First Report (Follow-up) on the Promotion of Regulatory Reform and the Opening Up of Government-driven Markets for Entry into the Private Sector

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Council for the Promotion of Regulatory Reform

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Finalization and Publication of the "First Report (Follow-up) on the Promotion of Regulatory Reform and the Opening Up of Government-driven Markets for Entry into the Private Sector"

The Council for the Promotion of Regulatory Reform (Council) was formed in April 2004 as an advisory organ to the prime minister. The Council has been investigating and discussing the opening up to the private sector of those service areas, in which the national and local governments are involved, as well as other areas that include those involving the public sector's deeper commitment for which only specified corporations are permitted to carry out services, etc. (both of these areas will be called "government-driven markets"). The "First Report on the Promotion of Regulatory Reform - "Achieving a Private Sector-led Economic Society" through the Opening Up of Government-driven Markets for Entry into the Private Sector" was produced on December 24, 2004 to summarize the Council's endeavors and achievements, and to that end, on December 28, 2004, a Cabinet decision was made to fully respect and swiftly implement the "specific measures" clarified by the First Report with the intention of revising the "Three-year Plan for the Promotion of Regulatory Reform" (a Cabinet decision on March 19, 2004) by the end of FY2004.

Within the three subsequent months, progress was made to a certain degree including recent actions taken according to the "specific measures" proposed in the First Report and hence, further action has been taken to follow up the initial progress. Meantime, in line with investigations and deliberations regarding the opening up of government-driven markets for entry into the private sector, the Council has also been implementing a area-by-area review in response to the abovementioned Three-year Plan through its working group. This First Report (Follow-up) summarizes a recent further development.

"I. Follow-up of the First Report" focuses on the items on which a certain degree of progress was made since the publication of the First Report. It is necessary to confirm the details of progress as well as to note items about which the Council for the Promotion of Regulatory Reform needs to clarify its opinions prior to further action.

"II. Area-by-Area deliberations" concentrates on examinations and deliberations regarding individual public service areas including: (1) monitoring and follow-up of the Three-Year Plan, (2) measures concerning regulatory reform applications collected during June, 2004 (Ajisai) as well as in October and November, 2004 (Momiji), and (3) new issues to be

addressed. Specific measures for each item are also stated, which have been agreed by all the ministries concerned.

The Council urges the Japanese government to reflect the “specific measures” clarified in this report in the revision of the “Three-year Plan for the Promotion of Regulatory Reform” at once and take action quickly. “Issue recognition and further tasks” indicate the Council’s fundamental ideas and views, which may not fully be adopted in the “specific measures” at this stage, and the Council sincerely hope the government to take them into account to a considerable degree when planning a policy and devising a framework.

I. Follow-up of the First Report (December 24, 2004)

Described below are the items on which a certain degree of progress was made since the publication of the First Report, including recent actions taken according to the "specific measures" proposed in the report. It is necessary to confirm the details of progress as well as to note items about which the Council for the Promotion of Regulatory Reform needs to clarify its opinions prior to further action.

1 Lifting the ban on "mixed medical care services" (combined use of insurable and uninsurable medical care services)

[Issue recognition and further tasks]

On December 15, 2004, in response to the Council's deliberation, the fundamental agreement regarding the combined use of insurable and uninsurable medical care services "mixed medical care services" was reached between the Minister of Health, Labor and Welfare and the Minister for Regulatory Reform under the Chief Cabinet Secretary. The agreement has been reflected specifically in the "specific measures" clarified in the First Report. Moreover, the following have also taken place according to these measures.

(1) The "Commission for Yet-to-be-approved Medicines" has been established to understand patients' needs as well as to conduct scientific assessments, through which sound clinical trials are ensured in conjunction with the combined use of yet-to-be-approved medicines and insurable medical care services, which is enabled seamlessly in a systematic manner. The commission already held its meetings on January 24 and February 22, 2005. The meeting on January 24 focused on anticancer drugs, which require urgent attention, including oxaliplatin (for colon cancer and rectum cancer), Pemetrexed (for malignant pleural mesothelioma) and thalidomide (for multiple myeloma), and a request for clinical trials of these drugs from their manufacturers were approved. The meeting held on February 22 looked into the approval procedure for drugs to the clinical trial stage.

(2) Requests for the lifting of the ban on mixed medical care services within special districts for structural reform (special districts), which were received during the sixth collection period between October 18 and November 17, 2004, have been reflected, based on the aforesaid fundamental agreement, through (a) the establishment of the combined

use of yet-to-be-approved medicines and insurable medical care services within Japan and (b) the development of a system that enables the use of advanced medical technologies in conjunction with insurable medical care services. On February 9, 2005, the special districts headquarters decided “Regulatory Reform Items to be Implemented Nationwide” including the use of yet-to-be-approved medical materials, which were vague by the fundamental agreement. It was confirmed that a system should established to enable the use of such medical materials within the clinical trial context.

Such deliberations as above were made based on suggestions from medical institutions, which also indicated a notion that “it is vital to devise and operate an effective and practical system according to the fundamental agreement including the simplification of the procedure for doctor-led clinical trials, and further measures will be suggested as necessary, either on the special district scale or on the national scale, depending on the progress of regulatory reform”.

Taking into such voices and needs of medical institutions as above, the Council will continue to define the “specific measures” included in the fundamental agreement and monitor the progress of regulatory reform so as to ensure the sound implementation of these measures in a fair and transparent manner. The Council also firmly supports the view to approve, principally and comprehensively, the combined use of insurable and uninsurable medical services, when the quality of such medical care services is ensured to be of a high standard by medical institutions, providing that all necessary information is available to the patients. Hence, the Council will endeavor to realize mixed medical care services according to the “specific measures” stated in the First Report, while employing the Structural Reform Law for Special Districts.

[Specific Measures]

In addition to the specific measures stated in the First Report, a system should be developed to enable the combined use of yet-to-be-approved medical materials and insurable medical care services within the clinical trial context.

[Action was taken during FY2004]

2 Parameters of the role of the Central Social Insurance Medical Council (CSIMC) (Review of the pricing mechanism in the medical field)

[Issue recognition and further tasks]

Regarding the review of the parameters of the role of CSIMC, in response to the issue raised and deliberation made by the Council, a fundamental agreement was reached on December 17, 2004 between the Minister of Health, Labor and Welfare and the Minister of Regulatory Reform under the Chief Cabinet Secretary, and the details of the agreement have been reflected in the "specific measures" stated in the First Report. Subsequently, the "Intelligence Council for the Parameters of the Role of CSIMC" (Intelligence Council) formed according to the "specific measures". The Intelligence Council began its discussion on February 22, 2005. Furthermore, as the "specific measures" state, the progress of the Intelligence Council meetings is to be informed to the Panel to Discuss the Significance of Social Security, the Council on Economic and Fiscal Policy and the Council for the Promotion of Regulatory Reform prior to reaching the final conclusion, during the course of which the Council will forward its views and ideas as appropriate.
Incidentally, the review of the parameters of the role of CSIMC, including the points below, is due to reach a conclusion by the Intelligence Council between the summer and fall of 2005, upon which action is to be taken promptly.

1) The function and role of CSIMC in relation to the policy planning for the revision of medical services fees
2) The enhancement of CSIMC's public welfare function
3) A better organizational structure to reflect the views of those involved in medical care services including hospitals
4) The serving period of committee members
5) The transparency of the procedures for the pricing of medical service fees and for post evaluation
6) A better mechanism to reflect the views and needs of the nation including both medical care staff on site and patients

The Council supports the following reform items as minimum requirements and the Intelligence Council should include these reform items in its discussion and proceed with a drastic review from both functional and organizational viewpoints including the

disorganization and re-establishment of CSIMC independently from Ministry of Health, Labor and Welfare.

1) The function of CSIMC subsequent to the drastic review should be limited to the determination of medical fee points, pharmaceutical prices and medical material prices. For policy-related functions, such as the significance of a medical fee system, and insurance application for medical technologies should be coordinated by organizations separate from CSIMC.
2) The current provider-oriented management policy should be revised to be more nation-oriented, thus, the three-party pricing system, consisting of payment committee members (8), medical service committee members (8) and public welfare committee members (4), should be restructured to make the number of public welfare committee members be a majority.
3) Requests for references for payment committee members and medical service committee members from concerned bodies should be banned. Especially with regard to the number of medical service committee members, committee members from hospitals should outnumber committee members from clinics and surgeries with consideration for the balance of sharing medical services.
4) The serving period of committee members, including public welfare committee members, should be, in principle, for two terms up to four years.
5) Reasons of the revision of medical care fees and others of similar kind must be explained objectively and scientifically, plus the revision finalized must be evaluated by a third party.
6) A system should be established to enable the determination of medical service fees that reflect voices and needs of medical institutions and the public.

3 A radical overhaul of the motor vehicle inspection system (listed in 2(1) of "Energy and Transportation")

[Issue recognition]

The number of motor vehicles owned privately is increasing yearly; 1.10 motor vehicles per household and 0.43 motor vehicles per person (data: March 2003), so is the number of driving license holders in the last few years; 77.46 million (data: 2003) at the rate of approximately one million per year. Considering these trends, the system that imposes

motor vehicle inspections and regular vehicle checkups is a concern closed to people's everyday life and therefore, it requires a fundamental review regularly not only in the light of safety and environmental issues but also in respect of the further reduction of the nation's obligations to observe the system.

At present, the system stipulates that the first inspection of private motor vehicles is due in the third year after the start of the ownership and every two years subsequently. It has been 51 years since the system was established (1952) and the above condition was introduced in July 1983 to relax the provision concerning the first inspection on private vehicles by shifting the validity time from the second year to the third year after the start of the ownership. The provision concerning the inspection of private vehicles that are ten years old and beyond was also relaxed in 1995 but merely by shifting the validity time from the first year to the second year after the start of the ownership.

It is also clarified legislatively by the revision of the Road Trucking Vehicle Law (Law No.185 of 1951) in 1995 that motor vehicle owners are responsible for their vehicle maintenance (checkups and upgrading) including the handling of malfunctions.

Furthermore, in comparison with Japan, other countries, such as those in Europe, allow longer validity periods for motor vehicle inspections under their motor vehicle inspection systems, e.g. in the fourth year after the start of the ownership, (the longest period approved by the EU).

A review of the motor vehicles inspection system has been suggested from the perspective of reducing the nation's obligations, and taking into the abovementioned circumstances, the Council for Regulatory Reform discussed the issue intensively as part of the "Action Plans for the Promotion of Regulatory Reform", and proposed in the Third Report (December 22, 2003) that "bearing in mind the true objective of motor vehicle inspections, checkups and upgrading, which is to realize safe motoring synchronized with our living environment, necessary data should be gathered, investigations should be carried out, and the outcomes should be summarized by the end of FY2004 so as to determine the appropriate validity periods for motor vehicle inspections in terms of safety, environmental conservation and technological advancement. The conclusion should be reached, upon which necessary measures should be taken swiftly".

Subsequently, the proposal was approved by the Cabinet and was incorporated in the "Three-Year Plan for Promotion of Regulatory Reform" in March 2004, and the definition of a desirable motor vehicle inspection, check-up and maintenance system was discussed, the conclusion of which was reached and summarized in March 2005.

The Council considers issues concerning the motor vehicle inspection system to be

important since they relate closely to people's everyday life, thus, a regular review of the system is necessary by while making efforts in understanding correctly views and opinions of those concerned, such as motor vehicle users, making data and calculation methods as publicly available as possible during the course of issue discussion, and recognizing motor vehicle inspection systems of other countries as well as traffic conditions, traffic accidents and their causes.

[Specific measures]

On the basis of the "Three-year Plan for the Promotion of Regulatory Reform", which was decided by the Cabinet in March 2004, the definition and significance of a desirable motor vehicle inspection, check-up and maintenance system was discussed from a comprehensive point of view. The discussion concluded indicating that the validity period of inspecting small motorcycles could be extended from two years to three years for the first inspection after the start of the ownership and that the regular check-up of motorcycles every six months could be abolished. Hence, necessary action must be taken swiftly according to the conclusion. **[Action to be taken during FY2005]**

II. Area-by-Area Deliberations

1 Basic rule

[Issue recognition]

The “Administrative Procedures Act” (Law No.88 of 1993), implemented in 1994, stipulates rules to be observed equally by administrative bodies, the nation and business providers over procedures for the processing of license and permit applications, penalty dispositions, administrative guidance and notifications. The Act contributes to the assurance and enhancement of the fairness and transparency of administrative operations, thus, it plays a vital role in developing regulatory reform to work for the Japanese nation practicably and effectively. It has been quite a while since the introduction of the Act, and it is probably time to discuss a review of the Act while confirming achievements which have been made and issues which have become apparent.

The Council for Regulatory Reform, the former organization of the Council for the Promotion of Regulatory Reform, stated in the “Third Report on the Promotion of Regulatory Reform (December 12, 2003) that “the Administrative Procedures Act must be revised promptly, including administrative legislation procedures, while taking into account its operational status over the last ten years”.

In response to this, a discussion was held by the “Panel on Administrative Procedures” under the Prime Minister of Japan in conjunction with the “Three-year Plan for the Promotion of Regulatory Reform” (a Cabinet decision on March 19, 2004), and in December 2004, the conclusion of the discussion, inclined to support the legislation of administrative procedures, was publicized.

The legislation of administrative procedures, which reflect the nations’ voices upon the establishment of governmental and ministerial ordinances, is expected to be realized in the near future. It is also important that the Administrative Procedures Act is revised continuously in the light of ensuring and improving the fairness and transparency of administrative operations.

[Specific measures]

1 Legislation of public comment procedures

[The bill to be proposed to the 162nd Diet]

The public comment procedure supports the assurance and enhancement of the fairness and transparency of administrative operations by seeking and reflecting the nation's voices during the course of deciding governmental and ministerial ordinances. The public comment procedures should therefore be legislated in line with the revision of the Administrative Procedures Act.

With regard to draft regulations and related documents which are publicized by the public comment procedure, they must detail the contents intelligibly for the public while clarifying the purpose of such publication is not only to provide the public with information but also to seek the public's views and opinions. Moreover, it should be ensured that the public's views and opinions as a result of the publication of such draft regulations and related documents are considered carefully and reflected in decision making.

2 Review of the document delivery system [Discussion started in FY 2004, a conclusion to be reached at the earliest possible time]

The Administrative Procedures Act stipulates that when administrative instructions are given verbally and the recipient of the instructions requests them in writing, the provider of the instructions must satisfy the request unless the delivery of the instructions in writing creates an adverse effect administratively. The public and business providers, however, seem to feel "uneasiness with making a request".

Taking such circumstances into account, the role of the document delivery system should be reviewed within the context of administrative disposals and the provision of administrative instructions to see if there is any aspect to be improved by carrying out fact-finding surveys, and a conclusion must be reached at the earliest possible time.

2 International economic collaboration

[Issue recognition]

Over recent years, the number of foreigners entering Japan has been on the increase. This is believed to be in line with the establishment of conditions, which liberate the cross-border transfer of products, money, services and information, as well as the dramatic advancement of means of transport, which encourages “the cross-border transfer of human resources”.

Japanese industries have actively been promoting not only their businesses but also their human resources on the international scale within the contexts of providing technical support and conducting business negotiations. Furthermore, Japanese industries have been strategically working on further intensification of their competitive footing in the global context by nurturing and training those who are highly-skilled and knowledgeable and who are allocated at overseas bases as well as encouraging foreign experts to work in Japan.

In addition, the advancement of information technology provides more opportunities for foreigners to understand Japan better in the aspects of culture and history, plus international events which were held in Japan, not to mention 2002 FIFA World Cup, have also contributed to the recent increase in the number of foreign visitors to Japan. Expo 2005 in Aichi, Japan is also expected to attract many visitors from abroad.

Meanwhile, it must be noted that the number of illegal immigrants still remains significant, in line with which, the rate of crimes committed by illegal immigrants is beginning to show an increase. It is pointed out that these facts are affecting the public order and security of Japan.

Under such circumstances, the Japanese government must develop a policy to facilitate the wider yet sound acceptance of foreigners while establishing a well-defined acceptance system upon entries of foreigners into Japan and a strict system to check the status of foreign residents.

The Council has recently listed issues regarding “the cross-border transfer of human resources”, mainly those which require a relatively short period of time to resolve. There are also other issues, not mentioned in this report, which can be solved within a short period of time, plus many issues require a longer period of time to unravel, in connection with a further decline of the birthrate and the aging society. These issues seek national debates immediately in order for Japan to clarify its stance in the acceptance of foreigners.

[Specific measures]

1 Granting stable residence status to foreign technicians and specialists, who enter Japan on contracts between Japanese and overseas firms

[To be discussed and a conclusion to be reached during FY2005]

Over recent years, Japanese industries have been actively engaged in the establishment of cross-border collaboration in various aspects, including joint research and development with overseas companies, and the outsourcing of marketing and consulting services, for further intensification of their competitive footing in the global context. These contracts set periods of long-term assignments and therefore, it is necessary to grant technicians and specialists sent by foreign firms with long stays in Japan in order to enable the execution of the contracts.

Work permits that fall in the categories of “technologies” and “culture and international affairs” are granted to foreign workers subsequent to the conclusion of “contracts with public or private Japanese organizations” with the focus on how foreign workers’ contributions relate to the performance of Japanese industries. However, such contracts are after all between firms and therefore, foreign workers’ contributions are limited to the sphere of their work assignments. In other words, they are ineligible for residence status in the categories of “technologies” and “culture and international affairs”. In order to promote joint research and development between Japanese and overseas industries, it is vital to establish a system to enable long stays for foreign technicians and specialists who are sent to Japan. This matter needs to be addressed and a conclusion should be reached immediately in coordination with national legislatives.

2 Relaxation over the residence status eligibility criteria in the categories of “technologies” and “culture and international affairs”

[To be implemented as necessary]

The vigorous promotion of the acceptance of highly-skilled and knowledgeable foreign workers inevitably contributes to the intensification of Japanese industries’ competitive footing in the global context as well as to quality enhancement of services that are provided for the Japanese nation. The Japanese government indicates its support for the idea, and measures to relax the landing permission criteria, in relation to the mutual recognition of IT qualifications between Japan and other countries for instance, are underway. However, these measures are still inadequate to secure high-quality human resources, as they do not help remove constraints on the scope of qualifications and the

sphere of business activities.

At present, residence status may be granted to highly-skilled and knowledgeable foreign workers in the categories of “technologies” and “culture and international affairs”, but in order for one to be eligible for the residence status in these categories, one must (1) have a university degree or equivalent, or (2) have ten years or more professional experience in one’s specialized field. However, both conditions have been relaxed for (3) IT experts who have certain qualifications. The Japanese government is very much criticized for being unable to obtain high-quality human resources, which are crucial in times of rapid economic change, due to the current inadequate landing permission criteria.

Hence, this matter should be addressed, while considering the current social climate in Japan, and for instance, a system that enables mutual recognition of qualifications between Japan and other countries, plus the objective assessment of skill and ability levels can be introduced, through which specialized knowledge and skills are met with the current high standards. With regard to fields where relaxation over the criteria for the residence status eligibility in terms of academic and professional careers, measures should be implemented as appropriate.

3 Relaxation over the residence status eligibility criteria for skilled workers such as chefs [To be implemented as necessary]

There are industries that are deeply rooted in the unique cultures of countries from where they originate. That is to say, there are experts whose skills are very closely attached to the way of thinking and sensitivity that have been developed in the cultural context over centuries in their countries. Such industries flourish in providing pleasure for overseas audiences by utilizing expert skills that have been developed and accomplished through self-experiences (mastership). It is needless to say that such skills are irreplaceable by any Japanese experts and the Japanese government has been positively engaged in cultural exchanges with various countries so as to promote such industries into Japan.

At present, residence status may be granted to foreigners who possess such culture-related skills in the categories of “culture and international affairs” and “technologies” but the former category is limited to the designing and development of certain products and the latter is accompanied by the condition that one must have ten years or more experience in one’s specialized subject. Meanwhile, some criteria for residence status eligibility have been applied more flexibly. For instance, skilled workers, who have been involved in architectural and civil engineering designing and

construction, which are unique to their birth countries, and who have received supervision of foreign managers with ten years or more professional experience, and sommeliers who possess excellent records of having been rewarded at international competitions may be granted with residence status when they have five years or more experience in their specialized subjects.

Hence, while devising measures to prevent illegal employment and illegal residency in Japan, there should be a system, for example, to align the skill level of experts such as chefs, who are in high demand, to the standards currently obtained by screening them according to their qualifications. Meanwhile, measures should be taken as appropriate for those whose occupations are subject to the criteria that have been relaxed in terms of lengths of professional careers.

4 Residence status for vocational purposes subsequent to the acquisition of qualifications in specialized subjects [Action to be taken during FY2005]

Those who wish to receive compulsory education and further education in Japan and therefore have been granted with residence status are invaluable future human resources that bridge Japan and their countries. They should be nurtured to be pro-Japanese and be encouraged to utilize valuable knowledge and experience which they have acquired in Japan.

Japanese industries are keen to secure excellent human resources regardless of nationalities, and there is an increasing number of foreign students and pupils who wish to find employment with Japanese firms.

At present, foreign university students are allowed to remain in Japan for up to 180 days after their study periods have ended, when they satisfy certain conditions, for the purpose of seeking employment. This measure applies only to overseas students who are based at universities in Japan, and overseas students with qualification certificates in their specialized subjects are overlooked by the measure regardless of their excellence. Moreover, overseas students who are based at special technical schools in Japan are allowed to change their residence status from for study purposes to for vocational purposes only during their study periods in Japan. This condition creates a disadvantage for overseas technical students, compared to overseas university students, as they are hindered from having ample time for vocational activities.

From the perspective of nurturing and securing very able, pro-Japanese human resources in Japan, overseas technical students should be able to have a certain period of time for vocational activities after the completion of their courses at technical schools in

Japan, as overseas university students are already allowed to do so, based on association between qualification they have acquired and occupations that require their skills.

