

Council for Regulatory Reform “Second Report”

– Priority Regulatory Reform Measures to Promote Economic Vitalization –

December 12, 2002

Council for Regulatory Reform

Characteristics of the Report

This Fiscal Year's Unified Theme:

“Economic Vitalization”

Introduction of Five Cross-Sectoral or Cross-Agency Approaches such as “Special Zones for Regulatory Reform”, “Reforming Government-Made Markets,” etc.

(Proposed in the Interim Report of July)

Further Enhancement of Collaboration with Council on Economic and Fiscal Policy on Future Promotion of Regulatory Reform

"Regulatory Reform" Measures Taken

2001

April

"Council for Regulatory Reform" (Chairman: Yoshihiko Miyauchi, Chairman and CEO, Orix Corporation) is newly established in the Cabinet Office at the request of the Prime Minister.

【Characteristics of the Council】

Reform by "private initiative": 15 members from the private sector and expert members designated by the Prime Minister directly negotiate with each ministry and agency in each field(WG)

From "individual regulatory reform" to "reform of the system as a whole"

Close collaboration with "Council on Economic and Fiscal Policy," "Administrative Reform Promotion Office,"

"IT Strategy Headquarters," etc.

July

"Interim Report on Regulatory Reform in Six Priority Areas" by Council for Regulatory Reform

【Points】

Focusing on the "people-oriented service fields" (social regulatory fields)

- "Medical Care," "Welfare/Childcare, etc." "Manpower (Labor)," "Education," "Environment," "Urban Renaissance"

Stipulated the "implementation period" for all issues in principle

High-level negotiation with each ministry (administrative vice minister level)

September

Advancement of regulatory reform issues in the "Reform Schedule"

【Points】

Placed "Regulatory Reform" in the center core

Listed almost all issues from the "Interim Report" with "one-year advancement of implementation period" in principle.

"First Report Regarding Promotion of Regulatory Reform" by Council for Regulatory Reform

【Points】

Total of 15 fields including other fields (Note) in addition to "six priority areas".

(Note) "Competition Policy," "Legal Affairs," "Financial Sector," "Distribution," "Agriculture," "Energy,"

"Transport," "Standards Certification, etc.," "Facilitation of Business Activities"

Cabinet decision of treatment as "the most important issue" for the Government

2002

March

"Three-Year Program for Promoting Regulatory Reform (Revised)" by Council for Regulatory Reform

【Points】

Fundamental revision through the discussion in the Council for Regulatory Reform started in April 2001 in response to the Plan of March 2001.

Decided "all issues" of the individual regulatory reform included in the "First Report" as government plans.

July

"Interim Report" by Council for Regulatory Reform

【Points】

Deliberation of five cross-sectoral themes on the unified theme of "economic revitalization"

(1) creating new businesses, (2) reforming government-made markets through increased participation by and business transfers to the private sector, (3) developing business and social infrastructure contributing to economic revitalization, (4) developing *ex post facto* checking rules, and (5) developing special regulatory reform zones

Major Points of the Report

- Chapter 1 Cross-Sectoral Fields -

I. For the Appropriate Implementation and Early Adjustment of the “Special Zones for Structural Reform” System

(1) Valuation of the “Law concerning Special Zones for Structural Reform”

- Evaluation of the development of the so-called “general rule ” according to the “Interim Report” of the Council
- Integration of application and approval procedures in the Cabinet
- Selection of variety of regulations to be covered by the preferential measures
- Periodical additions of reform items

(2) Appropriate enforcement of the “Law concerning Special Zones”

- Observation of the process of formulation of “Basic Policies,” ordinances, notification, etc. which are prepared before the enforcement of the Law in order to esteem requests of local governments.
- Establishment of the appropriate “evaluation systems” to be formed within a year

(3) Positive utilization of the second proposal campaign and addition of regulations that are to be adopted in the special zones system

- Amendments of the Basic Policies if necessary in response to the second proposal campaign whose deadline is January 15, 2003 and the revision of the Law concerning Special Zones in the next ordinary session of the Diet

(4) Further promotion of regulatory reform including the vitalization of the special zone system

- Further consideration of reform items that are listed for “nation-wide implementation”, etc. (See the Schedule)
- Publicity of the items “feasible under the current systems”

Major regulatory reform issues considered as “remaining issues ” by the Council (special zones)

- Permit private companies to enter school management
- Permit private companies to enter medical institution management
- Fully liberalize the establishment of universities, departments, and curriculums (transfer from an approval system to a notification system)
- Permit private companies to acquire agricultural land
- Permit so-called “mixed practices”
- Enlarge the range of employment agency services to permit them to provide employment services in the medical area etc.

