

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

Achieving a Private Sector-led Economic Society through the Opening Up of Government-driven Markets to Entry into the Private Sector

December 24, 2004  
Council for the Promotion of Regulatory Reform  
<http://www.kisei-kaikaku.go.jp>

# [Contents]

▽ Finalization and Publication of the First Report	..... 3
I. Market Testing (competitive tendering between the public and private sectors) as a cross-sectional method for promoting the opening up of public services to the private sector	
• Market Testing Guideline	..... 4
II. Promoting of the opening up of individual public services	..... 8
III. Promotion of reform of major government-driven markets	..... 10

## ▽ Finalization and Publication of the First Report

- Investigation of, and deliberation aimed at, the opening up to the private sector of national government service areas and those areas involving public commitment, including those where service is performed by specific legal individuals, etc.
  - (1) Promotion of the opening up of government-driven markets to the private sector by market testing, etc.
    - 1) Market testing (competitive tendering between the public and private sectors) as a cross-sectional method
    - 2) Promotion of individual government-driven markets to the private sector
  - (2) Promoting the reform of major government-driven markets, etc. (14 priorities)
    - Medical care: Lifting the ban on mixed medical care, reviewing Central Social Insurance Medical Council operations, etc.
    - Education: Publicly established and privately run schools, education voucher system, etc.
    - Welfare and nursing care: Integration of institutional services and in-home care services, integration of kindergartens and day nurseries
    - Opening up the Hello Work services and social insurance services to the private sector
    - Smooth international transfer of human resources, drastic review of the automobile inspection system, and formulation of regulatory practice review criteria
  - (3) Promoting reform in individual areas (except the priorities)  
Additional report in February, 2005

# **I. Market Testing (competitive tendering between the public and private sectors) as a cross-sectional method for promoting the opening up of public services to the private sector**

## **▽ Market Testing Guideline**

### **1. Description and significance of market testing**

- Market testing is a system for making the public and private sectors compete with each other on an equal footing in order to translate “what can be done in the private sector to what should be done in the private sector” into reality.

### **2. Basic policies for full-scale introduction of market testing**

- Listed below are the basic policies upon which the designing of institutional arrangements, including a legal framework (tentatively called the Market Testing Law), should be carried out before the full-scale launch of market testing.
  - 1) The national government’s public services should be tested as pilot projects. (A study should be carried out to find a way of enabling leading public authorities to conduct the test on their own initiative, whenever necessary, and providing a conducive environment.)
  - 2) Proposals should be sought from a wide range of private entities etc. Target services should be decided on by the national government.
  - 3) Institutional plans, including a legal framework (competitive tendering between the public and private sectors, related regulatory reform plans, etc.) should be considered.
  - 4) Information helpful to those private entities, etc. deciding whether to tender should be disclosed.
  - 5) Adequate monitoring should be carried out to ensure equalized competitive conditions. (A neutral third-party organ should be formed.)
  - 6) Treatment of government employees, etc. (Government employees should be treated properly at all times. When a private entity wins a bid, their treatment of government employees should be studied.)

### 3. Market testing implementation process and other major aspects

Monitoring by a neutral third-party organ, etc.

Selection of target services

- Seeking proposals from a wide range of private entities, etc.
  - Adoption of the necessary regulatory reform plans and a measure to provide equalized competitive conditions.
- Others

Adoption and announcement, of policies, etc.

- Adoption and announcement of a policy for competitive tendering between the public and private sectors for each public service
  - Fundamentally, the minimum required service level should be specified to ensure the full exercise of resourcefulness in the private sector. (Certain specifications, etc. should be demanded as the minimum requirement.)
- Others

Tendering, evaluation of the result and bid winner choice

- Competitive tendering between the public and private sectors (The public sector has the chance of winning if it can make the necessary improvements.)
  - Application of an overall evaluation criterion covering both service cost and service quality.
- Others

Signing the contract, the starting of service, etc.

- Proper public service by the bid winner
  - Proper take-over
- Others

Continuous monitoring

- Monitoring to see whether the service is being delivered according to the contractual conditions and monitoring of other aspects, binding the bid winner
  - Re-tendering after a certain period of time has lapsed
- Others

#### **4. Model projects subject to market testing (trial introduction in FY2005)**

- Proposals were sought from a wide range of private entities, etc. for one month from October 18, 2004. The model projects listed below were selected on the basis of the incoming proposals.
- Those proposals not adopted will be studied again prior to the full-scale introduction of the system.

##### **(1) Hello Work (public employment security office)**

- 1) “Publicly established and privately run” Carrier Exchange Plaza
  - A wide range of support activities for job seekers, including free job placement service, will be provided at five establishments across Japan. These facilities will be publicly established and privately run in order to enable the private sector to exercise its resourcefulness to the utmost. They will be subjected to market testing (model projects).
- 2) “Publicly established and privately run” Carrier Exchange Plaza for youth
  - One establishment.
- 3) Privatization of public services related to the search for employment offers to the private sector
  - Three areas.
- 4) Privatization of the job training service provided by Ability Garden (Life-long Occupational Ability Development Promotion Center) to the private sector
  - The job training service using Ability Garden’s facilities and equipment on Saturdays, Sundays, and at night (including assistance to those who have finished training courses, such as job placements) will be subjected to market testing (model project).

