# Third Report 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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## I. For finalization and publication of “Third Report”

Promotion of the regulatory reform and opening of business to private sectors creates new demands and employment through a fair competition and the extension of choices of consumers as well as encourage improvement of productivity so as to vitalize the economic society. This committee was established in April, 2004 as it stood in such a policy to realize the principles of “from public to private sectors” and contribute to achieve more than 1200 items of regulatory reform including introduction of the market testing and opening of so-called Combined Medical Care Service upon active research and discussions in close cooperation with Office of Regulatory Reform/Headquarters for the Promotion of Council on Economy and Fiscal Policy.

Under these circumstances, Japanese economy goes out of the long-lasting stagnation, and is currently at the stage of new development toward “Creativity and Growth”. At the turning point of the social environment, this is the time to develop and evolve the approaches for reform, and provide the base for efficient allocation of resources in the economy by breaking the vested rights and securing equality. In order to achieve this, it is important to proceed the rule making for further globalization, promotion of competitions corresponding to the depopulation society and industrial promotions. Therefore it is desirable to promote systematic and comprehensive regulatory reform and opening of government-driven markets to the private sector including review of pertinent regulations. When the competition between proprietors is promoted, maintenance of a system to establish an effective and practical post-check method to maximize the market function, compliance to disclosure policies and establishment of Safety Net are crucial.

From this viewpoint, it is necessary to enhance the approaches aiming construction of the streamlined administration through allotment and collaboration of the private and public sectors, open and fair economic society through reform and competition, implementation of environment that enables various ways of working styles and re-challenges, regeneration of education, creation of a safe and secure living environment, and open the market to private sectors to provide opportunities for creativity and new challenges.

Based on the awareness of issues above, this document is to report various issues for promotion of the upcoming regulatory reform and opening of government-driven markets to the private sector as well as items confirmed in the government.

We committee strongly believe that this report will contribute to proceed a sound and speedy reform toward building new Japan with autonomous rules and freedom.

## II. Issues for the future regulatory reform

### 1 Crossover assessment and review of regulations of all ministries and agencies

#### (1)Periodical review of regulations and procedures concerning restrictions

**[1] Basic idea concerning review of restriction**

To further develop regulatory reforms, in addition to the methods of "regulatory reform" mainly stressed on a conventional fields and matters, it is necessary to promote the reviews by creating a standard (below, "Review Standard") over various areas focusing on the nature and system of regulations.

This council, as part of the efforts of "Second Report on the Promotion of Regulatory Reform and the Opening Up of Government-driven Markets for Entry into the Private Sector" (December 21, 2005) (below "Second Report"), compiled and proposed the "Review Standard concerning Regulations based on restrictions other than laws and regulations such as Notification and Release". This Review Standard is included in "Three-year Plan of Regulatory Reform and Opening of Government-Driven Markets to the Private Sector (Further Revised Version)" "(Cabinet decision on March 31, 2006) (below, "Three-year Plan (Further Revised Version)"). Therefore, the review is scheduled to be implemented according to the Review Standard.

Because the implementation of regulatory reform is a pressing need for the structural reform of our country, Review Standard is established sequentially as possible without waiting for all completion. This council, as stated in "Second Report" and "Interim Report on the Promotion of Regulatory Reform and the Opening Up of Government-driven Markets for Entry into the Private Sector" (July 31, 2006) (below, "Interim Report on Priority Issues"), proposes that Review Standard needs to be established also for the restrictions which passed a certain period since it was established.

While restrictions are established upon a certain discussion based the background of social needs, if it is not reviewed in the change of the subsequent social economy situations in spite of loss of meaning or necessity, many problems and negative influences may be incurred due to the obsolesce. This council proposes that some restrictions should positively be reviewed due to the passage of time after a certain period since its establishment. The meaning and necessities of restrictions must be reviewed, and some have already been reviewed by specific needs of public and opinions of administrations. However, it should be checked periodically whether the restriction is adequately reviewed at the right time.

## [2] Method for future advancement of periodic review of restrictions

As one of the opinions considered to be a curtail issue under discussion for establishment of Review Standard of restrictions that passed a certain period of time after its establishment, it is said “there should be no need to have a system of periodical review because restrictions are reviewed as necessary”. It is true that there are some cases of review based on the revision of pertinent systems or on specific needs such as demands for regulatory reform and opening of Government-Driven Market. These reviews should be actively continued. However, as it means that there might be no review unless specific reviews are demanded or it is not clarified, administrations would lose opportunities to study the meaning of restrictions from a broad viewpoint and improve it. In addition to review based on specific needs, there should be reasonable regulatory reform that is suited to the social conditions if there is a constitution to provide opportunities for review of restrictions in a periodical manner.

Currently, there should be an article to describe the requirements to conduct a periodic review of restrictions for new restrictions. This is a system included in Regulatory Reform 1994 (February 15, 1994), and it is also referred in the repeated government programs concerning regulatory reforms. However, as shown in “Interim Report on Priority Issues”, there are issues need to be considered as below regarding establishment of Regulatory Reform Article of Periodical Review” in the “Evaluation of New Regulations”.

- Because the items expected to be under the articles of review, concepts of the period review are not reflected.
- Because this is a system applied when the restriction is newly established, the concept of periodic review is hardly reflected on the current regulations which passed a long period of time since its establishment to the present.
- The standard at the review period etc. is not specified

In consideration of such conditions, it is considered that a system of period review is necessary for all restrictions regardless of legislations. It is also desirable to have a system in this framework for abolishment of restrictions which remain effective only due to misconduct of review despite there is no effects because of loss of the pertinent legislation such as: those which is no longer practical due to its obsolesce after a long time since the establishment, which could lead confusion in public.

In this case, as it is represented by the administrative guidance indicator and technical advice and the recommendation, there is a controversial point if Notification and Release without “external effects” on private individuals (those which other than notification that provides instruction based on ordinance of the Cabinet, Ministerial ordinance, the outside

bureau regulations, the National Personnel Authority regulations, Board of Audit regulations, and the order upon consignment of laws among rules applied to many and unspecified cases designated by the administration such as Notice and Notification)" should be reviewed in a periodic manner. In fact, as stated in "Second Report" and "Interim Report on Priority Issues", some Notification and Release need to be reviewed after a certain period as it could have "external effects to private individuals such as the criterion and disposal standards specified in Administrative Procedures Act (No.88 in 1993). Therefore, these notification needs to be reviewed periodically. However, "Notification and Release without "external effects" on private individuals" are not considered to be a regulation itself, so that there should be a discussion whether a periodic review is directly related to regulatory reform.

However, it is considered that "Notification/Release" was only items considered to be desirable or recommendable from the viewpoint of administrations at the point of establishment, but in that sense, the contents of such "recommendation" are changing depending on changes of social and economic society." Therefore, it is shown in Article 38 Clause 2 of Administrative Procedures Act that administrations to review restrictions are obviously reliable for reviewing restrictions, which is consistent with the legislation order and administrative guidance. "Notification and Release without "external effects" on private individuals" are also desired and meaningful for a review after a certain period.

Council for the Promotion of Regulatory Reform and each prefecture ministry should taken measures necessary for review s according to Review Standard after a certain period to promote the review of the restrictions that passed a certain period after a certain period.

### [3] Future measures for review of Notification/Release

As stated in "Second Review" Notification/Release are defined not to directly specify the rights and obligations of private individuals, not binding them legally. For instance, in the cases for senior administration to provide interpretation of jurisdiction laws to lower class administrations as "Notice", it is that the lower class administration is legally constrained, but it does not have the legal effect of constraining private individuals in a in the direct method. Meanwhile, if the lower class administrations interpret and apply the laws in line with the "Notice" and the lower class administrations takes any disciplinary actions to a private individual who violated the laws under the specification of "Notice," the private individual consequently could suffer an unreasonable loss, or indirect legal effect. Otherwise, if there is a penalty against the act of violation to the law, Notification/Release etc. by which administration shows the interpretation of the law have the effect that it has an extremely high incentive to private individuals to follow. Likewise, it can be said that

Notification/Release etc. that provide the matters related to private individuals' rights and obligations would have "external effects by showing the interpretation or standards of operation.

The standard of the review of Notification/Release is incorporated into "Three-year Plan (Further Revised Version)" aforementioned are specified with categories including: (i) Notification/Release including criterions of evaluation and disciplinary action which could have external effects on "private individuals", which is specified in Administrative Procedures Act, (ii) Notification/Release including criterions of evaluation and disciplinary action which could have no external effects on "private individuals", which is specified in Administrative Procedures Act, (iii)Notification/Release which could have external effects on "private individuals".

According to "Three-year Plan (Further Revised Version)", each prefecture ministry has already started the classification upon Review Standard for the individual Notification/Releases concerning restrictions which have been enacted and taken an effect, and is planning to complete the classification within FY2006. This is to promote the review of Notification/Releases etc. that should be an object for review every fiscal year is selected. Regarding the method of selecting items for specific review, It is considered to be practical to select one in concurrent with the review of the pertinent laws which passed a certain period since its establishment in addition to the review at the same time for the pertinent system or depending on specific needs or those which clarified for regulatory reform or opening Government-Driven market in preference.

However, when Notification/Release etc. is selected for review only by the methods above, that become objects of the review only by such a method, such Notification/Release could not be reviewed easily if the priority of specific review needs is not high, and a periodical review which is legally bound is not appropriate for the purpose and objectives. Therefore, care should be taken to make a comprehensive review of Notification and Release in accordance with the above, in order to select Notification/Release etc. which are appropriate for review every fiscal year.

Accordingly, Council for the Promotion of Regulatory Reform and each prefecture ministry should continuously take measures for reviews according to "Three-year Plan (Further Revised Version)".

### [4] Obligation of Regulatory Impact Assessment (RIA) and Future Approach

The "Three-year Plan for the Promotion of Regulatory Reform" (a Cabinet decision on March 19, 2004) specifies promotion of introduction of the Regulatory Impact Assessment (RIA:

Regulatory Impact Analysis). Up to now, this council has promoted the use of techniques of RIA in cooperation with the Ministry of Public Management, Home Affairs, Posts and Telecommunications, the number of trials of RIA which started in October, 2004 based on “Implementation Guideline of "Regulatory Impact Assessment (RIA)” reached 171 as of the end on September, 2006. Based on “Three-year Plan (Further Revised Version)”, in the framework of “Law concerning evaluation of policies of administrations” (No 86 of laws in 2001), necessary measures have been taken such as obligation of the pre-assessment on regulations.

Although the RIA system is applied to regulations at the time of commencement in Japan, the technique of RIA is applied as an analytical tool of policies in administrative fields other than the regulations in various foreign countries, which indicates that there is more options to use the system. In consideration of the major objective of RIA, it is basically desirable to apply RIA to all the regulations regardless of the form of legislation in general. In addition, it should contribute to improvement of objectivity and transparency by using the technique for administrative fields other than the regulations. Therefore, the system of RIA in Japan should be considered toward the direction to expand the range in the future in reference to the practical state of the system and the situation in foreign countries.

In the pre-assessment system (obligation) of the regulations, it is important to improve the quality such as quantitative analysis or increase of the money value of the analytical results and the qualitative improvement. Moreover, it is also curtail to share or collect information (consultation) between experts and stakeholders, which is conducted in foreign countries and the intelligence operation (consultation etc.), in reference to approaches of various foreign countries for pre-evaluation of the current systems in order to accumulate information or data as a presumption.

In order to review the restrictions in a timely basis based on the changes of social and economical conditions regarding the restrictions which underwent the pre-evaluation of RIA when regulations are newly established or revised, it is necessary to conduct monitoring of effects of the regulations and the post-evaluation of RIA for improvement of the evaluation quality on regulations.

### [5] Issues on “No Action Letter System in Japan”

It is important to improve the prospect possibility concerning the application of the rules to clarify the market rule in the flow of "Pre-Restrictions to Post-Check”. As one of the policies, the so-called No Action Letter system should be further promoted to use.

However, in terms of application of “pre-verification procedures of legislation by

administrations" as No Action Letter system in Japan, the committee believes that the objects are limited as it is only applied with " (a Cabinet decision on March 27, 2001, revised on March 19, 2004) because it could incur disciplinary actions. For instance, the system does not cover the cases whether business activities are claimed by administrations.

As a proposal of this council, it is considered to further review on expansion of the administrative power, not limiting to those which applied to administrative disciplinary actions for the procedure, in reference to the issues of the current No Action Letter system, while taking consideration of conformity to legislations in Japan.

**(2) Qualification scheme/standard authentication**

**[1]** Qualification scheme

**a. Current approaches and results of public qualification scheme**

Public qualification scheme aims to provide Japanese citizens with secure services by assigning qualified staff of the strict legislations in order to secure rights, safety, and sanitation of people and rationalization of business deals. In the meantime, this scheme sometimes create disadvantage on the life of people because of the so-called "monopoly qualification" which only allow the qualified persons to do a certain business activities to hinder a free entry to the market of individuals.

Regarding the business monopoly qualification, since "Opinion concerning the promotion of deregulation" in 1995, by Administrative Reform Committee which was set in Prime Minister's Office in the past, proposed a considerable increase of lawyers,

Measures have been taken to review the Qualification scheme and it started to achieve successful results as below.

(Current measures and successful results upon review of Qualification scheme)

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| December, 1995 | Proposals to increase members lawyers per the first opinion of Administrative Reform Committee |
| December, 1997 | Administrative Reform Committee final opinion: Review of ideal way of business monopoly of administrative scriveners, and proposals for abolition of requirements for examination and descriptions of the reward regulations |
| April, 1998 | Revision of Court Organization Law and National Bar Examination Law to significantly increase the number of legal professions |

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|---|---|
| March, 1999 | Proposal of 16 items of Review Standards concerning the business monopoly qualification, to be incorporated into the deregulation promotion Three-year Plan. Cabinet decision |
| April, 1999 | Introduction of specified subject system that exempts subjects perceived to have already finished regarding physical therapist and occupational therapist's training courses |
| July, 1999 | Abolition of requirements for examination of administrative scrivener and deletion of descriptions of rewards |
| March, 2000 | Addition of two items including review of corporate systems and increase of applicants who meet the requirements based or from a viewpoint of the review of Deregulation Promotion Three-year Plan in March, 1999. |
| | Deregulation of prohibition of the advertising regulations of Lawyer |
| April, 2000 | Review of patent attorney's scope of work, reform of examination system, foundation of corporate system, and deletion of reward definition from the rules |
| November, 2000 | Abolishment of the administrative scrivener reward regulations |
| December, 2000 | Proposals on the second opinion of Administrative Reform Promotion Headquarters Regulatory Reform Committee: “registration and enrollment system” and “regulations of reward” |
| March, 2002 | Abolition of licensed tax accountant reward definitions |
| November, 2002 | Abolition of certified social insurance labor consultant reward definitions |

**b Basic idea on review of qualification scheme**

The reform has been promoted based on the basic policy of review of qualification schemes proposed in “ Deregulation Promotion Three-year Plan (revision)” approved by the Cabinet in accordance with the proposal of “First Opinion on Regulatory Reform” of Deregulation Committee in March, 1999. However, regarding the business monopoly qualification, competitions are still restricted related to the subject services such as limitation of new market entries and exclusion of those who have no certification because certain regulations remains unchanged such as monopoly of business, actual limitation of qualified and requirements for examinations.

Therefore, regarding the monopoly qualification, it is necessary to encourage active competitions in various fields by lowering the wall of certification so as for people to

choose and enjoy various levels of services, such as that the market entry of other occupations is allowed in an reasonable range as possible for those who have the certification of similar type of jobs, while limiting the scope of qualified workers as much as possible.

The activation of the competition in various business fields have to be aimed at by lowering the fence of the qualification, and come to be able to enjoy it with the selection of the people of the business service at various levels.

In the rapidly changing society, the scope of qualified workers has been changed to adapt so that new qualifications and skills would be necessary for them. Although it is necessary to improve such skills and capabilities in the any fields. In particular, regarding the business monopoly qualification, the principles of competition hardly take effects as the qualified is limited. Therefore, it is socially required to secure and improve the quality of qualified workers as well as to disclose work histories or disciplinary actions of them.

Therefore, each ministry and agency should further review on Qualification scheme including the regulations of monopoly qualifications, requirements and scope based on the standards and viewpoint of reviews of the certifications above, regarding the governed certifications from the viewpoint of improvement of utility of public and active competition of services.

**c Improvement of quality skilled workers**

In the past, it was believed as if there is conformity of laws by qualified workers do business in presumption of their sense of ethics and responsibility. However, as the event by the act of betraying such trust happens, it is hardly secure the order of laws only by relying on the ethics and responsibility of the certified workers. In addition, there are a change and complication in society, and problems occur only by the knowledge or skills of the certified workers who obtained the qualification in the past. For solutions of these problems, it is necessary to create a system to improve knowledge and skills of the qualified workers. In this term, some measures have been taken to improve knowledge and skills of the qualified workers as the organizations of the qualified persons provide lectures spontaneously, but there is no obligation for them to attend. This makes difference of capabilities.

Therefore, the government should study measures such as obligation of attending such lectures or renewal of licenses as necessary as well as providing lectures for the skilled workers while taking consideration of not hindering competitions or entry to the market.

Moreover, the specialized field should have a system for license such as architects such

as authentication of skills of the qualified in each field by private sectors or system to disclose the certification or work histories of them, which should improve convenience of users and improve of qualified workers' skills by verifying their quality and specialty.

**d Appropriate implementation of disciplinary actions**

In the business monopoly qualifications other than Lawyer, the qualified workers should receive disciplinary actions from the jurisdiction Minister to an inappropriate act including the violation of the laws. Regarding disciplinary actions, it is doubtful if proper actions were taken because the standards were not clear and some cases have rarely actions depending on qualifications. Subject to contents of the disciplinary actions, some are not published in Official Gazette.

In terms of disciplinary actions, it is necessary to clarify the standards. It is considered to be natural to execute disciplinary actions to the qualified workers who neglected the rules should receive a strict disciplinary actions such as disposal, from the viewpoint to maintain the qualified workers' ethics and sense of responsibility. It is also thought to be a power to control their illegal acts. Moreover, it is also important to disclose the name, the act of the subject party for the disposal and disciplinary actions etc. to prevent reoccurrence of such actions and to draw attentions of citizens as the users of services provided by the qualified workers to prevent unexpected damages.

**e Compulsory admission (group)**

Among ten clerical work qualifications of the business monopoly qualification for the hearing in this fiscal year, eight of them: certified public accountant, lawyer, judicial scrivener, land and house examiner, licensed tax accountant, public consultant on social and labor insurance, patent attorney and administrative scrivener are required to establish the expert group and register the organization of the qualified workers. This is mandatory. Regarding the real estate appraiser, there is no definition to establish the group, or admission to the organization, but the corporation of the arbitrary admission system was established under Civil Law Article 34 (No.89 of the law in 1896) in fact.

The qualified worker group and the pertinent ministries explained the reason of mandatory admission for maintaining class of the qualified, maintain and improve the capabilities, controlling the illegal acts, provision of the services for the low-income population and convenience for liaison and notification given by administrations.

However, the compulsion admission system imposes additional restrictions on those who passed the examination, makes the barrier in scope against other specialist groups,

and takes a role as an object to restrain free trade of individual qualified workers but this is a big obstacle for people as the user to make use of the services provided by the qualified. Thus, it is necessary to keep discussing solutions for convenience and based on the opinions of the specialist group and ministries.

### f Expansion of number of people in the legal professions

It is aimed to achieve the number of the qualified for bar examinations as about 3,000 by around 2010 while ascertaining the situation etc. of the maintenance of a new system to foster law school students including Graduate Law School according to the Program for Promoting Justice System Reform (Cabinet decision on March 19, 2002) to increase the number of legal experts.

Though it is expected that judicial officers are required to be more capable in the future, it is necessary to carefully take care of the social needs on the population of legal specialist from the viewpoint of user-friendly legal systems by creating those who are suitable for legal exerts as the qualified worker.

On the other hand, regarding the bar examination, as the most effective measure to select the qualified persons and extract their capability, it is essential to further diversify options to foster abilities to analyze social and economical influences of laws and policies from a broader view, not a narrow-minded interpretation.

## [2] Standard authentication

Standards and Examinations (below, “standard authentication etc") will have a big influence on the rise of cost, limitation of the choices depending on its standpoint in the modern society of globalization of economic activities and severe competition of enterprises. Therefore, if the review is required for the standard authentication in the future, it is important to consider minimizing effects of the review on such business activities. Moreover, that standard authentication should also be reviewed to make it more practical because there are systems with less necessity to maintain as a government-led system due to advancement of technologies and those which not suited to the modern world.

Meanwhile, the objectives of each system concerning standard authentications include protection of human life, body, and property in principle. For instance, as the case of false of the structural calculation lat year, the qualification is no longer reliable to people for some extent.

Under this circumstances, while the basic objectives of the standard authentication to

prevent accidents or disasters is secured, the necessary review should be proceeded as follows The execution of the review needed mortgaging the purpose such as basic standard authentication that prevent the accident or the disaster occurring based on these situations should be promoted as follows.

**a Proprietor's self confirmation and independent security**

In order to promote efficiency of the administrative services and reduce the company cost, the government should only set the standard and monitor the compliance to the standards, as leaving proprietors' self confirmation and independent security.

However, in order to promote the policy, it is necessary for the government to study the legal arrangement against the cases when any harmful incidents occurs due to violation of laws of individual enterprises based on the characteristic of the subject field an individual enterprises. It should also be verified if the government may be capable of monitoring the field in questions.

**b Third party authentication**

Even if it is inappropriate to entrust proprietor's self confirmation and independent security, the government inspection would not be needed at once, but there should be a system to mandate inspections by a fair and neutral third party based on the international rules.

Measures should also be considered to provide the post-inspection policies for the third parties to conduct a proper inspection as well as to prevent abuse of rights of these who order the inspection on the third party for its preferred position.

**c Conformity of International Standards**

If international standards are applied, the government should achieve the conformity of business and the standards upon study on its validity. If there is no international standards, the standard of Japan are appealed for proposal and application in order to promote receipt of data from foreign countries and mutual approvals.

**d Specific Safety Guidelines**

All the specific guidelines should be studied if the contents of the standard may correspond to the technological innovations in a flexible manner, and to cover all the standards which are currently specified as the specification.

**e Exclusion of repetition inspection**

Measures should be taken to ease the burden of proprietors such as abandonment of the repetition inspections on similar items for inspection if two or more inspections are specified.

**(3) Other Issues of Basic Rules**

**[3] Tender system**

A fair and free competition in the market should be positively promoted to activate Japan's economy, and to achieve the affluent society. The government should voluntarily show the intention for further promotion of fair and free competition in the market. However, quite a many bid-rigging were disclosed in the current tender systems for public works, which undermined the trust of public on the tender system of public works. Under these circumstances, there is a shift of trend including the abolishment of the designated bidding which limits bidders and a change to the general tender system for public works directly led by the Ministry of Land, Infrastructure and Transport.

In all the tender systems of government organizations, including local public organizations and ministries/agencies, measures should be taken to maintain and expand a system to increase the number of bidders from the viewpoint of transparent, fair, and competitive fulfillment of the tender system in the future.

This issue should be studied also from the viewpoints: maintenance of a competitive environment with a severe penalty on those who violated the laws, reduction of paperwork by simplifying that tender system, and review of VE (Valuable Engineering) and a comprehensive evaluation and operation systems.

**[2] Reform of administrative appeals and trials system**

Conflicts which could occur between private individuals, or between the administrative offices and private individuals, a semi-judicial procedure such as the oral proceeding shall be made for decision by the administration committees or administrative agencies individual. It is so-called "Administrative appeals and trials system," which is applied in many cases.

These are generally categorized into Administrative Appeals and Trials by the administrative committees which was introduced with influences of the laws of America in the post-war period such as trials of the Fair Trade Commission, and those which exist from the pre-war period to cover the special fields to require special knowledge such as the

shipwreck appeals and trials under the wreck inquiry, and the patent appeals and trials by the Worker Dispatch Law, etc.

As for these appeals and trials, since the person who has special knowledge and the experiences for the dispute case participates in the conflict resolution, a simple, prompt, cheap and proper solution is expected, which also should reduce the burden of the court.

Therefore, the Administrative Appeals and Trials will be reviewed as a whole since the regulatory reforms will be more important when its control get stricter.

**[3] Close examination of capabilities in each prefecture ministry on regulations**

In many cases, an advanced expertise corresponding to the characteristics of a target private activity for the restriction is necessary for the government to intervene the private activity and to restrict it appropriately.

In the advanced countries, such a finding is often led by private organizations, though which could lead "cheating" of the companies in question to the authorities of the regulations. As a result, the regulations could lose its control to restrict what should not be controlled but not restrict what should be controlled.

The problem of originating in asymmetric has been pointed out in the field of public works project in the United States. However, such issues are realized by the falsifying the structural calculations of condominiums in Japan. Therefore, there are still possibilities of this issue to further get worsen taking into consideration of the advancement of the current technologies in Japan.

Therefore, the restrictions should be properly controlled for its contents and operations by the jurisdiction ministries, which mean that their self-management system should be further examined periodically in the future.

## 2 construction of the slim administration through allotment and collaboration of the private sector and the local government

### (1) Government-driven market opening

Maximum efforts have been made for the conference for Government-driven market opening so as to succeed the discussions of the General Regulatory Reform Conference to further promote and deepened the issue. A basic idea of the Government-driven market opening to private organizations is now rearranged in this fiscal year as the final year of the activities of this conference for overview and the future perspectives.

#### [1] Basic concept on the opening of the Government-driven market to the private sector

##### a Principle of participation by government

The market mechanism is said to be an outstanding system to achieve an efficient allocation of resources through the competition, encourage the creativities and provides the incentives for improvement of business activities as well as the principles of equality of opportunities.

However, the market mechanism has no guarantee of the equality of income allocation.

In case of market failures such as incompletion of public goods, external properties, natural monopoly and the market itself, an effective resource distribution is hardly achieved. Therefore, in these cases, the market is expected to take on a role to correct its failures while the government supports the market. Meanwhile, it is also essential for the government to minimize its scope to support the market in such cases as they could even fail the support such as protection of the vested rights and uncontrolled expansion of the scope or work.

It is important for the government to dedicate to supporting the market function and maximize the advantages of the market. Function of the market so the Japanese economy will be more vital and improve the life of the people. Thus, it is important to leave the private sectors to what they can handle based on the principle of the market driven by private institutions to supply goods and services, and accomplish the principle “the public sector will not intervene to the private sector”

##### b Meaning of Government-driven market opening

In the dynamic change of economy and social condition as well as the diversification of the needs of consumers on goods and services, suppliers in the private sectors in the severe

competition in the market mechanism are required to supply various goods and services corresponding to the change. On the other hand, in the Government-driven market where the government provided services, competitive restriction environment, and inefficient services are still supplied under the restrictive competitions, which then hindered the development of industries of private sectors. Based on the principles of "the public sector will not intervene to the private sector," a wide range of Government-driven market should be opened to the private sectors to generate the effects:

(a) The efficiency and creativity of business improves by wisdom and efforts of the private sectors through the introduction of competition principles to provide services which are truly requested by the people.
(b) In the complicated social environment and change/expansion of demands of the administrations, the government should enjoy the fruits of Regulatory Reforms by being specialized in efforts that should be done by public and achieve a reasonable allocation in the government offices such as human resource.
(c) In the process above, economies in Japan will further activated through creation of new business opportunities, increase of demand and employment by the new wisdoms of the private sectors.

**c How to proceed Government-driven market opening**

It is thought to proceed a thorough review on the clerical works and projects of the government below for the opening of the Government-driven market to the private sector based on the principle of "the public sector will not intervene to the private sector."

(a) The government itself should be liable for the proof on the validity of civil servants' tasks and projects.
(b) In spite of tasks and projects that are thought to be involved by the government, private sectors should take on the roles to provide the services by specifying the government requirements for improvement of quality of the services.
(c) If the government-driven market has been open to private sectors, or will be newly opened, there should not be "privatization" without actual results such as the affiliated associate company of the government would get more power. The so-called "private-private restrictions" should also be eliminated by the monopoly of a private institutions or the industry organizations, to secure a fair competitive environment.

As a specific way of opening of the government-driven market, there are options including (i) private finance initiatives (privatization, assignment), (ii) a comprehensive

assignment of works to private sectors, and (iii) organization of the environment to encourage the entry of private sectors to the market. Among “private finance initiatives”, “privatization” means that the government body that have been involved in a project would be a private sector for the services, while “assignment” is a transfer of the task in question to a private sectors. In terms of “a comprehensive assignment of tasks to private sectors”, the private sector will be consigned to have a services ordered by the government with a contract with the private sector as the contractor based on the level or standards of the deliverables required as well as contents and scope of the services. In this case, the government involvement will be minimized so the private sector consigned may use its creativity and workmanship for further effective and rational way of work, which may be referred to a “batch task”. “Organization of the environment to encourage the private sectors of the entry to the market” means increase of the requirements of the designated corporation and introduction of a general tender system.

The most desirable way of these opening measures is to encourage the private finance initiatives based on the principles of the opening of the government-driven market. For those which have no private finance initiatives for the time being, a comprehensive consignment should be achieved. Of course, in the process of review on the government driven market for opening to the private sectors, those which are thought to have no necessity of the tasks and projects should be abolished in a prompt manner. The contents and cost structure of each clerical work and the business have to be disclosed to promote such a private opening, to allow the applicants for the entry should make a proper judgment.

### [2] Measures taken by Promotion Meeting

Opening of the Government-driven market to the private sector has been addressed by General Regulatory Reform Conference, and various government-driven markets have been achieved for services of the government and local public bodies including establishment of the administrator to enable consignment of the public services to a private sector, or partial consignment of the illegal parking control for private institutions which meet a certain conditions. Opening of the Government-driven market to the private sector is positioned as a high priority item of the committee in order to further promote and specify the approaches. Therefore, Market Test (private and public sectors: tender system) has been promoted and the government-driven market was thoroughly reviewed based on the two approaches: field crossover/comprehensive review on the market mechanism of all the government-driven market segments and specific reviews on each government-driven market segment.

Accordingly, there were many deliberations in order to actually promote the government-driven market opening to the private sectors.

**a Promotion of Market Test (public/private tender system)**

Market Test is to provide services under a transparent, neutral and a fair tender system of public and private sectors, which is a method to introduce a competitive mechanism for the entire public services provided by the government as a monopoly, and uninterruptedly review its necessity or efficiency.

The committee proposes a basic policy for the introduction of Market Test, the implementation process for "Interim Summary – Government-driven market opening for the entry of private sectors "achievement of the private sector-driven economic society in FY2004 (August 3, 2004), and accepted the demand from the private sectors for trial implementation. Based on this, Market Test of the three fields and eight businesses were conducted from FY2005 as a trial. "First Report (Follow-up) on the Promotion of Regulatory Reform and the Opening Up of Government-driven Markets for Entry into the Private Sector" (December 24, 2004) proposed the full-scale Market Test from FY2006.

In FY2005 , toward achievement of "Small and Effective Government" (September 27, 2005), the draft of "Market Test Act" (then) was indicated to request the government to accelerate the proceedings for legislation based on the proposal, as well as a full-scale introduction of Market Test and the bill for its legislation in the ordinary session of FY2006 Diet in "Second Report (Follow-up) on the Promotion of Regulatory Reform and the Opening Up of Government-driven Markets for Entry into the Private Sector (December 24, 2004).

As a result of such an activity, the Market Test Act came to be promulgated as Law concerning reform of public service by introduction of competition (Public Service Reform Act) on June 2, 2006, and to be enforced on July 7 of the same year.

**b Opening of the Government-driven market to the private sector**

The restructuring of the roles of the private and public sectors were studied in the General Regulatory Reform Conference in FY2002 regarding the opening of the Government-driven market to the private sector. As a result, 21 items were proposed including introduction of the designated administrator system and consignment of the illegal parking control services.

This conference conducted the investigation to each municipal government aiming to extract Government-driven markets as a whole and received 812 items of response in

order to succeed and deepen the discussions of General Regulatory Reform Conference from the viewpoint to open the government-driven markets to private sect ors in a wide range except the planning of the policies in FY 2004. Among those, 81 business and service items were extracted. As a result of the study for the market opening, 4 areas and 36 items were proposed for the opening of the government-driven market: (1) supply and collection, (2) maintenance, management and operation of public facilities, (3) statistical survey and manufacturing, (4) inspection, registration, and examinations for qualifications

In FY2005, from the viewpoint that the policy for the opening of the Government-driven market to the private sector should be further widened, studies were made on the opening of market of 5 services and tasks: (1) the government-driven market, (2) Independent Administrative Legal Entity, (3) private corporations established under special laws (Public Corporations and authorized corporations), (4) Non-profit Organizations (e.g. designated corporations) and (5) local public bodies. Consequently, the 39 items were proposed for the opening of Government-driven market.

Independent Administrative Legal Entity that holds enormous amount of property was picked up this fiscal year, and the necessity of the business of the enterprise is examined from the viewpoint of pressures on private enterprises, as well as compression of its assets and debt. Moreover, the follow-up and a further study on the market opening were made on various tasks including inspection, registration, research and training, as well as management and operation of facilities which had been considered in FY2004 and FY 2005 (See Chapter Ⅲ).

**[3] Future perspectives and directions**

This council stressed on the promotion of Opening of the Government-driven market to the private sector based on the idea of the above-mentioned (1). As for the future, it is important to review the roles of public and private sectors on the basis of the principles to adapt to the changes in the economic society, “the public sector will not intervene to the private sector.” In order to do this, it is effective to maximize the scheme of Market Test under Public Service Reform Act enacted in this fiscal year, and expose the Government-driven market in a crossover competition of the open market. The individual Government-driven market should also further open for private sectors by making use of Market Test and the following:

**a Complete opening of the market driven by the government and Independent**

**Administrative Legal Entity to private sectors**

As a reason why the market directly driven by the government hardly open, the pertinent administrations and government offices explained as: (i) this is so-called "exercise of public authority" which public officials are allowed, (ii) private sectors hardly provide a fair and neutral services, (iii) it is appropriate for public officials who are liable for strict confidentiality to do public services. This council proposed: (i) services may also be covered by private sectors as the issue of exercise of public authority is the matter of legislation, (ii) it is possible to secure the equity and neutrality by binding private sectors under laws and contracts, and (iii) private sectors may be bound by the same level of confidentiality provision as that of public authorities under laws or contracts.

Although this proposal has been discussed between the committee and the pertinent administrations since FY 2004, it is still difficult to say that this idea still penetrated enough in the related administrative organizations. As a typical example for the car registration, this service should be controlled by the exercise of public authority as car registrations would directly and strongly affect rights and obligations of private individuals. It is also necessary to cooperate with the pertinent administrations on theft and tax collections, which requires a considerable care of confidential information and smooth circulation of information. In addition, specialty and experiences are indispensable. Therefore, the public authorities should cover this service. However, there is no necessity for public authorities to exercise the power for the service. At least, private sectors may be consigned under the law to open the government-driven market. Confidentiality can also be secured by taking necessary measures. Therefore, there is no inconvenience on opening the government-driven market in this term.

In this fiscal year, this council insisted on that this service with less discretion is most preferable to the opening of the market for private sectors because of its routine. It can be at least controlled by Independent Administrative Legal Entity for the service. For instance, it is also obvious to see the registration systems of pesticide, manure fodder, and seedlings as proposed by the committee this fiscal year. Although the final registration is conducted by the government, Independent Administrative Legal Entity already conducts the inspection, research and testing related to the registration. Theretofore, it is a state to consider opening of the market to these enterprises the country etc. In the same manner, a series of services of the motor vehicle registration can also be shifted to private sectors, at least Independent Administrative Legal Entity. Under the "law concerning promotion of Regulatory Reform to achieve the simple and effective government (Administrative Reform Law (Law No.47 in 2006)", the motor vehicle insurance special accounting and

the automotive inspection and registration special account will be integrated in FY2008 fiscal year.

About the services of the special account after the integration, a study will also be made on transfer of the accounting to General Account or to Independent Administrative Legal Entity depending on the characteristics of the services. However, it should not be waiting too long for integration before the market opening of the automobile registration services to Independent Administrative Legal Entity. At the same time, the market opening of the automobile registration services to private sectors, regardless of the government or Individual Administrative Legal Entity, should be made as well as the registration services of pesticide, manure fodder, and seedlings.

In addition, the necessity of the services by private sectors has been conducted aiming a wide range of opening of the market to private sectors for services conducted by Independent Administrative Legal Entity. This approach should be continued.

For instance, regarding the Independent Administrative Legal Entity for the automotive inspection, the designated maintenance facility of cars are required to conduct checkup, maintenance, and the inspection as a set. It is not allowed for them only to cover the inspection at present. However, the committee considers that there is no rational reason of monopoly of Independent Administrative Legal Entity for the automotive registration Shaken which covers only for the inspection, as there are no differences of inspections between Independent Administrative Legal Entity and a designated maintenance facility. Therefore, the market opening to private sectors should be progressed in terms of the automobile inspections such as that qualified maintenance factories should be allowed to conduct only inspections by taking certain measures to secure safety of cars and environment in the second inspections and after such as review of inspection items or organization of the check procedures as necessary. In particular, a private opening should be promoted in an excellent specified maintenance facility as it is enabled only to inspect it.

Further Opening of the Government-driven market to the private sector is strongly expected in the future, without binding the government with the ready-made ideas by the proposals of the committee would widely and deeply be penetrated among the pertinent administrations.

**b Compression of assets and debt of the government such as Independent Administrative Legal Entity**

As the financial conditions of Japan are in a severe condition, the government is

required to proceed the health and achieve Small and Effective Government. Therefore, while the reform of both revenue and expenditures has been conducted to challenge the change of flow, it is necessary to further promote the downsizing and effective use of the assets. In terms of the assets and the debt reform, it has been decided to compress the national assets to for the level of 140 trillion yen aiming half reduction of the GDP ratio against the national asset by the end of FY2015 based on Regulatory Reform Promotion Act in the “Basic Policy concerning Finance Operation and Structural Reform” (a Cabinet decision on July 7, 2006). It is currently assumed that the government should achieve the off-balance by sales and effective use of general government facilities or unused government-owned land, as well as sales and securitizing of the loans and possession securities. In order to achieve “Small and Effective Government" and soundness of the national finance, certain measures should also be taken for Independent Administrative Legal Entity, not only the government. As one Independent Administrative Legal Entities possess the property that exceeded 10 trillion yen, some of these enterprises were studied of its compression of assets from the viewpoint of the opening of the government-driven market to private sectors. The committee requested to closely evaluate the necessity of services conducted by private sectors, not the public bodies, and for the public bodies to dismiss from the services in question if it can be covered by private sectors, as well as compression of the real asset or the financial assets. In that case, it was also requested to make good use of the finance technique that had been used in the private sectors of the securitization, in addition to clear and reduce the assets and debt by both ways.

The approach that includes the reform of the assets and debt, not only the opening of the government-driven market, follows “the flow from the public to the private sector” but also meets the needs for sound finance of the country, so that it is expected to take measures to study the opening of the government-driven market to the private sectors from this perspective.

When the compression of the assets and debt is advanced, the sales price of the assets should be maximized, and the public financial burden be minimized. In particular, for the securitization of the existing debts, the debts at a relatively low interest due to the guarantee of Independent Administrative Legal Entity backed by the government looks higher than the conventional rate as the guarantee cost of the government is assured by the securitization. It also requires the handing fee of securitization. However, it is only an exposure of the potential cost of the asset.

Securitization decomposes the risk of the interest fluctuation and credit, and functions to mitigate the risk of private investors who are liable for such risks and expect to have profits.

There is also an advantage of risk management. Therefore, it is necessary to study the suitability of securitization according to an individual property characteristic while obtaining the public understanding of the advantages of securitization and risk. Of course, in terms of securitization, the information concerning claims and debts should be fully disclosed to develop a finance method to make use of the knowledge of private sectors as well as to utilize expertise of specialists.

