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JAPAN'S HOUSING MARKET

– Opportunities for Australia

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FOREWORD

The East Asia Analytical Unit's Briefing Paper Series is intended to promote discussion and inform policy making, assist with identifying and defining issues for future more detailed analysis, and contribute to awareness of current issues affecting Australia's economic engagement with East Asia. As Briefing Papers, they represent the views of the individual authors and should not be interpreted as the views of the Department of Foreign Affairs and Trade or as statements of Australian Government policy.

This paper extends some research done for the EAAU's report on the recent trends in and prospects for the Japanese economy, entitled *A New Japan? Change in Asia's Megamarket* (EAAU, June 1997), in particular for Chapter 9, 'Distribution Reforms - A New Consumer Focus'. A number of major issues touched on only briefly in this paper are covered in detail in the full Japan report. The paper briefly surveys recent trends in the Japanese housing market, focusing on the changes in the distribution system and the regulatory framework for housing and housing materials, and the effects of the changes, especially on Japan's imports. It assesses the nature and scale of the supply opportunities for housing and housing materials opening up for foreign companies, and Australia's performance in the market, including the main success factors and common problems.

The authors of the paper were David Lawson, NasPacT Consulting (and from November 1997, Australian Consul and Trade Commissioner, Sendai), and Judith Laffan, an analyst in the EAAU, Department of Foreign Affairs and Trade. Dr Frances Perkins, Head of the EAAU, and Ms Andrea Spear, a Director of the EAAU, provided project direction and comments on the draft paper.

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JAPAN'S HOUSING MARKET:
- Opportunities for Australia

Summary

- Japanese demand for housing and housing materials represents a significant market, in which foreign suppliers have an increasing presence, but which Australian suppliers are just beginning to tap. In CY1995, the value of Japan's annual new housing was around US$252 billion. This compared to US$236 billion in the United States, and only A$11.4 billion (US$8.7 billion) in Australia. Japan's new housing starts - which at 1.47 million in CY1995 and 1.64 million in CY1996 easily equal those of the United States (1.35 million in CY1995), and far outnumber those in Australia (124,550 in AFY1995-96) - are forecast to remain around 1.3 -1.6 million per annum over 2000-2010, despite Japan's static population size. Also, the average size of new housing units is expected to continue expanding, with greater construction of non-timber housing.

- In the 1990s, there has been a major change in the Japanese attitude to foreign-supplied housing and housing materials. Japanese consumers want less expensive, larger and better quality housing. Both the central and local governments now welcome the participation of foreign suppliers as part of the drive to lower housing costs - down from the eight times of average annual income of the late 1980s to a target of around five times average annual income - and are moving towards internationalisation of Japanese housing standards, thus lowering a major hurdle for foreign suppliers.

- The predominant traditional distribution system for housing materials, based on a number of *keiretsu* groups held together by house manufacturing companies and trading houses, also long served as a barrier to new entrants including foreign suppliers. But the 1990s consumer and government demand for lower housing costs, together with the decline in profits during the recession and the challenge of the 1994-95 yen appreciation, have caused Japanese housing companies and builders to move away from the inefficient and costly traditional distribution system. Also as part of this marked effort to reduce costs, they have increasingly sourced housing materials directly from overseas, both from foreign suppliers and Japanese-established housing materials factories around Asia.

- As a result, Japan's imports of housing and housing materials have risen from US$4.8 billion in CY1990 to over US$10 billion in CY1996, an annual trend growth rate of 13 per cent. The three largest categories of items - veneer (US$3.1 billion in CY1996), electrical fittings (US$2 billion), and wood for housing (US$1.3 billion) - accounted for almost 65 per cent of all such imports in CY1996. Other substantial categories include cement (US$961 million in CY1996), joinery (US$573 million), lighting fittings (US$369 million), nails/screws and other fasteners (US$294 million), iron/steel structures (US$271 million), aluminium structures (US$225 million), bricks, tiles and pavers (US$221 million), and hand tools (US$198 million).

- A housing and housing material import category of particular interest for foreign suppliers is prefabricated housing, with Japan's imports growing from US$104 million worth in CY1990 to US$334 million in CY1996, an annual trend growth rate of almost 22 per cent. According to the figures, the leading foreign suppliers of prefabricated housing into Japan are: Canada (US$144 million of Japan's imports in CY1996); United States (US$95 million); Finland (US$38 million); and Sweden (US$22 million). While Australia's ranks only eleventh largest supplier (US$2.2 million) by these figures, the Japanese Ministry of International Trade and Industry (MITI) believes it is actually the *third* largest supplier of prefabricated housing into Japan because of the common inflation of other countries' figures by including some imported timber as prefabricated housing.

- Most foreign companies achieving significant success in the Japanese housing market have had a market presence for many years, with well established distribution chains and representative offices in Japan. But the recent opening up of the housing market has attracted many new players and spurred even well established companies to reassess their market and distribution strategies.

- Australia's exports of housing and housing materials to Japan have almost quadrupled since 1990, to reach around A$80 million in CY1996.[1] This represents an impressive annual trend growth rate of around 24 per cent over 1990-96, compared to the 13 per cent rate of Japan's housing and housing material imports over 1990-96. But the growth has been from a low base, and Australia's market share of just under 0.7 per cent of Japan's total housing and housing material imports of US$10 billion (A$12.8 billion) in CY1996 - points to the gulf between Australia's performance and the scale of the supply opportunities in this sector.

- Major Australian building and construction companies such as CSR, BHP, Boral and James Hardie have well-established international operations, not least in Asia, and have long recognised the limitations of relying solely on the Australian domestic market for business growth. These major players have all done business in the Japanese housing market for a number of years, but Australia's small share of Japan's total housing and housing materials imports indicates that Japan has not yet formed a major part of their export strategies in most cases. While some are clearly reassessing their Japan market strategies in view of the recent changes, others may not yet have fully explored new opportunities.

[1] The Australian export figures for housing and housing materials (from ABS) used in this paper have been collated based on a criterion of direct use for housing. Using the much broader AHECC-based trade category of 'building and construction products' (see Table 11 on page 53), Australia's exports to Japan rose from A$68.7 million in CY1990 to A$130 million in CY1996.

- Apart from the very large companies, most Australian companies have only entered the Japanese market for housing materials and construction since the early 1990s. The efforts of JETRO, Austrade, and some industry associations such as Master Builders Australia (MBA), the Housing Industry Association (HIA) and others to encourage direct linkages between Japanese builders and Australian suppliers have been important in stimulating a broader interest and effort to supply directly into the Japanese market. A growing number of small and medium-sized Australian housing companies are now succeeding in penetrating the Japanese housing market, with one measure of this being the construction in the past five years of almost 140 houses in Japan with significant Australian content in design, materials and labour, and another 240 contracted for.

- The Japanese housing market remains a tough market to succeed in, with considerable regulatory and other impediments remaining, and strong competition amongst Japanese and foreign market participants. Companies have failed in Japan because they did not devote sufficient time to preparation - that is, gaining a good understanding of the market and developing an appropriate market entry plan. But the sheer size of the Japanese housing market, together with the recent opening up of the market and gradual internationalisation of Japanese regulatory standards, make it timely and worthwhile for Australian housing and housing materials suppliers to reassess their Japan market strategy.

- The Australian government can offer significant advice and assistance to Australian companies considering entering the Japanese housing market, in particular through Austrade's six offices in Japan. Other government agencies, such as the Department of Industry, Science and Tourism, can also assist in understanding and tackling Japanese regulatory requirements, and in directing Japanese Government attention to Australian companies' difficulties in entering the Japanese housing market. Industry associations such as Master Builders Australia (MBA) and the Housing Industry Association (HIA) play an important role in highlighting to government the priorities and concerns of companies, in improving the common knowledge base of the industry, and in providing the main expertise in technical and practical issues. Yet it is ultimately up to Australian companies themselves to work out their individual strategies for succeeding in the market, including the necessary domestic elements for supporting export activities and offshore business.

- Each company needs to carefully calculate for itself how and where *it* can best target the market opportunities. Alternatives include: export of housing materials through a Japanese trading house; direct marketing of product to another link of the Japanese distribution chain; direct supply into Japan of part or whole houses as a subcontractor or a joint venture partner; and provision of expertise in house design and construction. For example, while there are growing opportunities for export of prefabricated housing, the much larger import market for housing materials should not be overlooked. Each company must devise the most appropriate business development and distribution strategy for its own selected product and market objectives.

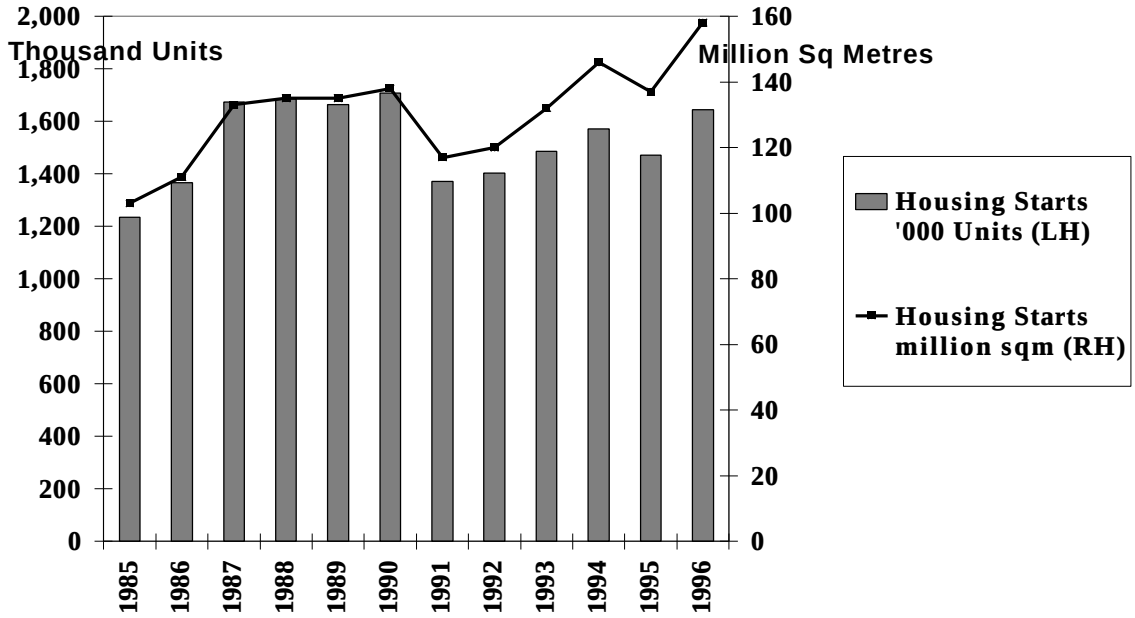
Introduction

Japanese Housing Market: Large-Scale and High Value

Japanese demand for housing and housing materials represents a significant market, in which foreign suppliers have an increasing presence, but which Australian suppliers are just beginning to tap.[1] Growth in housing demand was one of the main elements of Japan's gradual economic recovery in 1995-97, and despite the downturn in the number of new housing starts since June 1997[2], is likely to continue so.[3]

Figure 1

Japan: New Housing Starts 1985-1996
By Number of Units and Floor Area



Source: Ministry of Construction, Tokyo, 1997

The value of new residential housing in Japan is as large as that of the United States, and of course far larger than that of Australia (Figure 2). The US dollar value of Japan's new

[1] The private sector housing market which is the focus of this paper is of course just one segment, albeit a major one, of Japan's total construction activity. In JFY 1995, private housing accounted for 30 per cent of total Japanese construction investment of Y82.2 trillion (US$850 billion). (AJEI, 1996.)

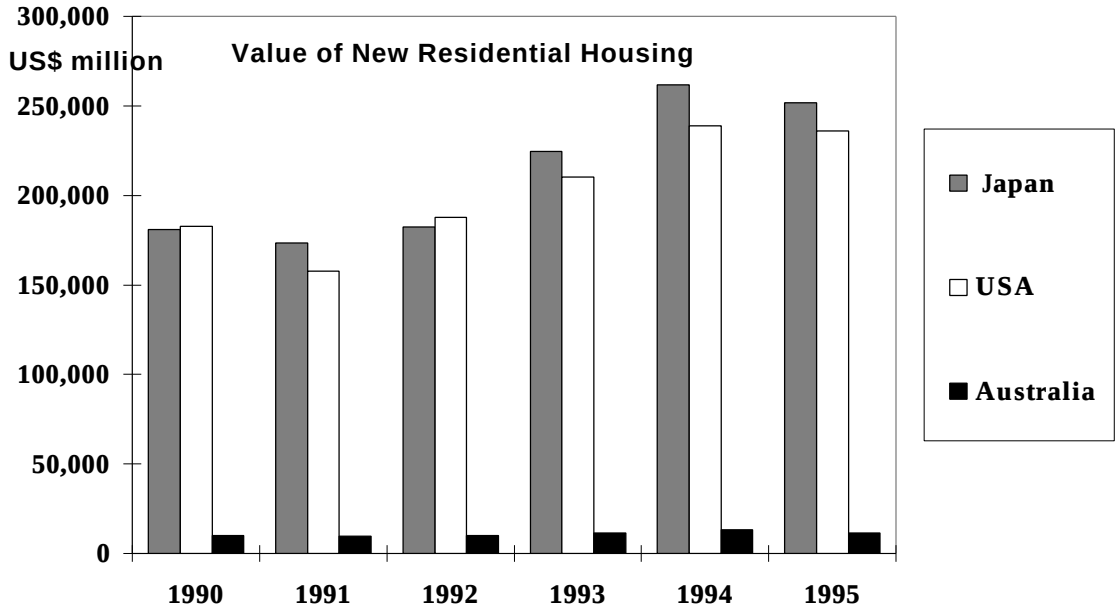
[2] The increase in the consumption tax from 3 to 5 per cent from 1 April 1997 is assessed to have temporarily depressed consumption, including an apparent fall in new housing starts (to around 1.3 million units on an annualised basis in the months from June to October 1997) (*Nikkei Weekly*, 11 August 1997; *Nikkei Weekly*, 3 November 1997; *Nikkei Weekly*, 1 December 1997).

[3] Historically low interest rates have been a primary factor in the growth in new housing demand. The lowest housing loan interest rate offered by the Government's Housing Loan Corporation was 3.0 per cent at October 1997, compared to 5.5 per cent in late 1990.

privately owned residential construction grew from US$180 billion (Y25.6 trillion) in CY1990 to US$252 billion (Y24.3 trillion) in CY1995 (Economic Planning Agency, 1997). By comparison, the value of privately owned new housing construction in the United States rose from US$183 billion in CY1990 to US$236 billion in 1995 (US Department of Commerce, 1996).[4] In Australia, this market only rose from A$10.2 billion in AFY 1990-91 to A$13.3 billion in AFY 1994-95, before falling back to A$11.4 billion in AFY 1995-96 (ABS, 1997).

Figure 2

Comparison of Housing Market Size: Japan, USA, Australia
Value of New Housing Starts 1990-1995



Note: Figures for Australia are for Australian financial years ie 1990= AFY 1990/91.
All original values converted at IMF exchange rates.
Sources: Japanese Economic Planning Agency, 1997;
US Department of Commerce, 1996, Table 1172;
Australian Bureau of Statistics, 1992, 1994, 1996.

In terms of the number of new housing starts, Japan is also on a par with the United States - these totalled 1,470,330 in CY 1995 and 1,643,266 units in CY 1996 (Figure 1), compared with 1,354,000 units in the United States in 1995, and only 124,550 units in Australia (AFY 1995-96) (Figure 3).

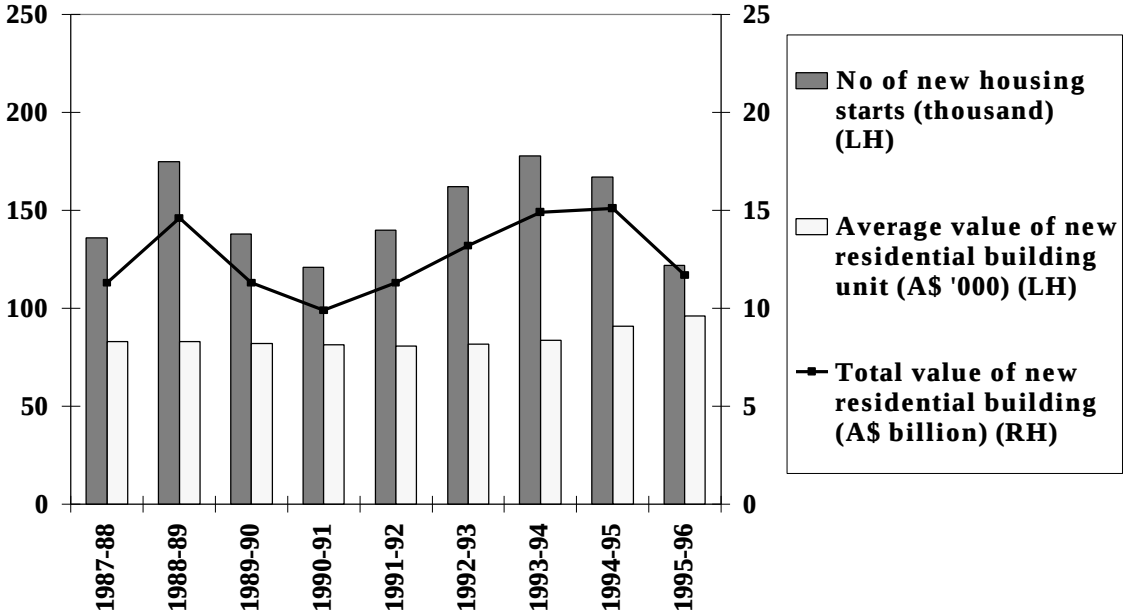
The trend of high levels of new housing starts proportionate to population size is forecast to continue in Japan over the medium to long term. For example, the Japanese Government Housing Loan Corporation has forecast that new housing starts will remain around 1.3-1.6 million per annum over 2000-2010 (Government Housing Loan Corporation, 1995). Also,

[4] Clearly yen appreciation, especially that of 1994-95, was a major factor in the rise in the US$ value from 1990 to 1995, but even if one converts the CY1995 yen value at October/November 1997 rates (around Y125:US$1), the value of Japan's gross domestic expenditure on new private sector housing would still have been equivalent to close to US$200 billion.

Japan has always had a high rate of turnover of its housing stock (currently around 46 million housing units) because of the relatively shorter lifespan of its traditional housing materials and construction methods.[5] Most of Japan's present housing stock will be due for renewal over the next 30 to 40 years. In addition, the average size of new housing units is expected to continue expanding (see Figure 1 and Figure 14), with greater construction of non-timber housing (GHLC, 1995). There is also growing support for government measures to promote greater home ownership, including more second homes (such as weekend houses in rural areas), for example by introducing preferential tax treatment in the projected overhaul of the national tax system, and incentives for investment not only in new housing construction but also house renovation and remodelling (*Nikkei Weekly*, 15 July 1996).

Figure 3

Australia: New Housing Starts 1987/88 to 1995/96 (AFY)
By Number of Starts, Total Value, and Average Unit Value (1989-90 prices)



Source: ABS, *Australian Economic Indicators*, August 1997

The relatively small and static size of the Australian domestic housing market is unlikely to change over the longer term, underlining the comparatively finite nature of business growth opportunities for housing materials and construction companies which confine their activities to the Australian domestic market.[6] Thus the far larger scale of the Japanese housing market, at least as large as that of the United States, offers an important opportunity to Australian

[5] The housing stock of most other OECD countries has much greater longevity than in Japan's case. For example, in Australia, houses of around 50-100 years of age are quite common.

