

Japan Railway Construction Public Corporation (General Account)

1. Summary of operations implemented using FILP funds

Japan Railway Construction Public Corporation undertakes railway improvement projects to increase the carrying capacity of work and school commuters and ease congestion by the construction and major improvement of public railway systems in large cities and their surrounding areas, and to improve traffic flow and maintain and enhance urban functions. Specific projects are:

- 1) Construction of private railways
- 2) Transfer of private railways

Note: Major non-FILP projects include construction projects of new bullet trains (Shinkansen).

2. Amount of lending under FY 2002 FILP

(Unit : billion yen)

FY 2002 FILP	Estimated outstanding amount of FILP lending at end of FY 2001
78.0	775.3

3. Outcome and social and economic benefits of operations

- 1) Expansion of existing lines to meet the increased demand of carrying work and school commuters in large cities (Tokyo, Osaka-city and Nagoya-city) and their surrounding areas, construction of lines extending into city centers directly through underground lines, and construction of new lines for large scale new town development, are promoted to reduce commuting time and ease congestion.
- 2) Lease result (As of the end of FY2000)
 - Leased lines: 25 sections : 159.4km/extension
- 3) Cases of reduced traveling time and eased congestion
 - Saitama Express JR Line (Hatogaya to Urawa-misono: newly constructed line)
(Hatogaya → Otemachi)
Shortening of required time: 64 minutes → 38 minutes
 - Tokyu Shin-Tamagawa Line (Shibuya - Futakotamagawa-en, New line construction)
(Futakotamagawa-en → Shibuya)
Reduced traveling time 30 min. → 11 min.
 - Kansai Express JR Tozai Line (Kyobashi - Amagasaki, New line construction)
(Kyobashi → Amagasaki)
Reduced traveling time 27 min. → 17 min.
 - Meitetsu Toyota Line (Kurozasa - Umetsubo, New line construction)
(Umetsubo → Nagoya)
Reduced traveling time 57 min. → 44 min.
 - Tobu Tojo Line (Wako-city - Shiki, Line extension)
(Kita-ikebukuro → Ikebukuro)
Declined congestion rate 175% → 149%
- 4) Prospects for reduced traveling time and decreased congestion rate by construction of lines
 - Rinkai-Fukutoshin Line 2nd phase (Tokyo Teleport - Osaki, New line construction)
(Tokyo Teleport → Shinjuku)
Reduced traveling time 45min. → 31min.
 - Seibu Ikebukuro Line (Nerima - Shakujii Koen, Line extension)
(Shiina cho → Ikebukuro)
Decreased congestion rate 208% → 151%

4. Estimated policy (subsidy) cost of the project

Outline of estimate

- 1) An estimate has been made for private railway construction and transfer projects implemented using FY 2002 FILP funds. Locally developed lines, new bullet trains, and the Tsugaru-Kaikyo line, for example, are not included in this cost analysis.
- 2) Funds to be repaid, out of funds required for the construction of railway facilities, were calculated under the current system and should all be recovered with the value for transfer paid by railway operators on an equal semiannual installment basis after transfer (Cost recovery principle).
- 3) An analysis has been made for a 28-year period before the aforementioned projects are to be completed (32-year period for FY2001).
- 4) Based on the above assumptions, simulations were made for future operations, and policy costs required to carry out projects were calculated.

Policy (subsidy) cost

(Unit : billion yen)

Category	FY2001	FY2002	Increase/Decrease
1. Subsidies from the national treasury		0	0
2. Opportunity cost of capital investment from the national treasury	2		- 2
Subtotal (1+2)	2	0	- 2
3. Money transfer to the national treasury			
Total (1+2+3=policy cost)	2	0	- 2
Analysis period (years)	32	28	- 4

Compared with FY2001, policy cost declined by ¥2 billion and the analysis period was shortened by 4 years because the financing of a project for major artery and urban commuting lines in FY2002 was excluded from FILP.