Note that it is necessary to carefully control the positive effects in the market due to securitization, as the scale of the securitization market in Japan is relatively smaller than other countries and at the stage of development.

**c Promotion of competition in Non-profit Corporation**

Among Non-profit Corporations such as corporations and foundations established on the basis of the definition of civil law Section 34, studies were made on enterprises (so-called designated corporations) for specific services on the basis of designation of the government, and other corporations actually designated in the committee in FY2007 regarding the move toward the market opening.

It is thought to be that designated corporations may be allowed to conduct services as: (i) from a fair and neutral standpoints, (ii) necessary to provide services under the national standards, so that only one Non-profit Corporation was designated, by guaranteeing the fair and neutral services under the laws and contracts, by making manuals and guidelines as much as possible.

Therefore, it is not necessary to limit the entity of business to Non-profit Corporations but to introduce a competitive mechanism by allowing the market entry of enterprises, which would eventually improve convenience of services, prompt processing, effective and reasonable-priced services. Therefore, there should be approaches toward the opening of the government-driven market such as designation of plural enterprises and general tender systems.

These reviews are expected to be advanced for an introduction thorough of the contention principle in the future.

**(2) Ratification of national and local regulations**

Various approaches have been conducted as “Trinity Reform” aiming “a true decentralization” even after the national and local government stand in an equal position from a master and servant relations upon enactment of “Devolution of Power Law” in 2000 to solve these problems. In the future, there should be more positive approaches to

ratify the regulations of the national and local governments under the basic policy of the structural reform from “National Government to Municipal Government.”

## [1] Basic idea on the restrictions of national and local governments.

### a About problems of the excess participation of the country

Excessive participations and restrictions of the national government might eventually cause harmful effects on improvement of the life of people by lowering the quality of the administrative services by hindering development of measures depending on the actual conditions of regions, and narrowing the independence and subjectivity of local governments.

It is desired for the national government to have a national standard of the services related to national policies. National government should be liable for services related to basic rules on private business activities and local governance and other services or business which should be conducted from a broad viewpoint nationwide.

Even if the local public bodies decide other services at their responsibility, it should be involved by the national government in the services off local public bodies to correct cases which is anticipated to infringe the properties and profits of the people. However, it is necessary to clarify rational reasons of involvement and regulations of the national government by taking care of the independence of local governments and have them take one a wide roles of the municipal offices in a proper manner to control the scope of the involvement to local bodies only for what truly be necessary.

Through such promotion of the regulatory reform, the standards and restrictions of excessively involved by the national government should be organized to expand the scope of municipal offices to execute the policies at their discretion.

### b Problems of restriction of each municipal office

Because the style etc. of various procedures of the local public body are originally provided individually, there are cases of enterprises forced to conduct inefficient services, if they have business over the boundary of different local bodies. But the procedures should be ratified as much as possible to mitigate the inconvenience only because of difference of formats.

In particular, concerns to endanger the main objective of local governments by standardization are small. Rather than that, it should be expected to improve the convenience of the life of people. Therefore, both national and local government should

take certain measures for standardization. Specifically, the national government should solve problems through technical supports and information sharing by electronics as much as possible. National governments should challenge on its independence making use of standardization of the formats through electronics data systems to create the standard format for the services.

**[2] Aspect and directionality of the review of the restrictions concerning the national and local governments**

Independent of local governments should be established with financial independence of local governments as well as from the aspects concerning the laws.

Therefore, restrictions concerning related laws, at the minimum, should be reviewed regarding the politics and ministerial ordinances and notifications including detailed rules of services such as the requirements, disposal standard and maintenance standards in the services of local governments. It is also necessary to clarify the rational reasons of the necessary of standards in question.

Next, it is not clear enough to specify some contents of notification and releases concerning the consignment of public services before enactment of Devolution of Power Law if these requirements bound the local governments whether these are positioned according to technical supports and services standards.

Some notifications and releases should be abolished along with Review Standard etc. of Notification/Release decided in March this year. Those which should remain should be maintained. In order to clarify the status, necessary reviews should be conducted.

In addition, due to allocation of services for the national and local governments to divide the power, if clerical services and evaluation processes became inefficient for both authorities authority, necessary review of the process should be conducted such as studies on integration of the services for efficiency.

In order to further develop the measures corresponding to the situations of local governments, measures should be actively taken for enhancement of simplification and transparency of the government subsidy, review of the tax money allocated to local governments and fulfillment of a designated administrator.

## 3 A fair and open economic society through reform and competition

### (1) Non-Japanese

As part of measures for employment of non-Japanese for Japanese enterprises, the government supports economic development of Asian nations and job creation through ODA (Official Development Assistance) and the foreign direct investment. This is consistent with the control measures to accept unskilled workers from overseas.

On the other hand, executives are sent off from Japan to overseas as the intra-company transfer status for promote technical assistance to developing countries and regions. As shown in the business models, it can be said that Japan accelerated the market entry to Asian nations. However, in the overseas presence for using low labor costs, relatively low from the cost at home, Japanese enterprises faced many difficulties. For instance, even though products are based on technologies developed by Japanese enterprises, when it is standardized and becomes obsolete, and exposed to global competition by procuring the most lowers parts from the rest of world, the technical advantages of Japanese enterprises is hardly enjoyed, so that the production base would be shifted to countries and regions with less labor costs. Therefore it is now necessary to prevent outflow of technologies to countries overseas and retain the strategy to secure added-value of the products while maintaining the production sites at home.

Some said that the recovery of international competitiveness of Japan is backed by such strategies in the last couple of years. It is still inevitable to transfer the domestic production with less global competitiveness to overseas countries, it is also necessary to maintain the domestic production base for research and development as a strategy to improve the effects of division of labors within the network in Asian region.

Furthermore, with recovery of the economic growth in Japan, employment in competitive fields increased, as the labor center of young people tends to shift. It is also said that there is a hollowing out of human resources not only the manufacturing but also services industries including medical, nursing and restaurant businesses.

The foreign worker acceptance policy in Japan under these circumstances remains unchanged since the sixth basic employment plan (a Cabinet decision on June 17, 1988) to accept skilled or specialist labors, and carefully control unskilled labors. However, the number of acceptances of non-Japanese registered at the end of 2005 was only about 180,000 for skilled labors. On the other hand, the number of Japanese descents at the visa status of “permanent settler” and trainees for “specific activities” tends to increase for industries with lack of resources. Especially, Japanese descents are forced by an unstable employment mostly through business contracts with the employers, problems concerning social security and education are

expected be more serious for the local governments.

Under these circumstances, after measures are taken for ratification and appropriateness of laws and regulations such as strengthening of the check system of non-Japanese status and review off their training and occupational training, which are studied by the committee, it is necessary to consider how to create added value at home and maintain and expand the scope of Japanese economy related to the issues of acceptance of non-Japanese. If the negative growth and reduction of employment reoccur like 1990s, it would be hard to secure the human resources from overseas, even flowing out of the country. It should also be noted that there is a risk to lead the outflow of human resources from Japan. In terms not only the shift of goods, money and information, with the forecast of the progress of economic cooperation with East Asian countries and depopulation, it is necessary to consider to accept more non-Japanese to contribute to the region for the circulation of human resource as Japan promotes human development of non-Japanese in terms of general education, skill and technologies and Japanese language.

Although the committee proposes below, these issues should be continuously discussed if no agreement is reached with the pertinent government offices at this point:

**[1] Mitigation of work restrictions on foreigner care workers**

Even though non-Japanese citizens are allowed to acquire a national qualification of the care worker in Japan under the Social Welfare Counselor and Care Worker Act (Law No.30 in 1987), they have no residence status for the qualification under Immigration-Control and Refugee-Recognition Act (ordinance of the cabinet No.319 in 1951).

Non-Japanese citizens who graduated from a faculty of welfare of a university in Japan as an international student are not allowed to involve in the services or business of nursing in Japan.

In EPA (Economic Partnership Agreement: economic partnership agreement) with the Philippines for care worker's acceptance, candidates who completed the Philippines care worker training and graduated a four-year university or the university of nursing, and those who graduated a four-year university are allowed to come and stay in Japan as “Special Activity” visa are eligible for Care Worker National Examination and Care Worker Training Course respectively for training of Japanese language.

The former was assumed to take care worker training and employment, the latter is for the primary training course. It is in the situation that the talks about the employment and training in Japan for care worker candidates are almost agreed between Japan and Indonesia.

Demands for labor in the field of nursing is expected to further increase every year as the number of people in need for care who are eligible for the services will increase since the enactment of the inauguration of the nursing-care insurance system in 2000. In the meantime, as the job separation ratio is high compared to other fields, it is necessary to quality human resources to fulfill a certain service level. Therefore, acceptance of non-Japanese care workers should be considered for solution by taking consideration of influences on industries and people's life in Japan from the viewpoint to support employment of international students in Japan.

Under Social Welfare Counselors and Care Workers Article 2, if care workers who have expertise and skills are accepted, there should be policies of "addition of expertise and technical areas" and "creation of new acceptance systems." However, the former should be considered concerning the descriptions that measures should be taken as necessary for areas which need to mitigate the requirements of educations and practical work experiences while securing expertise and skills comparable to the current level upon Qualification Scheme to objectively evaluate the level of expertise and skills for mitigation of requirements of "Specialist" and "Humanities and International Services" under the "Three-year Plan for the Promotion of Regulatory Reform"(Revised Version) (a Cabinet decision on March 31, 2006) .

**[2] Acceptance of foreign workers without expertise or special skills**

The report "How to Tackle Depopulation" (June, 2006) by Japan Committee for Economic Development Corp shows the view that the ratio of non-Japanese who occupy the production population in Japan in 2050 would exceed the present France (6.1%). If no change is assumed in the Ninth Basic Employment Plan (No.084 in the Ministry of Labor notification in 1999), increase of trainees from China or Indonesia as the sender countries and people from Brazil and Peru should contribute to the labor.

As a result of the Population Census in 2005, a decrease in the overall population of our country is expected to decrease by 30 million people or more in 45 years after 2005 to show the reality of depopulation of Japan. In particular, even if the mismatching of demands and supply of labor, the manpower of young people should decrease in a rapid pace.

Therefore, it is necessary to maintain the skill level in a domestic manufacturing and services industry and increase the potential growth rate of Japan.

Therefore, it is still indispensable to urge the entry to labor market of young people, women, and the elderly. The government should also review Resident status in present Immigration-Control and Refugee-Recognition Act and (No.16 of the legal affairs ministerial

ordinance on May 24, 1990 ministerial ordinance that provides the standard of Immigration-Control and Refugee-Recognition Act Section 7 initial term (ii). A specific discussion is necessary for acceptance of non-Japanese workers not in the fields out of expertise and skills, taking consideration of potential risks.

For instance, requirements such as a) academic background more than the high school graduation corresponding of Japan, b) qualified the second class of Japanese Ability Examination or more) and 3) business experiences of about three years (including completion of trainings and skill practices) should be satisfied before entry to Japan for the candidates. They also should understand the economic and social status, is anticipated to vitally act in the industries at an early stage upon entry of the country and participation to the society. There should be discussions to provide the working visa status related to academic backgrounds and skills for non-Japanese who qualified these conditions.

Other than the requirements above, so-called point systems or the acceptance framework should be considered in cooperation with the sender countries through EPA.

Furthermore, preventative restrictions on the number of people, origin countries and type of jobs, or the post-regulations for emergency if excessive number of people flows into Japan, the Employment Measures Law (No.132 of the law in 1966) should be applied for the policy. Studies should be made for a system with mobility to reflect the unemployment conditions of regions under the provisions of Local Employment Control and Promotion Act (No.23 of the law in 1987). Therefore, it should be considered to have a method to secure the job opportunities of Japanese, and apply non-Japanese as a supplemental measure.

## (2) Competition policy and finance

### [1] Basic idea of what should be of restrictions

#### a. Competition policy

Promotion of the competition policy becomes a more important issue for the activation of economy and society in Japan. Promotion of regulatory reforms is the same target from the viewpoint of achieving economy and society with a fair and free competition based on the rules is done as the competition policy. It is considered that promotion of regulatory reforms and strengthening of the competition policy, with a certain rule, are the both wheels of a car for structural reform of Japanese economy.

#### b. Finance

Ten years have passed from the financial Big Bang that started in November, 1996, and many deregulations have been advanced in the field of finance.

However, regulatory reform in the financial field should further be advanced for the activation of economy and society in our country.

Regarding the financial field, the market-oriented indirect financing should be progressed by shifting from the traditional indirect finance, to promote the trend from savings to investment. Therefore, the structure to make a smooth flow of capitals to enterprises and industries growing should be created.

## [2] Future view and directions of the restrictions

### a Competition policies

In promotion of regulatory reform in the future, the roles of the competition policies are important.

It is necessary to actively take measures for enforcement of Antimonopoly Law (Antimonopoly Law (No.54 of the law in 1947)) that is the fundamental law of the competition policy, and review/enhancement of the Fair Trade Commission.

### b Finance

The following aspects and directionality are considered about regulatory reforms in the financial field for the activation of economy and society of Japan.

First, the construction of the system focusing on the functions of the finance. The revolution should be pressed by abolishing the fence between businesses for improvement of services of the individual financial institutions for the users to provide a crossover services. In that case, individual financial institutions are required to take a comprehensive risk management corresponding to diversification and complication of businesses so that it is not appropriate to prohibit traditional businesses. Therefore, the regulations concerning the scope should be reviewed from the viewpoint of what should be for financial institutions in different types,

The review of the restriction concerning the scope of work should be performed from the viewpoint of what should be of the business of the financial institution of each pattern in place of this.

Law revisions that maintained the financial products dealings were just legislated. Therefore, at the beginning, there should be a smooth execution and operation of the laws. Based on the conditions of the execution, the studies should continuously be conducted.

Moreover, a necessary review should be proceeded room the viewpoint etc. that make the rule in the system modernization and competition equal by paying attentions on the presence of public and private financial institutions, financial institutions established by credit unions and corporation banks, and insurance and various mutual aids, especially for its functions to affect the economy and society.

Secondly, the restructuring of the financial industry method that suits economical substance. The rules of business should be free from the dependency of private laws in order to improve the effectiveness of laws, and it is necessary to prospect the rules of business laws focused on improvement of performances. For instance, regardless of conclusion of contracts in the private law, law formats concerning morphology in the private laws including corporation, union, and trust banks, or law form in the private law concerning dealings such as the representation, relaying and mediation, the business laws should be reconstructed corresponding to the actual performance of economy. Based on the results, regulations should be reviewed as necessary.

Thirdly, the clarification of the rule of the financial market. The rule of the market should be assumed to be: (1) economic regulations should not be judged by the "style" of acts but actual performance of the economy, and (2) it is important to have clearness and fairness of the rules for the market participants. In order to clarify the market rules in the direction of "from Pre-Restrictions to Post-Check," it is important to foresee applications of rules as well as to review restrictions as necessary.

Fourthly, strengthening of the enforcement (secure of the performance of the rule) in the financial market.

A severe action is necessary against violation of rules in the market such as unfair trading and window-dressing. Therefore, it is required to strengthen the enforcement against such a violation of rules in the market such as the unfair trading and window-dressing. In the current state that the violation of the rule of violation of Disclosure such as the unfair trading and window-dressing is revealed one after another, the enforcement (damage compensation cases by private individuals based on definitions of Securities and Exchange Law and Financial Instruments Sales Law, etc. etc.) gains a lot of attentions. At the same time, the effectiveness of the enforcement should be improved by strengthening the operation of the tax collection systems as an administrative measure to control the violation of laws, for cases not for criminal cases. For instance, the enforcement should be further strengthened against unfair dealings in the capital market such as illegal market price operations and the insider dealing etc.

Fifthly, the system adaptation in line with technological innovations and international

financial trends. The advancement of the technology including the information and communication field and the change in the international money market are advanced at an unprecedented pace, but in order to cope with the changes, it is necessary to modernize the legal infrastructure related to the economy of Japan along with the present environment, which is indispensable to make the legislation of Japan to have no inferiority to that in the rest of the world. A necessary discussion should be advanced at the same pace of the changes, while taking great care of protection of users in the financial market.

### (3) Government-Driven Market Reform

#### [1] IT

##### a Infrastructure of competitive digitalization and development of broadband

More than half a century has already passed since the Radio Act and Broadcast Act were approved and enforced in 1950, and a new system of broadcasting in the postwar period. After that the terrestrial broadcasting was established and become indispensable for the life of the people, and users now enjoy various media and channels with the start of new broadcasting medias including the cable television service (CATV), broadcasting satellite (BS), and communications satellite (CS) and, in addition, enters multi media and the age of making to a multi channel the other day. There is noncommercial broadcasting, NHK backed by fees. It is a dual system with the commercial broadcasting that works out with the advertisement income, and both who differ in the financial base supplement mutually and it has met people's needs while stimulating the growth each other.

However, the digitalization that begins with the CS digital broadcasting in 1996 has the possibility to bring a qualitative change to such a system. The technological innovation of digitalization rapidly makes fusion of the supporting industries including the communication in addition to the high resolution picture, multi channel, and advanced fictionalization development, and a limited scarcity of the electric wave and the significance of social impacts of broadcasting brought a substantial change in the restrictions of broadcasting business. With completion of the digitalization of such broadcasting in five years, discussion of what should be of the broadcasting business in the future should be advanced now, and it is important to prepare a new system to adapt to the new era.

Meantime, in the communication industry, since liberalization of communication and privatization of NTT in 1985, through the reform including organization of a fair

competition conditions such as the connection regulations and asymmetric regulations, and abolition of business categories, before and after the reorganizations of Nippon Telegraph and Telephone Co., 13,000 companies or more (as of December, 2005) have newly entered the market and thee market scale have expanded for three times to 15.7 trillion yen (FY2004) . Under the e-Japan strategy after 2001, promotion of organization of a fair competitive environment and the infrastructure led by private sectors contributed to achieve the world-class broadband infrastructure (The number of broadband service contracts at the end on March, 2006 is 23.3 million). The communications enterprises that develop a triple play service including Internet, video services and telephone emerged as well.

While the importance of a high-level layer such as the contents not only the transmission increased in the business strategy of communication enterprises in such a broadband environment, securing a fair competitive environment that corresponds to such new business development becomes an important issue.

As abovementioned, the committee proposed measures mainly including regulatory reforms in “Second Report (Follow-up) on the Promotion of Regulatory Reform and the Opening Up of Government-driven Markets for Entry into the Private Sector” (December 21, 2005). Afterwards, the discussion becomes full-scale in related organizations, and mutual agreement of the government and the ruling party was compiled as “Communication and broadcasting” on June 20, 2006. It was followed by “Economic Growth Strategy Overview” (June 26, 2006) to achieve various services using the most advanced communication and broadcasting infrastructure to be completed in 2011 as “Complete Digitalization Year 1”. Then, in order to strengthening of the communication and broadcasting business, The reform of the communication and broadcasting field was promoted under the “Agreement on Communication and Broadcasting Systems by the government and the ruling party” (June 20, 2006) to promote the reform of communication and broadcasting industries. Furthermore, in Basic policy 2006 concerning an economic and financial management and the structural reform (in a Cabinet decision on July 7, 2006 ) , it was decided to promote the reform of communication and broadcasting based on the situations of the world on the basis of 'Mutual agreement of the government party concerning what should be of Communication and broadcasting. Then, more specific discussions have been progressed by the parties concerned now.

Then, the specific conference between parties concerned etc. begun. However, the committee expects that necessary measures should be taken so that it stares at the benefits

of the broadband network and digital broadcasting in the region and society while seeing what it should be toward and after “Full Digital Year 1”, which is further for activation of the region itself.

In that case, various problems below should also be specified as proposed by the committed for organization of the competitive environment.

First, for NHK, from the viewpoint of its social and cultural value as a public broadcasting, and the need for downsizing of Public Corporations, the Present scope of work etc. should be reviewed. Therefore, the reductions in two waves among three except the channel to relieve the viewing, should be conducted at least. Secondly, there is a diversified transmission methods of broadcasting contents today including IP infrastructure and satellite, the equal sign footing of the competitive conditions between enterprises should be achieved concerning the transmission from the viewpoint to increase the options of views and improve its utility It is under study on applications of new medias to the parties concerned including the issues of clarification of rules related to the decision system concerning the agreement of retransmission provided for the cable television services but necessary measures should be taken after the conclusion is promptly obtained. The third is what should be of the area licensing. Services of terrestrial broadcasting is only limited to the services within a region with the local license in order to take on the role as the local information media. However, it is hard to keep the position as the information media to meet the viewers’ needs since the business infrastructure limited in the region is limited for the local broadcasting station in the advancement of information media such as expansion of the life area of the people, digitalization of the infrastructure and competitions with various medias.

Therefore, the management base of a local license system should be drastically reviewed, which only limits the service in a region, in order to strengthen the corporate management infrastructure of the local broadcasting stations and to improve the utility of viewers.

## [2] Energy

### a Aiming at a competitive environment for correction of the high cost structure

The institutional reform in the energy industry of our country was gradually progressed at the time of concerns for de-industrialization in the 90's by securing the stable supply and consideration to measures for controlling global warming to achieve the comparable cost level in the global market.

It has been gradually advanced. For instance, the preceding organization of this council,

General Regulatory Reform Committee proposed “First Report (Follow-up) on the Promotion of Regulatory Reform and the Opening Up of Government-driven Markets for Entry into the Private Sector” (December 11, 2001) for liberation of retails of electricity and gas, organization of the whole seller of electricity and establishment of so-called ISO (Independent System Operator) In the past, the whole selling market of electricity and gas (100,000 $m^3$ in the next fiscal year) was organized.

However, the overall liberalization with presumption to secure a stable supply of power has not yet achieved for the items as the core of the "Three-year Plan for the Promotion of Regulatory Reform” (Revised Version), March 29, 2002. Likewise, this approach is still in progress. As a result, the market share of the new common carrier of the electric industry in the range of the retail liberalization is still low with about 2%, and it hardly triggers competitions between existing carriers.

The competition between countries according to the globalization of the economy intensifies further. The urgent issue is to enhance and accelerate the reforms in line with the directions specified, and achieve a shift to the energy industry with high utility for users from the viewpoint of the industrial competitiveness and improvement of national life. Improvement of the high cost structure of our country energy industry is achieved by improvement of management efficiencies and quality and diversifications of the services in an early stage. In the market monopoly of energy has been also allowed with huge existing enterprises, asymmetric measures should be taken to the new common carrier against the existing proprietor at the initial stage of Competitions. It is specified in the opinion of administrative reform headquarters of Regulatory Reform Committee (December 12, 2000).

Therefore, the overall liberalization should be discussed on both power and the gas at an early stage, to increase customer's choices for retail. To encourage the market to be more competitive, as the wholesale power market set up last year is not so active, the existing general electric utility and wholesale electricity enterprises with many power stations should be mandated to generate more power, introduction of menus to facilitate power generation for the self-power stations and, for water and nuclear powers, which are advantages of the preceding enterprises, measures should be considered for the new enterprises to purchase electrically by priority to organize the market.

In addition, the authority of the electric power system as a neutral organization should be strengthened about the power transmission network etc. that are an indispensable facilities for a fair and appropriate formation of the facilities. Other systems should be reviewed such as the nationwide system plan for distribution and authorization for general power

stations to request constructions of the facilities, 30 minutes rules for the constant volume at the same time, and imbalance fee system.

**b Dissemination and promotion of new energy**

At present, new energies (under Special Act to promote new energies) are used in a wide range to about 5% of all the powers, including the wind force and the solar, etc. Most of them are excellent in characteristics as good for environment with less emission of CO2 emission. Furthermore, it is profitable domestic production energy as the alternative energy to oil further for Japan as the country with small resource so that it should be more promoted to use it. In particular, it has been discussed on the fuel cell in various fields now recently achieved a remarkable advancement of the technology. In order to support this, the movement also organized the market conditions such as review of Fire Control Law, Electricity Enterprises Law, and the Building Standards Law from the legal perspective, but further progress should be made for regulatory reforms to use the new technologies such as a periodical review of legislations on a timely basis that new issues arise.

## [3] Transportation

**a Reform to change of the era**

The Transportation field is closely related at the life of the people. Therefore, the people and the proprietors who are the receivers of services can feel the effect of regulatory reform directly. Up to now, a lot of regulatory reform in the transport mode and the improvement of related various systems have been attempted. On the other hand, from various viewpoints for improvement of further user benefits, convenience and less burden for users, and construction of global supply chain that centers in Asia, there are more needs for less cost, good quality and rapid service. In order to meet the needs, it is necessary to continue the studies on early completion of the inner sea provisional services and allocation of departure and arrival slots for Haneda Airport taxiway 4. For items for reform but not addressed, not succeeded, there should be a drastic measure taken to improve the competitiveness of Japanese industries and improvement of utility for users. It is now assumed that discussions are still needed based on the perspectives below.

**b** Various articles for Reform

The first is what should be of the automotive inspection system. The deregulation has been advanced by extending the validity of the motor vehicle inspection certificate related to this

issue. For instance, the validity term of the initial motor vehicle inspection certificate was extended from one year to two years for tracks of less than eight tons of the total weight in May, 2000. Moreover, the validity term of the initial motor vehicle inspection certificate of a small two wheeler is scheduled to be extended to three years from two years in April, 2007. Under these circumstances, in order to achieve a safe and eco-friendly automotive society, necessary measures to achieve the desirable system upon collection of necessary data in consideration of technical innovations, conditions of foreign countries and reduction of burden on the people.

The second is what should be of the competition policy in the overseas shipping. The overseas shipping is a field where the fare cartel by a so-called shipping union and it has been excluded from the subject of Antimonopoly Law (Competition Law) in the United States and EU. Australian government also made the policy of maintaining the exclusion of Antimonopoly Law for overseas shipping agreement in 2006. The application exclusion system was introduced for the agreement of the overseas shipping, in line with the Competition Law in 2006 in Singapore along with the enforcement of a competing method in 2006. The international harmonization is necessary, and the fare stabilizing effect of the shipping union is desirable for the shippers in our country in Japan so that the exclusion of Antimonopoly Law remains.

However, in Lisbon strategy provided in European Council (summit) in 2000 in EU, measures are taken toward review of the exclusion of the Antimonopoly Law after the liberalization of the transpiration industry would be accelerated, and the guideline concerning the information interchange etc. is being developed. The batch application exclusion regulations of Competition Law on the overseas shipping union were decided to be abolished in 2008. AMC (Antitrust Modernization Commission: anti-trust modernization committee) also conducts hearing son the needs of review for exclusion of the Antimonopoly Law application of overseas shipping enterprises from the parties concerned in the United States.

In the conditions of America and European countries, the rationality of the allowance of the cartel from the overseas shipping industry should be examined in Japan in terms of its characteristics.

Therefore, the exclusion of Antimonopoly Law application should be studied for the overseas shipping industry in consideration of the trend of foreign countries to contribute to profits and advantages of users and citizens eventually.

The third is a review of the importing and exporting customs clearance system for construction of the global supply chain. Each process from the product development to the

design and the material procurement, manufacturing, and sales was constructed as a series of chain so that the enterprises may adequately correspond to the market trend. It tries to shorten the lead time and to minimize the inventory cost. In recent years, such global supply chains are commonly established mainly in Asia, and the process becomes complicated more complicated.

Under these circumstances, various reform measures were progressed including the ratification of the international marine traffic simplification treaty (FAL treaty), further promotion of the one-stop service of the procedures related to importing and exporting and port related procedures, full-opening of major ports for 24-hours, and introduction of the specific export declaration systems. In spite of the trend of change, needs for the reform of the drastic measure of the importing and exporting customs clearance system are still high as the demand of the abolition of the bond delivery principles of the export customs and improvement of the specific export declaration system were submitted.

Improvements measures should be taken for the specific export declaration system such as flexibility of the government office procedures and clear definitions of the mixed cargo. In addition, the entire system of the import and export custom clearance procedures should be studied to shorten the lead time for importing and exporting while securing the compliance of enterprises and security in a mid term.

## [4] Agriculture

### a Independent Agriculture Industry

There are many farmers of a small-scale in Japan but the number is consistently in the trend of decrease according to the data of Agriculture of Japan. Additionally, the workers in agriculture are aging and they face the lack of an heir. The farmland also decreases every year so that the structure of production becomes brittle. However, it did not come to a severe condition to take drastic measures because the government took sweeping measures for the national border or the price policy, but the structural reform in agriculture is far behind other countries and other industrial fields in Japan. Therefore, the reform should be promoted as the first priority.

Currently, quite many proprietors of agricultures started to cover a business activity similar to that of other industries including management, marketing, sales and selling as they found a direct sales channel to individuals or markets to directly connect the production site and the consumers, not only production activities. The sprout for independence appears as an industry.

This is because farming proprietors supported by the consumers and the market produce inventiveness to cultivate a new market thanks to various elements including consciousness of safety of food, safety-oriented purchasing and diversification of needs in the background.

In the Enterprise Management, the most important thing is to conduct marketing activities to seek the needs of consumers of market under the self responsibility, which are also the requirements to win the competitions. It is also the same for farming, supports of consumers and market enables independent management on farming business.

In the development of such a business, the cost or labor that required for quality control, financing and marketing are considerable, which hardly compared to those who are supported by the conventional government policy.

In order for increase of productivity of farming in Japan, independence as a industry, and competitiveness to the world, measures should be taken to have a short term labor policy should be applied to encourage more farmers to be independent in a short term.

**b** Necessity of Structural Reform in Agriculture

The structural reform of farming should be accelerated for independent farming proprietors such as collecting excellent farmlands. Policy support for business opportunities, a management support giving information, financial support, and supports for entrepreneurs should be enhanced in the same manner as other industries for farmers and farmers-to-be. In particular, it is also essential to maintain the environment to promote the entry to farming of the private financial institutions and achieve a drastic reform within a couple of years.

Needless to say, the ratification efficiency improvement of circulation related to Agriculture is also indispensable to farmers' efforts to strengthen industrial power of Agriculture. In order to encourage this, the agricultural cooperatives which enjoy the advantageous status in distribution of farm products should be reformed including its financial businesses in order to be reliable by the farmers, and it is necessary to effectively function the competition in the farming products distribution market.

Nokyo is in doubt that their services could fall under an unfair mode of dealing under Antimonopoly Law, which might be claimed by the Fair Trade Commission according to the past issues of some Nokyos to execute unreasonable power. No exaggeration to say that the adverse effect could be exerted on promotion of the activation of farming and human development of entrepreneurs of farming, not only hinder a fair competition.

Therefore, it is necessary to eliminate unfair trades, especially pursuit of organizational

profits away from the principles to contribute to the union members, and take immediate steps for reform of the compliance of Nokyo which considered having no function of the internal management to eliminate unfair trades.

In addition, to promote the reform including business activities, and to become Nokyo truly be an organization reliable to the union member, they need to take further measures to secure transparency and achieve reliability of the society such as disclosure of the current conditions on its operation and management.

The Agriculture mutual aid system is reviewed for the risk hedging of the supporters. By abolition of unnecessary inspections, and shortening of the period required for registrations in the farming associated industries such as the pesticide, fertilizer, and varieties to register, cost effectiveness and efficiency improvement should be achieved in farming production

By the shift to the crossover corporate management stabilization measures introduced in FY2007, necessary measures should be taken for solutions of problems for the cases which have no smooth adjustment of use of farmlands between the certified farmers and the village farming organization as the proprietors in the region. with those who recognize it Agriculture by the Agriculture current management as the supporter in the region, and seeing the generation of case to which the use balancing in the farmland is not smoothly done.

**c New innovation and emergence of new business models**

In a mid-term, it is important to maintain the environment for which motivated and capable farmers supported by consumers and market without much supports of the country for a free competition at the early stage. For instance, measures should be taken to improve viability of economy through cost reduction by introduction of new technologies, elimination of inhibition factor of corporate management of farming aiming the international market and providing a proper environment for entrepreneurs of farming beyond the boarder of regions. For increase of corporate scales, it is indispensable to promote the direct investment to the farming business from people and the entry of private sectors to the farming business in the risk hedge. Finally, a new commodity and service would arise by maintaining the competitive environment, which would eventually be reflected to consumers and market by acceptance of free farming business styles which could lead the free and competitive environment.

Farming policies are at the turning point from the protective operations to a system to encourage and support specific farmer, therefore, various supporting system based on the involvement of farming organizations and the policies for development of the government

including the financial support should be at the stage of review. For activation of farming in Japan and improvement of independence and competitiveness as an industry, participation of the country and the Agriculture group should be minimized with a new concept, to create innovations and encourage emergence of new business models.

The reform of fields of forestry and fishery should also be investigated and discussed as it remained unconsidered in this council.

## [5] Medical Care

### a Meaning of past regulatory reforms

There are two types of regulations including direct restrictions for limitation of acts under the laws and indirect restrictions for lamination of non-financial incentive acts. In the field of medical care, there are many limitations such as indirect incentives by regulations of the total number of hospital beds, market entry restrictions of hospital management by corporation, and incentives by price control by public price such as medical treatment fee and medical charges, medical treatment and insurance applications, and limitation of practical drugs etc. Medical care is a field where many restrictions are bound by the government offices and administrations, in spite of the difference of nature, whether it is direct, indirect, or concerned with money, or non-money. Therefore, the committee considers the field of Medical as a government-driven market, and challenged various regulatory reforms.

One of the measures is “combined medical care services” for flexible operation of the public insurance by increasing the range of use of health insurance coverage and non-coverage. This issue was raised by the committee to seek a solution of the paradox between the objectives to apply advanced medical technologies to meet the various needs of public in line with the diversification of value and life style of people, and a significant increase of medical fees. As a result of the investigations and discussion, the public insurance supply became flexible concerning the use of advanced medical treatment or unauthorized drugs in Japan. More than that, this issue became the starting point to ask public on the scope of public health insurance to protect the national medical insurance system, individual payment of patients and self-support in the future, which has a considerable meaning. A certain result was achieved about the combined medical care. However, it is only a correction of the current insurance payment system when the current national health insurance system is regarded as the income. Therefore, in order to maintain the sustainable national health insurance system, it is required to make a consensus of

opinions on the burden and supply for those who have high income or low income, whether the fairness can be maintained between generations or classes of income. The formation of a national consensus concerning fundamental what should be of a public insurance regime is inevitable.

Therefore, the national health insurance system will be sustained in the future, while a drastic discussion according to continuing public insurance of what should be within the range of protection of public insurance etc. should be obtained so that it would be the system of the patient standard that reflects the intention of patients to achieve the patient oriented system. Conclusion is obtained as possible promptly. It is also necessary to keep the operation not to be too stiff with lack of viewpoints of users expecting the patient-oriented medical care regardless of which national health insurance systems are applied. It is also achieve the regulatory reforms for correction of operations aiming flexibility of the insurance coverage, as represented by the combined medical care services and diagnosis.

**b Correction of structural problems in medical insurance system**

The Medical insurance system in Japan hardly control the desires of the high income with less burden as a result of the economically rational acts of the patients or users, which could lead “moral hazard” as the basic issue.

In order to control the moral hazard like this, DPC has been partly applied in payment. However, there are no effective measures taken to solve this issue in principle, so that the it is all relied upon “consciousness” of the patients and users. Therefore, it is indispensable to solve the structural problem of such an insurance system to manage a sustainable national health insurance system in the future. This is because the system or regulatory reforms are necessary.

In a present medical insurance system, various problems exist excluding this. For instance, infant medical care was promoted by incentives of high medical treatment fee grading, but this would make a high burden on the patients for payment as a user while the parties in the medical care are motivated as a supplier. For specific medical care such as medical care for infants, a uniform reduction of the self-payment ratio for 30% but such a patient-oriented service are not covered by the current medical insurance system with a uniform self-payment ratio. Furthermore, there are quite a few issues to be considered in operation of the current medical treatment fee because the incentive point system is directly linked with money for evaluation. New systems to solve these problems and regulatory reforms will be required in the future.

**c Reform to create a patient-driven system**

If the medical system is opened to the user or patients to participate in, and to build the partnership with doctors reflecting the opinions of patients or various opinions, it would be extremely valuable to maintain fairness, equality and transparency and the patient-oriented medical treatment so such regulatory reform should be continuously advanced.

This council addressed the reform for: the patients must built the partnership with doctors and insurers to participate in their own treatment, obligation of disclosure of medical information of medical organizations and deregulation of advertisement for the patients to understand and build a good partnership with doctors, mandatory issuance of the receipts with descriptions of medical treatment to encourage the patients to participate in their own medical treatment, encouragement of people and doctors in the Central Social Insurance Medical Council as the opportunity to discuss public price to assess medical treatments. Such regulatory reform items will be reflected in the future medical system reform. It is an extremely important measure to proceed the medical reform by participation of patients while the actual reform has started in medical sites, which should be continued in the future.

The self-assessment based on the amount of the payment or benefits will also be effective for patients as the end user. By fixing the price by integrating the fact in the public price, a certain market mechanism is reflected on the price settings. Therefore, such regulatory reform to encourage patients' participation directly or indirectly on the medical policies should be continuously promoted.

**d Improvement of efficiency, productivity and quality in Medical care**

Regulatory reform for improvement of efficiency, productivity, and quality in Medical care is also quite important. To increase effectiveness and productivity in medical care is essential for mitigation of excessive workload of medical care workers, quality of medical treatment and correction of high cost structure. It is also important as a cornerstone of the evasion of the sudden rise of an excessive public financial burden in the future.

A certain achievement was made through promotion of IT in medical care such as online receipt requests and electronic carte concerning the medical fee, simplification of fee systems, correction of the medical materials, promotion to use the generic drugs, and promotion of the fixed amount payment method.

However, not only these reforms, regulatory reforms in a timely and appropriate manner to go into the substance of the field while paying attentions to the practical application of

these reforms. Further regulatory reforms for review of the existing systems for improvement of medical care is also necessary on a timely and proper manner, such as upgrade of standards of medical treatment based on scientific grounds, the practice (EBM), and medical care workers' knowledge and skills, measures to improve the quality of medical care workers who relate to specialist systems etc.

It is also important to establish regulations to prevent imbalance of quality medical care by regions or medical departments by providing quality and affluent opportunities of medical treatment.

**e Meaning of new regulatory reform in Medical care**
**Improvement of global competitiveness of Medical industry in the world-**

Regulatory reforms concerning social securities of domestic health and welfare administration and the Medical insurance regime are also important as above. What should be of the restrictions to contribute to development of medical care and the global competitiveness in the medical industry and the regulatory reforms will become very important in the future.

The Medical field is an expanding industry, and not only our country but also the other countries are making efforts to an industrial promotion. The industrial promotion plan of the medical industry that makes the world marketplace grow further. Japan also accelerates the medical advancement and promotion that has global competitiveness further, and aims at improvement of the technology development power and innovation. This is quite important and indispensable policies for the national strategies in the future. It will also be profitable to provide every country in the world with the result of achievements of the medical industry of Japan for contribution. In this term, regulatory reforms that contribute to such a performance will be expected to be promoted further in the future.

The government has been taking measures for medical care including Enhancement of medical care affiliated firm support of development of new drugs under the insurance system, human development such as fulfillment of educations for promotion of medical care.

However, in the current global severe competitions, further acceleration of the measures upon government policies is indispensable. Not an individual measure but the overall policy package should be planned for implementation about deregulation and restrictions that contribute to support the medical industry and its global competitiveness.

