

Opening Speech by Mr. Hiroshi Maruyama

Good afternoon, ladies and gentlemen. First of all, I would like to extend a sincere welcome to all of you joining us today for this seminar hosted by the Japan International Transport Institute. In addition, I greatly appreciate the participation of our keynote speakers and the panelists. Let me introduce distinguished guests.

- Ms. Sherry Little, who has acted to develop and promote public-private partnerships throughout the country, during her term as Acting Administrator of the Federal Transit Administration**
- Mr. Dana Levenson, who has actually dealt with various kinds of public-private partnership projects as the CFO of the City of Chicago**
- Mr. Masahiko Kurono, the current Senior Advisor and the Former President of the Narita International Airport Corporation, who has taken the lead in improving the management of the airport under the privatization process.**
- Mr. Hisashi Umezaki, the current president of the Tokyo Metro, who also has demonstrated leadership in the privatization of the Tokyo Metro.**

- **Dr. Clifford Winston, a Senior Fellow of the Brookings Institution, who has conducted numerous research on the transportation industry including privatization of infrastructures.**

The main subject of this seminar is to discuss the future governance of transportation infrastructures featuring U.S. public-private partnership cases and Japanese privatization cases. First, I will briefly mention the introductory part of the discussion.

Transportation infrastructures, such as road, railway and airport, are integral parts of mobility for traveling. In the past, like other social infrastructures, transportation infrastructures have been in the hands of the public sector such as the federal or local governments. The public sector had enough funding to match the demand and enough expertise for construction and management of such infrastructures. Meanwhile, the private sector in transportation industry had not yet fully developed.

However, things have changed. In the U.S., faced with tight budgets, it has become more difficult for the public sector to provide funding for redemption or construction of new transportation infrastructures. On the other hand, in the private sector, financial institutions that have the capacity to provide enough funding have emerged. And, consultant

companies which may have better expertise than governments in management of infrastructures have developed.

Against this background, there has been a trend in which both the private sector and the public sector cooperate with each other in the management of transportation infrastructures. This is so-called the “public-private partnership.” The famous examples are from the surface transportation sector: the Chicago Skyway and the Indiana Toll Road. The aviation sector has begun to introduce public-private partnership with respect to airport facilities under “Airport Privatization Pilot Program” of the Federal Aviation Administration (FAA). Chicago Midway Airport is the first case to introduce public-private partnership to major airports. The pilot program could be expanded by the passage of the FAA Reauthorization Act, resulting in more public-private partnerships.

In Japan, the private sector is now able to more effectively manage transportation systems. Many Japanese believe that transportation infrastructures come to offer better service and higher profitability by bringing in private sector resources, rather than leaving their operation in government hands. The fact that urban railway network are traditionally operated by private entities may have fostered people’s acceptance of privatization.

Therefore, in some cases, the entities who own major transportation infrastructures have become private companies. The Narita International Airport, the gateway to Asia, and the Tokyo Metro, one of the largest subway systems in the world, are now privatized. These privatization cases have actually achieved service upgrades, profit maximization, cost reduction and other successful outcomes.

The U.S. and Japan are different in approach; in “Public-Private Partnership”, the public sector and the private sector form a joint venture to gather maximum capital and share expertise. In “Privatization”, owners of the transportation infrastructures change from public entities into private entities.

Then, why does this seminar discuss these two at the same time? It is because both approaches face the same critical issues; how to balance public interests and private interests.

Since transportation service is one of fundamental elements of people’s daily life, transportation has to maintain a certain level of service that is satisfactory to the public. However, to leave transportation service to private entities may cause arbitrary activities to seek their own profits regardless of people’s benefit. This issue emerges from the nature of transportation service. Therefore, how to balance these two interests in

public-private partnerships and privatizations is very important subject of this seminar.

The seminar also explores the future prospects for public-private partnerships and privatization. To cope with the turmoil in the financial market, the Obama Administration recently signed the stimulus package. It is often said that the need for the public-private partnerships might be reduced, as the financial market weakens and more funding for the transportation infrastructures is provided by government. However, the need to bring in funding from the private sector under tight government budgets might continue to exist in the future. Also, besides funding, the need to bring in management expertise from the private sector toward better service and more efficient management of transportation infrastructures will continue to exist as well. I would like to expect productive discussion among all of the participants including speakers and audience.

Finally, I would like to express my appreciation to the Nippon Foundation for their generous support to this seminar. The Nippon Foundation aims at facilitating projects that benefit the public welfare. I would like to express my sincere respect and appreciation for the activities of the Foundation.

Thank you for your attendance. Please enjoy today's seminar.