

## **Comments (summary)**

December 6, 2002

### 1. Modality of new organizations

(1) In order to adjust profits among new companies and achieve as soon as possible settlement of long-term debt, the Government will establish the “Holdings and Debt Repayment Organization” (Provisional name, hereinafter referred to as “the Organization”). The Organization inherit in a lump the road assets of the four highway-related public corporations (excluding the assets that will be inherited by new companies) and the long-term debt corresponding to them. The new companies will borrow road assets from the Organization and will pay rental fees.

### (2) New companies

1. The new companies will be established as entities that will inherit assets and debts from business related to parking areas and other, and will actively develop related business as well as road business.
2. Ten years after their establishment, the new companies will buy the road assets owned by the Organization, and at that point, the Organization will be dissolved.
3. Initially, the new companies will be established as special companies wholly owned by the government, and after buying the road assets from the Organization, they will aim for listing stocks on the stock market at an early date.

### (3) Holdings and Debt Repayment Organization

1. Return and refinancing of debt will be the only services performed by the Organization.
2. The Organization will inherit all highway routes already in service as well as routes under construction and their road infrastructure, except for those that are related with new construction or that will be handed over to the government.
3. The rental fees that the Organization will receive from the new companies will be set as long-term flat fees and their total annual amount will be calculated on the basis of principal and interest equal repayment over a

period of 40 years. The long-term flat rental fees will be appropriated only for the principal and interest repayment of the entire debt.

(4) Debt disposal of Honshu-Shikoku Bridge Authority

Through utilization of toll receipts, state funding, local government funding (extended by another 15 years from the present period), and road tolls of other highway-related public corporations, and the separation of debt (national government earmarked road revenues), the Government will push forward a significant reduction (by approximately half) of the Honshu-Shikoku Bridge tolls alongside the disposal of debt through separation.

(5) Separation into regions

In order to secure an appropriate organizational scale, and foster cost and profitability awareness through competition, the Government will divide the country into five regions and establish the new companies there. Concerning the Metropolitan Expressway Public Corporation and the Hanshin Expressway Public Corporation, the new companies will be established with existing routes as their core infrastructure.

## 2. Tolls

The new companies will take flexible measures to reduce tolls in line with the current conditions as a tangible result of the privatization, and will implement an average 10% reduction of tolls upon privatization.

## 3. Future road construction

- (1) During the period until the establishment of the new companies, each corporation will carry out selective budget allocations based on the order of priority of individual routes in line with standards determined by this Committee.
- (2) The new companies will, based on their financial conditions and profitability of investments, and with due consideration to the public interest, independently determine participation in new construction.
- (3) To handle investments for construction that are unprofitable for new companies, the Government will establish a new system based on sharing of cost burden

with central and local governments under the formula of joint implementation.

However, concerning funding of construction, the new companies will not be subject to any special tax or grant system, nor will they receive funding from the Organization in the form of increased rental fees or lending of government investment and loan fund.

- (4) The new companies will independently procure the fund for capital investments including road construction, and the Government will establish measures to provide guarantee facilities, etc., only until the companies list their stocks on the stock market. However, with a view to maintaining market discipline, the Government will not acknowledge utilization of government investment and loan fund.

#### 4. Reform of related public service corporations and their family enterprises and reduction of maintenance costs

The Government and the four road-related public corporations will work toward transfer of road service facilities owned by related public service corporations to new companies and will actively develop related business through the new companies' subsidiaries. They will also aim at a sweeping reduction of maintenance costs (30% overall) through dismantling of the unfair structure of collusion with family enterprises, securing of competition in the bidding at subcontracting business, and abolishment of the requirements for bid participation in the maintenance and repair work business (during FY2002).

#### 5. Schedule of reforms

- (1) The Government and the four road-related public corporations will steadily implement revision of the current construction plans, recruitment of experts from the private sectors, creation of a cost-cutting plan (within FY2002) and other measures that must be urgently implemented prior to launching the privatization of the corporations.
- (2) The Government will implement the privatization of the four highway-related public corporations on April 1, 2005.