Asia, especially China.

Other foreign hotels have been moving into Osaka, notably Swissotel, based in Singapore, and the French group, Novatel. These offer innovative accommodation packages, reasonable prices, and greater accessibility for

foreign visitors. By adopting a similar formula it will help draw more tourist and business traffic from Asia. This constitutes an important element of the hospitality infrastructure.

(5) Kansai International Airport

Kansai international airport (abbreviated to KIX) is the physical gateway through which most visitors to Japan arrive, especially visitors from Asia. To underline the important gateway role it is playing for the local economy there are more physical flights between Osaka and China than any other airport in Japan, including Narita. There are 211 flights a week to cities in China and 91 flights a week to cities in Korea.

A new Second Runway opened on August 2nd which now makes KIX Japan's only 24-hour full service international hub airport. While it was technically already a 24-hour establishment, KIX had specific times when services would be halted for late night maintenance; due to the new runway's opening, such closings can now be avoided.

(6) Mega Hubs

The new second runway was pressed into service early in order to welcome the 11th IAAF World Championships in Athletics, which took place in Osaka from August 25 to September 2nd. The city catered to 2,000 athletes from 200 countries and territories as well as spectators. The fact that Osaka achieved this with ease is a testimony to its capacity to handle major international events.

September also saw Osaka host the 9th World Chinese Entrepreneurs Convention which again proved that

Osaka could attract and hold major events. Some 3,600 participants, including 2,600 ethnic Chinese, from 33 countries gathered for this biennial event, which was held in Kobe and Osaka on Sept. 14-17. It was the first time the event was held in Japan, helping to boost Osaka and Kobe's position within the Greater China region of Asia. The closing ceremony was held in Osaka at the International Convention Centre.

Prior to the Convention, Osaka hosted "The East China Trade Fair 2007" on Sept. 5-8. This is one of the largest trade fairs China holds overseas. Moreover, it is the second year in a row the fair has been held in Osaka. More than 500 companies took part, primarily from the cities and provinces of Shanghai, Jiangsu, Zhejiang, Shandong, Fujian, Nanjing and Ningbo. The size of the fair is also an indication of the growing integration of Osaka and the eastern seaboard of China.

To underline Osaka's determination to stage major Asian events, in October, it hosted "The World/Asia Week", at the International Convention Center and other locations between October 21-26. This included an "Asia Metropolis Summit" on the last two days. The goal was to bring under one roof corporate managers, academics and relevant administrative officials from countries centring on Asia for discussion and interaction. During the event the mayors of Pusan, Shanghai and Osaka held a "Golden Triangle Summit" focusing on the promotion of tourism. In the case of Shanghai, its middle class is expanding rapidly and will soon overtake the Greater Osaka area in terms of spending power. Moreover, in September 2004 the Chinese authorities lifted the remaining

ban on overseas travel along the whole of the coastal region. The advantage that Japan has is it is much closer than other destinations, and Osaka closer still, being only a little more than 3 hours from Shanghai. There is even a daily ferry service between the two cities. Access to downtown Osaka from the international airport is less than one hour, which compares favourably with Tokyo's Narita.

Commercially speaking Osaka has the capacity in terms of hotel rooms, entertainment space and catering establishments to host mega corporate promotion events. Two years ago a Taiwanese insurance company hosted a tour to Osaka for no fewer than 3,600 of its employees. The biggest international convention to date took place in May 2005, which was also one of the largest single convention events in Japan – the International Rotary Club's Annual Meeting – attended by 45,000 people, nearly a quarter of them from outside Japan. To stimulate the corporate hospitality and convention centre business, the city reorganised the Tourism and Convention Bureau into a single agency to promote tourism and conventions together.

Osaka has also pulled off something of a promotion coup by holding the Finance Ministers' Meeting of the G8 Summit at the International Convention Centre on Nakanoshima next year (13-14 June, 2008).

(7) Tourism Strategy

The central location makes Osaka a natural stepping off point from which to visit the surrounding area. However, Osaka also wants to attract visitors in its own right. To succeed will require a

concerted effort to put on exciting events with international appeal and for international hotel groups to make further investment thereby promoting the city through their travel agency and media networks. In short, it needs more hotels like the Ramada Osaka, which are designed around the budget traveller from overseas.

The fact that the city is serious about establishing a new image is born out by the efforts it made to persuade Universal Studios to locate its first theme park in Asia in Osaka. Following the success of the theme park's opening, in 2001, the city declared it would establish itself as a "Tourism Metropolis", emphasising: 1) "exchange", especially with East Asia, calling it "The Great Age of Exchange"; 2) urban regeneration to improve the attractiveness of the city's built environment; 3) the service infrastructure, such as tourist information centres, transportation, and foreign language signage.

(8) Asian Integration

In the competition to be a major hub, capable of attracting new investment, Osaka is often compared with Nagoya, which has benefited greatly from Toyota's investment and the Aichi Expo Fair together with the associated infrastructure investment of two years ago. Osaka does not enjoy the benefit of the "Toyota effect" but it is benefiting from massive investment in flat panel displays and the expansion of the consumer electronics industry in general, which is now organised across Asia in a massive supply chain but often managed and controlled by Japanese companies, mostly with head offices in the Osaka area. This is helping to drive the expansion of the port and air cargo

services. In particular the opening of the second runway at Kansai International Airport (KIX) creates the opportunity for KIX and Osaka to establish themselves as the premier hub for Asian cargo in Japan.

In the run up to the opening of the second runway on Aug. 2, all Japanese airlines were reported planning to increase the number of flights this fall in order to take advantage of round-the-clock air traffic and cargo handling services. All Nippon Airway carried out test runs last year, and discovered that late night freight would take one day less to travel between Shanghai and Osaka. The confirmation of the second runway's efficiency led to its decision to consolidate all international freight to Kansai International Airport, rather than to the newer Chubu International Airport outside Nagoya.

(9) Air Cargo Hub

Indeed international cargo flights at KIX are already booming. Previously there were typically between 100 and 130 flights per week, this summer the weekly figure rose to 191. The increase is ascribed to brisk exports of digital home appliances and swelling exports of electronics parts to Chinese factories of Japanese firms.

Kansai International Airport Co. (KIAC) forecasts that international cargo demand will increase from 750,000 tons in 2006 to 1.4 - 2.5 million tons by 2017. At a Tokyo reception to mark the completion of the second runway, KIAC's President Atsushi Murayama, a former director of

Matsushita, said the airport aims to become Japan's "first hub for international cargo transportation" and voiced the hope it would play a central role under the government's "Asia Gateway Initiative" which was endorsed by the Cabinet in May 2007.

Both exports and imports via KIX hit record semi-annual highs in the first half of 2007, according to a preliminary trade report issued by the airport branch of the Osaka Customs. Exports totalled 2,365.8 billion yen, up 12.3% from the corresponding period of last year, while imports rose 5.0% to 1,436.9 billion yen. The total volume of trade, at 3,802.7 billion yen, represented a 9.4% increase over the year-before level. Exports to Asia accounted for 60% of the total, and imports recorded a similar share. The volume of exports and imports handled at KIX accounted for about 20% of combined trade at major airports in the country, ranking it second after Narita.

Clearly therefore Asia and China are having a big impact on Osaka. The city could be poised to enjoy a 'triple renaissance' based on a tourism strategy that is yielding results, the expanding infrastructure for hospitality services, and a booming export and distribution sector. The fruit will be a more vibrant, cosmopolitan, and economically sustainable city. The vision is not new, but the fact it is becoming a reality and taking tangible form is.

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