[6] This is the case even when housing activity is on the rise in Australia; periods of declining activity, such as experienced over most of 1996-97 (*The Australian*, 2 September 1997) make this point much more starkly. In August 1997 Master Builders Australia (MBA) said that Australia's annual housing starts were likely to decline further over the next five years due to slowing population growth (*The Australian*, 26 August 1997).

housing and housing material companies, and increasingly so with the rapid opening of that market.[7]

In the 1990s there has been a sea change in the Japanese attitude to foreign-supplied housing and housing materials. This has come about due to several factors, in particular:

- the Japanese Government's objective of lowering housing costs to meet a high priority lifestyle aspiration of Japanese consumers of better, more affordable housing
- Japanese housing companies' efforts to reduce housing materials and construction costs
- changing consumer preferences, more willingness to consider foreign designs/materials
- following the 1995 Great Hanshin (Kobe) Earthquake, stronger recognition of the inadequacy of some Japanese building systems and the ability of foreign construction methods to better withstand earthquakes.

Table 1

High Cost Japanese Housing: New House Prices 1995

	Japan[(a)]	**Australia[(b)]**
Average floor area	93 sq m (overall) 129 sq m (stand-alone houses)	191 sq m (overall)
Average price per unit	Y17.5 million (overall) (US$182,000)	A$118,800 (US$90,200)
Average price per sq m	US$1,957	US$472

Notes: (a) Derived from the EPA's figure of Y25,767,800 million (US$267.2 billion) gross domestic expenditure on new private and public sector residential building in CY 1995, and the Japanese Ministry of Construction's figure of 1,470,330 new housing starts in CY 1995 with a total floor area of 136,524,222 square metres. (b) Derived from the Australian Bureau of Statistics' figure of 137,927 new dwelling units (including conversions) completed in AFY 1995-96 valued at A$16,388.1 million (US$12.4 billion).

Source: Economic Planning Agency, Tokyo, 1997; Japanese Ministry of Construction, 1997; Australian Bureau of Statistics, 1996.

As a result, Japan's imports of housing and housing materials have risen from US$4.8 billion in CY1990 to US$10 billion in CY1996, an annual trend growth rate of 13 per cent. With Australia's share of this only around A$80 million in 1996[8], only a 0.7 per cent share (see

[7] Of course, in addition to Japan, other Asian markets also offer good opportunities for supply of housing and housing materials, and Australia's exports in this area have grown strongly in the 1990s (Appendix Table 10). With Australia's housing and housing material exports to the world (based on the same product categories as used in Table 7) exceeding A$1 billion in CY1996, Asian markets accounted for 10 of Australia's top 15 export destinations for these products. Despite periodic oversupply situations in some areas of construction (eg hotels, luxury apartments), and the forecast slowdown in Asian growth over 1997-98 connected with the 1997 currency corrections and financial systems shakedown, Asian countries are forecast to experience overall strong housing demand growth in coming decades.

[8] The Australian export figures for housing and housing materials (from ABS) used in this paper have been collated based on a criterion of direct use for housing. Using the much broader AHECC-based trade category of

Figure 15), there is real potential for more Australian companies with expertise in housing and housing materials to both export to Japan and operate directly in the Japanese market.

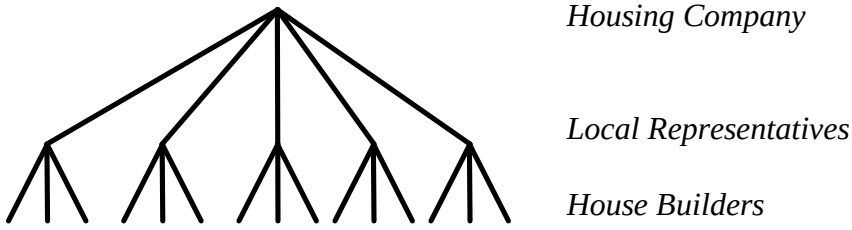
This paper surveys recent changes in the Japanese housing market, especially in the distribution system and regulatory environment, which have opened it up to more participation by foreign suppliers, and the nature and scale of the supply opportunities. It analyses Australia's performance in this market to date, and the factors which appear to contribute to a foreign company's success or failure in the market, and offers a brief guide for an Australian company approaching the Japanese housing market for the first time.

'building and construction products' (see Table 11 on page 53), Australia's exports to Japan rose from A$68.7 million in CY1990 to A$130 million in CY1996.

Traditional Distribution System for Housing Materials

In contrast to most other industry sectors in Japan where manufacturers led in maintaining tight control over component suppliers, in the predominant traditional distribution pattern for the housing industry[9] a number of *keiretsu*[10] groups were held together by house manufacturing companies in association with trading houses (such as Kanematsu, Itochu, Mitsui, Mitsubishi, Sumitomo, and others). Trading companies acted as original material suppliers and also as intermediaries along the chain of middlemen to the subcontractors assembling the final product. Historically, this sort of *keiretsu* chain has served as a barrier to competition by independent builders.

Figure 4
Traditional Structure of the Japanese Housing Industry



Source: *JETRO*, 1994

In the Japanese housing market, customers approach local builders for quotes for construction of a house. They might have chosen a particular design from the catalogue of a large housing company (see Table 2) which has referred this customer to the builder. Alternatively, a builder might produce his own designs and purchase materials from wholesalers with prices determined by the volumes and the strength of the relationship between the wholesaler and the builder.

Highly detailed quotations are generated on agreed designs, with selections for individual components and prime cost items such as kitchens, bathrooms and other accessories all being fully itemised. Selections are made from seasonal or annual catalogues produced by the major housing companies and their nominated suppliers. Quote sheets list retail prices for materials and might offer a nominal 'discount' to the customer.

In the traditional system, materials supplied to the local builder might pass through a chain of perhaps five or more intermediaries, all of whom would take fees from the transaction. Builders would buy materials from wholesalers typically on 200-day trading bills issued by the

[9] A number of different distribution patterns developed and coexisted for housing materials in the postwar period; the predominant pattern is focused on here.

[10] The term *keiretsu* refers to various forms of interfirm relationships. See Chapter 8 (pp 222-224) of the EAAU report, *A New Japan? Change in Asia'a Megamarket*, for a description and analysis of *keiretsu*.

general trading companies which orchestrated the supply chain. Builders were traditionally restricted in their ability to procure materials from diverse sources. They were bound to their core manufacturer and material vendor chain by the discounts and financing facilities offered within that chain. Builders appear to have traditionally bought materials at between 10-20 per cent of the price quoted to and paid by the end-consumer. The rule of thumb costing used by Japanese builders was that materials cost one-third of the house; labour accounted for another third (see Box); and the rest was taken up by miscellaneous costs, including warehousing, transport and operational expenses and profits for builders.

Table 2

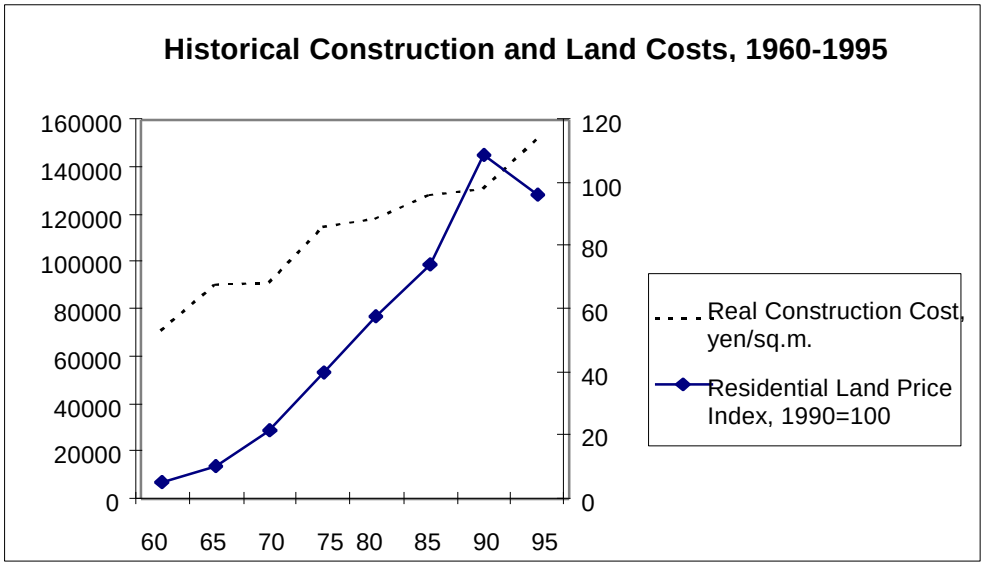
Major Japanese Housing Companies: Sales & Profits JFY 1995*

	Sales JFY 1995* - million yen (US$ million)	**Operating Profit JFY 1995* - million yen (US$ million)**
Sekisui House (prefab.houses, condominiums)	1,227,100 (12,723)	76,400 (792)
Daiwa House Industry (prefab.steel-framed houses, condominums)	1,049,700 (10,883)	67,400 (699)
Sumitomo Forestry (largest domestic timber company, but also housing)	641,000 (6,646)	13,900 (144)
Misawa Homes (wooden & prefab.houses)	256,200 (2,656)	12,700 (132)
National House Industrial (houses & housing materials)	234,400 (2,430)	22,400 (232)
Mitsui Home (2x4 & preorder houses)	220,100 (2,282)	7,000 (72.6)
Tokai Kogyo (medium/highrise housing)	211,300 (2,191)	(-)5,200 (-54)
Dia Kensetsu (condominiums)	199,100 (2,064)	15,700 (163)
SXL Corp (standardised houses)	159,700 (1,656)	9,200 (95)
Shokusan Jutaku Sogo (luxury trad.wooden houses)	137,300 (1,424)	600 (6)

Notes: * The Japan Financial Year (JFY) runs from 1 April to 31 March, so JFY 1995 was from 1 April 1995 to 31 March 1996. But some companies have a different annual accounts settlement date, for example Sekisui House settles in January. All figures have been rounded to the nearest Y100 million. Converted at official exchange rate for CY1995 of US$1: Y96.45.
Source: *Japan Company Handbook*, Winter 1996

As the domestic housing industry typically has not faced international competition, materials manufacturers and suppliers have been substantially insulated from market pressures. The high level of industry control over prices, lack of self-regulation and lack of free market competition pushed costs to very high levels (see Figure 5), with fees being extracted at each stage of the inefficient distribution process. The legacy of this lack of competition was that suppliers were price-setters rather than price-takers in the market.

Figure 5
Japanese Construction and Land Costs 1960-1995



Source: *Nikkei Data Base*

Japanese trading companies have continued to play a significant role in housing materials supply and distribution, and have not appeared to be an impediment either to users seeking foreign materials or to foreign suppliers trying to access the Japanese market. Much of the trading companies' strength in the market has derived from their ability to offer discounts (reportedly upwards of 30 per cent) to builders, especially as the proportion of components they supply for the construction of a house increases. Other benefits of purchasing from trading companies, especially for smaller end-users, have included: (1) the scope to purchase smaller lots; (2) more rapid replacement of damaged goods from stocks; and (3) more efficient handling of other after-sales service issues.

Logistics and Supply Procedures

Whether locally made or imported, distribution of housing materials is a challenge. Logistics factors such as high transport and warehousing costs can easily double the ex-factory price of

materials delivered to site.[11] Catalogue prices quoted to consumers could be as high as twice the price paid by the builder to the wholesaler, but this depends on the standing of the builder within the supply chain. A major source of frustration, particularly for foreign companies, is the difficulty in ascertaining the true market prices for components and the breakdown of transport, warehousing and other costs. This situation is unlikely to change as a general rule, but as close relationships are established between foreign suppliers and Japanese builders, sharing of information on pricing may occur, to the benefit of the partners. This kind of relationship requires considerable trust and takes time to build.

Japan's Traditional 'Hand-built Housing' System: Inefficient Construction Methods

In the efforts by the Japanese government and housing industry to reduce housing costs, most attention has been given to reducing the cost of housing materials, which have traditionally made up around one-third of the total house construction cost. The major approach to achieving this has been to increase lower cost housing material imports, with Japanese housing companies and builders also negotiating with overseas suppliers for further price reductions. Some cost reductions are being achieved by this (see pages 19-23).

Yet there has been much less attention given by the Japanese government and housing industry to achieving reductions in the other main component of house construction costs: construction methods and work practices, which also make up around a third of the total cost. Australian house building companies that have become involved in the Japanese housing industry in the past five years have been surprised to find that Japanese housing construction methods and work practices are still based on a hand-built tradition, and very inefficient by international standards. Examples of these practices include:

- labour and subcontractors are paid at an hourly rate, work shorter hours than in North America and Australia, and are divided into a great number of separate building trade specialisations
- labour costs are quoted per day rather than per house
- one site supervisor is assigned to each house under construction (in contrast to the Australian system where one site supervisor oversees several house construction projects)
- different tasks are usually done sequentially rather than in parallel
- tools are old-fashioned, and houes assembled at the site one piece of timber at a time rather than prefabricated
- there are often difficulties in introducing foreign housing materials and new techniques for their installation
- construction methods are usually traditional, not modern, especially among small to medium-sized builders (for example, hand-built pitched rooves rather than prefabricated truss rooves, though large housing companies are starting to change in this regard).

[11] For details of the structure and high costs of transport in Japan, see Chapter 13 'Transport Reform Vital to Economy' in the EAAU report, *A New Japan? Change in Asia's Megamarket*.

As a result, house construction takes much longer than by international standards, and many foreign builders find this lower labour productivity a difficult issue to deal with. In particular, Australian builders point out that even if all housing materials used are lower cost imported materials with minimium or zero profit to the overseas supplier, unless there is improvement in labour efficiency, the overall cost of house construction for consumers can only be reduced by about 5 per cent at most. But most also recognise that they can only expect change in this area to come about gradually, and must work within the existing system for the time being.

Source: EAAU interviews with Australian builders, October/November 1997

Regulatory Impediments to Market Access

The Japanese regulatory environment continues to strongly reflect its traditional major purpose and focus, of regulating *domestic* suppliers of housing and housing materials, and in many ways has been an impediment to housing material exporters to Japan. In the 1990s, however, there has been an increasing number of changes to the regulatory framework as part of a gradual process of internationalisation of standards related to the housing sector. As a result, Japan's regulatory framework is in a state of transition, part-way between its old domestically focused system and a fully open and internationally harmonised standards system. This also means that there is often confusion, even among regulatory agencies and different levels of government, about changes underway to regulations.

Acceptance of new or foreign building materials and construction methods still takes considerable time in Japan. Article 38 of the Building Standard Law (BSL)[12] stipulates that new or foreign materials and construction methods may be used, provided the Minister of Construction approves them as being equal or superior to those specified in the BSL (Ministry of Construction, 1996). Prior to applying for approval and certification from the Ministry of Construction for a new or foreign building material or construction method, a technical evaluation (called a 'Technical Appraisal') is required to be done at the MOC-supervised Building Center of Japan (BCJ). A number of other MOC-authorised agencies can also be involved in technical evaluations (see list in Appendix). Figure 6 gives an outline of the Article 38 application process.[13]

The history of the introduction of imported housing and housing materials, originally driven by North American influence, has tended to work against Australian interests. Imported prefabricated housing was first introduced in the 1960s. North American operators convinced Japanese authorities to accept '2x4' (two-by-four inch) timber framing as an official standard within the Japanese construction code. It was hoped that mass production of housing stock using the North American framing system would reduce costs and increase supply to meet demand occasioned by Japan's increasing urbanisation. What actually happened was that mass production did not lower prices to consumers. Japanese manufacturers justified this by claiming that they were supplying a higher-quality product so that consumers would feel they were receiving value for the high prices they were obliged to pay.

In conjunction with the incorporation of this new category in the Japanese national building codes, a new standard classification for structural timber was established. This allowed the

[12] The Building Standard Law (BSL), first enacted in 1950 and since frequently amended, is the most important law relating to housing construction in Japan. It sets the minimum requirements for the land, structure, facilities, equipment and usage of new buildings. The law covers: (1) Specific Requirements for structural durability, fire retardancy and sanitation ensuring safety above the established technical standards; and (2) Comprehensive Requirements for zone classification, building style, fire zoning, and the ratio of building to land. It is necessary to complete certain procedures in accordance with the BSL when constructing any building in Japan, a procedure called 'Building Confirmation' (Ministry of Construction, 1996).

[13] Technical and other details about the Article 38 application process can be obtained in Australia from the Housing and Construction Industries Branch of the Department of Industry, Science and Tourism, Canberra, and/or from the CSIRO Division of Building, Construction and Engineering, Sydney.

Japanese Agricultural Standard (JAS) authorities to control the type, quality and thereby quantity of timber used in this building system. While this was based on American standards, slight changes occurred in converting to metric measurements. The fundamental structure of the frame was also modified to accommodate Japan's climatic conditions, which range from very cold and dry to very hot and humid.

Differences in the metrification of measurements for Australian '2x4' timber framing mean that standard milling dimensions in Australia fail to meet the acceptable range for Japanese timber. Encouraged by their Japanese owners, New Zealand timber companies substantially retooled and retrained to meet these standards and even successfully pushed to have radiata pine accepted as an approved JAS species. JAS criteria tend to accept more North American species in which Australia does not have a comparative advantage.

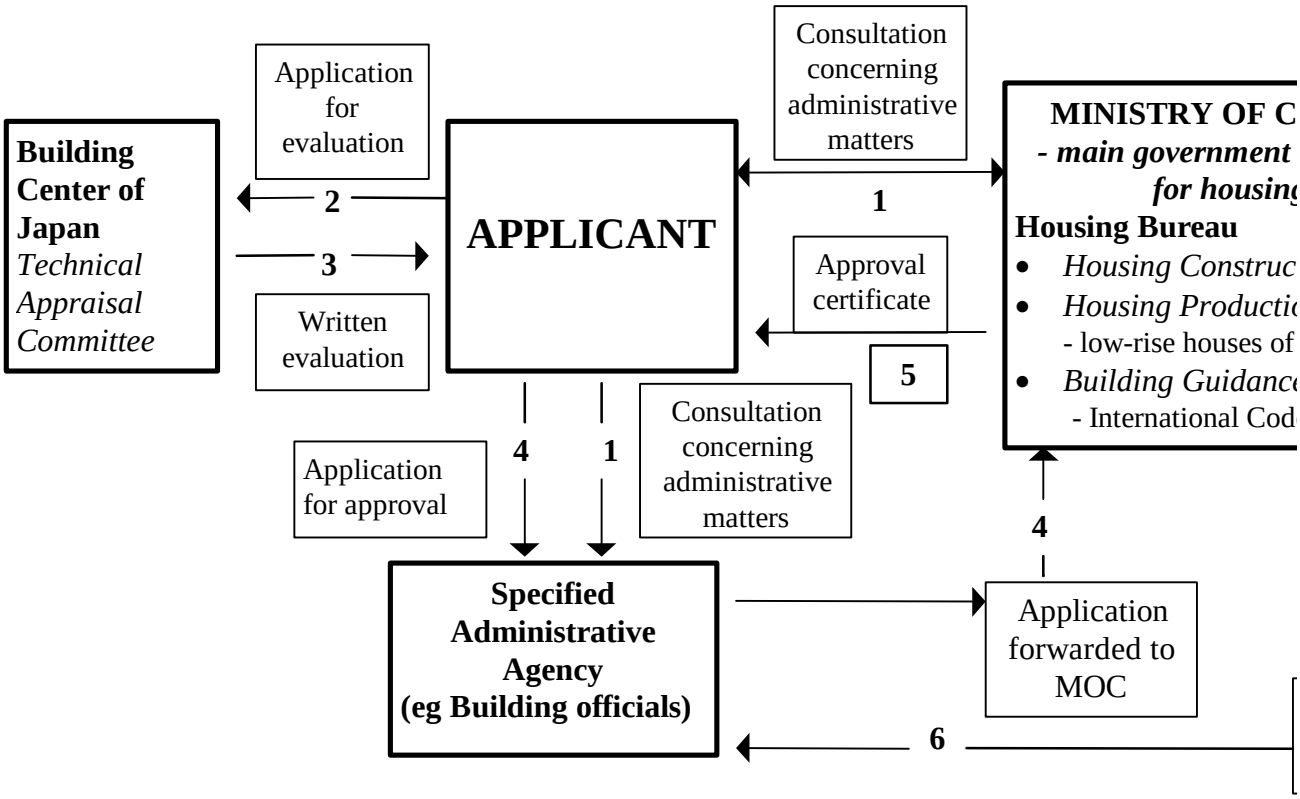
Japanese Industrial Standards (JIS) criteria were also set for all hardware used in fixing the frames. The use of JIS and JAS materials is very strictly monitored, especially for the majority of houses which are built with approved finance. Full compliance with the Building Standard Law (ie, using only approved products) is required to receive approval for loans through the Government Housing Loans Corporation (GHLC), guaranteeing, if approved, a discount for the term of the finance. Approximately one-third of new houses built each year in Japan are financed by GHLC loans.

