



The PFI in Japan

*Japan Fair Trade Commission
OECD Competition Committee Working Party 2
June 16, 2014 - Paris*

The structure of the presentation

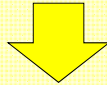


1. What is PFI?
2. The process of PFI
3. The types of PPP/PFI projects
4. Case study
5. Future developments

What is PFI?

PFI (Private Finance Initiative)

- PFI is the method to deliver public facilities in accordance with the PFI Act, which has been put into effect since 1999.
- It is to provide public services of good quality at a lower cost or better public services at the same cost through the utilization of private finance, management abilities and technical capabilities in construction, maintenance, management etc. of public facilities etc.



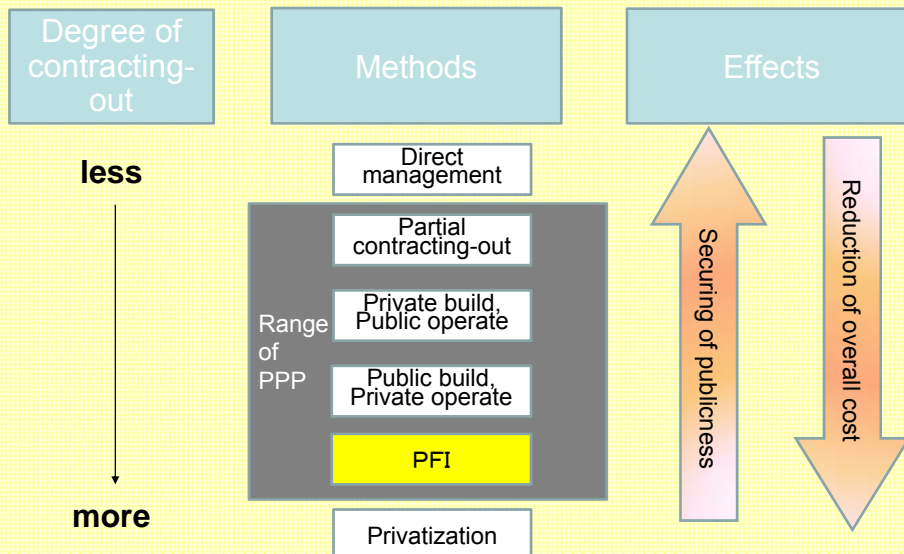
- PFI would reduce costs of delivering public facilities through the utilization of private finance, know-how, etc.
- Under current severe fiscal conditions of national and local governments, PFI would achieve economic revitalization and growth by promoting necessary social capital investment more efficiently through utilizing private finance, know-how, etc. in addition to public funding.

Reference: "PFI in Japan" by PFI Promotion Office in Cabinet Office Government of Japan, February 2014

3

What is PFI?

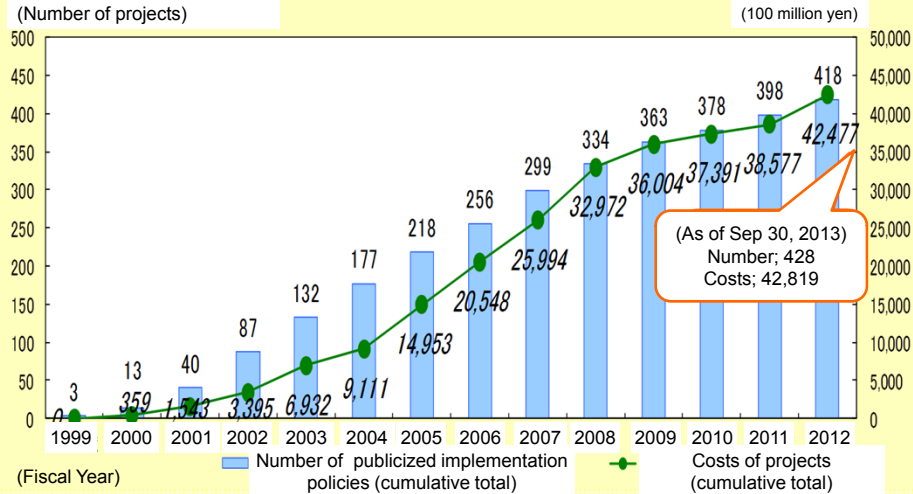
Differences between PFI and PPP



4

What is PFI?

The Growth in number and costs of PFI Projects (As of Sep 30, 2013)

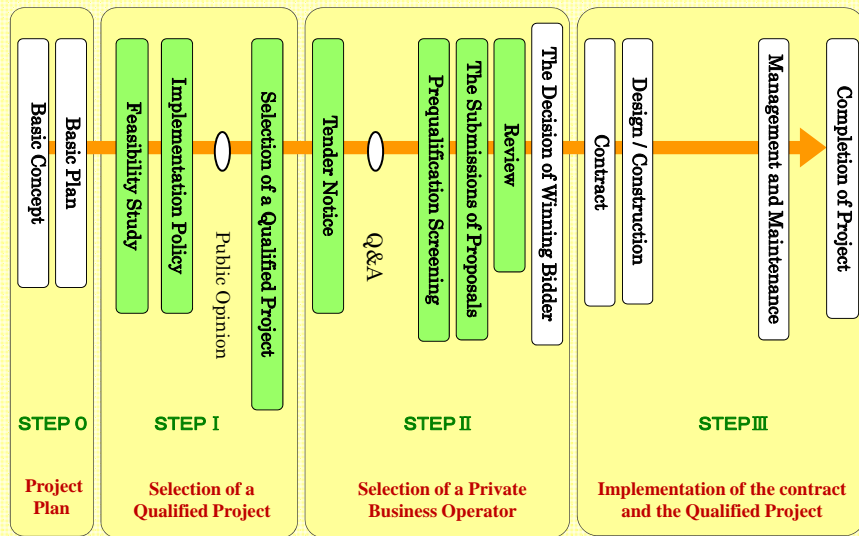


- "Number of projects" is the number of implementation policies on projects that have been publicized and captured.
 - "Costs of projects" are the total amount of initial contract prices of projects whose cost born by the government was determined through selection of business operator.
 - "Costs of projects" in the graph refer to numbers which round to the hundred-million yen.