II. Reforming Government-Made Markets through Increased Private Sector Participation

(1) Private sector participation in public services

- Privatization, transfer of operations and consignment of operations to the private sector deliberately and aggressively regarding the 19 operations as below [Gradual implementation in and after FY 2002]
 - Consideration of the regulation in order to expand the consignment of operations to the private sector regarding operations against parking violations [Conclusion within FY 2003]
 - Improvement of the taxpayers' convenience of State tax payments (by automatic teller machines) and Local tax payments (at convenience stores) [Measures to be taken within FY 2003]
 - Consideration of the operations and systems of independent administrative agencies such as national hospitals and agencies for production of stamps, postal cards, securities, government literature and the like [Prompt consideration and conclusion after the first medium-term regulatory reform period]

Remaining issues for the Council

- Expansion of private sector participation in areas with strong public sector involvement such as medical care, welfare, education, agriculture

Major Points of the Report

- Chapter 2 Specific Fields -

. Development of “ Competition Policy” (Competition Policy Field)

(1) Review and strengthening of Antimonopoly Law enforcement

- Review of the surcharge system (Introduction of surcharge reduction/exemption program, expansion of the scope of surcharge application, etc.)

[To be implemented in FY2003]

(2) Review and strengthening of the investigation function and system of the Fair Trade Commission

- Review and strengthening of the investigation function and system concerning violations of the Antimonopoly Law [Implementation in successive steps from FY2003]
 - Positive acceptance of outside personnel
 - Setting and publishing new goal for speedier investigation
 - Enhancing transparency concerning cases of business combination (Specify reasons of judgment and clear standards)

(3) Strengthening Enforcement in Specialized Fields

- Strengthening market monitoring functions in the field of securities transactions

[To be studied and concluded by the end of FY 2003]

(4) Review of Government Procurement Systems

- Ensuring transparency of “Contract Target with Small and Medium-sized Enterprises”

[To be implemented in FY2003]

- Further strengthening measures for suspending the designation for tenders

[To be studied in FY2003]

. Regulatory Reform of “Social Regulation” Areas (Education, Agriculture, Medical Care, Welfare)

1. Education/Study

(1) Diversification of education bodies

- Participation of private companies in university graduate-level vocational and practical education for workers [Study to be undertaken and concluded in FY2003]
- Improvement of the legal system to accept community schools [Study to be undertaken and concluded in FY2003]
- Relaxation of examination standards in approving the establishment of school juridical persons (Standards of school premises and school building areas) [Study to be undertaken and concluded in FY2003]

(2) Revitalization of higher education and promotion of industry-university collaboration

- Drastically relaxing regulations on the ratio of students to school building area and the ratio of holding areas, in approving the establishment of universities [To be Implemented in FY2002]
- Clarification of the criteria for double engagement of faculty members of national universities during regular working hours [To be implemented from FY2003]

2. Agriculture, Forestry, and Fisheries

(1) Regulation of farmland utilization

- Permission of the diversion of agricultural land, etc., preservation of good farmland due to the optimization of regulations on farmland use
[Examination to start in FY 2002 and to be implemented in FY 2003]

(2) Regulation of the Agricultural Cooperatives

- Review of the business operation of agricultural cooperatives
[Examination to start in FY 2002 and to be implemented in successive steps after FY 2003]
- Review of the business chain of agricultural cooperatives
 - Complete accounting by division on common expenses
[To be implemented in FY 2002]
 - Consideration of the current credit/mutual businesses, split of these businesses including the credit/mutual ones and examination of measures that allow for a reorganization of business transfers to other forms
[Examination to start in FY 2002 and to be implemented in successive steps after FY 2003]
- Securing conditions for fair competition (Verification of exemption system and strengthening of the regulations on violations)
[Examination to start in FY 2002 and to be implemented in successive steps after FY 2003]