5 A review of the landing permission criteria related to the issuance of "entertainment" visas for the prevention of human trafficking

[Action to be taken during FY2005]

"The eradication of human trafficking" is one of the most urging issues worldwide. In Japan also, lead by the Cabinet Secretariat, the National Police Agency, the Ministry of Justice, the Ministry of foreign Affairs and the Ministry of Health, Labor and Welfare formed a liaison commission in April 2004 to address the issue. Meanwhile, the Trafficking in Persons Report by the U.S. Department of State, which was released in June 2004, pointed out that Japan was a targeted destination for human trafficking from Asian countries, and Japan has been listed on the "monitoring list" in category 2 of the three-stage evaluation as a country that "has been actively combating the issue, although its effort has not yet met even the minimal acceptable standard, and is implementing additional measures to produce a positive outcome within the next 12 months".

Under such circumstances, it is pointed out that many women arrive in Japan from other countries, who claim to be entertainers, with "entertainment" visas on approval by their countries' governments but many of them do not actually posses entertainment skills and are often victims of human trafficking.

In order to prevent the misuse of "entertainment" visas, the procedures of landing assessment and residency assessment should be tightened so as to eliminate connections between entertainment promoters and human trafficking in addition to a review of the landing permission criteria related to the issuance of "entertainment" visas.

6 A clear statement of reasons for disapproval of resident eligibility

[Action to be taken at the earliest possible time during FY2005]

A certificate of authorization of resident eligibility is proof that activities one from overseas intends to conduct in Japan are for genuine purposes and that one has also satisfied the landing permission criteria in order to conduct the activities in Japan. The issuance of a certificate of authorization of resident eligibility helps speed up the process of issuing a visa to a person eligible as well as the procedure of immigration control checks. For this merit, many who wish to enter Japan apply for the authorization of resident eligibility in

advance, and their applications may be rejected when they fail to satisfy the landing permission criteria (in which case unsuccessful applicants receive a notification regarding the disapproval of resident eligibility). The notification states reasons for the disapproval of resident eligibility only briefly, merely by quoting law articles for instance. It is therefore insufficient to explain the course of the disposition of an application and the result. It is also unhelpful for the applicant to satisfy the criteria more successfully in the future.

Hence, it is necessary to direct local immigration authorities to provide reasons for the disapproval of resident eligibility in detail, including the course of assessment to reach the verdict and law articles which gave the ground to the verdict. Furthermore, when application for resident eligibility is unsuccessful, an applicant should be able to seek advice, at the applicant's request, on what he/she will need to provide to satisfy the criteria in order for his/her application to be successful next time.

In addition, measures such as above should also be taken for the authorization of an extended residency period and the authorization of the change of residence status from the viewpoint of ensuring certain procedure security.

7 Tightening of the system to check overseas residents in Japan subsequent to admission into the country [To be discussed during FY2005]

On the basis of the idea to positively welcome technicians and specialists to Japan from overseas, Japan operates legislative systems such as the immigration control system. The number of foreigners in Japan, who are in illegal employment, still remains high, and this fact associates with the rise of crimes committed by illegally employed and/or illegally residing foreigners, which has been developing social concerns. Under such circumstances, there has been an urge for a better framework to control the immigration of foreigners.

The current immigration control system operates a three-stage assessment; pre-entry, entry, and post-entry into Japan. In addition to this assessment procedure, it is necessary to carefully identify the status of foreign residents in Japan. It is also important to tighten the immigration control system in the light of post-entry checks.

The current system stipulates the registration of foreign residents and the reporting of hiring non-Japanese workers, including the change of resident status and the extension of stay periods. However, the current system does not enable the full understanding of foreign workers' employment status, and it lacks consistency, as unified control cannot be achieved by the central government, local authorities and foreign worker's employers.

Therefore, a fundamental review of the immigration control system is necessary in order to prevent illegal employment and illegal residence in Japan while ensuring the rights of foreign workers and protecting the Japanese labor market.

Furthermore, there should be a mechanism to enable the accurate understanding of the employment status, residence status and social security status of foreign workers in Japan, plus the provision of education for their children, which are confirmed by the central government, local authorities and the employers of foreign workers through consistent adherence to policies. In addition, the relaxation over regulations such as the extension of stay periods to a maximum of three years, as currently stipulated, should be discussed.

8 Clarification of the criteria for the provision of training programs for foreign workers

In line with economic globalization, more Japanese industries have affiliates overseas nowadays. Some Japanese firms establish affiliates in target countries to be their production bases and promote their knowledge and expertise in the target countries. Moreover, such Japanese firms vigorously encourage technical experts of their overseas affiliates to come to Japan so that they can acquire knowledge and skills necessary for the production of the latest products through training programs. Despite the current phenomenon, the current training system does not encourage the further provision of training, especially for foreign workers whose countries are not authorized for training exchange with Japan.

Hence, the following measures should be implemented:

(1) The criteria for the authorization of training exchange and case examples should be publicized to clarify consistency. **[Action to be taken during FY2005]**

(2) The criteria for the further provision of training for foreign workers and case examples should be publicized to clarify consistency. **[Action to be taken during FY2005]**

(3) With regard to foreign trainees accepted by Japanese industries independently, the forms of Japanese industries, which are bound by so-called “the 5% rule”, should be reviewed. **[Action to be taken during FY2005]**

9 Legal protection for foreign workers during training in Japan

[A conclusion to be reached by FY2006]

Training allowances currently provided for foreign workers during their training in Japan merely cover “expense which is absolutely necessary for living” because foreign workers on training are classified as non-workers. It has been reported that some firms that accept foreign trainees abuse this condition and use them as cheap labor.

Therefore, the significance of legal protection for foreign workers on training should be discussed, while revising the current training system, and a conclusion must be reached.

10 Publication of visa assessment criteria and the partly simplified visa issuance procedure [The publication of the basic issuance criteria to be discussed and a conclusion to be reached during FY2005. Action to be taken on the other during FY2005]

A visa ensures the legitimacy of a foreigner’s entry into and stay in Japan, and is issued by a diplomatic mission abroad. Criteria for visa issuance procedures conducted by diplomatic missions abroad are specified according to the current status of each country and each region in relation to their current affairs with Japan. The actual visa assessment, however, very much relies on the discretion of diplomatic mission officials who are in charge, and the possibility of arbitrary administration has been questioned. The number of complaints against visa assessment is also notably high.

In order to improve predictability of visa applications and secure objectiveness, the feasibility of the publication of basic issuance criteria in relation to visa assessment should be discussed and a conclusion must be reached. A standard processing period should be specified, unless any irregularities and/or questions arise in the process, so as to ensure sound law and order, while visa assessment must be conducted according to the criteria in line with procedural improvement and transparency enhancement.

Furthermore, when there are some matters to be considered regarding a visa applicant, there should be a space within the application form reserved for noting such matters. A measure such as the provision of information about an applicant in the application form followed by instant acknowledgment, if appropriate, could help partly simplify the issuance procedure.

11 Publication of the scope of application eligibility for multiple visas

[Action to be taken during FY2005]

In line with the advancement of industrial globalization and the acceleration of

international trading, demand for multiple visas by foreigners, who frequently visit Japan for business purposes, is growing.

The issuance of multiple visas is limited to a certain scope of application eligibility, and it is occasionally publicized on websites of diplomatic missions abroad. In reality, however, multiple visas are very unlikely to have been issued and administrative irregularities have been questioned.

Hence, the scope of application eligibility for the issuance of multiple visas should be publicized in order to clarify Japan's intention through diplomatic missions abroad to support the idea of multiple visas for foreigners who frequently visit Japan for business purposes. In addition, such publication should also be implemented within Japan so as to encourage the usage of multiple visa system and improve system transparency.

12 Improvement of the operation of APEC business travel cards (ABTCs)

[Action to be taken during FY2005]

The ABTC system became effective in 1997 with the introduction of APEC business travel cards (ABTCs), which enables the simplification of assessment procedures upon entry by those on business into seventeen countries and regions that support the system. Incidentally, Japan joined the ABTC system in 2003. According to the current system, the renewal of an ABTC corresponds to the renewal of a passport. The issuance of ABTCs, either newly applied or reapplied for, is a long process, taking approximately three months, thus procedural efficiency has been questioned.

Hence, in order to reduce the amount of time spent on the issuance process of reapplied ABTCs upon the renewal of passports, the framework of the ABTC system need to be reviewed and the addressing of the issue should be encouraged through APEC liaison meetings held by the supporting countries and regions.

[Further tasks]

The council supports the views and ideas stated below. They are still subject to agreement and approval by the ministries concerned, thus requiring further discussion during the subsequent year.

1 Relaxation over employment restrictions for foreign care workers

Foreign care workers are not allowed to seek employment in Japan, even when they have national qualifications acquired under the Japanese examination system. This is

because, at present, there is not a category that classifies their profession to grant them with residence status. Even by EPA agreement, the number of foreign care workers to be accepted to Japan is restricted, plus their profession is classified merely as “specified activities” for which they may be granted with temporary residence status.

Hence, the profession of foreign care workers, who have acquired appropriate qualifications under the Japanese examination system, should be properly recognized and categorized, equally to that of Japanese care workers, and residence status consistent with foreign care workers’ purpose of stay should be newly created.

2 Relaxation over residence status criteria in relation to “specialized knowledge and skills”

In times of economic globalization and rapid industrial growth, competition over securing high-quality human resources, which possess internationally recognized specialized knowledge and skills, is also becoming more severe. In addition, when it is anticipated that Japan will sooner or later be confronted by medium-to-long-lasting depopulation due to the decline of the birthrate and the aging society, it is vital for Japan to vigorously acquire excellent human resources from abroad, which would contribute high added values to the securing of Japan’s competitive footing in the global market.

“Specialized knowledge and skills”, which are considered for the granting of residence status, divided into nine business categories. They are recognized as “activities contributable to services that require highly-trained knowledge and skills in specialized fields of industries”. Furthermore, in order to ensure the quality of such knowledge and skills, one has to satisfy the criterion that one has “10 years or more professional experience in a field relevant to one’s skills”. It has been criticized by various industries in Japan that such categorization of industries and such a restriction on the length of professional career do not meet with fast-moving Japanese economic society.

From the perspective of the sustaining of Japan’s competitiveness in the global market, the availability of foreign skilled workers, whose quality contributes high added values to Japan’s economy, should be widened.

3 Information and technology

[Issue recognition]

Japan's IT strategy was initiated in January 2001 with the objective "to become the world's leading IT nation within five years". With the perfect provision of the world's fastest yet most affordable internet networking up front, the establishment of the broadband network environment has been completed in the first phase, followed by further promotion of structural reform and the creation of new values by the endorsement of IT utilization in the second phase, and now the realization of "a ubiquitous network society" where "anyone can connect themselves no matter where, when, or for what purpose" is underway, while addressing priority issues in order to achieve the abovementioned ultimate goal.

Priority issues lay in infrastructure improvement (hard) and IT utilization (soft). That is to say, in the hard aspect, further enhancement of the wireless broadband network environment is necessary but this concerns the effective use of finite radio wave resources. Moreover, in order to provide a perfect environment for the practical use of the latest technological innovation, whether wired or wireless, and to provide users with quality services with a vast range, the continuation of the promotion of fair and honest competition is vital.

In the soft aspect, meanwhile, security in IT utilization for socio-economic activities is vital and measures to tackle issues that arise along with the advancement of IT are required, including the prevention of frequent leakage of private information and the authenticity of electronically produced data by giving legal weight to time verification provided by private companies.

Furthermore, close collaboration between the Council and the IT Strategic Headquarters is crucial for maximizing the effect of regulatory reform in the IT area.

[Specific measures]

1 Further enhancement of the infrastructure for information and telecommunications networks

(1) A review of the radio utilization fee system

The radio utilization fee system regulates the proper use of radio frequencies and expense incurred for the benefit of a radio station as a whole is borne by the licensees

who operate the radio station. The system was introduced in 1993. The communication environment has changed drastically since then, with the significantly increased use of frequencies for a wide variety of communication methods including the rapid spread of cell-phones, upsetting the balance greatly between the degree of radio utilization and the amount of incurred cost. Subsequently, there has been a strong urge for the improvement of such an undesirable condition. Meanwhile, there are voices which support the collection of fees in consideration of radio utilization in balance with its economic merit in order to promote more efficient use of frequencies. Taking these views into account, a fundamental review of the radio utilization fee system is in progress, for which the following points should also be considered upon the delivery of necessary measures.

1) A new role of the radio utilization fee system

A radio utilization fee should be determined according to the frequency level and the condition of frequency traffic. For instance, satellites and broadcasting station, which require high frequency outputs and wide frequency bands, should bear higher fees. The economic merit of radio utilization should be measured by the level of a frequency output and the width of a frequency band, thus, fees should vary accordingly. **[The bill to be proposed at the 162nd session of the Diet]**

Meanwhile, unnecessary excessive charge for radio utilization must be prevented, and for this purpose the balance between fee amounts and the level of radio utilization should be regulated by law while transparency and objectiveness must be ensured in the process of the calculation of fees. In addition, the cost incurred purely by radio utilization should be reviewed constantly for better, more efficient use of frequencies. **[Action to be taken during FY2005 and to be continued in the subsequent years]**

2) Low-power radio systems and radio utilization fees

[To be discussed and a conclusion to be reached during FY2005]

Some opposed to charging low-power radio systems for radio utilization for new, young industries are vulnerable to financial downfalls. Nonetheless, low-power radio systems should not be exempted from the radio utilization fee system, as they still occupy certain frequency bands and benefit from services such as radio wave monitoring. Therefore, it is only fair that licensed stations obliged to pay for radio utilization as properly registered stations. The collection of radio utilization fees

should be conducted using as simple and as effective a method as possible.

3) Radio utilization by the public sector and radio utilization fees

[Action to be taken upon the next revision of radio utilization fees]

At present, fees at reduced rates are applied to radio utilization by the public sector including the central government and local authorities. This is based on the idea that radio utilization fees collected from the public sector are merely circulated within the national treasury. However, radio utilization fees are specific revenue sources and the idea of them circulated within the national treasury is not necessarily correct. Moreover, the government should set an example in endeavoring to promote the effective and efficient use of frequencies, and for this reason, plus from the perspective of ensuring fairness to the private sector, the public sector including the central government should also share the obligation to pay for radio utilization, in principle, unless the high public use of radio frequencies is evident, supported by a considerable degree of effort to ensure the high efficiency of radio utilization. There should be a system therefore to define the public sector's obligation.

(2) Expansion of frequency bands for high-speed power line communication facilities [To be discussed and a conclusion to be reached during FY2005]

Power line communication is a communication method by which data is transmitted via cables (electricity cables) installed within buildings. Its advantage is that data can be transmitted while power is supplied using the same power source, which saves extra wiring. Frequency bands available for power line communication are currently specified to be between 10 kHz and 450 kHz in the light of preventing interference. This frequency band range is adequate for low-speed data transmission (e.g. 9.6 kbps) but will soon fall behind the recent development and spread of high-speed networking. Meanwhile, the outdoor use of power line communication indicates a positive prospect in terms of widening users' choice.

The first step for further enhancement of power line communication for indoor use would be the widening of the frequency band range available for power line communication facilities (additional 2 MHz to 30 MHz), upon which it should be ensured that no adverse effects are caused by radio wave leakage to wireless communication and/or broadcasting. The technological aspect should be thoroughly discussed by those involved and a conclusion should be reached accordingly.

2 Promotion of fair competition among telecommunication businesses

(1) Evaluation of competition status [Action to be taken during FY2005]

Over recent years, the telecommunication industry has developed significantly by means of technological innovation, creating countless new services and vigorous competition encouraged by compounded business growth. Such competition is founded on the liberation of facilities and features indispensable for the provision of services and this is unique to the telecommunication market, quite different from the financial market and other types of service markets. Hence, the government must have an ability to recognize the telecommunication industry with a keen eye to identify its expertise in relation to the latest technological advancement. The government also needs to be able to understand the competition status in the telecommunication market as much in detail as possible so as to reflect findings in policies.

Continuing to ensure transparency and objectiveness, the government must analyze and evaluate the competition status in the telecommunication market, especially in the key areas of (1) fixed telecommunications, (2) mobile communications, (3) internet connections and (4) intranet networks. Analysis and evaluation results should be able to indicate the presence of any factors hindering the liberation of facilities and features indispensable for the provision of services such as above. The government then must be able to devise policies appropriate for the promotion of healthy competition in the telecommunication market, while eliminating problems and furthering the liberation of abovementioned facilities and features.

(2) Use of frequencies for cell-phone communications

[Action to be taken during FY2005]

Since the introduction of the sellout system for cell phone terminals in 1994, regulatory reform was attempted in various ways. Consequently, the dramatic diffusion of cell phones has been achieved and the current record shows a figure of 80 million contracts created under the 4-company system, indicating the firm establishment of cell phones within Japanese people's everyday lives. Meanwhile, the increasing number of subscribers and the expansion of cell phone communication services have created frequency congestion, which is a growing problem. In the light of ever-competitive fees, such as inexpensive subscription fees, offered by cell phone providers, and in the aspect of further enhancement of service quality as well as in terms of the effective use of frequencies, it is necessary to continue with the securing of frequencies for cell phone

communications by implementing measures such as the reallocation of frequencies.

Moreover, radio wave is the Japanese nation's shared property, and its allocation affects the performance of cell phone businesses. Hence, fair and healthy competition should be ensured among cell phone businesses by allocating a frequency to a new provider through an open and fair procedure, plus the licensing of the use of a frequency for cell phone communication should be regulated by a certain policy and criteria, which must be developed as soon as possible.

(3) Parameters of the role of NTT [Continues to be monitored]

The rapid change of the communication environment by the vigorous advancement of telecommunication businesses has also accelerated competition in the provision of broadband services and standard charges for land line services. The recent advancement of ADSL services is significant and the subscription share of NTT East/West was 37.2% in September 2004, indicating a severe fall from approximately 60% three years ago. Meanwhile, the number of users of FTTH services has recently increased dramatically as a result of the provision of remarkably small charges. The telecommunication market continues to grow with the constant introduction of new IP services, thus creating more competition among providers as well as among allied companies within the same group industry, which is the latest trend.

What has not changed is the fact that NTT owns all the facilities that are indispensable for other telecommunication businesses when providing their services.

Therefore, the operation formation and stance of the NTT Group within the telecommunication industry must continue to be monitored in the light of providing a fair ground for healthy competition for all telecommunication businesses, including the liberation of optic fiber networking services to all subscribers, while ensuring that fair competition is encouraged among NTT-associated companies as independent organizations. If fair competition fails to develop steadily, even after the implementation of certain measures, a fundamental review of the role of NTT must be conducted in the perspective of the obtaining of NTT's sovereignty in telecommunications and as well as trends in the global market.

3 Perfect provision of legal infrastructure to promote IT utilization

(1) Prevention of the leakage of private information

[Discussion to be initiated during FY2005]

The progression of IT society and the increasing use of private information have encouraged the leakage and outflow of private information in many industries, and this is becoming a serious social problem. It is needless to say that the leakage and outflow of private information invades ones' rights and benefits. It also loses society's trust in service providers. Furthermore, if the acquisition and use of data, which is useful and important for business activities, must be severely controlled, it will hinder the development of new businesses and the provision of services, which is undesirable to consumers' benefit.

The present legislation is inadequate for controlling the leakage and outflow of private information, and if such unfair practice is allowed to continue, the complete invasion of privacy will be inevitable, which in turn will wither economic vigor.

Hence, the significance of punishments for the leakage and outflow of private information should be discussed by the entire government with the focus on precise points at issue.

(2) Legal weight to time verification provided by private companies

[To be discussed and a conclusion to be reached during FY2005]

In line with the development of information and telecommunication technology, the use of electronically created legally validated documents such as of finances and taxes has been practiced actively. It is very convenient when electronic documents are easy to re-edit and manage. On the other hand electronic documents are vulnerable to falsification, as changes and deletion can be easily made to them. The ensuring of security in the transaction of electronic documents on the Internet and the promotion of e-commerce must be supported by measures that tackle such a drawback of electronic documents.

As part of tackling the issue such as above, legislation has already been implemented since April 2001, regarding the authentication of document data by electronic signatures and verification services; falsification is prevented by electronic signatures (the authentication of the author of a document datum) and any change made to a document datum can be checked. Nonetheless, electronic signatures do not concern the verification of the time when document data was created or of the indelibleness of

the contents of documents over a long period of time.

Services to verify the genuineness of electronic documents include “electronic notary services” by appointed notaries public and “electronic contents certified mail” by the Japan Post. These services are criticized for (1) a lack of time efficiency, (2) inadequate processing capacity and (3) high costs. In contrast, time verification services (time stamps) provided by private companies have taken off well over recent years. Time stamps are not for authenticating the contents of electronic documents but they verify “the time when an electronic document was created” and “whether or not any change has been made to the document since a specified time”. Furthermore, time stamp services using networks are expected to be able to resolve the problems as mentioned above, which “electronic notary services” and “electronic contents certified mail” are unable to overcome at present.

The conquering of the inadequacy of the electronic signature system to verify the genuineness of electronic documents and of the problems bone by the existing public services, plus the perfect provision of infrastructure for further expansion of e-commerce should be realized, and for this purpose, the feasibility of adding legal weight to the time stamp system provided by private companies should be discussed and a conclusion must be reached accordingly.

4 Competition policy, legal affairs and financial affairs

1 Competition policy

[Issue recognition]

As stated in the Third Report by the Council for Regulatory Reform, the promotion of regulatory reform shares the same objective with the competition policy in the light of the realization of economic society where free and fair competition is encouraged while adhering to the same rules. Hence, the promotion of regulatory reform and the intensification of the competition policy are regarded as the wheels of the structural reform of Japan's economic society.

The Council for the Promotion of Regulatory Reform also shares the same objective to achieve a "private sector-led economic society" ("Interim Summary", August 3, 2004), from the perspective of the Japanese nation who are customers as well as users and consumers, by providing them with a wider choice through the opening up of government-driven markets for entry into the private sector, while continuing to promote regulatory reform to enable private service providers to apply their ingenuity to their businesses to the full extent. In order to generate the vigor of the private sector, it is vital that private providers are given security when they engage with their businesses freely, while healthy competition among them is encouraged, on the premise of fair competition rules. Moreover, from the viewpoint of the Japanese nation, who are customers, it is necessary to provide them with a wider choice so that they can make their decisions on products spontaneously and rationally.

