Directors of the corporation business. A continuing fund of 500,000,000 yen is also excepted from the requirements of this section and may be withheld by the Board to defray emergency expenses and insure continued operation.

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- of. There shall be established a test Regulation Commission which establishes the prices and other charges to be made by the Japanese National Tobacco Corporation. The Price Regulation Commission shall be composed of men of experience and shall have no other connection with the Japanese National Tobacco Corporation. Whenever the Rate Regulation Commission intends to establish prices or charges or to change the same, it shall give adequate public notice of its intention and prior to fixing such fares or charges shall hear the opinions of any interested person or corporation concerning the reasonableness of such rates. Confirmation of all such rates and charges shall be by the Diet.
- IX. Separation of Enforcement Functions.
 - 1. In addition to the powers of the corporation as enumerated in Article III of this law the Corporation shall carry out
 - (a) the planning and programming of fundamental matters pertaining to tobacco production, and
 - (b) the supervisory administrative work pertaining to the production of tobacco, including the licensing of tobacco cultivation, licensing of the export and import of tobacco items and supervision of the manner

of distribution and sale of tobacco products.

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- 2. Enforcement of existing monopoly laws shall extend only to investigations by JNT Corporation officials and agents, who shall, upon obtaining evidence of a violation of law, submit the evidence of such violation to law enforcement officials.
- x. Officers and Employees.

Officers and employees of the JNTC shall be appointed by the Board of Directors. The compensation of such officers and employees, and other matters relating to employment, including the arbitration of labor disputes, shall be governed by the provisions of the National Public Corporation Labor Management Law (Law No. _____ of 1948).

XI. Emergency Powers.

Whenever the operators of supporting or enterprises under contract the the JNTC for the production of tobacco or tobacco products are suspended from operation for any cause, the Board of Directors shall report such fact to the Cabinet, which body shall, after due consideration, order and direct any such suspended enterprise or contractors facility to be operated by the JNTC, so long as the emergency shall exist. In this situation, all of the provisions of this law shall apply to such facilities, while they are under the control of the JNTC. Adequate compensation and return shall be made by the JNTC to the owners of properties affected by this article upon the

expiration of the emergency for any profit accruing to the JNTC as a result of such emergency operation.

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XII. Taxation.

The Japanese National Tobacco Corporation shall in no wise be exempted from any tax, impost or other levy of the Japanese Government.

Transfer of Assets, Claims.

1. Upon the effective date of this act, all of the property operations and undertakings of the Tobacco Monopoly shall vest in and succeed to the Japanese National Tobacco Corporation by virtue of this law. In any question of doubt as to the title or ownership of the Japanese Government to any such property or larts of property, determination of such doubt shall be made by a Transfer Commission which shall consist of seven persons to be appointed by the Prime Minister, not more than three (3) of whom shall be officials of the Japanese Government. Any private person or private corporation who is or claims to be aggrieved by the ruling of such commission may appeal to the Tokyo High Court for judicial determination of its claim.

XIV. Responsibility of the Corporation.

1. The Japanese National Tobacco Corporation shall be liable to compensate in damages any person or corporation injured or suffering loss or damage to property, by reason of the negligent acts of the Japanese National Tobacco

Corporation or of its servants or agents, in the same manner as if the Japanese National Tobacco Corporation were a private juridical person.

XV. Offenses: Fines and Punishment.

- 1. All general penal statutes relating to the largeny, embezzlement, conversion or to the improper handling, retention, use or disposal of public moneys or property of the Japanese Government, shall apply to the moneys and property of the Japanese National Tobacco Corporation, and to moneys of the Japanese Government loaned or entrusted to the JNTC.
- 2. Any person, who, with intent to defraud the JNTC, or to deceive any director, officer or employee of the corporation or any officer or employee of the Japanese Government or (makes any false entry in any book of the corporation or (2) makes any false report or statement for the corporation, shall upon conviction thereof, be fined not more than \$100,00 or imprisoned for not more than five years or both.
- 3. Any person who shall receive any compensation rebate or reward, or shall enter into any conspiracy, collusion or agreement, express or implied, with intent to defraud the JNT Corporation or wrongfully and unlawfully to defeat its purposes, shall, on conviction thereof, be fined not more than ¥200,000 or imprisoned not more than five years, or both.