Australian building standards are fundamentally different from Japanese BSL and GHLC requirements, making it necessary for Australian exporters to modify their product and framing techniques accordingly. Table 3 lists some of the differences between basic components used in Australian and Japanese houses.

Regional standards and regulations requiring authorised materials and installation by authorised water, gas and electricity contractors *can* constitute additional regulatory and cost barriers for housing exporters (though recently regional and local government authorities have begun to show more flexibility in the application of standards than central government bodies). For example, regional fire-proofing requirements for roofing, walls, windows and doors vary greatly, and it is difficult, costly and time-consuming to gain Japanese Industrial Standards acceptance for materials used. For foreign-sourced prefabricated houses, it is often more cost effective to substitute approved Japanese domestic materials into the imported 'kit' (eg, plasterboard and external cladding materials).

Figure 6

Application Process for Approval for Building Materials and S
under Article 38 of the Building Standard Law (BSL) of Ja



Source: CSIRO, 1997

Table 3

Comparison of Australian and Japanese Building Standards

	Australian Standards	Japanese Standards
Timber Frames & Trusses	-Machine stress graded -Used in accordance with Building Code of Australia -regional differences	-Visual grading by qualified JAS graders -architect designs in accordance with Housing Loan Corporation standards and Building Standards
Windows & Doors	-Wind speed calculations differ -insect screen usage differs	-stringent waterproofing standards -fire zones require reinforcing mesh -external doors must open outwards and be fireproof -insulating benefits of European and Nth American windows seen as more desirable than Japanese and Australian styles
External Walls		-bricks usually cannot be used for upper storeys -all manufactured cladding for use in fire-zones must have JIS and fire-rating approval -testing for all products must be performed in laboratories accredited by the Japanese government (currently 6 in Japan, 1 in Canada; CSIRO applying for accreditation)

Source: NAsPacT Consulting; Austrade, Osaka

Recent Changes in the Japanese Housing Market, Housing Regulations, and Housing Materials Distribution

The biggest change in the housing and construction environment in the 1990s has been a consumer- and government-led drive to lower housing costs. By the late 1980s, the cost of housing had reached around eight times the average annual income. The government used to determine acceptable pricing levels for housing on the basis of assets rather than income, but the 1991 bursting of the economic bubble reduced the average asset level significantly. As a result, the government decided that the average housing cost should not exceed five times annual income, and the industry was instructed to halve costs (JETRO, 1994).[1] (See Box.)

The Imported Housing Promotion Council, established in November 1993, released an 'Action Program for Reduction of Housing Construction Costs' in June 1994, stating:.

> *According to the Action Program, (the Ministry of Construction) expects to reduce the construction cost for an average home to approximately two-thirds of the current level by the year 2000. To this end it was also deemed necessary to promote structural changes in order to encourage fair market competition. (The Ministry of Construction) will also be implementing policies to cover the following areas:*
>
> - *improving housing productivity*
> - *streamlining the distribution system*
> - *promoting fair competition*
> - *implementing practical deregulation.*

The decision was also made 'to review basic guidelines for implementing a mutual approval system and accepting inspection data from overseas manufacturers in order to promote imported building materials.' The Promotion of Imported Housing Plan has been recognised as a reasonably effective program to help achieve these objectives (Imported Housing Promotion Council Report, 1994, p.18). At the same time, it will probably take several years to solve all the access issues affecting foreign suppliers.

In the past five years or so, the Japanese government has taken significant steps towards deregulating and internationalising the building standards and regulations for housing (see Table 4), in order to allow more foreign participants into the market as part of its approach to bringing about a reduction in housing costs through greater competition. It has also responded to pressure from other countries' market access demands, in particular from the United States. The fundamental reform has been the government's indication that it will change the Building Standard Law (BSL) with its traditional prescriptive-based standards to also include performance-based standards, with legislation to this effect planned to be submitted to the Diet in 1998, and expected to be passed and come into effect by July 1998. Harmonisation of JIS

[1] This compares with the situation in Australia, where the average new house price in CY1995 (A$118,800) was equivalent to about 3 1/2 times average annual pre-tax income (ABS, 1997).

and JAS criteria, and alignment of all JIS standards with international standards are also underway, which will similarly be important improvements to the regulatory environment.

Summary of 'Emergency Priority Program for Lowering Housing Construction Costs'

I. Comprehensive Review of Building Regulatory Framework

(1) Comprehensive review of building regulatory system

1. Rationalisation of building regulatory system
2. Introducing performance concept to building regulatory system
3. Performance-based regulations of wood frame construction technical standard

(2) Comprehensive review of regulations on water supply

1. Review of regulations on plumbing fixture contractors
2. Rationalisation of water supply equipment regulations
3. Introduction of factory prefabrication system for gas piping works

II. Facilitate Introduction of Imported Housing and Foreign Materials and Components

1. Promotion of mutual recognition on building codes and international harmonisation on building standards
2. Facilitation of supply of housing using foreign materials and components
3. Establish 'Housing Import Information Dial'
4. Promote propagation of foreign building materials by holding 'Imported Construction Materials and Equipment Fair'
5. Utilisation of JETRO Imported Housing Exhibitions and JETRO Housing Materials Centers.
6. Expediting immigration procedures of foreign skilled labor participation in construction of imported houses.

III Promotion of Leading Projects for Reducing Housing Construction Cost

1. Undertake model projects for utilising foreign materials and components
2. Construction of low cost model housing development

IV Preparation of Positive Support Organisations for Consumers

1. Prepare 'Housing Up Center'
2. Preparation of Housing Performance Evaluation Indication System
3. Activation of the housing market

V Promotion of Housing Production Rationalisation Program

1. Guidance and intensive information to medium and small housing manufacturers
2. Prepare regional centers which will serve as prefecture level housing industry modernisation nucleuses
3. Augment training facilities for securing and education building construction skilled labourers
4. Rationalise distribution system information flow
5. Technological developments

Source: Imported Housing Promotion Council, *Outline of Japanese Housing Market and Expectations Toward Imported Housing*, March 1996, page 20

Table 4

Deregulation of the Japanese Housing Sector: Recent Key Reforms

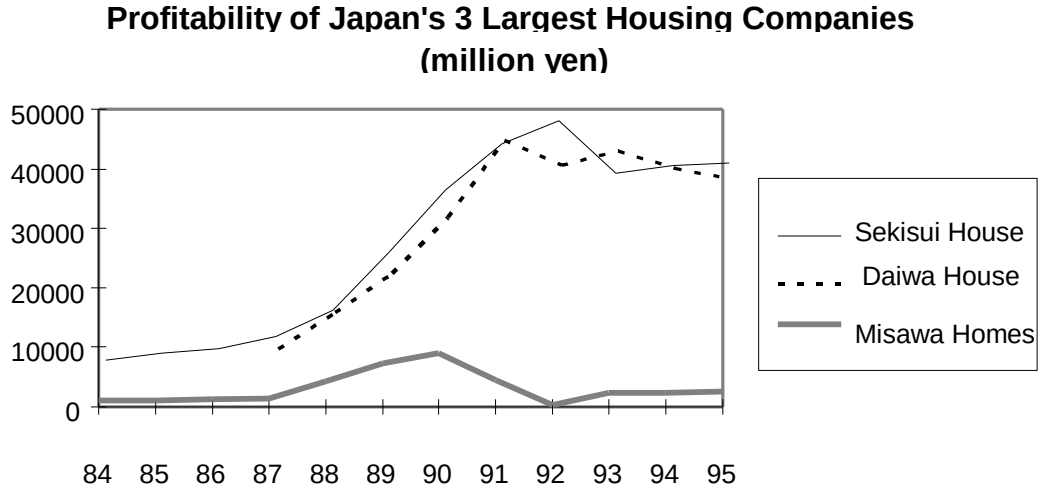
Date	Reform
1 April 1995 - 31 March 1997	*Alignment of all JIS standards with international standards (for example, alignment of the JIS standard for gypsum boards with the ISO standard is to be completed by the end of JFY 1997*
January 1997	*Acceptance in practice of most '2 x 4' building materials used in North America*
1 January 1997	*Introduction of new, more flexible and more performance-based technical standards for woodframe construction by amendment of BSL*
1 April 1997	*Permission to use products equivalent to products with the "Better Living" (BL) approval mark in public housing projects undertaken by the Housing and Urban Development Corporation, and for local public housing projects*
1 April 1997	*Subsuming of most separate Government Housing Loan Corporation building standards under the umbrella of the BSL*
1 June 1997	*Change to technical standards for '2 x 4' building structural methods from prescriptive to performance basis*
October 1997	*Change to national standards for structure and materials used in water supply equipment to performance-basis, and abolition of pre-use approval requirement*
1998	*Amend Building Standard Law (BSL) to include performance-based provisions* *- amendment bill to be submitted to Diet in February 1998, with expectation of approval by June 1998, and coming into effect by July 1998*

A particular trend has been the moves towards greater flexibility by regional and local authorities in the application of housing materials regulations, partly reflecting the state of

transition towards a deregulated and internationalised system. A number of foreign housing suppliers have been able to take advantage of this to enter the market.

Faced with the challenge of these reforms, together with the decline in profits due to the recession (see Figure 7), and the challenge of the rapid yen appreciation of 1994-95[2], the Japanese housing industry sought to reduce costs by sourcing more lower-cost materials from overseas. At the same time it started moving away from the traditional hierarchical and inefficient distribution system, as builders began sourcing materials directly from overseas suppliers and more foreign suppliers increased their marketing efforts (see Figure 8). The inefficiencies exposed by the Great Hanshin (Kobe) Earthquake have also been instrumental in focusing Japanese efforts on finding construction solutions overseas.

Figure 7



Source: *Nikkei Data Base*

Japanese builders are opting to break away from traditional distribution systems in order to:

- wrest market share from the large house manufacturers
- increase profits by handling materials sourcing directly.

Small to medium-sized companies have been able to replace material supplies previously bought from their rigid traditional supply chains with materials directly imported from overseas suppliers. However, Japanese companies also remain cautious about importing materials directly, citing numerous risks, including exchange rate volatility, shipment delays, language and cultural communication barriers, possible lower quality than that expected by Japanese consumers and difficulties in meeting Japanese standards.

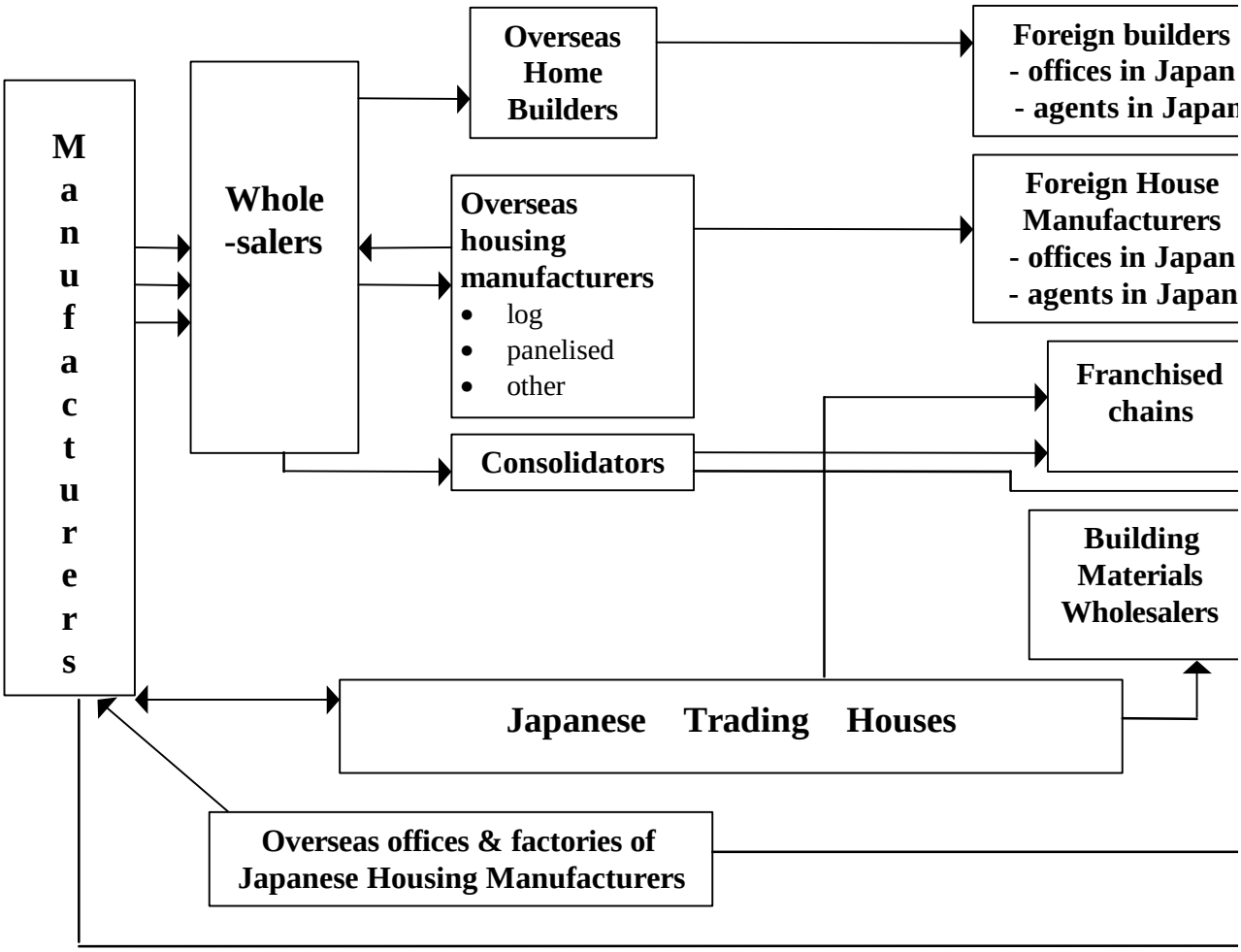
Japanese trading companies are adapting to the new circumstances by assisting in establishing housing materials factories around Asia (eg Fujisash's aluminium housing products joint venture with Reynolds and Reynolds in the Philippines) for export to Japan. A Japanese trading

[2] For more detailed information and analysis of the effects of the 1994-95 yen appreciation, see the EAAU full Japan report *A New Japan? Change in Asia's Megamarket*.

company was also instrumental in gaining Japanese Agricultural Standard (JAS) classification for structural timbers and plywood from New Zealand. The marked trend by trading companies and large manufacturers to set up ventures overseas have resulted in growing construction material imports into Japan from other parts of Asia, despite strong competition from North American and Northern European as well as Australian companies. (Imported Housing Promotion Council, 1994, pp.16-17).

Figure 8

The Changing Distribution System for Housing Materials in J
Major Distribution Channels for Imported Housing and Housing



Source: Imported Housing Promotion Council, 1996

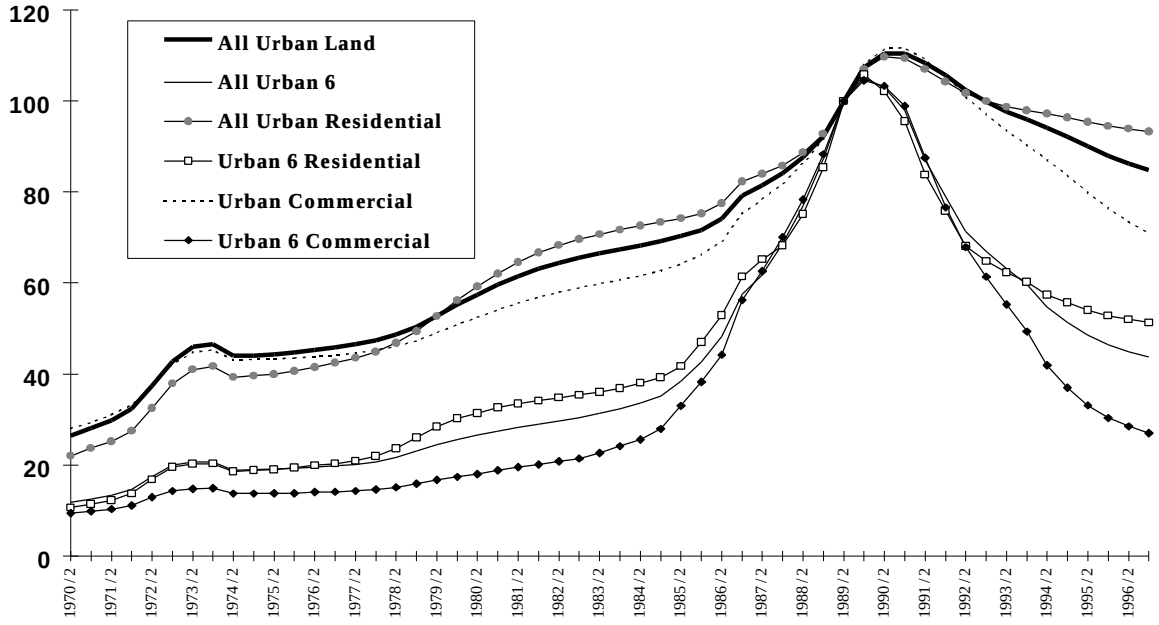
Lower Land Prices

Japan's high land costs have long been a major factor in the high cost of Japanese housing, but land prices have fallen dramatically since the asset price-inflated bubble burst in 1991 (see Figure 9). The largest falls, however, have occurred in urban commercial land, and especially in the major cities where bubble period land prices had climbed most steeply. Residential land prices have reflected stronger relative demand for housing compared to commercial premises, and not fallen as dramatically, though still contributing to a reduction in the costs of housing and house and land packages.

Figure 9

Land Prices Still Falling

Indices of Land Prices in Japan 1970-1997 (1990=100)



Notes: 1990=100 is the common index, but not indicating a common price level.
Numbers following years indicate half-year periods.
Urban 6 refers to Japan's six largest cities: Tokyo, Yokohama, Osaka, Nagoya, Sapporo and Kobe.
Source: *Nikkei Data Base Indices of Urban Land Prices.*

Although Japan's National Land Agency suggested in August 1997 that residential and commercial land prices appeared to be stabilising, based on its April-June 1997 nationwide survey, many property analysts have disagreed, predicting further overall land price falls over the next 4-5 years, though with firmer prices in a few areas (*Nikkei Weekly*, 11 August 1997). In November 1997, the Ministry of Home Affairs announced its assessment of the taxable value of residential land nationwide for JFY 1998 was 3.4 per cent lower than that for JFY 1997 (*Nikkei Weekly*, 10 November 1997). The Japanese Government's November 1997 economic stimulus package included measures to promote more land transactions[1], which appears likely to bring prices down further.

