

Council for the Promotion of Regulatory Reform

Realization of “a Compact and Efficient Government” - Overview

- Market Testing

Significance of “Market Testing”

The specific identification of “services that may be operated by the private sector” and the formulation of methods to improve the quality of public services and cost effectiveness

The adoption of the principle of market mechanism into the public sector to change the concept and operating procedures of public services

Actions to be taken on the full-scale introduction of “Market Testing”

Prior to the full-scale implementation of “Market Testing” in FY2006, a law framed by the following basis (“Improvement of Public Services Efficiency Bill (Market Testing Bill) (provisional title)”) must be formulated and submitted to the Diet during FY2005.

Proposals

Basic framework and purpose

“Basic policies”

Implementation of competitive bidding between the public and private sectors

Special regulatory measures

“Third-party body”

Other

Basic framework and purpose

The “Improvement of Public Services Efficiency Bill (Market Testing Bill) (provisional title)” is a legislative means to ensure the implementation of regulatory reform that promotes “market testing (competitive bidding between the public and private sectors)” and other related operations according to certain Cabinet-led procedures with the aim of improving public services by taking into account suggestions and proposals made by private service providers.

<Basic philosophy and legislative objectives>

- 1) Ongoing public services innovation by “Market Testing”
- 2) Improvement of public services in both quality and efficiency

“Basic policies”

Each year the Prime Minister pays the utmost respect to proposals by private service providers, which should be publicized to the appropriate extent, and formulates and proposes “basic policies” largely based on the following, which should be decided and announced by the Cabinet subsequent to the consultation by the “third-party body”.

- 1) Policies on public services that are subject to “Market Testing (competitive bidding between the public and private sectors)” and relevant measures (regulatory reform etc.)
- 2) Abolition of unnecessary public services
- 3) Other measures to ensure the implementation of ongoing public services innovation

Implementation of competitive bidding between the public and private sectors

<Decision making on “policies on the implementation of competitive bidding between the public and private sectors (enforcement policies)”>

“Enforcement policies” should be formulated and decided, subsequent to the consultation by the “third-party body”, regarding each public service that is subject to competitive bidding between the public and private sectors, with an appropriate degree of transparency, by largely taking the following into consideration.

- The scope and contract period of public services subject to competitive bidding between the public and private sectors
- Details of relevant regulatory reform
- Matters concerning the selection of successful bidders (assessment criteria, selection schedule etc.)

- Matters concerning monitoring

<Selection of successful bidders>

The application of a comprehensive and appropriate set of assessment criteria and the selection of successful bidders subsequent to the consultation by the “third-party body” in view of the quality and value of public services

<Monitoring>

The implementation of continuous monitoring (supervision, inspection, etc.)

<Rebidding>

The operation of rebidding at the end of a contract period

Decision making on the abolition of a public service, when it is considered to be appropriate, according to the result of monitoring etc. while complying with the “basic policies”

Special regulatory measures

- The application of special regulatory measures to successful private bidders”
- The stipulation of details of special regulatory measures according to the “Improvement of Public Services Efficiency Bill (Market Testing Bill) (provisional title)” in the light of legislation, and according to the “Basic Policies” in the light of ministry ordinances
- The formulation of special regulatory measures required for “market testing” that is employed and implemented spontaneously by forward-thinking local authorities

“Third-party body”

- The establishment of a “third-party body” within the Cabinet in order to secure powerful authority with a neutral status over the complete disclosure of public services information, decision making on basic policies, the selection of successful bidders, plus the monitoring of the entire operations of services

Other

- A review of public services in relation to cross-cutting laws such as the public service personnel system, the public finance law and the national property law and appropriate action plans
- The constant enhancement of “basic policies” and necessary legislative improvements subsequent to the enforcement of the “Improvement of Public Services Efficiency Bill (Market Testing Bill) (provisional title)” by receiving and considering a wide range of suggestions and proposals made by private service providers on a yearly basis

<Reference: proposals made by private service providers>

*Oct. - Nov. 2004

119 proposals related to Hello Work, the Social Insurance Agency, independent administrative corporations, etc.

*Jun. 2005

141 proposals related to the expansion of “model projects”; 8 in total in 3 different fields, independent administrative corporations, local authorities, etc.

(Reference) “Market Testing” Model Projects

Implementation of model projects

- “Model projects”, 8 in total in 3 different fields, have been initiated in FY2005, focusing on government-managed operations (including those by Independent Administrative Institutions, with the intention of designing a system that enables the full-scale adoption of “market testing”).
- The operation of the “model projects” responds to 119 proposals and suggestions received from private service providers within a month between October and November 2004.
- A total of 127 companies made bids for the “model projects” (8 in 3 fields), indicating high interest in “market testing”.
- Some of the bid prices for the “model projects” have been reported to be 30% less than the normal operation cost, indicating a positive sign for cost-effectiveness, not to mention the improvement of the quality of public services by making the use of private service providers’ expertise.

Implementation of model projects

Hello Work (public employment security offices)

- | | |
|--|--------------------|
| (1) Career Exchange Plaza | *5 of 15 locations |
| Free-of-charge employment support for job seekers (technical and managerial) | |
| (2) Career Exchange Plaza for Young People | *1 of 1 location |
| (newly-established) | |
| Free-of-charge employment support for young job seekers | |
| (3) The opening up of job opening services to the private sector | *3 of 77 regions |
| Job opening services provided at each Hello Work office | |
| (4) The opening up of job training operated by the Ability Garden | *1 of 1 location |
| to the private sector | |
| (Employment and Human Resources Development Organization of Japan (independent)) | |
| Mainly white-collar job training | |

Social insurance

- | | |
|--|-----------------------------------|
| (1) The receiving of national pension premiums | *5 of 312 locations |
| (2) The increase of offices available for employees’ pension insurance and government health insurance | *5 (2 districts) of 312 locations |
| (3) Pension Telephone Support Center | *2 of 23 locations |

Prisons

- | | |
|--|--------------------|
| | *2 of 59 locations |
| Support services related to the premises security, safety administration and inmate environment of existing prisons. | |

Implementation of model projects

- Issues identified through the implementation of the “model projects” (8 in 3 fields) -

- 1) The thorough practice of the disclosure of information concerning cost management etc. by the public sector
- 2) The clear definition of the “Key Performance Indicators” to indicate the standard of public services objectively and quantitatively, the high level of which is expected from private bidders
- 3) Appropriate evaluation of cost and quality
- 4) The realization of services in a diverse range operated based on proposals and suggestions made by private service providers
- 5) The establishment of a “third-party body” to secure powerful authority with a neutral status