For instance, (1) mitigation of barriers to entry for promising new venture companies, (2)

enhancement of development capability through construction of public and clinical trial execution networks, (3) Medical Education reform for strengthening medical care workers' diagnosis and treatment ability, (4) establishment of advanced education of skills such as Medical Schools, (5) human development through exchanges of medical care workers at home and abroad, and circulation of resources, (6) further facilitation and speed-up of clinical trial and approval procedures of medical care and medical equipment, (7) further deregulation through facilitation and promotion of joint projects of academia, government and industry and translation researches, (8) a large-scale institutional reform in another field crossover not limited to the establishment of the intellectual property strategy for evasion of loss of opportunities through development promotion by the cross-licensing and the medical care patent disputes Therefore, a comprehensive policies are expected to implement in a wide range in the medical care for regulatory reforms. Furthermore, the overseas presence of the Medical industry will be expected in the future, and regulatory reform to contribute to these becomes important. In advanced countries of medical care, patients are accepted from foreign countries to provide medical services, and have medical facilities in foreign countries to provide their medical services. This is a wide range of view of the medical services in global market, not only retaining the roles in the social security of the country. In the Medical industry, Japan is also currently exposed to severe global competitions.

In juridical of our country, there is no limitation for the medical organizations to provide services under the law, either having a base overseas, most of medical organizations in Japan still have narrow view only to the patients at home. There is no reason to stick to the domestic market or patients. There re cases that some medical organizations have a presence in foreign countries and positively accept patients from overseas if the world-class medical treatment is available. They widened the view to provide medical services overseas or for patients coming to Japan, without sticking to the fixed concept to take on a role of social security for Japanese people.

Thus, the regulatory reforms would have a significance in the future medical field through reforms in a timely manner to eliminate obstacles of regulations, in order to support promising and motivated medical care workers

## 4 Achievement of society that enables various working styles and re-challenges

### (1) A comprehensive and fundamental reform of the labor law system

How to achieve the society that enables various ways of workings and re-challenges achieved

In the labor market of Japan, the drastic reform are required that might be called a labor big-bang for achievement of a fair work styles with dual career ladder system upon correction of unfair balance and diversified workstyles and easy shift or carrier up in the labor market. regulatory reform. Amongst, Regulatory Reform should be located at the center of the reforms, for solution of the problems and creating an optimum working environment corresponding to the change of time

In the field of Employment and Labor, However, the distance of the opinions is too far between labor and management, and the result of review in council could even be a result of compromises. The contents could also be “one-size-fits-all” regulations away from the reality.

This council published the opinions on “labor contract legislation and working hour legislation” on July 21 this year because of that.

It can be requested to the people to defend for the first time only when the contents are simple and it agrees with social common sense. In particular, that is requested more strongly about the Employment and Labor legislation that widely attempts the protection at the workers. However, the Worker Dispatch Law is complex in contents when taking it as an example of difference of dispatch workers and contract workers, business division of the contract, classification of 26 business, and other business, and it is difficult for the dispatched workers who actually on duty to understand the contents accurately. This is a serious problem from the viewpoint of compliance so that the laws should be revised to have the contents more understandable for dispatch workers and enterprises who use the dispatch service.

### (2) Speedy solutions on issues

There are still a lot of unsettled problems including the issues to be considered this fiscal year or reviewed and concluded under the "Three-year Plan for the Promotion of Regulatory Reform"(Further Revised Version) (a Cabinet decision on March 31, 2005) in the field of Employment and Labor. A prompt solution of the hanging problem is a pressing need as follows to accelerate the speed of the reform.

The first is maintenance of the labor contract legislation. It should be noted to consider the fact of the work site including the small and medium-sized enterprises sufficiently, and to assume the labor and management autonomy to be basic when it undertakes the development of legal

systems. In that case, the financial settlement claimed by the party of conflicts of dismissal should also be discussed.

The second is a review on working hour legislation. When reviewing it, it should not be caught in the working hour, but it be noted especially to cover the exclusion system of the working hour restrictions including midnight work regulations while taking care of workers' health to enable an autonomous way to work.

The third is a review of the regulations over the dispatch labor. The discussion of the opening of a prior interview for the dispatched workers, other than the Temp to Perm as well as review on the mandatory application of the employment contract should be advanced toward the direction to achieve the conclusion as soon as possible.

### (3) Drastic review of restrictions over dispatch and contract labor

#### [1] Problems in the present system out of the workplace

While 20 years have passed since enforcement of the Labor Dispatch Law, the number of dispatch workers who chose the working style far exceeds 1 million (Labor force survey detailed, by Ministry of Public Management, Home Affairs, Posts and Telecommunications Statistics Bureau. It reached 1.26 million as of the 3rd quarter of 2006). As job openings of part-time workers constantly remains in the society, the needs of dispatch labor by individual workers and needs of enterprises are now always exist in the market.

It can be said also for the contract workers which could exceed the scale of dispatch workers, in either case, this is the time to see temporary working styles without a negative view, which should be thought to be a status to free workers and enterprises.

For instance, understanding is not obtained easily from both parties of workers and enterprises to use dispatch workers to specify the term for a dispatch contract depending on the type of jobs. For general clerical works, it should be "temporary" status," though it is hard for enterprises to understand that office equipment operations does not fall into the category.

Certainly, it is desirable to increase opportunities of Temp to Perm or job Placement for the dispatching companies to provide job opportunities for those who the dispatch labor is one of the steps for the career. On the other hand, proper consideration is needed for these who request the continuance of works at dispatch to the same company if requested. However, the temporary dispatch status only valid up to three years in the job types with limitations under the current laws and regulations.

Even for dispatching companies, it is hard for them to consider the dispatched workers to

cover the same job by other dispatch worker again, so that the concept of Dispatch Worker (Dispatch = Temporary) became discrepant from their corporate management.

In terms of the contact workers (Ukeoi) does not conform to the standards (Notification by Minister) for difference of categories between Haken (temporary worker) and Ukeoi (contract worker): (1) the proprietor directly use the labor on contract (2) this is only a standard to protect labors and proprietors upon processing the assignment out of the other party of the contract, so that this is not good for protection of contract workers.

In short, such a complex system should be reviewed to be more practical from a viewpoint to protect dispatch workers and contract workers.

**[2] Drastic review of the system**

A drastic review should be attempted about Worker Dispatch Law to protect the dispatched worker to convert to the law aiming effective use of the dispatch.

There is neither classification by job type, nor lamination of the contract term of the dispatch. Under such a relaxed law system, the laws should be reviewed only to pursue protection and maintenance of dispatched workers (protection of labor).

In that case, it can be thought that the term of contract may be reasonably three years as a break, because some dispatched workers consider the temporary job as one step toward permanent job as a smooth transition period although it would be a problem if the preference of direct employment is pressed to the enterprise who accepted the dispatch labor. It is considered to the dispatch origin for the dispatched worker who directs the step-up though is in the uniform request of prior giving about the direct hire at the dispatch destination shape of application obligation of the employment contract the problem the way such as providing an opportunity of the negotiation by triangular including the dispatch destination is enough.

First of all, a specific way of proceedings should be consulted between labors and dispatch companies. The labor of enterprises accepting the dispatch labor should also play such a role, before referencing the laws.

On the other hand, the dispatch method should also be reviewed for contract workers based on the standards (Minister Notification) concerning the business divisions of dispatch and contract workers from the viewpoint of needs for improvement of skills and work conditions of contract workers, in concurrence with the revision of Labor Dispatch Law above.

What kind of law would be necessary for dispatch and contract workers if it is newly established? Japan is now required to seek the solutions for the future.

## 5 Regeneration of Education to be the base of nation-building with which creativity

### (1) Shift to learner-oriented education system

It is a pressing issue to attempt the regeneration of education that becomes the base to advance nation-building with creativity. It is essential to provide an environment for all students to receive various education services equally depending on the level of ability or suitability. In order to achieve it, a learner-oriented quality education should achieved through dissemination of the school selectivity, evaluation system of school or teachers by the students and parents, consistency of power and responsibility of the administration of education, and securing the quality of teachers.

There is no uniform specific medical care to improve the education quality of services for individuals since ability and an aptitude of one child would vary. Then, it should be proceeding the education voucher system to allocate education budgets based on the number of students, as proposed by this council, and it is necessary to create schools or develop teachers to provide quality education attracting many students by setting up the environment to encourage them to act with motivation and creativity.

It is also important for the government to clarify the minimum standard and the target of objectives for matters to secure as a country. In order to secure the minimum standard, it is essential to respond severely on securing the minimum level, and considers the conversion from the course-oriented education to achievement-based principles. In conversion to the post-check system, there should be specialized agencies of the school audit but, like Education Standard Bureau in England, the audit organization for the school evolution should be completely independent from the pertinent ministers and agencies of education, needless to say.

Moreover, it is important to classify the roles of the national and local movements in education in order to establish the learner-oriented education system. Therefore, the educators should have necessary power and responsibilities to create a body to secure accountability to the learners to create an environment in respect of independency and autonomy of each school. From this viewpoint, a drastic reform should be conducted on the school board system.

Teacher's quality is also a pressing need. With the current teacher license system, anybody can obtain the license as long as a predetermined unit of the teacher training faculty course concerning teaching jobs. Basically, teachers are automatically guaranteed with lifelong status with only one examination based on the license. However, teachers' skill or nature is hardly seen unless they actually teach the students, so that it is difficult to determine it by a prior screening. While there are quite a many teachers with devotion to education or self-training,

some are lack of zeal and leadership, and even causes scandals

Therefore, it is important to check teacher's nature periodically through a teacher evaluation system on site where the evaluation by the learner was mainly placed. Specifically, the assessment system for the teacher evaluation not only by the school board and principals, but also the learners to review the adequacy should be established. Eventually, teachers who are determined to have lack of nature and hopeless for improvement should be dismissed in a prompt manner. It would be reasonable for the learners who significantly affected by teachers to involve the assessment, which could be further effective to see problems and advantages objectively than principals or the school board who have no chance to see the reality.

In particular, for teachers of public schools, it is hard to dismiss them even though they have lack of skill because of the current public authority system. Therefore, it would be necessary to review the status of teachers in public schools as part of the reform of civil servants system that is addressed by the government.

(2) Review of advanced education organization

In this council, the functions and roles of compulsory educations, but it is important to consider the functions and roles of the advanced education organization to improve the level of an advanced education and academic research of our country. It is now necessary to review the presence and meaning of advanced education organizations, its evaluation system, and balanced allocation of research budget including the funds for competitive research fields.

## 6 Achievement of safe and secure living environment

### (1) Child care

**[1]** Review of child care services as social-welfare system

In Japan, the sharp decline in the number of births progressed as the decrease of the total fertility rate since the second baby boom in the latter half of the 1965, and the number reached 1.26 in 2005. It came to a quick change to depopulation society. Earlier than the expectation in 2005 (Vital Statistics (Ministry of Health, Labour and Welfare) in 2005). Various measures have been considered since Angel Plan in 1994. "New countermeasures against the falling birthrate" were finalized in the Depopulation Society Countermeasures Committee in June this year for further discussion of measures.

Under these circumstances, this council realizes that the upcoming five years is particular important as the second baby boomers are still their 30s. In order to achieve a vital economic society, this period is considered to be the intensive period of reform to taken various measures effective to stop depopulation.

Accordingly, from the viewpoint of childcare, there are issues need to be tacked as: (1) child care services corresponding to the diversification of working styles of women is insufficient, (2) limitation of child care services to be able to use although the current conditions of society with the background of lack of interpersonal relationship in the community or growing numbers of nuclear families etc.

A present child care system limits the object to child "lack of opportunities to receive childcare," and is located as a social-welfare system to provide with public funds or expenses. However, the administration should play a role to guarantee accessible childcare system for all the households with children before elementary school with a certain level of services to solve all the problems. For instance, a private entry should be urged to fill various needs of the overtime childcare and the sickness child as well as the child care of the convalescence, to meet the requirements of working hours of parents. Fulfillment of child care services should not only be attempted but also the diversity of service is secured with quality. The policy changeover in the child care from government to private sectors is a pressing need, so that immediate measures should be taken to maintenance and expands the opportunities of child-nurturing support services with less public assistance.

**[2]** **Conversion to the child-nurturing support service**

For conversion of the child-nurturing support service, it is indispensable not to limit to child

“with lack of child care,” but also to have an accessible child care services for all children at the age of preschool. In order to achieve this, a direct contract should be allowed between facilities and users, and the childcare service fees should also be a service-based price system taking into consideration of families with low income. Accordingly, there should be flexibility in setting the contracts with the users. This would be effective to improve the system and create a system to meet specific needs of users.

It is also introduced in October this year, and Certified Childcare Center to officially start in FY 2007 has the system of both day-care and kindergarten system, so that it should be more accessible for users considering its requirements for enrollment and paperwork procedures upon review to disseminate the system. There should create a base of an integrated system of day-care and kindergarten facilities aiming the full-scale operation soon.

Moreover, since the user's load is made impartial, it is important to convert the system from the batch public grant to facilities to direct support system for individual households with children at preschool age. In that case, by changing the nature of day care as a social welfare system, the childcare should be considered to be supported by the entire society for mutual cooperation so the budget when the character of the child care as the social-welfare system is changed, and budgets from the existing childcare assistance can be integrated with insurance premiums as the resource from the social insurance system (Ikuji Hoken, childcare insurance (tentative name). Establishment of such system conversion should also be studied.

### [3] Achievement of various ways to support childcare

Not only the expansion of child care services but also the support of the enterprises and the government are necessary to support workers with children. Under these circumstances, the law for child-care leave was enforced in 1992, for eligibility of the child-care leave until the child becomes one year old as a right of worker. It was further reviewed to be accessible system of the extension at the child-care leave period in 2004. Moreover, the childcare leave allowance system was founded in the unemployment insurance system in 1995, and the amount of the supply has been increased in 2000. The acquisition rate of the child-care leave is still low, and exists in the situation that does not come up to as much as 1% about the man though the system is expanding in the enterprises to introduce a short working hours, flexible time system or installations of nursing facilities in office.

Therefore, childcare systems have been reviewed, while requesting enterprises to assist workers with children, in the progress of diversity of working styles and value of workers such as the child care leave system etc. There should also be measures to study company and labor support in a broad viewpoint for fulfillment and enhancement of the social system for

childcare.

### (2) Living environment

#### [1] Formation of recycle society

Recently, the current social system were reviewed of mass production, heavy consumption, and a large amount of disposal under the Basic Law for Establishing the Recycling-based Society (No.110 of the law in 2000) (below, "Recycle Standard Act") of the circulation. It is now attempted to create the "society with less disposals of products, appropriate recycling of resources of used products, appropriate disposal method for recycling resources not to be reuse, control of consumption of natural resources and minimum load on the environment (Article 2)",As shown in this definition, the following are the high priority issues : (1) control of generation or emission of disposals, (2) reuse, (3) recycling society with a proper disposal method and circulating use is a problem that should give priority over a proper disposal as long as the negative environmental impact is reduced. (No.137 of the law in 1970) However, there are still many restrictions in handling unused recycling resources so that the disposal procedures were preferred under the regulations of Wastes Disposal and Public Cleaning Law (No. 137 of the law, 1970), "Waste Disposal Law" below) , which made disconnect the loop of recycling of resources. In order to go out of the current situation and promote the formation of recycling society, the residues should be considered to be one for disposal Not to have the disposals for reuse, but the residues under the provisions of Recycle Standard Act should be considered as an object for recycle, and other unused resources not for reuse would be properly disposed. Such a new approach is important.

Therefore, various systems according to proper disposal classification (e.g. designated types of industrial wastes), authorities and rights of disposals and waste processing vendors and various systems should be considered.

The number of illegal disposals, for example, the cases in Toyoshima in Kagawa prefecture, or the area at the boundary of Aomori and Iwate prefectures, is decreasing due to the effect of enhancement of penalties against illegal disposal, but it is further necessary to conduct research and measures for enhancement of traceability using IT such as GPS while promoting a proper control of disposals under the Disposal Processing Act. In addition, the research and measures such as strengthening the traceability in which the information technology skill such as GPS is used should be advanced. Moreover, the problem of illegal disposal is not limited within the country, and there is a difficult case to recycle and proper to process about the toxic waste etc. in the developing country etc. It is necessary to create an

environment to be able to promote the international resource circulation in Asia especially including the import of waste from the developing country etc. to make the best use of a high recycling technology of our country when contributing to the reduction of the negative environmental impacts through technical assistances and eco-friendly promotion of the entire earth.

Further measures should optionally be discussed continuously on the transition of the situation about social asbestos problems which were disclosed last year though measures for a series of institutional reform and the relief of the victim including the revision of Clean Air Law should be lectured.

### [2] Terrestrial environment preservation and diversification of energy

The situation in which it is in the fact that increases compared with the extension of current measures 1990, and is doubted the reduction obligation of 6% can be achieved from 2008 to 2012. Although the green house gas mitigation of 6% is obligated in the Kyoto Protocol that came into effect in February, 2005 compared with 1990. "Kyoto Protocol Plan (a Cabinet decision on April 28, 2005) includes various measures to achieve the target but it is still unclear if the reduction target can be achieved.

Japan is a forest country where the forest occupies two thirds of the domestic total areas. As shown in the Forest Basic Plan (a Cabinet decision in September 2006) under Forest Basic Law (No. 161 of the law in 1964), about 3.8% of annual total emission was set as the target of the Kyoto Protocol but the absorption ratio could be significantly less than the target if the current maintenance system of the forest goes at the current level. In order to promote the forest maintenance under these circumstances, enterprises should be actively participating in activities in keeping the forests, not only the forest proprietors. There should be a certain system to improve the corporate value in addressing the absorption of carbon dioxide and measure should be considered to make use of the power of private sectors.

The most promising disposal power generation among new energy is set as 41.7 thousand ｋW by 2010.But in order to achieve the target, further measures should be taken. The currently power generation efficiency remains low as about 10% in most generation facilities, and an immediate dissemination of a highly effective waste-power generation is necessary though the generating efficiency of the present waste-power generation reaches about 30% in the facility at a high level. The heat recovery of the waste-power generation etc. (thermal recycling) should be promoted as a reasonable recycling technique based on the priority of provisions in the Basic Law for Establishing the Recycling-based Society with reasonable cost-saving and heat recovery efficiency. In particular, it should review it in the direction

toward the heat recovery as it should not be reclaimed but used for reuse after promoting the generation control and regeneration, as well as securing the heat recovery rate more than constancy for the waste plastics. Besides this, the review of the relating restrictions should be positively discussed for promotion of use alternative energies in the future.

**(3) Residence and land**

The stimulation of economic activity and improvement of the quality of life are in need further in the development of the less children and aging society, the coming of the depopulation society, and the diversification of the lifestyle. Therefore, the ideal restrictions of the Residence and Land corresponding to the change in socioeconomic circumstances should be reviewed continuously in the future.

**[1] Improvement of reliability of buildings and promotion of renewal of old buildings**

The structure calculation scandal that had come to light last year had a great shook on the people's trust of the safety of buildings. Following this, a series of measures were taken including revisions of the Building Standards Law and the Architect Act while there are some issues remaining such as strengthening the supervisory system of the government offices on buildings, securing of the warranty of the venders against defects of houses. Therefore, attention should be continuously paid if appropriate measures are taken for the safety of the building in the future.

Moreover, the existing buildings of the old seismic criterion in particular before 1981, might have no seismic durability, so that certain countermeasures should be taken for the buildings such as refurbishment or reconstruction in case of disasters unexpected, but due to the cost, there is also great the expectation for the promotion plan of the country. The support plan should be enhanced since it contributes to the formation of a good quality stock to make buildings earthquake-proof while the diagnosis of anti-seismic performance and seismic retrofit have been applied to houses and buildings under the law (No.120 of the law in 2005) that revises part of the law concerning the promotion of the seismic retrofit of the building. Concurrently, it is necessary to study an evaluation system for risk management by seismic measures. On the other hand, it is also necessary to review the use policy of the overall design system for buildings which could have a factor to inhibit the reconstruction due to lack of floor area ratio because of the difference of the legislation with architecture this time.

Moreover, there are earthquake insurance systems to save victims after Great Earthquakes are available, but measures to link such rescue plans and approaches to suppress damages such as earth-quake proof refurbishment and reconstruction are not enough. For the disaster

victims support system, it should increase the scope with reasons but it would be necessary to consider three elements including feasibility, fairness and seismic proof performance, which should be effectively linked with the seismic proof promotion systems before the occurrence of earthquake so the government should take measures to mitigate the loss as a nation by taking certain measures in advance. In this sense, the systems for the disaster relief related insurance and grants related to earthquakes, including earthquake insurances, should be reviewed to cover the risk based on the assumption upon the seismic test of buildings.

**[2] Review of system for effective land use and urban environment**

In the city planning, a specific discussion of the usage restriction strategy should be advanced from the viewpoint to design an urban area desired. The current operations and issues should be summarized for review in consideration of the performance-based strategies for the surrounding environment of the area in order to achieve the city planning corresponding to the diversification of declining birthrate and a growing proportion of elderly people and various lifestyles.

From the viewpoint of effective use of lands, it is necessary to study policies to a accomplish the original purposes of the area corresponding to the move of people to urban area, control of loads on infrastructure and maintenance of good suburbs environment concerning the regulations of the floor area ratio. In particular, the promotion of the centering of an urban area functions I indispensable for innovation to contribute to growth of the town in the future with the move of people to the center of the city. From this viewpoint, there should be regulatory reform to mitigate the loads to the transportation infrastructure due to centralization of the residential area.

If the load to the infrastructure can be reduced by the methods other than the rate of building volume restriction, the floor area ratio restriction can be alleviated when an excellent urban environment is maintained and the center of a city accumulation be promoted since one of the purposes of the floor area ratio restriction is control of the load to the infrastructure. The introduction of the time difference fee system into the railway and the road, etc. is effective as the derating plan to a traffic infrastructure. The situations of railways should be studied consideration of the services of IC card ticket, while the road can be assessed with ETC (Electronic Toll Collection System). As a measure to control the infrastructure load, the time-difference transportation fees had been studied repeatedly up to now related to one of the drastic review plans of the rate of floor area ratio restrictions that would affect the effective use of lands.

As a result, under “the "Three-year Plan for the Promotion of Regulatory Reform” (Further

Revised Version) (a Cabinet decision on March 31, 2006), the following points were studied related to the introduction of the time difference fee system, (1) systematic issues (2) process (3) political meanings (4) technical meaning, (5) technical issues (possibility of the use of the IC card technology) (6) feasibility of test.

In the FY2006, the hearing was conducted for the situations. The following are comments from the "IC card ticket study" in April 2006 by the Ministry of Land, Infrastructure and Transport.

・The railway proprietor have been studied on the time difference fee (distance for off-peak of Fuji Right Rail) is hardly said to be a sample of the time difference fee system that is assumed for the purpose.

・ There is no enough explanation on the political meaning of the study, as only stated as "possibilities of the time difference fee system". For the survey, it is necessary to collect opinions upon setting a difference of prices, assuming a clear viewpoint for improvement of services to users such as the increased income by the price hike may be adapted to the future projects of dual track or underground train systems.

Moreover, the following are assumed from discussions in Comfortable Commuting Promotion Committee:

・ Although it is said to be difficult to reason the price hike for the peak hours for investment of alleviation of the congestion such as increase of the number of trains in the current situation as the congestion ratio remains low, it might be mainly because of dispersing to suburbs. The discussion should be continued about the maintenance of a public transport infrastructure in considering the effective use of the city and land in the future.

・Whether designing the appearance of the society where the advantage of the time difference fee system was maximized as not for a short-term aspect that makes the price system assumption but a mid or long-term aspect, and indicating the life of the people that required them and what should be of the enterprise etc. the start of work time of enterprises and the school are necessary. Upon discussion on these aspects, it should be studied how the trend of commuting and going to school would change.

・After the above-mentioned image is clearly shown upon consideration of more residents and commuters, the opinion should be consolidated.

In this council, introduction "of the time difference fee system in the commuter was not fully discussed, and considered that more discussion is necessary from the above-mentioned viewpoint with this finding included in this Three-year Plan as a result of this survey.

The introduction of the time difference fee system in the commuter is not a subject for the

railway policies but for a crossover subjects including city planning and housing policies. The appearances such as the city, houses, and the city infrastructures should advance the discussion in mid or long term under such recognition based on the issues widely cover the country policy. Moreover, it is important to study from the aspects of the user commuters and enterprises. Based on this, the government should review the current conditions to convert to active posture of positively involved from passive posture of waiting for the specific approach of the railway proprietor's to promote the introduction of the time difference fee system in the commuter on that as the government.

Secondly, the urban area has a constant restriction about the effective use of the urban space in the development plan since it provides the limitation from the viewpoint that attempts securing safety in the space utilization of construction in the road district etc. though development that have several blocks together when the function is updated might be necessary for areas where a lot of narrow streets exist. With such a restriction, when a building is constructed across several blocks, the plan of development might propose to use the road unused on the street as an area of the building under the existing law. Therefore, it should be continuously studied whether there are any points need to be improved in terms of use of the occupied systems and use of road areas based on a practical case studies and concepts for development of the entire district of a certain area including the surroundings to improve the environment, such as any influences on functions of the existing roads.

In order to design the landscape of the area, it should be discussed on the technique for analyzing both of the spectacle value and profit loss by defending the spectacle value related to restrictions so as not to excessively control the urban area by the floor area ratio and building height.

### [3] Formation of real estate market with high transparency

The formation of the real estate marketing where the transparency is highly trusted in the changes of society from the expansion type to one for effective use of stocks. From the viewpoint, the system to collect and provide real estate information should be further promoted. In most of advanced countries, real estate value of the transaction information is disclosed but it was just started in Japan tentatively. The contents and number of cases are also small, therefore it is necessary to take measures to increase the range of information and data collection, as well as to provide and collect the real estate value information in a neutral manner while protecting the rights and profits of individuals, while summarizing the actual sales price for sellers in order to mitigate the concerns on the land market.

In the registration system of lands as a basis of the trading of real estates, the so-called

middle omission registration is currently required, which only allowed with a duplicate of application forms instead of the registration certificate under revision of the Law concerning the Registration of Immovable in FY2004 (No.123 of the law in 2004) . The duplicate of the application form is no longer acceptable under the current law. It was pointed out on the consistency between the operations of the registration and the case studies of the trial of Supreme Court (on September 21, 1965) and the registration fee also increased.

If there should be the three parties' mutual agreement for change of the property rights of from A, B to C, the middle omission registration may be appropriate because it was originally accepted as it plays a social role to promote the effective use of land and flow of real estates while meeting the needs to lower the commission fees for the deal. At least, in order to ease the inconvenience without the middle omission registration, the real estate registration systems should be reviewed based on the principles to disclose the change of property rights on real estate, while achieving the consistency of the entire system to meet the needs of the practical system of the transaction. Any conflicts in understanding of or disagreements in legislation should be promptly cleared if any.

In addition, about 460,000 families that are about 18% of four people or more of the home about 2.57 million families are less than minimum housing standards, and the improvement of the quality is requested though the number of stocks of the entire rental housing is accounting for 30 % (17.17 million households and 53.89 million households of the number of total houses) about the rental housing market now. Moreover, there are a lot of cases that are the obstructions of healthy development of the rental housing market like the trouble etc. over the recovery obligation before moving or restrictions to the elderly the handicapped, a small family with children and non-Japanese. In addition, a present rental housing system is an curtail obstacle against development of the market as the importance is placed on the lessee's rights. It means that even though the owner plans to reconstruct the building, a tremendous amount of a clear out fee would be required, which could exceeds the rent income obtained till then as a clear out fee. By solving these problems, it is necessary to study polices to encourage healthy development of the rental housing market.

## Ⅲ. Regulatory reform per field

### 1 Crossover field

#### (1)Crossover assessment and review of regulations

**[Awareness of the issues]**

Regulations should be provided as backed by social needs, upon considerable studies at the time of introduction. If the regulations are not adequately reviewed at the right time, it may result in many problems and negative effects. Therefore, the restrictions should be periodically reviewed to see if the contents correspond to the subsequent social economy situation.

It is understood that regulations other than laws and ordinance such as Notification/Release has no legal force bur some may contain similar effects to laws indirectly and even could exceed the contents, which would be a problem.

On the other hand, to secure transparency of regulations, it is necessary to quantitatively and simply indicate new, revised or abolished regulations for public to easily understand, as well as to clarify how the existing regulations would restrain specific activities of individuals and enterprises.

In FY2006, the following were studied on promotion of reviews after a certain period based on Review Standard, obligation of Regulatory Impact Assessment (RIA) and use of Japanese No Action Letter.

**[Specific measures]**

**[1] Promotion of Periodical Review based on Review Standard [Successive implementation after FY2006]**

Council for the Promotion of Regulatory Reform and ministries/agencies promote periodical reviews based on Review Standard to review regulations which passed a certain time since its enactment. Therefore, necessary measures should be taken based on Review Standard in an interval of certain period.

**a Meaning**

This standard is established to promote an objective and crossover review on regulations upon its enactment or revision. Therefore, those which reviewed based on the applicable

standards, should be positively reviewed if it should be abolished or mitigated corresponding to the social conditions.

**b Scope**

The scope of "regulations" for review should comply with the definitions shown in "Report concerning deregulation" of Second Ad-hoc Administrative Reform Council (December 1, 1988)

(i) Law (except laws not applicable to objectives and scope, even from (ii) to (iv) below)

(ii) Notification to specify orders based on ordinance, the Cabinet Office ordinance, ministerial ordinance, National Personnel Authority regulations, Board of Audit regulations and laws or "laws and orders"

(iii) Rules applicable to general matters specified by the administration including notification and release other than laws and regulations ("Notification and Release")

(iv) Notification/Release without "external effects to private individuals.

**c View of Review**

A periodical review of regulations should be conducted as below. It is necessary to fully study or review if social and economic conditions or findings were changed from the reasons why the regulation is introduced or revised.

Regulations which exist only because the abolishment process was incomplete in spite of loss of applicability because a considerable time has passed since its enactment to be impractical, or the objects for the pertinent laws and regulations do not exist if it could incur negative effects on civil life.

(i) Regulations concerning economy should be abolished in principle. Drastic review should be made for regulations concerning society at the minimum.

(ii) A moderate shift from license system to permission, or from permission to application system

(iii) Ratification of regulatory methods of inspection from government-driven to public sectors

(iv) Promotion of international consistency on the regulations and procedures

(v) Clarification and simplification of regulations, and evaluation standards on permission, authorization and application paperwork

(vi) Change of paperwork procedures e.g. from pre-application system to post-application system,

(vii) Expedite of regulation related procedures such as evaluation and process of permission and authorization

(viii) Transparency of regulations procedure

(ix) Social fairness upon correction of irrational regulations

Note that the descriptions on Notification/Release related to regulations are Three-year Plan for the Promotion of Regulatory Reform"(Further Revised Version) (a Cabinet decision on March 31, 2006) (below, Three-year Plan (Further Revised Version) along with the above. It should be reviewed according to the standards by category on whether if there is a possibility of external effects on private individuals

**d Term of review**

Provisions on a periodical review of regulations (below, "provisions for periodical review) should be specified as follows:

(i) The standard is five years, or less.

(ii) It should be specified as up to ten years for regulations which a certain time would be required

It sets it as upper limit.

Note that there should be a provision of "term" for the next review of the regulations for periodical review, which should be continued.

**e Periodical review of laws**

It should be promoted to review laws as below, including, (i) for new laws, (ii) if a periodical review is required for provision in Appendix of existing laws and (iii) if no provision is specified in the existing laws for periodical review

(i) New laws concerning regulations should include the provision of periodical review according to the d. "Term of Review" above at the time of preparation of bills, as well as c. "View of Review."

(ii) Among the existing laws related to regulations which have the provision of periodical review should be reviewed according to the applicable review provisions. The above c. "View of Review" should also be considered for review.

(iii) Among the existing laws concerning regulations which has no provision of periodical review should include provisions of periodical review based on the above d. Term of Review", as well as c. View of Review

**f Periodical review of laws and regulations**

Periodical reviews of laws and regulations depend on (i) the applicable laws and regulations have the provisions of periodical reviews, or the base laws and regulations have the provisions of periodical reviews, or (ii) no provisions on periodical review on laws and regulations and its base laws and regulations, but its review should be promoted based on the standards below.

(i) Periodical reviews should be conducted for laws and regulations related to regulations or the base laws and regulations should be reviewed based on the periodical review provisions. In this case, c "View of Review" should be followed.

(ii) Periodical review should be conducted for laws and regulations without the provisions according to the above d."Term of Periodical Review" to be defined for each base laws. In this case, c "View of Review" should be followed.

**g Periodical review of Notification/Release with "external effects"**

Periodical reviews of notification/release depend on (i) the applicable notification/release have the provisions of periodical reviews, or the base notification/release have the provisions of periodical reviews, or (ii) no provisions on periodical review on notification/release and its base notification/release, but its review should be promoted based on the standards below.

(i) Periodical reviews should be conducted for notification/release related to regulations or the base notification/release should be reviewed based on the periodical review provisions. In this case, c "View of Review" should be followed.

(ii) Periodical review should be conducted for notification/release without the provisions according to the above d "Term of Periodical Review" to be defined for each base law. In this case, c "View of Review" should be followed.

**h Periodical review on Notification/Release without external effects**

Periodical reviews of notification/release without external effects on private individuals depend on (i) the applicable notification/release have the provisions of periodical reviews, or the base notification/release have the provisions of periodical reviews, or (ii) no provisions on periodical review on notification/release and its base notification/release, but its review should be promoted based on the standards below.

(i) Periodical reviews should be conducted for notification/release related to regulations or the base notification/release should be reviewed based on the periodical review provisions. In this case, c "View of Review" should be followed.

(ii) Periodical review should be conducted for notification/release without the provisions according to the above d "Term of Periodical Review" to be defined for each base law. In this case, c "View of Review" should be followed.

**i Result of review and reason**

When the review is conducted after a certain period of enactment of revisions, the result and reason are published in the websites. In particular, specific necessity and reasons should be clarified for those which retain the system and operations upon review.

## [2] Classification of Notification/Release related to regulations [Successive implementation after FY2006]

**a Classification of Notification/Release related to regulations**

In FY2006, each ministry and agency proceeds the classification of Notification and Release related to regulations according to one focused on external effects for private individuals based on Three-year Plan (Further Revised Version). The currently effective notification/release related to regulations are classified from the viewpoints (1) standards of evaluation and disciplinary action under Administrative Procedures Act and (2) those which would influence the enterprises and individuals among standards specified by the ministries and agencies whether these have external effects on private individuals.

The committee has received the report of the number of cases (the standard as of March 31, 2006) as of November 10, 2006:

- Total of 671 standards of evaluation and disciplinary action provided under Administrative Procedures Act:
- Total 421 notification/release etc. that have external effects

- Besides, there are notification/release etc. that have not been classified with review of ministries and agencies

Among Notification/Release related to regulations of each prefecture ministry which has influence on enterprises and individuals with external effects on private individuals are categorized above, and the ministries and agencies consider should consider to prevent any external effects in its implementation. Therefore, these notification and release have legal obligation for the people to follow.

About the classification of the Notification/Release related to regulations are updated upon review for any additions and revisions for the existing ones by the end of December every year. Review Promotion organization should evaluate the reported classification and

request the ministries and agencies for further review as required.

**b Publication of review results**

For notification and release classified as those could have "external effects," the name should be published on the ministry and agency websites. Others should also have some ways of indication of the ministries and agencies not to have external effects, therefore public recognize whether external effects are exerted or not. It is beneficial for the people for transparency of the regulations.

Therefore, the review result of the above-mentioned classification etc. should be made public by the end of every year. It is assumed that the current situations on classification as of March 31, 2007 should be published by the end of FY2006 upon research of Review Promotion organization. The method of publication for FY2007 and after will be studied by the end of 2007 for resolution.

**[3] Promotion or Review [Successive implementation after FY2006]**

Necessary measures should be taken for the review of regulations after a certain period since its enactment or revision based on Review Standard, as well as to promote further review of Notification/Release related to regulations.

a. Necessary measures should be taken for the review of regulations after a certain period since its enactment or revision based on Review Standard as below.

(a) The ministries and agencies specify the provision for periodical reviews of laws related regulations (except those which not applicable for its objective and goal, below) required under Review Standard of the provision of the regulations which a certain period passed since its enactment or revision when a bill is prepared for new and revised laws.

(b) The ministries and agencies prepare and publish a list of the laws related to regulations under its governance by the end of FY2006, and review the related regulations (including ordinance, notification and release) based on Review Standard for regulations which a certain period passed since its enactment or revision.

To make the list:

(i) Reviewed fiscal year (five years from FY2007 to 2011as the standard period)

(ii) After the period above shall be specified.

(c) Review Promotion organizations create the review list and follow up the situations of review based on Review Standard of regulations after a certain period since its enactment or review in cooperation with the Ministry of Public Management, Home Affairs, Posts and Telecommunications as well as collection of report and opinions as required.

b Notification/Release related to regulations should be reviewed according to Review Standard in Three-year Plan (Further Revised Version) as below. The ministries and agencies also should establish and issue new Notification/Release related to regulations in consideration of the Review Standard.

(a) Ministries and agencies shall select notification and release for review of the next fiscal year of each fiscal year in and after FY2006 according to opinions of Review Promotion organizations.

(b) Ministries and agencies shall report the result of review of notification and release selected for review by the end of December of every year in and after FY2007, and the results of classification, to Review Promotion organizations.

(c) Review Promotion organizations shall evaluate the result of review reported, and request the pertinent ministries and agencies to reconsider as necessary. The results of review shall be confirmed by the end of every fiscal year in and after FY2007 for publication by Review Promotion organizations.

c In FY2006, the Committee will be responsible for the functions of Review Promotion organization. The proceedings and systems of Review Promotion organizations in and after FY2007 shall be studied in FY2006 for finalization based on the situations of review.

**[4] Wide range of implementation of Regulatory Impact Assessment (RIA)**

**a** Ministry of Public Management, Home Affairs, Posts and Telecommunications shall take measures necessary to mandate the pre-assessment of the regulations such as the scope of RIA in the framework of "laws concerning evaluation of policies by the administrations within this fiscal year under Three-year Plan (Further Revised Version).

Ministries and agencies should voluntarily and positively make efforts on the pre-assessment of regulations which are not mandatory **[Successive implementation in**

**and after FY2007]**

b Ministries and agencies shall take measures for improvement of objectiveness and transparency of the process to establish regulations by applying RIA concerning the bills as much as possible in the process of opinion collection, as well as to make efforts to improve the quality of analysis after its enactment of obligation. **[Successive implementation]**

The Ministry of Public Management, Home Affairs, Posts and Telecommunications should understand and analyze the practice state of pre-assessment of the regulations every fiscal year to support the measures of ministries and agencies, and provide information as well as trainings necessary. [Successive implementation in FY2007 and after]

**[5] Discussion on Japanese version No Action Letter system**

This council considers that the items for "introduction of pre-assessment for legislation by the administration (a Cabinet decision on March 27, 2001, revised on March 19, 2004) are limited in contents as these are concerning the administrative measures.

Therefore, necessary measures should be taken upon review of the proposals on "Japanese-version No Action Letter" including expansion of the scope for the pre-assessment before legislation. **[Conclusion in FY2006. Successive implementation in and after FY2007]**

Ministries and agencies shall take specific measures based on the above on the pre-assessment procedures before legislation such as introducing specific procedures and the model cases of the private sectors that used the procedure using posters and booklets. **[Successive implementation]**

**(2)Qualification scheme**

**[Awareness of the issues]**

Qualification Scheme are still under promotion for improvement of userability of the people such as activation of competitive market upon review of the monopoly certification, cost reduction of enterprises upon review of mandated qualifications, increase of law experts. However, there is still some Qualification Scheme with high demand.

On the other hand, even qualified who should comply with the strict legal rules currently violated the regulations, which eventually expose the safety and properties of many people to

risk. Such incidents deteriorate the reliability of the people on Qualification Scheme.

Therefore, from the viewpoint that maintenance and restoration of legal disciplines of the qualified and improvement of convenience of Qualification Scheme for the people will contribute to improve the quality of life, an extensive study was conducted on the qualifications of certified public accountant, architect, public consultant on social and labor insurance as well as on increase of law experts in FY2006.