[1] The main proposals include: a review of land taxes to promote land transactions and more efficient land use; allowing the GHLC to finance mortgages for second homes; easing floor-area ratios in urban commercial

Effects of Recent Changes

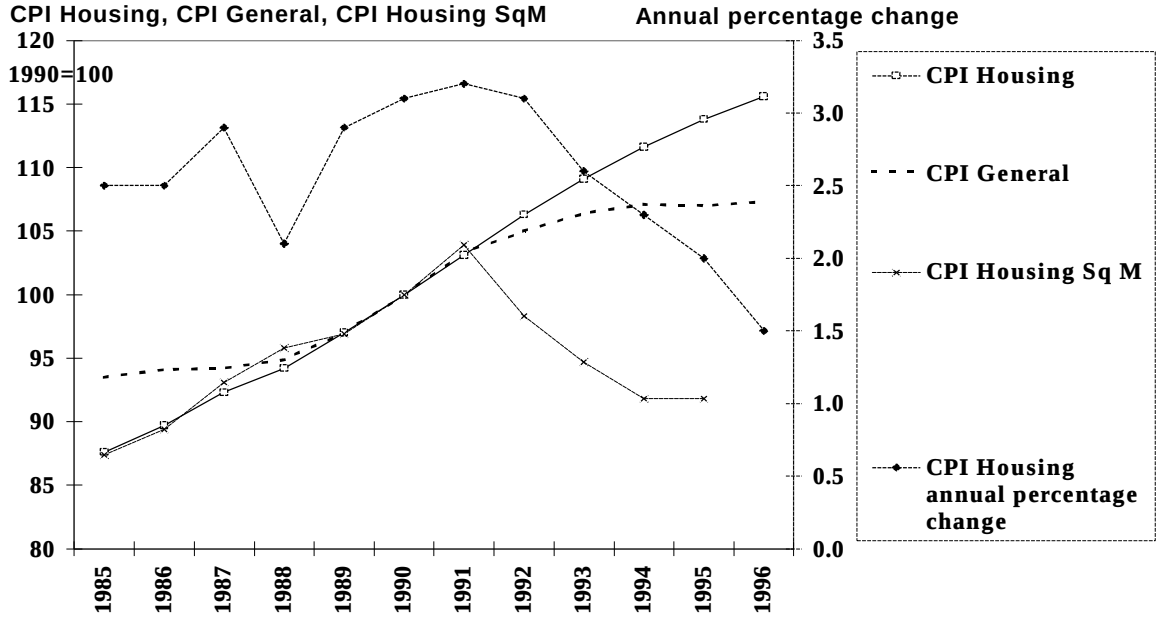
The common demand by consumers and government for lower housing costs, and the greater competition in the housing market coming from the post-bubble recession and the growth in imported housing and housing materials, have led to some decline in the costs of housing and housing materials. At the same time, there appear to be some variations in price movements across different types of housing and different elements of housing supply.

Figure 10 shows that although the Consumer Price Index for Housing has continued to rise throughout 1985-1996, and at a greater rate than the general CPI, there has been a slowing in the rate of growth since 1991, down to 2 per cent in 1995 and 1.5 per cent in 1996. Also, the CPI for housing by the square metre has shown a larger decline than the general CPI .

Figure 10

Slowing Price Rises for Housing Overall

Housing Consumer Price Index 1985-1996



Source: *Nikkei Data Base*

The slowing in the growth of prices has occurred due to a combination of:

- substitution of cheaper imported materials
- fewer links in the distribution chain
- lower margins being taken by suppliers
- lower land prices.

Figure 11 shows the clear decline since 1991 in the cost of construction of wooden houses, the category which still comprises 80 per cent of the detached houses built in Japan and the great

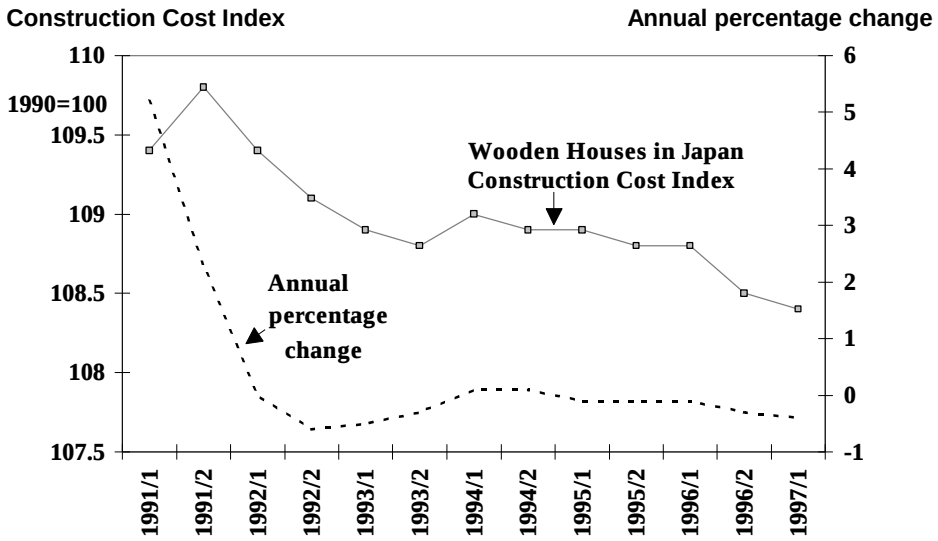
---

districts; and expanding the resources of the government-affiliated Organisation for Promoting Urban Development to increase its commercial property purchases (*Nikkei Weekly*, 17 and 24 November 1997).

majority of imported houses (MOC, 1996) - though this has not yet been translated into falls in the retail price as Japanese builders have sought to regain a retail profit margin. There has also been a perceptible fall in the wholesale price of building materials since 1991 (Figure 12), though some prices rose in 1996, possibly related to the increased cost of imports due to the 1995-97 depreciation of the yen against the US dollar.

Figure 11

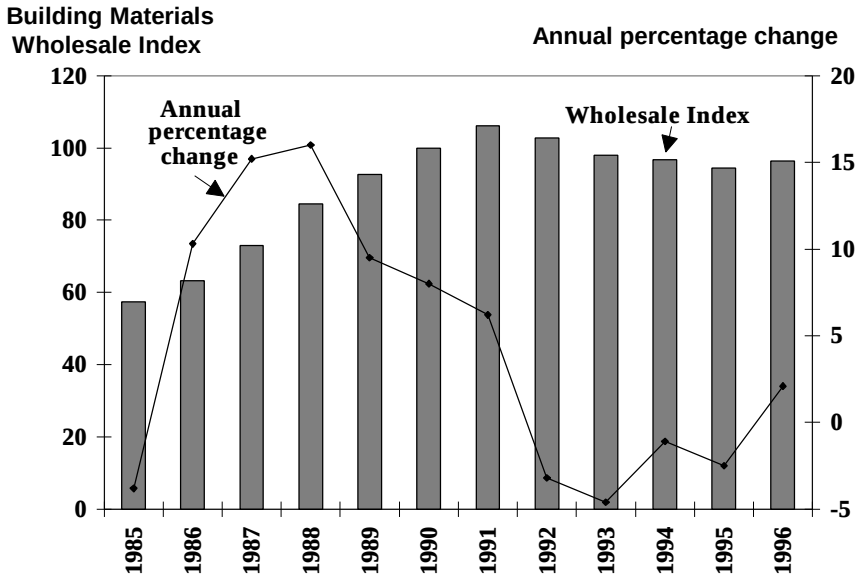
Definite Price Reduction for Wooden House Construction
Construction Cost Index 1991-1997



Source: *Nikkei Data Base*

Figure 12

Some Fall in Building Materials Prices
Building Materials Wholesale Price Index 1985-1996



Source: *Nikkei Data Base*

Consumer expectations also appear to be changing, with stronger articulation of the ordinary consumer's demand for 'value for money' affordable housing. Housing affordability is a key issue among the quality of life concerns of most Japanese, and a high priority in the goals for lifestyle improvement. For example, a 1993 survey by the Ministry of Construction found that *half* of all households were dissatisfied with their housing (GHLC, 1996).

In the more competitive post-bubble environment, real estate developers, housing companies and builders have felt under greater pressure to respond to these consumer demands. Increasingly, new housing units are being 'priced to sell'. In some areas house and land packages are being offered at prices as much as 30 per cent lower than those of the early 1990s, quite commonly around Y30 million (A$345,000 at Y87: A$1).

Much new housing is also coming in the form of 'condominiums' (apartments), particularly in the major cities, which are also being 'priced to sell'. By 1996, condominium prices in Tokyo had almost fallen to pre-bubble (1986) levels of around 5.36 times the average worker's income, with the average price of a 75 square metre condominium in the Tokyo area down to Y45.8 million (cA$558,000 at Y82=A$1), or 5.78 times the average worker's income (4.69 times in Osaka, 3.59 times in Nagoya) (*Nikkei Weekly*, 23 September 1996). By 1997, a 75 square metre condominium in the Tokyo-Yokohama area was selling for between Y40 and Y45 million (cA$460-517,000 at Y87:A$1) (Austrade, 1997).

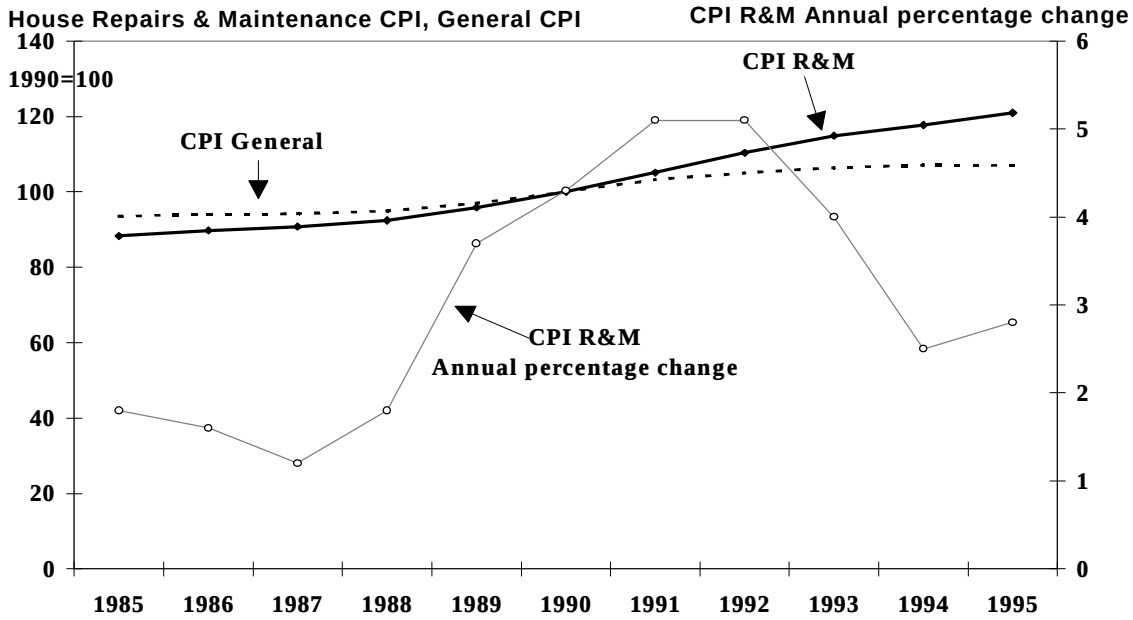
To offer housing at these prices, companies are defining a new market segment by offering 'standard' accessories in stark contrast to the high-tech, high-value options so popular during the boom years of the 'bubble economy' and now distinctly defined as upmarket. Consumer appeal is instead mainly derived from the unique designs, textures and materials incorporated in the imported houses. Features typifying imported houses and sought by consumers include system kitchens, skylights, feature entrance doors, flooring, double-hung and insulating 'pair glass' windows and other insulating features. Builders often feature one or more of these aspects in houses ostensibly constructed using traditionally sourced materials. Alternatively, they advertise their product as an imported house if they are sourcing materials directly from several different countries (for example, timber from USA, windows from Canada and a 'system kitchen' from Australia).

But not all elements of housing have experienced falling prices. As builders and consumers substitute away from the traditional higher-cost accessories and fittings, the CPI for house repairs and maintenance has continued to rise over the corresponding period despite the drop in wholesale and retail sales indices for building materials (Figure 13). This suggests that builders may be keeping initial house prices low but gaining increased business and profit from upgrading houses after completion by adding on options.

Another key factor probably contributing some upward pressure to new housing unit prices is the increase in the size of the average new housing unit (see Figure 14). Over 1985-1996, the average floor area for a new stand-alone house has expanded from about 116 square metres to 133 square metres; for a new condominium the average floor area has gone up from 51 to over 60 square metres. So, as shown in Figure 10, the average price per metre appears to be falling.

Figure 13

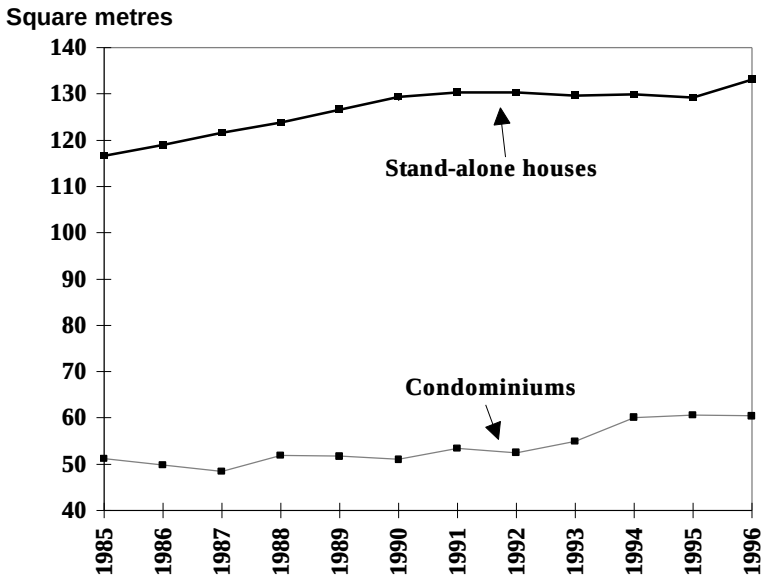
CPI Rising for Housing Repairs and Maintenance



Source: *Nikkei Data Base*

Figure 14

Average New Housing Unit Getting Larger
Average Floor Area (square metres) 1985-1996



Source: Ministry of Construction, 1997

Another divergence from the overall downward trend in prices has appeared in some regional areas. A number of regional centres such as Fukuoka and Sendai are growing as part of a trend of increasing urbanisation within Japan's regions and a net increase in the population base as young couples move in. As a result of this higher than average growth in housing demand, the price of house and land packages, after initially falling in common with the national pattern, appear to be climbing again (see Table 5). However, the 1995-97 yen depreciation and corresponding rise in the cost of imported housing materials could also be a factor.

Table 5

Regional House and Land Package Average Prices (million yen)
Fukuoka and Miyagi Prefectures 1994-1997

	Fukuoka prefecture (Kyushu)	**Miyagi prefecture (Tohoku region)**
April-June 1994	37.49	40.24
April-June 1995	34.48	42.02
April-June 1996	37.66	42.66
April-June 1997	38.72	44.42

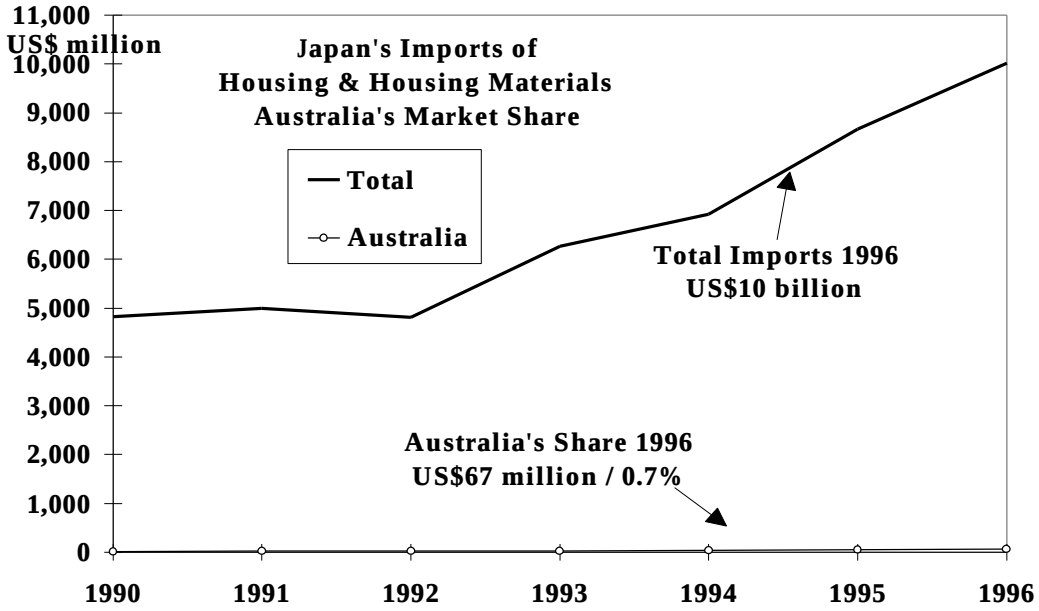
Source: Japan Real Estate Companies Association, 1997

Major Growth in Japan's Imports of Housing and Housing Materials

Japan's imports of housing and housing materials have risen substantially in the 1990s - from US$4.8 billion in CY1990 to over US$10 billion in CY1996, an annual trend growth rate of 13 per cent (Figure 15). The three largest categories of items - veneer (US$3.1 billion in CY1996), electrical fittings (US$2 billion), and wood for housing (US$1.3 billion) - accounted for almost 65 per cent of all such imports in CY1996. Other major categories include joinery (US$573 million), and lighting fittings (US$369 million). (See Table 6).

Figure 15

Japanese Imports of Housing and Housing Materials 1990-96 and Australia's Market Share



Source: DFAT (UN Trade Data Base)

While not yet among the leading items of housing material imports, prefabricated housing imports reached US$334 million worth in 1996, an annual trend growth rate of 21.5 per cent since 1990. However import levels by unit number in the 1990s have fluctuated - after peaking at 24,208 units in 1991, prefabricated housing imports declined from 1992 to 1994, but rose again in 1995 to reach 18,850 units, and 20,318 in 1996. The pick-up was largely due to the Great Hanshin (Kobe) Earthquake, government import promotion policies, the yen appreciation in 1994-95 and the Japanese housing industry's interest in reducing costs. There is now heightened domestic interest in importing housing materials, and prefabricated housing imports are likely to continue growing considerably, with some analysts predicting imports of 100,000 units by JFY 2000 (*Business Asia*, 10 March 1997).

Japanese housing companies have put a major effort into cutting construction costs as part of the greater competition of the 1990s post-bubble downturn, with a key cost-cuuting approach

being greater use of imported materials. The major house builders (Sekisui House, Daiwa House Industry, and so forth - Table 2), are in the forefront of using imported materials, and for this reason are generally supportive of some market access liberalisation. 'Imported housing' in Japan as a marketing concept has in many cases been developed to mean some combination of imported and domestically sourced materials[2], and its image subtly transformed to become partly 'Japanese'. Depending on the country of origin, type of structure and target end-user, the proportion of material of foreign origin can be quite high. This proportion is increasing as foreign companies gain more experience in the Japanese market, as market acceptance of products increases, and as regulatory controls are relaxed.