From the perspectives as stated above, the role of the competition policy is as important as ever in the promotion of regulatory reform and therefore, the enforcement of the most basic rule, the Antitrust Law, (the Act Concerning Prohibition of Private Monopolization and Maintenance of Fair Trade (Law No. 54, 1947)), plus the structure of the supporting body, the Fair Trade Commission and its strengthening must continue to be eagerly discussed and reviewed as appropriate.

Concerning review of the Antitrust Law enforcement systems, the Japanese government introduced a bill to the 161st session of the Diet to make amendments to the Antitrust Law with the main emphasis on a revision of the surcharge system, the introduction of a leniency program (surcharge remission system), the introduction of compulsory measures for criminal investigations and a revision of hearing procedures. Discussion about the

revision of the Antitrust Law is in progress by the Diet, and from the perspective of further intensification of the competition policy, the early agreement on the aforesaid bill, which conveys the points made in the Third Report by the Council for Regulatory Reform, is much hoped.

[Specific measures]

1 Further strengthening of the competition policy [Action to be taken during FY2005 on the premise of the agreement on the aforesaid bill]

The early agreement on the bill to revise the Antitrust Law is much hoped, as described in “issue recognition”. Meanwhile, the addressing of issues according to the framework of the existing law is obviously very important. Especially, not only bidding but also the act in violation of the antitrust Law such as elimination of new businesses, price cartels which threaten consumers’ benefit in general, and such problems must be tackled rigidly and quickly. Hence, the Fair Trade Commission must continue to review and strengthen its audit function and mechanism to prevent any act in violation of the Antitrust Law.

The Council for the Promotion of Regulatory Reform considers the more efficient delivery of hearing procedures and system enhancement to ensure fairness and rational procedures to be issues that require urgent attention, but for time being, on the assumption that the revision of the Antitrust Law will be actualized, the capacity of the Fair Trade Commission to handle newly introduced systems could be in doubt. The revision of the Antitrust Law will bring the implementation of new systems including a leniency program, and in order to maximize the effect of such new systems, they must penetrate the economic world as well as associated areas so as to encourage business providers to make the full use of new systems. At the same time in the light of the securing of the transparency of new systems, a set of criteria prior to the submission of a report and reference materials of act in violation of the Antitrust Law should be developed so as to reach a clear verdict, i.e. not to order a surcharge or to approve surcharge remission, including the format of such materials and the time of submission. Such a measure should facilitate and establish the enforcement of new systems. Furthermore, including the creation of a section, which practices compulsory measures for criminal investigations, clearly separated from the current section, which exercises the right to conduct administrative investigations, the Fair Trade Commission must prepare itself by enhancing its execution system of new systems prior to their introduction.

On the premise of the agreement on the bill to revise the Antitrust Law, the introduction of new systems including a leniency program must be publicized so that new systems will be received well while the effectiveness of the revise Law will be ensured, and the Fair Trade Commission must improve its execution framework to prepare for the introduction of such new systems.

2 Improvement of the operation of the government procurement system

[Continues to be implemented with a constant review]

The government procurement system has been constantly under review for further improvement. A cabinet decision was made to implement the "Three-Year Plan for Promotion of Regulatory Reform" (as applicable) and the "Policy on State Contracts with Small and Medium Enterprises 2004", and the Japanese government should pursue further improvement of the operations of split-ordering, the exercising of regional criteria, and review the role of bidding authorization for new service providers, while taking into account the points raised in the Third Report by the Council for Regulatory Reform.

3 A review of premium and labeling regulations

[Continues to be discussed during and after FY2005]

The regulations based on the Act against Unjustifiable Premiums and Misleading Representations (Law No.134, 1962) receive suggestions for reviewing the significance of premiums offered to general consumers not by lotteries. Meanwhile, the practice of deceptive labeling to consumers shows no signs of diminishing. There are voices for improving the effectiveness of the regulations. Hence, a policy should be devised, which reflects the abovementioned criticism and suggestions regarding the regulations based on the Act against Unjustifiable Premiums and Misleading Representations, from the perspective of ensuring the correct product choice made by consumers.

2 Finance

[Issue recognition]

The revitalization of Japan's economy and society urgently requires the establishment of a system and mechanism in the finance area by which the finance industry shifts its attention from traditional indirect financing to market-oriented indirect financing, promoting the flow from savings to investments to facilitate funds poured into growing

industries and businesses.

Meanwhile, financial institutions (including securities firms) should each promote reform so as to enhance the user-friendliness and convenience of their services by product deregulation and by the realization of cross-cutting financial services.

Furthermore, technological advancement including IT is faster than ever, in line with which the finance industry must also move forward by a new approach to the provision of financial services.

[Specific measures]

1 A cross-cutting approach to the financial services (investments) legislation [Discussion to be concluded and action to be taken successively during and after FY2005]

It has been a while since the importance of shifting the attention of the Japanese financial and capital market was pointed out, from traditional indirect financing to market-oriented indirect financing. The recent emergence of new financing mechanism, such as corporate reconstruction funds, will encourage further development of diverse financing systems and strategies through the Japanese capital market. From the legislative aspect however, the current legislation does not provide a legal structure to protect investors within the entire context of the capital market. Hence, the development of a basic framework is strongly desired, which provides a cross-cutting approach to cover every aspect of the capital market to meet further revitalization of capital procurement.

For this reason, the Securities Exchange Law (Law No.25, 1948) should be revised and an investor protection system (the Investment Services Law (tentative name)) should be established so as to cover not only the areas of banking and insurances but also the other areas (the capital market area) of the financial and capital market.

2 Area-by-area issues

(1) Banks

1) Greater flexibility into the voting right regulations in respect of trust assets [To be discussed and a conclusion to be reached during FY2005]

According to the Antitrust Law, Article 11-2, an establishment that deals with banking transactions may hold a voting right as a trust asset for one year, which exceeds 5%

of a total of shareholders' voting rights. The granting of such a voting right must meet a set of criteria, one of which is stated by the guideline of the Fair Trade Commission that "the increase rate of a voting right, which is owned as a trust asset must not exceed 1% within one year". However, after the acquisition of a voting right, no matter how carefully the increase rate of the voting right is controlled not to exceed the specified rate, such a criterion can be violated merely by coincidence, by unexpected payback, for example.

Such situations can leave a bank with no choice but to sell its capital holdings, at an undesirable time besides, hindering efficiency in the management of the bank's trust asset. Moreover, anticipating such a risk, the controlling of the stock rate below 1% will bring only limited gain in the trust asset, thus restricting performance.

Therefore, the criterion, "the increase rate of a voting right, which is owned as a trust asset must not exceed 1% within one year", should provide more flexibility while taking into account the exemption from such a condition in case of unexpected circumstances, as exemplified above, by specifying supplementary conditions.

2) Relaxation over the bank-owned preferred stocks regulations

[To be discussed during FY2005]

According to the Banking Law (Law No.59, 1981) and the Antitrust Law, banks are allowed to own an unlimited number of preferred stocks when they do not hold voting rights. It is notable that many preferred stocks are accompanied by provisions that enable the recovery of voting rights under certain conditions and the conversion of preferred stocks to common stocks. The conversion of preferred stocks to common stocks, for instance, may enable the recovery of a voting right but may concern the constraints stipulated by so-called the 5% rule. In such a case, the exception of holding a voting right, even in excess of a 5% holding, is approved, providing that stock conversion was not requested by a bank. If such an exceptional situation was created at a bank's request for stock conversion, the Antitrust Law still allows it to happen, based upon the previous approval given to the bank, but the Banking Law does not provide any measures to respond to such a case.

Over recent years, a vast number of preferred stocks have been issued with the purpose of corporate restructuring, and many of them are handled by financial institutions, not to mention banks. These financial establishments normally convert their preferred stocks to common stocks during a conversion period and try to sell them in line with the progress of corporate restructuring. Upon the conversion of

preferred stocks to common stocks, the current regulations do not allow such an operation, if in excess of 5% holding, and therefore, restricting the use of preferred stocks for business rehabilitation. Stocks that are to be converted from preferred stocks to common stocks could be reserved until stock sales, causing little harm in doing so, if they are to be disposed of by banks.

The "conversion of preferred stocks to common stocks", which is exempted from the 5% rule according to the current Banking Law, should be regulated by an additional condition, "if stock conversion is requested by a bank". Furthermore, if a bank devises "a stock disposal plan subsequent to stock conversion" and applies for pre-approval, for instance, the banks should be allowed to hold its voting right until its holding reaches a certain rate during the planned period.

3) Issuance of subordinated bonds by cooperative banks

[To be discussed during FY2005]

Cooperative banks and credit associations must clarify their stance within the regulation of equity capital ratio as well as the establishment of sound capital adequacy for their healthy, sound performance. The existing system sets out three types of investment methods; common investment, preferred investment and subordinated loan, for stabilizing the capital adequacy of cooperative banks, and further equity capital enhancement as a risk buffer will remain highly important. Supporting this view, the provision of an environment that enables the diversity of capital investment strategies, within the sphere of the ethos of the cooperative banking system, will be much desired.

From the perspective of the strengthening of the performance ground through equity capital improvement, the issuance of subordinated bonds by cooperative banks within the ethos of the cooperative banking system must be debated.

4) Expansion of the transfer sphere of credit guaranteed loans

[A conclusion to be reached during FY2005]

In Japan, the Small to Medium Sized Enterprises Credit Insurance Law (Law No.264, 1950) specifies that loans guaranteed by credit guarantee corporations may be transferred only to financial institutions such as banks, the Resolution and Collection Corporation and the Industrial Revitalization Corporation. If this transfer sphere of credit guaranteed loans can be expanded, providing the certainty of debtors companies' revitalization, it would enable the early disposal of bad debts by financial

institutions and the acceleration of debtor companies' revitalization. At present, the action program concerning the enhancement of relationship banking functions and other financial revitalization programs developed by the Financial Services Agency encourage financial institutions to utilize debt-based revitalization funds and servicers so as to vigorously promote the revitalization of debtor companies. However, there is criticism that despite financial institutions' needs to sell credit guaranteed loans, the failure to sell them to revitalization funds and servicers is contributing a significant factor to the prevention of the early disposal of bad debts by financial institutions and the revitalization of debtor companies. There is also the view that the influence of the transfer of credit guaranteed loans to revitalization funds and servicers on the financial status of small to medium-sized enterprises should not be ignored.

Taking the current circumstances and views as described above, the expansion of the transfer sphere of credit guaranteed loans and the provision of conditions necessary to enable it should be discussed, including concerned advisory bodies' deliberations, and a conclusion must be reached at the earliest possible time.

5) Lifting of the ban on corporate loan guarantees by bank subsidiaries

[To be discussed during FY2005]

Loan guarantee services performed by bank subsidiaries are not listed under "funds provided for business owners for their business purposes" according to the Bulletin No.9, Article1 by the Financial Supervisory Agency and the Finance Ministry (November 24, 1998). At present, financial institutions are endeavoring to provide the diversity of funds channels and loan products in response to the needs of sole proprietors and small to medium-sized business owners, and it is pointed out that the above mentioned restriction deters such effort of financial institutions.

The lifting of the ban on credit guarantee services by guarantee companies, including those of bank groups, will probably enable more flexible and speedy programs and facilitate the provision of financial services, ensuring the smooth operation of funding especially for sole proprietors and small to medium-sized business owners.

Hence, the inclusion of loan guarantee services by bank subsidiaries under "services related to funds provided for business owners for their business purposes", to a certain degree, should be discussed and a conclusion must be reached accordingly.

6) Expansion of the availability of commitment line contracts

[To be discussed during 2005]

Under current circumstances, a charge for handling a so-called commitment line contract is not subject to the application of deemed interest according to the Interest Rate Restriction Law (Law No.100, 1954) and the Investment Deposit and Interest Rate Law (Law No.195, 1954), which regulates investments receivable, deposits payable and interest rates, only when 1) the borrower's capital amount is 500 million yen or more or the total debt amount is 20 billion yen (Article 1-2-1 of the Law for Special Provisions for the Commercial Code Concerning Audits, etc., of Joint Stock Companies (the Special Provisions for the Commercial Code), Law No.22, 1974), 2) the borrower is a joint-stock company with a capital of over 300 million yen, 3) the borrower is an assignee company (Article 2-5 of the Law Concerning the Regulation of Services Related to Specified Claims, Law No.77, 1992), and 4) the borrower is a specific purpose company (Article 2-3 of the Law Concerning the Liquidation of Assets, Law No.105, 1998). Hence, when bank loans are the main means of fund procurement for small to medium-sized businesses, they are unable to benefit from commitment line contracts.

Commitment line contracts are believed to be a very useful means of fund procurement not only for major industries to which commitment line contracts are currently available but also for small to medium-sized enterprises and therefore, there is room for the reconsideration of the exclusion of small to medium-sized businesses from the sphere of the availability of commitment line contracts.

Furthermore, the criteria specifying the status of a borrower company, which enable a charge for handling a commitment line contract to be exempted from deemed interest according to the Interest Rate Restriction Law and the Investment Deposit and Interest Rate Law should be reviewed, while defining the purposes of both Laws. Moreover, the expansion of the availability of commitment line contracts not only to small to medium-sized enterprises (with a capital of 300 million yen and less) but also 1) local authorities, 2) independent administrative corporations, 3) school corporations, 4) medical corporations, 5) mutual aid associations, 6) consumers' cooperative societies, 7) urban renewal associations, and 8) specific purpose companies (corporations and their overseas affiliates that issue negotiable securities in accordance with the "Cabinet Order to Define Valuable Securities Stipulated by Article 17-2-3 and Article 17-3 of the Securities Exchange Law (Law No.321, 1965)") should also be discussed to see its feasibility.

(2) Securities

1) Diversity of means of fund procurement by investing corporations [To be discussed during FY2005 and a conclusion to be reached during FY2006]

At present, loans and the issuance of investment corporate bonds are practiced by investing corporations as major means of fund procurements. However, funding needs of investing corporations have been more diverse than ever and the conventional means of issuing loans and investment corporate bonds are becoming less effective, especially when funds need to be arranged within a very short period of time. Moreover, considering the nature of investing corporations, it is highly important for them to keep costs as low as possible, which will bring more profit to investors.

Considering the needs as described above, the issuance of CPs, as additional bonds to investment corporate bonds issueable by investing corporations, should be considered and the discussion about its feasibility should reach a conclusion accordingly.

2) Relaxation over the regulation of domestic sales of "foreign investment funds" and "foreign investment securities" that are listed overseas

[To be discussed and a conclusion to be reached during FY2006]

"Foreign investment funds" and "foreign investment securities", which are listed overseas, include ETFs and REITs that are neither placed nor sold within foreign markets. Nonetheless, they are still very attractive to accredited investors and are therefore in demand. However, under the current regulations, foreign investment funds that are not registered in JAPAN cannot be placed, sold, bought, carried forward or distributed by domestic stockbrokers. Hence, the selling and buying of foreign investment funds purchased by institutional investors cannot be established through domestic stockbrokers. Consequently, institutional investors have no choice but to turn to stockbrokers of the countries from where purchased investment funds originate, and since this involves complicated procedures and incurs a high amount of cost, compared to when dealing through domestic stockbrokers, it results in impeding the efficiency of asset management and damaging the benefits to investors.

On the other hand, from the viewpoint of the protection of general investors, certain measures need to be devised to control foreign investment funds as equally as

domestic investment funds, e.g. sales suspension, in accordance with adhesive terms and conditions and other forms of declaration systems.

While discussing the establishment of the Investment Service Law (tentative name), the limitation of the sales of foreign investment funds and securities to highly-knowledgeable and experienced accredited investors and to certain types of funds and trusts such as ETFs and REITs that are listed in foreign markets should also be discussed in conjunction with the provision of certain conditions to regulate investors and investment products. The obligation to declare the issuance of foreign investment funds by overseas issuers in advance as well as the obligation to provide reports of funds management should also be considered to reach a certain outcome.

3) Relaxation over the internal cross trades regulations for the efficient management of trust assets [To be discussed during FY2005]

Financial institutions, which perform fiduciary services, operate the internal-cross trading of trust assets to a limited extent in accordance with a certain requirements, which are not interfered with by the arbitrariness of trustees. For the best interest of their customers, these financial institutions have been engaged in the reduction of trading costs and price fluctuation risks.

The revision of the Securities Investment Advisory Business Law in 2003 has enabled discretionary investment management services operated by financial establishments that also provide fiduciary services and therefore, operation instructions under discretionary investment management service contracts are compliant with the Securities Investment Advisory Business Law. However, internal cross trading is about the selling and buying of securities negotiated among several trust assets, which are operated by a financial institution that is a trustee. The Securities Investment Advisory Business Law requires a mutual agreement between the seller/customer and the buyer/customer in advance, one trade at a time, from the perspective of conflicts of interest.

However, such a requirement, which has to be satisfied upon the operation of arbitrariness-free internal cross trades, such as of passive funds, could incur high trading costs and subsequently be harmful to investors' benefits.

Therefore, taking into account the protection of investors and consistency between regulations provided by the Securities Investment Advisory Business Law and other related regulations, certain preventative measures should be formulated to improve

efficiency in the operation of arbitrariness-free internal cross trades, such as of passive funds, including the reconsideration of the requirement to demand “a mutual agreement between the seller/customer and the buyer/customer in advance, one trade at a time”.

(3) Insurance

1) Security of special accounts upon the bankruptcy of insurance companies

[The bill to be proposed to the 162nd session of the Diet]

When an insurance company suffers bankruptcy, special accounts are handled accordingly equally as general accounts under the current procedures. Insurance products with no minimum insurance coverage, including death benefits and pension resources, for which special accounts have therefore been created, carry price fluctuation risks, which are basically borne by customers. This is hardly regarded as a proper reason for any insurance company to declare bankruptcy.

Therefore, insurance products with no minimum insurance coverage, for which special accounts have therefore been created, must be properly secured by differentiating them from general accounts in terms of the proprietary nature and liabilities borne by insurance companies, and for this reason, appropriate measures must be developed to protect customers’ insurance claim rights in line with more vigorous action on risk elimination.

2) Review of the income dependency regulations to enable the co-ownership of subordinates by multiple insurance companies

[The bill to be proposed to the 162nd session of the Diet]

A subordinate company, which works for insurance companies, is classified under the Insurance Business Law as “a company that basically operates services on behalf of insurance companies and their subsidiaries”. Such a subordinate company also has to observe the so-called income dependency regulation that the income it receives from its parent insurance companies and their subsidiaries dominates 50% or more of its total income. Moreover, the co-foundation of subordinate companies by several insurance companies to operate welfare benefits-related clerical work and printing work, plus the outsourcing of such work is not approved.

Meanwhile, the “action program regarding the strengthening of relationship backing”

by the Financial Serviced Agency was published in 2004, concerning the function of small to medium-sized and regional financial institutions. The program includes action, which was to be taken by the Japanese government by the end of 2004, to "discuss the feasibility of the co-foundation of subsidiaries that operate system-related services subordinately, (omitted) while taking into account appropriateness in the operation of services including customer protection so as to promote the rationalization of financial institutions management". From the perspective of the promotion of management efficiency, the same measure should be considered for the interest of insurance companies.

While taking action such as the above, relaxation over the income dependency regulation restricted to the co-ownership of subordinate companies by multiple insurance companies must be considered in parallel with discussion about the purpose of prohibiting the operation of businesses in other areas and risk management when involving potential subordinate companies that receive income mostly from parent companies whose businesses are irrelevant to insurance. The differentiation between the co-foundation of subordinate companies by insurance companies exclusively to operate insurance-related services and the co-foundation of subordinate companies by insurance companies and companies in other types of businesses but insurance should also be discussed to assess its appropriateness.

Therefore, ensuring that no substantial problems will be caused in various aspects, such as the prohibition of insurance companies to operate businesses in other areas but insurance, the co-ownership of subordinate companies by multiple insurance companies should be realized.

3) Lifting of the ban on fiduciary services and related clerical services commissioned by insurance companies [To be discussed during FY2005]

Services performed by insurance companies closely relate to fiduciary services concerning corporate pensions and bereaved family security. Very few problems are anticipated to be caused by the approval of fiduciary services commissioned to insurance companies when referring to the fact that fiduciary services are already performed by commissioned financial institutions in accordance with the law regarding mixed services of fiduciary and banking. At present, among major financial institutions, insurance companies are the only ones that are not allowed to perform fiduciary services as agents.

Furthermore, the recent revision of the Trust Business Law has brought the perfect

provision of the agency system for trust agreement services so as to increase the availability of trust services to users.

Hence, intermediary and agency services to establish fiduciary contracts are more widely recognized. The inclusion of "fiduciary services and related clerical work", as an auxiliary service, in the business scope of commissioned insurance companies requires immediate attention and should be discussed with consideration for the stance and role of executing service providers including insurance companies as well as the control of risks interacted with other businesses.

4) Solicitation of investment advisory contracts by insurance companies

[Discussion to be initiated during FY2005]

Life insurance companies have a sound knowledge of the corporate pension system though the undertaking of corporate pension insurance products. At present, insurance companies are allowed to give customers guidance to investment advisory contracts but they are not allowed to invite customers to actually conclude investment advisory contracts. In fact, potential needs for investment advisory contracts are recognized in the corporate pension market largely by insurance companies' customers. In order to respond to these needs positively, there is a view that the enabling of insurance companies to solicit investment advisory contracts will help improve service convenience for insurance companies' customers as well as insurance companies' performance capacity.

On the other hand, solicitation activities by investment advisers are regulated and they are prohibited to bear part of or all of the damage caused, if there is any. Bearing this in mind, one would think that the solicitation of an investment advisory contract should be performed by an investment advisor himself/herself, who is after all one of the parties in interest and who is to bear responsibilities for the execution of such a contract. Also, even when life insurance companies have a high level of knowledge of the corporate pension system, they would have to take new business risks if they are to take over the services of investment advisors.

