

# Private-sector Vitality Spurs Projects

By Hirotaka Yamakawa

Japan is under pressure from abroad to adopt measures to expand domestic demand. One answer has been the *minkatsu* (private-sector vitality) formula. Plans for projects to be implemented in accordance with the law to utilize private-sector vitality, the *min-katsu-ho*, are shaping up around the country. What exactly is the *minkatsu-ho*? This article looks at the law and the projects it has fostered.

## Projects get going

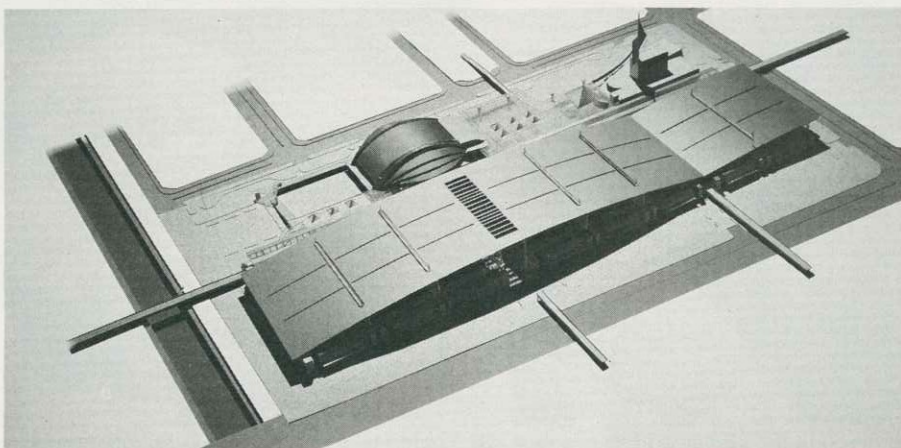
The *minkatsu-ho* (law for utilizing private-sector vitality) is aimed at utilizing private-sector management ability and funds in implementing public-oriented projects, such as the construction of research centers and international exchange facilities throughout Japan. The law was passed by the last ordinary session of the Diet, and was promulgated in May this year.

Projects earmarked for execution under this law already exceed 100 and are expected to directly expand domestic demand by approximately ¥1.4 trillion (about \$9 billion at the rate of ¥155/\$) over a period of 10 years. The figure climbs to ¥8-9 trillion if related facilities are included. Construction of the first *minkatsu* projects will begin before the end of the current fiscal year next March.

Although the underlying tone of the economies of the U.S., Britain and other advanced countries is expansionary, all are presently saddled with structural fiscal deficits, slowing private-sector plant and equipment investment and rising unemployment. The Japanese economy, however, has maintained its international competitiveness, and is enjoying relatively stable prices and employment compared with other countries. Japan's exports of manufactured goods to the U.S. have increased sharply, with the tempo of export expansion far exceeding that of imports. With the U.S. calling



An artist's conception of Kanagawa Science Park, scheduled for completion in spring 1989



A model of "Makuhari Messe," one of some 30 research-related projects planned under the *minkatsu* program

strongly for Japan to open up its markets, the Japanese government last autumn adopted a package of domestic demand stimulating measures. The trump card in the pack was the *minkatsu-ho*.

## A six-pronged package

Facilities to be established under the *minkatsu-ho* come in six categories: (1) research "cores" that will serve as the brains of high-tech industries; (2) international exchange facilities; (3) new media centers; (4) telecom plazas (infrastructure for raising the sophistication of

telecommunications services); (5) telecommunications technology research facilities; and (6) seaport passenger terminals and administration buildings.

Research cores will consist of four kinds of facilities: (1) "open-type" laboratories and research facilities which will lend out research space and equipment to companies from different industries undertaking joint R&D projects; (2) R&D facilities to back up corporate growth, rented out for a small fee to venture capital firms; (3) research facilities for technical engineers, also available for



a small fee; and (4) "exchange facilities" designed to provide information on the results of the latest R&D efforts and technological information.