## [1] General: Qualification scheme

### a Appropriate implementation of disciplinary actions [FY2006 review and conclusion, Measures in 2007]

The superintendent ministries should clarify the standard of the disciplinary actions and its disclosure and severely execute the actions according to the standard if applicable to disclose the name, actions and descriptions of the dismissal to public.

### b Mitigation of requirements of qualified enterprises [Will be studied in and after FY2007]

From the viewpoint to provide continuous and stable provision of services and enhance liabilities of qualified enterprises, Deregulation Promotion Three-year Plan of March 1999 proposed legislation and for realization.

Concerning establishment of the qualified enterprises, lawyers are allowed to establish one-person proprietary under the current Lawyer Act. However, for other law specialists, the requirements to establish the enterprise are two persons or more under each Act. Two person or more qualified persons are required to establish the enterprise, but these qualified persons are responsible for unlimited liability each other. In rural areas, it is practically difficult to establish a qualified enterprise as the absolute number of the qualified is small. In particular, three are demands for regulatory reform to ease the requirements on public consultant on social and labor insurance and land and house examiner.

Therefore, further studies should be conducted on one-person enterprise according to the needs of public, requests from the organizations of the qualified and the practical status of the qualified, in order to promote a wide range of services of the qualified specialists nationwide.

## [2] Matter concerning individual qualifications

a Certified public accountant

The audit system by certified public accountants are currently regarded as a requirements to secure reliability of enterprises to the capital market as well as for protection of investors and debtors by guaranteeing the appropriateness of financial information of enterprises under the economic environment to be more complex, diversified and global. However, in the current incidents of the corporate malfeasance associated with the accounting fraud and inappropriate audio system, public trusts on certified public accountant and audit corporations are at risk. Thus, the government required to take appropriate measures to improve the qualify of certified public accountants and audit corporations, as well as to secure qualify and improve the effectiveness of the audio system.

**(a) Maintenance and improvement of quality of Certified public accountant [FY2006 review and conclusion, Measures in 2007]**

In order for certified public accountants to properly conduct the audit, it is necessary to maintain and improve its expertise and a wide range of knowledge. Therefore, it is required to study measures on continuous special trainings for the qualified and to verify the ability. The necessary measures should be taken based on the results of study.

**(b) Review of audit corporation system [FY2006 review and conclusion and Measures in 2007]**

In the audit corporation system, it is assumed that the instruction, warning, business suspension and dissolution as administrative penalty. It is necessary to take severe measures for problem cases, as well as to grasp issues of audio corporations and issue necessary orders in a prompt and mobilized manner to warn them and instruct them to correct their operations before a heavy disposal in the problem cases. In terms of the application of penalties on audit corporations, necessary measures should be taken based on the study of applications of penalty to control illegal acts while taking consideration of legal compliances.

While more severe rules are applied for the main accountant of major audit corporations by voluntary regulations of the certified public account association (up to five years, interval of five years) compared to general certified public accountant (up to seven years, interval two years), it is necessary to review further on more appropriate rules in reference to practical applications of foreign countries based on the result of study in order to enhance the independence of audit corporation and certified public

accountants. Furthermore, the current audit system specifies mutual monitoring and check system of their employee certified public account of audit corporations. However, it might be inappropriate to reality as the scale of audio corporation increases on unlimited liability of all the employees on damages for compensation such as fraud accounting. Therefore, it is necessary to clarify liability of employees who involve in such inappropriate acts, and study on introduction of limited liability of other employees in order to avoid excessive burden on employees not involved in the cases.

**(c) Information disclosure by audit [FY2006 review and conclusion and Measures in 2007]**

Transparency of the audit by certified public accountants and audit corporations should be secured for maintenance and the improvement of the trust of the audit system by certified public accountants. Moreover, disclosure of information related to certified public account and audit corporations are required from the viewpoint of protecting investors as well as to enable users appropriate assessment of qualification of audit corporations and the qualified.

Disclosure is even required at present such as that it is required to describe on business report under Corporation Act and the financial statements under Securities and Exchange Law for rewards of certified public accounts and audit corporations. However, measures to further enhance the system should be studied. For more effective disclosure of information for public, it is necessary to collect and disclose information of each certified public accountant and audit corporation. In order to achieve it, it is necessary to establish a system of disclosure as well as to study on information required to verify audit histories, corporate governance, assessment system, financial status of qualified and audit corporations.

**b Architect**

For building designs, the type of building or scale are defined for each class of qualified architects. Designs of buildings are acceptable within in the scope. However, the scope of each class of architects is classified depending on the scale of buildings including design, structure and utility. Therefore, for structures with public importance, as it could have a certain influence to the surroundings in the event of collapse, systems to show professional information and related data concerning an architect must be disclosed. Such disclosure will contribute to maintenance of the relief system for the victims of defect of housing after purchasing. Note that it should be avoided to limit the scope of official certification by

excessively classifying the requirements.

**(a) Information disclosure for improvement of qualify [FY2006 review and conclusion, measures taken by 2008]**

With improvement of construction technologies and development of new construction materials, specialists are liable for having such knowledge and skills necessary as social needs. Therefore, it is necessary to study a system to disclose information to parties concerned such as personal and professional histories of an architect. In order to prevent any illegal acts of qualified architects, the government should also study feasibility of disclosure of information on violation of laws and regulations.

**(b) Disclosure of specialty [FY2006 review and conclusion, measures by 208]**

It is necessary to study on a system to clearly indicate the professional information of architects with high degree of professionalism, through a verification system by private sectors to allow users to choose architects depending on the scale and purpose, as well as for architects to receive a certain reputation from public.

**c Public consultant on social and labor insurance**

**(a) Summary court lawsuit power of attorney for the public consultant on social and labor insurance [To be studied in and after FY2007]**

Recently, the number of individual labor dispute tends to increase due to the change of environment for employment and labor. Under these circumstances, public consultant on social and labor insurance are currently qualified to be an agency of a certain out-of-court settlement process (Alternative Dispute Resolution, ADR)upon FY2007 revision of the Public Consultant on Social and Labor Insurance Act (No. 89 of the law on June 3, 1968).

If such out-of-court settlement failed to reach the resolution, it may be shifted to a lawsuit at decision of the complainant In this case, if the complainant applies for the lawsuit at the summary court, the case should be relied upon lawyers or certified judicial scrivener because public consultants on social and labor insurance are not authorized to the rights of attorney for lawsuits. Therefore, the complainant is required to order a lawyer or certified judicial scrivener, or filed the case by him/herself. Therefore, it has been pointed out that it is disadvantageous for the complainant as the power of public consultants on social and labor insurance is limited.

Therefore, it is necessary to study on achievements of representative for out-of-course settlement authorized to public consultants on social and labor insurance, necessity to permit the representation of the lawsuits in the summary court and degree of contribution for improvement of ease for the complainant, as well as securing a special ability to do the lawsuit representation adequately ascertaining the degree of the contribution of necessity for gazing at results etc. of agency business in what should be for the authorization.

**[3] Increase in the number of law experts**

a It should be discussed to move up the current target (about 3000 persons by around the year of 2010) as much as possible while ascertaining the conditions of preparation for a new legal processions training system including law schools concerning the issue to increase the number of legal professionals qualified the bar examination, as well as the desired population at the time, by carefully taking consideration of the social needs.

In this case, in order to secure appropriate law services for public, it is necessary to collect and manage information related to the bar examination required to study what it should be for the examination, as well as to grasp the relationship between increase of the number of those who pass the bar examination and the qualities of the judicial officer services. [Sequential discussion/implementation in and after FY2006

b Law Schools should make efforts to make a reasonable number of students completed the courses (e.g. about 70-80 %) based on the premise that the students have desire and motivation to be law specialists and pass the severe evaluation and certification. In this case, care needs to be taken that the new bar examination is not a certification examination, not a competition. Therefore, its should be recognized as an examination to determine knowledge, thinking, analysis and skill of expression to start activities as law specialists after qualifying the bar examination. [For study and implementation in and after FY2006]

c In order to consider if education in law schools, bar examinations and education in law training school is appropriate to foster law specialists to meet the social needs to laws specialists, detailed analysis should be made on the results of bar examinations as well as to analysis and study such as comparison of the status of completion of courses of graduate school of law or law training school in cooperation of organizations concerned. When the future curriculum is reviewed, it is required to study the conditions of the system, standard and clarification of the scope of curriculums, without relying on only the

factors of the supplier's system of the examinees such as the number of lectures in the graduate law school to consider practical importance, social utility and general use to properly meet the needs of law services in the society. **[Sequential discussion and implementation in and after FY2006]**

d In order to avoid narrowing the options of law specialist-to-be, a consistent standard should be applied for the main bar examination regardless of pass or failure of those who completed the law graduate school or those who qualified the preliminary test. In order to provide a fair competition, the number of the examinees of the preliminary test should be strictly reviewed every year in consideration of the review of the ratio of the qualified of the main bar examination. Accordingly, it is necessary to avoid imbalance of status between those who aims to be a lawyer through the preliminary test and those who completed the law graduate school. **[Sequential discussion and implementation in and after FY2006]**

**(3) Opening of government-driven market to private sectors**

**[Awareness of the issues]**

In order to achieve "Small and Effective Government" and compress the increase of government debts, it is essential to reform the assets and debt to compress the increase of government debts. Because there are the Independent Administrative Legal Entities with more than 10 trillion yen, Japan Railway Construction, Transport and Technology Agency and Urban Renaissance Agency were taken up this fiscal year as Independent Administrative Legal Entity which have a tremendous amount of assets to precisely consider the necessity of the services of these corporations from the view of pressure on private enterprises, and study on the compression of the assets and debt. In terms of the services including inspection/registration, research/training and maintenance and operation of facilities of those which studied by the committee in FY2004 and 2005, Its follow-up system and further opening of the government-monopoly market were studied. The services of inspection and registration include automotive inspection and registration, Agricultural Chemicals Inspection Station, Fertilizer and Feed Inspection Offices, and National Center for Seeds and Seedlings. For business of the research and training, Japan Organization of Labor Policies Research and Training, Institute of Liquors, Japan Commemorative Organization for the Japan World Exposition '70 for maintenance and operation of the facility.

**[1] Compression of assets and debt**

**[Specific measures]**

**a Japan Railway Construction, Transport and Technology Agency [Review and conclusion within FY2007, measures to be taken in a prompt manner in the following years.]**

Japan Railway Construction, Transport and Technology Agency has been supported the social infrastructure as an objective of "grant and other supports to promote maintenance of transportation facilities" but the assets possessed by the organization should be compressed by opening the government-led market available for private sectors in order to reduce plural risks concentrated in the organization under the circumstance that a considerable increase of needs of train maintenance are not expected while the financial reform and debt reduction of the government are required, and the domestic shipping business is in severe conditions.

In specific, the railway construction and maintenance were assigned to the private railway companies (for those which categorized as Line P by Japan Railway Construction, Transport and Technology Agency) upon construction but the new construction and assignment will be conducted. Meanwhile, it is also required and collection and repayment of debt effectively as well as to take measures to reduce the cost for settlement. It is also necessary to study the conditions related to the payment before the deadline in premise that the debt of the train enterprise as the debtor should be settled in order to process consistent payment of the debt and prevent any disadvantage of other train enterprise.

On the other hand, business of the vessels common construction shows the excess debt for 37.8 billion yen, the debt management and collection are currently conducted in response to the liability risk management method of public financial institutions to improve the financial status,.

Regarding the business of the advanced vessels technology development, it is necessary to review the status in general including the necessity of the credit funds as the financial base of the business through the review on needs and efficiency on business with less achievement at the time of subsidies provision, interest support and debt guarantee.

**b Urban Renaissance Agency [Review and conclusion by FY2008, measures to be taken as soon as concluded]**

**(a) Urban Revitalization**

The role of Urban Renaissance Agency in the urban Revitalization bears the business risk that the civil operation person hardly bear a long term on a large scale according to factors such as risks by fluctuation risks for land price and interest rates, difficulty of coordination because of the duplication of rights relationship and low profitability. It should be now take the following measures for the urban renaissance business to attempt the further thoroughness in the future to bear the business risk and lead the resource of private sectors to the area.

a The standard to enable the organization to the business should be clarified, including difficult of coordination due to plural rights and low profitability.

b Those which have less risk should be sold off to private sectors to create more opportunities of market opening of the private sectors.

c It should aim at the maximization of business by increasing the price to sell by making an effective use of the land while achieving a quality city planning in the business.

**(b) Rental housing**

Urban Renaissance Agency rental houses once have functions to secure housing in the market with lack of supply and improvement of quality of housing for family use. However, currently 770 thousands housing are excessively available, and there are also issues in function as Safety Net to improve the quality.

a For residence of the organization with public housing, it is necessary to consult with the organization to separate from the service by assigning to the local public bodies in to devote to a role of the organization.

b The current system should be thoroughly reviewed through compliance to the standards of Organization Act Section 26. 1-2 when old houses are to be reconstructed. It is also necessary to study if the provision is properly in effect by making the purposes and necessity of the reconstruction public and actively use the relocation to adjacent buildings or apartment.

c For reconstruction of buildings, the buildings should be collected into one wide area, and use lands (excess land) should be used for public facilities and residence of for private individuals to compare the assets.

d It is necessary to clarify the target to reduce the number of residence of the organization from 770,000.

e It is necessary to widely introduce the rental housing regular contract for those which

other the public condominiums for reconstruction.

f It is necessary to achieve efficiency of work and reduction management costs by increasing the scope of public consignment as much as much possible through tendering etc.

**(c) Business in service**

Although there is a rule that no new construction will be conducted for New Town projects, there are still a number of cases for new construction in a mid term target to complete the work by the end of FY2013, and to complete the supply by FY2018, which are still expected to require a tremendous amount of business cost. Measures should be taken to promote cancellation, review of downsizing and early selling to private sectors etc.

**(d) Compression of assets**

In addition to cancellation, downsizing and cost reduction above, the following measures should be taken to compress the assets.

a Selling of lands (excess land) which are found related to the reconstruction projects, securitization of lands for lease (lands with the lowest price) and compression of assets by selling the stocks of associated companies.

b There should be a specific review on improvement of corporate reconstruction to move up the time to settlement of the loss carried forward which is currently specified as the end of FY2018.

**[2] Inspection and registration**

**[Specific measures]**

**a Automotive inspection [FY2006 review and conclusion, Measures to be taken in FY2007]**

The automotive inspection (so-called Shaken) requires inspection and maintenance at the designated maintenance facility of private sectors for about 70% currently.

However, it is still not permitted for them to do only inspection so that about 30% of those are conducted by Automotive Inspection Independent Administrative Legal Entity.

Regarding Shaken, t is necessary to take specific measures for steady implementation of the market opening by creating specific policies including mitigation of the designated

requirements in order to improve the ratio of maintenance at the designated maintenance facilities to further use the power of private sectors.

**b Agricultural Chemicals Inspection Center [FY2006 To be studied, Measures in 2007]**

Although there are various inspections specified by the government for registration of agricultural pesticides for safety, it is now required to shorten the time for inspection and simplify the procedure for efficiency of agricultural productivity, as the current system requires a long time for registration.

Therefore, upon setting a numerical target by Agricultural Chemicals Inspection Center, it is required to shorten the time required for registration of pesticide in cooperation with pertinent administrations.

While a certificate of testing by public organizations such as Agricultural Chemical Inspection Center of municipal offices are required to submit as part of application paperwork for registration of pesticides such as the examination of the effectiveness or poisons, the market opening to private sectors should be further progressed by permitting examinations by reliable private sectors.

It is also necessary to permit the increase of scope for further improvement of the scope of the pesticide application,

**c Fertilizer and Feed Inspection Offices [Measures in 2007]**

Inspections are conducted by public organization to secure the safety of fertilizer as one of the roles of the government.

While some measures were taken such as shortening the evaluation time by achieving efficiency of procedures or promotion of outsourcing, the term for renewal of those which required among regular fertilizer should be extended to six years based on the raw materials, production procedure and the past scientific findings from the viewpoint to further mitigate the burden of the production enterprises.

**d National Center for Seeds and Seedlings [Measures in 2007]**

In order to strictly assess the class, uniformity and safety in the process of registration of type of seeds, the delay of registration has a risk that the rights of production is hard to obtain in a prompt manner for the applicants although the ratio of retest is high.

Therefore, reasons of retest, if necessary, should be explained to the applicants for transparency, as well as through opinion exchanges for inquiries.

For the market opening of private sector of the registration for some of the services such

as the growing test. The “Three-year Plan for the Promotion of Regulatory Reform” (further revised) (a Cabinet decision on March 25, 2005) insists on that the “high neutrality and fairness are required for registration of the type of seeds as it imposes the exclusive rights of the fosterer.” However, it can be secured by the obligation for neutrality and fairness as specified in the contract. Therefore, the market opening for private sectors should be promoted for the registration such as consignment of the growing test. As it is specified as **[Measures to be taken in FY2005]**, further market opening should be promoted for the registration services of species, not only the growing tests.

While there is no regulations on market opening to private sectors regarding the foundation seed production, it is currently conducted by apply a tremendous amount of public funds in National Center for Seeds and Seedlings for stable and safe production of healthy foundation seeds which require a considerable costs in production. Foundation seeds are produced according to the production schedule compiled by the prefecture governor based on the needs of the producer, but it is important to cope properly cope with the market needs. At present, in the mid-term plan of the Center, it has been considered to make the partial market opening to the private sectors on the foundation seeds, it should be proceed securely and early in order to secure the stable supply of the foundation seeds by motivated enterprises to make Japanese agriculture more competitive.

As a result, when the private enterprises are found with motivation for production of foundation seeds which was continuously produced by the Center, the production should be shifted as long as the stable supply is secured.

**[3] Research and training**

**[Specific measures]**

**a The Japan Institute for Labor Policy and Training [FY2006 review and conclusion, Measures to be taken in FY2007]**

While the Japan Institute for Labor Policy and Training has been provided with the funds of three billion yen annually from the labor insurance special account, it is specified in “Important Policy of Regulatory Reform” a Cabinet decision on December 24, 2005 that the labor insurance special account should only be limited to insurance services, and the ordinary special account covers the cost” in principle. Therefore, the committee has items needs to be clarified to the organization from the special account in reference to this objective, and this should be further studied. However, the following measures should be

taken for services of this organization for the time being.

The research project of this organization includes projects and specific researches according to certain topic related to the mid and long term labor policies as indicated in the mid-term objective. But there is no reason for the organization to execute all of those projects. Therefore, researches connected by the organization should only be limited to high priority policy issues with urgency among projects for planning of the labor policies or researches requested by the Ministry of Health, Labour and Welfare. Other researches should be abolished as those which must be conducted by the organization. The researchers should also be selected and evaluated severely as well as showing a strict and fair selection standard for objectivity and transparency of the evaluation such as proper evaluation of the professional history, and offer the opportunities for public. It is also necessary to study and disclose the information on all researches how it is reflected on the policies and received the academic evaluation.

Training, which is practically conducted by private sectors upon detailed review on the contents, should also be an item for the market opening for private sectors.

**b National Research Institute of Brewing [To be studied in FY2007, measures to be taken upon study]**

Among the services of National Research Institute of Brewing, the method of analysis and proof of liquors, the tasks of analysis/appraisal or its method development are to properly analyze the content of alcohol and category, which is combined with the imposition of liquor. A certain analysis may also be conducted in public or private university, government-owned institute, and private institutions of major liquors manufacturers. National Research Institute of Brewing provides the service of practical application incomparable to mid and small companies, mainly for the basic and foundation researches of liquor, but researches of various liquor or categories are also conducted in public or private university, government-owned institute, and private institutions of major liquors manufacturers. From this viewpoint, “First Report (Follow-up) on the Promotion of Regulatory Reform and the Opening Up of Government-driven Markets for Entry into the Private Sector” (December 24, 2004) was issued based on the non-public servant type Independent Administrative Legal Entity system started from the revision of Independent Administrative Legal Entity National Research Institute of Brewing Act (No. 164 of the law, in 1999)

On the research activities of National Research Institute of Brewing, they should emphasis on the basic and fundamental research while assuming joint research with

private institutions and shift to them in order to further secure further effective and efficient operations. For the analysis of liquors, the market opening to private sectors should be promoted while maintaining the neutrality.

**c Japan Student Services Organization [FY2006 review and conclusion, Measures to be taken in FY2007]**

The enterprise is an Independent Administrative Legal Entity established in April 2004 which integrated Japan Scholarship Society and Japan Educational Exchange Association for the purpose of contributions for educational funds for equal opportunities of education and exchange of students overseas.

The scholarship program of this institution as part of the education programs by the government is, in the meantime, similar to the services of the policy financial institutions. Therefore, it should be reviewed whether it is effectively and properly conducted as financial services, or it can be consigned to private sectors. First of all, the analysis and the strategy of a further improvement of the recovery ratio are continuously discussed. The amount of the collection in FY2005 has improved to 78.2% from 77.9% of that of FY2004. Consignment to private sectors should be positively advanced based on the verification of cost-effectiveness from the viewpoint of the efficiency improvement of the business and ratification.

Moreover, financial services including loans should also be considered to be shifted to private sectors from the viewpoint to promote efficient and effective business management.

Concerning the students support activities, various events for students (e.g. seminar, festival), training for teachers, and publishing of monthly magazine, it is necessary to review the acknowledgment level and needs for effective and efficient operations from the viewpoint to support to encourage the students in universities, and to consider possibilities of integration and abolishment of services with less necessity among the support services of the organization.

**[4] Operation and management of facilities**

**[Specific measures]**

**a Japan Commemorative Organization for the Japan World Exposition ’70 [Review and conclusion by FY2007, measures to be taken afterwards]**

About the business for maintenance and operation of the park, one of the services of e Japan Commemorative Organization for the Japan World Exposition ’70, the market has been opened for private sectors in terms of facility operation and management, landscaping and user services, but necessary measures should be taken for increase the scope for private sectors from the viewpoint of effectiveness of business.

Efforts should be made for the fund services, in order to provide the subsidies in an effective and efficient manner.

**(4) National and local government**

**[Awareness of the issues]**

In FY2006, the government and local regulation were studied for specific cases from the two viewpoints: (1) excess involvement of the government and (2) regulations differ from each municipal office.

The issue of excess involvement of the government is categorized into three items: a) regulations to hinder measures corresponding to the situations of local government in spite of the national standard (excess involvement of the government against the policy of decentralization), b) regulations to lead disadvantages in spite of technical assistance, or Notification/Release before decentralization laws, and c) specific regulations for either national or local government. The issues related to civil actions among twenty items summarized in March 2006 by the Association of Prefectural Governors were studied concerning specific regulations.

**[Specific measures]**

**[1] Excess involvement of the national government**

**a** Regulations to hinder measures corresponding to the situations of local government in spite of the national standard (excess involvement of the government against the policy of decentralization)

**(a) Public housing rent [Studied in FY2006, conclusion by FY2007]**

Public housing rent is governed by local authorities of the business entity according to the calculation method of Affordable Rent and Benefit System specified by the national

government under the “Public Housing Act Ordinance” based on the principle for contribution to stable livelihood and social welfare, as the rent remains low for the people of low-income who have trouble in housing. However, there is a demand from local communities that the rent standards should reflect the individual situation of local areas.

Therefore, the strategy that expands the range of the discretion of the local government especially for the benefit (except the rent calculation base amount) of the rent defined by the local government on calculation method of public housing.

**(b)The ideal way of occupation development school [Measures to be taken in FY2006]**

Although the occupation career development school is required to be installed in each prefecture under the Human Resources Development Promotion Law, there are opinions that measures should be taken to correspond the system to the actual situation of local area for further consideration. For occupational skill development, specific policies and measures should be taken by the local government according to the actual conditions in the area such as establishment of the joint course with public occupation schools or subsidies for users of facilities of private sectors.

Therefore, it is required to positively conduct the consignment training for various privately-owned education and training organizations according to the decision of local government if the private enterprises or various occupation schools provides similar trainings as that of the public human resource development school.

**(c) Involvement of the national government on environmental control [Measures to be taken until FY2007]**

In order to confirm a timely and proper order of the environmental control by the Minister of Agriculture, Forestry and Fisheries, it is extremely important for the local government to take an immediate action while the agreement of the minister is required upon consultation for designation or change of the area for high beneficial forests. The time required for paperwork was changed from 30 to 15 days in December 2004, while the efficiency of work should be improved as much as possible.

Therefore, for further effectiveness of paperwork of the local government, the reasons for agreement and standards should be clearly acknowledged by each authority, as well as it is necessary to consider communication and coordination in advance for efficiency

of clerical works such as saving the time required for practical operation.

**b Regulations to lead disadvantages in spite of technical assistance, or Notification/Release before decentralization laws**

**(a) Money lending for modernization of agriculture [Measures to be taken in FY2007]**

Under "laws concerning partial revision of Agriculture Modernization Fund Subsidy Act following the liquidation and ratification of national subsidies (No. 16 of the law in 2005)" enacted on April 1, 2005, part of the law was revised to delete the provision of the subsidies of the government concerning the supply of interests, and local public bodies were consigned to manage the tax resource. In that case, the "Guideline for Smooth Funding for Modernization of Agriculture" (Ministry of Agriculture, Forestry and Fisheries, No. 8870 in 16 Management, Director of Bureau Notification on April 1, 2005) was issued instead of the conventional "Agriculture Modernization Funding Measures Outline" but the provision 2-6-(2) "Preferential Case of Lending Interests for Special Certified Agriculture" describes that the interest supply approval (duplicate) issued by the local government to specify that the lending condition specified in No. 2 of this Guideline is required for application of the interest subsidies to Agriculture, Fishery and Forest Long-term Finance Association. Therefore, it has some descriptions which could lead misunderstanding as if preferential conditions are not acceptable unless complying with the Guideline.

Therefore, the expression should be corrected under the objectives at the beginning of the Guideline "for proper and smooth operation of the modernization capital system under a responsibility of administrative divisions and liability of the local government."

**(b) Establishment and change of the Basic Land Use Plan [Measures to be taken in FY2007]**

The clerical work of establishment and change in the Basic Land Use Plan with the autonomy clerical work of administrative divisions by enforcing Devolution of Power Law in 2000 , however, it is an excessive burden on local governments for coordination with the other division of local governments before the official consultation with the Minister of Land, Infrastructure and Transport, under the notification before the Local Decentralization Act" and it is considered that it is an overweight load for each administrative divisions.

Therefore, measures should be taken for establishment and change of the Basic Land

Use Plan before the issuance of the Local Decentralization Act, some notification which has no significance concerning consultation with the national government should be abolished, and certain measures should be taken to mitigate the burden of the local government offices. For mitigation of the burden, a certain measures for systemize the procedures should be progressed including electronic files of consultation materials such as maps and procedures document, aiming to achieve the online meeting by FY2007.

**c Regulations of national and local authorities**

**(a) The amendment of articles of the chamber of commerce and industry [Measures to be taken in FY2007]**

There are separate authorization authorities for amendment of articles of the chamber of commerce and industry for items for change.

To understand the current state of the authorization application and the realities of the presence of problems, it is necessary to research and review as necessary by the end of FY2007 upon hearing of the chamber of commerce and industry who actually apply for the permit under the Chamber of Commerce and Industry Law, and the local governments who actually issue the permit, based on the trend of the Bill of Economic Special Zone.

**(b) Local Government's City Planning of Welfare [Measures to be taken until FY2007]**

The law of the city planning field of welfare led by local governments, including the laws for promotion of buildings for aged and handicapped people (No. 44 of the law in 1994, Referred to as Heart Building Law, below) and the law concerning the promotion of the smoothing of the movement using the public transportation facility of the senior citizen and the physically handicapped (the 68th of laws in 2000. Referred to as Accessible and Usable Transportation Law, below) are only for the specific facilities. Therefore, it has been pointed out that it could have hindered the approaches of local governments to make the barrier-free environment for the entire area including facilities not specified in the law.

A law concerning the promotion of barrier-free for aged and handicapped integrating Heart Building Law and Accessible and Usable Transportation Law were enacted. In December this year (No. 91 of laws in 2006. Referred to as New Barrier-free Law, below). This law reflects expansion f the scope of the facilities complied to a certain standard for barrier-free and applicable areas for creating the basic concept. Under these

laws, it is though that local governments may take comprehensive and integral measures for various issues of barrier-free promotion in the area.

Therefore, from the viewpoint of barrier-free promotion corresponding to specific conditions of local governments, it is necessary to have the local government acknowledge the contents of the new barrier free law

**[2] Specific issues on regulations of local government**

**a Standard and format of Local Public Funds Book [Successive implementation]**

For Collection of money from local authorities such as local tax, each local government studied new ways of collection using convenience stores, credit cards in addition to increase of the designated financial institutions or promotion of the automatic money transfer from the bank accounts. Furthermore, Multi Payment Network of financial institutions are also available for electronic payment using Internet banking of the designated banks or financial institutions, payment at ATM at financial institutions or Post Office by cash or ATM card, which shows the improvement of the system to collect money and for convenience of tax payers.

However, neither the common format nor style is enacted for the standard and the style of the Statement of Delivery. It increased workloads of financial institutions. Therefore, in order to improve the service ratio of electronic payment systems, it is necessary to standardize the format of Statement of Delivery taking into consideration of various conditions of local governments.

Therefore, the standard and style of Statement of Delivery should be specified by the Ministry of Public Management, Home Affairs, Posts and Telecommunications through the presentation of the example of the style etc. to a local group based on the demand from the private sectors and organization, and it is necessary to continue efforts to establish a standard through amendment of the format at the system upgrade or refurbishment of local governments in advance.

**b Multi Payment Network for Payment of Light Vehicle Tax Concerning Motorcycles [Successive implementation]**

For One Stop Service System of the procedures of automobile (inspection/registration, certification of parking space, payment of taxes), a tentative operation started in 2004, part of the system was operable in 2005 and the applicable system will be increased in 2006 under “the Three-year Plan for the Promotion of Regulatory Reform” (Further Revised

Version) (a Cabinet decision on March 31, 2006).

For the motorcycles, which is applicable to Road Transportation Vehicle Law (No.185 of the law in 1951), Local Tax Law (No.226 of the law in 1950), and Automobile Liability Security Law (No.97 of the law in 1955), but applications are only required for the light car tax by the local governments, which is not currently included in the scope of One Stop Service System (OSS).

Therefore, regarding One Stop Service System of the automobile related procedures, it is necessary to promote to use Multi Payment Network in the local governments to enable electronic money transfer of the light car tax (1000-2500yen) of every year for convenience of the tax payers of motorcycles because the Multi Payment Network can be used for payment of public money by connected by the local government offices as a settlement platform.

**c Standard of various procedures on public works nomination [Successive implementation]**

For the tendering system of public works, enterprises who participate in the tender should qualify the evaluation. The nomination form for application has different format and descriptions of the conditions for participation per local government. The enterprises for the tender should study and confirm the contents each time. Electronic applications also vary per local governments so that the participating enterprises need to change the work items which are an excessive workload.

Therefore, according to the proposes of specific complaints and needs of the enterprises on the current application procedures, necessary measure should be taken such as technical assistance to mitigate the workload as much as possible.

## [3] Others

a **Selection Process of Administrator [Measures to be taken in FY2006]**

The law revised part of Local Autonomy Law was enforced in September, 2003, which allows designated administrators to manage public facilities. After the transition period as of September 1, 2006, the designated administrator is selected by Selection Committee, which shows the cases with less transparency of the selection process.

Therefore, the actual conditions of the selection process should be studied nationwide to see the cases of selections and specific standards of selection. Based on the study, necessary measures should be taken such as technical assistance for higher transparency in

the selection. In order to secure transparency of the selection process, further measures also should take such as information sharing as well.

## 2 Welfare and childcare

### (1) Child care

**[Awareness of the issues]**

Certified Childcare Center was established to provide an integral preschool education and daycare to support the childcare of the community under “the law concerning promotion of the comprehensive preschool education” enforced on October 1 this year, which employs the direct contract system between the users and enterprises, not through local governments like the certified daycare center. This center also allows children, not applicable to the categories of “lack of opportunities of day care.” Due to the increase of needs of temporary day care resulted from various work-styles of parents and small family, and increase of families with concerns in childcare, it is desirable to increase the number of such facilities accessible making good use of the system in the future.

However, in this “Certified Childcare Center”, this is a system based on the existing day care center and kindergarten, except local government-directed system, some issues still remain as there is lack of Equal Fitting between entities under public financial support (Social Welfare Corporation, School, private enterprises and NPO), complicated procedures of application as it is governed by two ministries or lack of incentives for certification

In the conventional day care system, the service was limited to “children without opportunities of day care” with public funds. However, in order to stop the progress of depopulation, drastic reforms are required for the people to have children without concerns from the viewpoint of mutual aid for childcare in the entire society, and to provide more opportunities of accessible preschool education at a certain level.

Furthermore, the mechanism for the users to support childcare should also be considered, not only increase of the scope of the day care service for more options of users various work styles, as well as a system in the entire society

**[Specific measures]**

**[1] Promotion of “Certified Childcare Center”**

**a** Upon approval of the law, an indicator concerning the certification criteria of Certified Childcare Center in the country was established. Administrative bodies are required to have specific certification standards based on the policy. It is now necessary to check,

evaluate, disclose the status of qualification of such system and the rate of use such facilities, and upgrade the system as necessary to disseminate and increase the number of Certified Childcare Center as much as possible. **[Measures to be taken in and after FY2007 as necessary]**

b It is necessary to simplify procedures such as standardization of formats in the paperwork of application, account report and audit in order to make a simple system for users and enterprises to use with ease. [Measures to be taken in and after FY2007 as necessary]

**[2] Introduction of direct contract between users and certified day care centers**

In the conventional certified day care centers, only children "with lack of opportunities of childcare" are eligible to enroll. There is no direct contract between the users and the center but the local government allocates facilities so that some pointed out that the center tends to be less motivated to improve the services

Therefore, it should be discussed to assume that users can choose day care centers upon direct contract between users and the center

Moreover, as hierarchical division are set stricter than the standard of the national government in some local authorities, the burden of users are even limited. As a result, it is necessary to study for free price setting system based on the agreement between users and the center, as the users only pay for the services used, in the premise of consideration to low income families.

Regarding the above, "the Three-year Plan for the Promotion of Regulatory Reform" (Further Revised Version) (a Cabinet decision on March 31, 2006) proposes to consider that the price setting systems might be introduced to day care centers based on the current situations of direct contract between users and integrated facilities which the preparations are progressed toward a full-scale implementation of FY2006 as there should be a certain rule for low-income families and single-mother families.

Therefore, it should be discussed to verify, study the conditions of liberalization of the day care fee and the direct contract system on Certified Childcare Center, for consideration of the possibility to introduce the system to day care centers.

**[3] Direct support system for users**

As there are a considerable difference in service between certified day care center and other day care services, the difference of burden is quite large between families given with a certain amount of grant indirectly by using a certified day care center, and the other use the

non-certified services with almost no subsidies, or without public subsidies.

Therefore, the public funds system should be reviewed to provide supports to all families with children at preschool age, not from the current grant to facilities such as operation cost, in order to equal the burden of users. In that case, by changing the nature of day care as a social welfare system, the childcare should be considered to be supported by the entire society for mutual cooperation so the budget when the character of the child care as the social-welfare system is changed, and budgets from the existing childcare assistance can be integrated with insurance premiums as the resource from the social insurance system (Ikuji Hoken, childcare insurance (tentative name). Establishment of such system conversion should also be studied.

In the direct support system, it is necessary to study to set the upper limit of the services received per month which is applicable to public support, by defining "the ratio of day care needs" of each family based on the age of children, family members and urgency of day care needs, [(2) and (3) should be considered from a long term perspective whether it is appropriate to introduce the system to day care centers at once, in reference to the actual case of Certified Childcare Center]

**[4] Promotion of child-care leave according to diversification of way of working**

According to change of value of individuals and society on various life styles, enterprises are currently making efforts to positively review the childcare system for employees for them to balance the qualify of life at home and work such as introduction of short working hours, non-full time working style or working-at-home. Even the government offices are moving toward introduction of short working hours to support childcare of workers.

Under the unique situation of private sectors, the government should study measures including revision of the Childcare and The Family and Medical Leave Act as well as a system to support employees at childcare leave or at short working hours to promote the working style. **[FY2007 review and conclusion, successive implementation (amendment of laws will be studied as required]**

**(2)Welfare**

**[Awareness of the issues]**

The number of families in welfare has been significantly increased due to advancement of aging society and affects of long-lasting economic slump, and the background and

circumstances of these families is diversified with issues such as the psychological illnesses and domestic violence or DV. In local governments, the number of care workers inn Social Welfare Office is short, in spite of increasing needs. Quarters of the employees only have working experiences less than one year, and even qualified workers have no knowledge or experience as expected. This is a serious condition of quality and number.

Under these circumstances, it is necessary to take measures for positive independence of people in welfare by using a wide range of human resources unskilled from the viewpoint of enforcement of Safety Net and re-challenges to support them to adapt to the society.

**[Specific measures]**

**[1] Promotion of public assistance as Safety Net**

It is effective to use outsourcing of NPO, contract staff and non regular employees to obtain skilled social welfare counselors, mainly for the self-independence support programs. The case studies of the program at local governments should be disclosed to share the information of the approach corresponding to various conditions of each local government.
**[Measures to be taken as required after FY2006]**

## 3 Employment and labor

**[Awareness of the issues]**

In the depopulation society, Japan is required to provide an environment for the aged, women, and young people to work with motivation and capability in order to achieve sustainable economic growth. The labor market in Japan is at the ear to review the old system and the existing concept toward a drastic reform (Labor Big Bang). Under this circumstance, Current Employment and Labor Legislation is facing a new aspect including organization of the labor contract system, working hour legislation review and part-time labor issues and the minimum wage aiming at the submission of bill to the next ordinary Diet session while these issues are discussed in the Labor Policies Council

However, in the Three-year Plan for the Promotion of Regulatory Reform (Further Revised Version) (Cabinet decision on March 31, 2006), there are many issues unsolved because of the large difference between labor and management on issues reviewed and concluded in FY2006 or aiming for achievement of equality

The following specific measures should be boldly and promptly taken to accelerate the speed of reform.

**[Specific measures]**

**(1)Labor contract laws [Measures required e.g. submission of bill to the regular session of the Diet]**

The labor contract law bills are positively studied in the Labor Policy Council under the acknowledgement of the needs to clarify the rules of fair and transparent civil affairs concerning the labor contracts other than the Labor Standard Act to specify the minimum standard of labor conditions. This council also considers that it is necessary to establish a labor contract law as a special law in the Civil Law. For establishment of the law, opinions of the users and management as the parties concerned should be respected as much as possible.

In order to organize the labor contract law, care should be taking to reflect actual working conditions of mid and small enterprises in contents. Furthermore, the issue “financial solution based on the approach of the parties concerned, which has been an issue to consider since the Labor Standard Act in 2003,

Under these circumstances, the results study should be summarized as much as possible to take measure as to submit bills to the next ordinary Diet session.

**(2) Review of working hour laws**

The discussion in Labor Policy Council is advanced aggressively about the working hour legislation in parallel with the maintenance of the Labor Contract legislation. The major issue of the discussion should be increase of the scope of exceptions of working hour regulations

In line with the change of economic and social environment, labors tend to choose various work styles. Workers, mainly white-collar workers, are positive to flexible working hours to maximize the skills, which facilitates them to make a time management at their discretion. To organize working conditions for the people to use their skills at most, such flexible and self-motivated working patterns are desired.

In specific, tasks with high flexibility among those for white-collar workers should be studied toward establishment of new system to exclude the working hour regulations (including midnight working regulations) while taking care of the health of workers. In the current flexible working system should also be reviewed.