Therefore, bearing in mind that the Council on Financial Services is due to have a discussion about major soliciting organizations of investment services, the appropriateness of the solicitation of investment advisory contracts by third parties including insurance companies must be debated from the perspective of the protection of investors and consistency with other legislations as well as the control of risks interacted between insurance companies' services and services in other

business areas.

5) Lifting of the ban on the conclusion of investment trust sales contracts commissioned to insurance companies [To be discussed during 2005]

Insurance companies, as registered financial establishments, conclude investment trust sales agreements with investment trust management companies to operate the placement and sales of investment trusts. Insurance companies therefore possess sound expertise in the placement and sales of investment trusts, and there is the view that the enabling of insurance companies to offer investment products of allied investment trust companies to their customers, i.e. stock companies and other registered financial institutions, will help improve service convenience for insurance companies' customers as well as insurance companies' performance capacity.

On the other hand, the dealing of investment trusts by insurance companies is no more than just the placement and sales of investment trust and therefore, they would have to take new business risks if they are to take over the services of investment trust management companies.

Hence, the appropriateness of agency and intermediary service by insurance companies to conclude investment trust sales contracts should be discussed while taking into account the stance and role of executing service providers including insurance companies as well as the control of risks interacting with other businesses.

6) Lifting of the ban on securities intermediation support services by insurance companies and their subsidiaries [To be discussed during FY2005]

By Article 100 of the Insurance Business Law, insurance companies are prohibited to operate any businesses other than insurance services, auxiliary services and other legislative services. However, the introduction of the securities brokers system in April 2004 has enabled general business corporations and financial institutions to operate securities intermediation, the former through their headquarters and the latter via their subsidiaries. Also, from December 2004, financial institutions have been allowed to operate securities intermediations through their headquarters. Subsequent to such a transition, it is anticipated that insurance companies, which deal with many customers through the customer service business and agency sales, will receive requests by their customer companies upon their participation the in securities intermediation business for support services including the handling of "the acquisition of broker certificates" and "the forwarding of documents to stock

companies".

Such securities intermediation support services are recognized auxiliary services as "the handling of documents and reports related to investment advisory services and discretionary investment management contracts by investment advisors". Also they can be classified as services conducted by insurance companies when referred to the description of auxiliary services as stated by the clerical work guideline.

Meanwhile, there is a whole range of securities intermediation support services, yet liabilities and qualifications of operators are hardly questioned, plus insurance companies and their subsidiaries are free to perform securities intermediation upon consignment by stock companies, thus there is a tendency to overlook risks, if there is any, caused by the execution of securities intermediation support services. This is not necessarily so, thus, requires attention and consideration.

Therefore, the operation of "securities intermediation support services" by insurance companies and their subsidiaries, stockbroker companies, should be discussed to assess its appropriateness while considering the role of operators of such services, including insurance companies and their subsidiaries, and risks affecting other businesses.

7) Expansion of mixed services by insurance companies' subsidiaries, which operate insurance-related services and clerical work on behalf of insurance companies [To be discussed in FY2005 and onwards]

"Insurance-related services on behalf of insurance companies", such as the collection of premiums and the payment of claims, may be operated by insurance companies' subsidiaries but are merely in conjunction with investigations of insurable events within the scope of finance-related services.

The sphere of such services have been expanded as a result of the revision of the Enforcement Regulations of Insurance Business Law in July 2004, consistent with the "Three-year Plan for Regulatory Reform and Opening Up to the Private Sector (March 19, 2004). The inclusion of securities intermediation by insurance companies, which has recently been approved, is also considered to be possible.

Meanwhile, securities intermediation is recognized as a legislative service performed by insurance companies and therefore, it should be noted that completely new business risks may be borne by insurance companies' subsidiaries as agents upon the execution of insurance-related services.

Therefore, the operation of mixed services, "insurance-related services and clerical

work on behalf of insurance companies" and securities intermediation, by insurance companies' subsidiaries must be discussed to determine its appropriateness, while taking into account the stance and role of operators, including insurance companies' subsidiaries, and the scope of such mixed services.

(4) Perfect provision of rules related to mutual aid

1) Development of consumer protection rules against non-approved mutual aid

[The bill to be proposed to the 162nd session of the Diet]

Insurances and mutual aid provide means of tackling risks that can occur through everyday life and business activities. Mutual aid is programmed by certain groups of people based on spontaneous mutual help among them. The objective is to establish funds to deal with risks through mutual cooperation, and there approved and non-approved mutual aid. Over recent years, particularly, the number of non-approved mutual aid groups has been increasing rapidly, emerging endlessly in various formations and some are on a broad scale. Such non-approved mutual aid groups target non-specific audiences and the purport of their mutual aid schemes is not necessarily consistent with the ethos of "self-governed mutual assistance". Such non-approved mutual aid groups fail to clarify their services different from insurance services, plus there is no regulatory authority to identify facts on such non-approved mutual aid groups. Hence, certain regulations are required to control the activities of non-approved mutual aid groups from the perspective of protecting consumers.

In conjunction with the above, the application scope of the Insurance Business Law should also be reviewed. The operation of insurance business for specific audiences should be subject to the provisions of the Insurance Business Law, in principle, and a system must be introduced at the earliest possible time, including the introduction of registration of mutual aid groups according to certain requirements for proprietary background and application rules (prohibition of false statements, applicants registration etc.), from the viewpoint of protecting consumers.

5 Education and research studies

[Issue recognition]

There is no doubt that Japan's future development is founded on and supported by human resources that possess a diverse range of creative skills and visions that shine in the international community. In reality however, problems are mounting. In terms of the level of academic performance, as shown in the results of the Program for International Student Assessment Test 2004 conducted by the Organization of Economic Cooperation and Development (OECD), Japanese high school students slipped in the ranking significantly (in 2000, 16-year-old Japanese students scored highest in mathematics skills among 41 countries but fell to 6th place among 32 countries in 2003. Japan also went down to 14th in reading comprehension in 2003 from 8th in 2000). Declining academic abilities and growing doubts about education provided by schools continue to divert parents' attention to after-school cram schools, and increasing financial burden borne by parents for their children's education contributes to the decline of the birthrate, as they are discouraged to have more children. Such a phenomenon could also subsequently lead to class stratification. Those who provide education for children, not to mention school teachers, are criticized for a lack of teaching and guiding skills. Consequently, schools in Japan are failing to foster public values and deliver the public ethos, and truancies and class chaos are becoming more evident. Moreover, the existing standardized education system is no longer able to respond well to the nation's diverse needs, both quality-wise and quantity-wise. Hence, the nurturing of human resources that lead Japan toward a bright future and specialists who set the trend of the new era cannot be expected from the current education system.

While identifying such circumstances as described above, it is difficult to deny that education in schools require reform urgently. Therefore, the swift implementation of education reform is highly important in the best interest of children and their parents and guardians, who are also consumers of education services.

With regard to elementary and junior-high school education, it is important to closely identify basic skills that are absolutely vital to be acquired within compulsory education. Bearing in mind that different children have different levels of abilities, different aptitudes and different interests, extracurricular activities should also be provided, separately from the requirements that are to be satisfied within the elementary education curriculum, while giving children choices according to their individual preferences. The Japanese

government should set detailed targets to be achieved by children, upon which it is important to devise methods to achieve such targets by which friendly competition is encouraged among regions and schools while maximizing their ingenuity. Schools should also be provided well with necessary information. Furthermore, since there has been deterioration in social education, which has been taken care of by families and local communities, the involvement of human resources with colorful social experiences in education in schools will be needed to complement the function of social education. Incidentally, the Central Education Council has been discussing compulsory education reform to formulate the most appropriate policy that will ensure a promising future for the Japanese society.

In high school education, in times of employment mobility, needs for the acquisition of specialized knowledge and skills are continuing to grow in order for students to enhance the marketability of their individual skills. Hence, it is vital to satisfy such needs by enhancing a diverse range of education services. The administrative interference with the contents and methods of education should be kept to a minimum, and relaxation and abolishment of regulations related to school establishment and management should be encouraged so as to enthusiastically invite new education service providers that perform a variety of education programs in specialized subjects.

In any event, in parallel with changes in our socio-economic environment, the nation's values are also becoming more diverse. To enable each individual (student, parent and guardian) to acquire not only basic knowledge and skills but also further skills and knowledge through education services tailored for individual needs, it is necessary to encourage new providers to offer a wider range of education services as well as to promote fair and healthy competition under the same rules so as to realize the provision of divers services at high standards.

From the above viewpoint, the Council has recently proposed the introduction of education vouchers, a direct student aid system in the "First Report on the Promotion of Regulatory Reform and the Opening up of Government-driven Markets for Entry into the Private Sector". The effectiveness of the education voucher system will be maximized not only by the abolishment of regulations that prevent new providers' involvement in education but also by the promotion of school-teacher assessment. The publication of school/teacher assessment results and the publication of information regarding the whole area of school management are also indispensable measures to be implemented.

In recognition of the abovementioned issues, there is a lot to be done in the area of education. Prior to the revision of the "Three-Year Plan for Promotion of Regulatory

Reform" (Cabinet decision on March 19, 2004), the follow-up of items stated in the Plan suggests the measures below that are considered to be appropriate for implementation at this stage.

[Specific measures]

1 Diversification of education establishments

(1) Thorough review of the proportion of private school council members

The proportion of private school council members used to be controlled by a regulation but this regulation was abolished in 2004 from the viewpoint that the regulation could passively cause excessive control over the governing of private schools in each region. Private school councils are placed to ensure appropriateness in operating private schools under each prefectural governor. For this purpose, the inclusion of individuals, who are connected to those to be assessed, within a private school council is considered to be inappropriate from the perspective of the fair operation of the council. Therefore, local authorities should be instructed to conduct the election of private schools council members carefully through a good understanding of regional circumstances while taking into account the fair and neutral stance of private school councils in terms of members and operation.

[Action to be taken as soon as possible during FY2005]

Furthermore, in order to insure fairness in operating private school councils, council member lists and minutes of council meetings should be publicized through media such as local authorities' websites, and the effect of such publication should be ensured by conducting fact-finding surveys and announcing their outcomes.

[Continues to be implemented in FY2005 and onwards]

(2) Further enhancement of community schools

The establishment of community schools was legislated for in June 2004, enabling local residents, parents and guardians to involve themselves in school management, within a certain authorized sphere, through a school management council. As part of further enhancement of the operation of community schools, information regarding the utilization of the school management council system should be published.

[Continues to be implemented in FY2005 and onwards]

In addition, the significance of the introduction of community schools is to enable agile

school management to fulfill social, regional and parents' individual needs as well as to contribute to the nurturing of pupils and students to be original and creative. Taking this into account, the Japanese government should take measures, such as the evaluation of school operation by third parties and regular publication of information to local communities, parents and guardians regarding the operation status of school management councils and details of council meetings, so as to encourage community schools to be part of local communities and play a key role for local communities.

[Continues to be implemented in FY2005 and onwards]

(3) Improvement of approval assessments for the establishment of universities and postgraduate colleges, and faculties and departments

From the perspective of maintaining the quality of university education to high standards approval assessments for the establishment of universities and postgraduate colleges as well as of faculties and departments, which are conducted by the Council for University Chartering and School Juridical Person, play a vital role. In response to changes in the social climate, purposes of approval applications have become more diverse and therefore, it is important to ensure fairness and transparency in conducting such assessments while revising and improving assessment methods.

Taking the above into account, the Council for University Chartering and School Juridical Person has been actively engaged in the publication of minutes of council meetings, application documents, assessment references and the list of council members including expert members. Further measures such as the provision of reference information to handle applications accordingly (e.g. the introduction of case examples about lecturer assessment and the further clarification of a guide and criteria for full-time lecturers) should also be considered.

[To be discussed and a conclusion to be reached during FY2005]

In addition, in response to applicants' wishes, the "testimony system" has been operated on a trial basis since 2004, where people, who are active on the front line in the business world, are invited to the panel of approval assessment and their opinions are included in the assessment process. The system should be implemented on a full scale in order to meet the abovementioned view and serve the aforementioned purpose to the full extent. **[To be discussed and implemented during FY2005]**

2 Evaluation of education activities in schools and information publication

(1) Self-evaluation by schools and information publication

The self-evaluation by kindergartens, elementary schools, junior-high schools and high schools has been incorporated in the criteria for school establishment since 2002. The Central Education Council has also acknowledged the importance of self-evaluation and has shown its intention to support further promotion.

Schools' obligation to implement and publicize self-evaluation and external evaluation of schools by pupils, students, their parents and guardians, plus local residents should be discussed to determine appropriateness at the earliest possible time from the perspective of school evaluation from multiple angles including details of lessons and the quality of teachers.

[To be discussed and a conclusion to be reached during FY2005]

(2) Review of the evaluation criteria for medium-term targets and medium-term plans by national universities

The Evaluation Committee for National University Corporations specifies a set of criteria, "the operating procedure for the end-of-year assessment of national universities and inter-university research institutes", according to which national universities set their targets and formulate their plans so as to fulfill their functions and roles. The criteria should be reviewed on a regular basis in terms of if the criteria are truly contributable to the continuous improvement of education quality by national universities and if the criteria are causing an excessive burden on national universities by creating unnecessary work during the course of assessment. Assessment results as well as assessment details should also be published.

[Continues to be implemented in FY2005 and onwards]

6 Medical care

[Issue recognition]

By means of universal coverage of public health insurance to whole Japanese, medical care in Japan has been dedicated to the fulfillment of the nation's needs as well as the maintenance and improvement of the nation's health. Along with significant changes in the socio-economic environment as well as changes to the disease structure and the environment that affects the nation's health, the Japanese nation demands a wider range of medical care services of better quality. In order to respond the nation's needs, reform of the medical care system has been promoted in various aspects and it is about to take shape. To advance further, the enhancement of service efficiency by the adoption of IT, the accumulation and sharing of medical information, the promotion of competition through the intensification of insurers' role should all be contributed to the improvement of medical care quality. Moreover, information about medical institutions should be published, so should be information about medical practice in the best interest of patients. Such measures should be taken so as to provide an environment where patients have the freedom of choosing medical care as they please.

Especially, the sound realization of IT-efficient medical care is the starting point of medical-care system reform. That is to say, the promotion of IT will enable the sound operation of receipt computers to ensure the genuineness of patients' medical records, the automatic generation of data and the processing of requests to insurers online as well as the sharing of information among medical institutions to promote the allocation of tasks and liaison. Furthermore, the promotion of IT will facilitate data management, including the sorting of patients' medical records and the storage of information on receipt computers. It will also enable the creation of databases to ensure the provision of scientifically proven medical treatments and EBMs (Evidence Based Medicines), by which standard medical methods will be established, leading to the facilitation of the payment of data-based medical fees, all-inclusive payments or flat payments. However, according to the data in February 2005, the adoption of a receipt processing system in hospitals in Japan remains as low as 16.5% , which is significantly below the target set by the Ministry of Health, Labor and Welfare (50% or more during FY2004 and 70% or more during FY2006). The Ministry of Health, Labor and Welfare has also set a target for the promotion of electronic patients' medical records, "60% or more use by both hospitals accommodating 400 or more beds and by all doctors surgeries throughout Japan by FY2006". The current ratio remains

30% referring to both hospitals that are already using electronic patients' medical records and hospitals that are planning to introduce electronic patients' medical records. The possibility of achieving the target is in doubt.

The thorough practice of information publication is also highly important for the quality enhancement of medical care and the realization of patient-oriented medical care services. In order for the principle of competition to function effectively among medical institutions, the enabling of informed and rational decision making by patients is vital by providing them with information properly about details of medical treatments and finances/accounting affairs of medical institutions. However, although the publication of information as advertisements is becoming more liberated, with the exception of some medical institutions, the provision of information by medical institutions about details of medical treatments, past records of medical treatments and guidance for treatment methods is far from adequate.

Taking into the current circumstances as described above, the Council proposes the following specific measures.

With regard to the high priority issues in the promotion of medical care reform; 1) the lifting of the ban on "mixed medical care services" (the combined use of insurable and uninsurable medical care services, 2) the allowing of joint-stock corporations to participate in the management of medical institutions through medical corporations, 3) a review of the parameters of the role of the Central Social Insurance Medical Council (CSIMC), 4) a review of the medical care program (the number control of hospital beds), and 5) the availability of pharmaceuticals from general retailers, the Council proposed specific measures in the "First Report on the Promotion of Regulatory Reform and the Opening up of Government-driven Markets for Entry into the Private Sector" , which was published in December 2004.

[Specific measures]

1 Thorough practice of information publication

(1) Publication of information about medical care services providers

1) The government notification dated April 1, 2002 (from the Director-General of the Health Policy Bureau, the Ministry of Health, Labor and Welfare to the governors of all prefectures: "regarding information about medical practice, dental practice, hospitals and surgeries which can be advertised") has partially widened the scope of

publishable information. Such publishable information is still classified as an "advertisement" and the scope and contents of such publishable information is determined by providers, i.e. medical institutions. When a patient selects a medical institution, it is only common sense for the patient to collect information about the medical institution including the number of beds and treatment methods provided, plus the number of operations performed by the medical institution. The provision of such facts is more than just "advertisement" and therefore, it is essential that patients are informed of facts about medical institutions.

Hence, compliant with the "respecting of patient's viewpoints" as stated in the "Basic Policy on the Medical Insurance System and the Medical Service Fee System" (Cabinet decision, March 28, 2003), the following measures should be implemented so as to realize the thorough provision of publishable information about medical institutions for the best interest of patients. **[To be discussed and a conclusion to be reached during FY2005 followed by action during FY2006]**

A. Instead of treating all publishable information about medical institutions as "advertisements", there should be clear differentiation between (a) medical institution information provided as an "advertisement" at the discretion of medical institutions so as to attract customers, and (b) medical institution information provided from the objective point of view for the best interest of patients and in response to regional needs so as to provide patients with freedom of choice. From this perspective, the significance of patient-oriented information publication should be discussed and a conclusion should be reached accordingly.

B. With regard to "advertisement" performed by medical institutions, the expansion of the currently approved scope and contents of advertisable information should be promoted including consideration for the shift from the positive list system to the negative list system.

C. The formulation of priority policies should be discussed and a decision should be reached accordingly regarding the introduction of a system and a method for the positive provision of medical institution information for the best interest of patients, while taking into account the review of the definition of such information, as mentioned in A.

2) While developing the thorough practice of the publication of medical institution information, there should be an environment to enable the collection of information publicized by medical institutions, the compilation of databases and the establishment of networks to facilitate easy access to information for patients. In order to provide such an environment, specific promotion measures need to be devised. Meanwhile, the further diffusion of the contents of medical institution information should be encouraged in terms of the use of the existing means and media to provide such information. The formulation of measures to familiarize the general public with information tools should also discussed and a conclusion should be reached accordingly. **[To be discussed and a conclusion to be reached during FY2005 followed by action during FY2006]**

(2) Promotion of information publication to patients

1) When a patient carefully tries to select medical care spontaneously, it is important not only to provide necessary information to the patient but also to eliminate information discrepancies between the doctor and the patient. For this purpose, the development of a mechanism, a system etc. to facilitate a patient's decision-making process should be discussed and measures should be taken accordingly.
[A conclusion to be reached during FY2005 followed by action during FY2006]

2) In accordance with the "Guideline for the Appropriate Handling of Personal Information by Medical and Nursing Care Providers" (December 24, 2004) in line with the Personal Information Protection Act (the law regarding the protection of personal information, Law No.57, 2003), which came into full force in April 2005, it must be made absolutely certain that all medical institutions adhere to the above Guideline in the publication of information about medical treatments. In addition, specific measures to ensure the effectiveness of information publication should be devised, including consideration for making clear criteria to standardize and provide operation instructions, especially for medical institutions that are not exercising information publication properly.
[A conclusion to be reached during FY2004 followed by action during FY2005]

2 Promotion of IT-efficient services by medical institutions

(1) Diffusion of the electronic patients' medical records system

1) The Investigation Assemblies for the Health and Medical Care Information System, formed by the Ministry of Health, Labor and Welfare, proposed a "grand design for the computerization of the health and medical care field" (December 2001) with a target to penetrate the electronic patients' medical records system into 60% or more of doctor surgeries and 60% or more of hospitals with 400 or more beds throughout Japan by FY2006. In order to achieve this target without fail, a specific action should be formulated and publicized. Meanwhile, in order to promote the electronic patients' medical records system with the least pressure, specific measures should be devised, including the introduction of Web-based electronic patients' medical records to regional central hospitals to support doctor surgeries with the handling of electronic patients' medical records. **[Action to be taken during FY2005]**

2) Subsequent to the introduction of the electronic patients' medical records system, it must be ensured that the system is operated by medical institutions continuously. With consideration for the maintenance of system operation, specific measures to support and promote the operation of the electronic patients' medical records system should be devised and implemented to encourage the provision of desirable medical treatment through the system and the constructive evaluation of medical institutions. **[A conclusion to be reached during FY2005 followed by action during FY2006]**

3) The consistency between the electronic patients' medical records terminology/codes and the receipt terminology/codes must be maintained, and a mechanism by which receipts are produced accurately based on patients' medical records should be established so as to vigorously promote the electronic patients' medical records system. For this purpose, a policy should be formulated to operate the system to the maximum effect. **[Action to be taken during FY2005]**

4) In order to ensure the reliability of the second opinion, it is vital that all the medical information gathered by the first medical institution is available to the second medical institution. Electronic patients' medical records are to be shared among multiple medical institutions for mutual cooperation rather than being kept to be used by

medical institutions individually. Bearing in mind the true function of standard electronic patients' medical records and the basic requirements, as described by the Electronic Medical Records Promotion Committee, the significance of the standardization of electronic patients' medical records should be defined and introduced as soon as possible so as to promote further the idea of sharing medical treatment information. **[Action to be taken during FY 2005]**

(2) Diffusion of online receipt requests

The exercise of electronic receipt requests by 70% or more of the hospitals throughout Japan in FY2006 is the target set by the Ministry of Health, Labor and Welfare. In order to reach this target, step-by-step-objectives should be clarified to ensure steady progress, and hindering factors, if any, should be examined and necessary measures should be formulated to tackle such factors swiftly. Moreover, there is no reason why the exercise of electronic receipt requests should not reach beyond the target of "70%". Therefore, schedules for further promotion of fundamental computerization should be explained. While clearly defining "electronic requests", the policy to make the online processing of electronic receipt requests a principle should be elucidated and thoroughly familiarized. In addition, if there are any medical institutions that have not yet begun to exercise the online request procedure after a certain period of time, measures should be devised with effective tactics to encourage them to do so.

