



JKS READING ROOM

Third Report Regarding
Promotion of Regulatory Reform
Tokyo, December 2003

Council for Regulatory Reform: Third Report

—Towards the creation of a vibrant Japan—

December 2003

Council for Regulatory Reform

Description of report

Overall theme of report is the creation of a vibrant Japanese economy.

Heavy focus placed on discussion of Action Plan for 17 high-priority issues.

(12 high-priority issues contained in July 2003 *Action Plan for the Promotion of Regulatory Reform* report and 5 other issues added in October)

Comments made on some 340 issues. A cabinet decision was made on the report with the greatest possible adherence being given to the report's recommendations (i.e., specific policies developed). Recommendations will also be reflected in new Three-Year Plan for Promotion of Regulatory Reform.

Regulatory Reform Measures Implemented to Date

2001

April

The Council for Regulatory Reform (Chairman: Yoshihiko Miyauchi, Chairman and CEO, Orix Corporation) is established as a new cabinet advisory council reporting to the prime minister.

- Reform to be led by private sector: special council members together with fifteen council members appointed by prime minister from private sector deal directly with government ministries and agencies in individual working groups (WGs)
- Shift from dealing with individual demands to reform of system as a whole

December

Council for Regulatory Reform's *First Report on Promotion of Regulatory Reform*:

Cabinet decision passed pledging government will adhere as closely as possible to recommendations of report

- In addition to six high-priority areas in the consumer services sector (i.e., areas related to everyday society, a total of fifteen areas to be targeted
Note: Six priority areas: medical care; social services, child care, and related issues; workforce (labor); education; environment; urban renewal

2002

March

Government creates revised version of *Three-Year Plan for Promotion of Regulatory Reform*: Cabinet decision

- Revisions made to reflect recommendations of first report

December

Council for Regulatory Reform's *Second Report on Promotion of Regulatory Reform*:

Cabinet decision passed pledging government will adhere as closely as possible to recommendations of report

- With a general focus on economic stimulus, in addition to five cross-sector issues, report also covers thirteen separate issues including policies regarding competition and business facilitation
Five cross sector issues: (1) New business creation, (2) Reform of government-driven markets through increased private sector participation, (3) Construction of a business and consumer infrastructure to contribute to economic stimulation, (4) Development of a system of checks, (5) Special structural reform zones

2003

March

Government creates new revised version of *Three-Year Plan for Promotion of Regulatory Reform*: Cabinet decision

- **New revisions made to reflect recommendations of second report.**

July

Council for Regulatory Reform's *Action Plan for Promotion of Regulatory Reform: Report on 12 Priority Issues*

*** Report produced in conjunction with Council on Economic and Fiscal Policy**

- **Twelve areas targeted with the objective of opening government-driven markets in medical care, social services, education, agriculture, and other sectors to the private sector and creating a consumer-oriented society**

October

In addition to the previously identified 12 priority issues, five new items were added as areas of work under government control to be opened to the private sector.

New items added: Management of government property and services; worker's compensation and unemployment insurance providers; promotion of introduction of highly skilled personnel; automobile inspection system; rental residence system

December

Council for Regulatory Reform's *Third Report on Promotion of Regulatory Reform*:

Cabinet decision passed pledging government will adhere as closely as possible to recommendations of report

- **Comments made on some 340 issues in all areas, including those covered in action plan.**

2004

March

Government to create new *Three-Year Plan for Promotion of Regulatory Reform*

- **New plan to reflect recommendations made in third report**

Summary of Report

Chapter 1: Cross-Sector Work

Main high-priority issues addressed in Action Plan

1 Proper implementation of Action Plan for the Promotion of Regulatory Reform

(1) Sale of pharmaceutical products in regular retail stores

• Sale of 350 types of products in regular retail stores (i.e., of products which may be classified as non-medicinal products without any change of their medicinal content):
Action to be taken in early FY2004

(2) Standardization of regulations concerning kindergartens and child care centers

• Accelerate schedule for creation of general-purpose facilities: Action to be taken in FY2005

(3) Fundamental reform of requirements concerning ratio of total floor area to land area for high-rise residential buildings