Measures should be taken such as submitting the bill of the results of review as above to the next ordinary Diet session [**Measures required e.g. submission of bill to the regular session of the Diet]**

The result of review should be immediately arranged based on above, and it lecture on necessary measures that brings in a measure to the next regular session of the Diet. [Measures required e.g. submission of bill to the regular session of the Diet]

Note that the deemed working hour system for working outside of the office should be reviewed for conclusion based on the actual conditions of works out of the office. **[Review and conclusion until enactment of the bill above]**

**(3) Drastic review of regulations over dispatch and contract labor**

**[1] Prior-interview of dispatch worker other than Temp-to-Perm [To be studied in FY2007]**

The Labor Policy Council has been studied on the conditions to free the prior-interview of dispatch labors other than Temp-to-Perm since FY 2005 up to now

Though the dispatched worker are assigned to wherever appropriate in the company to receive the dispatch worker upon evaluating the business ability of the candidate by the temporary staff company as the employer. said the basic idea of the prohibition of the prior interview was said to be because of the job opportunities should not be narrowed illegally for dispatched workers. However, dispatched workers are not machine or robot, but a human to

actually provide the services. On the other hand, some workers desired to know about the company to be dispatched to.

In order to prevent any issues to suspend the contract due to mismatching of the parties, it is necessary to continue studying on the conditions to free the prior interview of the dispatch workers other than Temp-to-Perm.

**[2] Review of employment contract for dispatch worker [To be studied in FY2007]**

Upon revision of Worker Dispatch Law in FY2003, the application of the employment contract for dispatch workers is also studied by the Labor Policy Council since FY2005 to now in the same manner as the removal of regulation to prior-interviews of dispatch workers other than Temp-to-Perm.

The obligation of employment contract for dispatch workers are required when (1) the client company use a dispatch worker beyond the time limit for the case of the dispatch term is limited (tasks other the 26 categories), (2) the client company intends to employ dispatch worker for more than 3 years for the job categories without time limitation (26 categories). This is to (1) prevent violation of the working condition to beyond the working time limit or (2) to provide the dispatched workers to obtain an opportunity of direct employment at the client company.

On the other hand, in terms of the obligation of employment contract, it has been pointed out that such an unnatural regulation should be abolished as the law should not intervene the freedom of employment (Freedom of Employment Contract) as the rights of users. Regarding the 26 categories, the client company could be too anxious in using the same dispatch worker for more than three years due to the employment contract, and eventually the employment of the dispatch worker could get more unstable.

Therefore, the application obligation of the employment contract should be continuously discussed based on the enforcement situation etc.

**(4) Measures against Flow of Employment**

The off-seasonal employment market should be expanded while the trend to review a lifelong employment system, in order to have “the right man in the right place” in the entire society. Moreover, a necessary improvement should be attempted about the simplification of the procedure in the defined-contribution pension scheme to have an environment corresponding to the flow of labor market. In addition, it should be discussed to attempt the achievement of the equal fitting in terms of the working conditions in order to promote more flow of human resources between government and private sectors by integrating the employee pension system ,

As above, necessary discussion should be made as soon as possible **[To be studied in FY2007]**

On the other hand, the labor and management cooperation in the enterprise is indispensable in improvement of working conditions of part-time worker, limited contract worker, and dispatch and the contract worker. The labor and management are required to discuss toward promotion of practical application of the minimum wage in the enterprise for the regular members from the viewpoint that achieves the equality between with the employees.

Administrative Offices also should take measures on the part-time worker issues such as submitting a bill to the next ordinary Diet session based on the discussions in the Labor Policy Council.**[Measures required e.g. submission of bill to the regular session of the Diet]**

In addition, in order to solve NEET issues and achieve a re-challengeable society without difference in skills, it is necessary to fulfill counseling and matching services to use the private sectors at the maximum and support voluntary improve their career. Further measures should be taken based on these issues. **[Measures needs to be taken]**

## 4 IT, Energy, Transportation

### (1)Communication and broadcasting

#### [1] NHK as noncommercial broadcasting

**[Awareness of the issues]**

With diversification of values and media of public and innovation of technologies, viewers' sense and environment of the broadcasting companies have changed significantly from the one at the time of enforcement of Broadcasting Law. The mandatory system nationwide with fee to watch NHK for those have the receiver of the broadcasting should be even abolished and shifted to a free contract based on viewer's intention. From the viewpoint of a fair competition with private paid broadcasting services, the scope of public broadcasting with fees should only be limited to the news essential for the life of the people including news, journalism, emergency and disaster information, and it is desirable to have a scramble system to provide a choice of viewers at their intention.

In "FY2005 NHK Promise, Evaluation Report compiled by NHK showed 58% of answers for expectation on "approaches to reflect the viewers' voice on the corporate management, while 18% for unsatisfactory for the current challenges of NHK. Viewers are still doubtful on NHK, which was exposed with a series of scandals.

Therefore, in order to be the public broadcasting chosen by viewers, the committee expects NHK to follow the following policies.

**[Specific measures]**

**a Enhancement of Corporate Governance of NHK [Measures in 2007]**

Since NHK remains to be reliable to viewers, they should review and enhance the corporate governance such as clarification of the board meeting's supervisor authority, review of the board meeting's resolution matters, establishment of audit committee, full time status for some board members' and establishment of secretariat of the board meeting for a drastic review of board meeting as show in the agreement between the government parties.

Needless to say of the voluntary policies "FUREAI (communication) Meeting", and "CS improvement activity, to reflect viewers' voice to the programs and corporate management

as specified in “NHK Three Year Corporate Program” (October 24, 2006) after the first half of the initial fiscal year, new policies should be applied in a prompt manner if the current challenge is thought to be insufficient by the viewers

**b Separation of account of transmission [FY 2007 measures]**

The accounting of the transmission section of the broadcast program should be distinguished sharply from the viewpoint that attempts a further transparency of management, to be public.

**c Number of channels [Measure until the full transition to the digital broadcasting in 2011]**

Mutual agreement of the government parties has been made that "it is necessary to fully discuss the uses of channels after reduction of the number (eight waves) especially for the satellite broadcasting other than those which are used for better resolution,

Among the channels currently possessed, especially three satellite waves, should be reorganized by 2011

**d Broadcasting service by fee [FY2006 to be studied, successive implementation upon conclusion of discussion]**

NHK is at the stage where the civil affairs procedure to a reception fee unpaid person is advanced. However, if all the unpaid viewers or people not in the contract, it is not practical from the viewpoint of budget. Therefore, it should be limited to those who applicable, but it is impractical and make imbalance of extracting the candidates.

On the other hand, NHK is encouraging viewers to have “a receipt message” using the function of B-CAS card in BS broadcasting for a fair burden. This system enables the information to send to all viewers. Therefore, it is desirable to further make use of the systems.

Then, the review to increase the effects of this system should be conducted such as review of indication, display position, and size of “receipt message,” fulfillment of call centers for appropriate confirmation of the payment status and other reviews to enhance the function of the system. Once the full digitalization is achieved, it is necessary to study the feasibility of some sort of “receipt message” in order to achieve a fairness of the terrestrial broadcasting.

**[2] Review of regulation concerning broadcasting**

**[Awareness of the issues]**

Before the era of digitalization, some local broadcasting stations have some problems of the limited coverage less than that of analog broadcasting in terms of the relay station. It is an urgent issue to enhance their corporate platform for from in terms of infrastructure. The ratio of self-production programs remains low about 12.8% (at the renewal of license in 2003), as highly relying upon the key broadcasting stations. Furthermore, there are two prefectures where only one private broadcasting station can be viewed under the local license system, which is an obstacle for viewers inaccessible various contents.

On the other hand, the number of subscription remained about 8% of the satellite broadcasting with high expectation, in particular CS digital, though which should be the most effective media for accessible to various contents. The number of televisions of dissemination homes about the CS digital broadcasting.

In addition, the broadcasting related apparatus, the construction of a system and its development to achieve both protection of copyrights and convenience of users are extremely important for the full-digitalization of broadcasting.

Therefore, the following measures should be taken for further promotion of the competition between proprietors to provide the people with various and quality contents.

**[Specific measures]**

**a Mitigation of principles to eliminate the mass media concentration [Measures in 2007]**

There shall be a system to enable the broadcasting holding company that makes plural broadcasters a subsidiary company within the constant range to be used on the basis of mutual agreement of the rural and opposition parties to strengthen the management base of the commercial broadcasting.

**b Increase of ratio of self-produced local programs [To be studied in FY2006, conclusion in FY2007]**

To maintain locality and strength the corporate management by mitigation of principles to eliminate the mass media concentration, it is necessary to increase the ratio f self-produced local programs which remains low in the ratio in the current state as about 12.8% (at the

license renewal in 2003) . In particular, it is desirable to use the advantages of the digital broadcasting such as they can create data programs with locality at a relatively low cost and may create a local public application on the digital broadcasting infrastructure by connecting to Internet.

**c Increase of outsourcing of programs [To be discussed in FY2006/ conclusion FY2007]**

It is expected to increase the outsourcing of the programs as agreed by the government party. The contents market as specified to be progressed as agreed by the government party should be further promoted.

**d Retransmission of terrestrial digital broadcasting by IP multicast [FY2006 measures]**

For improvement of capabilities of the local program productions and corporate management, the retransmission by IP Multicast Broadcasting retransmission enables the broadcasting not limited to the designated area in the old broadcasting, as long as the copyrights are protected, at the discretion of private broadcasting companies. It should be acknowledged by all the parties concerned.

Moreover, the retransmission of the satellite should be allowed in the similar conditions.

**e Terrestrial digital broadcasting network [Measures until the full-digitalization of FY2011]**

It is expected to improve the user ability and satisfaction of viewers on multi-channel, high resolution and high functions with the digitalization. With fusion of surrounding industries, there is more potential on the broadcasting industry. For renewal of licensing of FY2003, Minister for Public Management, Home Affairs, Posts, and Telecommunications requests positive, the digital broadcasting complete shift to digitalization of broadcasting should be positively preceded. From the viewpoint that it is reasonable to make investment for business development of the service provider, the terrestrial broadcasting companies should cover the same coverage of the current analog wave aiming the full-digitalization in 2011

**f Expansion of freedom of broadcasting companies [FY2007 review and conclusion]**

It should be studied that the present standards on the ratio of analog and simultaneous broadcasting to two third, or make a certain ratio of high-vision broadcasting to increase

attractive and unique programs toward smooth transition of digitalization.

**g Effective use of contents of ground/satellite digital broadcasting [FY2007 conclusion]**

With the present ground/satellite digital broadcasting has so-called "Copy Once" rule for all the programs, which could be a regulation of video recording or reuse. The contents in the program vary in contents and characteristics. Some may require a strict protection of copyrights, the other could have higher social value by allowing flexible recording and reuse for private use. It is pointed out that the so-called "Copy Once" rule in Japan restrict the private use of recording and reuse by stressing the rights protection of viewers. From this viewpoint, the government just has a place for an open discussion to the stakeholders and viewers to create systems and environment to achieve both copyrights protection of author and producers and the privately used recording and reuse of digital broadcasting contents in a flexible manner, though the study should be continued. In this case, the standards of broadcasting related equipment and systems and operation decision process in a certain framework should be reviewed for improvement of transparency and competition, by reflecting the opinions of viewers.

**h Activation and dissemination promotion of satellite broadcasting [Successive implementation, a certain conclusion should be achieved by FY2007]**

The CS digital broadcasting mainly contains many pay multi channel, the consigned broadcasting proprietor, satellite service proprietor (below, satellite broadcasting proprietor), satellite proprietors and platform proprietors are essential for business. The platform proprietors are assigned by the satellite broadcasting proprietor to provide customer services including complaints response and bundle and one-stop services of the services, which may directly confirm the opinions and tests of viewers as one of the crucial information of business. On the other hand, while some platform proprietors existed when the launch of CS digital broadcasting, there is currently one main enterprise after some integration and mergers. As a result, the business model and monopolized market of the industry, the current platform proprietors are advantageous to the satellite broadcasting proprietor.

It should be discussed to clarify the status of the platform proprietor system while paying attention on the operation status of "Satellite Broadcasting Platform Guidelines" which is currently reviewed by "the Council concerns the Meaning of Platform" in Japan Satellite Broadcasting Association to review activation of CS digital broadcasting industry and protection of viewers.

**[3] Promotion of competition in communications**

**[Awareness of the issues]**

The re-organization of NTT in 1999 made regional companies in east and west, long-distance carriers, and mobile phone carrier under holding company. In this corporate organization, there is a certain that local communication services and other services could be integrated for one operation, which is currently monopolized in a practical term, the asymmetry system to NTT needs to be remained, which is inconsistent to the policy of promotion for deregulation. Moreover, there is still no change in the market structure to which a regional company in east and west monopolizes the bottleneck facility including the access part in the age of IP. Therefore, a fair competition for a broadband market and healthy development might be inhibited.

To attempt the improvement of such a situation, it will be discussed in 2010 based on the government agreement for resolution in a prompt manner

**[Specific measures]**

**a Monitoring of market structure [Needs to be monitored]**

The Three-year Plan for the Promotion of Regulatory Reform (Further Revised Version) (a Cabinet decision on March 31, 2006) specifies that East and West NTT still possess a monopoly in the services and facilities which are required by other proprietors in the market structure. Therefore, attention should still be paid in the influence of recent movements including measures based NTT Interim Corporate Strategy. The NTT FY2006 business plan at the end of March this year requested the permission on the next generation network of NTT Group to realize the Interim Corporate Strategy under the condition to secure a fair competition. Therefore, for a fair competition, the conditions should be monitored and necessary measures should be taken as required.

**b Thoroughness in various measures for a fair competition**

"Three-year Plan (Further Revised Version) is to verify whether the current connection account is adaptable to the change of network structures (higher ratio of IP network and shift to the next generation network), review and take measures as necessary. However, in order to secure an advanced various communication services at a low cost, it is necessary

to organize the fair competition rule such as opening of the NTT East and West networks. Therefore a system should be created concerning appropriate operation of the dominant regulations adaptable to a change of market structures, and the connection rules for the next generation network, and necessary measures should be taken upon resolution of the above including the fair competition requirements concerning collaboration of NTT East, West and NTT Docomo. **[FY2006 to be studied, successive implementation upon conclusion of discussion]**

**[4] System corresponding to fusion of Communication and broadcasting**

**[Awareness of the issues]**

System maintenance corresponding to fusion of communication and broadcasting such as maintenance of the law system to promote the circulation of the broadcasting contents through smooth procedure on the copyrights and the telecommunications infrastructure when the broadcasting contents are delivered to the Internet so users enjoy attractive contents on demand.

**[Specific measures]**

**a Internet and Copyrights Law [To be studied, a certain conclusion by FY2011 at the latest]**

IP Multicast Broadcasting is one of the useful instruments that can be enjoyed by users on demand for attractive contents. Its dissemination is requested. Regarding the simultaneous retransmission of terrestrial digital broadcasting, by IP Multicast Broadcasting, the law revised as part of the Copyright Law was passed in the extraordinary Diet session in 2006, Under the Copyright Law, it is now specified to hand this in the same manner as cable broadcasting.

Therefore, the independent broadcasting by IP Multicast Broadcasting should be studied in consideration of the actual status of business and the Broadcast Act, and aiming to obtain a certain conclusion by July, 2011 when broadcasting is completely digitalized at latest.

A certain consultation should be conducted in considering the entire handing of not only the IP multicast method but also the Broadcast Act.

**b Review of law system corresponding to the fusion of communication and broadcasting [Conclusion by 2010]**

For the overall system of law concerning the communication and broadcasting in mutual agreement of the government party, it is specified to review as soon as possible while maintaining the concept of the key broadcasting, it is necessary to study a law system appropriate in the age of fusion such as the rules concerning transmit function of Communication and broadcasting.

**(2) Energy**

**[2] Electric industry**

**[Awareness of the issues]**

A current review of the system in the field of the electric industry according to the consignment of partial liberalization of retail, measures have been taken including liberalization of part of retail items, abolition of a so-called pancake concerning the consignment fee, and transmission related system review including the draft of the simultaneous and same amount rule, as well as establishment of the committee of power system services and a wholesale power exchange company and the guidelines for appropriate dealing of business.

The electricity unit price of our country has decreased by about 11% maintaining these competitive environments between FY2000 to FY2005. In particular, the institutional reform is obtaining a constant result about the fee of a business customer with an intense competition as it will decrease by about 30% the second half of the FY2005 compared to the first half of 2000 fiscal year. The domestic fee that is regulations applicable decreases in the FY2005 by about 10% compared to FY2000. The difference of level between the power companies reduces gradually too. However, the price is still high in an international comparison though there is the one below this level it in a part of advanced nations in western countries.

Diversification and qualitative improvement of services should be encouraged, further reduction of price, by providing a competitive environment for new comers to maximize their creativity and unique services and the existing power companies to improve industrial competitiveness and economic public welfares of the people.

In addition, it is also important to advance the measures for policy issues such as energy security and measures for controlling global warming of Japan as a small resource country

while the energy price in the global aspect soars. In particular, further stringent measures are required to promote the atomic energy that becomes important for the energy security.

**[Specific measures]**

**a Increase of liberalization scope of electric industry**

Business opportunities has increased sequentially by the increase of the scope of the retail liberalization in the electric industry, which now covers all high-pressure customers in April, 2005. The discussion of the overall liberalization to a small-scale customer including the domestic use begins, and the conclusion should be obtained at the early stage the object of 2007 year to attempt the further competitive promotion in the electric industry based on such a situation. In that case, securing the energy security, the stable supply, and the problem of response to environmental issues should be carefully discussed. **[To be studied in FY 2007]**

**b Activation of wholesale power station**

The amount of transaction was 1% of less of the entire sales of power in of the wholesale electricity transaction market founded in April, 2005. There are opinions to request the improvement of a further utility from the market participants as the total power sales is limited.

Therefore, the market monitoring system should be further strengthened, while studying issued for the activation of transaction such as the increases of the attendees to the power station exchange, the diversification of the commodity menu based on the user needs and increase and obligation of services to general electric utility with many generation facilities and the wholesale power proprietor at an early stage. **[To be studied in FY2007, for early conclusion]**

**c Review of consignment system**

After verification of the reality, the consignment system should be reexamined. There are opinions that the imbalance fee is expensive.

Moreover, the introduction of the plan for simultaneous and the same amount should be studied for early conclusion while securing the stable supply and the evasion of the cost improvement, for the users at a certain level or less regarding the 30-minute simultaneous and the same amount system. **[To be studied in FY2007, for early conclusion]**

While the consignment fee was lowered as the standard price of the retain price and average after the launch of liberalization, there are opinions that the reason of calculation is partly not transparent. Therefore it is required to achieve more transparency as well as efficiency of services and low price. **[To be studied in FY2007, for early conclusion]**

By promoting more competition nationwide, some lines are claimed to be short of the capacity in a very limited time in Tokyo to Chubu, or Chugoku to Kitakyushu, and the capacity of the line could be insufficient in case of expansion of the wide range circulation in the future. Therefore, it is necessary to study measures to form a circulation system formation considering the potential enhancement of the functions by the Electric Power System Council of Japan. **[To be studied in FY2007, for early conclusion]**

**d Review of regulations and operation concerning nuclear power generation**

What should be of a scientific or reasonable safety regulation should be discussed continuously referring to the findings in the western countries from the viewpoint of further efficiency of operation of the nuclear power plants while maintaining safety. **[To be continued in and after FY2007]**

It is necessary to pay attention not to exclude the new establishment of power plants in spite of the new proprietor's investment for the joint development such as PPS. **[To be implemented in and after FY2007]**

Safety has been considered currently based on the assessment of the national government, not only the local government. The country should promote specific hearings and public relations. **[Measures to be taken as necessary]**

**e Environmental issues [Measures to be taken as necessary]**

Taking measures for controlling global warming based on the Kyoto Protocol is a pressing issue in the energy industry. Therefore, while new energy development and promotion of nuclear power should be proceeded to seek power sources without emission of CO2 such wind forces and solar power considering economy and stable supply. It is necessary to use the Kyoto mechanism (e.g. CDM credit) as a measure of cost-effective.

In the meantime, the diversification of power supply is a meaningful measure for energy and security for Japan as the small resource country.

Therefore, it is necessary to have a harmony between the environmental measures through the tender system of the government and the fair competition and stable supply of energy.

## [2] Gas

### [Awareness of the issues]

Maintenance of the competitive environment is advanced sequentially in the field of gas business as well as the electric industry, and the average sales unit price of the gas (sales price per $m^3$) has decreased. However, the level of the gas rate also is still expensive in an international comparison, and still has the price difference between domestic gas suppliers due to difference of proprietor's scale and lacks of gas pipes a nationwide.

Since natural gas is a clean energy with comparatively less CO2 emission, its further use needs to be promoted from the viewpoint of controlling global warming as an energy source that supports domestic production industry in Japan and the life of the people. Thus, the market should be activated by maintaining competitive environments of an enough verification of the scope of retail liberalization and maintenance of the gas pipes in the gas business field based on such a situation.

### [Specific measures]

#### a Expansion of the scope of liberalization in gas business

The range of the retail liberalization in the gas business will increase up to the customers of 100,000 $m^3$ or more from April, 2007. The increase for the customers of less than 100,000$m^3$ remains unconfirmed for until verification of the scope of liberalization. The conclusion will be reached without losing the opportunity.

The average sales unit price of gas tend to decrease in the past few years, but due to the current situation that the rate remains high compared to other part of the world and difference in the domestic market, necessary measures should be taken to secure enough options for the customers etc.

For full liberalization of the small scale customers of less than 100,000 $m^3$, the actual conditions should be verified upon increase of the scope of liberalization of the large customers up to 100,000 $m^3$ in FY2007 in order to clarify issues to be considered. [Evaluation to start in FY2007]

#### b Review of consignment system

It is essential to enhance and strengthen the consignment supply system to promote the competition in the gas business field. Therefore, it should continuously take effective

measures about the maintenance of the gas pipes and its effective use.

Although the simultaneous and same amount system of one hour is planned to increase for the customers of 100,000-500,000 $m^3$, but care should be taken to see if the applicable measures are to be properly operated. Introduction of a simple simultaneous and same amount system should be s this amount system is scheduled for range customer. A simple simultaneous this amount system for other customers should be considered upon the result of assessment after the practical operation after FY2007. **[Measures to be taken as necessary]**

Transparency should be secured for the consignment fee such as studying the proper calculation method based on the operation results of the system. A simple simultaneous same amount system from FY2007 should be considered for handling of evaporation and compressed feed cost, etc. upon verification of the actual conditions of evaporation, compressed feed operation and handling, and measures should be taken if necessary. [Measures to be taken as necessary]

The profit inhibitory criterion should be further studied on the profit hindering criteria to install new gas pipes based on the full evaluation to increase the scope of liberalization to start in FY2007, as well as from the viewpoint of effective operation of the existing pipes **[Measures to be taken as necessary]**

For liability of security, the scope increases to a relatively small customers from FY2007, it is necessary to follow up the measures of general gas proprietors to provide security services from the viewpoint to facilitate the entry of market of the large-scale customers. If there are any obstacles in the entry, necessary measures should be considered to comply with the appropriate guidelines. **[Measures to be taken as necessary]**

**(3) Transportation**

**[Awareness of the issues]**

For the transportation field as the base of the life of the people, a wide range of regulatory reform was conducted for low price and quality services for users such as abolition of the user demand balancing regulation and shift of the application system of fees and fares, which have achieved a certain success.

Global competitiveness should be strengthened and it becomes independent in the region, and however, the review of the regulation of transportation field to correspond to the era is necessary and indispensable from the viewpoint of creation of a flexible and rich living

environment. While taking a particular care of safety, further promotion of regulatory reform should be proceeded aiming at improvement of user benefit and convenience as well as efficiency through improvement and activation of the operation services. It is then requested take specific measures promptly as below.

**[1] Domestic shipping industry tentative measures [Successive implementation]**

Domestic shipping industry tentative measures (below, tentative measures) has a business structure to balance with payment to fill the difference by the time lag. When the period of the appreciable extent is required, it will be considered to take a reasonable time until completion of the balance of payment of the tentative measures

The capital management program of tentative measures should be clarified and disclosed every year so as to end the tentative measures in an early stage, and therefore the government should monitor that the guarantee of the government concerning this measures should be the same amount or less of the previous year by stable repayment of debt

**[2] The arrival and departure slot distribution in Haneda International Airport Taxiway No. 4 (2009) [To be studied and considered]**

The decision of the rules concerning the distribution of arrival and departure slots of Haneda Airport Taxiway to open in 2009 should be made under used the Three-year Plan for the Promotion of Regulatory Reform (Further Revised Version) at an early stage (a Cabinet decision on March 31, 2006). In that case, the rules should be quantitative and simple so anyone can see. It is also assumed to be comprehensible and to make the rules are universal to be an indicator in the future to establish the corporate management plan for the proprietor. New comer's definition and handling should also be reviewed, for promotion of an effective competition, so that the study has been started.

The arrival and departure slot should be allocated upon commencement of service of Taxi Way 4 in Haneda Airport for various formations and enhancements of the Airlines network, promotion of competitions of the aviation market. Therefore, the place of a specific discussion including an external specialist should be started by the end of 2008 while the arrival and departure slot allocation is continuously discussed.

## 5 Competition polity, law, finance

**[Awareness of the issues]**

Promotion and strengthening the competition policy have the target in achieving a free and competitive economy and society based on the rule. It is indispensable to advance promotion and strengthening the competition policy in line with promotion of regulatory reforms to advance the structural reform of Japan's economy and society.

It is an important in a legal affairs field and financial field to advance regulatory reforms for activation of economy and society in Japan. In the legal affairs, it is requested to deal with various environmental changes surrounding the economy and society in our country. In the finance, there should be a shift from the traditional indirect financing to market-oriented indirect finance, to make a flow from savings to investment. It is necessary to create a structure to facilitate the flow of capital to the growing companies and enterprises

Accordingly, the item described in Specific Measures was reviewed as below such as further promotion of the competition policy, and the review of the legal interest rate system under the civil law and Commercial Code in a financial field in FY2006.

**[Specific measures]**

**(1) Competition policy**

**[1] Further promotion measures in 2007 of competition policy in financial market [Measures in 2007]**

Promotion of the competition policy is the most important issue for the activation of economy and the society in our country. In the financial field, promotion of the competition policy is an important issue as well.

Therefore, what should be and the operation of the legislation of a financial field should be checked from the viewpoint of promotion of the competition policy, and necessary measures should be taken in the Financial Services Agency.

The enforcement (for effectiveness of rules) should be also discussed and enhanced, and necessary measures should be taken.

**[2] Review of the application system concerning the company merger [To be studied in FY2007]**

Documents required for the enterprise merger evaluation is a burden on the parties concerned because of the volume of paperwork and related workload.

Therefore, a necessary discussion should be conducted on what should be within the range excluded from the object of this system basing the outline that the written report system according to the combination of enterprises is provided so that competing authorities may understand the combination of enterprises that might come to limit the competition substantially beforehand. Moreover, the review should be discussed from the viewpoint that secures the international conformity of the written report system according to the combination of enterprises considering doing the written report of the enterprise bonding thing idea of one to plural competing authorities globalizing the economy in recent years.

**(2) Legal affairs**

**[1] Review of legal interest rate system under Civil Law and Commercial Code [To be studied in FY2007]**

The annual legal interest rate in our country was specified as 5% under the Civil Law No. 404 (No. 89 of the law in 1899) and 6%i under Commerce Law (No.89 of the law in 1896) Section 404. These remained unchanged for more than 100 years after its enactment without practical change.

A civil affairs legal interest rate was assumed to be 5 % a year in civil law 404 based on the general loan profit in European nations referred to their general loan profits or legal rate of interests, and the lending interests in Japan. It was though that the money should yield the interest of 5% a year at that time. Considering the record-low interest rate of our country for the past 10 years, it should be time to review the legal interest rate system under Civil Law and Commercial Code.

In France, the fluctuated interest rate system was introduced for the legal interest rate in 1975, while Germany made the fundamental interest rate as 3.62% under Civil Law Section 247 and fluctuated the rate twice a year in January and July to publish in the official gazette as the Europe Central Bank Major Discount Rate as the related interest. In Japan, Tax Committee as the advisory panel of Prime Minister issued “First Report concerning Tax Reform in 2000” (December 26, 1999). Based this report, corporate tax, income tax, inheritance tax related interest rate tax calculation were specified as that the ratio would be fluctuated every year based on the Basic Discount Rate of the commercial bills specified under the Bank of Japan Law (Section 15.1.1) (No. 89 of the law in 1997) (so-called Official Discount Rate). Then, the Special Tax Law Section 93 (No.26 of the law in 1957)

Therefore, the discussion for the review of what should be of the legal interest rate system should be considered with the change of the legal rate of interest of our country from a present fixed interest rate to the floating rate referring to such a situation and begin.

When the legal interest rate system is reviewed, the current situation, stability of the system and clarity, and clerical workload of the parties concerned should be carefully discussed from a long term and broad viewpoint.

**[2] Review of the term for stockholders to claim to add him/herself to add to the seller of the stock to acquire the self-stock from a specific stockholder of the closed company (stocks assignment restricted company) [To be studied in FY2007, conclusion in FY2008]**

While it is required to include oneself in the seller by five days before the date of the shareholders' meeting, other shareholders, one week before the stockholder's meeting is enough in terms of stocks assignment restricted companies. Therefore, the stockholder may have to make decision within a relatively short time period to add him/herself to the seller, compared with the case of the listed companies.

Corporate Law Ordinance Section 29 is revised to allow at least two days for the decisions above for the stockholders even for the case of stock assignment restricted companies, and the term may be extended by the company article of association depending on specific cases. If the term is not enough for the stockholders of the stock assignment restricted companies, they may add a provision in the company article of association at their discretion in principle.

On the other hand, it has been pointed out that the term may not be enough of the amendment of articles for some institutional investors, according to specific circumstances for an internal decision taking time to amend the company article of association.

Therefore, it should be discussed whether narrowing the scope of the certificate of incorporation autonomy is appropriate based on the opinions above-mentioned, and shortening a period of five days in Corporate Law Section 29, in view of stocks assignment restricted company's reasons.

**(3) Finance**

**[1] Review of monitoring system of capital market**

**a. Further use of successive implementation of authority that the Securities and Exchange Surveillance Committee for recommendation and allegation processes**

**[Successive implementation]**

The committee should clarify the posture of severely dealing with the violation of the rules in the market by strengthening the approach aiming at recommendation and allegation.

In that case, it is necessary to collect information from general investors, strengthen of cooperation with the self-regulating organization such as Japan Securities Dealers Association and Stock Exchange and use the knowhows of private sectors.

Additionally, the current activity as the annual security report inspection report and the watchdog should be continuously disclosed through a measure to improve the deterrent the violation of the rules to the market though the committee .

**b. Enforcement of market rules through application of surcharge system [Successive implementation]**

The Financial Services Agency and the committee should strengthen the surcharge system further. Therefore, the committee should strengthen the operation of the recommendation system that becomes the assumption of the charges payment instruction through the measure of A.

The Financial Services Agency should consider the practical state of the system according to the change in socioeconomic circumstances, etc., and discuss what should be of the system as well as measures including the strategy for the monitoring of the method of calculating the amount of charges, the level, and violations.

**c. Proposals for immediate review of rules corresponding to the market conditions [successive implementation]**

The Financial Services Agency should propose the committee when the investigation and inspection are executed from the viewpoint of system failure, and if it is determined that the rule is corresponding to the fact of the market, and execute the measure promptly. In that case, transparency should be improved as much as possible.

**[2] Establishment of comprehensive consumer trust bill [To be studied FY2007]**

In the diversified mode of consumer services, there are many issues raised such as excessive credit lending, inappropriate credit, multiple consumer loans and user damage

when cross-over financial services are available.

Consumer credit Issues should be considered from the measures for the crossover scope of financial services, according to the actual transaction per job area, to eventually study the issues form the viewpoint of customer credit. The current law system is not cross over the legal authorities and no consistency is made between consumer credit and sales credit.

Such specific legislation measure has not been advanced about the consumer credit in the sales confidence though the prevention of multiple consumer loans. It s is assumed to be a principal object after the dealings realities etc. but no specific legislation maintenance is advanced now.

Therefore, the consistency with the consumer credit system should also advance specific legislation according to the sales confidence system. In a mid term, the pertinent government offices cooperate each other on achieving consistency of the laws on items which should be standardized based on the facts of each field.

**[3] Review of legislation on financial institutions established by credit unions [To be studied in FY2007]**

Financial institutions established by credit unions to work on the functional enhancement of community-based finance, who are supporters of the regional finance as the most familiar financial institution. It sticks to the region recently, and the ideal way of finance in which close communications with the borrower are maintained collects noting on the other hand worldwide. Moreover, the drastic measure of the loan industry law is revised, and it becomes another problem such as Safety Net lending, a smooth funding strategy to a petty borrower.

No review has been made about the business and organizations of financial institutions credit unions including credit union and the credit cooperative was made from the viewpoint of its meaning since Report of Financial System Research Committee 1, Workshop on July 13, 1990. As 16 years has passed, the environment over financial institutions such as credit unions has changed considerably.

It is now considered that the review should be made from the comprehensive perspective about what should be of the business and the organization based on the modern role of those financial institutions of credit unions (credit union and credit cooperatives).

Since the business and the financing method have been restricted, financial institutions of credit unions are perceived by reviewing the regulation in today's environment, and the indication that it comes to be able to function ass perceived and good for preferential treatment measures in the tax system. If they intend to have the same business as banks, the tax preference must be reviewed for credit unions. It will be considered that the

reexamination is needed in the future there is an indication that the governance hardly function enough compared with the financial institutions of the corporation organization, Therefore, the corporate system should be organized along with Business.

Therefore, a review should be made from a comprehensive perspective for instance about what should be of the business and the organization like within the limitation of dealings outside, the financing methods, and governances, etc. to play what role should be played by credit unions in today's environment of Japanese financial system.

## [4] Individual matters in each field

### a. Depositary financial institutions

#### (a) Deregulation concerning assignment of debts with credit of National Federation of Credit Guarantee Corporation [To be studied in FY2007]

While servicers and regenerating funds are added to parties assigned upon amendment of Ordinance in FY2005 regarding the assignment of National Federation of Credit Guarantee Corporation guaranteed debts, it is required to follow the provision of "Regenerating Issue etc. established with involvement of the Regeneration Support Council as a condition for assignment.

In terms of the scope of assignment of National Federation of Credit Guarantee Corporation guaranteed debts, it was increasingly used within the framework of revitalization of private enterprises, which is expected to contribute to flexible and prompt actions for bad debts as well as to expand the market of private servicers and fund business. The revival of enterprises in recent years was supported by not only the government but also the private sectors. Therefore, as a notification was issued in April, the subject for assignment of National Federation of Credit Guarantee Corporation guaranteed debts is currently not limited to the cases covered by the Japan Resolution and Collection Corporation or Small and Medium Enterprise Agency and Resolution and Collection Corp. but it may also be applied to the cases of revival plan approved by the Revitalization Committee.

Accordingly, it is required to study the necessity of additional measures while making a careful decision on the financial burden based on the review on feasibility of measures such as follow up of the achievements of the cases approved by Revitalization Committee.

**(b) Permission of authorized representative of contract on "Wrap Account" [To be studied in FY2007]**

Banks have no rights to sign contracts on "Wrap Account" even if requested by the customer, except introducing securities firms to provide the services or showing an advertisement.

If the banks etc. are perceived to represent or to mediate conclusion of a contract of wrap account, which is popular among rich, it will be more convenient if banks are to be representative or media to improve userability on One Stop Shopping. In the trend of saving to investment, are considered to be the access to securities firm is very important.

Therefore, it should be discussed on representation of banks to make a contract of wrap account of the securities firms, based on the background how banks are authorized to solicit the wrap account of securities firms and its reality.

**(c) Review of handing of multiple purpose bank accounts in securities business [To be studied in FY2007]**

Under the Securities and Exchange Law Section 44.3 and Section 65.5.2, the commodities and services of securities firms such as the investment trust accumulation investment and the bond dealings account (including consignment brokerage firm account of other firms) with the account transfer contract are limited because it is highly assumed to lead the multiple purpose bank account overdraft.

However, from the customer utility viewpoint, if the multiple purpose bank account overdraft which was conventionally used for a temporary shortage of the balance in the account can be used for the securities dealing account in the same way, it may avoid unsettlement of account within in the predetermined limit of overdraft. Or, the account can be settled without deposits from the money from the early-withdrawal money of the fixed deposit before its expiry or other accounts. Therefore, it is pointed out that the current handling should be reviewed.

On the other hand, a system to automatically compensate the shortage of resource for securities dealing may lead excessive portfolio investment transactions, which might not be desirable in accordance with the principles of compatibility.

Therefore, the discussion whether to perceive the multiple purpose bank account overdraft in the securities firm may be permitted or not, under a certain condition as well as the realities of the services of the current multiple purpose bank account overdraft. It should also take into consideration of user protection and improvement of convenience.

**(d) Guarantees of designated financial institutions obliged to local public body [To be studied in FY2007]**

Local Autonomy Law ordinances specifies the responsibility of the designated financial institutions for clerical works on collection and payment of local tax, as well as the obligation to guarantee the designated fund. There are also similar provisions on local public enterprises under the Local Public Enterprise Law.

However, though the definition of the guarantee obligation is considered to be for the purpose to secure implementation of a wide range of debts such as bankrupt of the designated financial institutions or damages for compensation of mistakes in the clerical works, obligations under ordinances are thought to be excessive because [1] the amount of local funds concerning income and payment is fully protected under the Deposit Insurance Law as a settlement debt or settlement deposit for handling and [2] the consignment agreement between individual local authorities and a designated financial institution specifies the damages for compensation in terms of the clerical works of income and payment.

Therefore, the issue of obligation of the designated financial institutions to local public bodies under the laws and regulations should be studied based on the reality and opinions of local public bodies.

**(e) Agency business (limited to financial institutions capable of trust business managed by the main body) to be managed trust related subsidiaries against financial institutions capable of trust business [Conclusion in FY2007]**

There are needs of business such that the combined business of the trust specialty subsidiaries are conducted by a financial institution that is capable of trust business as the parent company including the over-the-counter customer services. The financial institutions capable of trust business are not allowed to handle the services shown in Concurrent Operation Law Section 1.1.4 through 7 of subsidiary companies of the trust specialty business.

However, the concurrent operations of trust by financial institutions are committed by the trust specialty subsidiaries, and the financial institutions capable of trust business become an agency as authorized business. In this term, if trust specialty business subsidiaries provides a service with license, it should not undermine the appropriateness of the business.

With a strong need on operations on the securities agency and inheritent tax related in a practical term and this demand is considered, there should be more options of

reorganization for efficiency of work, which will result in improvement of users' benefits.

Therefore, it is necessary to study and conclude the issues on deregulations on agency business of concurrent operations by trust specialty subsidiary companies of financial institutions that are capable of trust business (limited to financial institutions with trust business by its main body).

**b Securities**

**(a) Simplification of items in business reports under Japan Securities Investment Advisers Law Section 35 [To be studied in FY2007]**

A securities investment advisor's business report which need to be submitted within 3 months of the end of every fiscal year must describe brands advised to customers or undertaking of a brand identical to that invested for customers as the undertaking status of securities.

If investment advisory enterprises make an investment based on advices or committed investment perspective for a customer who is bound by the investment advisory agreement and the batch investment agreement for securities undertaken by the investment enterprise, it should be disclosed in writing under Investment Advisory Law ordinance Section 16.1 (Investment Advisory Corporation Act ordinance Section 13.3 and Section 16). On the other hand, no paperwork is required if permitted by Prime Minister as it has not obstacles caused for public interests or protection of investors even though the document is issued to the customer (Investment Advisory Corporation Act ordinance Section 23.2.1 and Section 23.3.1).

Therefore, investment advisory enterprises authorized by Prime Minister that no paperwork is required under the Investment Advisory Corporation Act Section 16.1 should be considered of its necessity to supervise to prevent conflicts of interest for descriptions of the sales report under Investment Advisory Corporation Act Section 35.

