

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

Creating a smaller, more efficient government

- Public and private sector competition and more choice for consumers and users -

December 21, 2005

Council for the Promotion of Regulatory Reform

<u>I. Finalization and Publication of the Second Report</u>	..... 3
<u>II. Crossover Institutional Development</u>	
1. Quick, full-scale introduction of market testing	..... 5
2. Promotion of the opening-up of government enterprises to the public sector	.....10
3. Establishing regulatory review criteria, etc.	.....11
<u>III. Improvements in Crossover Areas for Priority Discussion</u>	
1. Responding to the falling birthrate, etc.	.....13
2. Promotion of competition in basic and business infrastructure	.....14
3. Immigration and residential status of foreign citizens	.....17
<u>IV. Improvements in Individual Areas for Priority Discussion</u>	
1. Medical care	.....18
2. Education	.....20
3. Agriculture, estates and housing	.....21

# I. Finalization and Publication of the Second Report

- Focusing on areas that have a major impact on the Japanese economy and the country's finances and areas in which there are high levels of public interest, priority for the current fiscal year has been placed on regulatory reform and the opening-up of government-driven markets for entry into the private sector in order to achieve "substantial improvements in administrative efficiency and cost reductions" and to help "reduce the public burden and generate private sector demand".
- The areas for priority discussion during the current fiscal year are as follows.
  - I. Crossover institutional development, including the early legislation of market testing, the opening-up of government enterprises to the public sector and establishing regulatory review criteria
  - II. Reforms from a crossover perspective between government agencies and covering different fields related to issues that are closely linked to people's lives, including responding to the falling birthrate, promoting competition in basic and business infrastructure and immigration and the residential status of foreign citizens
  - III. Reforms to major government-driven markets, including medical care, education and agriculture
- Of these areas, the top priority issues for discussion, which have been subject to open debates and meetings held by the Committee for the Promotion of Reform on Major Issues, are as follows.
  - Suitable enterprises for market testing
  - Creating an environment in which childcare service users can choose freely according to their needs
  - Reforms to NHK based on the future of public broadcasting and promoting competition in terrestrial broadcasting

Reviewing the role of the Central Social Insurance Medical Council, stepping up computerization the field of medical care and making the release of information regarding medical institutions compulsory

Reforming teaching certification, recruitment and evaluation systems in order to improve the quality of teaching staff, ensuring a free choice of schools in order to help improve the quality of schools and publicly releasing information

Deregulating land use and ownership and introducing effective conversion regulations in order to promote more efficient use of agricultural land and promoting competition in agricultural distribution through reforms to agricultural cooperatives, etc.

- Approval for a range of measures in relation to regulatory reform in the field of education in order to promote the recruitment of human resources from a range of professional and other backgrounds to work as teaching staff, based on discussion between related ministers and representatives of the Council for the Promotion of Regulatory Reform made possible by the Bureau for the Promotion of Regulatory Reform
- In addition to calling for the government to implement the reform measures outlined in this report quickly and reliably, we also intend to make every effort to continue to step up research and discussion into areas in which no progress has been made so far, without exception.

## **II. Crossover Institutional Development**

### **1. Quick, full-scale introduction of market testing**

#### **(1) Submitting the draft Public Service Efficiency Law (Market Testing Law) (tentative name) during the next ordinary session of the Diet**

- The introduction of market testing is an urgent issue in order to put the principle of “leaving what can be done by the private sector to the private sector” into practice and achieving the goal of creating “a smaller, more efficient government”.
- The government should therefore submit the draft Public Service Efficiency Law (Market Testing Law) (tentative name) as soon as possible during the next ordinary session of the Diet.
- Under the strong leadership of the Prime Minister, every possible effort should be made by the government to work together in order to quickly formulate targets and clear stage-by-stage action plans for each government agency and to subsequently assess the results.

#### **(2) Quickly introducing full-scale market testing based on the draft Public Service Efficiency Law (Market Testing Law) (tentative name), etc.**

- The necessary measures need to be taken ahead of the quick, full-scale introduction of market testing, including legislating special treatments as part of the draft law with regard to ① the Social Insurance Agency, ② job placement activities, ③ statistical research, ④ penal facilities, ⑤ local authority operations and ⑥ independent administrative organizations.

