

Travel, Tourism and Transportation



Given the global instability driven in part by Russia's invasion of Ukraine and the ongoing U.S.-China tensions, it is crucial that the U.S. and Japan continue to strengthen and expand their partnership with the Indo-Pacific region and the rest of the world. The travel, tourism, and transportation industries ("TTT industries") play a significant role in deepening mutual understanding between nations and are a key element in promoting peaceful relations between nations. The TTT Working Group reaffirms the importance of dialogue, peace, tolerance, and sustainable development.

The COVID-19 pandemic severely impacted the travel, tourism, and transportation industries beginning in 2020. However, according to the United Nations World Tourism Organization (UNWTO), by the first quarter of 2023 the number of tourists worldwide has recovered to 80% of pre-COVID-19 levels. Amid the rapid recovery of tourism and travel, there is renewed momentum to revitalize these industries prior to upcoming major international events, including the Osaka-Kansai Expo in 2025. In order to continue this recovery and further promote tourism, there is also an urgent need to address issues such as the shortage of human resources, which has worsened as a result of the COVID-19 pandemic.

The Japan-U.S. Business Council and the U.S.-Japan Business Council (referred as "the Councils" below) recognize the need for both nations to join hands with the global industries as they make the following recommendations to the governments of the U.S. and Japan to ensure continued sustainable growth. We believe that our efforts will contribute not only to the recovery of the industry, but also to the social and economic growth of both countries, creating new business models, promoting innovation and digital technology, and confronting human resource shortage issues.

1. Lessons Learned from the Pandemic and Preparing for the Next Crisis

As we look past the effects of the COVID-19 pandemic, it is crucial that we make use of the lessons and experience gained to strengthen management systems during future crises and build a society that is more resilient against any future infectious disease outbreaks.

It is undeniable that the decision-making process of easing border restrictions in Japan lagged far behind its G7 counterparts during the pandemic. Going forward, it is essential to evaluate and apply disease prevention measures based on science, as well as to carefully consider the timing of implementing those measures. The economic effect of measures taken in Japan during the past three years should be closely examined so that countermeasures against future outbreaks are less disruptive and better aligned with those of economic partners.

The Government of Japan must also urgently analyze the collaboration among ministries, as well as between the government and experts who provide data-driven advice on countermeasures. We welcome the launch of the Cabinet Office's pandemic response agency on September 1, 2023, and hope that its implementation will improve the predictability of business in future crises. Lastly, it is critical to seek out and encourage valuable public-private partnerships to solve critical infrastructure needs during a pandemic or state of emergency, such as temporary private lodging and accommodation.

Initiatives to Revitalize Mutual Interaction

As rising inflation continues to have a profound impact on society, it is essential that we promote international travel to stimulate consumption and facilitate economic recovery in Japan. Active air travel between Japan and the U.S. will invigorate business in both countries and support medium to long-term economic growth in Japan and the U.S. by promoting leisure tourism, study abroad programs, and cultural exchange. In both countries, it is essential to stimulate both inbound and outbound exchanges. Strategic initiatives by both governments are essential for growth, such as the easing of visa requirements for visitors to Japan, innovating on digital nomad visas, and efforts to increase the percentage of Japanese citizens holding passports.

2. Increasing Quality Tourism and Addressing the Shortage of Human Resources

To further expand the travel, tourism, and transportation industries, it is essential that we focus on improving the quality of tourism, including by increasing tourist consumption versus pure arrival numbers and attracting visitors to regional areas. The Councils support local government marketing campaigns and digital promotion efforts, and industry exhibitions to raise awareness of less recognized destinations and activities.

Developing a Balanced Tourism Industry

The concentration of demand in specific regions and seasons affects not only the quality of service and traveler satisfaction, but also productivity and the working environment for the industry. The Councils recommend policies to promote off-peak tourism in addition to measures to encourage flexible vacation options for international travelers. Consumer preferences are shifting, with an increased desire to visit new and emerging destinations, and the TTT industries can help drive greater dispersal of tourism throughout Japan in partnership with local governments. Additionally, while countermeasures against the negative aspects of tourism are necessary, it is important to raise awareness and educate people about the economic benefits of tourism and the benefits of values-based connections between local people and tourists.

Strengthening Support for Human Resource Recovery and Development

While tourism demand is recovering rapidly, the lack of human resources in the industry has been exacerbated during the pandemic following an employee exodus from travel-related industries, including surrounding fields such as transportation. This situation is hindering a full business recovery.

Key drivers to secure and maintain a stable workforce include flexibility in work hours and location, the ability to respond in real time to fluctuations in labor demand, diversified sources of talent which include foreign national workers in both nations, and innovation through digital transformation and other means. There is an urgent need to analyze how national and local governments can provide support and regulatory reform to improve productivity, working conditions, and access to workers. Strategic policies could help remove barriers to operate, encourage innovation and the shift to digitalization, provide access to desperately needed workers to fill long-unfilled job openings, and incentivize sustainability measures by reducing associated financial burdens.