Reference: "PFI in Japan" by PFI Promotion Office in Cabinet Office Government of Japan, February 2014

The Process of PFI

The basic process of PFI (General competitive bidding with comprehensive evaluation method)



The Process of PFI

Selection of a Private Business Operator

- General competitive bidding with comprehensive evaluation method

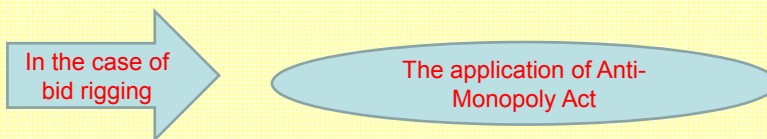
The method is to decide the winning bidder by comprehensively considering not only price but also other elements (the service standard of maintenance/operation, technical capability, etc.) within the bound of the predetermined price.

(The methods of review)

Type A) To score the elements other than price per each bidding price.

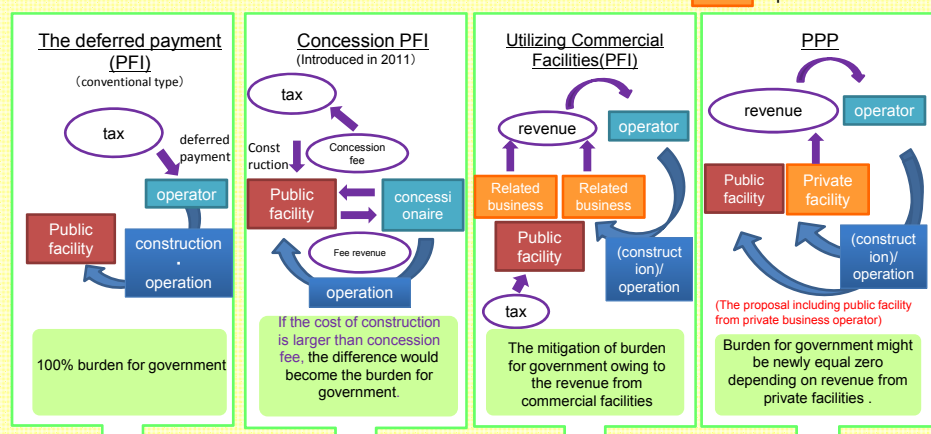
Type B) To score all the elements including the price subject to the evaluation.

Type C) To score the elements other than the price firstly, then select winning bidder by price at the second place.



The types of PFI/PPP projects

Private investment



Private Business Operators' Ingenuity or Synergy Effects of private sector

Reference: "PFI in Japan" by PFI Promotion Office in Cabinet Office Government of Japan, February 2014

Case Study		公正取引委員会 Japan Fair Trade Commission
● Kurobe-city sewage PFI utilizing Biomass Energy		
Administrator	Kurobe-city (Toyama-prefecture)	The Overview of Facility
Project Overview	<ul style="list-style-type: none"> To construct and operate sludge drying facility, in-house power generation and open foot-spa facility by utilizing biogas generated from sewage sludge 	<p>reference : Kurobe-city website</p>
Project Cost	3.6 billion yen	
Schedule	Announcement of Bid <u>January 2008</u> Commencement of operation <u>May 2011</u>	

Future developments		公正取引委員会 Japan Fair Trade Commission
(decided by the Council for the Promotion of PFI on June 6 th , 2013)		
<p>Projects in the following 4 categories are to be focused on toward achievement of total 12 trillion yen of PPP/PFI projects in 10 years (2013-2022) (*) as attractive to the private and local areas. The size and concrete action for each category are indicated below.</p>		
<p>(1) Concession PFI : 2-3 trillion yen < Concrete action plan ></p> <ul style="list-style-type: none"> Introducing a concession PFI in the fields of airport, water supply and sewage etc. 		
<p>(2) PFI projects collecting construction costs through utilizing the revenue from commercial facilities built on / in / public facilities: 3-4 trillion yen < Concrete action plan ></p> <ul style="list-style-type: none"> Introducing PPP method for rehabilitation of public facilities such as expressway (especially Metropolitan Expressway which requires a large-scale rehabilitation). 		
<p>(3) PPP projects utilizing the private sector's proposals such as effective use of public real estate : 2 trillion yen < Concrete action plan ></p> <ul style="list-style-type: none"> Issuance of a guideline on the private sector's proposals and establishment of a contact point to receive them. Establishment of public-private cooperation system in order to support formulation of PFI projects in cross-cutting approach which Infrastructure UK has already adopted. 		
<p>(4) Others (Introducing performance-linked revenue system, bundling several public facilities etc. of the same type): 3 trillion yen <Concrete efforts for (1) ~ (4)></p> <ul style="list-style-type: none"> Prioritizing subsidies and grants toward government ministries and agencies and local governments based on the appropriate evaluation of them from the point of how much effort on Action Plan is made. 		
(*) This targets is not set on the precise accumulation of PFI project pipeline.		

**Thank you very much
for your attention!**

