



Joint Australia-Japan Infrastructure Mission to India **11th – 15th July 2010 – New Delhi and Mumbai**

Why India?

The Joint Australia-Japan Infrastructure Mission to India was the first joint infrastructure mission to a third country. It displayed confidence in the conclusion drawn over the prior two years that there are substantial complementarities in Australia and Japan to underpin joint ventures to undertake work in Australia, in Japan, and in third countries.

Following the receipt of thirty authoritative presentations, Missioners comments on why Australian and Japanese companies should further consider the Indian market included:-

1. The strong growth projections for India – 8.5 – 9.5 percent and higher over the envisaged future – have generated an acceptance at the three levels of government that it is critical for the private sector to be involved as a deliverer of public infrastructure. Failure to do so would have a detrimental impact on the growth projection.
2. The Twelfth National Plan 2012-2017 increases the percentage of the funding to be provided by the private sector from 30 percent under the current Eleventh Plan to 50 percent. This equates to US\$500 billion.
3. Priority areas under these National Plans are Power, Roads, Ports, Rail, and Urban Development.
4. The Delhi-Mumbai Infrastructure Development Corridor is a massive 'stand-alone' project offering significant opportunities for Australia's and Japan's world class technologies, systems and training to joint venture with Indian businesses.
5. The Delhi Metro and the new Delhi Airport Terminal indicate that India has the capacity, when supplemented by overseas collaborations and funding, to build first class infrastructure.
6. By 2050 more than half of India's population, or an additional 750 million people will have moved to India's cities. As Delhi and Mumbai already have huge official and unofficial populations, these persons have to be housed in new cities that desirably will have 'smart' and 'sustainable' characteristics appropriate for a carbon constrained world.



7. India's huge saving's rate of 35 percent is presently deposited into banks rather than vehicles more readily accessible for infrastructure uses. Banks and other domestic and foreign institutions are offering a spectrum of products to release more of India's wealth.
8. The Indian Government is making considerable efforts to establish a long term bond market to provide debt financing for infrastructure products in addition to providing Viability Gap Funding for projects to ensure the private sector can derive sufficient returns.
9. Unlike China, India is open to foreign investment – multinational developers, private equity funds, international sponsors. The Indian Governments have made it clear they will accommodate the requirements of international infrastructure players in order to attract a larger proportion of funding from the private sector, including regulatory reform.
10. Foreign investors are permitted to own up to 100 percent of most classes of infrastructure.

Whilst there is an enormous catalogue of infrastructure projects, in the view of the Missioners, its optimum realisation will require:-

1. Increased coordination amongst the levels of government and fast tracking through the different departmental tiers of bureaucracy – for example regarding land appropriation.
2. A mindset change within India's governments to move to a whole of life and outcome perspective so as to foster innovation and efficiency rather than the bureaucracy's current practice of specifying everything in the finest detail and selecting on the cheapest quote.
3. Attracting US\$500 billion of private sector capital will require managing perceptions or reality about:-
 - sovereign risk (enforceability of contracts)
 - putting together attractive PPP proposals to take to market
 - giving comfort about process efficiency and probity.
4. Giving consideration to privatising already operational assets (brownfield) in order to recycle capital into new infrastructure development (greenfield).
5. Improving the dispute resolution process.



Why Australia and Japan?

Over 25 years, Australian Governments have evolved their approaches to the private sector's involvement in the provision of public infrastructure (PPP) to optimise the value from innovation and minimise the risk to the taxpayer. They have agreed that all infrastructure projects valued over A\$50 million should be initially appraised as to whether the project would provide more value if delivered as a PPP. Japanese Governments are appraising the adoption of elements from the Australian approach into their own processes.

Australian and Japanese private sectors have world-class competencies as constructors; equipment, technology and training suppliers; operators; and financiers of the spectrum of economic and social infrastructure.

Where to from here?

The AJBCC and JABCC will need to form a consensus that India is worthy of further investigation as a destination for joint cooperation.

If such a consensus is reached, we will jointly need to determine how to take advantage of such opportunity. Possible ideas could be:-

1. Determine one or more priority areas for joint cooperation such as the DMIC or one or more sectoral areas such as Roads, Power, Ports, Urban Development, etc.
2. Establishing a list of companies in both countries interested in participating in India and each company's target areas of interest, core competencies and a key contacts list.
3. Establishing a planning committee in India comprising the major Japanese and Australian companies operating in India and representatives of both governments. Such a planning committee could:
 - a) collect and disseminate information on potential joint venture opportunities in Indian infrastructure;
 - b) coordinate interaction with the various arms of Indian government on infrastructure related matters;
 - c) be a forum for such companies to get to know each other, exchange ideas, etc.