**(b) Credit-card transactions [To be studied in FY2007]**

It is currently prohibited for securities firm or its agencies to be entrust for buying and selling of securities with a condition to lend money. Therefore, the credit card is prohibited to use for settlement of securities transactions because this may violate the provision.

On the other hand, credit card settlement is commonly used in general for settlement

instead of cash, which is perceived that credit card settlement will be useful for consumers as a new option of settlement, in which it contributes to improvement of the utility.

Accordingly it is necessary to establish political or Cabinet ordinances under the financial services transaction laws to verify what kind of services are applied to “those with les risk against protection investors” under the Financial t should be discussed what one is considered as (money Commercial Code Section 44 2.1.1, 2.1, and Section 66, 66.14.1.l.

**c Insurance**

**(a) Expansion of scope for enterprises for investment with more than 10% of possession by the designated subsidiary (venture capital subsidiary company) of an insurance company [To be studied in FY2007]**

In the current venture capital market, various enterprises have been emerged such as spin-offs from large enterprises or university-originated companies. These enterprises have competitive edge in technologies and business method, but quite a few of them have concerns of shortage of funds and human resources. Under these circumstances, if the scope of enterprises for investment with the ratio over 10% is increased by a designated subsidiary of insurance companies, it will meet the needs of these venture companies.

Moreover, this will also meet the needs to continue supports for venture companies of investment according to its growth, additional investments are allowed.

Under the Insurance Business Law Section 107, the right to vote of venture companies are limited as less than 10% only for insurance companies or subsidiaries of a general business enterprise in order to prevent diversion under the regulations of the insurance company scope. On the other hand, the designated subsidiary is permitted to possess more than 10% of stocks only for 10 years of voting rights of a venture companies which satisfy certain requirements.

Therefore, it should be discussed to expand the scope of enterprises for investment more than 10% by the designated subsidiaries of insurance companies for young enterprises.

**(b) Solicitation of investment adviser contracts by the main body of insurance companies [To be studied in FY2007]**

If there is a potential of needs of insurance company for the commodity of a investment advisory company mainly for the customers of the insurance company in the occupational pension market, and insurance companies are permitted to solicit their customers for investment adviser contracts, it is extremely effective from the viewpoint of improvement of customer utilities and the Excess Capacity use of insurance companies.

Insurance company is currently permitted to introduce their customers on the investment adviser contracts as well as its solicitation from the viewpoint to facilitate the services to meet the customer needs promptly.

It is also considered to be appropriate for insurance companies to solicit investment adviser contracts because of its affinity with investment advisory business as a corporate pension trust organization in the same manner as the trust bank, because the concurrence operation of investment advisory and consignment business by trust banks.

Therefore, solicitation of the main body of insurance enterprises on the investment advisory contracts related the group investment advisory enterprises should be permitted.

**(c) Representation of business of insurance companies and shift to registration system of clerical work outsourcing [To be studied in FY2007]**

From the viewpoint of effective use of insurance company resources and cross-marketing of life insurance companies using the existing advertisement channel, insurance enterprises are permitted to conduct the following: i) preparation and receipt of documents concerning insurance and other services, ii) paperwork for premium collection and payment, iii) investigation of matters related to accidents to be covered by an insurance and iv) education and management of solicitation of insurance services for other insurance companies under the Insurance Business Act ordinance Section 51. This services requires authorization of Prime Minister.

The permit is required for representation of services of other insurance companies and clerical work outsourcing is because it is necessary to check whether the purpose to permit mutual entry to different market of subsidiaries as well as prohibition of the concurrent operations of life and non-life insurance companies In specific, it is required to check if directors or the employees who have enough knowledge and experience are secured to conduct the services as a licensed enterprise concerning the business.

However, from the viewpoint of promptly providing the user with various commodities of life and non-life insurance companies, license-based business takes time

to obtain, which the system may not be effectively used. It is also considered that the purpose of the regulation is to necessarily be achieved with the post-inspection and supervision upon submission of the application to prove a certain requirements satisfied.

Therefore, it should be discussed whether there are some services that may be permitted with filing an application, not the license, in order for effective use of corporate resources of insurance companies and improvement of customer-oriented services.

**(d) Review of operation ratio regulations per asset: insurance companies [To be studied in FY2007]**

Regarding the asset management of insurance companies to secure the fiscal soundness of insurance companies, for instance, the ratio against the total assets should not exceed a certain ratio as 30% for either domestic stock or foreign currency and 20% for real estate properties.

However, 5 years has already passed since the supervisor technique was established including review of Solvency Margin ratio calculation method or Off-Site Monitoring system applied for each insurance company to see its soundness. As the supervisory method has been changed to insurance companies thereof, the operation ratio regulations per property, as the pre-regulations common to all the companies, should also be reviewed.

Therefore, the review of the operation ratio restriction according to the property to the insurance company should be discussed from the viewpoint that enables improvement of freedom in corporate management and a more mobile asset management securing the integrity of insurance companies based on the above-mentioned conditions, as well as results of the Solvency Margin ratio which is currently applied for calculation.

**(e) Deregulations concerning procedures of compulsory automobile liability insurance [FY2007 conclusion]**

While various deregulations have been applied for the financial market, the procedure etc. of the compulsory automobile liability insurance remains irrational.

One is that the insurant must complete the procedure by directly writing the change of information on the certificate if any changes on the compulsory automobile liability insurance, and keep it in the car. Otherwise, he or she is not allowed to drive.

The procedure should be simplified about this so that the vehicle is enabled to be operated continuously, for improvement of the customer benefit and convenience.

Moreover, it is specified that, if two or more compulsory insurance is provided for one car, the contract which would expire early must be cancelled under the Automobile Liability Security Law.

However, excluding vehicles not applied to the automobile inspection (Shaken) such as motor vehicles, no insured car should exist as long as the contract for renewal is not valid within the automobile inspection period of the vehicle, even though the other compulsory automobile liability insurance contract with early validity remains active. This allows users to choose one of the insurance as desire, which is for prevention of duplicated insurance coverage and convenience of users.

Therefore, it should be discussed for conclusion deregulation of the above concerning the contract procedures of the compulsory automobile liability insurance such as procedures of change of contents and cancellation of one of duplicated contracts.

**(f) Contractor protection rule for mutual aid programs [Measures in 2007]**

Regulations concerning consumer protection is indispensable under the circumstance of large-scale mutual aid, high price and diversified commodities, even though the coverage is only limited to the member of union, as the expectation to the insurance coverage from the viewpoint of general consumers remain high, either for insurance and mutual relief. The mutual relief systems are operated under supervision of the pertinent authorities, but the contents of supervision varies depending on the various laws applied, which lead inconsistency of regulations.

In particular, the consumer's cooperative society law is insufficient in contents of the consumer protection rules such as soundness and solicitation compared to the Insurance Business Law, the Agriculture Cooperative Law and the Small and Medium-sized Enterprises Law. Moreover, specific rules are defined in the notification, not the law.

Therefore, from the consumer protection viewpoint, the consumer's cooperative union law should be drastically revised to set a certain rules including the rules on soundness of corporate management (e.g. the accumulation standard of the liability reserve fund, Solvency Margin standard, early correction method and concurrence operation rules), disclosure and solicitation based on the property of the cooperative. In reference to other cooperative society laws, it is necessary to set the rules as well as obligation of a mutual relief accountant for transparency of administration, whatever necessary among the rules currently specified under the notifications.

## 6 Life, Environment and Distribution

### (1) Environment

**[Awareness of the issues]**

Residues are required to be processed for recycle and separated from wastes. It is important to facilitate circulation of wastes by changing the current system and operations. For this, it is necessary to make the system usable for proprietors. Moreover, it is also indispensable to maintain and use forests to increase the resource to absorb by the forest as specified in "Kyoto Protocol Target Plan (the Cabinet decision on April 28, 2005) and "Biomass Nippon Comprehensive Strategy (Cabinet decision on March 31, 2006). As part of this there should be an environment to make utmost use of the biomass such as wooden waste. The following were discussed from such a viewpoint in FY2006.

**[Specific measures]**

**[1] Promotion of the energy use of waste [Implemented until FY2009]**

The priority of recycle under the Basic Law for Establishing the Recycling-based Society should be advanced based on the requests of measures for controlling global warming and promotion of the energy use of waste.

**[2] Clarification of wood waste process [Measures to be taken in FY2007]**

While it is required to obtain a permission of the municipal governors under the regulations of the Wastes Disposal and Public Cleaning Law, furnaces of wood wastes, if these wastes such as from the sawmill factories are kept in their own property for effective use of it as fuel, would not be considered to be an industrial waste processing facility.. However, it is still difficult to use the wood waste effectively due to difference of definitions of each municipal government. Therefore, if the wood waste exhausted from the sawmill factories to be kept in the office and used for fuel as long as a certain condition is satisfied, there should be a clear definition that the furnace should be considered not to be an industrial waste facility but a process of production.

**[3] Promotion measures of specified system of administrative divisions and local authorities [Measures in FY2007]**

The permission procedure of the industry in Wastes Disposal and Public Cleaning Law would be eliminated upon judgment of the municipal bodies. There is a regulation to facilitate recycling of wastes. However, not all the municipal bodies promote the use of this system. Therefore, there should be publicity for the municipal bodies or proprietors to use it in a positive and effective manner.

**(2) Dangerous goods security**

**[Awareness of the issues]**

The current specification and regulations of the fire fighting equipment including materials and size are not sufficient to flexibly correspond to innovation of technologies and internationalization. Therefore, the flow toward setting a test standard of performances should be accelerated. Additionally, it is necessary to proceed the trend of internationalization of standards including cross-certifications with the overseas authentication organization for introduction of good quality products and enhancement of global competitiveness of domestic products.

**[Specific measures]**

**[1] Specific safety guidelines of mass bubble irradiation system [Measures to be taken in FY2007]**

Although the regulations was enacted for mandatory installation of the mass bubble irradiation system in factories until November 30, 2008 from the lessons of the large-scale fire in a industrial complex incurred by Tokachi Coast Earthquake on September 26, 2003, there is no technical standards corresponding to this system in the present regulations in Japan. Therefore, all of these cases are considered to be a special case. In order to promote introduction of this system, the performance regulations should be specified to correspond the mass bubble irradiation system.

## 7. International economics partnership

### [Awareness of the issues]

This council has been focusing on rationalization and corrections of the pertinent policies and systems of protection of rights and implementation of obligations of non-Japanese such as immigration, alien registration and occupation for foreigners, which should be proceeded in cooperation between the national and local governments under the current circumstances of immigration and residence of non-Japanese related to Japanese economy and society. The non-Japanese polities of local public bodies are considered to be the second pillar to the immigration policies.

As one of measures for improvement of growth and competitiveness per "Basic Policy of Economic and Fiscal Operations and Structural Reform 2006" (Cabinet decision on July 7, 2006), the enhancement of exchange of young people between Japan and Asian countries while aiming the policies" and "fulfillment of non-Japanese students system". In addition to expansion of opportunities to accept competent non-Japanese researchers and engineers, those who are in other areas not yet appreciated for its expertise and technology should be focused upon consideration of problems. It included "review of training and occupation training system and enhancement of residence status". As shown in "Japan Brazil 21st Century Council Proposal"[1] (July 25, 2006) compiled by the Japan Brazil 21st Century Council, an expert panel, it is requested to have a quality living environment for non-Japanese as well as various opinions for appropriation of the laws and regulations.

In the Third Report, the conventional studies were deepened, and as specified in the provision "the residents should have an equal rights of services of ordinary local public bodies and be obliged to share the burden" under the Local Autonomy Law (No.67 of the law in 1947) Section 10.2, there should be specific policies to improve practices for non-Japanese residents. It should also indicate the clarification of laws and regulations related to non-Japanese workers with expertise or skill who the acceptance should be promoted, review of eligibilities of the status, and deregulation of the process.

[1] It was decided to establish between the prime minister of Japan and the president of Brazil in September 2004 when the prime minister visited Brazil. In May 2005, the members of the committee was announced by both heads of the countries for establishment when the president of Brazil made a visit to Japan.

**[Specific measures]**

**(1) Enhancement of check system of non-Japanese after entry**

The following should be considered based on the results of discussions of the pertinent government authorities in cooperation and partnership in the "Non-Japanese workers issue ministerial conference organized by "Working Team concerning foreigner's residence control" specified under the crime prevention ministerial conference, as well as the laws and ordinances related to the personal information protection.

**[1] Mutual inquiry and provision of related information concerning residence of non-Japanese [Related bills to be submitted to FY2009 at the latest]**

Given the alien registration system would be significantly revised as shown in (1)[2] below, it is necessary to establish a system for cross-reference or provision of information in a reasonable extent between national government bodies such as the Ministry of Justice and the Ministry of Justice Ministry of Health, Labour and Welfare on the foreigner embarkation and disembarkation information system or legal foreigner ledger system used by Regional Immigration Bureaus, while reducing a country and local fiscal burden about information concerning protection of the rights of non-Japanese and fulfillment of obligations.

As a result, this system will contribute to promotion of services such as the national health insurance which would automatically make residents eligible before filing an application, or facilitation of administrative services provided without application of non-Japanese residents such as information for education of school-age children and their parents. It will further make the evaluation effective concerning to assessment processes of the status change or renewal of residential permit of (1) [5] . It will eventually contribute to effectively function the provision of the Local Government Act Section 10.2 "under the laws, residents have the rights to equally receive administrative services of ordinary local public bodies and b e obliged to bear burdens".

**[2] Review related to alien registration system [Related bills to be submitted to FY2009 at the latest]**

The Alien Registration Law (No.125 of the law in 1952) is aimed to contribute to the foreign resident's fair management. In this term, there is no difference from the Immigration-Control and Refugee-Recognition Act (the ordinance of the Cabinet No.319 in 1951). The purpose is achieved by identifying residence and status of non-Japanese. From this viewpoint, the alien registration system is used as a record concerning foreigner resident's

status.

However, local authorities to conduct clerical works do not expect the current alien registration system to keep tracking the residence per household. To solve this problem, each local authority should establish their own system for effective administrative operations by tracking the status and a considerable amount of cost would be required for development and maintenance of the system.

Therefore, the regulations related to the status or residential permit should be concentrated into the embarkation control and refugee recognition laws in principle, while local authorities should have a legal basic resident register for non-Japanese residents in reference to Basic Resident Register system in order to posses the accurate information of non-Japanese as residents and establish the legality to keep the residence status under the current alien registration system by mitigating the fiscal burden of national and local governments. The system should refer to the mutual inquiry and provision of information concerning residence of non-Japanese as (1) [1] as above whenever possible.

The purpose of this system after revision should be "to identify the residence status of non-Japanese for fair management of non-Japanese residents in reference to the current alien registration law and Basic Resident Register Law (No.81 of the law in 1967) for Japanese citizens and improvement of convenience to use public services as well as for rationalization of administrative services of the national and local public bodies.

It should be also discussed to provide functions of the certificate of eligibility as specified Immigration-Control and Refugee-Recognition Act Section 7.2 and the work permit in Section 19.2 of the Law to the residence card, if it should be issued, for ratification of the entire process of landing permit and residence of non-Japanese citizens.

**[3] Clarification of responsibility to users**

**a Disciplinary action on employer of illegal workers [Related bills to be submitted to FY2009 at the latest]**

The Immigration-Control and Refugee-Recognition Act Section 73.2 specifies penalties for encouragement of illegal employment of non-Japanese or have them under supervision for illegal employment. These crimes are on purpose so that it is not always easy to apply this act to a criminal case because they could claim of their lack of knowledge on residential status of the non-Japanese.

Therefore, the Immigration-Control and Refugee-Recognition Act should be revised to apply a strict punishment on the business owners who employ illegal workers, based on

the issues that the business owners are not be able to escape from the punishment of the illegal employment encouragement crime in spite of their lack of knowledge of residential status of non-Japanese who are working for them.

The revision of the law should be effective in line with the following [3] b "fulfillment of contents of Foreign Worker Employment Status Report" as well as for requirements to identify the residence status of foreign workers at the time of employment under the "Guidelines concerning employment and working conditions of foreign workers" (Ministry of Labor, Labour Standards Bureau Notification No.329 on May 26, 1993, Employment Security Bureau NotificationNo.414, and Human Resources Development Bureau Notification No.128th) .

**b Fulfillment of Scope and Obligation of Foreign Workers Employment Status Report [Related bills to be submitted to FY2009 at the latest]**

In the Employment Security Law (No.141 of the law in 1947) Section 53.2, the Minister of Health, Labour and Welfare is assumed to seek cooperation of the Minister of Justice. In order to verify the job status of non-Japanese, under the Employment Security Law ordinance (No.12 of the labor ministerial ordinance in 1947) Section 34, the effect that cooperation of the report of the foreigner employment situation can be requested from the operating company is defined to the Minister of Health, Labour and Welfare may seek cooperation to business owners in this term.

The report should be rearranged from the viewpoint of the necessity of the occupation stability administrations including prevention of illegal employment, promotion of employment insurance for revision of the Employment Measures Law (No.132 of the law in 1966). Upon revision of the law, all the business owners who employ non-Japanese are required to report the status including nationality, resident status and the term of residence permit. In order to make it more effective, there should be provisions of punishment on neglect or false reporting in balance with the current provisions under the Employment Measures Law and Employment Insurance Law (No.116 of the law in 1974).

While the reporting authority is the Employment Service Agency as usual, the clerical work load of the business owners should be carefully considered in revision of laws such as that the format or timing of the paperwork should be similar to the procedures of the employment insurance qualification. The collected information should also be used for effective execution of the residence management of the immigration and the thoroughness of the social insurance for employees.

In addition, among the items specified in the "Guidelines concerning employment and

working conditions of foreign workers", applicable items should be specified in the guidelines with legality, it is necessary to take measures and reach conclusion assuming potential revision of the Immigration-Control and Refugee-Recognition Act concerning to "a strict punishment on business owners who employ foreign workers" of the above (1) [3] a, in order to make the obligation of residence status report of the employers for employment of foreign workers.

**[4] Enforcement of clarification of responsibility for acceptance organizations [(Measures to be taken before enactment of (1) [1] and [2]]**

The current optional provision for a periodical reporting of the register status of students from overseas to Regional Immigration Bureaus, under the Immigration and Residence Status Guidelines (the Ministry of Justice Notification 3260$^{th}$, July 26, 2005) for educational institutes, should be upgraded to part of the related laws and regulations to improve its efficiency. For this upgrade, non-Japanese who are not in employment status under the foreigner employment status report of (1) [3] b (e.g. trainees) should be also included. The provisions should also be specified concerning the contact of inquiries and answers to correspond to various cases depending on the status for any inappropriate matters.

**[5] Guidelines concerning change of status, and renewal permit, and publicity of unauthorized cases [Measures to be taken for guidelines in FY2007, publicity of unauthorized cases is for in and after FY2007. Information collection should be studied by the enforcement of (1) [1] for conclusion]**

In order for non-Japanese to obtain the permit of change of status or renewal of the term according to the Immigration-Control and Refugee-Recognition Act as one of the immigration system under the current laws and regulations, the permit may be issued only when the change of status or term are considered to be appropriate. The judgment is left for a sole discretion of the Minister of Justice based on the comprehensive information including the residential status, necessity and reasonability.

On the other hand, as there is a trend of long period of stay and even settlement of non-Japanese, it is increasingly important to consider the Local Autonomy Law Section 10.2 "the residents should have an equal rights of services of ordinary local public bodies and be obliged to share the burden" to meet with the individual specific cases, while taking into consideration of the human rights, cultural and social backgrounds of non-Japanese and their families.

Therefore, regarding the permits of change of status or renewal of term, which would be

filed for application after a certain period from the initial landing permit, the conditions "good behavior", "having an assets or skill for independent livelihood" and "his/her residence is beneficial to the country of Japan" under the Immigration-Control and Refugee-Recognition Act Section 22 and Guidelines for permanent residence" (the Ministry of Justice Immigration Bureau publication, March 31, 2006) while judging at a sole discretion of the Ministry of Justice. From the viewpoint of clarity of operations and improvement of transparency, the contents should be reflected in a guideline. Unauthorized cases should also be published.

As a matter of consideration, in addition to improvement of transparency of the immigration services, the guideline should clearly state a. payment of national tax, b. payment of local tax, c. registration of social insurance, d. employment and working conditions, e. (for families who reside in Japan) schooling of children, f. (depending on the status) Japanese ability from the viewpoint of facilitation of clerical and over-the-counter works in each local authority and pertinent administrative bodies. However, care should also be taken to use the listed items as a format, because of individual cases such as those who have a grace of payment of etc.

Especially, the issue of children's school as shown in e. should be studied from a wide view based on the conditions, such as that the International Regulation concerning Economical, Social and Cultural Rights (Regulation A) (Agreement No.6, 1979) Section 13 includes non-Japanese students and children to be eligible for education while the regulation of Constitution of Japan Section 26 does not apply to the parents of students and children who reside in Japan. Even though this provision guarantees educations for non-Japanese students and children in Japan, there is an issue that some not attending school. Under these circumstances, it is under consideration how to confirm the requirements for status change or renewal of term are met. It is also necessary to study on the assistance to non-Japanese students not attending school or how to provide educational opportunities to non-Japanese children and students, taking into consideration of its costs of the parties concerned.

Regarding Japanese ability as shown in f., there are opportunities of learning Japanese for non-Japanese who reside in Japan, which are provided by International Cultural Exchange Associations of local area. This issue should also be studied from a wide range of perspectives including Japanese education support activities in local area, JSL curriculum (a curriculum to study Japanese as the second language) development and involvement of parties to accept the students in Japan and the support of the origin countries.

Various information stated above should be studied for conclusion before the enactment of the above (1) [1] Mutual Inquiry and Provision of Information Concerning Residence of

Non-Japanese in order to collect information concerning protection of rights and implementation of obligations of non-Japanese in an effective and efficient way among the national organizations, and between national organizations and local public bodies, while making use of the information that may be obtained in the existing system by requesting non-Japanese to submit documents.

**[6] Non-Japanese with Permanent Residence Permit [Review and conclusion before submission of the bill of to (1) [1] , [2]]**

The Permanent Resident Permit is different from other status. This status allows the applicable non-Japanese to reside in Japan once he or she obtains the permit unless the evacuation compulsion is required. Once the permit is obtained, no renewal of status is required in principle, which is the most stable legal status authorized to non-Japanese under the Immigration-Control and Refugee-Recognition Act.

Therefore, the most stable status is backed by the conditions "good behavior," "having an assets or skill for independent livelihood" and "his/her residence is beneficial to the country of Japan" under the Immigration-Control and Refugee-Recognition Act Section 22. However, the current condition that "permanent residents" would rarely be bound by regulations of immigration control should be consider to make a balance with rights and obligations of the residents with Japanese nationality as neutralization under the Nationality Law (No.147 of the law in 1950) and others who obtained other residential permit with limitation of terms.

Thus, it is necessary to check the residence status of non-Japanese with the permanent residence permit with a certain interval by making a column to state the date of reporting on the residence card issued by Regional Immigration Bureaus, if the card is issued, as well as to study for conclusion on regulations under immigration control for those who have no record of residence.

**(2) Laws related to training and skill practice system for non-Japanese**

**[1] Legal protection of training [Measures to be taken before enforcement of (2) [2]]**

The training allowance to be paid in the training period under the current system is not regarded as a wage or salary because the status "trainee" is specified as a non-worker status but for the expense of costs required for living." However, some companies that accept trainees use this system in an illegal way to use the trainees as low-income workers. In this regard, the laws and regulations are requested for revision both at home and abroad.

Therefore, in the review of the training and skill practices, necessary measures should be

taken for protection of laws for trainees in a practical training as part of the status "trainee" should not be treated as low-income workers but they devote to skill development properly implemented as planned, and the training allowance should be properly paid.

**[2] Residence status for trainees [Related bills to be submitted before the ordinary session of the Diet 2009 at the latest]**

The number of non-Japanese changed the status to trainee in FY2005 was 32,394, which is comparable to other status of work permit. However, its status of residence is "special activity" as "the activities specifically designated by the Minister of Justice for individual non-Japanese." The contents remain unspecified.

Therefore, in terms of this issue under in the second immigration control basic plan (No.119 in the Ministry of Justice notification in 2000), resident status concerning skill training should be specified in the Immigration-Control and Refugee-Recognition Act Attachment 1 whenever possible to secure the stable legal status of skill practice trainees.

**[3] Review of regulations other than laws [Measures to be taken before enforcement of (2) [2]]**

The currently effective regulations concerning training and skill practice system for non-Japanese are "Guidelines concerning immigration control of trainees" (the Ministry of Justice Notification No. 14, 1993) , "Basic policy of operations concerning non-Japanese trainees (the Ministry of Labor, April 5, 1993) and "Guidelines concerning immigration and residence status control of trainees" (Ministry of Justice, Immigration Control Bureau publication, February 1999).

The management responsibility of the training institutes to accept trainees are currently insufficient in terms of the guarantee because its legal binding is unclear under the regulations above. Therefore this provision should be upgraded to a ministerial ordinance related to Immigration-Control and Refugee-Recognition Act. In this case, the standard to certify illegal acts of the training institutes should be specified as well as improvement of effectiveness of regulations, such as that new suspension period of training course against significant misbehaviors to 5 years.

**(3) Clarification of operations on "Engineer" "Humanities Knowledge and International Business" [FY2007 review and conclusion]**

The work permit of Japan for non-Japanese who has expertise and technical skills includes "engineer" and "humanities knowledge and international business. Either of the status requires (1) educational background of university graduation or superior (or equivalent) or (2) ten years

or more of practical work experiences for working opportunities in Japan which require knowledge and skills of nature and human science.

For instance, a student from overseas who graduated the welfare related department of a Japanese university and obtained the national license of social welfare counselor in Japan may be authorized to obtain the work permit based on the works specified as "Humanities Knowledge and International Business."

Considering the cases above, it is necessary to publicize typical cases of the occupations under the work permit of "engineer" and "humanities knowledge and international business" for clarification and transparency of the operations of the status.

**(4) Review of scope of Intra-company Transferee [FY2007 review and conclusion]**

"Intra-company Transferee" as one of the work permits in Japan for non-Japanese under the Immigration-Control and Refugee-Recognition Act is for non-Japanese employees of public or private organizations with offices overseas, and headquarters, branch or other office in Japan, are transferred to their office in Japan for a period predetermined for activities specified in "engineer" or "humanities knowledge or international business".

On the other hand, the activities of a so-called multinational company in Japan vary, either in Japan or other countries, which may not be limited to "engineer" or "humanity knowledge and international business." The number of non-Japanese who come to Japan who comes to Japan with "intra-company transferee" are small as 4,184 in 2005, compared to the countries where the direct inward investment is high such as the United State or Britain, so that the review of regulations and its operations related to the status has an aspect to promote the inward direct investment.

Therefore, it is necessary to study for conclusion how to make landing and residence permits possible in reference to the viewpoint that improvement of entry and residence status system of non-Japanese as part of maintenance of employment and living environment would contribute to increase the direct investment to Japan, and that competent foreign researchers are further invited or employed.

**(5) Review of expiry of visa for incentive to skilled human sources [Related bill to be submitted by the ordinary session of 2009]**

Foreigner's residence period in our country has been assumed to be for 3 years except for the specific research activity and information processing activity, etc. to be conducted nationwide from the special case of the regulations in the structural reform special district region for 5 years under the Immigration-Control and Refugee-Recognition Act Section 2.2.3.

Although some says that it would a short term to concentrate on the business etc. stably even for whom have knowledge and skill to contribute to the economy of our country and the number of acceptances remains unchanged, the upper limit of the terms should be reviewed to extend the term of residence to further promote acceptance because of the government policy.

While there are social issues of illegal stay who does an activity different from the intended purposes with the permit, besides other illegal cases such as overstay and a strict measures are requested, the period of stay for non-Japanese workers with expertise and skill should be extended up to around 5 years upon taking measures with a certain requirements to the workplace, based on the premise to secure operations such as resident status cancellation or establishment of immigration control system.

**(6) Review of reentry permit to be incentives for entry of skilled human resources [FY2007 review and conclusion]**

Though various landing permit and approved residence status, term and positions would be invalid for non-Japanese once they leave Japan under the current immigration control system, the Immigration-Control and Refugee-Recognition Act Section 26 defines that the resident status and the residence period would continue for reentry only if non-Japanese obtains the reentry permit before leaving Japan, which would require no visa either.

However, non-Japanese workers with expertise and skill may often have opportunities to make business trips or a temporary leave even after it is permitted to reside in Japan. It is troublesome for them to go to Regional Immigration Office to obtain the reentry permit every time they need to, which may hinder a smooth operation of them. Even though the multiple reentry permit is available under the current system, it has been pointed out that the system itself should be abolished because the procedures and fees would be unnecessary.

It should be discussed to improve the utility of non-Japanese workers in a special and technical field because of deregulations, which would eventually be enable a strong prosecution and smooth compulsory evacuation of illegal immigrants with establishment of a new immigration control system.

Therefore, the review of the permit system of the re-entering a country should be discussed based on the status of skilled human resources from overseas and each characteristics of the statuses as well as for reentry the permit.

## 8 Medical care

**[Awareness of the issues]**

This council has been reported various items for reform such as combined medical treatment, corporate management of medical institutions, mandatory disclosure of information of medical care institutions, online filing of receipts etc., for reform of the field of medical care under many regulations. Amongst of all, the results vary as some are have achieved a certain result, some shows a certain progress but not complete, or some have no results. While Chapter II above states the vision of reform for the future regulatory reform as well as some achievements of the past regulatory reforms and its meaning, the evaluation and study will be conducted on new issues including the future medical care such as review of work sharing of medical care workers as well as other items which are thought be for further review in addition to the past studies such as the certification system of doctors, corporate management of medical are institutes, dispatching of medical care workers and drug price systems. As a result of consultation with the pertinent ministries, the following were reported on the regulatory reform items which have been agreed.

Note that lifting the ban of corporate management of medical care practice is a topic especially important for reform, which has been frequently discussed by this council and the Council for Regulatory Reform. The ban lifting should contribute to modernization of management of medical care institutes such as diversification of financing and improvement of efficiency and transparency of its management as well as promotion of the market entry of various medical care services and increase of choices for patients through competitions among medical care institutes to provide patients a quality medical are services. In this term, it has been requested to recognize the fact and lift the ban as soon as possible. Unfortunately, the ban lifting was not agreed with the pertinent ministries currently. However, this issue is still regarded as an item for discussion and the following are the specific intention of this council regarding on lifting the ban for the future discussions.

To begin with, the reason for this council to insist on the need of stock company type corporate management is because this is only for corporate entities that desire to incorporate a competent and modernized management system of stock companies as above, whish is not for all the medical care entities. Not all the medical institutes are assumed even for medical institutes that are capable of such corporate management system. At least, the council considers medical institutes which are at a scale appropriate for listing the stock and entities which

mandated to disclose corporate information. These entities are not allowed to flow or diversion of profits arbitrarily. It must say that to have a doubt on stock companies based on a contradicted idea as “dividend” is “flow of profits” is a neglect to see that general stock companies behave themselves by placing them in a competition to improve the corporate quality. It may be said that the medical care reform will truly be workable only when the current medical care world recognizes the positive meaning of stock companies.

In the current discussions to permit a stock company type management for medical care institutes has been discussed focusing on the items above, but the ban lifting of the medical care corporate management was too soon to reach an agreement. Therefore, the following are the specific policies agreed with the pertinent ministries. The stock company type management issue for medical care institutes should be continuously discussed in the future.

**[Specific measures]**

**(1) Review of qualification scheme of medical care workers**

**[1] Securing of quality of medical care workers e.g. doctor**

For those who acquired the doctor license, the system should be severely operated since it assumed to be a quality performance to make the provision “compulsory re-education for doctors who receive administrative penalties” from the revision of the Medical Law, as approved in the ordinary session of the Diet in 2006.

In order to prevent occurrence or reoccurrence of medical accidents, it is necessary to consider the measures from a comprehensive viewpoint of providing safe, secure and high-quality medical care to all people in Japan such as taking measures including collection and analysis of the near miss cases or provide critical information including the cause of accidents. [Successive implementation]

**[2] Sustainable qualify and improvement of skills of doctors**

Doctors are required to continue training and studying as a professional for the lifetime after the doctor license acquisition, which is not the goal. The standard of knowledge and skill of doctors directly related to death or life of patients. Therefore, doctors in clinical field must maintain the knowledge and skills more than a certain level, and improve it for reliability of users.

Moreover, there is an opinion among patients who receive medical care that it would be effective to introduce a system to update qualifications of doctors in order to guarantee the

reliability of doctors as well as for prevention of medical accidents. Besides pros and cons on the issues of patients and medical are workers, discussions are underway to see the possibility of introduction of such a system or any alternative plans. Accordingly, necessary measures should be taken to promote a system to check doctor's nature objectively and from the viewpoint of experts, as well as to support doctors to improve their knowledge, skill and nature by providing opportunities for them to catch up with the latest information such as medical insurance system or medical safety through taking a periodic training course, or by providing, updating and publicizing the guidelines of safety of medical care. **[FY2007 review and conclusion]**

**[3] Review of qualification scheme of doctors from a comprehensive view including cooperation between specialist doctor and medical license systems**

Due to specialization of various medical care, it is hard to describe the special area of individual doctors only by "doctor's license" as the official certificate. On the other hand, it has been pointed out that the certificates provided by academic societies etc. to meet with the differentiations of special fields such as medical specialists or certified physicians are not accompanied with technical evaluation, in addition to that its evaluation standard is not uniformed by each certificate of specialists.

Therefore, the specialist qualification should promptly be discussed what should be of the specialist who has knowledge and skills in clinical fields which meet the international standards concerning the special field for satisfaction of patients, in addition to providing a certain public support under the self-governance and voluntary actions of medical care workers such as academic societies from the viewpoint of securing a quality in the certification. **[To be studied promptly, conclusion in FY2007]**

Moreover, in order to prevent hospital hopping, doctor's skills for the primary care and communication skills for examination of patients at the initial diagnosis are essential with the increase of importance of the primary care at clinics due to differentiation of functions of medical care facilities and promotion of home diagnosis and treatment. Therefore, it is necessary to study how to maintain doctor's knowledge, skill and nature for the primary care, including public supports, while the medical care workers such as academic groups voluntarily address the issues including fulfillment of contents of training courses to improve a general diagnosis skill in the primary care and fostering general purpose doctors who have a basic diagnosis skills concerning all around the department. **[To be studied promptly, conclusion in FY2007]**

**(2) Labor dispatch of medical care workers**

In terms of dispatching of medical care workers, doctor's general labor dispatch for those who take leaves for before and after childbirth, childcare and nursing, as well as for hospitals in local authorities including remote area in April, 2006. As a result, the doctor's general labor dispatch became possible to Sendai City, Kyoto City, and Fukuoka City that had the remote places, which shows a certain progress.

In recent years, there is an issue of doctor shortage, which has a difference between regions or specific medical department, or merely a shortage in hospitals. In order to solve the unevenness, the doctor bank became popular for doctors to find employment. Moreover, the nurse bank business that is a free job placement system of Nurse Center of municipal governments are settled, which shows a progress to seek potential nurses. In the future, labor dispatching will be effective from the viewpoint of job matching of potential nurses and for those who have family reasons but wish to work.

Therefore, it should be discussed for conclusion to enable the labor dispatching of medical are workers according to the needs of dispatching in the field of medical care, operation status of the temp-to-perm contract, quality of services and workload of permanent workers in the same team. **[Review and conclusion in FY2007]**

**(3) Lifting ban of corporate management of medical care business**

This council and the former Council for Regulatory Reform have been sought of lifting the ban for a stock-company type corporate management for medical care institutes from the viewpoint of diversification of the way of financing and improvement of efficiency and transparency of corporate management for modernization of medical care institutes. This Council's intention on lifting the bank of stock company type corporate management for medical care institutes are as stated above in "Awareness of the Issues." In the discussions for this report, these issues have been discussed but no complete agreement was reached. Although this issue will be continuously discussed with the pertinent government offices, the following should be implemented as agreed concerning the corporate management of medical care by stock companies.

**[1] Increase of scope of handling of medical care organization that managed by stock companies**

In October 2004, the market entry of stock companies are permitted into the medical care field in a structural reform special district, but the area for entry permitted is the free

diagnosis and treatment (diagnosis and treatment not covered by insurances), and 6 specific "advanced medical care" are limited. Therefore, the actual case of this change is only 1 in the special district.

Therefore, the scope of medical care allowed to stock company based medical care institutes that directly involve in the special district should be further discussed as required by each local public bodies. **[To be studied in FY2007]**

**[2] Non profitability and stable corporate management related to governance**

The current medical care system reform limited to attributes of the residue assets upon dissolution for the newly established medical care enterprises, but it was decided that this limitation would not be applied to "incorporated association with definition of share" which occupies half of all the existing medical care institutes "for the time being". Due to this measure, even after the reform, most of the medical institutes are "incorporated association with definition of share."

Therefore, measures should be studied and taken in accordance with the objectives of the current medical care institute system reform, for promotion of the shift of conventional transitional type medical care institutes to prevent the risk of sound corporate management by the claim for reimbursement per share of employees.

Measures also should be studied and taken on policies to allow medical care incorporated associations to apply the system reflecting opinions of the outside experts in reference to the outside board member and the board member meeting system which are employed by some stock companies in order to modernize and stabilize corporate management of medical care institutes. **[To be studied in FY2007, measures to be taken promptly]**

**(4) Promotion of the non-Japanese doctor with advanced skill**

When foreign doctors with the doctors license of foreign country visit Japan for studying and training on medical care, under the so-called clinical training system for foreign doctors or foreign dentists specified in the law concerning the special cases of Medical Law Section 17 and Dental Practitioner Law Section 17 (No.29 of the law in 1987) , the foreign doctor is may conduct clinical treatment by obtaining the permission of the Minister of Health, Labour and Welfare under the guidance and supervision of the instructor doctor. From the revision of 2003, foreign doctors who have advanced skills may conduct a lecture using clinical methods, not only oral instructions and lectures, depending on the practical operations of this system, by

being permitted to clinical treatment for the purpose of “lectures associated with” obtaining knowledge and skills.

However, such a system is still insufficient to share the information and use it. There is an issue to consider how to make flexible for extension of clinical training terms for foreign doctors who wish to continue skill training and lecturing. It is also prohibited for non-Japanese doctors with advanced medical skill conduct clinical treatments in order to give a lecture to Japanese doctors or conduct clinical treatments without limitation in Japan under the law.

Therefore, non-Japanese doctors or dentists who visit Japan for the clinical training system are allowed to conduct clinical treatments only for lecturing associated with obtaining knowledge or skills concerning medical care. However, necessary measures should be further taken for promotion of use of this system and facilitation of operations such as expediting the evaluation required to issue the permit concerning clinical trainings. **[Measures to be taken in FY2007]**

**(5) Further promotion of use promotion plan of generic drugs**

**[1] Enhancement of information to mitigate worries on generic drugs for doctors**

Japan is working on promotion of use of generic drugs which have the advantages of reduction of medical fees and burdens for patients. Although the Ministry of Health, Labour and Welfare confirmed the similarity of generic drugs and the brand name drugs, some doctors, who had made a decision as specialists whether generic drugs should be disposed or not, are still skeptical to use these drugs due to concerns in its effectiveness compared to the so-called brand drugs), lack of support of pharmaceutical companies or lack of information concerning additives or difference of applicable symptoms. Such issues including lack of information of the manufacturer could be an obstacle of promotion to use generic drugs.

In particular, the situation of lack of information for generic drugs should be solved promptly. There are cases that even if a doctor on the medical care site intend to promote using generic drugs and need appropriate information for patients, doctors still rely upon the brand name drug pharmaceutical companies to seek information on the safety of generic drugs, as generic drug pharmaceutical companies have lack of information relatively.