## **(2) Social Insurance Agency**

- 1) Collection of national pension premiums \*At five establishments
  - An entire series of activities concerned with delinquency and disposition.  
(Apart from the services related to the exempted individuals on the basis of income information, decisions associated with seizure of delinquent individuals' property, its seizure, etc.)
- 2) Prompting those entities not yet registered in the welfare pension insurance and government-managed health insurance systems to join those systems \*Five establishments
- 3) Telephone pension counseling center \*Two establishments

## **(3) Prison administration**

- Guarding the facility and auxiliary functions related to the treatment of inmates for at least one existing prison where these functions can be done by a private entity, etc. as a trial

Reference: Proposals received from the private sector

A total of 119 proposals were received from 75 private entities, etc. The efforts for coordination with the ministries and agencies concerned in the past are reported on the home page.

(<http://www.kisei-kaikaku.go.jp/market2004/1215/index.html>)

## **II. Promoting the opening up of individual public services**

We studied widely ranging varieties of national government office work and service, etc. including the 81 varieties mentioned as examples in the Interim Summary (August, 2004). We concluded that 36 varieties in four areas should be opened up (assigned and comprehensively entrusted) to the private sector.

### **1. Area-by-area analysis of actions leading to greater accessibility for the private sector**

	Awareness of issues	Varieties mentioned in proposals
1) Benefits and collections	<ul style="list-style-type: none"><li>• Basically, individual benefits and collections are handled according to a uniform criterion. Generally, there is no room for political judgment or discretion. They can be opened up to the private sector.</li></ul>	Hello Work services, social insurance, collection of local taxes, foreign trade insurance and benefit for young retirees
2) Improvement, management, and operation of public facilities, etc.	<ul style="list-style-type: none"><li>• The abolition, selling functions, etc. should be assigned or comprehensively entrusted to the private sector.</li><li>• The range of services opened up to PFI entities should be expanded. Action should be taken to entrust the private sector with the management of facilities under the administration of the national government, etc.</li></ul>	Recreational facilities; educational facilities for boys, youths and women; national government, local authority and prison, etc. office buildings and lodgings
3) Statistical research, production, etc.	<ul style="list-style-type: none"><li>• Basically, it is imperative that a required level is specified and that these services are committed to the entity that can satisfy that requirement and can perform the service most efficiently.</li></ul>	Statistical services, auctions, fostering of Japanese seamen, handling of accidents, etc.
4) Inspection, registration, qualifying examinations, etc.	<ul style="list-style-type: none"><li>• Basically, registration, etc. including examinations, etc. leave no room for political judgment. These public services are suitable for opening up to the private sector.</li></ul>	Procedures for proving the procurement of automobile parking spaces, notary public services, registration of species, driver's license examinations, etc.

## **2. Making national property available for use in the private sector**

- The national organs, etc. should be reminded of the following points in connection with the opening up of public services to the private sector:
  - 1) If the national property used by the national government as its administrative property is entrusted to a private entity, etc., that private entity can use it under an entrustment contract under the same principle as it was used by the national government.
  - 2) National property assigned to the private sector as administrative property, can be promptly re-categorized as ordinary property and can be sold or rented if the entrusted private entity, for example, needs to use it.

## **3. Further issues**

- We will study more public services including the following five varieties, to find out whether they are suitable for opening up to the private sector:
  - 1) National tax collection
  - 2) Improvement, operation, etc. of the World Expo Memorial Park
  - 3) Mint-related services
  - 4) Printing-related services
  - 5) Physical audit of national property

### **III. Promotion of reform of major government-driven markets**

#### **1 Lifting the ban on “mixed medical care services (combined use of insured and non-insured medical care services)”**

- A fundamental agreement has been reached between the Minister for Regulatory Reform and the Minister of Health, Labor and Welfare regarding the following:
  - The Council for the Promotion of Regulatory Reform will also continue to actively engage with the following:
    - The elucidation of specific measures, the supervision of implementation and the further promotion of realization
    - The further promotion of “the lifting of the ban on mixed medical care services, essentially and comprehensively for medical institutions that retain their standards at above average”
- 1) The use of medicines yet to be approved [Action to be taken during FY2004]
    - The implementation of sound clinical trials (A new expert commission to be formed to discuss and reach a conclusion within three months regarding the handling of medicines yet to be approved. Newly-approved medications in the US, the UK, Germany and France are automatically subjected to verification.)
  - 2) The promotion of advanced technologies [To be realized by summer 2005 within the context of the existing system’s framework, followed by a bill to be proposed during the ordinary Diet session in FY2006]
    - A set of criteria to be created for each medical technology to meet medical institutions' requirements so as to facilitate the application of required technologies upon notification. (New medical technologies to be assessed and approved/disapproved by the Ministry of Health, Labor and Welfare within three months of application.)
  - 3) Excessively repeated medical practice [Action to be taken by summer, 2005]
  - 4) The combined use of insured and non-insured medical services
    - The “Specified Medical Care Coverage System” to be abolished and a new framework to be established according to the classification of medical care services; subject to or not subject to insurance application [The bill to be proposed to the ordinary Diet session in 2006]
  - 5) Consideration for the use of special districts for structural reform [Conclusion to be reached during FY2005]