Urgent action is required for hotels, including ryokans and private lodgings, airports, and logistics sites, where personnel shortages are limiting operations of facilities that are critical for economic recovery. Furthermore, a shortage of drivers in public transportation, with taxis being the primary example, is causing concerns about smooth mobility, and it is presumed that this is resulting in significant economic losses. We welcome the recent initiation of government discussions to solve the issues of truck and taxi driver shortages and we urge both governments to pursue expanded legal pathways to help alleviate chronic workforce challenges in these industries.

Promoting the Use of Transportation and Travel Apps

Apps and other digital tools related to transportation and tourism have great potential for eliminating language barriers for travelers, attracting visitors to new destinations, and improving worker productivity. The Councils encourage the adoption and utilization of end-to-end digital ecosystems, such as robotics, automation, AI, and

virtual reality technology. Increased usage of digital technology can also cast light on consumption trends and other factors that will hopefully lead to further business development in the future.

The installment of cashless payment at tourist attractions and transportation systems will boost convenience for overseas travelers and reduce the burden on human resources. It will also promote tourism to less-traveled domestic destinations and help revitalize local economies.

However, some applications used in Japan are not user-friendly for foreign travelers because they do not support English, or do not accept international credit cards or electronic payment methods of any kind. The Government of Japan can help by promoting the importance of considering an international audience in modern technology development. Additional consideration should also be given to introducing or improving ride-sharing and new mobility systems for secondary transportation issues.

Data utilization and collaboration are expanding, including the spread of next-generation transportation using automated driving, Mobility as a Service (MaaS), as well as efforts toward the practical application of flying cars. It is important to promote collaboration with different transportation systems and other industries to expand the scope of where mobility can contribute, and to create new value beyond the boundaries of mobility. It is also important to create systems through collaboration between the government and the private sector to contribute to solving a wider range of issues.

3. Sustainability in Travel, Tourism, and Transportation

The Councils believe that it is important to use the lessons from the COVID-19 pandemic to catalyze sustainable growth in the travel, tourism, and transportation sectors. Digitalization, reducing the carbon footprint of operations, and promoting low-carbon technology development should continue to be prioritized.

Support for Low-Carbon Initiatives

The Councils look forward to continued support from the governments of the U.S. and Japan for the business community's efforts to achieve carbon neutrality, including the development of energy-saving technologies and processes in the mobility sector, the commercialization of sustainable fuels, and the development and introduction of next-generation aircraft using advanced technologies.

In the automotive industry, it is important to pursue a variety of technology options that meet the conditions of each region to achieve global carbon neutrality. Additionally, by exporting U.S.- and Japan-developed technologies to third countries, the U.S. and Japanese governments, along with the private sector, will contribute to sustainability initiatives around the world. Rebuilding and creating resilient supply chains, including securing critical minerals, is also important for sustainable efforts. Through multilateral channels such as the Indo-Pacific Economic Framework for Prosperity ("IPEF") and bilateral agreements between the U.S. and Japan, concerted efforts are being made to strengthen supply chains. We look forward to continued leadership and effective support from the U.S. and Japanese governments to ensure the expansion of the utilization of diverse low-carbon technologies.

The promotion of clean, sustainable fuels is also necessary to promote a low carbon value chain and sustainable economic growth. In the aviation industry, Sustainable Aviation Fuels (SAF) are considered to be the key to reduce carbon emissions in the near-term as well as long-term for long-haul international flights.

In the U.S., states like California are accelerating efforts to encourage investment in SAF development by providing state-specific incentives in addition to federal incentives. The Councils encourage the U.S. to extend the SAF blenders tax credit beyond two years, promote research of lifecycle carbon intensity of feedstocks, and expand state efforts on SAF. The Councils also encourage similar efforts in Japan to maximize the development and use of SAF in country.

Policy mechanisms that lower operational costs for the SAF industry in addition to capital investment assistance are necessary for Japan to build an internationally competitive SAF market. Incentives that apply to consumers, such as

airlines, and to other supply chain elements beyond manufacturing are essential to lower prices and spawn a successful SAF market in Japan. Such policies coupled with capital investment assistance would help Japan establish leadership in the global SAF market and thus stay on the leading edge of sustainable travel, tourism, and transportation in support of economic growth.

Promoting Inclusive Development

We hope that the U.S. and Japanese governments will continue to redesign systems so that all stakeholders involved in the travel, tourism, and transportation sectors can enjoy the benefits of the technologies and services described in this proposal. We believe it is increasingly critical to build inclusive policies that support employment opportunities regardless of nationality, race, religion, gender, age, disability, or any other status. In addition, we hope that both governments will support the development of tourism resources that will provide business opportunities for micro-entrepreneurs as well as local, small- and medium-sized enterprises.