MVI. Repeal of Laws.

All laws or parts of laws in conflict with this law ere hereby repealed, so far as they affect the operations contemplated by this law.

XIII. This law shall be effective on 1 April 1949.

SUGGESTED BROAD PRINCIPLES FOR INCLUSION IN A "NATIONAL NEGOTIATIONS LAW FOR PUBLIC CORPORATIONS" 1. Preamble Object of the law: "To systematize and provide orderly channels for the exercise of the collective bargaining process by employees of public corporations so that they may fully avail themselves of the rights guaranteed by Article 28 of the Constitution of Japan. "It is the declared policy of this Law to encourage the practice and procedure of collective bargaining that will result in written collective agreements ensuring the friendly and peaceful adjustment of grievances or disputes that may arise out of differences as to wages, hours, or other working conditions. "It is further the purpose of this Law to ensure the maximum efficiency and uninterrupted operation of public corporations in the interests of the national health, safety and welfare." 2. Coverage The provisions of this law shall be applicable to all employees of the public corporations. High-ranking supervisory officials whose status clearly identifies them with the management should not be eligible to represent labor interests in the bargaining process. (Problem re railroads: Shall coverage be extended to private transportation facilities on whose continuous operation the Government Railways are dependent? SCAP letter does not authorize such an extension. Private railway union would probably raise strenuous objections. But is any other course practical in view of obvious fact that strike or other work stoppage in private "feeder lines", for example, would have direct and immediate effect on operation of Government Railways?) 3. No strike clause "Employees subject to the provisions of this Law shall be forbidden. to engage in a strike, slow-down, soldiering or any other acts hampering the normal course of work of a public corporation." (Penalty clause for violation at end of Law) Determination of how labor and management shall be represented around the bargaining table.

Problem at present is simple in railroads since all workers are represented by a single union which could simply appoint a bargaining committee limited to a fixed number of representatives. However, the possibility that the Railway Workers' Union may split into two factions is not to be excluded. In the event that two or more unions exist in a given enterprise the problem is to achieve fair representation for all the employees on a single committee. Appropriate and fair representation should be accorded all unions representing workers covered by this law as well as workers who have no union affiliation. Following is one way:

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"By September 10 of each year, the principal trade union organizations representing workers employed in the (name of particular public corporation) as well as any representatives of unaffiliated workers, if any, shall designate a bargain-representative of all workers employed by the (name of public corporation) for the purpose of negotiating with the negotiations committee representing the management. In the event of shall become applicable:

- (a) In the event that the union and other representatives fail to select a committee within the period prescribed above because of disagreement as to the appropriate union representatives who shall members of the Central Labor Relations Committee acting through the Chairman of the Central Labor Relations Committee shall intervene and selected in accordance within ten days so that a committee may be To this end, the neutral members of the Central Labor Relations Committee shall intervene and selected in accordance with the basic standard set forth in the Law. Committee shall determine:
 - (1) What units of employees are appropriate for organizational and collective bargaining purposes.
 - (2) Which labor organizations or other agents by virtue of representing a majority of the employees within designated units are entitled to participate in the final selection of the employee representatives to the Ministerial Council.
 - (3) The voting procedure to be employed in the final selection by the union or other representatives of the employee representatives to the Ministerial Council. In prescribing such voting procedures, neutral members of the Central Labor Relations Committee shall give due weight to the occupational character and numerical strength of the participating unions or other groups.

- (b) In arriving at the determination required by paragraph (a) (1) above the neutral members of the Central Labor Relations Committee shall be guided by the basic consideration that the grouping of employees which constitutes a unit appropriate for organization and collective bargaining purposes is generally grounded in a community of interest in their occupation and more particularly in their qualifications, experience, duties, wages, hours and other working conditions. In resolving the question, the neutral members of the Central Labor Relations Committee shall give due consideration to each of the following factors:
 - (2) Desire of Employees: What membership showing or demonstration of support is made by each contending union or group within the fringe or disputed categories. If an attempt is made to break away a segment of an established unit, whether the employees concerned acquiesced or participated in representation in the existing unit. Whether such employees constitute a homogeneous, identifiable group.
 - (3) Mutual Interest: What nature of work is done by the employees working in the classifications in question. Whether wages and working conditions are uniform. Whether the employees in disputed classifications are possessed of special skills. Whether there is functional coherence and interdependence between the disputed classifications of employees. Whether the employees work in close proximity to each other.
 - (4) Form and modus operandi of operation in which the employees work.
 - (5) History of labor relations.