# Social Insurance Agency

## A. Full-scale introduction of market testing for the collection of national pension premiums

- Measures designed to enable collection operations to be carried out quickly by bid-winners in principle by FY2007
- Legislation of necessary special treatments relating to the National Pension Law and other legislation as part of the draft law in order to even out competitive conditions across the public and private sectors
- Operations at social security offices throughout the country to be subject to market testing and opened up to the private sector in the future

## B. Expanding market testing next fiscal year

### (a) Collection of national pension premiums

- Increase from five locations this year to 35 locations

### (b) Promoting welfare pension insurance and other similar schemes at workplaces where they are not implemented

- Increase from five locations this year to 104 locations
- Market testing at social insurance offices throughout the country and opening operations up to the private sector on a step-by-step basis

### (c) Pension Helpline Center operations

- Continuing operations at the same two locations as this year
- Comprehensive call centers to help the public and insured persons to be set up in the future; market testing to be introduced and operations opened up to take advantage of private sector creativity

## Job placement activities

### A. Full-scale introduction of market testing for Human Resource Data Bank, Career Exchange Plaza and recruitment development activities

- Carrying out market testing in 2006 and measures designed to enable activities to be handled by bid-winners from April 2007 onwards
  - Human Resource Data Banks      Tokyo and two other locations (12 locations nationally)
  - Career Exchange Plazas                      Eight locations (15 locations nationally)
  - Recruitment development                      Five regions
- Legislation of necessary special treatments relating to the Employment Security Law as part of the draft law in order to even out competitive conditions across the public and private sectors in relation to market testing for Human Resource Data Bank and Career Exchange Plaza activities

### B. Conducting market testing next fiscal year

#### (a) Career Exchange Plazas

- Continuing operations at the same five locations as this fiscal year

#### (b) Youth Career Exchange Plaza

- Continuing operations at the same location as this fiscal year

#### (c) Expanding target areas for recruitment development activities

- Continuing operations at the same three locations as this fiscal year

## **Statistical research**

Implementation of trial research in close cooperation with the Council for the Promotion of Regulatory Reform in FY2006: Survey of Research and Development and Unincorporated Enterprise Survey (both designated statistical research projects)

Taking into account of the trial research results, conducting market testing and opening up the two statistical researches to the private sector no later than FY2007

The Ministry of Internal Affairs and Communications should formulate plans no later than the middle of FY2006 in order to conduct market testing in relation to all designated statistical research projects under its jurisdiction (apart from the aforementioned projects) and to open up activities to the private sector by FY2007, in cooperation with the Council for the Promotion of Regulatory Reform

Discuss and decide by the middle of FY2006 measures to conduct market testing and to open up of the National Statistics Center's operations to the private sector

## **Penal facilities**

Continue model projects in FY2006 taking into account their results in this fiscal year

Further discussion and promotion of the opening up of additional facilities to the private sector, taking into account progress with the development and running of the Mine Social Rehabilitation Promotion Center based on PFI and Special Zones for Structural Reform

## **Local authority operations**

Legislation of special treatments in relation to relevant laws as part of the draft law in order to enable local authorities to voluntarily conduct market testing on resident services (processing requests for copies of family registers and distributing the relevant documents, etc.)

Discuss, decide and implement necessary measures that would be suitable for market testing, based on proposals from local authorities and private companies



# Independent administrative organizations

## Employment and Human Resources Development Organization of Japan

- A.** Full-scale introduction of market testing in relation to job training activities as part of “Ability Garden”
  - Carrying out market testing based on the law in 2006 and measures designed to enable job training activities to be handled by bid-winners from April 2007 onwards
  - Continuing model projects currently being implemented this year into the next fiscal year
- B.** Full-scale introduction of market testing in relation to work experience activities at the Vocational Museum
  - Carrying out market testing based on the law in 2006 and measures designed to enable job training activities to be handled by bid-winners from April 2007 onwards

## Organization for Small & Medium Enterprises and Regional Innovation

- Conducting market testing at one SME University (campus) next fiscal year
- Active discussion regarding the introduction of market testing based on the law in relation to training activities at SME Universities, taking into account the results of market testing next fiscal year

## 2. Promotion of the opening-up of government enterprises to the public sector

### (1) Basic concept

- Specific investigations into the necessity and validity of operations and activities carried out by individual government enterprises based on the principle of “leaving what can be done by the private sector to the private sector”, resulting in a total of 41 proposals regarding opening up operations in the following five categories to the private sector