Therefore, measures should be taken to fulfill the system for generic drug pharmaceutical companies to provide necessary information in an appropriate manner to meet the requests from medical care workers concerning necessary information for them to use generic drugs such as the similarity between generic and brand name drugs, as well as its effectiveness and safety in order to promote the use of generic drugs.

It is necessary to encourage generic drug pharmaceutical companies to provide more information by referring to and using information concerning drugs including brand name ones provided by Pharmaceuticals and Medical Device Agency while taking care of patents and copyrights of the brand name drug pharmaceutical companies to organize the system.

**[Measures to be taken in FY2007]**

**[2] Further promotion of use of generic drugs**

There is an idea that the price of brand name drugs after expiry of the patent and generic drugs could be the same if the effect in medical treatment between the two drugs is equivalent, once generic drugs become popular. On the other hand, it is also said that the price of brand name drugs should be higher than generic drugs because of its advantages of information concerning safety and effectiveness, in addition to the difference of disclosure of pharmaceutical companies and its system for stable supply of products.

It is also said that the drug price should be reviewed for promotion of generic drugs, and to apply the so-called "reference price system" to set the same price for drugs as the price after insurance is evaluated for its effectiveness there is a insurance redemption system to keep the incentive for new drug development of brand name pharmaceutical companies and the information and stable supply of products are maintained for both brand name and generic drugs.

The Ministry of Health, Labour and Welfare are currently working on promotion of generic drugs and proper price settings of brand name drugs including the raise of additional ratio of innovative new drugs under the FY2006 Drug Price System Reform, change of prescription format for promotion of generic drugs for patients to choose generic drugs. These measures should be continued.

Therefore, it is necessary to study for conclusion on the policies to promote generic drugs based on the current policies, including revision of the medical service fee and drug price system as well as taking care of the incentives for new drug development, for instance, such as a study on proper evaluation for innovative new drugs. [Review and conclusion in FY2007]

**(6) Promotion of international joint clinical trial**

The clinical trial data overseas that was collected and prepared in compliance with GCP (the criteria to implement clinical trial) according to the guidelines concerning the clinical test specified in ICH (International Conference on Harmonisation of Technical Requirements for

Registration of Pharmaceuticals for Human Use) are currently accepted as a reference material for approval in Japan including the international joint clinical trials. On the other hand it is necessary to establish a system to facilitate clinical trails in an early and effective manner such as clarifying the acceptance standard of the clinical trial data by using the international joint clinical trials which have been applied for promotion of development and approval of drugs in Japan. **[Measures to be taken in FY2007]**

**(7) Promotion of approval in Japan for drugs approved in western countries**

Prompt approval of unauthorized drugs in Japan though which have been approved in western countries should be promoted by making a guidance to conduct necessary clinical trials as early as possible and conducting a preferential assessment process for approval for those which was confirmed that its necessity for medical are is high based on the opinions of experts in order to make them available for Japanese people in a prompt manner. **[Successive implementation]**

**(8) Medical service fee of medical institutions that contribute to medical are in local communities**

A certain revision was made in FY2006 medical service fee update for assessment of medical services of medical care institutions that contribute to local communities such as nigh time and holiday service, medical treatment at home, and its 24 hour service in cooperation of the institutions in the area. However, it is necessary to further study on this issue for conclusion on its assessment system. **[Review and conclusion in FY2007]**

**(9) Dissemination of Diagnosis Related Group – Inclusive Payment System and shift to Diagnosis Related Group – Prospective Payment System for medical service fee**

Based on the "Three-year Plan for the Promotion of Regulatory Reform" (Revised Version) (a Cabinet decision on March 25, 2005), 3. Further Promotion of transparency of medical service fee systems and EBM, (3) Dissemination of Diagnosis Related Group – Inclusive Payment System and shift to Diagnosis Related Group – Prospective Payment System for medical service fee, it is necessary to study introducing the flat rate payment per diagnosis group, as the final target, in reference to DPG-PPS (Diagnosis Related Group – Prospective Payment System) of foreign countries etc. in accordance with the results of study of trial implementation of DPC for conclusion. **[Conclusions/taking measures in FY2007]**

**(10) Review of job descriptions of doctors and co-medical**

In recently years, the importance increases of a team medical care that is undertaken by many medical care workers including doctor, nurse, pharmacists and technicians for patients. It is expected to promote the team medical care and improvement of productivity by flexible arrangements of doctors and co-medicals. However, the job or responsibility descriptions have never been reviewed to deal with the team medical care.

Moreover, while the scope of co-medicals increases backed by advancement of medical care and there are demands for advancement of educational standards corresponding to the situation, Japan is still behind to promote this system because of difficulties to secure a quality human resources for the team medical care due to shortage of doctors and nurses.

On the other hand, it is considered that shortage of medical care workers may be relaxed by reviewing the job descriptions of doctors and co-medical to cooperate each other and attempting to provide an appropriate medical care for patients while supplementing the resources in shortage.

Therefore, the roles of doctor, co-medical, and medical care workers should be discussed and organized to suit the condition to provide team medical care for patients. Moreover, cases in various foreign countries also should be studied for increasing the opportunities of education and roles of nurses to take appropriate measures. [To be studied in FY2007, Measures to be taken as necessary]

## 9 Education and research

**[Awareness of the issues]**

As mentioned in Chapter II, it is crucial to create a system to properly reflect needs of students and parents (below, it may be referred to “learners”) who are the most respected to obtain truly fair and proper educational services depending on abilities and characteristics under the principles of compulsory education as an origin and base of education, as well as results of evaluation of schools and teachers by learners. It is also important to grant sufficient authorities and responsibilities to schools and teachers. The following specific measures are essential to achieve the learner-oriented educational system, which needs to be secured by taking all necessary measures.

### (1) Dissemination and promotion of school selection and establishment of teacher and school evaluation system, etc.

#### [1] Dissemination and promotion of school selection

##### a Reasons for change of school

**[Awareness of the issues]**

The council considers that selection of school is one of the rights that should be given to public. The school board (omission) in local authorities may listen to the guardian's opinions beforehand when the elementary school or junior high school should be specified. (The rest is omitted) It should be assumed to be principle to revise the School Education Law regulations Section 32 to listen to guardian's opinions without fail. In “Second Report on the Promotion of Regulatory Reform and the Opening Up of Government-driven Markets for Entry into the Private Sector (December 21, 2005) (below, Second Report), although it was too soon to materialize a system after school designation, it was requested to school boards of local authorities to specify reasons of school change when which are considered to be reasonable to change due to geographic reasons for bully, geographic reasons going to school with model cases shown by the government for guardians who claimed the need of school change. In this regard, “the model cases of school designation of public elementary and junior high school was issued to all the local school boards nationwide through the school boards of the

municipal government, and the School Education Law regulations were revised to permit requests of change when the guardian receives a school designation notice, as well as related notifications on March 30, 2006. In addition, the Ministry of Education, Culture, Sports, and Science and Technology :clearly stated that the reasons of change school may be permitted in any local authorities due to geographic reasons, response to bullying and extracurricular activities etc., not as a model case but the official notification from the Ministry dated June 26, 2006. However, it is in a difficult to say that these contents are all understood by local public bodies.

According to the questionnaire conducted by the Cabinet Office for School boards, the ratio of the school boards of local authorities which answered yes to refuse school change requests from guardians due to the reasons above (bullying, geographic reasons or school-specific reasons such as extracurricular activities) were 55.8% (at the school entry) and 56.6% (while in the term). Therefore, the following measures should be taken immediately based on this current state.

**[Specific measures]**

At least three reasons such as bullying, geographic reasons and school-specific reasons such as extracurricular activities are specified by the Ministry of Education, Culture, Sports, and Science and Technology as the governance authority of the ordinances as not for presentation of model cases but permission in any local authorities. This fact should be well understood by the school boards in local authorities as a considerable matter. The outline of the system should also be known by the guardians. Moreover, even if parents' requests change of school in the middle of a school term, change of school process should be properly proceeded by the local school boards. **[Measures to be taken in FY2006]**

In addition, the measures taken by municipal government bodies should be surveyed and disclosed as necessary. **[Successive implementation since FY2007]**

Particularly, the local school boards should be requested to take particular care for students in a timely manner for serious bullying cases such as that the guardians voluntarily claim changes of school **[Measures to be taken in FY2006]**

[2]

[2] A questionnaire was conducted for the school boards of municipal governments and cities, education institutes and guardians. The term of survey was from October 24 through November 7, 2006. The result was disclosed on November 27, 2006. This Report refers to this questionnaire as "School board Questionnaire, "Educational Institute Questionnaire" and "Parent Questionnaire".

**b** Requirement for change for specification of entering school and publication of procedure

**[Awareness of the issues]**

The School Education Law regulations Section 33 “the school boards of local authorities may specify requirements of elementary and junior high school designated with and items necessary for its procedure to publicize. However, according to the “School Board Questionnaire” of the Cabinet Office (November 27, 2006), only 32.3% answered as “already publicized the necessary information.” The answers “although the necessary items including the publicity method are assumed, the information will be publicized (to be determined when)” and “no plant to publicize information, nor assuming necessary items for the method” reached 42.5% and 14.6% respectively. This is an extremely serious as local school boards to comply with the laws and regulations are less than one third of all. The Ministry of Education, Culture, Sports, and Science and Technology is responsible to take immediate measures as the pertinent authority of the law to correct illegality of public educational institutes as above.

**[Specific measures]**

The Ministry of Education, Culture, Sports, and Science and Technology is responsible for immediately correcting the situations to allow illegal conducts of public schools as above and should make instructions to all school boards applicable or not being informed of full compliance of the School Education Law regulations Section 33 through enforcement and disclosure of requirements and procedures related to change of designated elementary and junior high schools before the school information for new students in 2008 are issued. **[Measures to be taken in FY2006]**

Additionally, specific requirements and disclosure status of the procedures of school change, as considered to be reasonable by local school boards should be surveyed and disclosed. **[In and after FY2007, successive implementation]**

**[2] Establishment of teacher evaluation system and school evaluation system by students and parents**

**[Awareness of the issues]**

The results of teacher and school evaluations by students and parents were properly conducted under the "Three-year Plan for the Promotion of Regulatory Reform" (Further Revised Version) (a Cabinet decision on March 31, 2006) and it should be proposed to summarize the results to make public on websites etc. by taking consideration of personal information related to school and educational activities including classes, class management and student educations. Principals should report the specific results of evaluation by students and parents to the school boards for improvement of school education as proposed by the school boards of local communities and child student guardian concreteness result of evaluation committee report teacher evaluation in-service training of teachers go local authorities administrative divisions committee school improvement of school education, but it is hardly said that the evaluation is practical.

In School board questionnaire of the Cabinet Office (November 27, 2006), the school boards answered that about 40% of elementary and junior high schools conduct the class evaluation by students and parents but it is impossible to identify who answered the questionnaire. It is merely about 10 percent to conduct the questionnaire regarding individual teachers on an anonymous basis, while about 30 percent is for anonymous evaluations. Questionnaires made public to third parties are only less than 20%. Moreover, the ratio of guardians who answered that the teacher evaluation (class evaluation is included) questionnaire was only about 6% according to guardian questionnaire "Parents Questionnaire." It has to say that the school and teacher evaluation by students and parents are hardly penetrated in the educational sites. On of the reasons is that more than half of municipal school boards do not comply with the Cabinet orders as shown in the ratio of 46.8% (22 prefectures) answered to questions whether local school boards promote the teacher and school evaluation by students and parents in local areas. The questionnaire revealed that 73.6% of parents wish to reflect the results of specific teacher evaluation to the teacher assessment of performance. Based on these results, the following measures should be taken immediately.

**[Specific measures]**

School self-assessment implementation and publication are requirements for schools to establish the standards, while the teacher and school evaluation by students and parents on educational activities including class and school management as well as student counseling should be conducted as part of teacher and school evaluation in anonymity to protect

personal information for disclosure on websites etc. Principals should report the results of evaluation by students and parents to the school boards for the school boards in local authorities which conduct teacher assessment and training to properly use it for improvement of school education. Each school board and school should be reminded to continue this action. . In particular, anonymity in the evaluation should also be protected by introducing specific methods to conduct anonymous evaluation. [Measures to be taken in FY2006]

Any conducts of schools concerning the consideration of the anonymity of evaluation are also studied. It should also be conducted periodically and made public even from next fiscal year and after. **[Successive implementation in and after FY2007]**

Moreover, a specific strategy to press the school evaluation by students and parents should be studied further. **[To be studied from FY2007]**

**[3] Establishment of teacher and school evaluation systems in private schools by students and parents**

**[Awareness of the issues]**

Although the teacher and school evaluation by students and parents are also required for private schools under "School Evaluation Guidelines for compulsory education" (March 27, 2006) and Primary Education Bureau Director Notification (the Ministry of Education, Science and Technology No. 1183, March 31, 2006) shows no specific requirements of such questionnaire to private schools. As long as even private schools receive public funds and special favors in terms of regulations and tax, proper disclosure of teacher and school evaluation by students and parents is a liability of schools to taxpayers. Therefore, it should be discussed to assume the same level of measures of public schools to be applied to private schools in terms of the financial aids to private educational institutions. The Cabinet Office questionnaire for educational institutes (November 27, 2006) shows 22.1%,and 32.5% for elementary and junior high schools to conduct the school and teacher evaluation by students and parents on school educational activities respectively. It is difficult to merely compare with the results of the survey of public schools which was conducted by municipal school boards (83.6% and 81.5% for the elementary school and the junior high school respectively in the entire school evaluation) but it is easily assume that the evaluation ratio is lower than public schools. In the questionnaire, about 40% of educational institutions answered they have not received any notification or guidance for school and teacher evaluations by students and parents on school education. This obviously shows that the Cabinet decisions were not

properly complied. Thus the following measures should be taken for the time being.

**[Specific measures]**

Upon consideration of the current status and individuality of schools, private schools also should conduct evaluations on class, school management and student counseling by students and parents in the same manner as public schools with anonymity as part of assessment of schools, and summarize the results for disclosure on websites etc. while personal information are protected. **[Measures to be taken in FY2006]**

Measures taken by schools concerning anonymity has been also investigated. After the coming fiscal year, the investigation should be conducted periodically for disclosure. **[Successive implementation after FY2007]**

**[4] System operation at condition Ts adoption period and determination of status disposal**

**[Awareness of the issues]**

"Three-year Plan (Further Revised Version)" indicates that results of the evaluation by students and parents concerning school education activities including the class, school management, and student consulting etc. should be considered as a base for development of a specific and clear operation guidelines by the appointing officers to determine teachers who are employed with conditions or their disciplinary actions. However, according to the Committee questionnaire, the ratio of schools which have an intention to use the evaluation by students and parents during the conditional term of employment was only 2.1% (one prefecture). 31% (15 prefectures) clearly showed an intention not to use it. Moreover, only 5 prefectures of 46 employed the evaluation by students and parents. Therefore, the contents of the Three-year Plan (Further Revised Version is obviously impractical for most of prefectures.

**[Specific measures]**

According to the Three-year Plan (Further Revised Version), a notification in writing should be provided concerning the evaluation by students and parents in order to employ quality teachers only, as well as to promote an operational guideline for disciplinary actions of teachers. However, administrative divisions of municipal school boards do not fully understand the intention. Therefore, measures should be taken to achieve a complete

understanding of the Three-year Plan (Further Revised Version) among all parties concerned.

**[Measures to be taken in FY2006]**

In addition, measures taken by municipal school boards should also be studied to disclose the result

**[5] Result of publication in score of nationwide exams and study status per school**

**[Awareness of the issues]**

According to FY2007 nationwide scholastic exams and the study status survey as notified by the Ministry of Education, Culture, Sports, Science, and Technology dated June 20, 2006, municipal school boards requested no disclosure of local authorities and name of school in a particular area and no publication of school names of local school boards. The result of the exams are only a basic information for public to select schools which is one of measures of disclosure, so that the results of each school should be disclosed from the viewpoint of liability to learners who receive education services and taxpayers. Moreover, an objective information including the academic ability survey result should be disclosed enough to urge a fair selection of school for the learners without influence of rumors or unidentified information, and a variety of education support should be provided schools that did not obtain a desirable results. In the parents questionnaire, 68.4% of parents answered that the results of survey per school should be disclosed upon consideration of the disclosure method of figures. Even two thirds of parents consider that the scores of each school such as average point should be disclosed as it is. Measures should be taken immediately as below.

**[Specific measures]**

As for the execution of nationwide surveys on academic ability, the Three-year Plan (Further Revised Version) shows that the results should be used to promote improvement of academic skills of schools and teachers, as well as to drive motivation of learners to study. Therefore, teachers, principals, and school boards should at least share information of the survey results for improvement of education policy of each school or teaching methods of teachers themselves. **[Review and conclusion in FY2007]**

**[6] Further promotion of teacher adoption institutional reform**

**[Awareness of the issues]**

It is important to secure diverse human resources from a wide age group against the perpetual change due to a large number of retirements of baby boomer teachers, for balance of age groups of teachers and the falling birthrate. Second Report proposed the use of promotion plan of a special licenses etc. and which was decided by the Cabinet under Three-year Plan (Further Revised Version).

When it was asked whether to schedule to adapt the special license based selection of teachers to municipal school boards, although the number of issuance of the special license is steadily increasing, about 90 % of them said that they have no plan or unknown for now. Under these circumstances, it is hardly said that these measures works. Each municipal school board should at least have a selection system of teachers without license who have a potential to obtain the license, and indicate this item in the selection requirements of teachers.

Moreover, teacher as a profession is an extremely unique from the viewpoint that students with scarce criticism ability, and the nature and eligibility are assessed on the job. Once teachers are employed through the conditional term of employment, they would receive a position security under the local civil servant law. They are hardly dismissed in spite of lack of leadership or neglects on work due to the condition. It is important to proceed a strict operation of the conditional employment or status dismissal as above but a drastic measures should be taken for selection of teachers such as that newly graduate teachers undergo t he conditional term of employment and evaluation by students and parents during the term. Therefore, only qualified can be permanently employed.

Similarly, the teacher's license renewal system should be assumed to be a system that can be used as an element to dismiss teachers with lack of quality as a teacher, based on the evaluation by students and parents.

**[Specific measures]**

As it is extremely effective to diversify the way of selection of teachers such as employment of various and efficient resources without teaching certificate, municipal school boards and educational institutions should be reminded to actively use such resources through selections of applicants who have no teaching license as a special teaching license. The selection status should also be studied periodically. **[Measures to be taken as necessary]**

**[7] Securing equity in adoption and treatment of those who completed graduate schools of teaching**

**[Awareness of the issues]**

As for conditions of graduates of graduate school in teaching, the Three-year Plan (Further Revised Version) shows that there should not be difference of conditions between them and faculty graduates or general college graduates with a unconfirmed premise that the person should be capable of a certain level of teaching skill but the selection equity should be maintained considering experiences of the person by municipal school boards (applied as needed). On the other hand, as a question of the school board questionnaire, when municipal school board receives a favorable offer of employment or conditions of graduates of graduate school in teaching, 8 of the prefectures answered that they do. Four among them answered that this is an offer for preferable employment of graduates of graduate schools in teaching. This means that the objectives of the Cabinet decision above are not fully applied.

**[Specific measures]**

The system design of graduate schools in teaching is currently progressed aiming the school opening in April 2008. Under this circumstance, the contents of the Third-year Plan (Further Revised Version) should be fully notified to local school boards and universities and department of teaching which may establish their graduate school in teaching**.[Measures to be taken in FY2006]**

**(2) Achievement of Education vouchers plan**

**[Awareness of the issues]**

Education Voucher is a system to issue a voucher to exchange money for limited purposes of education for learners to receive a certain amount of funds for education per person. On the other hand, it is currently common in the practical operation; the subsidies are issued to educational institutions which receives learners depending on its number. Education Voucher may be categorized per purpose or objectives e.g. American type (to provide scholarship for children from poof families with the opportunities of education in private schools), or Europe type (to provide educational budgets according to the number of children. All children in the

country are eligible in principle, including England to offer subsidies to public school or Holland and Sweden to apply the same condition for private and public schools.

The public expenditures of education are currently provided to institutions based on the number of class or teachers. Therefore, it is difficult to reflect evaluation results of learners and the quality of education services, and schools are not motivated to change themselves. In terms of public schools, the school selection system is expected to break the ice of current situation. By reflecting the results of school selection onto the budget allocation, if a practical budget allocation authority is committed to learners from the suppliers of education, the school operation would be improved with discipline and a certain tension, which would be one step forward to establish a learner-oriented education system.

As a result, public expenditures for public schools far exceed the amount for private schools per student. For instance, students from relatively high income families may have more opportunities to receive education at their choice from an early stage but others are not even guaranteed to go to public school even though they wish. Then, in order to provide fair and diversified educational opportunities as well as to make each school improve its quality of education for learners, it is necessary to 1) fully secure opportunities of choice of school as a right of learner who wish to study and 2) allocate budgets to each school depending on the number of students.

50 % or more of the respondent agrees to the budget-allocation structure based on the number of students, and opposite has remained in 10 percent or more according to (Parents Questionnaire by the Cabinet Office, November 27, 2006). In Basic Policy of Economic and Fiscal Operations and Structural Reform 2005 (Cabinet decision on June 21, 2005), it is said that the voucher system in education will be discussed from various viewpoints of the analysis of the effectiveness and issues etc. upon verifying the cases of overseas countries based on the social conditions and the related education system in Japan for solution within the period specified. Furthermore, the Third-year Plan (Further Revised Version) states that the education vouchers system will be further studied and reviewed from various viewpoints of the analysis of the meaning and issues of overseas countries based on the social conditions and educational systems in Japan.

A substantial education vouchers system has been introduced in the United States, Britain, the Netherlands, Sweden, and Chile, etc., and is already established as a system of the society. For instance, a full-scale education vouchers system was introduced in Milwaukee, Wisconsin (1990), Cleveland, Ohio (1995), and Florida (1999) in the United States. This is the public fund for students of low-income families to go to private schools. Similar systems using a private fund were also available in New York City and Washington, D.C etc.

In European countries including Netherlands (1917), Britain (1988), and Sweden (1992) etc., a system for national and municipal governments to allocate school budget per student has been available since the school selectivity system was introduced. Although a considerable period was passed since its establishment, no particular reviews were made and appreciated as quite a stable social benefit system.

There is a criticism on the educational voucher system, as that it could hinder proper school operations in remote areas with less number of students, or exert disadvantages to the handicapped who are weak in the society. However, regarding the level of the education services as a National Minimum, to guarantee services to secure the requirements is a different matter from that the services should be provided by the existing subsidies of organizations. For instance, when the unit price of the amount of a subsidy per student is determined, the amount is increased under a certain standard by taking into consideration of difficulties to provide educational services depending on the level of depopulation and handicap, as well as their age. Therefore, it may be said that the educational vouchers system enables specific measures to be taken depending on abilities or characteristics of students.

In order to function the education vouchers system and achieve a certain effect of the policy as expected in Japan, it is indispensable to provide an effective system affiliated with the policy. It is necessary to provide an environment to respect independence and autonomy of the individuals and schools, not uniformly specify the items for operations for schools to follow, and allow them to be creative while the school selectivity system is fully functioned. The reform of various systems necessary to achieve learner-oriented educations should also be achieved including expansion of authorities and responsibilities of schools and principals, full implementation of teacher and school evaluations and disclosure of school information concerned. Based on the case studies of overseas countries whether the evaluation results are specific for the voucher system or other systems concerned, it is necessary to study an appropriate system design and its maintenance suited to Japan.

**[Specific measures]**

In Basic Policy of Economic and Fiscal Operations and Structural Reform 2005 (Cabinet decision on June 21, 2005), it is said that the voucher system in education will be discussed from various viewpoints of the analysis of the effectiveness and issues etc. upon verifying the cases of overseas countries based on the social conditions and the related education system in Japan for solution within the period specified. The education vouchers system should be further studied and reviewed from various viewpoints of the analysis of the meaning and issues of

overseas countries based on the social conditions and educational systems in Japan. **[To be studied in FY2007, conclusion promptly]**

**(3) Review of school board system etc.**

**[Awareness of the issues]**

A present educational institution framework is not in the system that may correspond to the expectations and opinions of the learners based on the liability and responsibility. This means that principals, heads of schools and local school boards of local authorities, and heads of municipal government and its school boards exists in parallel, and the authority and responsibilities are ambiguous for learners. Moreover, the school boards that should decide important items and basic policies at the educational sites are not fully representing learners for benefits as it contradicts to the original principle. Although there is a target rule to include parents in the school board members, the ratio of parents is only more than 10% among the members of the committee except the head in reality. Nearly 70% of heads of school boards who are also considered to be a member and the head are those who experienced teaching in the local school boards, which promotes uniform and supplier-oriented school operations. As a result, the organizations function as a top-down system to follow the instructions and assistance of the national government, while learners are isolated from the system although they supposed to receive specific and quality education depending on abilities and characteristics. In addition, the heads of municipal governments have no authority in administration of educations although they should be responsible for the role to residents. Therefore, it is obvious that the current school board system independent from general administrations under the policy to secure the political neutrality is against the intention of public.

In Basic Policy of Economic and Fiscal Operations and Structural Reform 2006, which was decided by the Cabinet on July 7, 2006 under the circumstances, it was said that tentative measures should be taken to create a special district for the head of the local school boards to have the authority (e.g. maintenance and management of school facilities and administrations of culture and sports related matters) as well as a drastic structural reform on the educational administrations and the school board systems for early solution while securing the political neutrality of education based on the claim that the school boards do not function well. In order to materialize the policies concerned, the committee has just proposed an option of selectivity for public organizations to be in charge of educational administrations under the supervision of the head by eliminating the regulations of the school board based on the “Interim Report

concerning Important Issues for Regulatory Reform and Promotion of Government-driven Market Opening. However, while various issues remain such as bullying or omission of the necessary subjects in schools, there are various controversies in the system of school boards. Therefore, the committee considers that a drastic reform of the mechanism of the educational administrations and the school board system should be studied from the viewpoint of the immediate measures should be taken to cope with the current situations.

**(4) Distribution of proper research expense etc.**

[**Awareness of the issues**]

It is desirable to distribute funds for competitive research programs to maximize the expectation value of the achievement of research, and to create a strict evaluation system to make the utmost effects for the society. However, even though a vast amount of public money is applied to the current assessment and evaluation systems, it is pointed out that the accountability to the taxpayer is insufficient. It is currently important to improve the transparency of assessment and post-evaluation concerning distribution of the competitive research program funds. Clear and objective standards are required for the judges and evaluators of the assessment and evaluation.

In order to improve the situations, it is necessary to 1) precisely understand the achievement of a research concerned in the post evaluation, 2) use the past evaluation records as an option for judgment at the stage of pre-evaluation, 3) aim materializing and make objectives of the evaluation standards of the experts who are in charge of assessment and evaluation further to establish a transparent, fair, effective and efficient assessment and evaluation systems.

From the viewpoint above, the committee studied the system managed by the Ministry of Education, Culture, Sports, Science and Technology, Japan Science and Technology Agency and Japan Society of the Promotion of Science which are committed to handle the projects of the ministry which accounts for 70 % of the total budget amount of competitive research projects in Japan. The following are the various issues of the systems concerning Science and Technology Promotion Balancing Expense, Strategic Creative Research Promotion Projects and Science Research subsidies and proposals for measures which should be taken.

The competitive research fund is divided into one for academic research and political research. Because these researches are different in terms of the viewpoint of assessment and evaluation, there should be different assessment and evaluation standards for the academic and political research.

[**Specific measures**]

The following measures will be taken for the items (1) – (8). In this case, the pertinent ministries and agencies should study on the following upon coordination with this council based on the discussion related to the reform of the competitive research funds which will be summarized in summer of 2007.

**[1] Restructuring of examination and criterion**

[**Awareness of the issues**]

With the current evaluation method, as the number of application handled by one evaluator is large, there is lack of time to fully evaluate a plan of applicants. Therefore, the research cost might depend on not abilities of the applicant in research but how famous the applicant is or the research institutions which the applicant belong to. Although the past achievements should be written in the application document, it is still insufficient for the judge to see whether the achievement is necessary to complete the research program.

It is also necessary to place more importance on the research program, not the past achievement, for a small amount of research fund for a certain period of time in order to seek competent researchers by providing more opportunities for young researchers, and then shift to the evaluation mainly on the achievement of research.

In addition, if the post evaluation is conducted for academic project researches allocated by Japan Science and Technology Agency, care needs to be taken because it may be possible to oversee whether a research achievement meets the tremendous amount of research cost. For instance, an interdisciplinary project research with some fields such as law, economics, science and medical care, the research could only be for a mere mixture evaluation in each field because the importance of each field is different.

[**Specific measures**]

**a Japan Science and Technology Agency/the Ministry of Education, Culture, Sports, Science and Technology**

For assessment, not only the research project for the prior application but also the methods to use the past related resources such as academic papers to show the research ability and to

evaluate the past achievement fully considered such as academic and social achievements related to the past research funds should be studied. Moreover, in order to make the standards on evaluation more objective and falsifiability, it should be discussed to quantify the indicator such as the experience of an acknowledged prize. **[Review and conclusion in FY2007]**

Moreover, it is inevitable to have a competent research with excellent management skill, not only the ability of individual researchers in a large scale project research conducted by a team of researchers. However, excellent researchers are not always competent research managers. Therefore, a general evaluation standard based on the skill or achievement of the individual researcher might not be achieved. Therefore, a full-scale assessment should be conducted for management skills of the head researcher while clarifying and making the standard objective. **[FY2007 review and conclusion]**

In addition, it should be discussed not only study results of each individual specialized field but also to evaluate the point and the research management how it contributes to achievement of the target etc. as the project as a whole to conduct a proper evaluation of an interdisciplinary project research to which the specific aim is determined. **[Review and conclusion in FY2007]**

**b Japan Society for the Promotion of Science/the Ministry of Education, Culture, Sports, Science and Technology**

For assessment, not only the research project for the prior application but also the methods to use the past related resources such as academic papers to show the research ability and to evaluate the past achievement fully considered such as academic and social achievements related to the past research funds should be studied. Moreover, in order to make the standards on evaluation more objective and falsifiability, it should be discussed to quantify the indicator such as the experience of ranking on academic papers, the number of citation, an acknowledged prize. **[Review and conclusion in FY2007]**

Moreover, it is inevitable to have a competent research with excellent management skill, not only the ability of individual researchers in a large scale project research conducted by a team of researchers. However, excellent researchers are not always competent research managers. Therefore, a general evaluation standard based on the skill or achievement of the individual researcher might not be achieved. Therefore, a full-scale assessment should be conducted for management skills of the head researcher while clarifying and making the standard objective. **[FY2007 review and conclusion]**

**[2] Introduction of concept of research efficiency**

**[Awareness of the issues]**

It is important to eliminate wastes of research expenses or excessive concentration of a specific researcher, as well as to conduct efficient implementation of the project. Though there is a trend that the number of academic paper as an achievement of research increases proportionally to the amount of investment. On the other hand, it is pointed out that achievement per investment of research expenses is not always proportional to the number of academic papers although the absolute number of papers is large for a specific university which receives a vast amount of money distributed. This may be because the review from the viewpoint of research expenses to achieve a certain achievement may be insufficient although the post evaluation shows the degree of achievement compared to the plan for some extent.

[**Specific measures**]

**a Japan Science and Technology Agency/the Ministry of Education, Culture, Sports, Science and Technology**

In order to promote effective research programs while eliminating wastes of research expenses in the projects of Japan Science and Technology Agency/the Ministry of Education, Culture, Sports, Science and Technology, it is necessary to study how the research results were achieved or to be achieved against the total research cost as well as characteristics of systems.

In that case, it should be discussed by quantifying the number of related academic papers, ranking of the magazines to publish for the papers and an acknowledged prize. **[FY2007 review and conclusion]**

**b Japan Society for the Promotion of Science・the Ministry of Education, Culture, Sports, Science and Technology**

In order to promote effective research programs while eliminating wastes of research expenses in the projects of Science and Technology research funds, it is necessary to study a concept how the research results were achieved or to be achieved against the total research cost as well as characteristics of systems.

For assessment, not only the research project for the prior application but also the methods to use the past related resources such as academic papers to show the research ability and to evaluate the past achievement fully considered such as academic and social achievements related to the past research funds should be studied. Moreover, in order to make the standards on evaluation more objective and falsifiability, it should be discussed to quantify the indicator

such as the experience of ranking on academic papers, the number of citation, an acknowledged prize. **[FY2007 review and conclusion]**

**[3] Further making of purpose of spending money of research expense flexible**

[**Awareness of the issues**]

Originally, researches are intended to develop a new field through trial and errors, which may not be suited to a framework with a certain amount of budget.

In terms of the science and technology promotion cost and the scientific study expense funds, 30 % of the total amount of direct cost issued is allowed to change the items freely within the ratio as a rule since it eliminates the problem of limitation of purposes for spending of the research expense if applied for approval. However, the research expense rule should be more flexible as it is needed to achieve the utmost results, rather than complete as specified in the initial plan.

On the other hand, it is necessary to create a system to investigate the status of researches to further implementation of the research expenses in terms of the review of research plan, and expense items and annual status. .

**[4] Discussion about long-term research promotion plan**

[**Specific measures**]

While a short-term view may be required for political researches, academic researches often requires a long term research promotion to be considered. In the scientific study expense subsidies, it is necessary to study a clear, theoretical, empirical research promotion plans from a long term viewpoint to allocate the research budget suitable for research programs as a base in the cross-over field regardless of trend topics, and researches to lead the results after a long time. **[FY2007 review and conclusion]**

**[5] Promotion of data tracking evaluation**

[**Awareness of the issues**]

The “Three-year Plan for the Promotion of Regulatory Reform” (Further Revised Version) (a

Cabinet decision on March 31, 2006) shows the requirements to verify how the research contributes to the society or to create a strict framework to be clear, transparent and falsifiabile for the assessment and post-evaluation. In particular, for the data tracking evaluation after five years concerning the integrated study, Cabinet decision is made as that such measures should be further promoted as well as to measure the effect from a broad social and economical viewpoint.

[**Specific measures**]

**a Japan Science and Technology Agency**

In this organization, more quantitative and objective procedures should be applied for the data tracking evaluation of strategic creation research promotion programs. Therefore, an appropriate indicator and method for the tracking evaluation should be available. **[FY2007 review and conclusion]**

**b Japan Society for the Promotion of Science・the Ministry of Education, Culture, Sports, Science and Technology**

In the basic study using the scientific study expense subsidy, the result will not be confirmed easily in a short term. Therefore, the effect, and repercussion effects of the study results should be studied after a certain period. Therefore, it is necessary to study what should be of the data tracking evaluation according to the scientific study expense subsidies for measurement of the effect in a wide range, as well as to achieve further effective assessment with high fairness and transparency. **[FY2007 review and conclusion]**

**[6] Improvement of selection of program officer**

**[Awareness of the issues]**

The "Three-year Plan for the Promotion of Regulatory Reform"(Further Revised Version)(a Cabinet decision on March 31, 2006) shows the requirements that assessment and evaluation requests should be made upon a strict evaluation of quality and quantity of a research in terms of acquisition of post doctor’s degree and specific criteria of evaluation whether nominees of assessor and evaluator possess competency with superior expertise (achievements of research) and sense of judge from the view of the objective of a program.

On the other hand, the selection standard of assessor and evaluator of Japan Society of the

Promotion of Science remains ambiguous as “to be capable of fair and full evaluation with expertise of academic fields concerned” or “to have an expertise in the special area.” It shows no specific and objective requirements to secure fairness of assessment and evaluation.

Note that it is also necessary to specify the reasons whether the standards are satisfied as specified in the above Cabinet decision for each evaluators in every term.

[**Specific measures**]

**a Japan Science and Technology Agency**

The current selection criteria remains ambiguous e.g. having an excellent achievement in the field related or affluent experiences in academic groups, which is not a specific and objective standard to secure fairness of assessment and standard. Based on the fact that diversity, neutrality and fairness are not secured for assessors and evaluators, a strict review should be conducted on the current selection standards. Note that the strategic and creative research promotion programs should also pursuit such objectives. **[FY2007 review and conclusion]**

**b Japan Society for the Promotion of Science**

Assessors and evaluators should be requested upon strict selection based on the sufficient quantity and quality evaluation of the research achievements and expertise suitable to assessors or evaluators**. [Successive implementation after FY2006]**

**[7] Improvement of selection of examination and estimator**

[**Awareness of the issues**]

The role of Program Officer is important to maintain a strict assessment and evaluation system but it is especially necessary to conduct a strict assessment to select program officers as they plays a role to promote research projects, not only the research. Program officers have authority to select the nominees for assessment and evaluation to allocate the vast amount of research budget so that a strict assessment is required.

On the other hand, the selection criteria of the examination and the estimator by Japan Society for the Promotion of Science remain abstract and general standards in the same manner as the selection standard of assessors and evaluators. The selection requires information to be submitted including the experience of assessor and important academic papers and books with a

competitive research funds as well as a basic personal information of the nominee, but no specific standard is available to evaluate the quality of the past achievement or experiences. It also requires information called activity records of the council members though which is though to be unnecessary to evaluate abilities of the assessors and evaluators. Therefore, as the number of current program officers is concentrated on a particular university group, it is doubtful if a fair selection is conducted.

[**Specific measures**]

**a Japan Science and Technology Agency**

There should be a strict evaluation on the selection standard and method for program officers under the strategic and creative research promotion programs of Japan Science and Technology Agency from the viewpoint of full neutrality and fairness. **[FY2007 review and conclusion]**

**b Japan Society for the Promotion of Science**

The current selection standard and methods of program officers of Japan Society for the Promotion of Science should be strictly evaluated whether it secures a suitable diversity, neutrality and fairness. **[FY2007 review and conclusion]**

Program officers of Japan Society for the Promotion of Science should be assessed whether they have competent research project management and sense of judgment while using objective and clear indicators. **[Successive implementation after FY2006]**

**[8] Thoroughness in exclusion of stakeholder in examination and evaluation and securing of diversity**

[**Awareness of the issues**]

There is an indication that bias of assessors and evaluators attributes are the one of factors of issues of research budget concentration to a specific researcher or research institute. In specific, there is a trend the majority of assessors and evaluators is a specific research institute, especially a national university as the former Teikoku University. Therefore, the provisions of the stakeholder's exclusion in assessment and evaluation should be reviewed. It has also been pointed out that a researcher has positions of different competitive research funds or researchers in the same research group evaluate their research each other. Under these circumstances, it is

hard to respond to criticism that the judgment may be unfair to make advantageous for each other. Moreover, specific researchers and those who belong to the major national universities is the majority for who is judged. Therefore, it has been claimed that such system is advantageous to those who have the key role of a program with seniority and their affiliates.

Therefore, it is necessary to exclude co-authors of an academic paper in the past five years, those who belong to the same research group in quality or those who are in relationship of master-apprentice from the selection. It is also necessary to study whether the assessors and the nominees are in relations of vice versa at the same time or a certain term

[**Specific measures**]

**a Japan Science and Technology Agency・the Ministry of Education, Culture, Sports, Science and Technology**

It is necessary to secure diversity and neutrality of assessors and evaluators of the science and technology promotion cost and the strategic and creative research promotion to be fair in distribution of research funds to research groups in order to fulfill the accountability to public as a tremendous amount of national research cost is generated from public money. Post-evaluation should also be conducted. **[FY2007 review and conclusion]**

**b Japan Society for the Promotion of Science・the Ministry of Education, Culture, Sports, Science and Technology**

It is necessary to specify a strict provision of selection for assessors and evaluators of the science and technology promotion cost to be fair in terms of the institutions or research institutes (e.g. national and private universities) and age group should be considered for the selection. It is necessary to exclude co-authors of an academic paper, those who belong to the same research group in quality or those who are in relationship of master-apprentice from the selection. It is also necessary to study whether the assessors and the nominees are in relations of vice versa to eliminate the stakeholder relationships. **[FY2007 review and conclusion]**

## 10. Agriculture

**[Awareness of the issues]**

It is essential to proceed the reform from two viewpoints: to create a business environment for agriculture proprietors with motivation and capability to use their creativity and to promote innovation and new business model for vitalization of agriculture, independency of the industry and improvement of competitiveness. Accordingly, the regulatory reform is extremely important for establishment of business base, increase of selections, provision of competitive market and improvement of productivity as a result of hearing of specific needs of agriculture proprietors.