"At present, the 'brain bases' necessary for research and development are concentrated in Tokyo and other big cities," says a Ministry of International Trade and Industry (MITI) official involved in the *minkatsu* scheme. "If this tendency continues, such adverse effects as skyrocketing land prices will become even more pronounced in the Tokyo metropolitan area. There's also a danger that other regions will become mere subcontract production bases subsisting on manufacturing orders received from Tokyo and other centers. Establishment of research cores will not only raise R&D standards in outlying regions, but also help upgrade the regional industrial structure and create opportunities for knowledge-intensive work. Establishment of research cores is necessary in order to change a situation in which 80-90% of all science and engineering majors graduating from regional universities have to leave their home towns to work in big cities outside their native prefectures."

International exchange facilities will consist of international fairgrounds equipped with large exhibition halls and international conference halls. "At present, international exhibition halls are located only in Tokyo, Osaka and Nagoya, and none are spacious enough to hold large exhibitions," says the MITI official. "Domestic as well as overseas firms have been forced to shorten fair periods or trim down the size of their displays. Foreign companies are complaining that the shortage of international exhibition halls is making it extremely difficult for them to hold international sample fairs in Japan to introduce new products to the Japanese public. Construction of international fairgrounds is essential to eliminate these complaints. As for international conference halls, they, too, are found only in a limited number of cities, such as Kyoto and Kobe. Elsewhere, hotel banquet halls have to be used for international conferences. Since we expect international personnel exchange to increase in the future, we have decided to build more appropriate facilities."

The new media centers will consist of "open-type information-oriented facilities" (information centers) to provide information services, training and study facilities aimed at improving new media technology and knowledge. They will also have showrooms for new media equipment.

Telecom plazas will be complexes of

facilities, such as information-oriented business offices complete with TV conference equipment for use by regional residents and regional companies, new media exhibition corners and education and training centers for fostering telecommunications personnel.

The open-type research facilities for telecommunications technology will come complete with laboratories and research equipment which can be used both for training engineers and exchanging information on the results of telecommunications R&D.

### All-important third sector

These facilities will be constructed mainly by the so-called third sector, organizations to be established with joint investment by prefectural or municipal governments and local business communities. The third sector, which will be the main cog in this new machinery, will draw up plans on the basis of guidelines set down by the government for each project. The plan will be submitted to the state minister in charge for approval, and if it satisfies all government requirements, it will be authorized. The government's basic guideline indicating the functions and scale of appropriate facilities was provided to local governments in June and July this year.

A third-sector undertaking approved by a state minister will be granted a number of privileges: (1) it will be allowed a special, initial year depreciation of 13% of costs; (2) it will enjoy tax exemptions and reductions for such local taxes

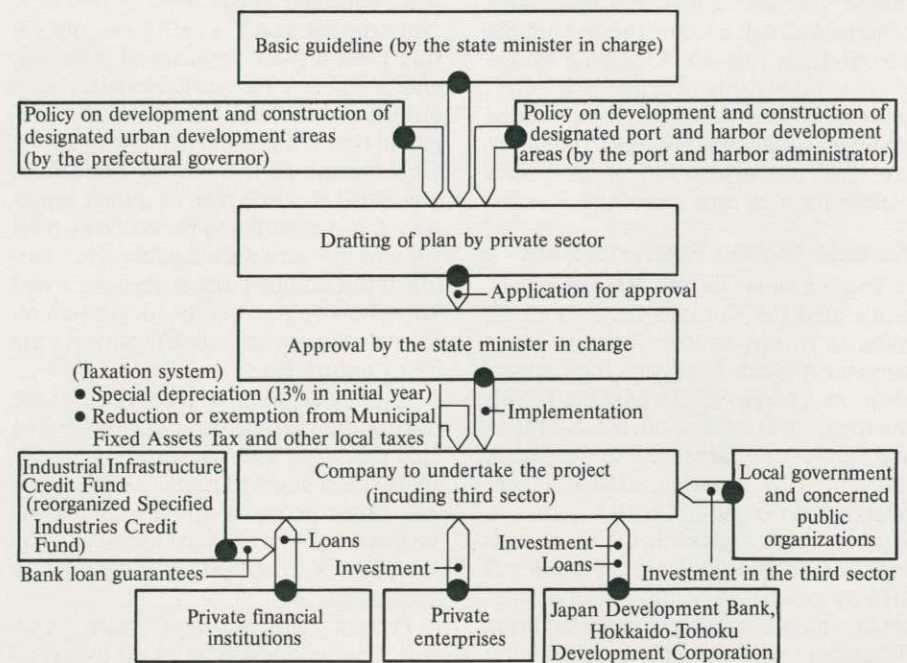
as the Real Estate Acquisition Tax and Municipal Fixed Assets Tax; (3) its bank loans will be guaranteed by the Industrial Infrastructure Credit Fund; and (4) it will be eligible for loans from the Japan Development Bank.

