

## Activities of JAPIA

### No. 15 Voluntary Action Plan for Logistics

#### Report: Organizational Affairs Committee, Transaction Optimization TF, Production Management Logistics Team

A Specialized team has formulated JAPIA's own voluntary action plan for logistics to address the "2024 Logistics Problem," aiming to maintain and strengthen the supply chain

The "2024 Logistics Problem" will have a major impact on various industries and people's lives, including Japan's manufacturing industry. As part of the reform of work styles to address the long working hours of truck drivers and the shortage of workers, a cap on truck driver overtime hours (960 hours per year) will be applied from April this year, which is expected to lead to a serious situation in Japan's trucking capacity.

Therefore, there is an urgent need to increase transportation efficiency and improve driver compensation, and the government, relevant ministries and industries, and the logistics industry are working together in the public and private sectors to implement measures to address this issue. JAPIA has established a new "Production Management Logistics Team" and compiled its own "Voluntary Action Plan for Logistics" as a response to the "Guidelines" formulated by the Ministry of Economy, Trade and Industry. This section describes the team that developed this plan and its future activities.

#### Government actions and what the industry is expected to do

1. In response to the long working hours and shortage of truck drivers, the 960-hour limit on overtime work will be applied from April 2024 as a reform of the work style to make the workplace more attractive.

Insufficient trucking capacity  
2024: 14.2% 2030: 34.1%

#### 2. Release of policy package for logistics innovation (METI, MAFF, MLIT)

<p><b>Framework for ongoing medium - to long-term commitment</b></p> <p>(1) Review of business practices</p> <ul style="list-style-type: none"><li>• Correction of multiple subcontractor structure</li><li>• Receipt of appropriate freight rates and price shifting</li><li>• Establishment of truck G-men, etc.</li></ul> <p>(2) Improvement of logistics efficiency</p> <ul style="list-style-type: none"><li>• Logistics DX</li><li>• Standardization of logistics, etc.</li></ul> <p>(3) Behavioral change of shippers and consumers</p> <ul style="list-style-type: none"><li>• Awareness and behavior change at the management level, etc.</li></ul> <p>* Concretization of regulatory measures, including <b>legislation in the ordinary Diet session of 2024</b></p>	<p>Developed guidelines outlining items that need to be addressed as soon as possible</p> <p><b>"Guidelines for Efforts by Shippers and Logistics Companies to Optimize Logistics and Improve Productivity" published.</b></p> <p><b>Estimated Effects (for FY2024)</b></p> <table border="1"><thead><tr><th></th><th>(No measures)</th><th>(With measures)</th><th>(Effect)</th></tr></thead><tbody><tr><td>• Reduction of cargo waiting and handling</td><td>3 hours</td><td>→ 2 hours x 30% achievement rate</td><td>: 4.5 points</td></tr><tr><td>• Improved loading efficiency</td><td>38%</td><td>→ 50% x 20% achievement rate</td><td>: 6.3 points</td></tr><tr><td>• Modal shift</td><td>350 million tons</td><td>→ 360 million tons</td><td>: 0.5 points</td></tr><tr><td>• Reduction of redelivery</td><td>12%</td><td>→ 6%</td><td>: 3.0 points</td></tr><tr><td></td><td></td><td></td><td><b>Total: 14.3 points</b></td></tr></tbody></table> <p>By December 2023, industry associations must prepare and publish a "voluntary action plan" in accordance with the guidelines.</p>		(No measures)	(With measures)	(Effect)	• Reduction of cargo waiting and handling	3 hours	→ 2 hours x 30% achievement rate	: 4.5 points	• Improved loading efficiency	38%	→ 50% x 20% achievement rate	: 6.3 points	• Modal shift	350 million tons	→ 360 million tons	: 0.5 points	• Reduction of redelivery	12%	→ 6%	: 3.0 points				<b>Total: 14.3 points</b>
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### **The three parties involved are the originating shipper, the logistics provider, and the destination shipper**

Already, anomalies have begun to appear in Japan's logistics. Gradually, late deliveries occurred and transportation costs are rising. This year, it is estimated that truck driver overtime caps will cause a shortage of transportation capacity of up to 14.2% (400 million metric tons) compared to 2019 (before COVID-19). This is the so-called "2024 logistics problem. In 2030, there is concern that there will be a 34.1% (140 million metric tons) shortfall in transportation capacity compared to 2019. This situation is forcing all industries to review their logistics systems, and this review is not limited to logistics companies. In the automobile industry, it is essential for the three parties involved to work together: "originating shippers" (automobile component manufacturers), "logistics providers" (transportation companies), and "receiving shippers" (automobile manufacturers). In addition, as a result, if the burden on drivers is not reduced, it will be difficult to maintain and sustain a robust supply chain.

### **Formed a specialized team of 11 people from 6 member companies**

JAPIA's movement to address the "2024 Logistics Problem" is as follows.