[Action to be taken during FY2005]

(3) Storage of medical information including electronic patients' medical records outside the premises of medical institutions

The storage of medical information including electronic patients' medical records outside the premises of medical institutions should be carefully operated, in terms of the promotion of information sharing among medical institutions by means of computerization and for the continuation of treatments between the institutions, according to a guideline, which should be publicized and thoroughly familiarized, while ensuring security in handling information and setting up technology and data management requirements for external data management organizations to satisfy. **[Action to be taken for the introduction and familiarization of a guideline within early months of FY2005 and continues to be implemented]**

3 Transparency of the medical service fee system and further promotion of EBM (Evidence Based Medicine)

(1) Simplification and clarification of the rules for medical fee point calculation

The existing rules for medical fee point calculation are complicated, causing misinterpretation and incorrect processing. Hence, the clarification and simplification of the rules is necessary so as to facilitate easy yet accurate calculation. Moreover, the medical service fee system is defined in the "Basic Policy on the Medical Insurance System and the Medical Service Fee System" (Cabinet decision, March 28, 2003) as "a system which helps clarify the standard and scale of medical fee evaluation while ensuring its mechanism comprehensible to the nation".

Therefore, in order to facilitate the computerization of medical information further, IT-efficient medical fee point calculation should be realized by the clarification and simplification of the point calculation rules. A more efficient and easier method for combining medical fee points should also be considered. **[To be discussed and a conclusion to be reached during FY2005 followed by action during FY2006]**

(2) Perfect provision of medical practice guidelines and further promotion of EBM

Support services for the creation of medical care guidelines and their widespread provision through the media including the Internet have been actively promoted. From the perspective of the quality improvement of medical care, the further promotion of EBM should be endeavored while ensuring the fair and neutral selection of a high-quality medical practice guideline. Furthermore, medical literature and other information that contributes to the grounds of medical practice guidelines should be organized using databases and should also be widely publicized on the Internet.

[Continues to be implemented in FY2005 and onwards]

(3) Promotion of the DRG-PPS (Diagnosis Related Group - Prospective Payment System) and a shift to the flat payment system

The DPC (Diagnosis Procedure Combination) for acute hospitalization has been experimented with at advanced treatment hospitals since April 2003 and at some private hospitals since April 2004. The DPC has so far effectively worked on the reduction of hospitalization periods, which are relatively long in Japan, compared to those in other countries. Such an effect of DPC is also contributable to the standardization and quality improvement of medical care, yet it has been pointed out

that there is still room for improvement in its mechanism in terms of the payment system, the code system and the implementation cost analysis.

Hence, the significance and effect of the current DPC should be examined as soon as possible so as to enhance the effectiveness and elaboration of DPC in further operation.

[Continues to be implemented]

Furthermore, with consideration for the outcome of the experimental introduction of DPC, the introduction of the DRG-PPS (Diagnosis Related Group - Prospective Payment System), which is the ultimate goal, should be discussed and implemented, referring to the effect of the system which is already operated overseas.

[A conclusion to be reached during FY2006 followed by action in FY2007]

4 Enhancement and intensification of the insurers' function

(1) Promotion of direct contracts between insurers and medical institution

The ban on direct agreements between insurers and medical institutions was lifted in May 2003 subsequent to the government notification regarding "contract approval criteria stipulated under Article 76-3 of the Health Insurance Act". Nonetheless, the conditions specified by the notification still weigh heavily on the specifics of such direct contracts, the management status of medical institutions in interest, and the obligation to report the course of the affair under such contracts. It has been therefore criticized that these conditions are discouraging many insurers and medical institutions to establish direct agreements.

Hence, as part of the intensification of the insurers' function, insurers' liberty to operate their services should be secured, so should be the original function of insurers as representatives of patients and for this purpose, (1) insurers' administrative burdens should be reduced by a simpler and quicker procedure for document submission to prove free access as well as by a simpler way to submit monthly and yearly reports after contract approval, (2) approval revocation should not apply immediately when a medical institution suffers a deficit temporarily, and a certain period of recovery time should be given to a medical institution in such a financial situation, (3) regional views and questions should be collected and factors to prevent free access should be identified, based on which relaxation over the contract approval criteria may be considered, in the perspective of contract security and the high use of insurers, so as to encourage direct agreement between insurers and medical institutions. Insurers' opinion in this matter should also be taken into account, especially in terms of

recognizing any heavy-handed conditions that hinder direct agreements, so as to promote relaxation of such conditions. **[Continues to be discussed]**

(2) Direct assessment and payment of prescription receipts by insurers

The assessment and payment of medical receipts by insurers was enabled by the notification (issued on December 25, 2002 from the Director-General of the Health Insurance Bureau, the Ministry of Health, Labor and Welfare, issue no.1225001) regarding "administrative procedures concerning the assessment and payment of medical care fees by health insurance societies" under conditions to clarify agreements by medical institutions, fair assessment systems and dispute settlement rules, plus confidentiality pledges for the protection of patients' information. As well as prescription receipts directly requested by insurers, the enabling of the assessment and payment of prescription receipts by insurers should be considered while discussing the appropriateness of applying the above conditions and taking into account views of insurance pharmacies. **[A conclusion to be reached during FY2004]**

(3) Establishment of mutual cooperation between insurers and pharmacies

Individual contracts between insurers and insurance pharmacies should be enabled providing that free access is ensured and that an agreement has been reached between the insurer and the pharmacy in interest. Therefore, certain measures should be devised at the earliest possible time to realize the above.

[Action to be taken during FY2004]

(4) Request for the reassessment of prescription receipts with 2,000 points and fewer

The reassessment of prescription receipts with 2,000 points or fewer are not to be requested from the perspective of administrative efficiency. There is also a view that such a request can be wrongly made and reasons for reassessment can also be problematic.

Hence, the reassessment of prescription receipts with 2,000 points and fewer should be carried out at an insurer's request, as part of the strengthening of insurers' function, while taking into account opinions of insurers, who represent patients, as well as the abolishment of the medical fee point criteria.

[A conclusion to be reached during FY2004 followed by action during FY2005]

5 Alignment of internal and external prices of medical materials

(1) Alignment of internal and external prices of medical materials

It has been criticized that prices of medical devices in Japan are high compared to actual markets prices in other countries. "The Basic Policy on the Medical Insurance System and the Medical Service Fee System" (Cabinet decision, March 28, 2003) also clearly points out "the alignment of internal and external prices of medical materials", and measures have been taken accordingly since 2002, including the introduction of the overseas price reference system. Nonetheless, an urge by medical institutions for the correction of disparities between internal and external prices has not diminished.

Considering such circumstances, more fact-finding investigations of restricted competition in the distribution stage should be carried out and the better understanding of disparities between internal and external prices in comparison with realized prices in other countries should be obtained, followed by the publication of findings and outcomes. For instance, the import licensing procedure, which is compliant with the Pharmaceutical Affairs Law (Law No. 145, 1960), should be improved for its efficiency and speed, so should be the overseas price reference system for its effectiveness. Hence, specific measures such as these should be considered and reflected in action at the earliest possible time. **[Action to be taken during FY2005]**

(2) Approval criteria for combination drugs for medical use

In the western part of the world, many combination drugs are developed and used for chronic illnesses. In Japan, however, due to reasons such as difficulties in adjusting the amount of a combination drug according to the transition of an illness, the use of a combination drug is approved only when (1) it is of fluid infusion, thus, time adjustment is difficult, (2) it can cause side-effects (poisonous), alleviating effects or synergic effect , and (3) other. Meanwhile chronic illnesses, which require multi-drug therapies, are on the increase and therefore combination drugs are on higher demand.

Hence, when it is obvious that combination drugs contribute to the improvement of convenience for patients, they should be recognized as combination drugs for medical use, even they do not satisfy the above criteria (1) and (2) and therefore, relaxation over the criteria should be considered and thoroughly familiarized.

[Action to be taken during FY2004]

(3) Promotion of generic drugs

The use of generic drugs (branded generic drugs) has been encouraged in Japan as well as in other countries. WHO (World Health Organization) also indicates its intention to support the use of generic drugs. The use of generic drugs reduces patients' economic burden. For this fact, measures such as valuing prescription charges of branded generic drugs higher than those of original drugs have currently been implemented. Further quality assurance, further improvement of information provision and more reliable supply of branded generic drugs should be promoted so as to provide an ideal environment for optimal use, while making the names of generic drugs more patient-friendly when they are prescribed by doctors and medical institutions. Further promotion of generic drugs should be discussed and a conclusion should be reached in the best interest of patients.

[To be discussed and a conclusion to be reached during FY2005]

6 Assurance of the quality of doctors and medical staff

(1) With the intention of ensuring the quality and reliability of medical care and enhancement, the system framework and the scope of investigation authority should be strengthened and tightened so as to deal with doctors, who caused serious medical accidents and who repeat the same medical errors, as well as providing them with retraining under the responsibility of the Japanese government that administers medical licensing. Moreover, the methodology of retraining such doctors should be developed.

[To be discussed and a conclusion to be reached during FY2005]

(2) With the aim of providing patients with high-quality, reliable medical care services, the nurturing of medical specialists with highly-trained skills should be promoted while fostering nurses with specialized knowledge and skills and providing an ideal educational environment for them including clinical training. Specific measures should be devised and implemented to realize the above.

[Action to be taken during FY2005]

7 Review of the parameters of the role of official medical institutions

The role of official medical institutions including public medical institutions is vital to the political measure as well as in terms of the verification of the provision of low-profit medical care services. Therefore, the indispensability of the continuation of official

support should be assessed stringently, subsequent to which, medical institutions, which barely need official assistance or do not need it at all, should be abolished or transferred to the private sector. For medical institutions, which continue to require official support, a framework should be developed to facilitate the implementation of measures such as operating medical institutions specifically for formulating medical policies. Furthermore, the role of such special medical institutions should be clearly defined within medical planning by the governor of each prefecture.

[Action to be taken within medical care system during FY2006]

7 Welfare and childcare

[Issue recognition]

In Japan, further progress of the aging society and the transition of lifestyle including work arrangement have increased and diversified the nation's needs for nursing care and childcare services. It is therefore highly important in both areas of nursing care and childcare to provide an environment where the nation, who are service users have many choices of services that meet their needs.

In nursing care, as proposed in the "First Report on the Promotion of Regulatory Reform and the Opening up of Government-driven Markets for Entry into the Private Sector" (by the Council for the Promotion of Regulatory Reform, December 24, 2004), when the nation's preference inclines significantly to the use of special elderly nursing homes, the two-tier service system, where a user has a choice of care at an nursing home of care at his/her own home, should be looked into while defining so-called hotel cost (rent, utility bills, meal expense etc.) and who is to bear such cost, i.e. the user. It is vital to promote a wide variety of nursing care services, which combines nursing care services available to users both at nursing homes and users' own homes. In addition, it is necessary to improve the home nursing care environment by defining the sphere of caregiver's duty and for this purpose, there should be a clear understanding of medical tasks so as not to confuse it with nursing care while a set of criteria should be developed to enable those with medical certificates to perform physically and mentally exhausting tasks, such as sputum collection, upon the consent of the family of a user who requires such a care service. Further examples of medical tasks are as follows:

(1) sputum collection, (2) dosage and administration, (3) application of eye-drops, (4) care of decubitus ulcer, (5) blood pressure check, (6) oxygen inhalation at the user's home, (7) enema, (8) application of suppository, (9) stool extraction, (10) tube feeding (including gastric tube), (11) replacement of a drip bottle, (12) urethral catheterization (balloon), (13) removal of a drip needle, (14) insulin injection, (15) colostomy care

Furthermore, for the quality improvement of nursing care support specialists, their role should be evaluated in alignment with the justification of nursing fees so as to provide users with full support in their independent lives.

In childcare, women's advancement into the job market is anticipated to become more significant in Japan in line with the further decline of the birthrate and therefore, nurseries and playschools will play a more important role under such a social climate. Unless the

mechanism of nurseries and playschools conventionally for “children who receive inadequate childcare” in accordance with the Child Welfare Law is fundamentally reconsidered, it is only a matter of time before the mechanism becomes dysfunctional, unable to respond to social changes. The enforcement of the Nursing Care Insurance System and the establishment of the Social Welfare Law in 2000 enabled a mechanism by which direct agreements are concluded between users and service providers on an equal footing so that users can receive support directly from service providers. It is thought that the same kind of mechanism should be applied to the provision of childcare services.

In order to introduce such a mechanism in childcare, the first step would be, as proposed in the First Report, to unify the existent administration of and regulations for kindergartens and nurseries so as to maximize the effectiveness of “comprehensive preschool education facilities”. The operation of the existing approved nurseries can be liberated to private providers in alignment with the operation condition of “comprehensive centers” so as to provide users with diverse choices of services and facilities that suit their needs. Moreover, the current system, which allows contracts between users and municipal authorities, should be replaced with a system, which respects users’ spontaneous choices and which allows direct contracts and direct support with the aim of promoting healthy competition among education facilities.

Especially, the operation of education facilities, including the existing approved nurseries, has been liberated not only to social welfare corporations but also private enterprises since 2000. However, some problems have been indicated by private operators, which are as follows:

(1) When a private company operates an approved nursery, the private company has an obligation to produce not only a financial report based on standard business accounting practices, but also a “cash flow statement” and a “breakdown list” compliant with standard social welfare corporate accounting standards. This creates an enormous amount of administrative pressure over the operating company.

(2) The restrictions over the use of funds for managing approved nurseries has been relaxed to a considerable degree, yet, there are still constraints such as that the operation budget is available only up to the amount equivalent to three-month-worth of expense such as rent. Such factors are hindering nursery operation.

(3) It is stipulated that when a nursery operated by a joint-stock company has expenditure

on dividend, it is not considered to be beneficial expense such as private facility remuneration (payments received by nurseries that are operated by any social welfare corporations other than public social welfare corporations and by joint-stock corporations in alignment with the correction of wage disparity between public and private establishments). Meanwhile, interest payments on loans are not restricted by such a constraint. Different fund raising methods therefore discriminate one operating body from another although the amount of funds procured may be the same.

There are arguments against these points, however, that "operation funds are public money specifically to operate nurseries and therefore, it is only necessary to control the use of such funds and request "cash flow statements" in order to clarify reasons and purposes for using such funds", and that "beneficial expense such as private facility remuneration is provided with no surplus and is for preventing privately operated facilities from causing obstacles against remuneration improvement and therefore, such expense should not be payable when dividend is received".

The grassroot causes of the abovementioned problems in the operation of approved nurseries are related to the rationalization of the currently observed standards but they seem to be more concerned with the mechanism which subsidizes private providers to operate nurseries by outputting public funds for limited purposes. This mechanism can be replaced with another, such as of the Nursing Care Insurance System, with the main emphasis on "benefit for each user" and "a direct agreement between a user and a nursery". By doing so, the provision of operation funds to nurseries will be redirected to individual users, which will be handled as genuine funds for nursery operation. As long as the private operator of a nursery ensures the transparency of its business and quality services, there will be no constraint necessary to monitor operation budgets. Subsequently, pressure over accounting procedures will be lifted and the aforementioned problems will also be resolved.

The next step would be to prepare for potential needs for childcare services increased by women's quick advancement into the workplace by thorough discussion about further socialization of Japan from the perspective of childcare pressure on working parents. Therefore, there should be a mechanism, which supports Japan's future society by providing users with many choices of childcare services in a diverse range, including not only approved nurseries but also yet-to-be-approved nurseries and home nurseries, which suite users' lifestyles and needs, and a thorough discussion about the development of such a mechanism must be furthered.

[Specific measures]

1 Nursing care

(1) Clarification of the sphere of caregivers' duty

A present, it is not clearly defined whether or not tasks such as fingernail trimming, dosage and administration, blood pressure check are of medical behavior. Hence, caregivers often withdraw themselves from performing these tasks. Such a phenomenon is causing caregivers a dilemma at users' requests, and such a dilemma is expected to become more apparent, as there will be more people who are covered by nursing care insurance. Considering the current circumstances and the anticipation as above, the definition of tasks, which can be performed by caregivers, such as fingernail trimming, should be clarified, i.e. whether or not these tasks are medical tasks. The definition of these tasks should also be thoroughly familiarized by those who are involved in nursing care. **[A conclusion to be reached during FY2004]**

Furthermore, in June 2003, the Ministry of Health, Labor and Welfare indicated the instructions of sputum collection performed by individuals other than the family members of patients of ALS (Amyotrophic Lateral Sclerosis), plus the "Three-Year Plan for Promotion of Regulatory Reform" (Cabinet decision on March 19, 2004) also showed the intention of discussing and clarifying the operation of sputum collection for patients other than ALS patients from the perspective of the Medical Practitioners Law **[continues to be discussed and a conclusion to be reached]**. Subsequently, the legal aspect of sputum collection for home patients other than ALS patients is currently in discussion to be re-clarified. A conclusion should be reached as soon as possible and further discussion about the definition of medical tasks should be carried out as necessary to reach a conclusion. **[A conclusion to be reached regarding sputum collection during FY2004. Other issues continue to be discussed to reach conclusions accordingly]**

In addition, one of the issues surrounding home nursing care is a degree of support by caregivers for home patients who suffer severe illnesses with desperate needs for medical care. Hence, measures such as the establishment of a system to enable short home nursing visits and the enhancement of the doctor-caregiver liaison system should be devised to promote the proper use of home nursing care service that meet patients needs. **[To be discussed and a conclusion to be reached during FY2005 followed by action in early months of FY2006]**

(2) Quality improvement of nursing care support specialists

The quality improvement of nursing care support specialists is the key element of the Nursing Care Insurance System. The indispensability of their role is increasing along with the increase of those who require quality nursing care services.

The capacity of nursing care support specialists can be improved by introducing a career pass program, which incorporates the promotion of professional careers and in-service training to enhance their expertise in the formulation of care plans and the coordination of services between users and service providers. Also the introduction of a career pass renewal system to maintain high service quality and other support plans to ensure fair and neutral activities should be discussed and necessary measures must be implemented accordingly. **[To be discussed and a conclusion to be reached during FY2005 followed by action during FY2006]**

(3) Regulation of the provision of nursing care/medical facilities (care beds)

There is a system which allows a prefectural authority not to approve or specify the number of nursing care/medical facilities and healthcare facilities for the elderly to be used when the total number of users of such facilities exceeds the maximum number specified by the prefectural nursing care insurance project support scheme. However, municipal authorities, which are nursing care insurers, do not have such authority to control the number of facilities. Hence, some regions consisting of an excessive number of nursing care/medical facilities may not be able to prevent the increase of insurance premiums.

Therefore, upon a review of the Nursing Care Insurance System in terms of the stable management of public finances for medical insurance, a mechanism should be established to appropriately control the number of users of nursing care/medical facilities and healthcare facilities for the elderly so as to enable municipal authorities to align their control with the prefectural nursing care insurance project support scheme.

[Action to be taken as soon as possible during FY2006]

2 Childcare

1 Introduction of direct contracts and direct subsidiaries for approved nurseries

The placement system came into force as a result of the revision of the Child Welfare Law in 1997. Also, different financial measures for public and private establishments, measures for children on waiting lists have bee implemented since 2004 subsequent to

the three-in-one-reform, plus model projects are to be initiated in 2005. From 2006, the direct contract system will be implemented to realize the full-scale operation of comprehensive centers. Taking into account the above actions, the appropriateness of direct contracts, by which parents and guardians may directly apply to nurseries of their choice followed by enrolment assessment and admission by nurseries, plus the feasibility of the introduction of a direct subsidiary system, which gives financial support directly to users instead of to nursery operators, should be discussed while bearing in mind carefully the establishment of a mechanism to appropriately admit children who are receiving inadequate care and the development of a method to precede children with priority needs to others, consideration for those with low income and the provision of an environment where parental choice is respected when selecting nurseries (including evaluation by third parties and information publication). **[To be discussed over time]**

8 Employment and labor

[Issue recognition]

(Present conditions and perspectives)

The labor market and employment conditions have changed drastically as they feel the impact of long-term socio-economic structural changes. In response to these changes, the labor market and employment regulations have been gradually improving, however, some regulatory practices associated with personnel and labor management are unrealistic. The speed of regulatory reform in this area needs to be further accelerated.

In this rapidly-aging society, people work longer now than in the past while individual business enterprises and industries are experiencing ups and downs occurring at a faster tempo due to increased competition, technical innovations, etc. resulting from economic globalization and other factors. Under this pressure, some business enterprises are unable to guarantee long-term employment for their workers. It is therefore no longer unusual for employees to change jobs.

Due to the sophistication of the industrial structure and the diversification of employment forms, a meritocratic wage system, targeted at white-collar workers with highly specialized skills, is being adopted by a growing number of companies. This system is in sharp contrast to conventional across-the-board working conditions with working conditions being individualized by increased numbers of corporations. On the other hand, an increasing number of individuals are choosing to take on part-time jobs or work as temporary staff dispatched from a personnel agency.

Applying regulations based on conventional fixed employment practices to this new breed of workers is unrealistic. It is important to enable them to select the form of employment that matches their individualities and abilities.

Moreover, it is essential to adapt the labor market and employment regulations to the diverse forms of employment and types of work in order to guarantee employment throughout the labor market within the changed socio-economic context. Since it is the right time to make these changes, this action should be taken as quickly as possible.

Up until recently, following the relaxation of existing regulations, new employment and labor regulations have often been introduced in order to provide a safety net. Relaxation of existing regulations and the introduction of new regulations, in a package form, are perhaps unavoidable. It is imperative, however, to be cautious in their application so as not to offset the benefits of relaxation with newly introduced regulations.