### (2) Proposals for opening up operations in each category to the public

( ) = number of proposals

Category	Proposals
Operations and activities directly implemented by the government (8)	Movement and storage of abandoned or illegally parked vehicles, parking meter maintenance and operation, relief activities carried out by the Self Defense Forces (SDF) Provincial Liaison Office, organizing and managing national civil service exams, etc.
Independent administrative organizations (14)	National Center for Industrial Property Information and Training, National Livestock Breeding Center, vehicle inspections, etc.
Private corporations set up under special laws (special public corporations, authorized corporations) (11)	High Pressure Gas Safety Institute of Japan, Japan Electric Meters Inspection Corporation, Japan Craft Inspection Organization, etc.
Charitable organizations (designated corporations, etc.) (5)	Airport Environment Improvement Foundation, Japan Institute of Workers' Evolution, Care Work Foundation, Japan Institute of Invention and Innovation, etc.
Local authority operations and activities (3)	Selection process for designated managers, collection of public funds, etc.

### **3. Establishing regulatory review criteria, etc.**

#### **(1) Regulatory review criteria based on regulations other than notification laws**

Notifications should be classified according to factors such as whether or not they have any external effect and should be reviewed in all areas based on standard review criteria

[Implemented in due course from FY2005 onwards]

- Regulations related to approval and penalties and that are effectively binding for individuals  
(screening criteria, penalty criteria)
  - Reviewing the legislation or abolition of areas that exceed the purpose or scope of laws
  - To be issued under the name of the legally authorized party in principle  
(name of the relevant ministry, minister or government agency)
  - Titles: “screening criteria” “penalty criteria”
  - Carrying out public comment procedures or other procedures outlined in the Administrative Procedure Law
- Regulations based on individuals’ optional cooperation
  - Legislation of matters that should be made compulsory by law as standard throughout the country
  - Clarification of regulations with which compliance is optional

Classification to be completed in 2006 before moving on to the review process

[To be implemented in due course from FY2006 onwards]

**(2) Promotion of steps designed to make regulatory impact analysis (RIA) compulsory**

- The necessary measures should be taken to make advance evaluations of regulations compulsory within the framework of the Government Policy Evaluations Act

[Measures to be implemented in FY2006]

- The necessary measures should also be taken to ensure that every effort is made to actively and voluntarily carry out evaluations, even if they are not compulsory

[Measures to be implemented in FY2006]

### **III. Improvements in Crossover Areas for Priority Discussion**

#### **1. Responding to the falling birthrate**

##### **(1) Promotion of diverse working patterns to enable a balance between work and childcare**

- Expanding systems for exemption eligibility from work hour regulations  
[Discussed in FY2005, to be finalized in FY2006]
- Lifting the ban on advance interviews for temporary workers other than those due to be given employment  
[To be discussed in FY2006]
- Reviewing the obligation for temporary workers to apply for employment contracts  
[To be discussed in FY2006]
- Clarifying criteria in relation to “additional duties” [Measures implemented in FY2005]
- Establishing employment contract legislation [Discussed in FY2005, to be finalized in FY2006]

#### **2. Creating an environment in which childcare service users can choose freely according to their needs**

① Introducing direct contracts and direct assistance for users of authorized childcare facilities

② Ensuring reasonable pricing for childcare fees at authorized childcare facilities

Introducing a mandatory childcare accreditation system

Promoting the disclosure of information regarding childcare services, etc.

[Possibility of introducing points - at all childcare facilities to be discussed over the long term based on the status of their implementation at comprehensive facilities]

The future of comprehensive childcare and kindergarten facilities

[Measures to be fully implemented in comprehensive facilities in FY 2006]

## **2. Promotion of competition in basic and business infrastructure**

### **(1) Legislative crossover regarding financial services (investment)**

- Reorganization of the existing Securities and Exchange Law and the establishment of flexible investor protection legislation (Investment Service Law (tentative name)) in view of the absence of investor protection legislation covering the capital market as a whole amidst the emergence of the Corporate Reconstruction Fund and other new financial mechanisms

[Discussed and finalized in FY2005, measures to be implemented in early FY2006]

### **(2) Establishing a competitive environment in response to the integration of communications and broadcasting**

- Discussion regarding the future of public broadcasting

[To be discussed and finalized in early FY2006]

Urgent review of the number of channels held, license fees (including the pros and cons of scrambling terrestrial digital broadcasts), the scope of services and the future of public broadcasting as a whole (including the scope of services), to be finalized in early FY2006

Combined with discussion regarding scrambling BS digital broadcasts, to be finalized as quickly as possible in line with the existing three-year plan

- Promotion of competition in terrestrial broadcasting

Tightening relicensing procedure [to be implemented in FY2006], further relaxing regulations on multiple stations [to be discussed and finalized in FY2006], etc.