• Relaxation of implementation of zoning restrictions on total floor area type of use and other urban planning policies: Action to be taken in FY2003
• Work to begin on analysis and study of burdens imposed on infrastructure related to restrictions on total floor area: Studies to begin in FY2004

(4) Promotion of opening of public properties and services to the private sector (i.e., reform of management of public property and services)

- Increased and broadened management and operation of public property and services by PFI-selected operators: Action to be taken in FY2004
- Promotion of the use of the Designated Management Entity System in the management of public facilities (including facilities related to the Public Property Management Law): Action to be taken in FY2004
- Relaxation of requirements for exclusive use of roads, rivers, and other public facilities: Action to be taken in FY2004
- Field research for the setting of numerical targets for delegation to the private sector and introduction of market testing: Action to be taken in FY2004

(5) Opening of Worker's Compensation Insurance and Employment Insurance System services to the private sector

- Strict enforcement of mandatory reporting required in order to eliminate all unregistered businesses: Conclusions to be reached in FY2004
- Setting of appropriate insurance rates in accordance with level of risk by industry: Conclusions to be reached in FY2004
- Reforms including elimination and/or reduction of subsidies for employment stabilization services: Action to be taken in FY2004
- Promotion of increased use of private sector and greater efficiency in operation of public work training institutions: Action to be taken in FY2004

(6) Promotion of introduction of internationally skilled personnel (e.g., creation of a Japanese version of the Green Card system)

- Early release of precedents of the approval and rejection of requests for permanent resident status: Action to be taken in FY2003
- Creation of a set of guidelines of standards for the approval of requests for permanent resident status: Action to be taken in FY2004

(7) Fundamental reform of automobile inspection system

- Conduct of surveys required to make judgments regarding the extension of expiration dates and steps needed to be taken in accordance with results of same: Report to be completed in FY2004 and steps implemented soon thereafter

(8) Fundamental reform of rental residence system

- Review of fixed-term rental system: Conclusions to be reached in FY2003
- Review of justifiable cause system: Conclusions to be reached in FY2003

Work related to fields in different sectors

2 Promotion of reform of government-driven markets through use of special structural reform zones and other measures

(1) Review of National Pension payment collection and related work

- Promotion of outsourcing of payment collection and related work to private sector for increased efficiency: To be implemented in stages beginning from FY2004

(2) Promotion of outsourcing of work related to parking violations to private sector

- Increase in range of work outsourced to private sector: Bill to be presented at next regular Diet session

3 Regulatory reforms designed to increase international appeal of Japan

(1) Establishment of conditions for the smooth movement of persons beyond national borders

- Increase in range of countries and regions which present no problems and for which citizens are permitted to travel without visas: To be implemented in stages beginning from FY2003
- Increased use of mutual certification of credentials of skilled information technology workers: To be implemented in stages beginning from FY2003; Studies and conclusions concerning introduction of English-language testing programs in Japan to be done in FY2004

(2) Creation of an environment designed to allow the smooth movement of goods

- Early ratification of the Convention on Facilitation of International Maritime Traffic (FAL Convention) for the simplification of import/export and shipping procedures:
Action to be taken in FY2004

(3) Creation of a safe and transparent environment for investment

- Review of document reply system related to taxes: Action to be taken in FY2003; Studies and conclusions concerning establishment of a standard processing period to be done in FY2005

4 Establishment of Month for Reception of Proposals for Regulatory Reform

(1) Objectives include the finding of more detailed information on those measures (67 measures) which were to be implemented on a national scale during the last Month for the Reception of Proposals for Regulatory Reform

(2) Establishment of a regular Month for the Reception Proposals for Regulatory Reform: Action to be taken in FY2003, with program to be implemented regularly thereafter

5 Review of basic rules regarding regulation

- Establishment of a temporary organization for the promotion of regulatory reform under the direction of the prime minister: From April of next year onward
- Creation of new *Three-Year Plan for Regulatory Reform*
- Review of procedures required for public comments and Japanese version of no-action letter system: Action to be taken in FY2004
- Review of the Administrative Procedures Law including procedures for presentation of administrative bills: Studies to be initiated in FY2004
- Promotion of the introduction of regulatory impact analysis (RIA): To be implemented on an experimental basis beginning from FY2004, with reviews and analyses to be performed on an annual basis