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(c) In arriving at the determination required by paragraph (b) (2) above, the neutral members of the Central Labor Relations Committee may, when they deem that unusual circumstances warrant, order and conduct employee elections by secret ballot to ascertain the majority wishes of the employees. The neutral members of the Central Labor Relations Committee shall prescribe administrative rules for the conduct of such elections with respect to such matters as the designation of eligible voters, the posting of appropriate advance notices regarding the date of the election, the selection of appropriate polling premises, the posting of election observers, and the guarantee of speedy, accurate and honest tally of ballots."

b. Management

There should be created a negotiations committee for the management of the public corporation with power to negotiate with the

accredited representatives of the employees with respect to standards concerning compensation, hours of work, and other working conditions. The management committee could be appointed by the Board of Directors and might consist of outside specialists as well as managerial personnel possessed of the highest technical competency and qualifications for the duties to be discharged.

5. Frequency of Negotiations

Meetings between the committees representing management and employees to determine basic wages should be held at least once each year at a fixed time. However, other meetings should be permitted at the request of either side for the purpose of exploratory discussions or for the purpose of negotiations on

6. Subject matter for collective bargaining

Collective bargaining issues shall be limited on scope to include matters relating to wages, hours of work and working conditions. Matters affecting the operation of the public enterprise shall be excluded from collective negotiations except that conditions directly affecting the safety of workers, even though related to operating procedures, may be dealt with. Likewise, the manner in which a reduction in personnel shall be effected is an appro-

With respect to wage increases that might result either from collective bargaining or from an arbitration award, the following provision may be required for constitutional reasons depending however on the financial arrangements established by law for

"Any agreement involving the expenditure of funds not available from the appropriated corporation budget or available corporation funds shall not be binding upon the Japanese Government and no funds shall be disbursed pursuant thereto until appropriate action has been taken by the Diet. Such agreement shall be submitted to Diet for ratification or disapproval within ten days of its execution; provided the Diet is not in session, such agreement shall be submitted to Diet within five days after it convenes. Approval by the Diet shall render the terms of the agreement effective as of the date

8. Compulsory Arbitration

In the event that the parties cannot reach an agreement upon

issues properly included within the negotiations agenda, such unresolved issues should be referred to conciliation, and, if they have not been settled within a reasonably short time, then

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As to the manner in which the conciliators and arbitrators should be selected, there are several possibilities. Conciliation could be carried on under the general auspices of the neutral members of the Gentral Labor Relations Committee. Arbitration itself, however, should be conducted by a special panel of experts which might be designated the National Arbitration Board. Following are two possible methods for selecting the Board:

- (1) Both labor and management could submit to the other a slate of candidates from which one is to be selected. The two selected would then choose a third person; the three persons so designated would constitute the Board for the current year.
- (2) The neutral members of the Central Labor Relations Committee could submit a slate of about seven nominees from which the committees for labor and management could select and agree upon time by representatives of labor and management within a given members of the Central Labor Relations Committee could be authorized to designate the three members of the Board.

Arbitration awards should be absolutely binding on both parties subject however to the operation of the provision requiring Diet approval of wage increases if such a provision becomes necessary for constitutional reasons.

- 9. Provision should be made for a permanent labor-management committee to facilitate cooperation on all matters and to establish an appeals procedure for the orderly settlement of routine grievances.
- 10. The loss of job and other employment rights should be the prescribed penalty for violation of the no-strike provision. Query as to additional penalties such as fine or imprisonment.
- ll. Management should be prohibited from discriminating in regard to hire or tenure of employment because of an employees union activity.
- 12. General body of protective labor legislation and social security legislation shall be applicable to employees covered by this Law.

