

Investing in Regional Infrastructure throughout Japan: by Wilf Wakely



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The Scale of the World's need for Funding Infrastructure

- **The world's Infrastructure needs over the next two decades are enormous: P3 Finance requirements Asia Pacific region: US\$78 Trillion, North America: \$2 Trillion; Europe €300 billion National or sub National Governments alone, including Japan's regional governments simply can not fund all of this from treasury. P3 may well become the primary finance tool to build new, or to maintain existing, infrastructure.**

Japan's p3 market as 'maturing': moving from simple 'design build' activity to full P3s with continuing management of the facility and, perhaps the programs offered in them.

The Emergence of 'full / pure' P3s in Japan

- **Asia is a region full of “emerged” or “emerging” P3 markets**
- **It is not the case that Japan is ‘hard pressed’ for financing. There is lots of money here at very attractive rates. Japan boasts just under US\$2 trillion in deployable assets now in their pension fund systems. But there are still a number of Value-added skills and technologies which a North American organization can bring to this market.**

The impact on the Japanese market of foreign project finance models

One of Canada's First Full P3 Projects...is actually in Tokyo!



A more recent example: the EU Delegation Embassy in Tokyo



Japan Infrastructure Challenge: Too Many Tourists: Not enough Rooms!

- **According to the Japan National Tourism Organization:**
- Foreign visitors to Japan doubled in last decade and reached 10 million people for the first time in 2013. , the estimated total number of international visitors to Japan in 2015 reached over 19.7 million (**UP 47.1%** from 2014!)
- The Japanese government expects an increase of foreign visitors to 30 million people by 2030.

The future of the application of P3 Project Finance and implementation in Japan

- Watch now for a new wave of what must be called ‘Creative’ applications as opposed to standard and simple ‘Design Build’
- Introducing the Japan PFI/PPP Association
- ‘Public Side’ promotion of ‘private side industries; Examples:
 1. The waraWara City Project - supports the traditional inns
 2. New Cruise ship terminals to support tourism in Okinawa

KASHWARA CITY: PROBLEM/SOLUTION

ALL THIS BUT NOWHERE TO STAY ?