In June last year, the Ministry of Economy, Trade and Industry (METI), the Ministry of Agriculture, Forestry and Fisheries (MAFF), and the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) jointly formulated "Guidelines for Efforts by Shippers and Logistics Companies to Optimize Logistics and Improve Productivity," and various industries have begun to develop their own measures.

Last August, JAPIA launched a new specialized team, the "Production Management Logistics Team," under the Trading Optimization Task Force. The team consists of 11 people from six member companies (DENSO CORPORATION, Hitachi Astemo, Ltd., AISIN CORPORATION, Toyoda Gosei Co., Ltd., Yazaki Corporation, and Marelli Corporation), and is JAPIA's first attempt to establish a specialized team for logistics. The team consisted of logistics personnel from each company and was professionally in-depth from the beginning.

To develop its measures, the team conducted a survey of the actual logistics systems of our member companies. Based on this result of survey, the team conducted a series of interviews with the Ministry of Economy, Trade and Industry (METI), read the guidelines carefully, and exchanged opinions with the Logistics Subcommittee of the Japan Automobile Manufacturers Association

(JAMA), the recipient of the shipments. Finally, they developed JAPIA's own "Voluntary Action Plan for Logistics. The plan was officially approved by the JAPIA Board of Directors last December, and full-scale activities will begin in fiscal 2024.

### **Reduce the burden on drivers and allow them to concentrate on driving duties**

This section describes the contents of the "Voluntary Action Plan for Logistics."

Based on the guidelines and the current status of member companies, areas for improvement have emerged. The four immediate areas for improvement are "waiting and loading/unloading time of 2 hours or less," "suspension or interruption of operations during abnormal weather conditions," "loading efficiency," and "optimization of transportation contracts. Basically, the automobile production system is built on the "just-in-time" principle of supplying "what is needed, when it is needed, and in the amount needed. This business practice of "never stopping automobile production at any cost" has led to the establishment of logistics for automobile components in pursuit of higher productivity. This is one of the strengths of the Japanese automobile industry.

However, recent troubles with uncertainties such as the spread of COVID-19, the shortage of semiconductors, and the increase in international conflicts have disrupted logistics. Just-in-time," which is based on the premise of stable production, is frequently faced with unstable and difficult situations where it is impossible to see through production trends, preventing it from being as effective as it should be. Add to this the shortage of drivers, and the automobile industry is facing the "2024 logistics problem," and JAPIA has embarked on measures to deal with it.

The preamble of the "Voluntary Action Plan for Logistics" states, "In light of the shortage of the logistics workforce as represented by the 2024 logistics problem, we believe it is time to review the state of sustainable logistics in line with the current era, and JAPIA and members of JAPIA will take the initiative in ensuring the implementation of this voluntary action plan and regular follow-ups on the status of compliance, and will promote to optimize logistics and improve productivity".

The initiatives include "shippers listening to and appreciating the voices of logistics providers" and "both originating and destination shippers viewing

logistics as a "cooperative area". Until now, we have not had the attitude of "listening" to the voices of logistics providers. By listening to their voices, if both parties come to a compromise, logistics can be optimized and productivity can be improved.

By "cooperative area," we mean that automobile component manufacturers, carriers, and automobile manufacturers should be aware that they must work together to improve and enhance their logistics operations. For example, drivers had a variety of ancillary tasks (unloading, hauling, etc.). We would like to take this opportunity to make improvements at individual receiving plants and have drivers concentrate on driving.

### **Promoted to a permanent team in FY2024 to address various issues**

The following is a description of priority activities for FY2024, the first year of the project.

(1) "Suspension or interruption of operations during abnormal weather, etc." encourages inventory standards that do not force drivers to make decisions on operations during abnormal weather. (2) "Within 2 hours of waiting and loading/unloading time" is to switch to pallet-based ordering and transportation to improve loading efficiency. (3) "Loading efficiency" is to pick up cargoes as predetermined, even if the receiving shipper stops the line. (4) "Appropriateness of transportation contracts" is to work on standardization of cargo handling operations, as there are many cases where rules and compensation are ambiguous.

It includes items that will cause the automobile industry to rethink its business practices, but we believe that these improvements are essential to overcome the "2024 problem" and to build the supply chain once again. In addition, the automobile industry considers truck drivers more important than anyone else. This is because we are in the position of providing trucks to drivers. For this reason, the members of the "Production Management Logistics Team" are sincerely working to optimize logistics and improve productivity.

Starting in FY2024, this team will be promoted to a permanent position in the Supply Chain Subcommittee of Organizational Affairs Committee. We believe that logistics improvements will not be temporary, but will require continuous improvement and review in response to the times and circumstances. In addition, automobile components take a variety of logistics methods in terms of shape, material, and other factors. Therefore, seeking efficiency and

rationalization requires daily interaction and relationship building with each company and each industry. In the future, exchanges beyond industry boundaries may occur.

Thus, challenges and possibilities are mixed in the future of logistics. We believe that the activities of the “Production Management Logistics Team” will expand in the future.

### What we will focus on as JAPIA