There are about 30 research-related projects now planned under the *minkatsu* program. They include the "21st Century Plaza" in Izumi City, Miyagi Prefecture and the "Kurume Techno Research Park" in Kurume City, Fukuoka Prefecture. Projects involving international exchange facilities include "Makuhari Messe" in Chiba City and "Minato Mirai 21 International Exchange Zone" in Yokohama City.

There are as many as 66 projects related to new media centers, including the "Shonai Information Plaza" in Sakata City, Yamagata Prefecture and the "Kumamoto Industrial Information Center" in Kumamoto City. Sixty projects related to telecommunications, including the "Kobe Harborland Center" in Kobe City, are also scheduled.

Open research facilities for telecommunications technology, such as the "International Telecommunications Basic Technology Research Institute" in Kyoto Prefecture, are now being planned, while the "Nagoya Harbor Port Town" in Nagoya City is a project related to port passenger terminals and administrative buildings. However, the "Kanagawa Science Park," the "Kurume Techno Research Park," the "21st Century Plaza" and the "Makuhari Messe" give the clearest picture of what kinds of projects are being contemplated, as planning is in

### Flowchart for Minkatsu Projects





a more advanced stage than for other *minkatsu* undertakings.

### Kanagawa Science Park

The Kanagawa Science Park will become a "new industrial base to incubate R&D-type firms possessing the capability to participate actively in the world market," according to Akio Baba, chief manager of the Industrial Policy Department of the Kanagawa prefectural government Commerce and Industry Division. The facility will be constructed in Takatsu Ward in Kawasaki City, with the third-sector body responsible to be inaugurated before the end of the year at the latest, and construction to start next spring. It is scheduled for completion in March 1989.

The planning of the park has been underway for two years at the initiative of the Kanagawa prefectural government. During this time, the prefectural officials in charge visited the United States, Britain and West Germany, which all have extensive experience with science park projects.

According to the plan, the Kanagawa Science Park will consist of an "Innovation Center Building" (open-type research facility) and an R&D-type Enterprise Building (venture business incubator). The innovation center will come replete with such service facilities as schools, hotels, banks and convenience stores in addition to the research institute itself. The third sector is scheduled to be organized by the Kanagawa prefectural government, Kawasaki municipal office, Tobishima Corporation, Yokohama Bank and others, and will be capitalized at ¥4.5 billion. Remarks Chief Manager Baba, "Our project will become the first among the *minkatsu* projects. I feel as if we are going to build a school to incubate entrepreneurs. The cost of the project will be about ¥8.5 billion (about \$54.8 million), and it will take at least 10 years after completion for it to turn a profit."