and the second of the second o 23 September 1948 JAPANESE NATIONAL RAILWAYS ACTS (DRAFT) Attorney General's Office Article 1. Target of the establishment of Japanese National Railways (hereinafter called JNR) shall be: 1. to assure the efficient operation of railroad enterprising business. to furnish the general public with cheap and convenient transportation facilities and means. and to promote general welfare and economic rehabilitation. Article 2. JNR shall be legal person. Article 3. The business under the jurisdiction of JNR shall be as follows. 1. Rail transportation business and business incidental thereto. 2. Ferry transportation business relative to railroad and business incidental thereto. Motor transportation business and business incidental thereto. Besides, JNR shall prosecute and invest in the business of coal mining, electricity generating, electrical communication relative to the business enumerated in each of the preceding items and the business incidental thereto. Article 4. All properties belonging to the Special Account of the Government Railway undertaking shall be succeeded to JNR at the date of effectivation of this law. Article 5. JNR shall stipulate the following items in its contract: 1. Purpose 2. Name 3. Matters pertaining to offices Matters pertaining to principal officers and employees. 5. Matters pertaining to business. 6. How to give a public notice. Changes of Contract shall be approved by the Minister in charge. Article 6. JNR shall be registered in compliance with the provisions of Cabinet Ordinance. Article 7. JNR shall have a main office in Tokyo 2. JNR shall be able to have sub-offices at the places deemed necessary with the approval of the Minister of Transportation.

Article 8. The provisions of Article 44, 50, 54 and 57 of Civil Law and Paragraph 1 of Article 35 of Code of non-contentious case procedure shall be applied to JNR. Chapter 2. Principal Officers and Employees Article 11. 1. The President, Vice-president and managers (they constitute the Principal Officers of the JNR) shall be appointed in the JNR. 2. The President shall represent the JNR and preside over its business. The Vice-president shall represent the JNR, assist the President, administer the business of JNR, act as deputy to the President in case the latter cannot work, and shall take the duty of the Presidency when the Presidency is left in vacancy, in accordance with the Corporate Regulations, The Manager shall represent the JNR, assist the president and Vice-President, administer the business of JNR, act as deputy to the president and Vice Preor shall perform the duties of the President and Vice-President when their posts are left in Article 12. (Appointment of Principal Officers) vacancy. 1. The President shall be appointed by the Cabinet upon approval from the both houses of the Diet, and his term of office shall be four years. The Vice-president shall be appointed by the President upon approval from the Minister of Transportation, and his term of office shall be four years. The Managers shall be appointed by the President. Article 13. 1. The Board of Directors shall be established in the JNR, whose function shall be to inspect the business operation and financial state of the JNR. 2. The number of the committee-men of the Board of Directors shall be five, of which one shall be the Minister of Transportation. The members of the Board other than the Minister of Transportation shall be appointed by the Cabinet upon approval from both houses of the Diet, their term of office shall be *** years. The Chairman of the Board shall be appointed from among the committee-men by election of such committeemen. (Representative) Article 14. The Principal Officers may appoint his representative to have the business at the subordinating office performed by them.

(Prohibition of concurrent occupation) Article 15. The Principal Officers, committee members of the Board of Directors and other employees designated by the Corporate Regulations can not engage in other occupations, except when the Minister in charge has got approval to that effect. Article 16. The Principal Officers and employees of the JNR shall be looked upon as employees engaging in public service under the state Law. Article 17. The employees of the JNR may or may not organize the Labour Unions or other organizations, or may or may not become the members of such organizations. Article 18. The employees may appeal on the collective bargaining basis to the JNR in connection with the working conditions through the organizations mentioned in the foregoing article. The employees, however, shall not intervene the management of the enterprise including business operation, personnel, etc. Article 19. 1. The labor agreement on the working conditions contracted between the JNR and the organizations stipulated in Article 17 shall become effective only when they are made on the form of written contract. 2. The parties concerned with the Labor Agreement shall submit the Labor Agreement to the Railways Arbitration Board within one week from the date on which such agreement is reached. Article 20. When the Labor Agreement is made, the parties concerned must honestly comply with the provisions of the agreement, and must cooperate with each other for the promotion of working efficiency and for the maintenance of peaceful industrial activities. Article 21. JNR shall not discharge or handle disadvantageously their employees for their being or not being memberships of the organization stipulated in Article 17, for their intending to organize it, for their entering to the organization, and for their proper acting in the organization. Article 22. Employees and their Union shall be allowed no actions which interrupt the proper operation of business. Article 23. Violators of the provisions Article 21 and 22 shall be served a sentence of less than 1 year or fined less than 5,000 Yen. Article 24. In the case of disagreement concerning labor relations between labor and JNR Authority, interested party shall apply Mediation for it to the Railways Mediation Board. Article 25. In the case of application for mediation in compliance with the preceeding Article, Railways Mediation Board shall summon interested persons and hear their intention at the date fixed by the Board. Article 26. Railways Mediation Board shall be able to prohibit the attendance of the persons other than interested parties and expert witnesses to the mediation room. Article 27. Mediation plan by the Railways Mediation Board shall be shown to the interested parties and recommended for their apportoval, and, if necessary, made publication in the press with reasons. In this case, if deemed necessary, the Board shall be able

