

## Points on the Reform of Public Service Corporations

(Outline of the “Implementation Plan for Reform of Modalities for Involvement of the Administration in Public Service Corporation”)

March 2002

Secretariat for the Promotion of Administrative Reform

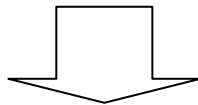
### **Fundamental Review of the Framework of an Administration that Uses Public Service Corporations (Actual Work and Budget)**

#### **Concept of the Reform**

In accordance with the principle of what can be done by the private sector shall be entrusted to the private sector,” the administrative structure will be streamlined and made more efficient and vitality of the private sector will be induced.

Fiscal outlays will be reduced and rationalized.

Relations between public service corporations and the Government will be rationalized and made more transparent.



## Points on the Implementation Plan for Reform

### Examination, verification, etc.

- General principle  
→ Manufacturers take responsibility for guaranteeing product safety, etc. through their own examinations
- In cases where it is necessary to protect consumers  
→ Examinations will be performed by an objective third party (registered agencies)  
(Examples)
  - Examination operations for certification of third class postal matter (magazines, etc.) → abolished
  - Verification of applicants for the JIS mark → left to a registered agency

### Qualification system, etc.

- Abolition of the so-called “official approval” system
- Other systems also will be drastically revised, considering possibilities for abolition  
(Example)
  - Recommendations for taking the Society for Testing English Proficiency examination → abolished
  - Courses for apartment building managers → left to registered agencies

- \* Unlike reform of special public corporations, where “abolition or privatization” of the corporations was studied, in regard to administration that uses public service corporations, a review will be conducted to consider “abolition or transfer to a registration system.”

### “Third-Party Distribution” subsidies (so-called “fully outsourcing projects to third parties”)

• Situations where more than half of the value of subsidies are “fully outsourced” to outside organizations will be reformed by the abolition of subsidies or by subsidies bypassing public service corporations.

(Example)

- Project for Promoting Rationalization of Rice Dealing and Distribution → abolished
- Subsidy for Assisting the Development of Areas Surrounding Facilities → will receive subsidies will be directly paid from the Government

### “Subsidy-dependent” Public Service Corporations (so-called “fully financed by the Government”)

• Situations of “fully financed” by the Government, where public service corporations depends more than two-thirds of their annual earnings on outlay from the Government, will be reformed by measures such as the abolition, adjustment and integration of subsidies.

(Example)

- Japan Tax Association → abolition of subsidies
- The Foundation for Children’s Future → improvement in the ratio so that less than two-thirds comes from subsidies

### Subsidies and Fees for Directors

- Subsidies and Fees for Directors will be abolished

\* The issue of the reemployment of civil service officials will be also reviewed based on the Guidelines for Reform of the Public Servant System.

## Points on the Examination and Verification Reforms

### Current situation (53)

(designate public service corporations and commission these to conduct examinations)

#### **Government responsibility = prior regulation by the Government**

- Integration of the duties of public service corporations into the existing duties of Government and independent administrative institutions (abolition of designation of public service corporations) (3)
- I Implementation by independent administrative institutions (10)
- II, III Maintaining the current system (9) [of which 4 are radiation-related]
- New III Measures similar to implementation by registered agencies (Designation→there is no room for discretionary decisions in registration) (14) [of which 13 are marine-related]

### Abolition of the System (1)

#### **Business organization responsibility = post-facto check by the Government**

- New IV Implementation by registered agencies (16)  
(Designation→ there is no room for discretionary decisions in registration)
- V Self-verification (Government involvement is only in establishing standards) (5)

(Note) Numbers in parentheses indicate the number of systems concerned. Because some systems include multiple measures, the total number is different from the number in the current situation.

## Transfer to checks performed by registered agencies

~ Implementation of examinations and verification by fair and neutral third party agencies,  
registered without administrative discretion ~

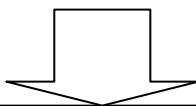
Government decision to entrust implementation of examinations to public service corporations



General principle → transition to self-examinations by manufacturers



Matters that cannot be left to self-examination due to the need to protect consumers  
→ based on the self-responsibility of manufacturers, checks by third party agencies (registered agencies) that are registered without any discretion by the Government.