### Kurume Techno Research Park

The Kurume Techno Research Park is planned for Kurume City, about 35 minutes' ride by car from Fukuoka International Airport. Atsuhiko Goda, supervisor in charge of development with the Kurume municipal office Commerce and Industry Department, explains, "Kurume City was designated as a technopolis area in 1984. On that occasion, local residents argued that it was necessary to revitalize the Kurume municipal area by raising the technical standard of small- and medium-sized manufacturing industries in the city. They agreed that in

order to achieve this it would be essential to improve R&D functions and personnel training. We studied various ways and means to achieve this, and just around that time, MITI announced the research core concept. It was splendid timing."

According to the present plan, a research center building to house mechatronics research laboratories and a biotechnology research institute will be constructed together with a venture park to accommodate venture businesses and software development firms on a 27.3-hectare tract of land. The total cost is estimated at ¥20.6 billion (about \$133 million).

"The third sector to become the principal implementer of this project will be inaugurated within this year," says Goda. "We hope to start construction in or around next June. The research center building is scheduled for completion at the end of fiscal 1988, and the venture park during fiscal 1991. As for income and expenditures, we figure the research park will take at least 12 years to produce a profit, as compared with private-sector projects which usually start producing profit in the seventh year or so."

### 21st Century Plaza

The 21st Century Plaza is scheduled to be constructed in Izumi City, about 10 kilometers north of Sendai City in Miyagi Prefecture. The Miyagi prefectural government is working to materialize its concept for a Northern Sendai Nucleus Technopolis where sophisticated electronics machinery industries and urban information industries would be concentrated. The 21st Century Plaza will be located in the heart of this area. "Enterprises won't come to our prefecture even if there is plenty of industrial and drinking water available here," says Hitoshi Funamachi, director of the Regional Promotion Section of the Planning Department of the Miyagi prefectural government. "In order to attract enterprises, it is essential to provide industrial support infrastructure capable of furnishing information, human resources and know-how on research and development. We plan to construct such facilities in the 21st Century Plaza."

A detailed plan will be worked out during the current fiscal year regarding facilities, cost and organization of the third-sector body to undertake the project. Construction of some facilities will be started within the next fiscal year, and the plaza is scheduled for completion in fiscal 1988.

Present plans call for a "Techno Culture Center" consisting of an industrial

support center that will furnish not only open R&D facilities and human resources but also business management know-how and technical information. There will also be an institute for training software programming engineers, and a "Techno Venture Park" consisting of research laboratories.

### Makuhari Messe

The Makuhari Messe is the core project of the Makuhari New City Plan.

"Makuhari New City Center will be constructed on reclaimed land covering approximately 440 hectares," explains Hiromichi Suzuki, director of the New Industrial Triangle Plan Promotion Office of the Chiba prefectural government. "Our aim is to construct a new city center where high tech and culture will coexist in harmony. The site earmarked for this new city is located halfway between Tokyo and Narita Airport. It will be conveniently served by the Tokyo Bayshore Highway and the Japanese National Railways' Keiyo Line scheduled to be completed in 1988. We searched for something that could become the principal attraction of this new city center, and hit upon the idea of Makuhari Messe, that is, a comprehensive international sample fairground. The fairground will be furnished not only with giant exhibition halls but also with event and conference halls. We plan to build car parks nearby capable of accommodating 8,000 vehicles, as well as resort-convention hotels."

The Japan Convention Center, Ltd. (capitalized at ¥4 billion) will be the implementer of the Makuhari Messe project. Inaugurated in April this year, it has already started putting the Makuhari Messe plan into action. Japan Convention Center was organized by the Chiba prefectural government, Chiba municipal office, Japan Development Bank, Chiba Prefectural Federation of Chambers of Commerce and Industry, Federation of Commerce and Industry Associations, Association of Medium and Small Enterprise Organizations and private enterprises. Construction will start early next fiscal year, and will be completed in the spring of 1989. "We plan to host an international conference there in the autumn of 1989 to be sponsored by the International Federation of Housing and Planning (IFHP)," Director Suzuki says.

Today Japan is under strong foreign pressure to shift away from exports and expand demand at home. Great expectations are placed on the new *minkatsu* projects to trigger the long-awaited explosion of domestic demand. ●