Significant regulatory reform has been achieved in the employment and labor field, however, there are still a number of tasks yet to be accomplished. The present efforts should be accelerated in order to achieve an effective reform.

The Council for Regulatory Reform, the predecessor of our organization, focused on three major aims: to facilitate labor mobility, to enable the diversification of employment, and to give job opportunities to the new type of workers. In this report, in accordance with that principle, we propose the specific measures described below.

[Specific measures]

1 To facilitate labor mobility

(1) Relaxation of restrictions on fees collected from job seekers and other matters

[To be studied in FY2005.]

As of February 16, 2002, the ban was removed from fee collection from science and technology experts earning more than 12 million yen per year, subsequent to a similar ban removing fee collection from entertainers and models. As of March 1, 2004, the ban was removed from fee collection from science and technology experts, business managers and skilled technicians with an annual income of 7 million yen. Many individuals, regardless of occupation and income, require a placement service, even for a fee.

It is true that the No. 181 ILO Convention, ratified by the Japanese government, prohibits the collection of a fee from job seekers in principle. But this convention allows exceptional fee collection for certain kinds of service provided by specific kinds of worker or services by privately-run placement agencies, for the benefit of the worker concerned, on the basis of a consultation with the leading employer association and the leading labor organization.

Hence, the further widening of the scope across which fee collection by entities providing placement service for a charge is authorized should be considered. Implementation of the new system on March 1, 2004 and other matters should be taken into account in terms of the ways in which they meet the needs of job seekers and achieve the “benefit of job seekers” mentioned in the No. 181 ILO Covenant and Employment Security Law.

(2) Assistance to individuals experiencing difficulty in finding a job

[To be studied in FY2005.]

Special assistance is required for those long-term unemployed who are unlikely to find a job through the regular placement service of a Hello Work office, etc. Assistance activities using the services of private entities have already begun. Widening the range of choices for job seekers should be studied by exploring various areas, such as increased utilization of private entities' capabilities.

2 To enable the diversification of employment

(1) Removing the ban on preliminary interviews [To be studied in FY2005.]

Since the revised Law on Dispatch of Workers by Personnel Agencies (Law No. 82, 2003) was put into force on March 1, 2004, the preliminary interview of a person to be dispatched from a personnel agency, by the entity to which that person is to be dispatched, prior to that dispatch, was no longer prohibited. That ban is still in place for other cases of worker dispatch.

The preliminary interview is not banned in any other advanced country. The Health, Labor and Welfare Ministry's survey made prior to the revision of the law (refer to the Questionnaire on Demand for and Supply of Labor - Survey on Workers Dispatched from Personnel Agencies, 2002) revealed that a considerable number of workers dispatched from personnel agencies are in favor of the ban being lifted, although some of them agreed with certain conditions.

In terms of the choice of an entity to which a worker is to be dispatched, the employer of that worker, the dispatching agency, should, in principle, evaluate the worker's occupational abilities and select the entity that needs that particular worker's abilities. The ban on preliminary interviews is imposed, among other things, in order to prevent the undue narrowing of job opportunities for the worker. Many of those in favor of the preliminary interview want to have some prior knowledge of the place where they are to work and want their own personalities known to those already working there, regardless of the length of working period, because they are neither machines nor robots. (Refer to the Survey on Dispatched Workers mentioned earlier.)

The prerequisite conditions for removing the ban on the preliminary interview of an individual, other than the said temporary staffer and other related matters, should be studied as soon as possible, by reviewing actual preliminary interviews, etc. prior to dispatch, in order to prevent contract cancellation before the expiry of the contract

period on the grounds of an unsuitable worker being dispatched or a similar problem.

(2) Studying the obligation to apply for an employment contract

[To be studied in FY2005.]

Under the revised Law on Dispatch of Workers from Personnel Agencies, the limit to the dispatch period, set at three years, based on governmental administrative guidance, will be removed for 26 specified jobs. These jobs will be subject to a no dispatch period limitation under the law. On the other hand, an application for an employment contract must be filed to the entity where the temporary staffer is to work for more than three years, as in the case of jobs other than the 26 specified above.

The above obligation is incurred in the following cases:

1) The entity where a dispatched temporary staffer performs a job (other than the 26 specified jobs) subject to the dispatch period limitation and intends keeping the worker on the job longer than the limit associated with the dispatch period.
2) The entity where a dispatched temporary staffer has been performing a job, not subject to dispatch period limitation (one of the 26 specified jobs), for more than three years and intends hiring said temporary staffer to continue the particular job. The reasons for introducing this obligation are: to prevent the entity from exceeding the dispatch period limit and to give the temporary staffer a job opportunity as a direct response to his or her request.

On the other hand, it was pointed out that the parties should be allowed the freedom to fix a dispatch contract period and prescribe a direct shift to regular employment and others matters for themselves and that the unnatural restriction should therefore be abolished. The obligation to apply for an employment contract has been recently imposed in terms of the 26 specified jobs. Some people fear that the entity may not keep a dispatched temporary staffer on the job for more than three years, which will have the effect of destabilizing his or her employment status.

The said obligation should therefore be studied as required, with a check on the way the obligation has been actually discharged.

(3) Removing the ban on the presentation of electronic documents on employment conditions to a temporary staffer from the entrepreneur for whom the temporary staffer works [To be implemented in FY2005.]

Presenting electronic documents on employment conditions to a temporary staffer from the entrepreneur for whom the temporary staffer is to work, as well as the similar

presentation of paper documents, should be studied from the standpoint of protecting workers' interests. A conclusion should be drawn at an early date, and the necessary action should be taken.

(4) Expansion of the discretionary labor system and other matters

It is necessary to expand the scope of the discretionary labor system, thus creating room for voluntary work at one's own discretion. The diversification of labor values can be utilized by providing an environment in which workers can demonstrate their creative abilities to a greater degree.

In terms of the procedure for introducing the discretionary labor system, it should be noted that some people, in both labor and management, demand that the introduction of the system through a labor-management agreement not only for specialized jobs but also for planning jobs, be approved. The possibility of its introduction should be studied as soon as possible. **[To be studied in FY2005.]**

It is important to note the argument that because labor and management are those most familiar with particular jobs in a business establishment, the range of jobs in the discretionary labor category should be left to the discretion of the labor and management at the particular business establishment or otherwise committed to a self-determination principle. The system needs to be studied at an early date.

[To be studied in FY2005.]

As from January 1, 2004, "teaching and study at a university" were admitted into the range of discretionary labor specialized jobs. It is sometimes erroneously believed that entrance examination related, administrative, and other educational jobs by members of a university teaching staff do not belong to the discretionary labor category.

Educational jobs are defined as discretionary labor specialized jobs if the sum of teaching hours, etc. and the hours spent on the said educational jobs is less than approximately 50% of the statutory working hours per week or the specified working hours, whichever is the lesser. (The hours spent on entrance examination related jobs may be deemed to be hours spent on discretionary labor specialized jobs.) This must be made thoroughly known at an early date. **[To be implemented without delay.]**

3 Reform for the new type of workers

(1) More exemptions from working-hour regulations and other matters

As has already been pointed out, a review of the discretionary labor system is an

important task that needs to be worked on further, however such a review is insufficient by itself.

The discretionary labor system is simply a deemed working hours system. Even if the system is introduced, application of the clauses concerning breaks, late-night work and holidays is unavoidable. On the other hand, the essence of the system lies in "withholding instructions in concrete terms to workers on a discretionary labor job with regard to the means for doing the job, decision on the allocation of hours, etc." According to a certain view based on this, this kind of job must be exempted from the working hour restrictions.

The possibility of such an exemption combined with a measure to protect the health of workers, including university teaching staff who were admitted into the range of discretionary labor specialized jobs and other measures, should be studied in terms of those higher level discretionary labor white-collar jobs, including the present recognized discretionary labor jobs. It is essential to refer to the White Collar Exemption system of the United States, which includes a revised ruling implemented in August, 2004, and to review the way Japan's discretionary labor system under the revised Labor Standards Law, was actually run. The current exemptions intended for people in supervisory, overseeing, and other jobs, should also be studied. It is essential to consider whether it is appropriate to allow exemptions from the late-night regulations.

[To be studied in FY2005.]

(2) Introduction of monetary compensation as a means of settling a dispute about dismissal [To be studied in FY2005.]

A principle related to the abuse of dismissal power, established on the basis of precedents, is prescribed in the revised Labor Standards Law. Appropriateness of the introduction of monetary compensation as a means of settling a dispute about dismissal should be studied further.

(3) Review of the section concerning the ban on females' carrying out mining work

[Study and form a conclusion in FY2005.]

In order to advance toward equal job opportunities for men and women, the clauses on the ban on female miners, in the Labor Standards Law, should be studied in order to determine whether giving permission for females to work in tunnels is appropriate. A conclusion should be drawn at an early date.

4 Others

(1) Relaxation of requirements for the appointment of hygiene administrators

[To be implemented in FY2005.]

The necessary action should be taken to allow the appointment of a person not directly employed at a business establishment as that establishment's hygiene administrator with responsibility for establishing and enhancing hygiene administration.

(2) Review of the industry-by-industry minimum wages [To be studied in FY2005.]

The labor market is not subdivided into sections representing specific industries. Some argue that there is little rational ground for setting different minimum wages for individual industries (at present minimum wages are specified for individual prefectures), and others are of the opinion that if a minimum wage needs to be prescribed, it should be committed to the labor and management concerned. They should fix an appropriate minimum wage between them on their own terms.

Among all of the prefectures, Hokkaido ranks the lowest in terms of the ratio of workers subject to an industry-by-industry minimum wage clause to those subject to an area-by-area minimum wage clause. The ratio in Hokkaido is 0.8%. Shizuoka ranks highest at 15.9%. The national average is only 8.1% (as of March 31, 2004). Thus not all major industries are subject to a minimum wage clause.

It was pointed out that the principle of prescribing a minimum wage for core workers in an industry is rarely followed. (As the exemption range is narrow, the coverage by minimum wage for an industry does not differ much from the coverage by minimum wage for the particular area.)

Some demand the retention and fortification of the area-by-area minimum wage regulation and also the industry-by-industry minimum wage regulation maintained for individual prefectures. Others demand their abolition, comparing them to a "fifth wheel on a vehicle". The minimum wage schedule including industry-by-industry minimum wages has been studied since September, 2004. The study should be continued, with the above views taken into account, until a consensus is reached.

(3) Flexible working hours designed to support workers rearing the next generation

The Rule of the National Personnel Authority was recently revised to allow male officials to take leave in order to participate in child-rearing, early or late reporting for work or other irregular working hours of child-rearing officials or officials taking family care; these

measures are intended to help with the rearing of the next generation. More flexible working hours, including more flexible partial leaves for child-rearing by government employees, have been introduced. The matter will be studied so as to draw a conclusion at an early date. **[Study and reach a conclusion in FY2005.]**

The prefectural governments and municipalities should be advised and supplied with information to help them take proper action, on the basis of study results based on the above measures for the government employees. **[Periodically.]**

(4) Reform of the social insurance system

1) Promoting the enrollment of private-school teachers, etc. in the employment insurance system

The Employment Insurance Law (Law No. 116, 1974) is concerned with compulsory insurance, which is to be taken out by all private entities; private schools are not excluded. Many teachers of those schools have already followed an enrollment procedure, and the enrollment is being considered for others. Further effort must be made to ensure enrollment of all teachers needing to be insured. Those private schools that cannot comply with the demand for enrollment immediately should be requested to submit a practical plan for enrollment at soon as possible. The qualification of the insured should be verified, if necessary, by the exercise of government authority. **[To be implemented at an early date.]**

2) Disclosure of the names of entities enrolled in social and labor insurance systems

Research should be carried out to determine whether it is appropriate to disclose the names of entities enrolled in social and employment insurance systems on the Ministry of Health, Labor and Welfare homepage or elsewhere.

[Study and form a conclusion in FY2005]

[Future tasks, etc.]

The council's view is given below.

(ILO No. 88 Convention and opening-up of Hello Work services)

The Ministry of Health, Labor and Welfare voiced the following view on December 28, 2004 about the "publicly-financed and privately-managed" Hello Work services, as suggested by us in our first report, December 24, 2004:

The proposed publicly-financed and privately-managed Hello Work services violate the ILO No. 88 Convention, which obliges Japan to set up a nationwide network of job security offices staffed with government employees and operated under the supervision of the national government. The Japanese government, which ratified the said convention, cannot violate it.

The ILO No. 88 Convention (Convention on the Composition of Employment Bureau), however, was adopted back in 1948. In those days, many countries followed the monopoly-of-employment policy. More than half a century has passed since 1953 when Japan ratified that convention.

The ILO No. 96 Convention (Convention on Fee-charging Placement Agencies) was subsequently adopted. In 1997, however, the ILO No. 181 Convention (Convention on Privately-run Employment Agencies) was adopted as a replacement for the No. 96 Convention; this was reflected in a drastic change in the labor market. The No. 181 Convention includes newly introduced provisions (such as Article 13) on the promotion of cooperation between the public network of job security offices and the privately-run employment agencies. Those provisions (Articles 2 and 9) in the No. 88 Convention, which the Ministry of Health, Labor and Welfare quoted, cannot be literally interpreted in the way indicated by the ministry (Note 1).

In Australia, another country that has ratified the ILO No. 88 Convention, the public employment bureau was privatized in 1998. In the Netherlands, another country that has ratified the convention, public employment services were entrusted to private entities, etc. through a competitive tendering system, for the benefit of all unemployed people. (In the Netherlands, as in Australia, placement services are “purchased” from privately-run agencies, not provided by the government. The ILO, however, makes no issue of this (Note 2).)

Moreover, the World Association of Public Employment Services (WAPES), an international association of public employment service organizations, recently sent an inspection mission to the Netherlands to study the employment services provided there (Note 3).

In view of all these, we cannot agree to the view that the publicly-financed and privately-managed services violate the ILO No. 88 Convention.

Note 1: A paper written by members of the employment service department of the ILO calls attention to a clause in the No. 88 Convention which requires that all member countries maintain free public employment services or ensure their maintenance (Article 1, 1) and emphatically states that the prime mission of the public

employment service organization is to organize the employment market optimally as an indispensable part of a national plan for the achievement and maintenance of full employment and the development and utilization of production resources, in cooperation, if necessary, with other public and private organizations concerned (Article 1, 2). (See Nakayama and Samorodov, Public and Private Employment Services: From Co-existence to Co-operation, included in *Temporary Agency Work and the Information Society*, edited by Blanpain and Graham, Kluwer Law International, 2004, Ch.3, p.24.)

The paper refers to a clause (Article 9, 1) in the No. 88 Convention which requires that the staff of a public job security organization be *public* officials whose positions and working conditions are unaffected by the advent of a new administration or undue external pressure, and for whom a stable status is guaranteed. The paper, however, merely states that if the organization outsources its functions to private entities whose employees work under a rule different from its counterpart, those private entity employees perform those functions instead of the public organization's civil servants (p.40).

Note 2: The paper states that even in Australia where the public employment bureau was privatized, no one has ever pointed out that it violates the convention. It can be inferred from this that even the ILO does not regard the convention as an obstacle to shifting to publicly-financed and privately-managed job security (Hello Work) services.

Note 3: In November, 2004, WAPES sent an inspection team to Sydney to see for itself the way in which the Australian government had changed from being an employment service provider to a mediator (purchaser) involved in employment services closely coordinated with private business enterprises.

(Administration of hours worked)

On April 6, 2001, the Criterion Related to Action to be Taken by Employers to Determine Hours Worked (known as the April 6 notice) was issued in the name of the Manager of the Labor Standards Bureau of the Ministry of Health, Labor and Welfare. The notice requires that the employer verify worker starting and ending times for each working day and record them in order to administer hours-worked correctly. The notice allows hours-worked administration based on self-declaration but requires that the starting and ending times be

verified and recorded personally by the employer or by using an objective record, such as a timecard or IC card (including an ID card or a data entry into a personal computer).

If the latter is chosen, an objective record, such as a timecard or IC card should be used as basic information, and that objective record should be checked, where necessary, against a record the employer keeps to calculate the hours worked by the workers, such as the employer's overtime work order or a report on overtime work.

The April 6 note requires that documents concerning records of hours worked be stored for three years as are other important labor relations documents under Article 109 of the Labor Standards Law. These documents include records of starting and ending times personally made by the employer, timecards or the like, overtime work orders, reports on overtime work and reports containing a worker's own record of the hours he or she has worked. Without duplication, the government agencies attach importance to objective records including a timecard.

According to a written reply of March 2, 2004 to a question concerning both the government's introduction of a timecard and overtime work without pay at a Diet meeting, introduction of a timecard as a means of hours-worked administration for Ministry of Health, Labor and Welfare personnel, is considered unnecessary for the following reasons:

The ministry, as a government agency, performs this administration without difficulty by proper use of the hours-worked report, etc. under the Government Employee Law (Law No. 120, 1947), the Rule of the National Personnel Authority, etc. The hours worked by the officials cannot be accurately verified using their timecards alone.

The note seems to suggest that some importance is attached to objective records, including a timecard.

It is understandable that some importance is attached to objective records such as a timecard for the purpose of hours-worked administration. Needless to say, any manipulation is impermissible. It is expected that the government will continue to pay attention to honest administration.

9 Agriculture, Fishery, Forestry and Distribution

[Issue recognition]

The aim of regulatory reform in the area of agriculture is to promote the competition function of the market economy in terms of agricultural production and distribution in order to strengthen the competitive power of Japanese agriculture, enhance consumer interest or establish an effective mechanism for the protection of agriculture's valuable multi-phase functions.

For that purpose, research should be carried out on problem areas or regions, etc. It is essential to carry out an in-depth study, including follow-ups to check for proper implementation of farmland reform pointed out in the Third Report of the Council for Regulatory Reform (March, 2003).

In FY2004, attention should be focused on these three problem areas:

1) Disadvantaged areas including semi-mountainous areas. These are located between the outer rim of a plain and mountains, account for approximately 70% of the total area of Japan, approximately 14% of Japan's total population, approximately 40% of the aggregate agricultural output of the country, thus indicating the large share they have in Japan's agricultural production, and contribute greatly to the preservation of the nation's land, include fine scenery, etc.
2) Biomass problem related to the above in many respects
3) Applicability of new public management approaches including PFI to Japanese agriculture and the upgrading and development of farming villages.

As for 1) in particular, studies should be carried out in the following directions:

Review of those regulations that impede the co-existence of and exchanges between cities and farming, mountain and fishing villages, new solutions to the shortage of successors in agriculture and in exploration of local resources, review of regulations of spontaneous regional development, examining the possibility of introducing private sector vitality, review of regulations needed to upgrade living environments, etc.

To be more specific, we have held in-depth discussions on the following matters: measures to support areas at a disadvantage, including semi-mountainous areas; studying measures of increasing the biomass, including wood and the necessary regulatory reforms; promoting the introduction of PFI into farming village drainage operations, and the achievement of farming land reform.

Further discussions are required on the following subjects: public-private partnership (PPP)

for agriculture and resource management in semi-mountainous areas and other disadvantaged areas; the possibility of private sector development and the conditions necessary for that development, etc.; PPP for the formation of biomass industrial societies for farming villages; the feasibility of collective implementation of agricultural PFI in many different areas; the promotion of more streamlined and more efficient agricultural irrigation water management systems, etc.

Among those subjects not discussed during the year, priority should be given to matters closely related to the citizens' living conditions.

A country-wide mission exists to: construct a new system designed to supply public commodities to farming villages; upgrade VFM and construct a new system equivalent to it; foster successors in agriculture; establish resource management in semi-mountainous areas with valuable multi-phase functions; strengthen Japanese agriculture's international competitiveness, and work out an effective system for protecting the valuable multi-phase functions of agriculture.

1 Promoting the understanding of PFI for farming village drainage

In order to enhance agricultural productivity and foster successors in farming and others in disadvantaged areas, including semi-mountainous areas, and upgrade the living environments in those areas, it is essential to apply the knowledge and new technical and managerial methods from the private sector so as to improve the agriculture, fishery and forestry sectors as well as the farming, mountain, and fishing village environments. It is essential for that purpose to promote agricultural PFI and create a state in which private entities are able to undertake an agriculture-related enterprise. Although many PFI projects are currently underway in Japan, there are few agriculture-related PFI projects. Thus, PFI is not yet widely applied.

As for farming village drainage in particular, necessary action for more extensive introduction of PFI should be taken to investigate the possibility of further efficiency increases by aggregating workloads.

Individualized measures for the introduction of PFI, including the preparation of a PFI manual and the holding of informative presentations about the significance of introducing PFI, the procedure for its introduction, etc. should be undertaken. When PFI is adopted in the future to install drainage in farming villages, that particular project should be adopted as a model, thus making good use of the experience gained from it. The introduction of PFI should be promoted elsewhere, and the PFI management method should be improved in order to open the way for its extensive adoption and enable

private entities to apply it readily.

2 Special measures for semi-mountainous areas and other disadvantaged areas

The direct subsidizing system for semi-mountainous areas, etc. introduced in FY2000 was intended to help semi-mountainous areas, etc. overcome their unfavorable agricultural production conditions. It is true that it contributed toward the maintenance and enhancement of the multi-phase functions in those areas by discussing the abandonment of farming, the establishment of the necessary conditions for the continuation of farming, activation of the functions of villages, etc. As a result of this system, the abandonment of farming was prevented through a village agreement, which kept the local agricultural production activities going and thereby preserved the multi-phase functions. A move to encourage agricultural production activities or a similar forward-looking action was undertaken in some areas while keeping the future of the village community in perspective. On the other hand, some investigations revealed that in general, those areas are not yet able to continue agricultural production activities on their own. Many reports of fine achievements made through joint community efforts have come in from various parts of the country; this news has often inspired other areas. Careful analysis has to be carried out to determine whether such success is sustainable. The number of households made up of the elderly only is increasing at an accelerated rate, and this trend seems irreversible. There are reports of an increase in “U turns” and “I turns”, but insufficient accurate data is currently available. We do not know whether this is a general trend. Apart from some semi-mountainous areas in the suburbs of large cities, from which local residents can commute regularly to those cities, the rapidly aging population is proving to be a serious menace to many semi-mountainous areas. Everything depends on whether it is possible to establish a system under which farming can be continued after the present farmers, born before or during the war, retire within five or 10 years. Can we expect, on the basis of a slow-down in the rise of the average farming abandonment rate over the last five years, that this support system will remain effective after their retirement? Unless a system that ensures the continuation of agriculture on the farmers’ own can be established in the future, all expenditure will prove useless.