3. Medical Care

- Promotion of the combined use of public insurance medical care and medical care not covered by public insurance

[To be implemented in FY2003 (Implementation in successive steps)]

- Introduction of a diagnosis-related group/prospective payment system

[Plan to be indicated and study started in FY2003]

- Review and implementation of community medical care program, including the regulation on hospital bed numbers

[Study to be undertaken starting in FY2002 and measures to be adopted at an early date in FY2005]

- Commencing a study by specialists and reaching a conclusion in order to make it possible for general retail outlets to sell drugs that satisfy certain standards by a shift from drugs to quasi-drugs

[Study by specialists to start in FY2002 and conclusion to be reached possibly by the end of FY2003]

- Examination and payment of medical bills by the insurer

[To be implemented in FY 2001 (Measures yet to be implemented)]

4. Welfare

- Promotion of stronger ties between childcare centers and kindergartens (promotion of childcare worker qualification acquisition by kindergarten teachers and kindergarten teacher licence acquisition by childcare workers, promotion of integrated kindergarten and childcare center management)
[To be implemented in FY2003]
- Review of the obligation to have a kitchen in place at childcare centers such as the joint use of a kitchen
[To be implemented in FY2003]
- Defining the scope of physical care services feasible in visiting care (e.g., suctioning of phlegm by home helpers, etc.)
[Study to be undertaken and concluded in FY2002]

. Regulatory Reform Directly Connecting with Economic Vitalization, such as Creations of New Industries and Employment)

1. Employment and Labor

(1) Deregulation to enable smoother job transition

- Fundamental deregulation of job placement services (deregulation of fee-charging, expansion of free job placement services)

[Advancement of implementation of consideration, Required measures for a bill that is to be submitted to the next ordinary session of the Diet, etc.]

(2) Deregulation to enable diversified work options

- Significant review of worker dispatching system (Expansion of the temporary work period limitation or its abolition, Expansion of allowable job categories for temporary work [lifting of the prohibition of dispatching work service to the "manufacturing" sector])

[Advancement of implementation of consideration, Required measures for a bill that is to be submitted to the next ordinary session of the Diet, and etc]

- Expansion of fixed-term work contracts (Expansion of upper limit of fixed-term work contract periods from 3 years to 5 years)

[Required measures for a bill that is to be submitted to the next ordinary session of the Diet]

- Expansion of the discretionary work system (Simplification of the procedures to introduction system and Expansion of business places for its application)

[Advancement of implementation of consideration, Required measures for a bill that is to be submitted to the next ordinary session of the Diet, etc.]

(3) Reform of the appropriate system for new types of workers

- Regulation of dismissal rules

[Required measures for a bill that is to be submitted to the next ordinary session of the Diet]

2. Housing, Land and Public Works

(1) Promotion of high efficiency and high utilization in metropolitan area

- Creation of “consolidated usage areas” in metropolitan areas in order to positively promote composite applications

[To be implemented in successive steps from FY 2003]

- Promotion of three-dimensional space utilization for road space and buildings

[Study started in FY 2002 and to be concluded after FY 2003]

(2) Review of procedures corresponding to requests in a new age

- Review of building check/inspection services and temporary use procedures

[Study started in FY 2002 and to be concluded in FY 2003]

(3) Development of the real estate market

- Information disclosure of real estate transaction prices

[Study started in FY 2002 and to be concluded in FY 2003]

3. Facilitation of Business Activities

(1) Reform in fuel cell related areas

- Taking measures for the individual regulatory reform from FY 2003 to FY 2004 towards the practical application of fuel-cell-powered vehicles, hydrogen infrastructure, household fuel cells in FY 2005

(2) Reform of content related industry including the animation industry

- Promotion of more appropriate contract systems and diversification of fund raising method for further development of the contents industry
- Application of the law to prevent the delay of payment of sub-contraction fee regarding service consignment trade including production of content (Sub-contraction law)[Required measures for a bill that is to be submitted to the next ordinary session of the Diet]
- Design and publicity of a contract prototype
[To be implemented in FY 2003]
- Addition of intellectual properties, such as copyrights, to the trust to facilitate the diversity of fundraising, etc.