Table 6

Japanese Imports of Housing and Housing Materials by Category 1990-96 (US$ million)

Category	1990	1991	1992	1993	1994	1995	1996
Wood, sawn etc	857	809	854	1,146	1,216	1,399	1,296
Veneer	1,235	1,237	1,237	2,359	2,388	2,601	3,142
Joinery	121	133	124	177	241	379	573
Iron/Steel Structures	142	174	157	163	204	234	271
Aluminium Structures	134	133	122	125	161	191	225
Nails, screws, etc	120	144	139	136	161	223	294
Handtools	90	89	84	82	96	135	198
Electrical Fittings	866	951	915	1,004	1,146	1,598	2,013
Prefabricated bldgs	104	110	86	84	120	290	334
Heaters/boilers	6	4	5	6	9	11	12
Sanitary Fixtures	14	15	13	14	14	15	21
Lighting Fittings	196	173	166	168	219	343	369
Glass	49	59	50	51	69	94	87
Bricks,tiles, pavers	131	125	107	98	124	212	221
Cement	756	843	751	657	749	942	961
Totals	**4,822**	**4,999**	**4,810**	**6,270**	**6,917**	**8,667**	**10,017**

Source: DFAT (UN Trade Data Base)

Small and medium-sized building companies have perceived a major opportunity in linking up with foreign suppliers of prefabricated housing and housing materials to increase their market share. The trend towards offering consumers more standardised and predesigned housing (as a

[2] The Japanese Customs Schedule classifies 'housing imports' as 'prefabricated buildings, with floor, including a room or rooms which are not less than 9 sq metres'; the tariff for this trade category was reduced to 1.3 per cent in 1997, and is scheduled to fall further to 0.8 per cent in 1998. At the time of customs clearance, officials check component manifests with house plans to ensure that materials are not being described as 'houses' to incur a lower tariff. 'Prefabricated housing' could be in various stages of pre-assembly. For most Australian builders attempting to enter the Japanese market, this category most closely relates to 'kit homes', where components for an entire house are supplied as a single unit.

cost-cutting method) has also facilitated the incorporation of more imported materials. Thus most players in the Japanese housing industry have become actively and directly involved in boosting housing material imports.

Successful Strategies by Foreign Companies

Foreign suppliers of housing and housing materials face a number of key issues affecting their ability to penetrate the Japanese market, including:

- a company's own domestic market strength and capacity to sustain an export strategy or offshore venture
- ability to adapt to Japanese business practices
- ability to satisfy Japanese clients and end-users
- the Japanese regulatory environment
- the structure and costs of the transport and distribution system in Japan
- Japanese consumer preferences and requirements.

Most foreign companies achieving significant successes in the Japanese housing market have been in the business for many years, with well established distribution chains and often representative offices in Japan. These companies are primarily North American. In building up a market presence, they have often had significant home government backing in their endeavours, including coordinated pressure on regulatory issues, financial assistance and strong support in promotional ventures such as trade fairs. But the primary factor in their success has been the companies' own pursuit of a long-term, well planned strategy towards the Japanese housing market.

Lindal Cedar Homes - Direct Presence, Direct Marketing

Lindal Cedar Homes (LCH), a US housing company first established in 1945, is a major manuafacturer and world supplier of custom cedar houses and luxury cedar sunrooms, with its sawmill and manufacturing plants located in the western red cedar regions of British Columbia and Washington State.

LCH has supplied over 1,000 cedar houses to the Japanese market since 1970, and in 1988 established a representative and sales office in Tokyo. LCH has gained the full set of regulatory approvals for its houses, so that its houses are eligible for GHLC loans. It has developed a network of around 100 local dealers and builders across Japan which build LCH houses and provide after-sales service. At its major showcase, an imported housing exhibition centre in Yokohama, LCH shows prospective customers a model cedar house with an interior attuned to Japanese style, and can incorporate individual customer preferences in each order. LCH's Japan office directly imports almost all the materials and components for its houses from the United States.

Source: Lindal Cedar Homes

As shown in Figure 8, several main avenues to the Japanese market have been used successfully by foreign housing and housing materials suppliers:

- selling products to Japanese trading companies through their overseas offices
- selling products to other companies (Japanese or foreign) which can act as agents in Japan
- selling franchises to Japanese companies or other foreign companies operating in Japan for material production and/or housing construction methods in Japan
- establishing sales offices in Japan to deal directly with all players in the market, from wholesalers through to franchisees
- entering joint ventures with Japanese housing companies or builders
- making direct sales to builders or consumers, whether from one's home base or from a representative or sales office within Japan.

A number of foreign companies use more than one approach at the same time as part of their Japan market strategy (for example, see box on Boral's distribution strategies).

Boral: Diversifying its Distribution Channels for Building Materials

Australia's leading building materials producer, Boral Limited, has been exporting to the Japanese housing and construction market for more than a decade. In response to the recent liberalisation of Japan's building materials distribution system, Boral has broadened its distribution approaches. At the same time as maintaining its traditional sales and distribution channels through Japanese trading houses, it has begun exploring other more direct approaches, such as developing closer relations with Japanese building and construction firms. Some timber, stone, and engineering products have been sold directly to end-users such as construction companies and specialist trading companies. In September 1996, Boral signed its first direct product distribution agreement for the Japanese market - for the distribution of terracotta roof tiles through a medium-sized Japanese company involved in the distribution and installation of roof tiles in Western Japan.

In August 1995 Boral opened its first representative office in Japan in Osaka, as part of its more active approach to the Japanese market, and to identify new opportunities for the full range of Boral products, including building materials. Osaka was chosen rather than Tokyo for several reasons, including:

- Osaka is centrally located and well connected transport- and communication-wise with all parts of Japan;
- business operating costs and living costs are noticeably lower in Osaka than Tokyo;
- Osaka was seen as a more convenient centre for Boral's Japan operations, given that the main markets for Boral products were seen to be, apart from Tokyo, in western Japan;
- most of the major Japanese preabricated housing makers are headquartered in Osaka;
- the Great Hanshin (Kobe) Earthquake of January 1995 added a further point in Osaka's favour at the time the final decision about the representative office was being made.

Source: Boral Limited, September 1997

Using Trading Companies

Trading companies have the market leverage to deliver higher volumes faster than a supplier on its own. Most materials require some form of testing and ratification before they can be used in Japan, and trading companies can assist in having products tested and classified, if that is strategically advantageous for them. A major benefit to exporters from using trading companies is the active middleman role played by the trading companies - in guiding the exporter to supply the right sort of product required by the market, in securing customers for the product, and in advising the exporter on the exact specifications and necessary modifications to satisfy the end-user. However trading companies will not always be the most appropriate marketing vehicle, with other approaches more advantageous for many companies.

Direct Sales to Japanese Builders

Direct sales to Japanese builders can be a workable and profitable arrangement, but one that requires extensive liaison and negotiation to establish the optimum blend of materials and designs to achieve cost and marketing objectives. However, offering efficient solutions to Japanese builders for better construction management and material usage can also give foreign companies a platform for increased recognition, use and acceptance of foreign materials.

Joint Ventures with Japanese Housing Companies or Japanese Builders

In the 1990s many Japanese housing companies and builders have become interested in entering joint ventures with foreign companies for various types and stages of housing projects in Japan. There appears to be strong interest on the part of small to medium sized Japanese companies in securing a foreign partner as a strategy for strengthening their position in the market, and a considerable number of smaller foreign companies in particular have found this the most successful approach for penetrating the market. (See section on Success Factors and Common Pitfalls and Problems for some case studies and key factors for joint ventures.)

Australia's Performance in the Japanese Housing Market

In general, Australian companies have only become effectively engaged in the Japanese market for housing materials supply and housing construction since the early 1990s. While Australia's largest three construction materials manufacturers, CSR, Boral and James Hardie, as well as BHP, have had some years' history of exporting such materials to Japan, this has been predominantly through Japanese trading companies. But recent JETRO and Austrade efforts, as well as those of industry associations such as Master Builders Australia (MBA), to encourage direct linkages between Japanese builders and Australian materials and prefabricated home suppliers have been important in stimulating a broader interest and effort in supplying directly into the Japanese market on the part of Australian housing and housing materials manufacturers.

Table 7

Australian Exports of Housing and Housing Materials to Japan 1990-96 (A$ million)

	1990	1991	1992	1993	1994	1995	1996
Wood, sawn etc	0.5	1	1.5	6.4	9.8	15.5	18.8
Veneer	6.9	5.5	4.6	9.6	14.6	11.6	13.3
Joinery	0.5	0.1	0.1	0.2	0.1	0.6	1.6
Iron & steel structures	1.5	0.1	0.1	0.3	0.5	0.5	1.2
Aluminium structures	0.4	0	0.2	0.2	0.1	0.2	0.5
Nails, screws, etc	1.4	1.6	1.2	1.5	1.3	1.4	1.6
Handtools	0.1	0.3	0.4	0.3	0.3	0.5	0.5
Electrical fittings	2.3	3.1	4.7	2.3	4.4	5.6	8.6
Prefabricated bldgs	0.2	0.2	0.1	0.1	0.1	3.3	3.3
Heaters & boilers	0.3	0.2	0.1	0.1	0.1	0	0.1
Sanitary fixtures	0	0.1	0	0	0	0	0.4
Lighting fittings	0.4	0.3	0.3	0.1	0.9	2.3	0.9
Glass	0.1	0.2	0.2	0	0.1	0.3	0.4
Bricks, tiles, pavers, etc	5.8	8.6	12.2	15.5	27.3	30.0	24.8
Cement	1.2	1.0	1.3	1.0	0.5	1.1	1.1
Totals	**21.6**	**22.4**	**27.0**	**37.8**	**60.1**	**72.9**	**77.1**

Source: DFAT (ABS data)

As a result, Australia's exports of housing and housing construction materials have almost quadrupled in six years - from just over A$20 million in 1990 to almost A$80 million in 1996 (Table 7).[3] Bricks, tiles and pavers, mainly channeled through Japanese trading companies,

[3] A much broader product definition of construction materials (including for example such items as safety glass for vehicles, and a wide range of iron and steel materials) shows that Australia's exports of this type to

have remained the leading housing material export item, worth A$24.8 million in 1996, with Australia among the top three suppliers in this import category. Wood and veneer exports, worth A$18.8 million and A$13.3 million respectively in 1996, are also significant items. Electrical fittings, worth A$8.6 million in 1996, has been one of the fastest growing exports - 25 per cent in annual trend growth since 1990. Prefabricated buildings exports have experienced sudden growth from almost nothing to A$3.3 million in 1995 and 1996.

Australia's overall housing and housing material export growth - at around 24 per cent per annum over 1990-96 - also appears reasonably impressive when set against the 13 per cent annual trend growth of Japanese imports of housing and housing materials over 1990-96. However, Australia's share of Japan's housing and housing material imports - US$67 million (A$86 million) in 1995 out of Japan's total of US$10 billion (A$12.8 billion)[4] - is still very small, an indication of the gulf between Australia's performance and the scale of the supply opportunities in this sector (see Figure 15).

Similarly, when one examines Japan's imports in each category of housing materials, Australia's market share is generally revealed to be very small (Figure 16 and Appendix Figure 18). For example, while Japan's imports of veneer climbed from US$1.2 billion in 1990 to US$3.1 billion in 1996, Australia's share of this grew from just US$6 million to US$11 million. Similarly, while Japan's imports of electrical fittings jumped from US$867 million to US$2 billion over the same period, Australia's share of imports remained tiny, at around US$2-4 million.

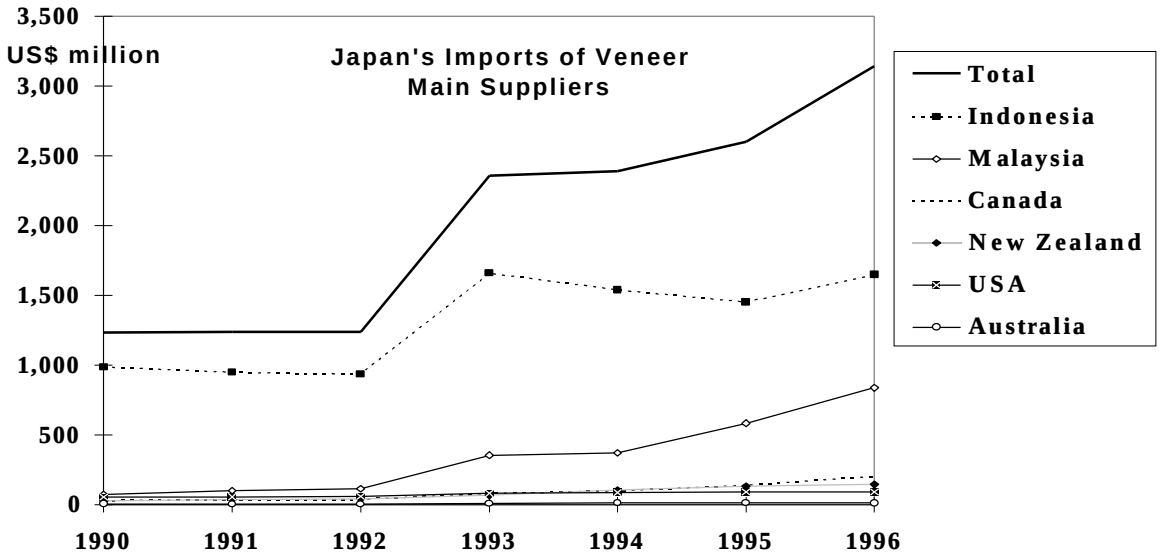
Japan rose from A$69 million in 1990 to A$180 million in 1995 before falling to A$130 million in 1996 (see Appendix Table 11).

[4] The figure for Australia's exports to Japan of US$67 million/A$86 million in 1996 is taken from the UN Trade Data Base for Japan's imports of housing and housing materials, whereas Table 7 (and Appendix Table 11) gives figures from the ABS compilation of Australia's exports - of A$72.9 million in 1995, and A$77.1 million in 1996. There are always slight differences between the figures compiled for exports and imports and those compiled by different agencies.

Figure 16

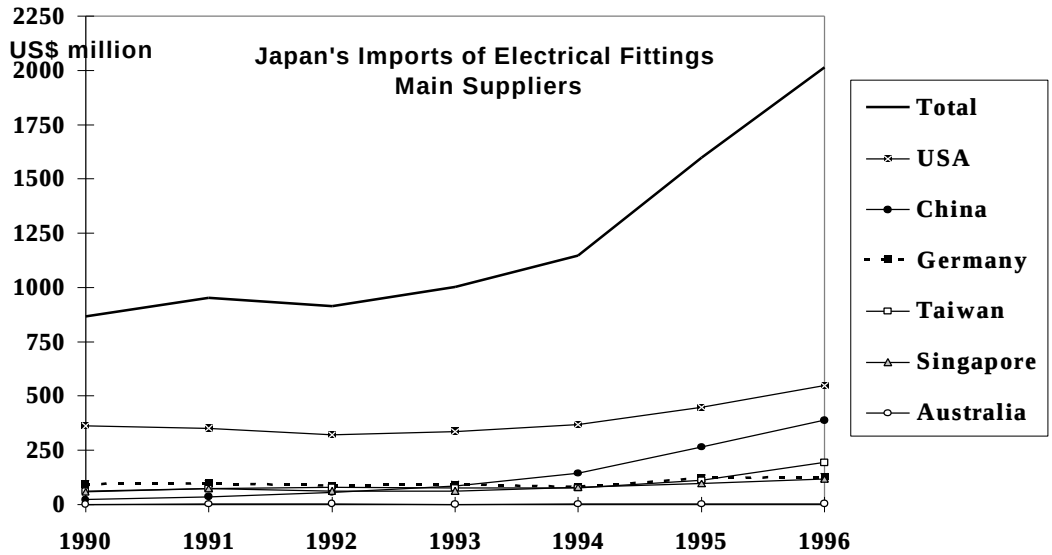
Japan's Imports of Housing and Housing Materials 1990-96
Product Categories and Australia's Market Share

Veneer: US$3.1 billion (1996)
Australia's share: US$11 million (0.3 per cent)



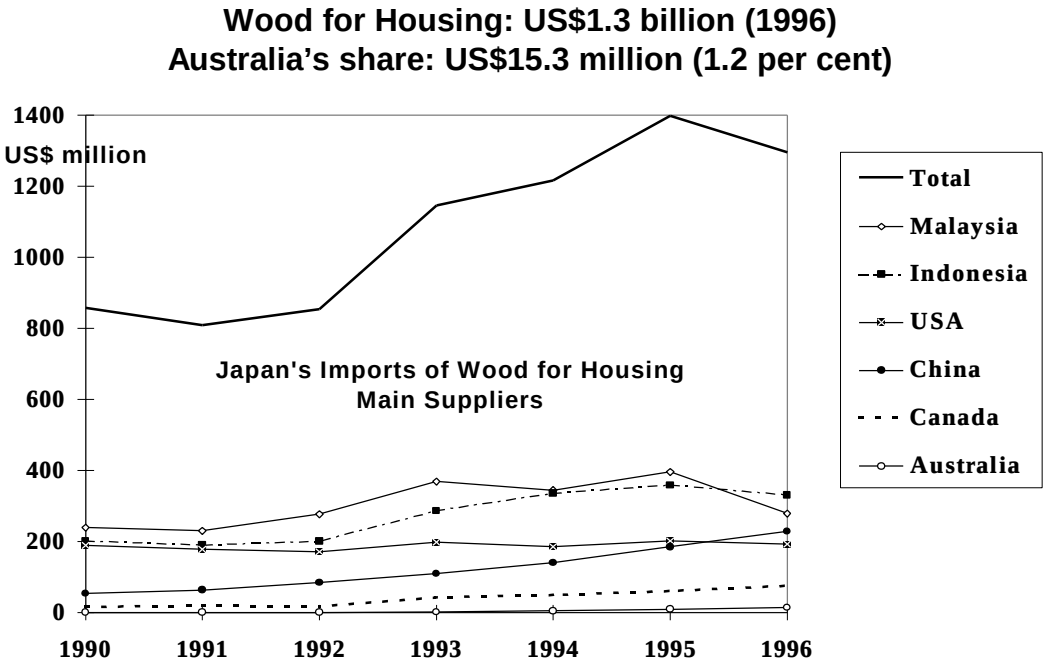
Source: DFAT (UN Trade Data Base)

Electrical Fittings: US$2.01 billion (1996)
Australia's share: US$3.8 million (0.2 per cent)

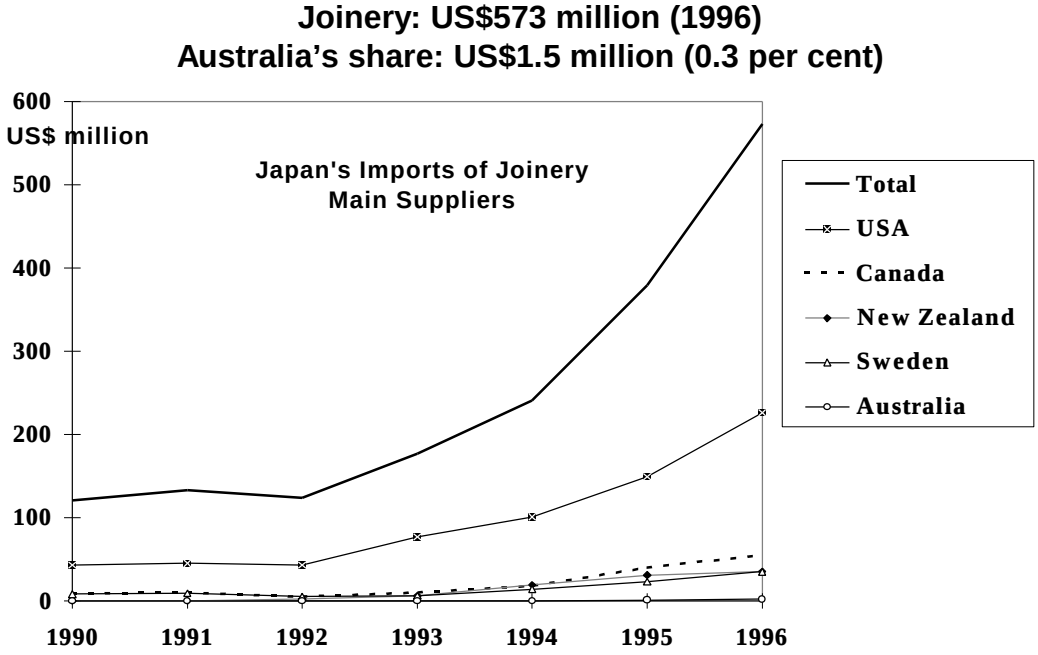


Source: DFAT (UN Trade Data Base)

Figure 16 continued



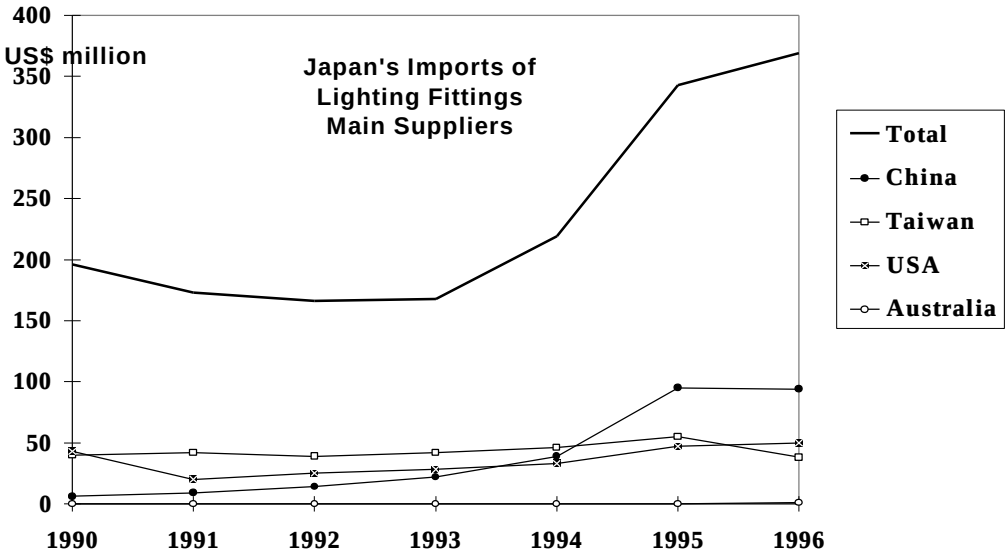
Source: DFAT (UN Trade Data Base)



Source: DFAT (UN Trade Data Base)

Figure 16 continued

Lighting Fittings: US$369 million (1996)
Australia's share: US$0.5 million (0.1 per cent)



Source: DFAT (UN Trade Data Base)

A Wide Range of Supply Opportunities

The range of supply opportunities for Australian companies arising from the opening up of the Japanese housing market fall into three main channels:

- export of housing materials either indirectly (for example, through a trading company) or directly (through a contract with a Japanese builder)
- export of whole or parts of prefabricated houses, either directly or indirectly
- direct presence in the Japanese market for supply of housing and housing material goods and services and housing construction.