Summary of Report

—Chapter 2: Conclusions by sector—

Areas related to economic stimulation and foundation for increased competitiveness

1 Information technology

(1) Promoting further construction of information and telecommunications network infrastructure

- Fundamental reform of radio spectrum usage fees system: Studies to be performed and conclusions to be reached in FY2004

(2) Increased use of information technology in all levels of society and economic activity

- Recognition of the validity of digital storage of documents which private sector individuals and entities are required to store by law: Action to be taken in FY2003

2 Policies on competition

(1) Review of Antimonopoly Act enforcement system (bill to be presented in FY2004, with a portion of related measures to be implemented in stages thereafter); Reexamination and strengthening of investigative capabilities and operation of Fair Trade Commission (action to be taken in FY2004)

(2) Review of government procurement policies and the form of contracts targeting with small and mid-sized enterprises (Study of introduction of new indices): Study to be begun in FY2003, with conclusions to be reached in FY2004 .

3 Law

(1) Integration of laws on corporate bonds and investment

- Study creation of system for the management of security interests in syndicate loans and elimination or reduction of restrictions on types of security which may be offered for corporate bonds: Studies and conclusions to be performed and reached in stages beginning from FY2003

4 Finance

(1) Creation of common legal framework for financial services (securities)

- Creation of legal framework for the protection of investors capable of covering all aspects of capital markets: Studies and conclusions to be performed and reached in stages beginning from FY2003

(2) Provision of asset management consulting services

- Making it clear that banks may, within certain limits, provide general consulting services for the management of clients' capital assets (i.e., provide asset management consulting services): Studies and conclusions to be performed and reached in FY2003

Areas of regulation related to everyday society
(Education, medical care, social services, employment, and agriculture)

5 Research and education

- (1) Organizational reviews based on evaluations of national university corporation**
- (2) Creation of legal framework for community schools: Action to be taken in FY2004**
- (3) Approval of use of loans for the establishment of universities, university faculties, and related organizations: Action to be taken in FY2004**

6 Medical care and social services

- (1) Promotion of the use of information technology to increase the efficiency and quality of clerical work in medical care**
 - Use of electronic means of delivery of receipts to insurance entities from assessment and payment organizations: Conclusions to be reached in FY2004
 - * Recognition has already been given for use of electronic means of delivery of receipts to assessment and payment organizations from medical care institutions
 - Increased use of electronic medical chart systems; standardization and increased use of standardized medical terms and codes: Action to be taken in FY2004, with implementation to proceed thereafter

(2) Relaxation of residence requirements for foreign doctors or nurses taking examinations to obtain national certification in Japan

- Permitting persons other than those with permanent residence permits to take national certification tests: Action to be taken in FY2004

7 Labor/Employment

(1) Abolition of discrimination and relaxation of restrictions on age in recruiting and hiring: Required actions to be taken include introduction of bill at next regular Diet session

(2) Studies directed towards removal of prohibition against preliminary interviewing of temporary workers other than temporary personnel to be given permanent status: Studies to be performed in FY2005

8 Agricultural, forest, and fishing industries

(1) Agricultural land system reform: Studies to begin in FY2003, with conclusions regarding basic direction of policy to be reached by early FY2005 and policies to be implemented in stages from FY2005 and onward

(2) Promotion of release of information by Japan Agricultural Cooperative (study of provision of increased and more detailed information in general assembly report): Studies to begin in FY2003, with action to be taken in FY2004

Areas related to economic infrastructure (Energy, land, shipping, etc.)