橿原神宮

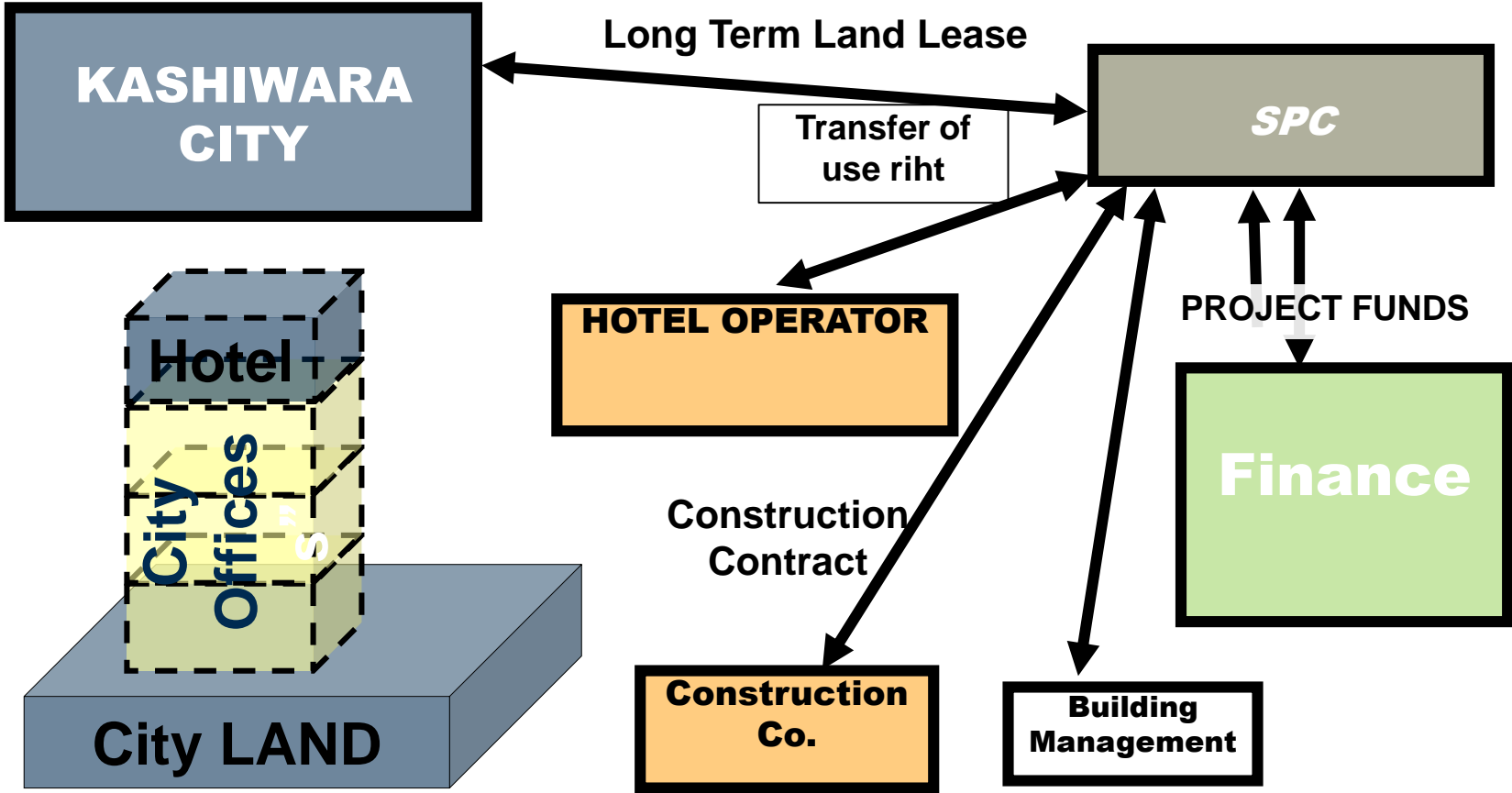


Nara Prefecture, Kashiwara City HALL/Hotel Building



- Creative use by subnational governments in Japan of the P3 Finance method has started in recent years to support the kinds of services not commonly associated with government in order to support necessary expansion or upgrading of existing industry. One excellent example of this is the Kashihara City project in Nara prefecture..
- Commercial closing earlier this year calls for the creation of `30+badly needed tourism rooms to support the existing hospitality industry in the town of Kashiwara, Nara Prefecture The total project cost is roughly US\$ 130 million and resulted not only in needed hospitality rooms but also in new government space . The design feature elements that permit the building in future to be converted easily to much needed elderly care home space.

