



## **The Australia – Japan Infrastructure Initiative** **Background and History**

### **Background**

Without diminishing the significance of the ‘traditional’ areas of the commerce such as ‘Energy’, ‘Resources’ and ‘Agribusiness Commodities’, the Australia Japan Business Co-operation Committee (AJBCC) Executive, as a consequence of a 2007 Strategic Review, agreed to promote increased engagement of the Australian ‘Services’ sector with Japan - the world’s third largest economy and an appreciably more balanced and sophisticated one than that of China.

One of the areas of unrealised opportunity was determined to be ‘Infrastructure’, where apart from Australian firms’ world-class competencies in construction and operational delivery, the private sector is financing and sharing the risks of public infrastructure together to a significant degree with state governments in what Australia calls Public Private Partnerships (“PPP”).

The belief that Japan has an extensive need for Infrastructure renewal and new projects similar to Australia was confirmed by hosting a seminar in Sydney in July 2008 to which a speaker was invited from Nomura Securities, Japan.

### **2009**

Following the success of the seminar, our Planning Group organised an Australia Inc. Mission of the Australian Infrastructure Sector to Japan that took place in March 2009. The objectives of the Mission included:-

- learning about the private sector delivery of public infrastructure in Japan under what is known as the Private Finance Initiative (PFI) model;
- conveying details of the Australian Public-Private-Partnership (PPP) approach;
- encouraging joint ventures between Japanese and Australian businesses for work in Australia, Japan and in third countries.

Thirty five persons representing constructors, financiers, design professions, government, and professional advisors to government and business participated in private briefings and a public forum and small group visits to Japanese infrastructure companies and industry organisations in Tokyo over two days. Fourteen Missioners travelled onto Sapporo, Osaka and Fukuoka on three subsequent days to meet with the government and private sector in each location to further the objectives of the Mission set out above.



The Mission interacted with approximately 400 people with such a positive reaction, both during the Mission and subsequently, that the counterpart JABCC agreed to lead a reciprocal mission from Japan to Australia that visited Melbourne on Monday 31<sup>st</sup> August and Tuesday 1<sup>st</sup> September 2009 before travelling to Sydney for two days.

In Japan, for a variety of reasons, under the Private Finance Initiative (PFI) model, the nature of typical projects in Japan have been housing, offices and civic facilities of a 'social' infrastructure complexion and a limit of size of about US\$50 million.

During the Australian Mission's March 2009 visit, the AJBCC identified the need to undertake 'infrastructure promotional' activities in Japan with respect to:-

- prefectural governments (the equivalent of Australia's states) on how Australian Governments work with the private sector in the provision of public infrastructure with regard to a range of issues including financial structures, operational 'control' and 'risk allocation' issues;
- institutional investors on why 'infrastructure' is an appropriate asset class and why and how the financial services sector engages in equity funding for infrastructure projects in Australia and overseas.

The first of these two matters was addressed by 'round-tables' in Fukuoka and Tokyo at the end of July and a second round in October 2009. Nomura Securities hosted a seminar in Tokyo for the institutional investors at the end of July and Macquarie Capital Advisers, AMP Capital Investors and Austrade co-hosted a second seminar at the end of October at the Australian Embassy in Tokyo.

The JABCC led Reciprocal Infrastructure Mission to Australia at the end of August / beginning of September was the occasion for more detailed explanation of the Australian approach particularly the interaction of the private sector and the public sector in the evolution of planning, design and operation of public projects for the 'whole of life' of social and economic infrastructure. The Hon Anthony Albanese MP, the Commonwealth's Minister for Infrastructure, and various State Ministers, joined over fifty senior government departmental and industry leaders as presenters or panellists during the four days. Australian participants learnt more about the operation of Japan's PFI model.

At the 47<sup>th</sup> Japan-Australia Joint Business Conference held in October 2009 in Tokyo, Mr Akio Mimura, Chairman of the Japan Australia Business Co-operation Committee (JABCC), announced that it would be establishing an Infrastructure Planning Group.



In Japan, the March Mission, the Reciprocal Mission and the various workshops and seminars led to various government ministries and industry associations seeking more information about the Australian approach. Briefings in July and October partially responded to that need. METI subsequently commissioned Nomura Research Institute to produce a comparative report of the Australian PPP and Japanese PFI systems and JETRO commissioned Ernst & Young to undertake a study of the impediments for foreigners undertaking 'PPP' activities in one another's country.

## 2010

All the activity confirmed that there are strong complementarities in Australia and Japan for the financial and the physical delivery and operations of PPPs to warrant the AJBCC-JABCC encouraging joint venturing for work in Australia, in Japan and in third countries. In all three, there are huge catalogues of new or renewal of infrastructure.

Paralleling an increased understanding in Japan and Australia of the way that the respective PFI and PPP approaches work has been an appreciation of what would make it more attractive for the private sector of one country to engage in the provision of public infrastructure in the other. Reports have been prepared and passed to government requesting the relevant policy, regulatory, or taxation changes. The AJBCC has been heartened by the announcements in the Government of Japan's *'New Growth Strategy'* (June 2010) encouraging the utilisation of PPP, first domestically by introducing a "concession system" to 'economic' infrastructure, and secondly, as part of an Asia engagement strategy.

The activity programme of the year has included:

- a Joint Australia-Japan Infrastructure Mission to India 11<sup>th</sup> - 15<sup>th</sup> July 2010. – **Click here** for a report
- Two visits - April and September – of the Infrastructure Promotion Team. The latter visit included:-
  - a briefing to the Japan Infrastructure sector – a full house of 170 persons hosted by JETRO
  - an in-house briefing to the Ministry of Land Infrastructure and Transport – 38 Ministry participants
  - the Third Institutional Investors Seminar – a full house of 100 persons hosted by Mizuho Corporate Bank and Austrade
  - in-house briefings for a number of Japanese corporations.



## 2011

The AJBCC's Infrastructure Planning Group has undertaken the following programme:-

- Inaugural Australia-Japan Public-Private Infrastructure Dialogue – 7<sup>th</sup> March, 2011 in Tokyo. **Click here**
- Second Australia Infrastructure Mission to Japan – 8<sup>th</sup>-11<sup>th</sup> March, 2011 – **Click here**
- Joint Australia-Japan Infrastructure Mission to Indonesia – 23<sup>rd</sup> – 25<sup>th</sup> May, 2011. **Click here**
- Second Joint Australia-Japan Public-Private Policy Dialogue – Friday 7<sup>th</sup> October, 2011 in Tokyo. **Click here**

The AJBCC's Infrastructure Planning Group is presently finalising a two year forward programme of activities within Australia, Japan, India and Indonesia including a series of workshops led by its PPP Promotion Team for Government Ministries and sectoral industry associations at the end of March 2012 in Tokyo and Osaka.

In addition, it is expected that a Joint Australia-Japan Infrastructure Planning Group will be established amongst Australian and Japanese businesses in India with support from Austrade and JETRO and the Embassies. This new Infrastructure Planning Group would identify and encourage joint venture opportunities with Indian companies in India on PPP projects and establish appropriate relationships with the Indian infrastructure sector and the Indian Government.. ▲

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