The case if assumption is changed

(Unit : billion yen)

Changed assumption and extent of change	Increase / decrease in policy cost
Interest rate on funds raised + 1%	- 0.2

(Reference)

Budgeted amount of subsidies and capital investment in FY 2002

Subsidies: ¥ 0 million
Capital investment: —

5. Projections in the analysis

- 1) Private railway construction projects currently carried out under the direction of the work execution plan will be completed by FY 2004, and the cumulative amount of work costs in and after FY 2002 is about ¥209.5 billion.

FY	Result					Estimated	Planned	(Unit : billion yen) Trial assumption
	1996	1997	1998	1999	2000	2001	2002	After 2003
Construction cost	115.9	86.1	115.3	120.0	123.5	89.0	66.0	143.5

- 2) Values for the transfer of private lines shall be recovered on an equal semiannual installment basis for 25 years after transfer, and will be totally redeemed by FY 2029. No advanced redemption is expected from railway operators.

6. Reasons for granting of subsidies, mechanism and underlying laws

The Corporation received subsidies from general accounts for loans and a part of the interest payable of railway construction bonds , to ease the burden of transfer prices on private railway operators.

(Underlying laws and regulations)

- As for subsidies, each operator received half of what exceeds beyond the interest rate specified in the annual budget for funds financed in each year. There are no underlying laws (Subsidies were granted under the budgetary steps).
- Transfer to the national treasury is stipulated in the Japan Railway Construction Public Corporation Act.

The Japan Railway Construction Public Corporation Act Article 28

The Corporation shall pay for losses carried over from a previous business year when any profit accrues in the profit/loss calculation, and residual, if any, of which the amount calculated on the standard specified by a government ordinance shall be put aside as reserves.

- 2 The Corporation shall reduce reserves specified in the preceding provision when any loss accrues in the profit/loss calculation in each business year, and remaining losses, if any, shall be accounted for as carry forward losses.
- 3 The Corporation shall pay residual, if any, to the national treasury after reducing reserves put aside under the provision of the first paragraph from the residual specified under such paragraph.
- 4 As for the payment specified in the provision of the preceding paragraph, specific procedures and other requirements shall be stipulated in an applicable government ordinance.

7. Special remarks

- 1) Policy costs of the Corporation are required to promote the railway improvement in response to urgent issues, such as the demand for increased carrying capacity of work and school commuters and eased congestion in large cities and their surrounding areas, improved traffic flow, and maintenance and enhancement of urban functions.
- 2) Since all the costs to raise funds for the projects shall be recovered from railway operators on a long-term installment basis, the reduction of such costs through the investment of FILP would reduce construction costs, and consequently ease the burden on railway operators, and eventually on the general public, as ultimate users.
- 3) In accordance with the Reorganization and Rationalization Plan for Special Public Corporations, although it has been decided that the Corporation will be integrated with the Corporation for Advanced Transport and Technology, for the time being, detailed contents have not yet been decided. Therefore the analysis was implemented assuming existing institutional form.

(Reference) Financial Statements

Balance Sheet (General Account)

(Unit : million yen)

