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Description of contents

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File under COMMUNICATIONS Page No

	FROM	DATE	TO	SYNOPIS
		1949		
27	GS	7 Nov	CCS	Visit to Telecommunications School
28	GS	14 Nov'	CCS	Proposals Concerning Radio Regulatory Commission.
29	CCS	14 Nov	GS	Notes ~~[illegible]~~ Col Kunz's conference with Mr. Suzuki, RE: Radio Regulatory Commission.
30	Japan Broad-casting Labor Union	17 Nov	Whitney	Re: Radio Control Committee
31	CIE	30 Nov	GS	Proposed Legislation Establishing a Natl Radio Policy in Japan.
32	GS	24 Jam	CCS	Commisttee for Joint Use of Poles
33	GS	10 June 50	CCS	Rationalization of Management of Nation's Telecommunications Servi~~ce~~t
34	CCS	12 Jul50	GS	Rationalization of Management of Nation's Telecommunications Service.
34-A	CAFeossmer	2 Oct 50		Conference Betwsen the Radio Regulatory Commissio and CCS on Proposed Jap Govt Plans to Destroy the Independence of the Commission

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	FROM	DATE	TO	SYNOPIS
		1949		
22.	GS	12 July	DS,	Relaxation of Controls over Japanese Communications.
23	GS	5 Aug	CCS	Measures to Protect Communications Necessary for Public Safety
24	ESS	12 Aug	G-1	Relaxation of Controls over Jap Communications
25	CCS	13 Aug.	C. of Staff	Interruption to occupation force Tele. Cir. as Result of Sabotage.
26		25 Oct		Report on Telecommunications and Telephone Rehabilitation Council (2nd and 3rd Mtg)

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	FROM	DATE	TO	SYNOPIS
18	O. HAUGE	24 Mar		Communications between Japanese Gv't and Persons Abroad in regard to Personal status of Jap Nationals
19	GS	29 Mar	CCS	Reorganization of Ministry of Communications
20	CCS	28 May	GS	Tentative Choice of Personnel for Appointment to Positions Created by the New Telecommunication Estab Law
21	CCS	21 June	C/S	Radio Legislation Conference

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	FROM	DATE	TO	SYNOPIS
		1949		
12.	CCS	17 Jan.	G.S.	Petitions re Reorganization of Ministry of Communications
13	CCS	18 Feb.	G.S.	Temporary Domestic Frequency Assignment
13B	CCS	1 Mar	GS	Non competitive Exaninations Proposed for Incumbent Ministry of Communications Officials
13A	CCS	10 Mar.	GS	Postponement of enformement of daye of ministry of postal services and ministry of telecommunications establishment laws.
14	Rizzo	11 Mar	Memo for Record	Problems within Civil Communications sec by Capt Diamantes
15	XXXXXX GS	11 Mar.	CCS	Reorganization ministry of communications
16	SGS	17 Mar	AG	Assignment to DS of messages Reguarding International Conferences
17	GS	18 Mar	CCS	Action Recommended to Meet Minimum Japanese Telecommunication Requirements

KIRSTEN LAWRENCE

File under No. COMMUNICATIONS Page No. 2

	FROM	DATE 1947	TO	SYNOPSIS
7	CCS	5 June	GS	Direct Correspondence Between Swiss and Japanese Governments
7a	CCS	1 Aug	GS	ditto
7b	Diplomatic Section		Swiss Mission	ditto
8.	SCAP	7 Nov	WAR	C 56580 Present plans for improvement and expansion telephone service between Japan and USA
9.	WAR	16 Nov	SCAP	Reurad Nov C 56580. Expansion telephone service.
10	GS	12 DEC	CCS	Check Sheet- Proposed Law Requiring Purchase of Bonds to Cover Cost of TelephoneInstallation
11	GEN. BACK	16 Dec		Granting of Authorizations for the establishment of New Radio Service

File under No. COMMUNICATIONS Page No. 1

BK I

	FROM	DATE	TO	SYNOPSIS
		1947		
1	CCS	5 March	G-2	Radiotelegraph Messages from Moscow to Ministry of Communications Regarding Payment of Revenue Derived from Circuit Operations
2	CCS	14 March	C/S	Status of Resignations of Engineers in Service (Telephone) in Ministry of Communications
3	CCS	18 March	C/S	Dispute Between Minister of Communications and Engineering Staff
4	CCS	21 May	GS	Direct Correspondence Between SWEDISH and Japanese Governments
4a	Diplomatic Section	27 May	Swedish Mission	" ditto
5	CCS	21 May	GS	Direct Correspondence Between Italian and Japanese Governements
5a	Diplomatic Section	27 May	Italian Mission	" ditto
6	CCS	22 May	GS	Direct Correspondence Between Netherlands East Indies and Japanese Gov'ts
6a	Diplomatic Section	27 May	Netherlands Miesion	ditto

File under No. COMMUNICATIONS Page No- BOOK NO

	FROM	DATE 1946	TO	SYNOPSIS
1A		24 Jan 46	CCS	Policy on Signal Communications to and from Japan
1B	HUSSEY	29 May 46		Reorganization of Board of Communications.