### **(3) Streamlining regulations under the four safety laws**

Simplifying licensing procedure and streamlining inspection methods

[Measures to be implemented in FY2006]

Introducing and improving voluntary inspections

- Increasing and renovating existing operating facilities under the High Pressure Gas Safety Law and expanding the scope of voluntary inspections for facilities with no safety management problems [Measures to be implemented in FY2006]
- Discussion regarding essential safety issues in relation to accreditation systems and standards to enable operators that meet fixed safety management standards under the Industrial Safety and Health Law and the Fire Defense Law to carry out voluntary inspections

If this results in the development of accreditation systems or standards, operators complying with the relevant accreditation standards should be given approval for voluntary inspections.

[Industrial Safety and Health Law: to be discussed and finalized in FY2006, measures to implemented thereafter]

[Fire Defense Law: to be discussed and finalized by FY2007, measures to be implemented thereafter]

Reconfiguring opening-up inspection periods based on lifespan forecasts

- Improving the current situation, whereby opening-up inspection periods are set at a maximum of four years for each item of equipment under the Industrial Safety and Health Law, and discussing how to enable continuous operation for more than four years [Industrial Safety and Health Law: measures to be implemented in FY2007]
- Discussing further extensions to opening-up inspection periods for external tanks under the Fire Defense Law

[Fire Defense Law: to be discussed and finalized by FY2007, measures to be implemented thereafter]

#### **(4) Reviewing waste regulations in order to promote recycling**

Measures to upgrade waste wooden pallets from general business waste to industrial waste

[Measures to be implemented in FY2006]

Commencing initiatives to computerize administrative procedure documents in order to enable licensing and approval data under the Waste Management Law to be shared between local authorities and to enable bulk applications to be filed with multiple local authorities, etc.

[Measures to be implemented in FY2006]

Establishing an expert committee as a division of the Central Environment Council, securing the participation of related ministries and government agencies and commencing discussion regarding the implementation of the Waste Management Law, including reviewing the classification of individual items as either general and industrial waste

[Measures to be implemented in FY2006]



### **3. Immigration and residential status of foreign citizens**

#### **(1) Reinforcing the checking system for foreign residents after entry into Japan**

[To be finalized in FY2006]

Inquiries and provision of information on foreign citizens' residential status

Review of the alien registration system

Clarification of the responsibilities of employers

(a) Severe penalties for employers hiring illegal workers

(b) Expanding the contents of Foreign Citizen Employment Reports and making reports compulsory

Clarification of the responsibilities of host organizations (educational institutions, etc.) other than employers

#### **(2) Establishing regulations in relation to internships and training programs for foreign citizens**

[To be discussed and finalized in FY2006]

Legal protection during internships

Establishing a category of residential status for training program participants

Review of non-legally-binding regulations (notifications, etc.)

#### **(3) Clarifying the implementation of the permanent residency and special residence permission systems**

Producing guidelines stating the requirements for permanent residency

[Measures implemented in FY2005]

Releasing information regarding unsuccessful applications for residency and producing guidelines for special residence permission

[To be discussed and finalized in FY2006]

## IV. Improvements in Individual Areas for Priority Discussion

### 1. Medical care

(1) Compulsory release of information on medical institutions and promoting the disclosure of medical records

- Making the release of information on medical institutions (details of facilities, treatment methods, performance, etc.) compulsory and establishing information disclosure rules

[Measures to be implemented as part of medical reforms in FY2006]

- Improving the contents of medical institution's advertising materials

[Measures to be implemented as part of medical reforms in FY2006]

- Making it compulsory to issue receipts containing a clear breakdown of medical expenses

[Discussed and finalized in FY2005, to be implemented in FY2006]

(2) Enhancing and improving the position of insured persons

- Relaxing requirements on insured persons to pay medical and prescription bills directly

[To be discussed and finalized in FY2006]

[Exemption from the medical institution consent requirements in relation to payment of prescription bills: consistency between service charge systems to be discussed and finalized in early FY2006, with measures being implemented as soon as possible thereafter]

- Relaxing terms and conditions in relation to direct contracts between insured persons and medical institutions or pharmacies

[To be discussed and finalized in due course]

(3) Stepping up the computerization of medical care (e-medical records, e-billing, etc.)