Assets				Liabilities and capital			
Item	End of FY 2000 (Result)	End of FY 2001 (Estimated)	End of FY 2002 (Planned)	Item	End of FY 2000 (Result)	End of FY 2001 (Estimated)	End of FY 2002 (Planned)
Current assets	238,433	64,464	73,566	Current liabilities	191,506	48,059	62,149
Cash and deposits	108,350	15,814	18,653	Accounts payable	133,977	5,161	5,413
Marketable securities	47,991	0	0	Accrued expenses	10,722	10,438	10,302
Supplies	3,135	3,135	196	Advance receipts on construction for others	46,285	31,938	45,910
Prepaid expense on construction for others	44,747	31,936	45,908	Deposits received	199	199	199
Suspense payments	8,957	8,762	4,050	Security deposits received	324	324	324
Accrued income	4,406	3,901	4,445	Fixed liabilities	5,225,277	5,629,116	5,944,120
Accounts receivable	20,847	916	313	Bonds	1,981,804	1,856,034	1,742,249
Fixed assets	5,402,544	5,839,622	6,185,486	Long-term borrowings	1,134,729	1,357,360	1,636,714
Railway facilities and installment receivables	3,550,514	3,489,449	4,025,231	Long-term advance receipts	180,845	216,149	251,714
JR railway facilities	1,416,115	1,378,424	1,336,579	Reserves for retirement benefits	7,750	10,687	13,661
Shinkansen railway facilities	782,054	762,429	1,194,753	Investment subsidies and grants			
Installment receivables from JR companies	20,172	19,346	18,513	Shinkansen (from government)	599,774	666,816	721,055
Installment receivables from private railway companies	1,332,172	1,329,250	1,475,387	Shinkansen and regional line (from government and municipal corporations)	591,998	706,072	716,590
Construction in progress	1,811,652	2,307,020	2,114,432	Tsugaru Kaikyo Line (from government)	248,134	350,748	412,202
JR railway facilities	92,307	97,695	103,402	Others	480,241	465,250	449,935
Shinkansen railway facilities	975,469	1,294,259	1,070,675	Reserves under special laws			
Regional railway facilities	51,668	57,451	824	Reserves for adjustments on leased assets	4,226	7,385	10,892
Private railway facilities	692,207	857,615	939,532	(Total liabilities)	5,421,009	5,684,560	6,017,161
Tangible fixed assets	7,600	7,587	8,074	Capital			
Buildings	3,890	3,981	4,382	Government investment	64,180	64,180	56,170
Land	3,221	3,186	3,186	Surplus	169,481	169,591	200,481
Other tangible fixed assets	489	421	507	Capital surplus	185,077	185,077	216,781
Intangible fixed assets	12	11	11	Accumulated deficit	- 15,595	- 15,485	- 16,299
Investments and other assets	32,768	35,554	37,737	Accumulated deficit at beginning of the year	- 14,888	- 15,595	- 15,485
Long-term receivables	32,049	34,771	37,175	Net income (loss) for the year	- 707	110	- 814
Security deposits	719	783	562	(Total capital)	233,662	233,772	256,651
Deferred charges							
Research costs	13,694	14,246	14,761				
Total assets	5,654,671	5,918,332	6,273,812	Total liabilities and capital	5,654,671	5,918,332	6,273,812

Income Statement (General Account)

(Unit : million yen)

Expenses				Revenues			
Item	FY 2000 (Result)	FY 2001 (Estimated)	FY 2002 (Planned)	Item	FY 2000 (Result)	FY 2001 (Estimated)	FY 2002 (Planned)
Operating expenses	251,148	265,973	201,411	Operating revenues	250,216	265,819	200,597
Cost of railway facilities sold	56,920	78,135	49,076	Revenue from leased railway facilities	82,890	82,639	81,115
Costs of construction for others	31,838	28,753	29	Revenue from sales of railway facilities	56,920	78,135	49,076
Research costs for railway projects	198	135	135	Interest income on installment receivables	50,005	48,202	42,300
General and administrative expenses	6,798	6,744	6,897	Revenue from construction for others	31,838	28,753	29
Provision for reserve for adjustments on leased assets	1,052	3,158	3,508	Revenue from subsidiaries for railway improvement projects	220	150	150
Depreciation of railway facilities	60,422	60,283	61,987	Revenue from financial assistance for railway improvement projects	734	547	745
Interest expense on bonds	69,272	60,698	51,763	Amortization of investment subsidies and grants	5,543	5,390	5,370
Interest expense on borrowings	23,839	27,048	27,039	Shinkansen (from government)	5,799	5,723	5,933
Discounts on bonds	66	90	155	Shinkansen and regional line (from government and municipal corporations)	52	72	182
Bond issuance expenses	564	883	721	Tsugaru Kaikyo Line (from government)	15,026	14,991	14,784
Miscellaneous losses	178	46	101	Other			
Non-ordinary loss	25	0	0	Interest income	40	7	7
Loss on disposal of fixed assets	23	0	0	Interest on marketable securities	2	0	0
Loss from removal of fixed assets	2	0	0	Miscellaneous income	1,146	1,210	908
Net profit for the year		110		Non-ordinary gain			
				Gain on sales of fixed assets	250	264	0
				Net loss for the year	707		814
Total	251,173	266,083	201,411	Total	251,173	266,083	201,411

Note: 1. Including non-FILP projects.

2. Figures, in principle, are rounded off, and thus the simple addition does not make the total.