to request the joint efforts by press or radio. Article 28. Railways Mediation Board shall have a Central Mediation Board and Regional Mediation Boards. 2. Other necessary matters relative to Railways Mediation Board shall be stipulated by Cabinet Ordinance. Article 29. In case a matter come under the following each item, Railways Arbitration Board shall do its original action: 1. Both interested parties apply for mediation to Board. In case there are provisions which stipulate the application of arbitration to Railways Arbitration Board, in Labor Agreement, both or one of the interested parties apply for arbitration to Board in accordance with the provisions. Minister of Transportation apply for arbitration to Board, if necessary. 4. Arbitration Board decide the necessity of arbitration in compliance with its authority. Article 30. Railways Arbitration Board shall be able to prohibit the attendance of the persons other than interested parties and expert witnesses to the arbitration room. Article 31. Decision of Arbitration Board shall be made in written and the date to be put into force be made clear. Article 32. Decision of Arbitration Board shall be binding on both interested parties as a final decision. Article 33. Railways Arbitration Board is set up under the jurisdiction of the Minister in charge and shall prosecute the business stipulated in this law. Article 34. Members of Railways Arbitration Board shall be appointed by the Cabinet, with the approval of the Diet, from among persons who have good knowledge of the mission, transportation situtation and characteristics of traffic labor of JNR. Article 35. Necessary Watters pertaining to Railways Arbitration Board other than stipulated in this law shall be stipulated by Cabinet Ordinance Article 36. Labor Unions Law and Labor Relations Adjustment Law shall not be applied to JNR labor relations. Article 37. Article 5.7.13-18.28-30. 34 and 35 of the Labor Unions Law shall be Article 38. If it necessary for the transportation of passengers and (Labor relations. freights, Article 32 or 45 (stipulates the extension of labor hours). 35 (stipulates the holiday work) and 34 (stipulates the shortening of rest time or other means of giving rest time) of Labor Standard Law shall be applied to JNR employees. Article 39. In case JNR extend the labor hours or order holiday work, Article 37 of Labor Standard Law shall be applied. Article 40. In case it is necessary that one should pass the lower job class in order to be appointed to JNR job, paragraph 1, Article 60 and paragraph 1, Article 62 of Labor Standard Law shall be applied to hime

and the second of the second o Article 41. JNR employees shall be regarded as public officials and handled as civilian officials, concerning Pension Regulations. Article 42. JNR employees shall be handled as those who are government employees and given government payrolls, which stipulated in Article 1 of Mutual Relief Association Law, and that Law shall be applied. Item 8 paragraph 2, Article 2 of that Law shall be changed to read JNR employees, Ministry of Transportation. Chapter 3. Fares and Charges Article 51. 1. The fares and charges on the JNR shall be decided by the Fares and Charges Commission. 2. The Fares and harges Commission shall under the the supervision of the Minister of Transportation and shall consist of -- committee members. 3. The committee members shall be appointed by the Cabinet upon approval of both houses of the Diet. 4. Necessary provisions for the Fares and Charges Commission other than stipulated in above subparagraphs shall be provided by the Cabinet Ordinance. Chapter 4. Railway Bond Article 61. The JNR may issue the "Railway Bonds" to raise the longterm funds. Article 62. As to the limitation to the issuance of the Railway bonds stipulated in the foregoing article, the JNR must get the permission of the Minister in charge. Article 63. 1. The JNR may issue the Railway Bonds to renew the Railways Bonds already issued disregarding the provisions of the foregoing article. 2. When the JNR has issued the Railways Bonds under the provisions nof the foregoing paragraph, it must make redemption of the old Railway Bonds equal to the face value of the new bonds issued, within one months after their issuance. Article 64. The Railway Bond shall be issued on the discount basis. Article 65. The extinctive prescription of the Railway Bond shall complete by 15 years for the principal and by 5 years for the interest. Article 66. Necessary provisions on the Railway Bonds other than stipulated in this act shall be provided by the Cabinet Ordinance. Chapter 5. Account Article 71. The business year of the JNR shall be from April to March of the next year. Article 72. The JNR shell make the business plan for each business year and shall get the approval of the Minister of Transportation.