9 Energy

- (1) Begin as soon as possible an evaluation of the effects of deregulation on gas and electric utilities in accordance with the progress which has been made in expanding the scope of deregulation**
- (2) Construction and strengthening of strict and impartial system capable of effectively monitoring market: To be implemented in stages beginning from FY2004**

10 Housing, land, public works, and environment

- (1) Creation of a new system for disclosure of prices of real estate transactions: Conclusions to be reached in FY2003**
- (2) Promotion of the creation of green spaces and the preservation of green spaces in urban environments in order to reduce the heat island effects: Action to be taken in FY2004**

11 Shipping and transportation

(1) Review of regulations concerning entry of new businesses in the inland seas shipping industry: Conclusions to be reached in FY2003, with action to be taken soon thereafter

(2) Review of restrictions on double riding of two-wheeled vehicles on express roads and related issues: Final conclusions to be reached as early as possible within FY2003

List of members of Council for Regulatory Reform

President

Yoshihiko Miyauchi Chairman and Chief Executive Officer, Orix Corporation
* Head of Action Plan Execution working group

Deputy President

Yoshio Suzuki President, Asahi Research Center, Co., Ltd.
* Head of Information Technology, Medical Care, Social Services and Energy, and Shipping and Transportation working groups

Members

Junnosuke Furukawa Chairman and CEO, The Furukawa Electric Co., Ltd.

Tatsuo Hatta Professor, Center for Spatial Information Science, University of Tokyo
* Head of Housing, Land, Public Works, and Environment working group

Hideki Kanda Professor of Law, Graduate School of Law and Politics, the University of Tokyo
* Head of Basic Rules and Foundation Formation and Law, Finance and Competition Policies working groups

Eiko Kono Chairperson and CEO, Recruit Co., Ltd.
* Head of Labor and Employment working group

Minoru Mori President and CEO, Mori Building Co., Ltd.

Rie Murayama Managing Director, Investment Research Department, Goldman Sachs (Japan) Ltd.

- Reiko Okutani President, The R Co., Ltd.
* Head of Research and Education working group
- Kaori Sasaki President & CEO, eWoman, Inc.
- Atsushi Seike Professor, Faculty of Business and Commerce, Keio University
- Keiichiro Takahara Chairman and CEO, Uni-Charm Corp.
* Head of Business Facilitation working group
- Naohiro Yashiro President, Japan Center for Economic Research
* Head of Special Structural Reform Zone and Government-Driven Markets and
Agricultural, Forest and Fishing Industries and Distribution working groups
- Shosaku Yasui Chairman, Teijin Limited
* Head of International Economic Coordination working group
- Akinori Yonezawa Professor, Graduate School of Information Science and Technology,
The University of Tokyo

(Council members listed in alphabetical order)

List of special members of Council for Regulatory Reform

Action Plan Execution Working Group

Kiyotake Inaba Professor Emeritus, Gunma University

Hirofumi Kawakita Board Chairman, Kawakita General Hospital

Hideo Fukui Professor, National Graduate Institute for Policy Studies

Special Structural Reform Zone and Regulated Markets Reform Working Group

Junji Annen Professor, Faculty of Law, Seikei University

Hideo Fukui Professor, National Graduate Institute for Policy Studies

Law/Finance/Competition Policies Working Group

Yuko Kawamoto Senior Expert, Tokyo Office, McKinsey & Company, Inc.

Research and Education Working Group

Ikuyo Kaneko Professor, Graduate School of Media and Governance, Keio University

Medical Care and Social Services Working Group

Tomonori Hasegawa Associate Professor, Public Hygiene, Toho School of Medicine, Toho University

Motohiro Asonuma Professor, International Research Institute of Health and Welfare, International University of Health and Welfare

Employment and Labor Working Group

Noriaki Kojima Professor, Graduate School of Law, Osaka University

Hideyuki Morito Professor, Faculty of Law, Seikei University

Agricultural, Forest & Fishing Industries and Distribution Working Group

Yoshihisa Godo Professor, Faculty of Economics, Meiji Gakuin University

Shinichi Shogenji Professor, Graduate School of Agriculture and Life Sciences, Tokyo University

Housing, Land, Public Works, and Environment Working Group

Hideo Fukui Professor, National Graduate Institute for Policy Studies

Junji Annen Professor, Faculty of Law, Seikei University

Norihiro Nakai Professor, Graduate Course of Social Science and
Technology, Tokyo Institute of Technology