CSR Limited: Exporting Building Materials Direct to Japanese Customers

Australian building materials group CSR Limited has been steadily expanding its exports of building materials to the Japanese market for more than a decade, as part of the overall growth of CSR's business activities in Asia. The main products exported are timber-related or clay-related (where Australia has some competitive advantage), for example clay bricks and pavers, hardboard, particleboard, particleboard flooring, and medium-density fibreboard. CSR is keen for its building material exports to Japan to keep growing, and points to investments such as the A$350 million expansion of its Oberon NSW medium density fibreboard and sawmilling operation as part of its efforts to achieve this.

CSR has always believed in selling direct to its Japanese customers rather than going through a middleman, though this approach requires greater input. Since Japan's post-bubble recession and the shakeup in Japan's distribution system, CSR has perceived a more forthcoming attitude by a range of Japanese companies towards direct dealing with foreign suppliers. This has spurred CSR to increase its efforts to engage large end-users of building materials in direct supply contracts.

CSR closed its Tokyo representative office in 1995 due to high operating costs. Instead CSR is servicing the Japanese market through a combination of a toll-free number in Sydney for business inquiries from Japan (with a Japanese-speaking employee to deal with inquiries) and by monthly visits to Japan.

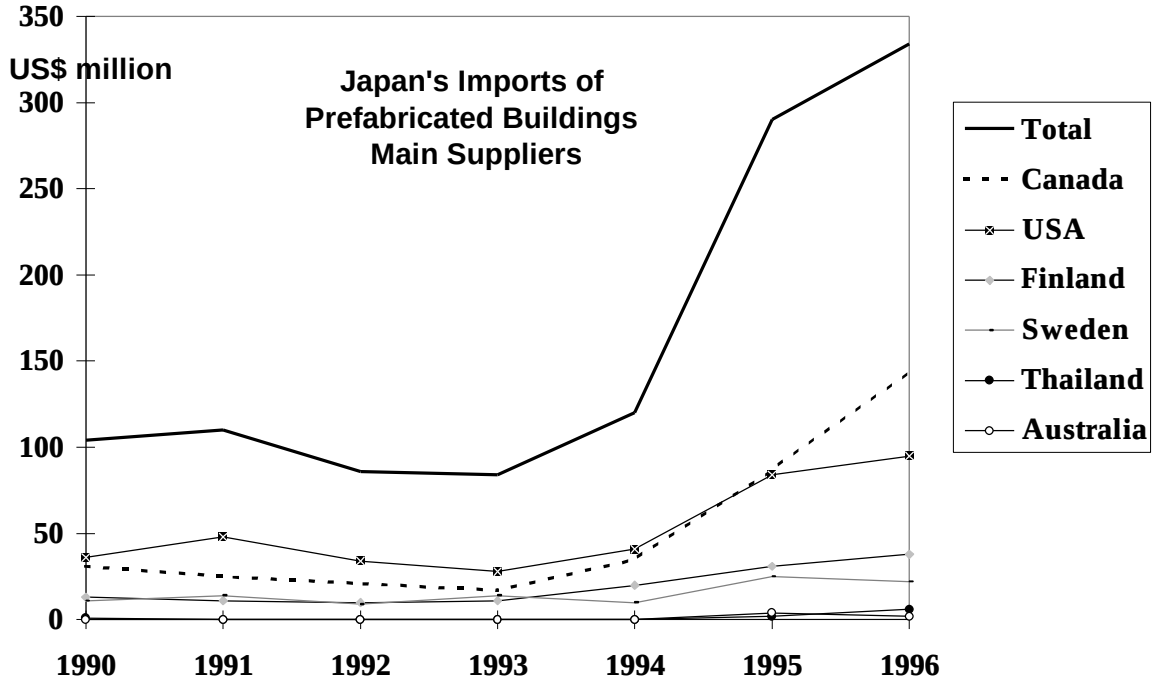
Source: CSR Limited, October 1997

The biggest opportunities for Australian suppliers in relation to Japan's housing market are clearly in the supply of housing materials. But growing numbers of Australian companies are particularly focusing on the Japan's rising imports of prefabricated houses (worth US$334 million in CY1996) and are seeking a place in the market. While Australia's share of Japan's prefabricated housing imports is apparently small - worth just US$2.2 million (A$2.8 million) in CY1996 and only eleventh largest supplier (see Figure 17), it has grown rapidly from a low base in 1990. Also, the Japanese Ministry of International Trade and Industry (MITI) describes Australia as in fact the *third* largest supplier of prefabricated housing into Japan, because of the

practice by a number of companies of describing some imported timber as prefabricated housing, which pushes up some countries' export figures and apparent import totals.[5]

Figure 17

Japan's Imports of Prefabricated Buildings: US$334 million (1996)
Australia's Market Share: US$2.2 million (0.7 per cent)



Source: DFAT (UN Trade Data Base)

Another measure of Australia's increasing presence in the Japanese housing market is the number of Australian houses constructed or planned for construction in Japan. Table 8 shows that by the end of August 1997, over 100 houses had been constructed, contracts signed for construction of a further 200, and over 1,000 houses proposed for construction. A clear trend is that the great majority of this Australian house construction is taking place in the regions of Japan, particularly in or near key regional cities. A major reason for this is the sheer size of Japan's regional economies.[6] Another is that some Japanese building standards may be applied more flexibly in the regions because local governments can grant exemptions. In addition, the current state of transition in the overall regulatory framework has caused some confusion among the implementing agencies about which regulations still apply and which are about to be changed.

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[5] A 1996 joint survey by the Japanese Ministry of Construction, MITI, JETRO and the Japan 2x4 Home Builders Association sought to determine more accurately the number of imported houses, excluding ones with only a small portion of imported materials. In the response from 243 companies from the 323 contacted, the numbers came out at: 1,376 houses imported in JFY 1992, 1,753 in JFY 1993, 3,024 in JFY1994, and 5,520 in JFY 1995, with an estimate of 11,538 for JFY 1996 (Ministry of Construction, 1996b).

[6] For a detailed account of Japan's eight regional economies, see Chapter 10 of *A New Japan? Change in Asia's Megamarket*.

Stonehenge: A Long-Term Gameplan

The Stonehenge Group is a good example of a small to medium-sized Australian housing company (established 1981, turnover A$15 million in 1996/97, 50 employees) which has begun to successfully establish itself in the Japanese housing market, based on a well thought out strategy for establishing a long-term presence. It began researching the market from 1992, including participating in trade missions and developing relationships with Japanese companies. It also identified the following aims for itself with regard to Japan:

- research and develop designs for Australian prefabricated housing kits to suit the Japanese market
- provide training in Australian design and building expertise, including technology transfer to Japanese partner companies
- research and source Australian building materials
- produce an Australian Export Housing Catalogue for building component sales
- take advantage of marketing and promotional opportunities arising from the completion of the Australian Consul-General's Residence in Kobe
- develop prototype R&D in conjunction with Japanese partners.

Stonehenge has already made a significant beginning in its endeavours:

- by April 1997 it completed construction of the Australian Consul-General's residence in Kobe (having been awarded the contract in September 1994), with over 90 per cent of the materials used sourced from Australia, and over 60 Australian suppliers and contractors involved in the construction
- in partnership with a Japanese building company, Hokoku Constructions (Hokoku Kensetsu), Stonehenge is constructing Kamoshima Australian village of 19 houses in Masuda City (population 52,000), Shimane prefecture, on the Sea of Japan side of the Chugoku region, with two further similar villages being planned with the same local partner - about 25 per cent of the materials used in the Kamoshima Australian village were sourced from Australia, and Stonehenge and Hokoku plan to increase this to 50 per cent in the other two village projects
- Stonehenge has designed nine houses for Orugana Corporation in Gifu prefecture
- Stonehenge has also gained a contract for design and construction of a 28-house Australian village near Kyoto in the Kansai region, for the Keihan Electric Railway Company (Keihan Denki Tetsudo).

Source: The Stonehenge Group, September 1997

Table 8

Australian Housing in Japan at November 1997

Region (Main Centre)	Existing Homes	Homes to be Built (Contracts Signed)	Homes to be Built (Proposed)
Kanto (Tokyo)	3	2	242
Kansai (Osaka)	54	123	595
Chubu (Nagoya)	23	82	280
Kyushu (Fukuoka)	8	3	100
Tohoku (Sendai)	48	31	32
Hokkaido (Sapporo)	0	0	0
Totals	**136**	**241**	**1,249**

Source: Austrade, Osaka, November 1997

By September 1997 there were more than a dozen Australian housing companies at various stages of involvement in housing construction in Japan.

However the range of 'Australian' houses built in Japan include:

- those built from Japanese or imported products with features from Australia
- those built from products almost totally sourced from Australia.

Australian firms selling materials in kit form are usually supplying varying proportions of the final product. A considerable number of houses built in Japan which claim Australian origin have been imported directly by local builders, with the initial contact typically orchestrated through Austrade, JETRO or other government agencies, or by industry associations like the MBA. Many of these are display houses, and in many cases it is too early to assess whether the companies involved will be successful and if the houses will prove to be popular.

A major hurdle to overcome for many Australian builders who propose to export prefabricated houses to Japan, is the false assumption that the functional performance of Australian houses will be suitable and directly transferable to the Japanese environment. The functional performance of houses intended for the Japanese market must be designed to suit the Japanese environment, in particular the ability where appropriate to resist typhoons, earthquakes, snow loads and a cold climate. The costing for this different functional performance design should also be incorporated in the Australian builder's price schedule. Some Australian housing experts have suggested that the objective should not be to export Australian housing as it is, but to export Australian-*style* housing whose functional performance will meet the requirements of the Japanese environment.

Above all, however, the major hurdle for an Australian company dealing with the Japanese housing market for the first time, is usually the challenge of adapting to a different business and consumer culture (see section on Success Factors and Common Pitfalls and Problems).

Berela Limited: Successful Market Entry through the Kansai Region

Australia's twelfth largest multi-unit house builder, Queensland's Berela Limited, is another good example of a medium-sized Australian company (established in 1962, turnover A$31.3 million in 1996/97, 25 employees) which has recognised that Asian markets can be an important part of its future business growth. Berela only recently commenced its export efforts into the Japanese, Korean and Philippines housing markets, but is already achieving some success. Berela's goal is to eventually earn about one-third of its revenue from exports.

Berela began its push into the Japanese market with participation in the 1996 Kobe Interhome Trade Show, with Austrade support, and followed up with more than a dozen visits to potential customers. Osaka-based property and resort developer and owner, Kishiren K.K., impressed by Berela's track record and association in Australia with Japanese condominium builder Daikyo, approached Berela to supply houses for a special Australian village of 67 town-houses to be located in Hatashiro, southern Osaka. The A$4 million memorandum of understanding (MOU) was signed in February 1997 and the contract signed in July 1997, with construction to begin in November 1997. The project will use major building components made in Australia in kit form, and Australian tradespeople to assist with the assembly on site. Kishiren is also now planning to have Berela and an Australian joinery and furnishings manufacturer supply a 300-room hotel.

Berela's kit homes are custom-designed to meet Japanese building requirements and include particular Japanese features such as a *tatami* mat room and a *genkan* (formal entrance space). They are exported in containers and can be assembled to lock-up stage in 25 days.

Other Japanese housing companies have also begun placing orders with Berela:

- Mori-Kohmuten, a Kansai-based general contractor, purchased Berela's first substantial export to Japan of prefabricated housing parts in May 1997
- Kajima Kentetsu, one of Japan's major construction companies, has entered negotiations with Berela for the supply of materials for 117 apartments from January 1998.

Source: Berela Limited, September 1997; Austrade, Osaka, October 1997

Entering the Japanese Housing Market: Australian Government Support

By the late 1980s, the Australian Government, in particular the Australian Trade Commission (Austrade), had perceived that the Japanese housing and construction market offered significant opportunities for Australian suppliers and exporters, and commenced efforts to raise awareness of this among Australian companies, to provide guidance and assistance in accessing those opportunities, and to identify and tackle market access and regulatory impediments.

Housing and construction sectors tend to be amongst the most regulated and domestically oriented of all sectors in most economies. However, as part of the growing internationalisation of economies and opening up to international competition of hitherto heavily protected sectors, housing and construction sectors in most countries are increasingly reducing the barriers and restrictions to participation by foreign companies. Governments play an important role in this process through their adjustments to regulations affecting their housing and construction sectors so as to achieve greater harmonisation between domestic and 'international' standards and regulations. The Australian Government has given a strong focus to both bilateral and regional approaches to addressing market access issues in all potential housing and construction markets, not least that of Japan.

The most important regional channel is APEC's Trade and Investment Facilitation agenda, which includes collective efforts to align national standards with international standards and develop mutual recognition arrangements. In particular, Australia has given considerable priority to contributing to the work of the APEC Sub-Committee on Standards and Conformance (SCSC) on development of international standards for building materials[7].

Equally important have been the Australian Government's bilateral approaches to the Japanese Government authorities concerned with housing and construction regulation. The detailed and persistent requests regularly presented by the Australian Government, often adding to the pressure on the Japanese authorities from similar requests by other foreign governments, have resulted in a gradual improvement in the market access conditions for Australian companies. Table 9 shows the main market access and regulatory issue requests currently being pursued by Australian government agencies.

In 1995 the Australian Commonwealth Department of Industry, Science and Tourism (DIST) signed a Memorandum of Understanding (MOU) with the Japanese Ministry of Construction to provide a framework for bilateral cooperation on housing and urban development matters. Key to this agreement was the establishment of the Japan-Australia Building and Housing Committee (JABHC), which meets annually to promote deeper mutual understanding of each country's building regulatory system, in order to address market access issues.

[7] The Commonwealth Department of Industry, Science and Tourism (DIST) is the main Australian Government agency involved in the work of this APEC Sub-Committee.

Parallel to this agreement, the Japanese Government reached its decision, in response to requests from a number of countries, to work towards amending the Building Standard Law (BSL) to include performance-based standards which will compliment the current system of prescriptive measures. It is expected that once the new system is introduced sometime in 1998, the revised standards will reduce compliance costs for foreign companies tackling the Japanese housing market.

The inaugural JABHC meeting was held in Tokyo in September 1996. The Committee discussed matters such as acceptance of Australian laboratory test data, procedures for establishing equivalence between Australian and Japanese timber grades, implementation of performance-based building regulations in Japan, and reduction of visa-processing times for Australian tradespeople wishing to work on housing and construction projects in Japan. An important outcome was the Japanese Ministry of Construction's agreement to assess the CSIRO for designation as an overseas testing laboratory for fire tests. This designation, expected to be conferred in late 1997, will enable Australian building materials firms to test their products for compliance with Japanese fire regulations in Australia instead of Japan[8].

Australia-Japan Partnership Agenda: Cooperation in Housing and Building

The Partnership Agenda Between Australia and Japan, agreed upon at the Fourteenth Australia-Japan Ministerial Committee Meeting in Tokyo in August 1997 is the main framework for Australia-Japan cooperation in all fields into the twenty-first century. It includes cooperation in housing and building, stating that:

3. Bilateral Economic and Trade Relations
(d) Housing and Building
In order to contribute to the reduction of housing construction costs in Japan and promote two-way trade in this sector, both governments will cooperate to improve mutual access to their markets

- *by promoting the mutual acceptance of test data concerning building materials and mutual recognition of buildings standards; in this connection, both countries will consider new ways to use the CSIRO as a facilitator.*
- *by exchanges of information on technical, certification and related issues (including performance-based building standards) through meetings of the Japan-Australia Building and Housing Committee.*

The second JABHC Meeting, held in Sydney on 25-26 September 1997, continued the process of open dialogue between Japan and Australia with major topics of discussion including:

- latest trends and preferences in the Japanese housing market
- update on Japan's move towards developing performance-based building standards

[8] This change should reduce compliance costs, shorten approval times, and offer safeguards for product confidentiality.

- collaborative research activities in developing ISO standards for the building industry
- the new Japanese Government Housing Loan Corporation (GHLC) finance system
- Japanese requirements for quality accreditation and home warranties
- CSIRO designation as an Overseas Testing Laboratory for fire tests (expected early 1998).

It was agreed that the third meeting would be held in Tokyo in the northern autumn of 1998.

With encouragement and assistance from Austrade and the Department of Industry, Science and Tourism, all Australian companies with an interest in the Japanese housing market have been invited to become members of the so-called Australia-Japan Housing Group (AJH)[9], ranging from the major building materials suppliers like Boral, CSR, James Hardie and BHP, through to the small suppliers of prefabricated housing. The key goal of the group is to promote demand for Australian housing and housing materials in Japan through cooperation among Australian suppliers. For example, AJH has agreed on a national trademark - of a koala dressed as a building tradesperson - to be used on all Australian building products sold in Japan. Another cooperative exercise has been to develop a Capability Directory which broadly describes the Australian housing industry and its comparative international advantages, as well as providing information on AJH member companies and their products and services.

As part of its efforts to encourage more Australian companies to consider exporting as part of their corporate strategies and business expansion, the Australian Government also offers some export development assistance to potential exporters of housing and housing materials through the Urban Export Fund (UEF) operated by the Department of Industry, Science and Tourism (DIST).

Remaining Regulatory Barriers

It will be some time before the rationalisation of Japan's building regulatory system and policies for mutual recognition of building codes and international harmonisation of building standards take full effect. However Australian companies can be expected to increasingly benefit from the introduction of performance-based standards under the BSL, and the continued harmonisation of the JIS and JAS. The Australian Government will continue to work towards a more open Japanese housing market and internationalisation of Japan's building standards, through the JABHC and other appropriate fora. Regular exchanges of views and close cooperation with Australian companies targeting the Japanese housing market will enable the Australian Government to give the right priority to companies' main market access concerns.