The first of the f Article 73. The JNR shall make the General Inventory, Balance Sheet and Loss & Profit Statement and shall get the approval of the Diet through the Minister of Transportation promptly after the end of each business year. Article 74. The General Inventory, Balance Sheet and the Loss & Profit Statement stipulated in the foregoing article shall be submitted to the Board of Audit for inspection and approval. 2. When the Board of Audit has given the approval stipulated in the foregoing article, the same board shall report it to the Diet. Article 75. When the JNR wants to dispose of the surplus money gained in each business year, it shall get approval from the Minister of Transportation. Article 78. The Government may grant the subsidy to the JNR from the appropriation in the National Budget. Chapter 6. Supervision Article 81. The JNR cannot buy the private railways without permission of the Minister of Transportation. Article 82. The JNR cannot sell its facilities and other materials without complying with the Cabinet Ordinance and without approval of the Minister of Transportation. Article 83. The JNR cannot suspend or abolish part of its transportation business without permission of the Minister of Transportation. Article 84. The Minister of Transportation may order the JNR to construct or to improve the railways, or to carry out necessary transportation services, when he deems it necessary for the common interest of the public. 2. In case the financial condition of JNR has been too adversely affected by the foregoing procedures, the JNR shall be given the monetary grant to make up for such losses. Article 85. The Minister of Transportation may issue orders necessary for the supervision purposes, when it is deemed of special necessity for the promotion of the welfare and interest of the public. Article 86. The Minister of Transportation may have the reports on the business and financial conditions of JNR submitted to him by the JNR. Article 87. The Minister of Transportation may have the officials under his jurisdiction inspect thewarehouses, books and other documents and materials of JNR at any time he wants. Supplementary Provisions Article 91. The JNR cannot dissolve without promulgation of a law to that effect. Article 92. The date of enforcement of this Act shall be decided by the Cabinet Ordinance.

MINISTRY OF FINANCE JAPANESE GOVERNMENT

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21 September, 1948

REORGANIZATION OF THE MONOPOLY BUREAU

- I. Plan A, Public Corporation for Manufacture and Sale of Tobacco Products
- II. Plan B, Improvement of the Existing
 System
- III. Opinion of the Ministry of Finance

Plan A Public Corporation for Manufacture and Sale of Tobacco Products. The plan is to divide the work presently undertaken by the Monopoly Bureau into a business enterprise part relating to manudo facture and sale of tobacco products and a part relating to other matters, the former to be undertaken by the Public Corporation for Manufacture and Sale of Tobacco Products to be set up newly, and the latter to be handled as at present by the Monopoly Bureau. 2. Public Corporation for Manufacture and Sale of Tobacco Products. a) The Public Corporation shall be a juridical person. b) The Public Corporation shall be under the supervision of the Minister of Finance. c) The capital of the Public Corporation shall be wholly subscribed to by the government in such forms as transfer of title to properties, etc. d) The operation of the Public Corporation shall be to purchase tobacco leaf from the government to manufacture cigarettes and other tobacco products, to sell the product to the government at the estimated manufacture price, concurrently repurchasing it at price inclusive of tax, and to sell it to tobacco dealers at the government fixed price. c) Officers and personnel of the Public Corporation. 1) Officers and personnel of the Public Corporation shall be individuals who are not national public servants. 2) Personnel of the Public Corporation shall be permitted the right to bargain collectively, but a grievance machinery shall be provided and they shall not be permitted to strike. 5) As officers of the Public Corporation, there shall be a President, Vice-President, Directors, and Superintendents. f) An