## **2 Allowing joint-stock corporations to participate in the management of medical institutions through medical corporations**

- The relaxation of participation criteria for joint-stock corporations in special districts for structural reform
- The approval of investments made from one medical corporation into another

## **3 Parameters of the role of the Central Social Insurance Medical Council (CSIMC)**

- The “Intelligence Council for the Parameters of the role of CSIMC” (tentative name, “Intelligence Council” hereafter) formed in early FY2004 to reach a decision between the summer and fall of 2005 and action to be taken accordingly and at the earliest possible time. (The following have been agreed between the Ministers:)
  - 1) Discussion sessions to review the parameters of the role of CSIMC
    - A review of the parameters of the role of CSIMC by the Minister of Health, Labor and Welfare through “the Intelligence Council” consisting of experts (who are not involved with medical corporations or in labor-management relationships) while taking into account the deliberations of the “Panel to Discuss the Significance of Social Security” led by the Chief Cabinet Secretary
    - Intelligence Council meetings to be held publicly, the progress of which 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.
  - 2) Discussions regarding a review of the parameters of the role of CSIMC  
A review of the parameters of the role of CSIMC with a focus on six discussion points such as “the function and role of CSIMC in relation to the policy planning for the revision of medical services fees”.

#### **4 Review of the medical care program (the number control of hospital beds)**

- Condition ordering necessary for the abolition of the number control of hospital beds and the promotion of the centralization of medical resources and regionally-collaborative medical care services

#### **5 Availability of pharmaceuticals from general retailers**

- A review of pharmaceutical expert involvement in relation to risk assessment and implementation of necessary measures
- The redefinition of quasi-drugs

#### **6 Unification of institutional nursing care services and home nursing care services**

- Users' financial burden for accommodation fees of three types of currently-insured facilities
- The development of fair competition between social welfare corporations and private enterprises (e.g. a review of facility improvement grants)

#### **7 Unification of kindergartens and nursery schools**

- The establishment of “comprehensive centers” (educational facilities to provide unified pre-school education and childcare) following the development of appropriate facilities and conditions, plus the construction of a mechanism to deliver education that meets local needs

## **8 Standardizing competitive conditions for schools with different management styles**

- Further studies and discussions about the introduction of a school voucher system

## **9 Lifting the ban on “publicly-financed but privately-managed” schools**

- Viewpoints to be considered for the introduction of “publicly-financed but privately-managed schools” that are operated by “public-private cooperative school corporations” (school corporations established by school corporations, joint-stock corporations, NPOs collaboratively with local authorities)
- Further discussions regarding the comprehensive delegation of the operation and management of public schools to joint-stock corporations and NPOs by a contract

## **10 Promoting the opening of “Hello Work” services to the private sector**

- The appropriate implementation of experimental services subject to “market testing” (agreed by the Minister of Health, Labor and Welfare by negotiation)
- Further issues to be discussed regarding the comprehensive delegation of office-oriented public employment security services to the private sector

## **11 Promoting the opening of social insurance to the private sector**

- The appropriate implementation of experimental services subject to “market testing” (agreed by the Minister of Health, Labor and Welfare by negotiation)
- Further issues to be discussed, including a radical overhaul of the social insurance services and the organizational structure, the opening of office-oriented social insurance services to the private sector in a comprehensive approach (under “publicly-established but privately-operated” management), and the opening of the collection of national pension insurance premiums, including deposition for failure to pay, to the private sector in a comprehensive approach

## **12 Facilitating the cross-border transfer of human resources**

- The smooth acceptance of foreign doctors and nurses (the removal of the employment restraints and the elimination of acceptance approval by medical associations)
- The improvement of the publication of case examples of permanent residence authorization and the development of a guideline for permanent residence criteria without administrative discretion

## **13 A radical overhaul of the motor vehicle inspection system**

- The implementation of investigations the summarization of outcomes by the end of FY2004 so as to determine the appropriate validity periods. Subsequent measures to be taken speedily as required.

## **14 Criteria for regulatory reviews**

- The establishment of review criteria for regulations under provisions other than regarding the issuance of notifications and ultimatums, and regulations under provisions that have exceeded a certain period of time since the date enforced, subsequent to which the implementation of regulatory reviews upon the government's swift acknowledgement of the criteria. Careful deliberation and implementation of review criteria for other less high priority regulations.
- The promotion of mandatory RIA (Regulatory Impact Analysis)