Japan's regulatory impediments will continue to be relatively more onerous for new entrants such as Australia to the Japanese housing market for some time, compared to long-standing North American and Scandinavian exporters, because of the history of the introduction of foreign housing into Japan based on North American/Scandanavian building standards. At the same time, those Australian companies registering modest successes are doing so mainly within the regulatory constraints. In partnership with Japanese builders, Australian kit home suppliers are supplying and constructing houses which comply with Japanese regulations.

[9] Originally called the Japan Housing Joint Action Group (JAG).

Alternatively, some are supplying houses within the narrow market segment that does not require stringent adherence to structural and industrial standards, that is, in those cases where the end customer does not require a housing loan. But a key factor in dealing with the regulatory impediments is working with them and adapting one's products and services to them, as well as meeting the Japanese customer's specifications.

Table 8

Japanese Housing Market:
Progress on Australia's Priority Market Access Requests

Market Access Request	Main Action Channels	Progress and Outlook
Acceptance of Australian building product testing methodologies, and designation of CSIRO as Overseas Testing Laboratory (OTL) for fire tests under the Building Standard Law of Japan	Ministerial-level visits; senior officials' meetings; annual Japan-Australia Building & Housing Committee Meetings; Australian Embassy in Tokyo	• Visit in March 1997 by Japan Building Research Institute representative to determine CSIRO's ability to undertake Japanese tests for fireprooof construction and fire doors • Visit in September 1997 by CSIRO representatives to BRI for final briefing on fire proof tests - Japanese assessment of CSIRO testing procedures by early 1998
Acceptance of performance-based standards for building materials	Ministerial-level visits; senior officials' meetings; annual Japan-Australia Building & Housing Committee Meetings; Australian Embassy in Tokyo	• Mutual Recognition Talks held in Canberra in June 1997 to discuss international harmonisation of Japan Industrial Standards (JIS) and Japan Agricutlural Standards (JAS), and accreditation of Australian products meeting these standards • Building Standards Law of Japan currently being revised to adopt performance-based standards by 1998 • Japan participating in development of International Standards Organisation (ISO) building standards - DIST/CSIRO collaboration
Article 38 approval for Australian building systems	Individual company applications to Japanese Ministry of Construction; Australian Embassy in Tokyo	• Release of DIST-commissioned report on Japanese loadings and other design requirements

Acceleration of processing of working visas for Australian housing & construction tradespeople	Individual company and joint venture applications to Japanese Ministry of Construction; Senior officials' meetings; annual Japan-Australia Building & Housing Committee Meetings; Australian Embassy in Tokyo	• Australian industry association to send Australian tradespeople to work on Japanese building projects from early 1998

Source: DFAT; Austrade; DIST; 1997

Success Factors ...

The basic ingredients for successful entry into any market are especially valid when targeting Japan. In particular, companies have failed in Japan because they did not devote sufficient time to preparation (ie, gaining an understanding of the market and developing an appropriate market entry plan). This is especially crucial for entering the Japanese housing market.

Long-Term Vision, Long-Term Strategies

A long-term perspective with targets and strategies to:

- know the market, the competitors, the competitive advantage
- identify and qualify opportunities, target market segments, develop specific goals and tactics
- meet long-run goals by achieving short-run rolling plans
- develop team vision for the whole enterprise or project.

Capabilities

Measure resources and risks to identify and ensure:

- adequate capital to sustain market penetration and setup costs
- necessary human resources with the appropriate leadership and creative ability, technical, interpersonal and language skills, and willingness to adapt to client's culture
- reliable network of materials suppliers and sub-contractors (whether in Australia, Japan or elsewhere) to meet demands and scale of operating in Japanese market.

Commitment

Recognise necessity to have:

- expectation that establishing a market position and achieving profits may take several years
- an ability to interpret short-term results in the longer-term perspective
- ability to evaluate, refine and continue to monitor market information with the aim of constant improvement.

... and Common Pitfalls and Problems

Not surprisingly, there is a wide range of pitfalls and problems that can impede a foreign company's successful entry into the Japanese market, quite apart from the regulatory and technical issues referred to earlier. However, the majority of these can be minimised or avoided by proper research, planning and preparation.

Some of the most common pitfalls and problems include:

- inexperience in dealing with a foreign culture and in particular the Japanese business environment, as well as lack of suitably skilled staff, leading to misunderstandings with Japanese clients and contacts
- unfamiliarity with, and insufficient research beforehand into, the basic processes of exporting, resulting in delivery delays, errors and mishaps

- insufficient attention to proactively managing transport and logistics to ensure safe and timely delivery of products to Japanese client
- delay in responding promptly and fully to all communications from Japanese client
- insufficient flexibility and preparedness to modify one's products and services to meet the precise specifications and high quality standards of Japanese customers
- over-reliance on a competitive price alone as the principal selling point of one's product or service
- insufficient understanding of the high minimum quality standards expected in Japan for any product or service, regardless of low price
- insufficient differentiation of one's product in terms of design, materials, novel features or functions, and assembly techniques and packaging
- inability or reluctance to meet after-sales service expectations
- insufficient staff with necessary skills to satisfy high Japanese standards and expectations of customer service
- difficulties in training Japanese labour in construction methods and material usage.

Some Australian companies have already encountered a number of these problems, including cases where the problems put an end to an Australian company's efforts to tackle the Japanese housing market for the time being (see Box: Three Case Studies).

The Fundamental Pitfall - Inadequate Financial Planning

Probably the most common and fundamental problems encountered are financial ones, ranging through:

- insufficient basic capital allocation for a long-term market entry strategy and all the costs involved, with sometimes a two or three year wait before making a profit
- unpreparedness for the many hidden costs that can arise, most commonly in shipping and warehousing, as well as in developing and maintaining a commercial relationship with the Japanese partner
- strong pressure from Japanese customers/partners to reduce prices, which can significantly erode the foreign supplier's profit margin
- failure to plan around a considerable range of possible foreign exchange movements - for example, the yen has moved from Y80:US$1 in mid-1995 to almost Y130: US$1 by late 1997 (and from Y60: A$1 to as high as Y90: A$1 during the same period).

How Things Can Go Wrong: Three Case Studies

Company A*: Insufficient Expertise, Insufficient Market Research*
In the mid-1990s, Company A, a small Australian business without previous experience in housing and construction either in Australia or overseas, became interested in pursuing the opportunities arising from the opening of the Japanese housing market. Engaging an Australian housing industry expert as its negotiator, it approached a Japanese company which was also interested in entering Japanese housing construction, but which was not an established builder or developer. The Japanese company placed an order with Company A for a large number of Japanese-style houses to be built to the Japanese company's design, the principal selling point of which was to be its lower price compared to the houses offered by Japan's major housing companies. One house was built by Company A in accordance with this design, but it was of visibly lower quality than the Japanese-made equivalent, with no compensating special design or functional features. Due to this unsatisfactory construction, the arrangement between Company A and the Japanese company was ended.

Company B: *Not Yet Ready for an Offshore Venture*
Company B, an experienced medium-sized Australian house builder, started looking at the Japanese housing market in the early 1990s as the import market for prefabricated housing was beginning to open up. It exported its first house to Kobe in 1995 under contract to give the Japanese company an idea of its product, and as a result entered negotiations for supplying a much larger order. Company B put substantial effort and resources into preparing for a visit by the Japanese company's representatives with extensive details of what it could supply for the housing order. However it was dismayed to find its proposals met with minute dissection and requests for a wide range of modifications, which process would necessitate a number of visits to Japan by one or more Company B staff, and all adding up to a substantial investment by Company B to secure the order. At this point, Company B decided that it was not ready to commit such considerable resources to developing an export business to Japan, and to cut short its losses on the venture. For the time being, Company B has decided to concentrate instead on strengthening its business performance in Australia, despite the continuing temptations of major opportunities not just in Japan but in all Asian housing markets. Company B has concluded that it must build up its corporate resources before embarking on the export business again.

Company C: *Japanese Customer Played Australian Companies Off Against Each Other*
Company C, a small Australian house builder (50-80 houses per year, four staff, A$3-5 million annual turnover), first began investigating the Japanese housing market in late 1994, its first venture offshore. Company C took advantage of an Australian business contact's offer of introduction to a Japanese contact, through which it met a small Osaka building company (around 200 houses and apartments per year) which placed an order in 1995 for a single 25 square metre prefabricated house. Company C followed the very precise specifications asked for, sent a tradesman to visit the Japanese customer, accepted the Japanese customer's rejection of most of its suggestions for improvements (though the Japanese customer later said it wished it had accepted all the suggested changes), and provided a satisfactory house. Company C was then able to build up its relationship with the Japanese builder, and received further orders for prefabricated houses as well as separate orders for specific housing materials such as windows and doors. Company C invested considerable resources in gaining Japanese acceptance of Australian premium prefinished hardwoods as a special feature of its housing. At the same time it found ways to cut the costs of materials and features to meet the price needs of the Japanese builder as the yen depreciated from Y58:A$1 in 1995 down to Y90:A$1 by early 1997. Company C was most scrupulous about dealing first and foremost with the Japanese building company,

and cleared approaches and orders from other Japanese companies with its primary customer. However the Japanese builder did not play as straight in return: as more Australian housing and housing materials companies began making contact with the Japanese market, the Japanese builder began placing orders for housing materials direct with some of Company C's own Australian suppliers, from which it obtained lower prices, without informing Company C, and reduced its orders to Company C. After having built around 15 houses for the Japanese builder and investing around A$250,000 in establishing its business in Japan, Company C felt badly let down by its Japanese customer and its Australian suppliers, and in ealy 1997 withdrew from the Japanese market. It would not consider reentering the Japanese housing market unless it was in a joint venture in which the Japanese licensed builder dealt with the regulatory, customer and business relationship side, and in which Company C controlled the on-site management of housing projects and could use its own Australian or Australian-trained building tradespersons, in order to achieve Australian levels of housing construction efficiency and labour productivity.

Source: EAAU interviews, November 1997

Checklist for Exporting/Supplying Housing and Housing Materials to Japan

A different channel or approach to exporting/supplying housing and housing materials to Japan will suit each company, depending on company size, previous export/offshore experience, scale of investment resources available, and type and volume of product. But there are a number of elements common to most successful export/offshore supply approaches which should form part of one's checklist:

- ✓ *precise market selection within the Japanese market (ie product, region, etc)*
- ✓ *understanding how that market works and what its requirements are*
- ✓ *researching competition*
- ✓ *preparing (pricing, packaging) the product strategy*
- ✓ *preparing a long-term business plan for the market (eg five years)*
- ✓ *careful selection of a partner/key customer*
- ✓ *cultivating allies*
- ✓ *designing an effective launch strategy*
- ✓ *closely monitoring the effectiveness of one's strategy, identifying its strengths and weaknesses, and adjusting the strategy as required*
- ✓ *keeping in close touch with one's customer(s) and ensuring they are satisfied*
- ✓ *keeping one's eyes open for new opportunities arising in the market*.

For new exporters to Japan, a good approach can be to work with another company already experienced in the market, either local or foreign. For small to medium-sized Australian companies, a prime opportunity appears to be establishing partnerships with small to medium-sized Japanese building firms interested in finding alternative sources of new and interesting materials to replace or supplement their current supply channels. In addition, offering solutions to inefficiencies in current Japanese housing construction methods can be an effective way to cement relationships with Japanese partners.

Specifically, Japanese home-buyers are looking for durability, high-grade finish, unique designs and creative lifestyle options. The overall cost of delivery must also be tightly monitored.

Japanese builders directly importing materials lament that:

delivery is often not punctual
delivered products do not match the items ordered
materials arrive damaged (costly and time consuming to rectify)
after-sales service is lacking.

Conclusion

The opening up of the Japanese housing market to greater participation by foreign housing materials suppliers and foreign builders represents a landmark opportunity for all Australian companies connected with housing materials and housing construction. Despite the problems still slowing Japan's economic recovery, domestic consumption will increase its share of Japanese economic activity, and there will continue to be a high number of annual new housing starts compared to most other countries, with a high per unit value. The Japanese government recognises the high priority that Japanese consumers give to attaining larger, better quality, more affordable housing, and will have to maintain its reforms and efforts to deliver on this prominent community goal. Further growth in imports of lower cost housing materials, and more extensive participation by foreign housing companies and builders in the Japanese housing market (including the introduction of more efficient foreign construction methods and work practices) will be an essential part of attaining it.

Increasing numbers of Australian housing materials and house building companies are coming to recognise the long-term relatively limited nature of business growth opportunities in the Australian domestic housing market, and to consider venturing into some export or offshore activities. Despite the short-term downturn in economic growth rates which can be expected to result from the 1997 'currency crisis' and financial system shakeout in several Asian economies, Asia's economic growth will get back on track and the region will still offer major opportunities for housing and housing materials suppliers from large growth in housing demand over the next decade and more.

The Japanese housing market is the largest, highest value, and probably most challenging of the housing markets of Asia. Australian companies that have ventured into the Japanese market recognise that to succeed there will equip a company to succeed anywhere, and so provide good experience for tackling the rest of Asia. But success in the Japanese market is not easy - it requires a high level of detailed market research, strategic planning, preparedness to invest significant resources, long-term commitment to achieve results, and flexibility in modifying one's product to meet local regulatory requirements and cultural preferences. In particular, rather than just leap aboard the latest bandwagon, each company needs to carefully calculate how and where *it* can best target the market opportunities - whether by export of housing materials through a Japanese trading house, or direct marketing of one's product to some other link of the Japanese distribution chain, or direct supply into Japan of part or whole houses as a subcontractor or a joint venture partner, or provision of expertise in house design and construction. For example, many Australian companies have become interested in the growing opportunities for export of prefabricated housing (with Japanese imports worth US$334 million in 1996). Yet the much larger import market for housing materials (with Japanese imports worth US$10 billion in 1996) should not be overlooked. Each company must devise the most appropriate business development and distribution strategy for its own selected product and market objectives.

The Australian government can offer significant advice and assistance to Australian companies considering entering the Japanese housing market, in particular through Austrade's six offices in Japan. Other government agencies, such as the Department of Industry, Science and

Tourism, can also assist in understanding and tackling Japanese regulatory requirements, and in directing Japanese government attention to Australian companies' difficulties in entering the Japanese housing market. But it is essentially up to Australian companies themselves and the Australian housing industry as a whole to work out the right strategies for succeeding in the Japanese housing market, including the necessary domestic elements for supporting export activities and offshore business.

Appendix Table 10

Australia's Exports of Housing and Housing Materials* to the World 1990-96: Top Fifteen Markets (A$ million)

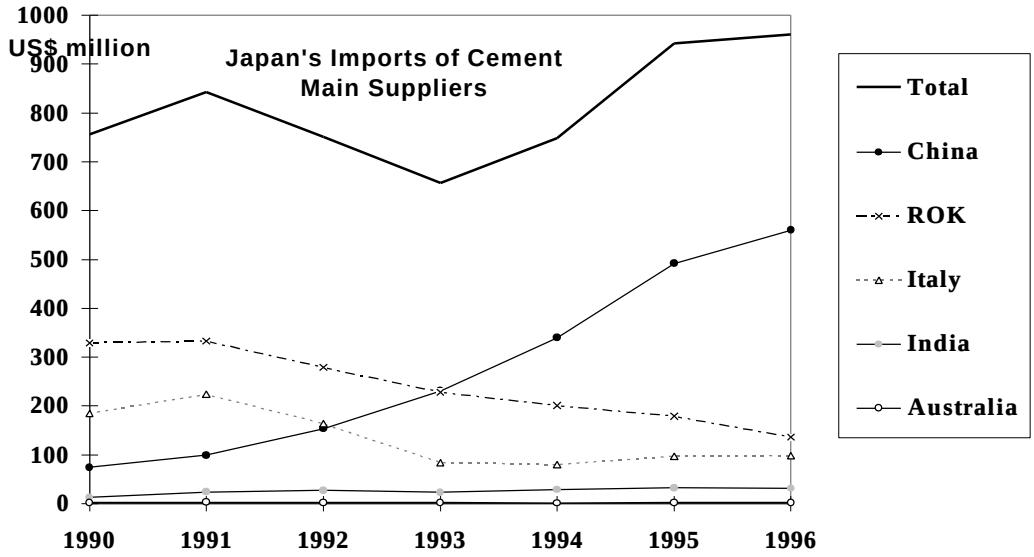
	1990	1991	1992	1993	1994	1995	1996
New Zealand	81.2	73.2	81.1	111.6	143.5	182.2	206.9
Singapore	28.3	51.2	76.5	102.5	101.7	83.6	92.7
United States	17.5	32.6	36.0	42.8	65.0	102.1	84.6
Japan	21.6	22.2	27.0	37.5	59.9	72.9	77.1
Indonesia	51.8	105.3	136.1	73.9	106.3	61.0	75.2
Hong Kong	19.7	29.3	36.2	57.1	44.4	79.5	59.7
Papua New Guinea	38.9	39.2	37.2	23.8	23.4	26.7	49.5
Malaysia	8.4	11.9	27.4	29.1	34.5	58.1	49.0
Taiwan	12.2	29.0	36.5	36.9	40.8	33.0	41.2
China	1.3	1.1	3.8	13.2	22.5	39.7	31.9
United Kingdom	18.5	17.7	17.0	24.6	22.4	28.0	31.1
Germany	2.7	4.9	9.0	20.3	16.5	26.8	27.8
Republic of Korea	6.1	23.2	7.5	37.0	15.1	22.3	26.2
Thailand	10.6	7.7	14.0	14.5	20.8	25.2	25.0
Philippines	1.8	7.6	6.6	10.0	6.5	12.0	19.9
Total to the World	**372.8**	**530.3**	**686.1**	**732.9**	**835.1**	**989.3**	**1,050.1**

Note: * Based on the same product categories and trade classifications as used in Table 7.
Source: DFAT (ABS data)

Appendix Figure 18

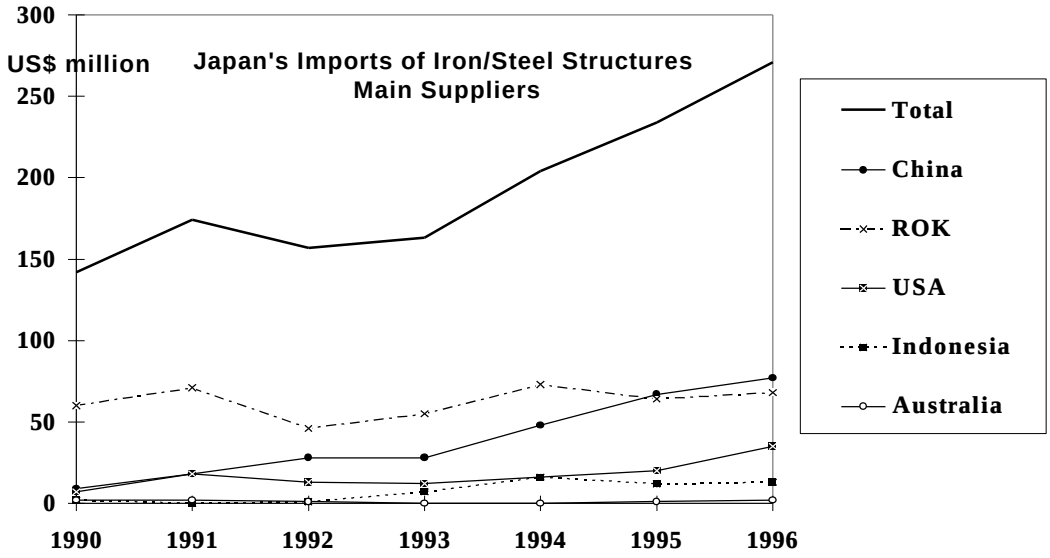
Japan's Housing Materials Imports: Other Categories

Cement : US$961 million (1996)
Australia's share: US$2.01 million (0.2 per cent)



Source: DFAT (UN Trade Data Base)