### (1) About the review of the those who recognize it Agriculture system

**[Awareness of the issues]**

The certified agricultural proprietor system is to design a basic concept of local communities including the target of efficient and stable agricultural business management, and certify new agricultural proprietors who has been (the validity term of the plan: is five years) for agriculture management improvement projects of local authorities, and support measures of the low interest financing system and the farmland flow measures, etc. is lectured to those who recognize it. In other words this system management improvement scheme is to support mainly for personal management of farmers who intend to improve the agricultural business management and those who aim be agricultural specialists.

However, for certification of the agriculture business management improvement project, some local authorities have their own standards to determine the reliability of the plan achievement among the requirement under the laws

Moreover, given a decision of the U.S. Policy Reform Outline, the adjustment of production (the supply and demand adjustment system) is assumed to be shifted to an independent and subjective measure by the farmers and the agricultural group from FY2007 for the rice field agriculture business management. However, even under the new supply and demand adjustment system, adjustment of production measures in rice field would remain considered for judgment of “the efficient and comprehensive use of farm lands” as the certification standard.

Therefore, measures should be taken to have a system to grant the status of certified farmer only for those who continue their efforts in business management, in order to support farmers

who are eager to improve the agricultural business management.

**[Specific measures]**

**[1] Support Measures in 2007 to business conditions to contribute to development of agricultural business management [Measures in 2007]**

The farmer certification system aims to support mainly for those who try to improve the agriculture business management in voluntarily, and to promote an efficient and stable agricultural business. Although the status of those who are only committed to have the labor for farming without farmlands was not specified conventionally, the current agricultural policy is shifted toward the direction of substantiality of business management. Therefore, even for contractors who were only committed to farming, if they contract the key labor and have an entity of agricultural business such as possessing the disposal rights of harvests, they are currently acknowledged as certified farmers.

However, it is still necessary to provide various supports not only for agricultural business but also for contractors for farming of specific labors, or the delivery group who are provided with agricultural products as contracted.

Therefore, needs to meet various business conditions should be enhanced for business area that contribute to improvement of agricultural business such as facilitation of financing.

**[2] Operation improvement of farmer certification system [Measures in 2007]**

**a Securing of transparency of a recognition and qualification examination**

While some local authorities have their own standards for judgment, these are not disclosed. Therefore, the standards of the certification exam in local authorities become unknown, which resulted in cases of different conditions to certify farmers even though they are in similar business.

Therefore, in order to secure transparency of the certification process, if local authorities have their own criteria, measures should be taken to require them to disclose the standards.

**b Installation and use of third-party institutions in certification and prequalification exam**

In order to solve the issues of difference in certification standards per local authorities even for farmers who are in similar business, necessary measures should be taken for

establishment of third party authorities in the certification exam and hearing of the third party authorities, which have already been adapted by some local authorities.

**c Clarification of criterion in prequalification exam**

Necessary measures should be taken to recertify those who have made a faithful effort such as establishment of the standard to acknowledge efforts in business management, based on the data including management scale, income, working hours target achievement related to the conventional plans and its analysis.

**d Appropriate operations to cancel certification**

The Ministry of Agriculture, Forestry and Fisheries management bureau notification 18-No.2053, June 27, 2006) states that local authorities should make an annual review on the entire agricultural business management improvement plan concerning certification (at least in the interim year of the valid term of the program). If they find that measures in a particular area, they should provide guidance, advice or other supports. If such certified farmers show no improvement even though they are given lessons, "it is desirable to cancel the certification." However, to support farmers with no motivation on business management to improve could distort the intention of the policy. Therefore, necessary measures should be taken to properly control the cancellation of the certifications.

**(2) Separation of ownership and use of farmland**

**[Awareness of the issues]**

The farmland system reform is to mitigate the market entry restrictions to make effective use of farmlands, vitalize the area of agriculture by committing farmers who effectively use the farmland, regardless of the business entity as long as farmlands are used for its purposes, promote the possibilities to develop agricultural business management applying various systems and new business models.

Capable farming business owners are expanding the scale of business by using the land not owing it. This is because they have no choice to expand the scale by using the land, not ownership, otherwise a tremendous amount of money would be needed if they intend to expand the scale. Not only for agricultural business, proprietors with less financial resources naturally choose to use the resource from the business options: ownership or use. This is a way to increase their productivity.

Moreover, it is also natural to secure a steady production base to sustain the business for a long term, the agricultural business is no exception as they wish to use the farmlands in a sound and sustainable way for a long time.

However, under the current farmland system, the rights of farmland are limited based on the policy of "cultivator-oriented". In most of the cases, the term of rights of use of farmland is less than 10 years.

Therefore, it is the right time to study and review the system for restructuring of the entire agricultural policy based on the reality of farmland use and intentions of the rights holder from the viewpoint to achieve an efficient agriculture business through expansion of scale of farmers and competition between farmers by opening the market to allow new entry.

**[Specific measures]**

**[1] Verification and discussion beginning according to restructuring of farmland policy [To be studied in FY2007]**

It is necessary to verify and review toward restructuring of the entire farmland policy to separate the rights from ownership to lease in order to accelerate the trend to lease farm lands based on the reality that the land lease is a mainstream for farmland liquidity and scale expansion as well as to promote its business use to develop a lease-based farmland policy.

In this case, its study and review should be conducted with premise to use farmlands for its original purpose, while promoting new entry to the market of other industries and field to achieve various work styles or business model of agricultural business.

**[2] Scheme of long term use of farmland [Measures in 2007]**

Most of lease contracts or terms of conditions of farmlands is less than 10 years. However, it is only led by misunderstanding or conviction that the lease term should be up to 10 year. Under the civil law, the lease term can be set for up to 20 years. Therefore, acknowledgement on the lease term and contacts for up to 20 years should be shared for prolongment of the term of settings and contract.

**[3] Agricultural land use without a subject [Measures in 2007]**

For the issue to review the farmland policy to use farmlands regardless of business entity, it is though to take a long time.

Though the right of the farmland can be acquired on lease by any business entities other

than agricultural production in terms of the specific lease business, it has been pointed out that there are misunderstanding of lack of information concerning farmlands as if farmlands which can be used on lease are only limited to an abandoned cultivated land, even though there is no limitation of farmland within the area available for entry (which is specified by local authorities as a district with reasonable space of abandoned or abandoned-to-be farmlands.

While the new entry to the agricultural market is promoted, it is necessary to appeal the policy that farmlands other than abandoned lands may be used on lease and provide farmland information for companies in general in order to increase the new entry to the market.

### (3) Review of the status: Agricultural Committee

**[Awareness of the issues]**

Although Agricultural Committee's functions are provision of the attachment for the head of municipal government for permission of farmland use, and guidance to farmland users, requests and recommendations to local authorities including use of farmlands to promote the promotion programs for the rights of use. The committee is comprised of the election member (40 or less) mainly of local farmers, and board members (one or less representative from Japan Agricultural Cooperatives (JA), the agricultural mutual relief association and a representative of the district of land improvement and 4 or less experts), even the board member him or herself could be the stakeholder of diversion of lands or potential conflicts between the members in terms of the land use rights settings.

While Agricultural Committee is requested to take a role to eliminate such a possibility, secure neutrality and make efforts for structural reform, in realty, some committees authorize the diversion of lands without discussion or some make a strict evaluation on the issue and disapprove the diversion for profit. The operations vary depending on local authorities.

This depends on the quality of the board member of the committee. With members who could prioritize development of farmers, not self profit, the Agriculture Committee may play a certain role to solve various issues which have been pointed out.

**[Specific measures]**

**[1] Standardization Measures of judgment in authorities [Measures in 2007]**

At the current stage of shift from the conventional policy such as executing various

schemes to certified farmers, it is necessary to share a common understanding on the standard of the authorities of the Agriculture Committee in order to correct different operations and authorities of the committees among local authorities.

**[2] Review of committee composition [Measures in 2007]**

The committee is comprised of the election member (40 or less) mainly of local farmers, and board members (one or less representative from Japan Agricultural Cooperatives (JA), the agricultural mutual relief association and a representative of the district of land improvement and 4 or less experts), most of the committees faces an issue of lack of board members.

The members should include farmers with deep understanding on the conditions of the area, but the member should include experts with academic background for neutrality and promotion of structural reform.

Moreover, the voting rights of the members of the committee applies to those who have "agricultural labor for harvest in a land of 10 are in prefectures or 30 are or more in Hokkaido. However, the Agriculture Committee should increase the number of certified farmers for the future as "farmers with motivation to improve agricultural business" and "those who aims to be agricultural specialists".

**(4) Transparency and health of Japan Agricultural Cooperatives management**

**[Awareness of the issues]**

Needless to say, it is inevitable to achieve ratification and efficiency of circulation channels, other than the business efforts of farmers to strengthen the industrial power of agriculture. In order to promote this scheme, JA the major power of distribution of agricultural products should undergo the reform including its economic activities to be an organization that would be favorably chosen by farmers and for promotion of competitions in the distribution market.

On the other hand, two agricultural mutual relief associations received an alert assuming that it might violate the definition of Antimonopoly Law Section 19 (Clause 13 Unfair Trade (conditional transaction) in July this year.

No exaggeration to say that it is in the situation of doubt that some JAs still abuse the unjustified pressures on farmers as seen in the past. This doubt is hardly wiped out easily. This even may lead negative impact on the future vitalization of agriculture and human development of the followers.

Therefore, the reform for strengthening the internal management situation should be immediately advanced in JA that are considered to be involving the unfair trade, parting from the principals of the committee but pursuing a systematic profit, not to contribute to the union members.

In addition, it is natural for them to secure further transparency in business by precisely understanding the status of various programs and take necessary measures to promote the reform such as economic activities, which is a pressing need. In particular, the account settlement document is not only for some stakeholders but more than that, which should be insufficient if the contents are at the quality for only members to merely understand because JA provides the trust business. It is necessary to be clearly shown to a number of stakeholders around JA. Particular care also needs to be taken for comparison to financial institutions such as bank and other industries under the social system that the accountability is essential for the case of payoff etc.

The financial audit of JA is the Central Union of Agricultural Co-operatives (below, JA-ZENCHU) for the entire inside situations. However, this organization is not a third party for audit so that is may be difficult to secure independency. Companies and financial institutions that meet a constant requirement undergo the assessment of CPA the professional of accounting or audit companies. . The system of audit is established in JA group to strengthening the financial audit. These polities are appreciated for some extent. However, the current financial market claimed the need of stronger audit of companies because of the frequent occurrence of the window-dressing accounting events. It comes from the situation in which the transparency of management is further requested in the financial market. This is no exception for JA. This is the time for review on the current audit system.

**[Specific measures]**

**[1] Strengthening internal management of JA**

As for Japan Agricultural Cooperatives, quite a few scandals were reported besides the warnings issued by the Fair Trade Commission under Antimonopoly Law this year suspected against two Japan Agricultural Cooperatives' acts which might have violated the unfair trade.

The internal management of JA should be strengthened while the reform is underway for its financial businesses. Therefore, JA should promote the reform including its financial sections while they make efforts to strengthen the internal governance to persist in the principles to contribute to the union members, in line with improvement of compliance, efficiency of work and reliability of the fiscal report. **[In and after FY2007 successive**

**implementation]**

In particular, measures should be taken for enhancement of compliance such as establishment of the compliance committee at an early stage. **[Measures in 2007]**

**[2] Enhancement of measures in 2007 of Japan Agricultural Cooperatives to unfair transaction [Measures in 2007]**

"The Three-year Plan for the Promotion of Regulatory Reform" (Further Revised Version) (Cabinet decision on March 31, 2006) shows that a guideline under the Antimonopoly Law to show the acts of JA which might apply to unfair transaction under the law since there were some examples of unfair transactions suspected for assessment of alert including conditions to force a member farmer to purchase equipment instead they obtain the loans. These measures must be taken as specified as [measures to be taken in FY2006, while achieving the conclusion in FY2005].

Related organizations such as the Fair Trade Commissions and Ministry of Agriculture, Forestry and Fisheries in cooperation should notify the above-mentioned guidelines to the groups of JA, the union member of JA, and farmer organizations to follow through seminars or supports for trainings to be conducted by the parties concerned.

This plan also attempts to take necessary measures regarding guidelines to each JA to share with the members. This guideline should contain the useful and plain expressions for each JA not to deviate from the rules by applying the provisions of the guidelines to specific programs of ZENCHU the leading organization and Zen-Noh which would practically operate the programs. For JA that conducted the unfair trades, if it is confirmed that they deserve to penalties other than those specified under the current Antimonopoly Law, the pertinent administrative authorities should take appropriate measures including administrative penalties under the JA Union Law to prevent reoccurrence. This policy should be successively implemented in and after FY2007.

Related organizations such as the Fair Trade Commissions and Ministry of Agriculture, Forestry and Fisheries should also take necessary measures including sharing information on complaints to JA by farmer groups and JA members and consulting on complaints or requests as well as providing the consultation section for groups comprised of JA, JA members and farmers for JA to facilitate the process from the viewpoint of compliance.

**[3] Fair competition [Successive implementation]**

In the field of Agriculture as a whole, the Antimonopoly Law related control should be enhanced to prevent unfair price raise or transactions.

**[4] Improvement of disclosure on management of JA [Measures in 2007]**

Transparency of JA's corporate management is a pressing need to promote the reform including the financial business area as well as to be an organization that would be truly relied upon by the members. In the operation and management of the business, further transparency should be secured such as precise information sharing and prompt disclosure.

**a Standardization of document format related to operations and assets**

The union that does the confidence business or the mutual aid enterprise manual concerning the situation of the business and the property ("manual is assumed to have to make"), to put in preparation for the office of the union, and to serve to public's public inspection The JA Union Law (No.132 of the law in 1947) Section 54(3) stipulates that the unions for trust or mutual aid business shall prepare a explanatory document concerning the business and asset status every fiscal year, and keep it in its office to make it public.

However, neither specific formats nor standards are provided although the descriptions required for the document are stipulated in JA regulations (No.27 of the Ministry of Agriculture, Forestry and Fisheries ordinance No. 27, 2005) Section 204 (unit) and Section 205 (consolidated).

Therefore, Zenchu is required to prepare and notify the format of such documents in reference to the disclosure status of other financial institutions to further increase more opportunities for comparison.

**b. Use of the Internet**

Many of banks and cooperative financial institutions currently use the Internet to make the documents public on their websites. It is necessary to voluntarily disclose information in an accessible way for the union members and customers through publishing the documents on the websites in reference to various ways of disclosure of other financial institutions as a prompt disclosing measure to the union members and customers.

**c More disclosure to union members etc.**

The balance sheets per section or cash-flow statement made as a report to the administrative authorities are not specified as the required documents and not made public although the general assembly report of the balance sheet per section and explanatory documents must be made available for public inspection.

Therefore, necessary measures should be taken to promote voluntary disclosure of

information such as that Zenchu instruct the members of the needs of disclosure of the balance sheet per section and the cast-flow statement to public as well as assets information per section.

**[5] Discussion of what should be of center association audit [To be studied in FY2007]**

Zenchu was established as an independent general advisory organization of JA group in 1954. The role is specified in the articles of incorporation to "establish and make efforts to disseminate the common policy on the operations of JA and Zen-Noh nationwide for healthy development of the cooperative.

In the financial market, it is currently required to further strengthen the audit due to many occurrences of window-dressing accounting events. Therefore, JA is also to be required to have a transparent corporate management, as a mutual aid organization to employ with affiliates.

While JA group has the audit system which receives a certain level of rating on measures taken for the requirements, further transparency is required.

Therefore, it is necessary to conduct an inspection from various viewpoints on what should be of the audit to make the union members and customers to fully understand regarding the audit of Central Council conducted by JA National Audit as a member of Zenchu.

## (5) Promotion of market entry of private financial institutions of bank etc. into the area of Agriculture

**[Awareness of the issues]**

The number of farmers who find a direct marketing outlet channel between individuals and the market increases recently, to make a direct link between consumers and the production site. Accordingly, it is inevitable that more farmers should make a multilateral business management not only production but also processing, marketing and sales for vitalization of the future agricultural business. On the other hand, some farmers intend to seek resources required for operations of customer relations and sales and increase of production base (e.g. farmland, cultivation equipment) to non-JA financial institutions. In fact, more local financial institutions enter the field of agriculture, though the pace is slow.

However, the case for farmers is quite similar to small and middle sized companies in terms of credits and guarantees even though how their agricultural technologies are superb. Some farmers find difficulties to obtain the resource from financial institutions other than JA.

In order to increase the competitiveness of agriculture business, agriculture related distribution market should be more competitive in an effective way. It is also important to provide an environment to promote the market entry of financial institutions such as bank to the field of agriculture related financial market for more competition and facilitation of financing of farmers.

**[Specific measures]**

**[1] Review of business for Small and Medium sized Company Credit Insurance and facilitation of fund raising of farmers through enhanced cooperation with the Agriculture Credit Guarantee Insurance**

In the small and medium sized credit insurances excludes the area of agriculture, forestry and fishery for credit insurance. However, some agriculture business with production and production are covered by the insurance with conditions, although agriculture is out of the coverage in principle. This is because some business involves in production and processing or those which require production facilities for mushrooms and beam sprouts other than production of agricultural products.

On the other hand, some farmers have a series of business from processing, marketing and sales other than production. This is for operations of customer relations and sales and increase of production base (e.g. farmland, cultivation equipment) and they find the way to raise fund from non-JA financial institutions. However, the case for farmers is quite similar to small and middle sized companies in terms of credits and guarantees even though how their agricultural technologies are superb. Some farmers find difficulties to obtain the resource from financial institutions other than JA.

In order to foster and support multilateral business farmers, it is necessary to review the area of business covered by the small and medium sized credit insurance as well as to enhance the partnership between the small and medium sized credit insurance and the agriculture credit guarantee insurance.

**a Enhancement of partnership between the small and medium sized business credit insurance and the agriculture credit guarantee insurance [Measures in 2007]**

In the cases of farmers who seek financing from non-JA financial institutions might desire to use the credit of Credit Guarantee Association but the association makes the case pending, they should have an option to contact and consult with the Agriculture Credit Fund Association for facilitation of financing. In order to enable the process, it is necessary

to enhance the partnership between the small and medium sized business credit insurance and the agriculture credit guarantee insurance **[To be studied in FY2007, FY2009]**

**b Credit Insurance for farmers multilateral business [To be studied in FY2007 and conclusion in FY2008]**

Currently, proprietors of agriculture to be covered by the credit insurance are only limited to: 1) those who require production facilities such as mushroom production or bean sprout cultivation and 2) those who conducts processing and sales business not only production. However, it is necessary to study on increase of the availability to cope with the multilateralization of agricultural business, by investigating the needs of credit insurance of multilateral farming business owners as required, upon consultation with the Ministry of Agriculture, Forestry and Fisheries.

**c Agricultural support business for credit insurance [To be studied in FY2007, conclusion in FY2008]**

The number of cases is increasing that constructors receive orders of some extents of labor for farming. In order to vital such trends to allow other industry to enter the agricultural support businesses, it is necessary to study the necessity and appropriateness for the credit insurance would cover other business owners to enter the agricultural support market.

**[2] Increase of financial organizations to provide the Agricultural credit guarantee insurance system [Review and conclusion, measures taken in FY2007]**

In the Agriculture credit guarantee insurance system, banks and credit unions are perceived as financing organizations. It also allows users of private financial institutions such as bank to use the services. However, under the current circumstances that local financial institutions increasingly enter the agricultural field, it is necessary to review the system to further increase the market entry.

**a Increase of financing organizations concerned**

With the current agricultural credit guarantee insurance system, banks and credit unions are also included as the loan organization other than JA. However, credit cooperatives were not included. Therefore, it is necessary to review the system toward the direction to include credit cooperatives applicable to the agricultural credit guarantee insurance.

**b Publicity of the agriculture credit guarantee insurance system for private financial institutions other than JA**

While the entry of local financial institutions to the field of agriculture is increasing, the use of agricultural credit guarantees insurance systems remain low in terms of private financial institutions other than JA.

This is considered that there might be lack of information available on the agricultural credit guarantee insurance as well as misunderstanding that the agricultural credit guarantee insurance system is a credit guarantee insurance system only for the JA affiliates.

Therefore, there should be more publicity on the agricultural credit guarantee insurance to private financial institutions other than JA.

### (6) Review of agricultural mutual relief system

**[Awareness of the issues]**

The agriculture mutual relief system is a system of mutual aid insurance based on the mutual aid of farmers to protect their business by receiving payment of the mutual aid funds in case of disaster from the common assets operated by the insurance premium of farmers. Most of major crops are covered. This is an optional insurance in principle. However, it is mandatory for farmers of rice and oats because of its importance as key crops and requirements to apply a secure mother group of insurance as these are planted nationwide (mandatory insurance). In addition, the country bears a considerable burden to the premium (40-55% of the mutual relief amount) and operations of the mutual aid cooperative, which are covered by another insurance of the country.

However, there are opinions about this system: "the premium is too excessive," "it should be an optional choice for the farmer", "the premium insurance ratio does not correspond with the ratio of disaster occurrence" and "compensations are not as expected".

Effects or damages of disasters would vary depending on farmers due to difference of crop management capabilities. Some farming business owners are good at crop management, but some not. Therefore, it is necessary to review the system to make the users understand as a risk hedge for production of agriculture because the there is a criticism to this system.

**[Specific measures]**

**[1] Promotion Measures of information disclosure [Measures in 2007]**

Thorough information disclosure should be promoted to obtain understanding of the users such as a reasonable description concerning the setting of the premium and reasons on a difference of requirement of each region.

**[2] Setting of premium according to cultivation management ability [Measures in 2007]**

There is big difference cultivation management ability between farmers. Naturally, the degree of influence and damage due to disasters is also different as a result. Moreover, the degree of influence and damage due to disasters is different according to whether a new agriculture technology has been taken or not.

The agricultural mutual relief system has options for individuals on the amount of mutual relief. In order to widen the options, it is necessary for each mutual relief unions to use the "system to set the premium ratio subject to the damage status of each farmer based on the environment or elements" which is not currently utilized.

Publicity should be thoroughly promoted for the discounts of premium per system or cultivation management technologies of farmers such as availabilities of disaster prevention facilities.

**[4] Improvement of the degree of freedom for selection [Measures in 2007]**

The purpose of the agricultural mutual relief is "to contribute to stabilize the agricultural business management and development of agricultural productivity through compensating losses that may be incurred by unforeseen accidents for farmers" under the Agricultural Disaster Compensation Law (No. 185, Section 1, December 15, 1947). In principle, on the other hand, business management requires business owners to think themselves and implement the business strategy how to deal with the risks or competition.

Therefore, this system should be considered as an option of risk hedge. It is also necessary to reflect as much options as possible based on the needs of farmers who are member of each mutual relief unions as well as making a thorough publicity of "a system for farmers to select the undertaking and compensation ratio" to improve the degree of freedom of selection for farmers.

**(7) Review of registration of pesticide, brand of fertilizer, variety, and seed production**

**[Awareness of the issues]**

As a role that the country should play for the safety, various inspections are required for registrations of pesticides, fertilizers and types, though some changes of system are required for review such as shortening a term or its necessity of a long term registration period. Review on this agricultural industry is necessary including promotion to reduce costs and improve efficiency in farming production.

It is also important to provide and maintain the environment to meet the market needs because production of the foundation seed to meet the needs of consumers for the final products is directly related to secure competitiveness of agricultural products in Japan.

**[Specific measures]**

**[1] Pesticide Inspection Center [FY2006 to be studied, Measures in 2007]**

For registration of pesticides should be reviewed, shortening and simplification of the process are currently required for efficiency of work due the conventional term of registration takes a long time.

Therefore, it is necessary to make efforts to make the inspection efficient through setting a numerical target of the Pesticide Inspection Center and take measures to shorten the term required for registration in cooperation with the pertinent administrative authorities.

It is currently required to submit a result of test conducted by the official organizations such as the agricultural inspection center of prefectures for tests used for application of registration of pesticides for chemical effects and chemical antagonism. However, its market opening to reliable private institutions should be promoted to shorten the period.

Further expansion of the range of application of pesticides should also be permitted as its improvements still remain needed.

**[2] Fertilizer and Feed Inspection Center [Measures in 2007]**

As a role that the country should play for the safety, various inspections have been conducted for the registration of brand names of ordinary fertilizer.

Conventionally, measures have been taken to shorten the evaluation period and outsourcing of work for efficiency of work. On the other hand, the renewal period of the registration should be extended to 6 years for whatever possible, in order to mitigate the burden of manufacturers of the ordinary fertilizer based on raw materials, production schedule, and scientific findings

**[3]** National Center for Seeds and Seedlings **[Measures in 2007]**

Although the retest ratio of the growing test is high due to a strict examination of the variety for discrimination, uniformity and stability, late registrations have a risk that it would take time for the applicants to obtain the growing rights.

Therefore, it is necessary to clearly explain the applicants of the reason of retests as well as to establish an efficient and transparent system through opinion exchanges if applicants have questions on the explanations.

Although the market of some growing tests have been opened to private sectors concerning the variety registration as part of the business, the "Three-year Plan for the Promotion of Regulatory Reform"(Revised Version) (a Cabinet decision on March 25, 2005) insists on “the variety registration is to apply the rights of fosterer who has the exclusive rights of use against use of a variety applied by others, which would require a high level of neutrality and fairness. Therefore as it shows [measures in FY2005], more market opening should be promoted for the variety registration, not only for growing tests.

Although no registration exist for market opening of the foundation seed, a tremendous amount of public money has been applied to the foundation seeds in National Center for Seeds and Seedlings because a certain amount of expenses are required for a stable supply and secure production of healthy and complete foundation seeds which is the key factor. The foundation seeds production of the center is conducted according to the production plan based on the demands of the manufacturer group which was summarized under the name of a governor. It is now important to promptly meet the market needs to improve the competitive edge of farm products of Japan. In the mid term plan of the center, some market opening plan is discussed at the center for some foundation seeds, while market opening to private sectors should be promptly promoted at an early stage with securing a stable supply of the foundation seeds attempted by private sectors for further production.

As a result, it is necessary to shift the market to private sectors for companies with willingness of production and securing the stable supply for the foundation seeds to be continuously produced by the center.

**(8) Supports to entrepreneur and business expansion**

**[Awareness of the issues]**

For agriculture of our country to escape from the crisis situation, to recover and strengthen a competitive edge for considerable improvement of productivity, it is necessary to promote a structural reform of the efficient use of the limited farmland by collecting a quality farmland to

those who have motivation and capability, to promote the market entry to agriculture of young people with willingness and other industries, and to take measures to support vitalization of entrepreneurship as well as expansion of the business field.

Even farming business owners with motivation to expand the future scale with competent agricultural technologies are in a situation of lack of sales force and data collection ability because the conventional agriculture was based on a family business. In the future, the following supporting measures are required to foster and support independent farming business owners while strengthening these activities.

**[Specific measures]**

**[1] Enhancement of support to agricultural training [Measures in 2007]**

In order to promote entrepreneurship of agriculture, it is necessary to provide opportunities of training of agricultural technologies, networks formation of agricultural work sites and to fulfill the supports for acquisition of farmland information etc.

There should be more accessible training opportunities for those who have entrepreneurship and motivation to market entry of farming, and more assistance to mitigate burdens of farmers who accept the training.

In addition, measures should also take to fulfill supports of trainings of enterprises to enter farming business.

**[2] Enhancement of financing system for entrepreneurs [Measures in 2007]**

Since conventional farming was inherited from parents to children with the farming base to enter the market, there was no need to invest to new lands or cultivation machineries. Due to this, the needs to start up capital for financing of farming business were hardly seen.

On the other hand, there is a variety of financing system for small and medium-sized enterprises in both public and private financial sectors, which are quite accessible.

However, the number of those who are in or plan to enter farming business as a corporate management has been increasing so that farming business financing sectors are also required to have services to support them not only for both “employment” and “entrepreneur.” In order to promote this new entrepreneurship, it is necessary to fulfill an entrepreneurship financing system for farming as one of the options of support.

In terms of the entrepreneur financing system, the system should be designed to allow private financial sectors to enter the market other than JA.

**[3] Cooperation with small and medium-sized enterprises [Measures in 2007]**

In the small and medium-sized enterprise policy, various supports were made to provide more business opportunities including supports for entrepreneurship or business matching etc. Various subsidies or information are also provided to support activities of the small and medium-sized enterprise.

In the future, it is inevitable to provide more support for entrepreneurs, increase of business opportunities and support information to foster and support mote agricultural business owners in the same manner as other industries, to strengthen its industrial power. In addition, it is also important to aim at cooperation with other industries to strengthen marketing and sales after the production in Agriculture.

**a Support measures**

While promotion of business matching between agriculture and other industrial fields in terms of technologies to solve issues of the field of the agricultural field by the Agricultural Policy Planning Department Bureau and the Small and Medium-sized Enterprise Policy Department in cooperation, there should be more measures to be taken for these activities such as development of new agricultural business and fulfilling the services to provide information for those who aim to develop new technologies.

**b Enhancement of support of multilateral agricultural business management**

Due to the increase of multilateral agricultural business from production, processing, marketing, and sales, it is now difficult to distinguish agriculture and other industries. In terms of promotion of policies of collaboration of agriculture and industries, the Agricultural Policy Planning Department Bureau and the Small and Medium-sized Enterprise Policy Department work on the support of collaboration and provision of supports, but more supporting measures should be taken with enhancement of cooperation such as expansion of distribution channels through matching with the distribution and services industries, human development and marketing overseas etc.

However, as these authorities still consider the field of agriculture based on the conventional idea mainly for production, they may not support to farming business owners who are attempting a series of work from production to processing and sales.

Those who aim at multilateral agricultural business model considers the process as a series of corporate activities from production, processing and sales. In order to support them, a corporate management support would be required so that both authorities should strengthen the cooperation to take measures to support.

### (9) Adjustment of farmland use concerning the village farming

**[Awareness of the issues]**

As a result of the cross-sectional corporate management stability measures to start in FY2007, a full-scale policy change will occur to intensively support certified farmers who meet a certain level of requirements and the village farming organization, there could be a problem that such certified farmers in the local agriculture would be requested to return the farmland by the village farming organizations. This is not to criticize the village farming but it is not favorable if the business of certified farmers who attempted to extend the scale would be in crisis due to the organization of the village farming.

**[Specific measures]**

Certified farmers and village farming organizations are considered to be the same category in the policy. However, if the village farming organization is formed after scale-expansion of certified farmers, adjustment of land use could not be smoothly conducted so that certified farmers may be requested to return farmlands.

Those who are currently requested to return farmlands may be at a risk of bankrupt. Moreover, even though the conflict is settled, they have difficulties to make the schedule for the next term (e.g. area of crop, arrangement of seeds and fertilizer), which could lead a considerable damage on their business.

Therefore, problems through taking care of certified farmers who have been expanding the scale should be solved based on consulting with parties concerned in the area. If it is even difficult to settle the cases, necessary measures should be taken such as that the government should listen to them to eliminate misunderstanding of administrative systems if any, or to provide lectures against acts to violate laws. **[FY2006 measures]**

## 11 Residence and land

**[Awareness of the issues]**

Based on the Awareness of Issues shown in Chapter II, the following were studied in FY2006: promotion of real estate transaction value disclosure, improvement of operations of the recording system of real estate value, establishment of rental housing market, improvement of rental house system, introduction of time-difference price systems for commuter trains and relief systems of the victims of house defects after purchasing from the viewpoint of formation of transparent and reliable real estate market and promotion of renewal of old houses and reuse of existing houses in order for a disaster-proof city planning with a quality stock.

[**Specific measures**]

**(1) Promotion of real estate value of the transaction information disclosure**

Wiping out the image of the ambiguous nature of the real estate transaction, securing trade facilitation and neutrality and development of a transparent and reliable real estate market are becoming more important. As the real estate investment and trust (J-REIT) operation capital reached 5 trillion yen and the disclosure system through the Internet begins operation in April this year, the number of accesses exceeds 13.5 million for half a year. A constant result is achieved in a general property deal while a securitization of real estate market advanced. **[FY2006 review and conclusion, Measures in 2007]**

[1] The recovery ratio of the questionnaire concerning current dealings stays in a level low about 25% The measure for the recovery ratio should be improved to penetrate for more public interests and its social responsibility etc. as well as the freedom of information because there is a trend that “I want to access information but no thank you to disclose mine”. **[FY2006 review and conclusion, Measures in 2007]**

[2] Measures should be considered to fulfill information in the entire system to provide the price information to study the transaction value database system such as making a link with EDINET and J-REIT or providing the information combined with the database. **[FY2006 review and conclusion, Measures in 2007]**

[3] Measures should be considered to provide information to clearly describe the status of the target such as showing the distance to stations or purpose of districts, and combining this with the map as well as some useful data the building volume ratio and the front road. **[FY2006 review and conclusion, Measures in 2007]**

[4] First of all, data sharing of transaction should be attempted between the land value departments of municipal offices while taking care of personal information. Based on the trend of recovery ratio, it is necessary to study how to make a cross-sharing of information within the administrative offices for the extent of political and analysis purposes of the spectacle value. **[Measures in 2007]**

**(2) Operation improvement of recording system**

Conventionally, it was pointed out that the so-called “middle omission recording” was at least conducted although it is supposed to be a trade from A (seller) to B (reseller) to C (purchaser) for real estate transaction, the transaction from A to B under the protocol supervision of the registration officer existed. Then, since the revision of the real estate registration law in 2004, it was required to submit the registration reason certificate for registration of a transfer of property rights of real estates. Therefore, it was revealed that the two types of transaction exist from A to B or B to C according to the registration reason certificate. Thus, in order to publish such changes of substantial rights, the registration of change of property rights from A to B and B to C must be registered. So the aforementioned registration system would never happen.

Applications for registrations of property rights are not the obligation under the civil law. If there is the agreement between three parties as A, B and C, the rights to claim the registration of change of rights from A to C are permitted according to the Supreme Court case (sentenced on September 21, 1985). It revealed the issue of consistency between actual operations of the registration and legal cases. In many cases, the defrayal of B will increase since its cost is added to the reselling price for registration, which would result in increase of cost of C.

However, for the cases of direct change of property rights from A to C substantially, beyond the formatted agreement such as the contact for a third party, the direct registration of change of rights is possible even under the current system. If A, B and C involve in the selling and buying, there is a confusion with doubts whether B should register the change of registration because the middle omission registration even though B has no property rights or not.

Then, this council achieves the mode of real estate registration in the same manner as the system before the revision of the real estate registration law, to meet the needs of liquidation of real estates, promotion of effective use of the land or decrease of transaction value on site. Then it was confirmed the following are possible: change of property rights directly from the seller of the sales contract for a third party, or change of property rights registration directly from the seller to the consignee representing the purchaser when the purchaser status is consigned, as long as specific registration reason certificate is presented. Accordingly, in order to avoid misunderstanding or conflicts, the above should be notified to all parties concerned of the real

estate transaction and affiliates as well as registration authority, judicial scrivener through the related organizations of real estate transactions including the registration office, Japan Judicial Scrivener Association. **[FY2006 measures]**

**(3) Establishment of rental housing market**

**[1] Rule-making for prevention of conflicts and resolution [FY2006 to be studied, 2008 conclusion]**

The in-situ survey of the market practices of a cosigner and various lump sums should be conducted for prevention and prompt resolution of disputes in the rental housing. Information should be provided for the consumers, and the rental housing model contract should be reviewed based on the in-situ survey results.

In that case, effective measures should be studied for reasonable resolutions between lesser and lessee by specify the scope of standard wear in the case of problems for recovery, which is the most popular case in the dispute.

Moreover, as prevention and resolution of conflicts, it is necessary to discuss based on a specific measures using the cases of a regular rented house, insurance, acceptances and guarantees, and out-of-court settlements.

**[2] Effective use of housing [FY2006 to be studied, FY2007 conclusion]**

Spacey rental houses for family use are still short, and about 18% of the households of four members or more in a rental house is below the minimum residence standard (about 460,000 households)**.** On the other hand, the number of rental houses is assumed to increase due to relocation of the aged people in the aging society. In order to solve these problems, it is necessary to promote to shift open houses to be used for rental for family use. In that case, the discussion of the use plan of the regular rented house system considered to be an effective plan for promotion of lease of one's own house stock. This system should be advanced based on the result of the market research that will be done in the future, on the assumption of obtaining a continuous, stable house rent income, and coming back to original after a certain period.

**(4) Improvement of rental house system**

**[1] The review of the regular rented house system [Successive implementation after FY2006]**

In terms of the regular rented house contract, the switch of the building upon agreement of

the parties is prohibited concerning the promotion of the supply such as good quality rental housing for the review of the regular rented house system in the Special Law (No.153 of the law in 1999to residence type building, but it was reviewed after 4 years of the enforcement of the law so that the measures should be taken as a result of study on amendment. about the building for the residence). As a subject of amendment, it has been reviewed a) the switch of residence should be permitted if the parties agrees, b) abolishment of accountability on the contract of the regular rented house, 3) optional provision of the termination rights from the lesser on the regular rented house contract, d) establishment of housing lease system for renewal of contract that can be extended only with the renewal process when the lesser and lessee are agreed. regardless of authentic documents The presiding ministries should summarize the points under discussion from the viewpoint that attempts the effective use of activation and land of the regular rented house market further based on the investigation concerning the realities of the rented house system operation and needs for the systemic amendment. cooperating with ministries concerned, and offer information to contribute to the decision of a specific strategy positively.

**(2) Review Successive implementation after FY2006 of what should be of right reason system**

Regarding the review of Legitimate Reason System, the legitimate reasons of Leased Land and House Lease Law (No.90 of the law in 1991) is a) It is assumed an objective requirement that appropriately reflects the objective of the building, replacement, and circumstances of the redevelopment etc., b) clarifying a location of the clearout fee as the requirement for a right reason and the objective calculation standard. There are disputes in revision of laws. In the meantime, the pertinent government office should cooperate with ministries and agencies concerned to summarize the topic, or positively provide information related to establishment of specific policies from the view of activation of rental house market and effective use of lands.

**(5) Introduction of time difference fee system for commuting trains [To be discussed in and after FY2006]**

An off-peak commuting is promoted to alleviate the commuting congestion and to secure a comfortable commuting and the introduction of the time difference fee in which the dispersion of the demand for the peak is effective. Moreover, it is expected to contribute to activation of the center of a city and effective use of the social overhead capital since it becomes easy to access commercial venues in the center of a city if an off-peak fee is made cheap by introducing the time difference fee system.

There are many points that should be discussed through the investigation of a questionnaire survey, hearing, and an overseas case after 2002 fiscal year etc. regarding the introduction of the time difference fee system.

In addition, further studies are necessary based on a wide range of issues on the national land in general how the city, houses, and infrastructures should be in mid and long term concerning the possibilities of the time difference fee system, its process, political meaning, technical issues (feasibility of IC card technologies) and trials.

**(6) Relief system of victims affected by defects after purchase of residence [Conclusion FY2006. Measures to be taken afterwards]**

Regarding the defect liability related insurance, deposits and fund systems, there should be sufficient discussion from the viewpoint of risk-based cost burden, avoidance of moral hazard of consumers and vendors, provision of incentives to encourage efforts of parties concerned for the safety, disclosure of related information and promotion to eliminate illegal vendors in order to secure the safety of buildings.