It is imperative that we find out how to help the semi-mountainous areas overcome their population problem, the rapid increase in elderly households, and how we should operate our assistance system.

The EU policy of direct subsidy for disadvantaged areas, including large-scale, extensive

pasturage areas, was introduced into Japan for semi-mountainous areas in the country where residents are engaged primarily in small-scale terraced paddy field farming and local resources (e.g. irrigation water, farming roads, nearby mountains, etc.) have to be managed by the village community itself. A “village agreement” was introduced and put to effective use. Joint activities by a complex (unit space) were organized. The subsidies were strategically expended as a result. This approach was successful and is worthy of evaluation. However, it is perhaps only effective within a certain statutory framework that necessitates the existence of a village with sufficient potential for the formation of a farming community, despite the present scarce local population in semi-mountainous areas. If the survival of the village becomes difficult in the future, what will happen? Nonetheless, it is hoped that agriculture and resource management and the activity of the village based on the village agreement will continue and be promoted as the core of the support system. We believe it is imperative to work out a new subsystem designed to meet a foreseeable crisis in the near future. That subsystem should provide alternative and diversified courses. It is necessary to imagine cases where the present support system based on a village agreement that utilizes the village’s functions fully can no longer be operated successfully. The likelihood of such cases needs to be researched and countermeasures planned.

The basic core work (work with the main machines) of the rapidly aging village communities in semi-mountainous areas will become hard to pursue in the short-term. The aging of farming operators seems to be so serious that it defies reorganizing or any other efforts. It is technically possible to guard “terraced paddy field rice”, which has a relatively high merchandise value, provided it is harvested from fields fit for cultivation with medium-sized machines. First of all, there is a need to find farmers who can regularly perform the basic work on these paddy fields. There must be a system under which a small number of farmers can continue the basic work necessary on a regular basis even if aged farmers become unable to cultivate them or the village’s entire farming system no longer works. We will subsequently deal with cases where aged farmers become unable to fertilize their paddy fields or unable to manage local resources (e.g. irrigation water courses, farming roads, etc.)

To whom should farming be committed? Various entities are appropriate for the task, for example: a public agricultural corporation (a third-sector entity); legal person; a legal person directly run by an agricultural cooperative, etc. In the past, cultivation of large areas of land was considered difficult in semi-mountainous areas where the merit of scale is soon lost.

Relaxation of regulations and the use of private sector vitality may be helpful. A public agricultural corporation used to function as the “last-resort farming entity”. It, however, has many organizational shortcomings. The head of the municipality usually doubles as the top executive of a public agricultural cooperation. Who assumes the responsibility among the personnel and who has the power remain unclear. Problems are also involved in manpower recruitment. There is little incentive for efficiency and effectiveness. Public agricultural corporations need drastic organizational and managerial reform. The other candidates include exceptional local business enterprises with knowledge in various fields, including labor management and cost awareness (although not all local business enterprises operate at that high level), local construction contractors may be appropriate, especially those with machine operation abilities and are involved in the local agriculture, and sake brewers. Contractors or the like can spare their seasonal surplus manpower and have the capability to hire U-turn and I-turn members of farming households.

A public agricultural corporation following managerial reform, well-managed legal persons and business enterprises in different industries may serve as an incubator for U-turn and I-turn people.

It should be possible to discover new farming entities from among these candidates.

3 Actual land reform

The Third Report of the Council for Regulatory Reform (March, 2003) calls for the formulation of a new basic food, agriculture and farming village plan and the implementation of the necessary measures, with reference to these:

(1) The report (September 17, 1998) of the Council for Investigation of Basic Food, Agriculture and Farming Village Problems (an advisory organ for the prime minister) states that the significance of planned land use can be summed up with the maxim “a plan is prerequisite for development”, that a plan should be worked out to regulate land use for agricultural purposes and land use for other purposes and that the practices related to use of land in agricultural areas should be reviewed to ensure that land use and facility construction go according to a plan. It also states that it is essential to develop the awareness that farm land is not merely a private asset but highly public property used by the entire nation, and that proper regulation determining its use should be introduced in order to make most effective use of it.

(2) The Basic Food, Agriculture and Farming Village Plan (adopted at a cabinet meeting on March 24, 2000) based on Article 15 of the Basic Food, Agriculture and Farming Village Law (Law No. 106, 1999) states that a review from a general standpoint will be made in respect of the systems related to the use of agricultural land in farming villages and other matters.

It is necessary to find out whether the items pointed out in the Third Report have been properly implemented.

[Specific measures]

1 Promoting understanding of PFI for farming village drainage

[To be implemented by FY2005.]

More publicity promoting the introduction of PFI for farming village drainage is needed. This can be achieved by preparing a manual on the PFI method of farming village drainage as well as holding informative presentations on the purpose of its introduction, the introduction procedure, etc. If an application for approval of a PFI project is filed and accepted, that particular project should be adopted as a model project. Ways of improving PFI operation, if necessary, should also be considered.

2 Using private sector power in semi-mountainous areas and other disadvantaged areas [To be implemented by FY2005.]

Direct subsidies for semi-mountainous areas and other disadvantaged areas should be managed according to the actual conditions in those areas. A village agreement should, in principle, be the core of this support system, and separate agreements should also be concluded where necessary. The role of the particular farming entity, whether it is a public agricultural corporation, a legal person owned by the agricultural cooperative, or a private legal person, should be identified, and the system properly managed in order that the entity is granted a subsidy commensurate with its role.

It is essential that a system be established that enables contractors with a range of managerial knowledge and employee types, sake breweries, and other local businesses to carry out farming work on commission. They should be enabled to participate in the village agreement in a complementary fashion to the local agriculture, take collaborative action and conclude a separate agreement. They are expected, in the near future, to take over the core farming work from those elderly farmers currently living in

semi-mountainous areas.

10 Energy and transportation

1 Energy

[Issue recognition]

In order to strengthen Japan's international competitiveness and upgrade the living standard of the nation, the high cost levels of Japan's energy industry should be reduced, and energy-related services should be diversified and upgraded in quality. A competitive environment must be established to motivate public utility companies to raise their operational efficiency levels. On the other hand, attention should be directed at energy security, prevention of global warming, and other administrative tasks.

Liberalization has occurred gradually in the past in the power and gas utilities area. Retail sale of power and gas has been partially deregulated. The existing power utility companies were obliged to transmit power on commission via their transmission networks or pipes, and the so-called "pancake" (a term related to the transmission charge) was abolished. Obstacles to full liberalization should be examined, taking achievements to date and future research into consideration. Action should be taken to clear away those obstacles; full liberalization should follow as a result.

Among the new sources of energy and others under the RPS Law (wind, solar, geothermal, small- and medium-scale hydraulic force, and biomass), wind offers the greatest feasibility and is expected to find extensive acceptance. Obstacles to the input of power generated by wind to the transmission network should be overcome, and measures allowing for this type of power to be retailed in the future should be taken.

[Specific measures]

(1) More extensive liberalization of power utilities

Retailing of electric power to special high-voltage consumers using 2,000 KW or more was permitted in March 2000, and the regulation was further relaxed from April 2004. Retailing to high-voltage consumers in the 500 KW and higher range was permitted. Power may be retailed to all high-voltage consumers in April 2005. Research will be started toward full liberalization in 2007.

Due to the widening scope of liberalization, the unit charge for power in Japan dropped by 16.6% to a level close to the power charges in some advanced Western countries for

FY1993 to FY2003. The power charge in Japan, however, is still high by international standards. The principle of competition should be introduced into the power market to push down the power charge further. The power utility services should be diversified and updated in quality by providing an environment that enables the existing power utility companies and newcomers to exercise their ingenuity, thus stimulating the power market.

In the future, every time the scope of liberalization is expanded, the effect of expansion should be evaluated, and such evaluation should be repeated until full liberalization is achieved (small-scale consumers including home-use power consumers will also be covered). It is essential that ways of achieving such targets as stable supply to consumers and the clearing of those hurdles placed by the Kyoto Protocol also be considered. Other issues to be watched include transactions on the wholesale power market, the operations of neutral organizations, observance of behavioral rules, newcomers' entry and competitive behavior between the power utility companies. In short, the realities of wide-area power distribution should be studied. The effects of practical reforms should be evaluated and disclosed to the public. In case a problem is found, the necessary review should be carried out as part of the effort to establish a desirable environment. **[Study and evaluation are to be started at an early date in FY2005. Conclusion and action to be taken in FY2006.]**

(2) Input of power generated by wind and from other sources

Under the special measures law concerning the use of new energy sources by power utility companies (RPS law), those companies are obliged to generate approximately 1.35% of their total power output from new energy sources, etc. (wind, solar, geothermal, small- and medium-sized hydraulic force, and biomass) by FY2010. In FY2004, the ten general power utility companies averaged 0.43%.

It is often pointed out that wind power generation, among all the varieties of power generation from new energy sources, is the most likely to be adopted on a large scale. But the power output varies sharply according to the properties of the wind available. The quantity of power that can be brought in may be restricted because of the need to maintain a specific frequency for the transmission network. Otherwise, there may be spots where favorable winds are concentrated in an area where the transmission capacity is small, and accordingly, the quantity of power that can be used may be restricted because of the limited transmission capacity. Thus, a number of problems must be solved before wind power generation is introduced on a large scale.

Noting the problems related to frequency changes and limited transmission capacity, the government, power utility companies, and wind power generation enterprises sought ready-for-disconnection installations. They considered whether interconnecting lines for multiple companies could be used, determined the exact quantity of power generated by the wind that could be used, and investigated the feasibility of introducing storage batteries, etc. These efforts will be reviewed in the spring of 2005. Action should be taken to ensure problem-free connection of the wind power generator to the transmission network. The results of these efforts should be analyzed, and possible effects on the transmission network should be fully taken into account. **[To be implemented in turn.]**

Back-up power supply using other power utility company power sources, etc. is essential when retailing the dispersed power sources of a wind power generation system, etc. It is imperative that the present guideline concerning back-up supply transactions be applied to power retailing when using dispersed power sources of a wind power generation system, etc. and to make that fact known.

[To be implemented in FY2004.]

(3) More extensive liberalization for gas utilities

Gas retailing to consumers using 500,000 m^3 or more will be permitted from April 2004, and this liberalization will be expanded progressively. Gas retailing to consumers in the immediately lower bracket, 100,000 m^3 and upward, will be permitted in 2007. As to further expansion to cover consumers using less than 100,000 m^3, including home-use power consumers, the effects of expanding the scope of liberalization should be analyzed, and a timely conclusion should be drawn, taking the effects and other factors into consideration.

As a result of the practical reforms carried out to date, various entities have planned wide-area pipeline networks, which are one element in the gas supply infrastructure, and are now pushing these plans forward.

The average unit charge for gas has been dropping over the last few years but is still high by international standards. As a result of technical innovations, the power and gas utility companies have combined, and are now competing keenly for a larger share of the energy demand from small-scale consumers. The liberalization of the gas market should be further extended by making suppliers compete between themselves on the open market, thus opening the way for competition between the power and gas utilities, with the aim of lowering the gas charges and promoting the diversification of

services. The necessary action should be taken to enable consumers to procure their choices and meet their other needs, as the scope of liberalization slowly expands in the future.

Gas is supplied in two different ways, on commission and into a consumer-owned pipe. In cases where the same quantity is to be supplied at the same time on commission, it is essential to find a way of avoiding excessive load on the entrusted entities when the number of consumers served increases. **[Research on this subject will start in FY2005. A conclusion is to be presented by FY2006.]**

If an existing pipe network has surplus capacity with more pipes being laid, the entity owning the existing pipe network and the entity, which is to lay the new pipes, should be competing with each other. From a wider standpoint, more comprehensive and efficient pipe networks are needed. A study of these should be carried out, and a conclusion should be reached. **[Study and conclusion by FY2006]**

It was pointed out that when the scope of liberalization is widened to cover small-scale consumers in the 100,000 m^3 and upward bracket, the gas equipment safety checks, currently made by the general gas utility company, will be carried out by the consumers, and their amateurish checks may be faulty and dangerous. A way of ensuring proper safety checks should be determined, and a solution found. **[A study is to begin in FY2005, with the conclusion anticipated for FY2006.]**

The scope of liberalization was widened in April 2004, and a new system was introduced. Evaluations should be conducted regarding the entry of newcomers, competition between utility companies, transmission-on-commission system operation, observance of behavioral rules, and other aspects reflecting the effects of the regulatory reform. Stable supply to consumers, safety, etc. also needs to be studied. A conclusion should be reached about the way to expand the scope of liberalization in order to include small-scale consumers in the 100,000 m^3 and upward bracket. Problems involved in the full liberalization reaching all the way to small-scale consumers in the less than 100,000 m^3 bracket, among other issues, should also be investigated. **[Conclusion in FY2006.]**

2 Transportation

[Issue recognition]

Transportation, which involves services related to the carrying of people or articles from one

place to another, is a crucial foundation of citizens' lives. Providing conditions for further activation and quality services at lower prices are essential for the growth of the Japanese economy and society.

With a keen awareness of their significance, extensive regulatory reform efforts were made in the transportation field. To cite a few examples, the shift from licenses to permissions consequent on the abolition of supply and demand regulations was carried out successfully. The move from permissions to declarations, in terms of fares and freight, was also carried out successfully.

Nevertheless, it is essential to further review the existing regulations in order to prepare the ground for new enterprises. The regulatory reform efforts in the transportation area should be constantly analyzed and verified, sometimes from a new angle, and the necessary reforms should be carried out promptly.

[Specific measures]

(1) Thorough review of automobile safety inspection, etc.

[To be implemented in FY2005.]

On the basis of the "Three-year Plan for the Promotion of Regulatory Reform", which was decided by the Cabinet in March 2004, the definition and significance of a desirable motor vehicle inspection, check-up and maintenance system was discussed from a comprehensive point of view. The discussion concluded indicating that the validity period of inspecting small motorcycles could be extended from two years to three years for the first inspection after the start of the ownership and that the regular check-up of motorcycles every six months could be abolished. Hence, necessary action must be taken swiftly according to the conclusion.

(2) More flexible regulation of new taxi services [From time to time]

Relaxation of the regulations of the taxicab business is underway, giving new business opportunities to entrepreneurs about to enter the welfare taxi business. Parts of the regular taxi business regulations were flexibly administered in respect of certain kinds of passenger with a view to creating new business opportunities. With the anticipated growing demand for welfare, nursing care, and other taxi services, a prompt move into this service field would increase consumer convenience and offer new business opportunities.

Some way of allowing the flexible administration of regulations should be sought in

order to enable new enterprises to fill any new future demand. Attention should also be directed at the safety-related aspects, including the accident rate.

(3) Investigation and study of landing slot allocation in order to promote competition when Haneda Airport's fourth runway is opened in 2009.

[To be investigated and studied at an early date.]

In 2009, the fourth runway of Haneda Airport will be opened, sharply increasing the number of landing slots available for domestic-service planes. Haneda Airport is one of the specified congested airfields (Article 107, 3, Aviation Law and Article 219, 2, Aviation Law Enforcement Rule). It is difficult to increase flights freely or plan courses because of the limited landing slots. The landing slots for the years up to 2009 were discussed, and an increase in flights was approved. This marks a significant step forward.

An investigation and study, at the earliest possible date, should be made regarding the application of a rule on the allocation of landing slots after the fourth runway is opened in 2009 to enhance passenger convenience by promoting competition. Transparency should be ensured with respect to newcomer entry, and other matters. The formulation of a rule on the landing slot allocation to promote competition after the fourth runway is made available, should be undertaken as soon as possible. That rule should be quantitative and easy to understand. The rule is expected to provide a guide for entrepreneurs formulating their operational plans and should therefore be suitable for uniform application to future allocations. The definition and treatment of newcomers should be reviewed to promote effective competition.

(4) Study and consideration of measures to foster interpreters and guides for tourists [A bill is to be submitted to the 162nd Diet, to be implemented promptly after it has been passed.] (Refer to "Authorization of Standards and Qualification", 2, (1).)

Promotion of inbound tourism is important to promote contacts and exchanges with different cultures, encourage the growth of the tourist industry, and so on. The government has been making various efforts to promote inbound tourism, such as formulating an action plan for the growth of Japan's tourist industry and promoting the "Visit Japan" campaign, among other things. More strenuous efforts are required to achieve the self-imposed target of 10 million incoming tourists by the year 2010.

Making improvements to the intangible tourism infrastructure is important in order to

enable tourists from abroad to travel throughout Japan without stress and in comfort, thereby enticing them to make repeat visits. Clearing away the linguistic barriers for tourists from abroad and enabling them to fully appreciate the charm of the places they visit is essential, and involves fostering skilled interpreters and guides.

Professional interpreters and guides currently need a license. This hurdle should be lowered in order to increase and diversify newcomers into the profession and improve their services by promoting competition between them. Registration of a relevant qualification is suggested as part of a new more relaxed regime.

In order to meet the varied needs of tourists, the current qualifying tests should be revised into simple examinations of the essential knowledge and abilities required of interpreters and guides. A review is necessary to allow the widening of the scope of exemptions from a test for those who have passed another relevant qualifying test. These could include a system for authorizing interpreters and guides for a specific area only, thus enabling them to render individualized services according to local conditions.

11 Housing, land and environment

[Issue recognition]

Japan is in the midst of a dual process of birthrate decline and progressive aging, both leading to an age of diminishing population. Revitalizing the national economy and improving the standard of living are all the more important considering the bleak outlook. Housing, land and environmental regulations should all be subjected to a continued review in the light of socio-economic changes, and action should be taken to create more business opportunities for the private sector. Research will be carried out in the near future on the basis of discussions carried out by the Council for Regulatory Reform, our predecessor. In the housing and land areas, those aspects needing to be reviewed or studied are discussed below.

Firstly, land use regulations should be reviewed with the aim of promoting the more effective use of land. The environmental factors needing to be protected in individual areas should be identified, and the purposes of that use should be regulated in coordination with the primary regulation. The external effects on the urban environment should be analyzed to prepare for flexible, ad hoc planning for reorganization into high-quality urban districts. The positive and negative outward effects on places outside the premises should also be mutually counterbalanced. Regulatory and supportive policies should be studied with this type of need in mind. Research will also be necessary with regard to the effective use of land in harbor districts.

There is an urgent need to introduce more aseismic features into buildings. Lessons must be learned from the Chuetsu Earthquake in Niigata Prefecture. It is important to consider whether construction regulations, etc. should be applied flexibly by appreciating the special contribution made to the urban area when a decrepit building with little if any statutory access to a road is reconstructed or an existing non-conforming condominium, for example, is rebuilt. Techniques for treating an elevator, for example, when calculating the floor-area ratio, must be considered in terms of roofed public open spaces.

According to an explanation from competent authorities, a limit to the floor-area ratio is prescribed with the intention of limiting the load on the infrastructure and maintaining a good urban environment. A proper investigation should be conducted to see whether a limit to the floor-area ratio is adequate in terms of controlling various loads on the infrastructure simultaneously, and exactly how far it does so in reality, in respect of individual infrastructures, different seasons, hours of the day, location conditions, attributes,

etc. It is essential that an analytical approach and a mechanism to prevent the resultant excessive control of limited and valuable urban space due to scenery control be followed.

It may be possible to substitute road pricing, for example, for a limit to the floor-area ratio. Road pricing should be introduced so as to control the intrinsic loads, including roads, on the infrastructure, as part of the attempt to restrict, to a certain extent, all loads on the infrastructure. A superior urban environment can be secured through shape and form control. Better load and environment control can be accomplished through these measures, and in fact, they are an essential element in achieving this aim. Floor-area limitation is merely a transitional measure.

Secondly, more of the survey results should be made available to the private sector, and the restrictions on their use for business purposes should be relaxed. Information on land, including basic map information, should be made readily available in order to promote the distribution of such information and prepare the ground for the growth of new businesses dealing in location information. Apart from the supply of more survey data and the relaxation of the regulations controlling their use in business, a land information base should be established. This database could actively promote survey activities, among other things, enabling the smooth renovation of cities.

A new system for the collection and supply of data on the real estate prices of land sold or otherwise transferred should be established step by step so as to achieve a highly transparent and reliable real estate market. The real estate assessment and evaluation system should be further reviewed.

In terms of rented houses, the fixed-term rental system and the legitimate reason requirement should be reviewed and overhauled where necessary, particularly with reference to the excessive protection of renters. The systems need to be modernized and rationalized in order to meet social needs.

Thirdly, many entities are involved in urban activities and influence one another. Rules are necessary to ensure rational, smooth urban activities. Research should be carried out into the introduction of a dispute settlement system under which objective judgments can be passed on disputes about city plans, construction projects, private transactions on land subject to usage restrictions, etc.

Fourthly, renovation of downtown areas is urgently needed. In recent years, the downtown areas, which are the hearts of the cities, have declined rapidly because many stores, etc. have moved out to the suburbs. Revitalization of these cities is needed in order to make their downtown areas more attractive, provide varied urban-life options, enable senior citizens to live on their own in this age of progressive aging, and so forth.

One way of achieving an attractive downtown area can be through a study of Tax Increment Financing (TIF) and Business Improvement District (BID), which has been adopted in the US.

The essentials for achieving city renovation include smooth urban redevelopment, the application of the Land Condemnation Law (Law No. 219, 1951) to increase social-capital property and the solution of problems related to compensation for removal expenses under Article 77 of the Land Condemnation Law.