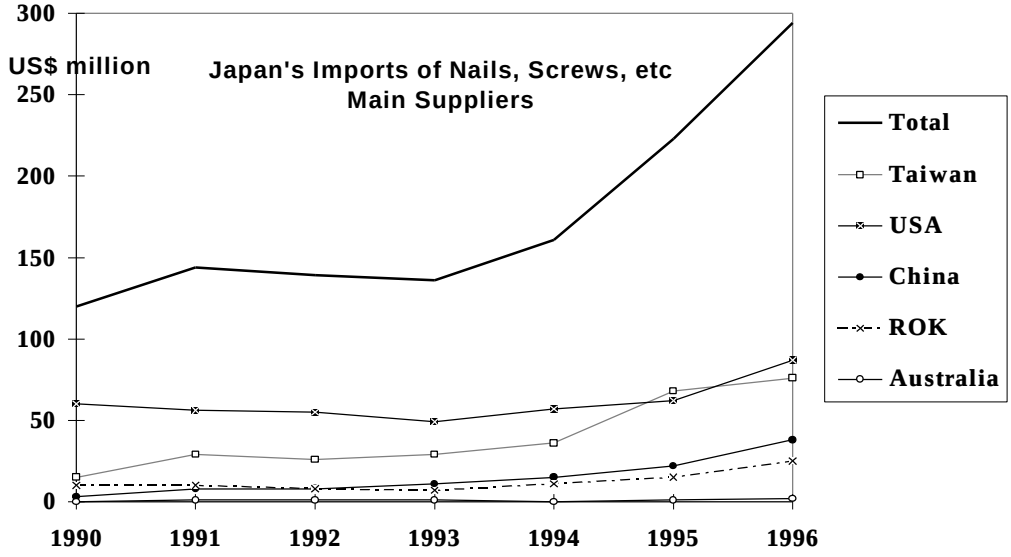
Iron/Steel Structures: US$271 million (1996)
Australia's share: US$1.9 million (0.7 per cent)



Source: DFAT (UN Trade Data Base)

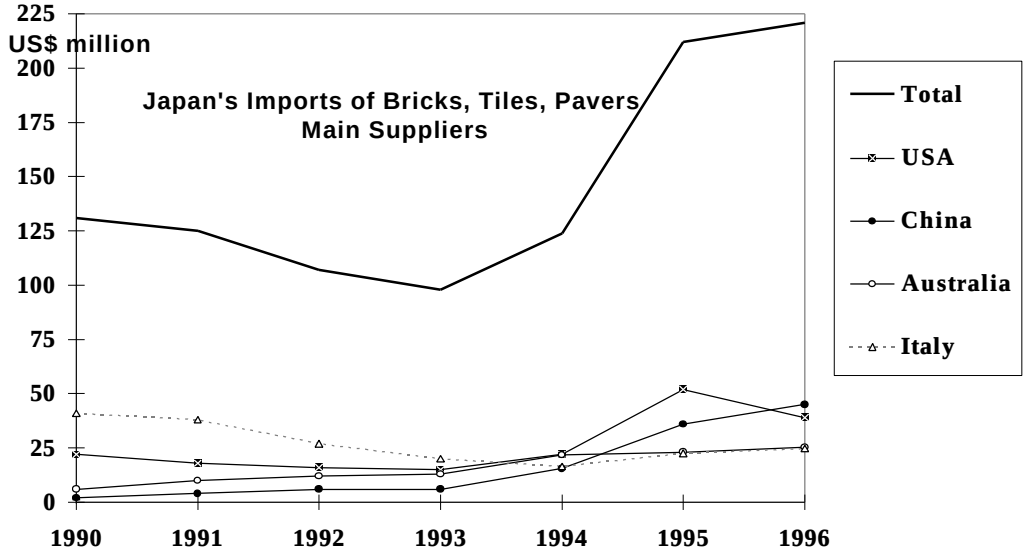
Appendix Figure 18 continued

Nails, Screws, etc : US$294 million (1996)
Australia's share: US$2.4 million (0.8 per cent)



Source: DFAT (UN Trade Data Base)

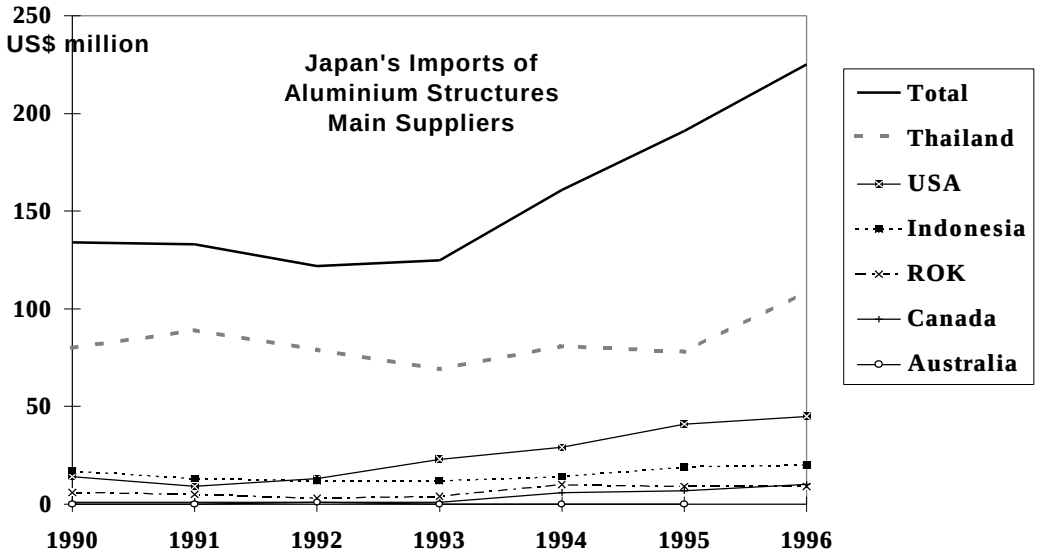
Bricks, Tiles, Pavers : US$221 million (1996)
Australia's share: US$25.3 million (11.4 per cent)



Source: DFAT (UN Trade Data Base)

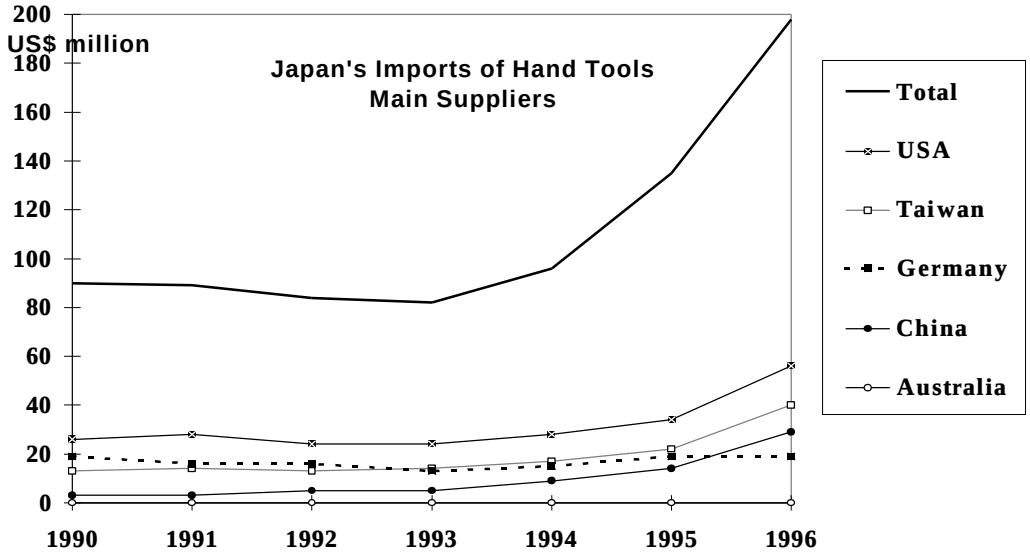
Appendix Figure 18 continued

Aluminium Structures : US$225 million (1996)
Australia's share: US$0.4 million (0.2 per cent)



Source: DFAT (UN Trade Data Base)

Hand Tools : US$198 million (1996)
Australia's share: US$0.4 million (0.2 per cent)



Source: DFAT (UN Trade Data Base)

Appendix Table 11

Australian Exports of Building and Construction Products to Japan 1990-96 (A$ million)
(AHECC - Australian Harmonised Export Commodity Classification)

AHECC Category	1990	1991	1992	1993	1994	1995	1996
Wood	0.1	0.2	0.7	4.9	6.3	6.8	6.0
Sands, gravel etc	0	2.0	0.3	0	0.1	0.2	0.4
Tubes, pipes etc	0.1	0.2	0.3	0.4	0.6	0.5	0.5
Self-adhesive plates, sheets, film, foil, tape etc	1.9	1.4	1.2	1.7	1.2	2.6	3.4
Cork, agglomerated	0	0	0	0	0.1	0.1	0
Veneer, fibreboard, particleboard, plywood, etc	6.9	5.5	4.6	9.6	14.6	11.6	11.5
Lime, limestone, portland cement, gypsum, etc	0	0.1	0.1	0.1	0.2	0.1	0.6
Mineral materials	0.3	0.5	0.2	0	0	0	1.2
Glass (includ.safety glass)	7.4	1.3	2.2	4.5	5.5	2.1	0.8
Tube & pipe fittings of iron & steel	1.6	0.4	0.2	0.3	0.9	0.7	1.3
Bridges, beams, towers etc	0	0	0	0	0	0	0.2
Doors, windows, louvres (of iron/steel)	0.1	0.1	0	0.1	0	0.2	0.1
Doors, windows, louvres, panels, joinery etc (of wood)	0.6	0.1	0.1	0.4	0.3	1.1	2.0
Scaffolding/shelving materials	1.4	0	0.1	0.2	0.5	0.4	1.0
Nails, screws, bolts, staples etc	1.4	1.6	1.2	1.5	1.4	1.4	1.6
Tools	1.1	1.2	3.5	1.9	2.0	6.6	1.5
Electrical fittings	1.9	1.9	4.3	1.9	3.4	4.9	7.4
Slate, marble, granite, sandstone, etc	3.1	3.0	2.6	2.3	1.3	3.3	3.1
Paints, varnishes etc	1.2	0.2	0.3	0.3	0.6	0.6	0.5
Wallpaper	0	0	0	0	0	0	0
Bricks, sheets etc of asbestos cement, siliceous earths, refractory materials	0.4	0.8	2.1	4.1	12.1	8.8	2.7
Ceramic bricks, tiles etc	3.3	6.1	9.1	9.3	11.9	16.1	15.7
Plasterboard	0.7	0.1	0	0	0	0	0.2
Prefab items of cement	1.2	1.2	1.0	1.8	1.9	3.8	5.1
Iron/steel coils, flat-rolled items, bars, rods, shapes etc	28.6	45.1	61.0	75.0	47.0	95.7	52.7
Tubes, pipes etc of copper	1.4	0.9	0.6	0.1	0.6	1.3	0.6
Bars, rods, sheets, wire, tubes, pipes etc of aluminium	3.2	8.3	3.5	2.7	15.1	6.8	7.7
Lead, tin, zinc sheets, flakes etc	0	0	0	0.1	0.1	0.2	0.2
Stranded wire, grill, netting, cloth of iron, steel, alumium, copper etc	0.1	0	0.1	0	0.1	0	0.2
Sanitary ware (sinks, baths etc)	0	0	0	0.1	0.1	0	0
Heaters, boilers	0.3	0.2	0.1	0.1	0.1	0	0.1
Prefabricated buildings	0.2	0.2	0.1	0.1	0.1	3.3	3.3
Miscellaneous	0.4	0.3	0.5	0	0.1	0.1	0.1
Totals	**68.7**	**82.7**	**100.1**	**123.6**	**128.0**	**179.3**	**130.2**

Source: AHECC Data Base, DFAT (ABS)

Japanese Government and Other Organisations and Agencies Relevant to Housing Materials and Housing Construction

Name of Organisation/Agency	Contact details	Functions Concerning Housing
Housing Bureau Ministry of Construction (MOC)	2-1-3 Kasumigaseki Chiyoda-ku TOKYO 100 Tel: 81-3-3580-4311 Fax: 81-3-3580-7050 http://jw.nttam.com/search/gov/cabinet/moc/	- planning for short, medium and long-term national housing needs - public housing - supervision of housing loan system - supervision of rationalisation of production and supply of housing - improvement of living environment
Building Center of Japan (BCJ)	30 Mori Building 3-2-2 Toranomon Minato-ku TOKYO 105 Tel: 81-3-3434-7188 Fax: 81-3-3434-7170 http://www.globe.or.jp/bcj/	Designated by MOC to perform technical appraisal of new or foreign building materials and construction methods, and make recommendation of approval or rejection to MOC -provides information in English on the building/accreditation system in Japan
Building Research Institute (BRI), MOC	1 Tachihara Tsukuba City IBARAKI-KEN 305 Tel: 81-298-642151 Fax: 81-298-642989 http://www.kenken.go.jp/EBRI/	National government research organisation concerned with building, housing and city planning - research and development of performance-based building codes
IHTE - Information Center for Imported Housing Technical Evaluation	c/o International Department, Building Center of Japan Tel: 81-3-3434-7155 Fax: 81-3-3434-5069	
Center for Better Living (CBL)	3F, Sogonibancho Building 4-5, Nibancho Chiyoda-ku TOKYO 102 Tel: 81-3-5211-0561 Fax: 81-3-5211-0593 http://www.iijnet.or.jp/CBL	Designated by MOC to certify quality housing components and materials (the Quality Housing Component Certification System), a system of optional (but desirable) standards recognition - certified products able to carry BL mark of certification

Name of Organisation/Agency	Contact details	Functions Concerning Housing
Tsukuba Building Test Laboratory (TBTL) Center for Better Living	2, Tatehara Tsukuba City IBARAKI-KEN 305 Tel: 81-298-641745 Fax: 81-298-642919	Testing and research organisation of the Center for Better Living
Government Housing Loan Corporation (GHLC)	Head Office: 1-4-10 Koraku Bunkyo-ku TOKYO 112 Tel: 81-3-3812-1111 Fax: 81-3-5800-8181 http://www.jyukou.go.jp/	- established in 1950 - sole Japanese government financial institution for housing loans (over 50 per cent of owner-occupied houses were covered by GHLC loans by JFY 1995) - provides long-term low interest housing loans - since 1996, house quality given higher consideration than size in determining interest rate for loans
Registration Organisation for Warranted Houses (ROWH)	3F, Akasaka Twin Tower, 1-17-22 Akasaka Minato-ku TOKYO 107 Tel: 81-3-3584-5748 Fax: 81-3-3589-3603	- established in 1982 to improve the guarantee of quality and standards of new housing and protect new house purchasers from defects in new housing and default on contracted standards - operates insurance system to cover cost of repairs to defects - since 1987 GHLC has offered additional loan amount and 5 year extension to loans under High Durability Wooden House System for new wooden houses covered by ROWH
Japan 2x4 Home Builders Association	29th Mori Building 2-1 Shinbashi 4-chome Minato-ku, TOKYO 105 Tel: 81-3-3432-4581 Fax: 81-3-3434-3918	- industry association established in 1976 to promote use of 2x4 house construction system

Australian Government and Other Organisations and Agencies Relevant to Housing Materials and Housing Construction[10]

Name of Organisation/Agency	Contact details	Functions Concerning Housing /Housing Materials and Japan
AUSTRADE **- in Australia**	National Manager, Infrastructure Level 24, 201 Kent Street SYDNEY NSW 2000 Tel: 02-9390-2397 Fax: 02-9390-2125	• Assists Australian companies pursue opportunities overseas for supply of housing and construction goods and services, including in Japan
AUSTRADE JAPAN **Six offices:** - **Tokyo** - **Osaka** - **Nagoya** - **Fukuoka** - **Sendai** - **Sapporo**	Australian Embassy 2-1-14 Mita, Minato-ku TOKYO 108 JAPAN Tel: 81-3-5232-4047 Fax: 81-3-5476-7110 Australian Business Centre 7F New Otani Garden Court 4-1 Kioi-cho, Chiyoda-ku TOKYO 102 JAPAN Tel: 81-3-5214-0750 Fax: 81-3-5214-0751 (For other office details, see Information for Business Section in full Japan report)	• Assists Australian companies pursue opportunities in Japan for supply of housing and construction goods and services, including in Japan
Australia Japan Housing Ltd (AJH)	c/o Austrade Export Network Centre Level 24, 201 Kent Street SYDNEY NSW 2000 Tel: 02-9390-2326 Fax: 02-9390-2826	• An industry-based group of Australian exporters of housing, building materials and services to Japan

[10] An indicative list only. Other relevant bodies and organisations exist, for example State Government bodies including State Government Offices in Japan, which offer assistance to Australian companies in this area. See also the Information for Companies section in the full Japan report.

Name of Organisation/Agency	Contact details	Functions Concerning Housing /Housing Materials and Japan
Housing and Construction Industries Branch, Commonwealth Department of Industry, Science and Tourism (DIST)	Level 4, 33 Allara Street, CANBERRA ACT 2600 Tel: 02-6213-7262 Fax: 02-6213-7253 Email: gmckean@dist.gov.au	• Responsible for Australian Government policy on housing and construction • Responsible for Australian Government approaches to and participation in bilateral, regional and multilateral government organisations relevant to housing and construction eg APEC Sub-Committee on Standards and Conformance, eg JABHC
Japan-Australia Building & Housing Committee (JABHC), DIST	Level 4, 33 Allara Street, CANBERRA ACT 2600 Tel: 02-6213-7262 Fax: 02-6213-7253 Email: gmckean@dist.gov.au	• Coordinates contact between Australian and Japanese housing industries and government bodies
Japan Section Commonwealth Department of Foreign Affairs and Trade (DFAT)	The R.G.Casey Bldg John McEwen Crescent BARTON ACT 0221 Tel: 02-6261-9111 Exts 3364/3247 Fax: 02-6261-1571 Email: derek.brown@dfat.gov.au danielle.morris@dfat.gov.au	• Analyses Japanese housing market and opportunities for Australian companies. • Monitors market access barriers to Australian companies, and advises on ameliorating or removing them.
Trade Policy Issues and Industrials Branch, Commonwealth Department of Foreign Affairs and Trade (DFAT)	The R.G.Casey Bldg John McEwen Crescent BARTON ACT 0221 Tel: 02-6261-9111 Exts 2980/1886 Fax: 02-6261-3514 Email: walter.goode@dfat.gov.au paul.gibbons@dfat.gov.au	• Analyses trade policy and practice with regard to housing and construction materials • Maintains database of bound and applied tariff rates for housing and construction materials in Japan and elsewhere (available at a charge)

Name of Organisation/Agency	Contact details	Functions Concerning Housing /Housing Materials and Japan
CSIRO Division of Building, Construction & Engineering	Gate 2, Delhi Road, NORTH RYDE NSW 2113 Tel: 02-9490-5512 Fax: 02-9490-5777/5550	• Researches technical aspects of housing materials and housing construction methods
Master Builders Australia (MBA)	3rd Floor, Construction House 217 Northbourne Avenue Turner CANBERRA ACT 2612 Tel: 02-6249-1433 Fax: 02-6249-1373 Email: mbaust@ozemail.com.au	• An industry association representing the building and construction industry, including housing. Provides practical assistance to Australian companies wishing to access the Japanese housing market through business introductions, business missions and information seminars.
Housing Industry Association Ltd (HIA)	79 Constitution Avenue CANBERRA ACT 2600 Tel: 02-6249-6366 Fax: 02-6257-5658 Email: d.veteri@hia.asn.au	• An industry-based association which promotes Australia's building industry in Australia and overseas and provides a range of export services and information for members
Pine Australia, National Association of Forest Industries (NAFI)	830 High Street KEW EAST VIC 3102 Tel: 03-9859-2455 Fax: 03-9859-2466	• Industry-based association which promotes the use of Australian timber in Australia and overseas, and provides information for its members on overseas markets

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