[To be discussed and concluded in FY2003] (to be listed in “Finance“ again)

(3) Reform of “regulations that are barriers to private business activities”

- Listed total of 77 regulatory reform issues in the Schedule
- Simplification of administrative procedure ...51
- Clarification of interpretations of laws binding the scope of business ... 5
- Revision of standard authorization, security and qualification systems ...21

Others:

Three Cross-Sectoral Fields

(Creation of new businesses, development of business and living infrastructure and development of ex-post-facto checking rules)

Five Specific Fields

(Legal affairs, financial sector, energy, transport and environment)

End

List of members of the Council for Regulatory Reform

President	Yoshihiko Miyauchi	Chairman and CEO, Orix Corporation
Deputy	Yoshio Suzuki	President, Asahi Research Center, Co., Ltd. *Head of the working group on reconsideration of the market ruled by the government, the working group on medical care, the working group on energy and transportation, and the working group on IT
President		
Members	Reiko Okutani	President, The R Co., Ltd.
	Hideki Kanda	Professor, Graduate Course of Law and Politics, the University of Tokyo *Head of the working group on generation of new business and the working group on competition policy, judicial affairs and finance
	Eiko Kono	President and Representative Board Director, Recruit Co., Ltd.
	Kaori Sasaki	President and CEO, eWoman, Inc.
	Atsushi Seike	Professor, Faculty of Business and Commerce, Keio University *Head of the working group on improving ex post facto check rules and the working group on employment and labour
	Keiichiro Takahara	Chairman and CEO, Uni-Charm Corp.
	Tatsuo Hatta	Professor, Center for Spatial Information Science, the University of Tokyo *Head of the working group on improving business and life infrastructure, the working group on housing, estate and public works and the working group on environment
	Junnosuke Furukawa	President and CEO, The Furukawa Electronic Co., Ltd.
	Rie Murayama	Managing Director, Research Division, Goldman Sachs (Japan) Ltd.
	Minoru Mori	President and CEO, Mori Building Co., Ltd.
	Naohiro Yashiro	President, Japan Center for Economic Research*Head of the working group on Special Zones for Structural Reform, the working group on welfare, etc. and the working group on agriculture, forestry and fishing industry and circulation
	Shosaku Yasui	Chairman, Teijin Limited
	Akinori Yonezawa	Professor, Interfaculty Initiative in Information Studies, Graduate School of the University of Tokyo*Head of the working group on education and research

Members are listed in the order of the Japanese syllabary.

List of special members of the Council for Regulatory Reform

[Working group on generation of new business]

Yuko Kawamoto Senior Expert, Tokyo branch of McKinsey & Company Inc., Japan

[Working group on reconsideration of the market ruled by the government]

Junji Annen Professor, Faculty of Law, Seikei University

Kiyotake Inaba Emeritus Professor, Gunma University

Kazuaki Tanaka Professor, Faculty of Economics, Takushoku University

[Working group on improving business and life infrastructure]

Yoshiaki Kume Professor, Faculty of Urban Economics, Nasu University

[Working group on competition policy, judicial affairs and finance]

Yuko Kawamoto Senior Expert, Tokyo branch of McKinsey & Company Inc., Japan

[Working group on education and research]

Ikuyo Kaneko Professor, Institute for Media & Communication Research, Keio University

[Working group on medical care]

Hirofumi Kawakita Board Chairman, Kawakita General Hospital

Tomonori Hasegawa Assistant Professor, Public Hygiene Course, School of Medicine, the Toho University

Motohiro Asonuma Professor, International Research Institute of Health and Welfare, International University of Health and Welfare

[Working group on welfare, etc]

Shozo Ikeda Professor, Faculty of Sociology and Social Welfare, Ryukoku University

[Working group on employment and labour]

Noriaki Kojima Professor, Graduate School of Law, Osaka University

Hideyuki Morito Professor, Faculty of Law, Seikei University

[Working group on agriculture, forestry and fishing industry and circulation]

Yoshihisa Godo Professor, Faculty of Economics, Meiji Gakuin University

[Working group on housing, estate and public works]

Yasushi Asami Professor, Center for Spatial Information Science, the University of Tokyo

Hideo Fukui Professor, National Graduate Institute for Policy Studies

[Working group on environment]

Tadashi Otsuka Professor, School of Law, Waseda University

Norihiro Nakai Professor, Graduate Course of Social Science and Technology, Tokyo Institute
of Technology