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- 7) Business pertaining to salt and camphor monopoly.
- b) A Grievance Committee shall be set up within the Monopoly Bureau consisting of representatives from the management, employees, and neutral interests, in order to settle disputes concerning pay or welfare of personnel of the Public Corporation for Manufacture and Sale of Tobacco Products.
- c) The Monopoly Bureau Special Account shall be reorganized into a Monopoly Profit Special Account, and expenditures pertaining to personnel engaged in work mentioned in a) above, and cost of purchase and proceeds from sale mentioned in 4), 5) and 7) of a) above, shall be accounted for therein. Profit accruing in this Special Account shall be transferred to the General Account of the Government.

Remark:

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- (1) This plan for Public Corporation for Manufacture and Sale of Tobacco Products is for reference purpose only and is not a final plan.
- (2) The problem whether to let the purchase of tobacco leaf or sale of tobacco products be handled by the Public Corporation or not is an important issue that requires further study and consideration.

II. Plan B

Improvement of the Existing System

The following improvements shall be effected under the existing system in order to enhance business efficiency, etc.

1. Personnel affairs

1) Appointement to office, removal from office, pay, etc., of the Director General of the Monopoly Bureau shall not be treated on the same lines as for heads of executive agencies in general, but shall be administered in such a manner as befits a head of an enterprise.

A term of office shall be fixed for the Director General to retain him in office for a considerably long period of time.

- 2) Administration of personnel affairs of the employees of the Monopoly Bureau such as their introduction into service, promotion, pay, etc., shall be handled differently from those of government personnel in general, in a manner befitting management of an enterprise.
- 3) The system of granting a bonus for efficiency etc., shall be put into effect on a more extensive scale.

2. Accounting

- 1) The profit and loss statement and the balance sheet shall be revised in such a manner as to reflect the enterprise management, so that judgment of business efficiency can be facilitated.
- 2) Budget items shall be made identical with the account items in the profit and loss statement and the balance sheet as far as possible, and shall be so adjusted to suit an enterprise accounting.

- 3) A cost accounting system shall be adopted to facilitate checking of business efficiency. .
- 4) The amount corresponding to consumption tax and the amount of profit or loss accruing in the enterprise shall be clearly distinguished, to clarify how well the enterprise is making.
- 5) When an enterprise profit has accrued in excess of the estimated amount, a certain percentage thereof shall be made available for setting aside as reserve and for use for welfare purposes, etc.
- 6) In order to enable the handling of accounting affairs to be done as closely as possible on the lines of an enterprise, necessary changes shall be made mainly on the following points:
 - a) Diversion of budgetary appropriations.
 - b) Advance payment and estimated settlement on contracts.
 - c) Conclusion of contracts.
 - d) Procedures for the acquisition, relinquishment, alteration, etc. in national property.
- 7) Auditing within the Bureau shall be strictly enforced from the standpoint
- 3. Reorganization of the Bureau set-up shall be carried out with a view to clarifying the responsibilities of those in charge of receiving delivery, manufacture and sale of tobacco and tobacco products respectively.
- 4. An investigation Committee shall be set up with mambers consisting of men experienced in the business and consumers, for the renovation of the enterprise management, through such means as accepting the suggestions of private circles experienced in the business, as regards business operation, to enhance enterprise efficiency, and listening to what the consumers have to say, in order to win

Remark: With regard to Salt and Camphor, improvements on the same lines as above in general will be effected.

III. Opinion of the Ministry of Finance.

The question of reorganizing the Monopoly Bureau has been under study for some time by the Government Monopoly Enterprises Council set up for this purpose, and two alternative plans A and B for the reorganization as stated above, have been prepared with due consideration to the views of the Council. Between these two alternative plans, the second Plan B is considered to be the better after studying and comparing the two plans from the standpoint of labor, civil service, national finances, etc. for the following reasons:

- (1) In the case of a public corporation under Plan A, collective bargaining would be allowed but, in view of weight that monopoly profits carry in the national finances, the right to strike cannot be allowed. Collective bargaining without the right to strike is something substantially not dissimilar from the collective negotiation permitted under the Public Service Act.
- (2) Even under Plan A where a public corporation is set up, the pay of the employees could not be allowed to rise to very high levels out of a sense of proportion to that of ordinary government employees. Furthermore, this is all the more true since the financial affairs of the public corporation must, of necessity as stated hereafter, be under the strict supervision of the Diet.