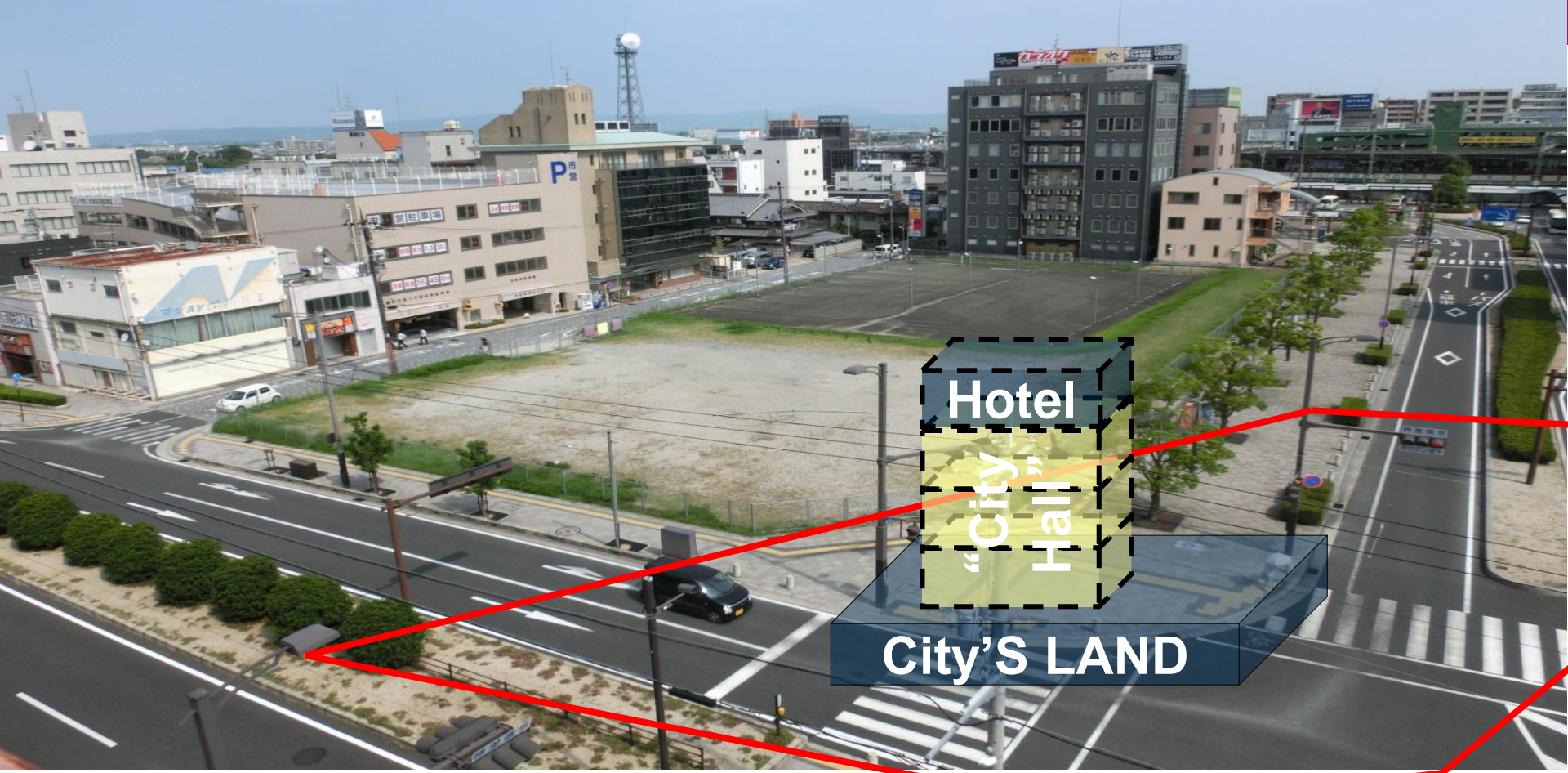
KASHIWARA CITY DEAL OUTLINE



Study Conclusions: Use PFI 'BTO' project Finance and Implementation Method

<p>事業スキーム</p>	<p>The diagram illustrates the BTO project finance and implementation method. It shows the flow of funds and assets between the City of Kanagawa (横浜市), the Special Purpose Company (SPC), and the Financial Institution (金融機関). The City provides general funds (一般財源) to the SPC for facility acquisition (施設購入費) and service fees (サービス料支払い). The SPC designs, builds, and manages the facilities (観光施設 and 公共施設) on city-owned land (市有地). The SPC also provides a loan (借借料) to the City. The Financial Institution provides financing (融資) to the SPC, which repays (返済) it.</p>
<p>設計・建設・維持管理・運営</p>	<p>市が要求水準を示し、設計・建設・維持管理・運営を民間が包括的に実施する。</p>
<p>資金調達及び支払い方法</p>	<p>【市】</p> <ul style="list-style-type: none"> 施設整備費は、事業期間中に割賦料として一般財源から民間事業者に支払う。 維持管理・運営に係わるサービス料は、一般財源から支払う。 <p>【民間事業者(SPC)】</p> <ul style="list-style-type: none"> 施設整備費は、金融機関からの融資で調達する。 金融機関からの融資は、市からの施設整備費の割賦料の支払で償還する。維持管理・運営費については、市からのサービス料で支払う。
<p>その他</p>	<ul style="list-style-type: none"> SPCは宿泊施設等の賃料を市に支払う。

The Project in 'Kashiwara



Hotel

City
Hall

City's LAND





Thank You!



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