The Scenery Law (Law No. 110, 2004) was put into force at the end of last year. Scenery preservation measures should be undertaken for important civic scenery resources, such as famous old buildings, including resources in peripheral areas. Disputes related to scenery, etc. should be settled in a better way. Both systems and administration should be modified as necessary lest effective, sophisticated use of land should be impeded by scenery regulations.

In order to achieve a society in which citizens can live safely and comfortably, it is important to make effective use of the stock of publicly-owned apartment houses for rent matched to the existing local conditions. Support actions should be taken to enable residents to move to a residence elsewhere, without trouble, by appropriating some of the incoming rents, and those residents with an income in excess of the applicable limit should be urged to move out of their flats.

PFI, which is a method of opening up government-driven markets to the private sector, other bidding-based techniques, managerial matters, and a proper evaluation method, should all be studied, and action taken to urge prefectural governments and municipalities to shift from administration based on outline policies to administration according to laws, thus simplifying the procedure for applying for development activity approval.

As for environmental preservation, future efforts should be made along the lines suggested below.

Firstly, waste generation and recycling control should be extended. Under the Basic Law for Promotion of Formation of Recycling Society (Law No. 110, 2000) and the Basic Plan for Promotion of Formation of Recycling Society based on that law, the mass production, consumption and disposal going on in the present society were reviewed, and various efforts were made in pursuit of a recycling society. Promotion of the three R's - reduction, reuse and recycling - is essential for future advances toward a recycling society. Among the three R's, reduction of waste is the one that is most urgently needed. Effective measures, e.g. charging for waste disposal, should be taken to remind consumers that disposal of waste entails cost.

It was pointed that the rigid regulations under the present law concerning waste disposal and cleaning (Law No. 137, 1970) impede proper waste disposal and recycling. The practices related to the promotion of proper waste disposal and recycling, including the definition of kinds of waste and reviewing the separation into domestic and industrial wastes, should be studied further.

Secondly, material recycling should be encouraged, and thermal recycling should be promoted in order to reduce the volume of waste bound for landfill sites.

In terms of material recycling, an evaluation and research study should be performed in accordance with the supplement to the Law Concerning Promotion of Separate Collection of Waste Containers and Packaging Material and their Recycling into Products (Law No. 112, 1995), which came into force 10 years ago. Further promotional measures should also be taken.

Once safety has been ensured by the prevention of dioxin generation, for example, non-recyclable waste should be committed to a thermal recycling process to retrieve thermal energy. The retrieved heat should be used for power generation and other purposes. Thermal recycling should be well coordinated with material recycling.

Thirdly, after economic justification based on a cost-benefit analysis, Transportation Demand Management (TDM) should be introduced to ensure the smooth movement of traffic along roads by alleviating congestion and reducing environmental loads by reducing CO_2 emissions, for example, all part of the efforts to improve the urban environment. Light Rail Transit (LRT) in particular, which is a new streetcar system providing more convenience and based on new techniques, should be further investigated in view of its successful application in foreign countries. A new law, a revision of an existing law, etc. should be considered in order to enable prefectural governments and municipalities to introduce this system on their own without relying on subsidies.

Introduction of road pricing, at least for expressways, etc. by applying the widely used Electronic Toll Collection System (ETC) is technically possible, so it should be introduced immediately. Its introduction for regular roads should also be considered.

Apart from all these, further efforts should be made to deal with the heat-island phenomenon, which is an imminent problem at the moment. New laws, law revisions, and administrative measures will be needed to establish a sustainable socio-economic structure with minimal environmental loads.

In view of the significance of these issues, we propose that the following measures be taken for the time being.

[Specific measures]

1 Review of prescribed purpose of building use

In the current rapidly aging society, there is a need for facilities for everyday convenience in appropriate locations.

If approval for the operation of convenience stores and other small-scale retail stores carrying daily goods for local residents is judged necessary for an area along a major daily-use road, classified as a Class 1 Area for Low-rise Residential Houses, that area should be re-classified as a Class 2 Area for Low-rise Residential Houses, or other appropriate action should be taken. The prefectural governments and municipalities should be urged to proceed to the re-classification or take other necessary action in view of the local conditions and needs. **[To be implemented in FY2004.]**

Specific administrative organizations should, on a case-by-case basis, be urged to admit into specified Industrial Areas a convenience store or some other facility for the employees of more than one factory located there according to the proviso (special permission) in Article 48, 12 of the Construction Standards Law (Law No. 201, 1950).

[To be implemented in FY2004.]

The Construction Standards Law specifies primarily a trade or a certain form for each individual area. The building use in a particular area should be prescribed more rationally according to the required utility, to adapt flexibly and dynamically to socio-economic or other changes, including the diversification of lifestyles. Research should be carried out on this suggested modification.

[A study should be undertaken in FY2005.]

In connection with this, a request was recently made for the approval of convenience stores and other stores in a harbor district. All port and harbor administrators should be instructed again to review the present classification by use for a harbor district, the regulation imposed and its administration as necessary according to the social conditions.

[To be implemented in FY2004.]

2 Review of floor-area ratio regulation

In FY2004, the National Land and Transportation Ministry undertook an investigation into the correlation between the limit to the floor-area ratio and the infrastructure loads. The ministry should determine the transportation infrastructure loads in the city centers and suburbs, for each of the 24 hours in the day, at the height of the traffic, during the daytime, for different means of transportation, etc., by building use. The emergency conditions in

disaster situations as well as everyday conditions should also be studied.

[A study is to be undertaken in FY2004.]

Generally speaking, the aim of floor-area regulation is to restrict infrastructure loads and maintain a good urban environment. On the other hand, the aim of scenery regulation is to regulate the forms, design, height, etc. of buildings in order to provide excellent scenery in a particular area. Caution should be exercised so as to avoid imposing excessive controls on the floor-area ratio, the height of buildings, etc. all of which are valuable factors in the effective use of urban space. Ways of analyzing both the value of scenery and the benefits lost as a consequence of its protection should be considered.

[A study is to be undertaken in FY2005.]

A public open space, if roofed, is deemed to be a building under the Construction Standards Law because it has a roof and pillars. According to "How to Determine Floor Space" (April 30, 1986, Manager of the Construction Guidance Section of the Housing Bureau of the Construction Ministry), that portion of open space which is used like an indoor space (e.g. assembly room) is included in the total floor space (floor-area ratio). Once a public open space, neither walled nor fenced and therefore exposed to the air, is roofed and turned into a potential place of assembly, it may be deemed to be an indoor space and included in the total floor space.

It is essential to prepare a guideline featuring the exclusion of a roofed facility without walls and fences fit for use as a potential place of assembly from the structures subject to the floor-area ratio requirement, under a redevelopment promotion district plan, overall design system, etc. The guideline should be made known to the prefectural governments and municipalities. **[Conclusion and action in FY2005.]**

In view of an incoming request for a revision to exclude the floor space of elevators from the items subject to the floor-area ratio requirement, a way to exclude it should be identified which covers both the intent of the floor-area ratio regulation and the developments leading to the adoption of that regulation.

[A study is to be undertaken in FY2005.]

3 Introduction of more elevated passages and effective use of multi-story buildings

[Study and reach a conclusion in FY2004.]

In order to make better use of land in cities, link buildings in a row with a continuous corridor and give the streets a lively look, it is important to provide an elevated passage and make effective use of multi-story buildings provided they do not adversely affect the formation of a desirable urban environment and road management, are justifiable from

the standpoint of city planning and meet any other requirements.

More elevated pedestrian passages, such as pedestrian decks, free passages, and skywalks should be constructed so as to link buildings in a row with a continuous corridor, give the streets a lively look, and provide a barrier-free area near stations, for example.

A study shall be undertaken at an early date to discover a way of promoting the introduction of more elevated passages and the effective use of multi-story buildings, and a conclusion should be reached as soon as practicable after this.

4 How to promote urban redevelopment [To be implemented in FY2004.]

It is important to not be timid with regard to the early adoption of a city plan associated with an urban development project, which contributes toward the rational, sound and sophisticated use of urban land and the renovation of city functions, or is otherwise significant. An urban redevelopment union (union) should be set up as soon as the city plan has been adopted. By doing so, consent to the formation of the union can be gained at an early stage, and the project can progress rapidly.

The prefectural governments and municipalities should be reminded of this.

(1) The description of the particular project in a documented city plan should be limited to the bare essentials, or some other appropriate action should be taken, lest the authorities become reluctant to adopt the city plan at an early date.

(2) In order to progress the project smoothly, articles of incorporation and a basic operational policy, if necessary, should be adopted, with the consent of certain landowners and leaseholders, soon after the adoption of the city plan. An urban redevelopment union should be organized. Provision should be made for including in the articles of incorporation a special clause prescribing the allocation of votes proportional to the area of the premises.

(3) Full use should be made of the special provisions pertaining to the proposal to adopt a city plan under the Special Measure Law for Urban Redevelopment (Law No. 22, 2002) and the special provisions regarding application for approval of the formation of the union, for example, after said proposal has been made.

If the union is organized at an early date, research should be done to consider a revision of the provisions so as to demand a regular resolution in FY2004, instead of a special resolution at a general assembly regarding the adoption of an operational plan, in order to ensure smoother implementation of the project.

5 Full use of Land Condemnation Law and other matters

The National Land and Transportation Ministry's notice in March, 2003 concerning the time to apply for approval of a project, and other matters, states that an application for approval of a project under the Land Condemnation Law should be filed when the land acquisition ratio reaches 80% or three years after boundary stakes have been driven into the ground, whichever comes first. It was pointed out that some entities undertaking a project mistakenly understood that the land condemnation procedure commences only after the above point in time.

In order to prevent this misinterpretation, the correct intention of this note should be made known through a document. The land condemnation procedure should be followed based on the above point of time at the latest. Even if the land acquisition ratio is still low or not much time has elapsed after the boundary stakes were driven in the ground, an application for project approval may be filed provided an application at that stage is judged appropriate in the light of the Land Condemnation Law as revised in 1967. In fact, filing an application at such an early stage is desirable.

[To be implemented in FY2004.]

In some lawsuits for withdrawal of a court decision on a land evacuation case and other lawsuits in recent years, the approval gained for a project where the suing period had already elapsed, was judged illegitimate, and the execution of the court decision was suspended. If "succession to the illegality" is recognized in such cases, the legal effect of the approval already gained may be lost.

Research should be undertaken by a newly introduced conference, for example, in order to find out whether the said succession to illegality can be denied or not and whether the introduction of new provisions is necessary or not. Attention should be directed to the execution in the past years of the Land Condemnation Law, as revised in 2001, and relevant court decisions, which will be made in future. It should be noted that the need for early finalization of administrative dispositions is all the more acute since the revised Administrative Case Lawsuit Law was put into force in April of this year.

[A study is to be undertaken in FY2005.]

It was pointed out that those cultural heritage buildings judged to be of market value and that are to be removed for re-assembling under Article 77 of the Land Condemnation Law, may be treated without taking into consideration the appreciation value due to their cultural value.

It is suggested that the prefectural condemnation committees and the entities undertaking a project be instructed to compare the removal cost with the acquisition

value. This can be calculated by adding the present value of a similar building and the appreciation of value attributable to the cultural value.

[Research and conclusion in FY2005.]

6 Smooth management of publicly-owned apartment houses

[Conclusion and action in FY2005.]

In some cases, an extra rent payable by residents earning an income above the specified limit does not induce them to move out of their flats voluntarily.

Hence the Publicly-owned Apartment House Law Execution Order should be revised so as to equalize the raised rent to the prevailing rent for an equivalent flat on the open market to induce the occupant to move out.

In some publicly-owned apartments, the elderly live alone in large flats, contrasting sharply with other flats occupied by large households. Fixing an allowable scale for a one-member household may narrow this discrepancy in occupancy. Adjusting the rent payable and applying a rent rate equal to the prevailing rate for an equivalent flat on the market in respect of the excess over the allowable scale might achieve this.

Research should be carried out to determine an effective motivation for moving out at the resident's discretion, for example, rental rates reflecting the utility as determined by a comparison between the flat size and the number of occupants.

7. Disposal of domestic waste for a charge and preparation of guidelines concerning collection of presorted waste

Promotion of the 3R's (reduction, reuse and recycling) is essential in order to achieve a recycling-oriented society. Reduction and waste generation control are urgently needed. Hence a guideline regarding the collection of a charge for current domestic waste disposal by prefectural governments and municipalities should be introduced. A study should be undertaken regarding the inclusion of disposal charge amounts and collection methods. Instances of illegal waste dumping will increase after disposal charges have been implemented. A measure to prevent it should be developed and put in place. **[Study in FY2005; conclusion and action in FY2006.]**

In order to promote the proper disposal and recycling of domestic waste, a guideline prescribing the standard categories into which waste is to be presorted should be determined and publicized. The categories of waste differ from one prefectural government or municipality to another.

[Study in FY2005; conclusion and action in FY2006.]

12 Criterion authorization and qualifications

1 Basic principle related to criterion authorization and qualifications

[Issue recognition]

(1) In the past

A series of proposals have been made regarding criterion authorization and qualifications (criterion authorization, etc.) since a report was made by the Regulatory Reform Committee. This committee went under this name from 1998 to 2001, and was subsequently renamed the Regulation Relaxation Committee in FY1998. Each of those proposals was accepted at a cabinet meeting as the Three-year Regulatory Reform Promotion Plan.

Criterion authorization, etc. play an important role in securing citizens' rights, safety and hygiene, regulating business activities, etc. Due to the globalization of economic activities, technical advances, and changes in citizens' views of individual practices, among other things, criterion authorization, etc. are now adding to the cost, restricting entrepreneurs' free activities, etc. Accordingly, criterion authorization, etc., in some cases, can adversely affect citizens' lives. They should be reviewed in order to minimize their adverse effects on various activities.

In view of the foregoing, individual inspections and examinations should be reviewed with attention directed to the danger posed and the effects on citizens' lives and socio-economic activities. This is especially so in cases where the jurisdictional objective to be guarded (benefit to be protected) by a particular practice is infringed and there is the likelihood of danger from infringements. The following exhaustive proposal was devised in the past:

1) Practices involving relatively slight danger of infringing on the benefit to be protected and the slim likelihood of danger should be detected and avoided by individual entities themselves.

2) A system in which not only entities but also third parties are to be involved should be explored in terms of practices involving considerable danger or the likelihood of considerable harm. Individual entities are supposed to devise checks for themselves and guard themselves in principle. In order to complement these, third

parties should be obliged to carry out inspections.

3) The designated government or agency should inspect only those practices that are extremely dangerous or those that the government agency decides that action needs to be taken in view of the type of danger involved, the likelihood of danger, etc., and the citizens' views.

Encouraging the self-checking and self-protection of entities is a helpful way of improving the administrative efficiency of central government, prefectural governments and municipalities, and is favorable in terms of the development and implementation of inspection methods, keeping technical development trends in mind. Entity self-checking and self-protection are significant areas since the results of these checks can be promptly fed back to the designing, manufacturing, and maintenance management processes. Regular preliminary inspections play a positive role in preventing product malfunctions, etc. Normally, a complete check is made by the inspection organ in charge. In the case where a faulty product, for example, passes a regular preliminary inspection, and no proper action is taken, in many instances this can be due to the absence of a fully functional mechanism for withdrawing the faulty products from the marketplace.

Even if an adequate mechanism for ex post facto inspection is not uniformly applicable to all entities, an incentive in the form of certain selective approval checking their initiative, self-protection or a third party's verification, for example, should be introduced for entities demonstrating excellent levels of performance.

The aim of the public qualification grant is to secure experts qualified by a rigid statutory criterion who can render reliable service to the general public. In the case of monopolistic qualifications on a particular job, monopoly for that job is legitimized. There are, however, certain restrictions including a limit to the number of successful applicants and the applicants' requirements. Consequently, the entry of newcomers and competition is restricted. Currently, this type of qualification defeats its original purpose and harms the interests of the general public. If the number of qualified experts is insufficient in a particular field, the qualification should be granted to more applicants, provided they meet the requirements of their job. The scope of the monopolized job should be reviewed, and holders of a similar qualification should be permitted to do the job.

(2) Move to determine entity self-checking and self-protection

According to the Policy Evaluation Regarding Inspections and Examinations (April, 2004, Ministry of Internal Affairs and Communications), in respect of all 126 inspections and examinations (under the administration of the Ministry of Internal Affairs and Communications, Ministry of Education, Culture, Sports, Science and Technology, Ministry of Health, Labor and Welfare, Agriculture, Forestry and Fisheries Ministry, National Land and Transportation Ministry and Ministry of Economy, Trade and Industry) the scope of inspection/examination was narrowed, inspecting/examining organs were reviewed, and performance standardization, international coordination, etc. were reviewed. The move toward entities checking and protecting themselves (including the introduction of an incentive for voluntary checking) was reportedly carried out for 15 inspections and examinations. In other words, the move was not achieved completely.

On the other hand, the standards authorization, etc. require that a thorough review be conducted in order to find out whether the government's involvement should be continued (Three-year Plan for Promoting of Regulatory Reform adopted at the cabinet meeting on March 29, 2002). It was expected that from April 2002, individual practices would be reviewed in order to find out whether the shift can be effected.

Based on these, we carried out an investigation in November 2004 on the basis of the 126 inspections/examinations investigated by the Ministry of Internal Affairs and Communications, to see whether the shift can be effected for those practices under the charge of the seven ministries. This investigation focused on the feasibility of self-checking and self-protecting by the entities. Replies from a total of 167 inspections and examinations (refer to note) were received. Eleven of these inspections and examinations were abolished or to be abolished, and replaced by the above check and protection system or were to be replaced or were virtually replaced because the registration of specific entities as inspecting organs was permitted (the incentive for the check is excluded here). In terms of the other inspections and examinations, however, the replies state that introducing the self-check and self-protection is difficult for the following, and other, reasons.

The government should, as means of ensuring safe practices, retain inspections and examinations.

Advanced knowledge is needed in order to evaluate performance.

Inspections and examinations by third parties are indispensable in order to ensure fairness and neutrality.

It was once believed that the government has the required examination ability or that it is fair or neutral, due to the belief that the government has superior capabilities to private entities, which is based on the fact that advanced technology was introduced from abroad under the government's leadership. However, there is no proof of the fairness and neutrality of the government's behavior. Citizens are protected by the government, so it was thought that the government is fair and neutral. Today, however, many Japanese business enterprises, regardless of scale, are at a high technical level when measured against international standards. Keenly aware of the significance of global standards, the ISO and other international organizations have worked out an inspection and examination criterion guideline. It is no longer true that the government is alone in being fair and neutral.

Note: Five of the inspections and examinations reportedly replaced by the entity checking and protecting itself (reported in August, 2002) are not included in the 167 investigated. In the case of the Ministry of Internal Affairs and Communications' investigation, the examination of certain machines, etc. under the charge of the Ministry of Health, Labor and Welfare is counted as a separate practice. The examination of certain machines, etc. encompasses gondola performance, derrick performance, and other varieties. Some of these branch inspections/examinations are studied or treated differently. Hence those branch inspections and examinations were counted as separate practices. Thus it cannot be concluded that the total number of practices increased beyond the count at the time the Ministry of Internal Affairs and Communications conducted the investigation.

(3) Future tasks

Individual inspections and examinations should be thoroughly reviewed in order to find out whether they should be retained as practices under the government's hand (revised Three-year Plan for Promotion of Regulatory Reform adopted at a cabinet meeting on March 29, 2002), with a constant watch being kept on technical advances and environmental changes. The Three-year Plan for Promotion of Regulatory Reform, revised again subsequently (adopted at a cabinet meeting on March 28, 2003), and the Three-year Plan for Promotion of Regulatory Reform and Opening-up of Government-driven Markets to Private Sector (adopted at a cabinet meeting on March 19, 2004) should be progressed. Prompt action is required for those inspections and

examinations that are judged suitable for change.

The qualifications sometimes have a negative effect on citizens, preserving the exclusive interests of those individuals holding one of those qualifications, imposing unnecessary restrictions on business activities or adversely affecting citizens. The merits of those qualifications should be fully grasped and analyzed, and a review should be undertaken, focusing on the improvements demanded for the individual practices.

The ministries concerned should bear all these in mind, free themselves from their conventional views and constantly review the inspections, examinations, and qualifications. From next year on, we will conduct investigations and discussions of the basic principles underlying the inspections, examinations, and qualifications. We will study the necessary improvements of neighboring qualifications, i.e., qualifications related to legal professions, etc., as well as the need for these qualifications. We will try to find out whether these qualifications match the current lifestyle and changes in living environment. We hope to see whether the qualifications are helpful in removing or lowering barriers between jobs, are conducive in promoting citizens' interests, and whether modification of qualifications encroaches on their interests.

2 Specific matters

[Specific measures]

(1) Studying and implementing a measure to foster more interpreters and guides for tourists [A bill is to be submitted to the 162nd Diet meeting. To be implemented promptly after it clears the Diet.]

Promotion of inbound tourism is an important task in view of the significance of the contact and exchange with foreign cultures, growth of the Japanese tourism industry, etc. The government is making various efforts to promote inbound tourism, for example through the Action Plan for Development of Tourism Industry, the Visit Japan campaign, etc. It has set the following target for itself: increase the number of incoming foreign tourists to 10 million by 2010. The government will have to increase its present efforts in order to achieve this target.

It is important to upgrade the intangible side of tourism's infrastructure in order to enable tourists from abroad to travel without stress and in comfort while in Japan and encourage them to make repeat visits. Among other things, promoting the fostering of capable interpreters and guides is urgently needed in order to remove the linguistic

barrier and help foreign tourists gain a better appreciation of the attraction and charm of the places they visit.

For this purpose, the license should be replaced with the registration of a relevant qualification, thus inviting more newcomers, promoting diversification and promoting competition between interpreters and guides, and upgrading their services.

In order to meet the various needs, the qualifying examinations should be simplified. Only the essential knowledge and abilities should be required of professional interpreters and guides for tourists. For example, the scope of exemptions from the examination should be widened for applicants who have passed a relevant qualifying examination.

Qualifications for interpreters and guides authorized to work in a specific area only should be introduced in order to provide individualized services matched to the conditions of different parts of Japan.