Under Plan B where the governmental organization remains the same, it is possible to make considerable changes in the position classifications as compared with those of ordinary government employees so that, from the standpoint of the employees, their status does not differ so much whether a public corporation is set up or not.

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- of strong control as in tax collection. As such strong executive powers cannot be given to a public corporation, they must be given to and administered by an agency in the governmental structure even in case a public corporation is set up for other purposes. This means the disruption of consistency in the operation of the monopoly enterprise and also duplication in its organization, which not only complicates the organizational set-up but is only likely to lead to increasing the expenses.
- (4) One of the objectives in establishing a public corporation is to achieve efficient businesslike operations from the accounting standpoint.

 However, inasmich as such operations of the monopoly enterprise have a most direct important bearing on the pockets of the people, the Diet must exercise minute supervision over financial affairs of even a public corporation so that it would be impossible to attempt an extremely free way of accounting similar to private enterprises. On the other hand, ever under the present governmental set-up, a drastic retorm in the financial operations of the Monopoly Bureau, entirely different from the General Account of the government, can be made to bring about something suitable for the businesslike operation of the enterprise and this will fully serve the purpose.

Outline of Reorganization Plan of Government Railways

13th September 1948
Ministry of Transportation

- A. Target of reorganization of Japanese Government Railways shall be:
 - (1) assure the efficient operation of railroad.
 - (2) attain the autonomical and self-supporting management of railroad.
 - (3) separate the operative activity from administration.
 - (4) keep railroad free from political influence.
- B. Form of organization shall be:
 - (1) an independent public corporation, called "Japanese National Railways". (Nihon Kokuyu Tetsudo)
 - (2) one operating body of present JGR system as a whole.
- C. Physical organization of "Japanese National Railways" (hereinafter called JNR)
 - (1) Executive officers of JNR shall be:
 - a. President, with four-year term of office, appointed by the Cabinet with the approval of the Diet, eligible for reappointment.
 - b. Vice-President, with four-year term of office, appointed by the President with the consent of the Minister of Transportation.
 - (2) Board of Directors
 - a. Board of Directors:
 - 1. shall inspect the result of the management of operation of JNR.
 - 2. shall supervise the financial administration of JNR.
 - b. Members of the Board of Directors:
 - 1. shall consist of nine members including the Minister of Transportation.
 - 2. shall be appointed by the Cabinet with the consent of the Diet.

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- 3. shall be honorary, expense incidental to attend the meeting will be reimbursed.
- c. Chairman of Board of Directors shall be selected from among the members with mutual election.
- D. Relationship to Japanese Government:
 - (1) Capital of JNR shall be invested by the Japanese Government.
 - (2) Basic policies of transportation activities of JNR shall be under the control of Ministry of Transportation.
- E. Financial and Accounting System of JNR:
 - (1) The accounting system of industrial enterprise in general shall be adopted in lieu of the existing government finance system.
 - (2) Issuance of bonds and borrowing of funds shall be authorized.
 - (3) Settled account shall be submitted to the Diet.
 - (4) Same categories of taxation as the present JNR shall be followed.

F. Labor Relation of JNR

- (1) Labor shall be allowed to organize union on the open shop basis.
- (2) Labor shall have the right to bargain collectively, pertaining to their working conditions, but shall not intervene the management and operation of railroad.
- (3) Special organization for mediation and arbitration shall be established to adjust grievances.
- (4) The decision of the Board of Arbitration shall be binding both on management and labor. —
- (5) Considering the nature of the government railways as a public utility, no actions which interrupt the proper operation shall be allowed.

G. Remarks:

- (1) Fares and charges of JNR shall not be submitted to the Diet.
- (2) Fares and charges of transportation (including JNR) shall be decided by the adequate authoritative body, such as "comprehensive regulatory body" of Ministry of Transportation.