- Ongoing promotion of online e-billing

[Work to start as soon as possible; online billing to be completed no later than the start of FY2011 in principle]

- Promoting the increased use of computerized medical records

[Measures to be implemented in due course; adoption of standards to be promoted in FY2006]

(4) Correcting discrepancies between domestic and foreign medical equipment prices

- Precise management of the average foreign price adjustment system

[To be implemented in due course]

- Enhancing approval systems and facilitating management

[Measures implemented in FY2005 and in due course thereafter]

(5) Reviewing pharmaceutical prices

- Revising pharmaceutical pricing standards in order to boost new drug development

[Measures implemented in FY2005]

- Changing the format of prescriptions to promote the use of generic drugs and encouraging patients to switch to OTC (over the counter) drugs as soon as possible

[Measures implemented in FY2005 and in due course thereafter]

(6) Reviewing the role of the Central Social Insurance Medical Council

[Measures to be implemented as soon as possible; draft legislation submitted in FY2005; to be monitored and reviewed as necessary in the future]

- Discussion (by the Central Council) regarding scoring for medical fees in accordance with the Basic Policy on Revisions to Medical Remuneration, set out by the Social Security Council
- Abolition of group recommendation regulations for council members
- Increase in the number of council members representing the public's interests
- Review of the composition of council members based a clear approach, taking into full consideration indices outlining shares of medical expenses, etc.

## 2. Education

(1) Reforming certification, recruitment and teacher evaluation systems in order to improve the quality of teaching staff

- Promoting the use of special certificates [Measures implemented in FY2005]  
Promoting the use of special certificates such as advance recommendations from third parties in order to recruit a range of promising human resources without specific teaching certificates
- Establishing teacher and school evaluation systems that reflect the feelings of pupils and their guardians [Measures implemented in FY2005]  
Incorporating evaluations by pupils and their guardians with regard to educational activities (lesson and class management, guidance for pupils, etc.) into school evaluations as a whole

(2) Greater freedom of choice of schools in order to encourage better quality schools

- [Measures implemented in FY2005]
- Encouraging local boards of education to actively discuss school selection systems and distributing details of successful examples
  - Revising application systems to enable pupils to change schools after a designated school has been assigned in order to ensure that pupils and guardians are informed of the possibility of applying to change school when they are notified of their designated school
  - Outlining specific examples of reasons for changing school (bullying, ease of commuting, sporting or club activities specific to certain schools, etc.) and requiring local boards of education to clarify and publicize such reasons in advance

### 3. Agriculture, estates and housing

(1) Training and securing enthusiastic, skilled workers in order to make effective use of agricultural land

- Developing specific systems for the direct payment of workers

[Draft law submitted in FY2005]

etc.

(2) Streamlining agricultural distribution and increasing efficiency

Promoting business reforms amongst agricultural cooperatives

- Promoting business reforms at the National Federation of Agricultural Cooperative Associations and other organizations

[Measures implemented in FY2005 and in due course thereafter]

- Promoting the disclosure of profits and losses according to different sectors

[Discussed in FY2005, measures to be implemented in FY2006]

Stepping up measures to combat unfair practices amongst agricultural cooperatives

[Discussed in FY2005, measures to be implemented in FY2006]

- Producing guidelines in accordance with the Anti Monopoly Act
  - Establishing a full range of measures including administrative punishment in accordance with the Agricultural Cooperative Association Law
- etc.

### (3) Estates and housing

- Investigation and discussion of regulations and policies for reasonable usage based on the impact on the surrounding environment  
[Discussion commenced in FY2005]
- Discussion regarding promoting the reconstruction of aging buildings in densely-populated urban areas  
[Discussion commenced in FY2007, to be finalized in FY2006]
- Discussion of road space on public highways and the three-dimensional use of buildings  
[To be discussed on an ongoing basis from FY2005 onwards]
- Discussion regarding promoting the use of maps, including duplication of maps and the simplification of usage approval procedure  
[Discussion commenced in FY2005, to be finalized in FY2006]