Manufacturers are expected to take responsibility for sincerely implementing measures to ensure safety and product quality

The role of the Government (issuing orders for the recall of defective products, etc.) will be clarified and this will lead to streamlining of the administration.

The Government will be obliged to carry out registration as long as certain criteria are met. Therefore, there will be no room for administrative discretion and market entry will be liberalized. This is expected to vitalize private examination businesses by allowing for free concepts not stipulated by the framework of carrying out administrative duties.

The Government will work toward creating a sense of security among consumers by performing checks by fair and neutral registered agencies and at the same time will ensure safety by canceling the registration of agencies that have committed violations or unfair actions.

Pursue transparency and rationalization of administration (actual work and budget) involving public service corporations

~ Application of “rules for transparency and rationalization of Government involvement in public service corporations” ~

**Application of the rules for transparency and rationalization of administration involving public service corporations**

Rules related to work

Fair and transparent mechanisms will be created through which any organization in possession of established qualifications can handle Government work.

- Clarification of standards for selection
- Disclosure via the Internet of standards for selection and records of actual selection, etc.

A structure will be established whenever Government work is handled, by ensuring 1) neutrality and fairness, 2) appropriate fees and 3) transparent accounting so that reliable services can be secured.

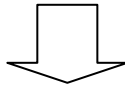
- Establishment of standards for organizational structure including directors and other executives
- Disclosure via the Internet of fees determined by each ministry and agency and their justification
- Clarification and disclosure via the Internet of accounting procedures
- Distinction between ambiguous, analogous duties

Constant reviews on the necessity of and methods for carrying out Government work

Rules related to subsidies

Continue to review the practices of so-called “fully outsourcing projects to third parties” and “projects that are fully financed by the Government” and ensure that no new instances of such projects occur.

Continue to disclosure via the Internet all aspects of Government subsidies provided to public service corporations including the way the subsidies are used, and thereby ensure full transparency.



**Pursue transparency and rationalization of administration involving public service corporations**

(Note) Part of the program for Internet disclosure has already been implemented since October 2001.  
(Please refer to the homepages of each ministry and agency.)

# A Quantifiable Breakdown of the Reform of Public Service Corporations

## Examination and Verification, Qualification System

Examination and verification (53 systems)  *Currently all are the responsibility of the Government	Abolition of the system	4 systems	6 corporations
	Self-examination by businesses	5 systems	7 corporations
	Implementation by registered agencies	16 systems	18 corporations
	Implementation by the Governmental and independent administrative institutions	10 systems	6 corporations
	Measures similar to implementation by registered agencies	14 systems	53 corporations
Issuance of qualifications (55 systems)	Integration of qualifications	1 system	1 corporation
	Implementation by the Government and independent administrative institutions	9 systems	9 corporations
Official approval system (11 systems)	Abolition of recommendations	11 systems	97 corporations
Other duties and operations (125 systems)	Abolition of systems	24 systems	36 corporations
	Implementation by the Government and independent administrative institutions	8 systems	7 corporations
	Implementation by registered agencies	78 systems	103 corporations

Transition to mechanisms based on self-examinations by manufacturers (21 systems)

Government responsibility (24 systems)

421 corporations

## Subsidies

Third-Party Distribution (fully outsourcing projects to third parties, 209 cases)	. Abolition of subsidies	99 cases (52 cases)	59 corporations
	Direct subsidies from the Government bypassing public service corporations	26 cases (19 cases)	17 corporations
	Improvement so that less than half the value is outsourced	49 cases (40 cases)	40 corporations
	Others	35 cases	28 corporations
Subsidy-dependent (projects that are fully financed by the Government, 87 corporations)	Abolition of subsidies	9 corporations (5 corporations)	
	Improvement so that less than two-thirds of annual earnings are covered by subsidies	47 corporations (27 corporations)	
	Others	31 corporations	
Abolition of subsidies and fees for directors (32 cases)	Abolition	31 cases (13 cases)	27 corporations
	Others	1 case	1 corporation

(Note) Numbers in parentheses are numbers for which measures will be completed by the end of FY2002

183  
corporations

Target of Reform: 390 billion yen.

→ Approximately 75 billion yen will be cut by the end of FY 2002

→ Approximately 110 billion yen will be cut by the end of FY 2005

\*Estimates are from the December 2001 Interim Report