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	FROM	DATE 1945	TO	SYNOPSIS
A	GS	15 Nov 45	IRD CCIG-J	TransmittedHerewith Comment Sheets for your Information.
B	GS	24 Nov	G-2	Communication from the Indian Residents Association.
C	GS	24 Nov	AG	Opening of Communication Channels
1	GS	5 Dec 45	D C/S	Cessation on Communications between Jap Government and its former Diplomati and Counsular Officials abroad
2	GS	11 Dec 45	Momdr. Speech	Cessation of Communications between Japanese Govt and its Former Diplomats and Consular Represenative abroad

Radio Regulatory Commission

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Civil Communications Section
Plans & Programs Division

2 October 1950

SUBJECT: Conference Between the Radio Regulatory Commission and CCS on Proposed Japanese Government Plans to Destroy the Independence of the Commission

MEMORANDUM FOR: Record

1. At 1030 hours on 30 September 1950 the following conferred in the office of the Assistant Chief of CCS.

RRC Commissioners - Mr. Tomiyasu
Mr. Amishima
Mr. Segawa
Mr. Nukiyama
Mr. Kamimura
Director of RRA - Mr. Hase
Absent were Commissioners Okazaki and Sakamoto
CCS - Col. Kunz, Assistant Chief
Mr. Cherrigan, Actg. Dir. of Telecom. Affairs
Mr. Feissner, Special Projects Officer
Mr. Hauge, Broadcasting Advisor
Mr. Sloan, Radio Regulatory Advisor

2. The chairman of the Radio Regulatory Commission (RRC), Mr. Tomiyasu opened the conference as follows:

A. Extended congratulations to SCAP on the success of the Korean campaign and pledged continued support of the RRC.

B. Stated all available commissioners wanted to report this morning to SCAP on activities of the Commission and especially on the report in the government circles that structural changes are to be made in the RRC.

C. With the assistance of SCAP, the RRC is carrying out its functions. The Commission believes that it is the most democratic agency in the Japanese executive branch of the Government.

D. The Commission has held some public hearings and more are scheduled in October especially on the establishment of regulations for permitting broadcast stations. Very soon the RRC will explain to the Telecommunications committees of the Diet the nature of these public hearings which are being conducted according to the law and in accordance with democratic processes.

E. The RRC believes it is executing provisions of the three radio laws in the spirit with which they were written; namely, to provide the Japanese people with the best radio communications insofar as possible and in an equitable and fair manner and with complete elimination of partisan policies.

34A

Govt Section

F. The national government is presently considering the reorganization of governmental agencies. It is the opinion of the government that the present state of national economy requires much disbursement. The purpose of the reorganization is to effect economy in this disbursement.

G. The Administrative Management Agency (AMA) is in charge of the reorganization. Newspapers have reported that a draft of the reorganization has been prepared by AMA. This draft proposes a reduction in the number of administrative agencies. It is reported also in the newspapers that the RRC is to resume its former status, that is, the RRC will become a subordinate part of the Telecommunications Ministry. Also, the AMA intends to abolish all of the Radio Regulatory Offices throughout the country.

H. After recalling the history of the establishment of the independent RRC, which independence was insisted upon by SCAP and the Commission itself was created upon the advice of SCAP, the RRC cannot understand why the government desires the Commission to be placed under the jurisdiction of the Ministry of Telecommunications thus eliminating the independence of the Commission.

I. The complete history of the creation of the Commission is well known but under the guise of economy the government officials may force the RRC to be reorganized. However, we the Commission think this would be contrary to the best interests of the state. The RRC is a democratic agency independent of partisan policies serving only in accordance with the provisions of law. The present economic situation may be utilized to and may be the cause for the government to misconstrue the true nature and purpose of the RRC.

J. Of course, this is in the planning stage and it is only a working draft of the AMA. It will require a longer time to consummate. However, we want to know your opinion.

K. There is a saying in Japan, "Established in the morning, amended in the evening." The RRC has just begun - created 1 June 1950. Its true purpose is not well known. The results of its actions have not been felt in their full effect. If it is the intention of the government to place the RRC under the jurisdiction of the MOTC, this is one example of poor politics. There is no national emergency nor sound reason for even proposing such a theory. We feel that you will be quite agreeable to our opinion because you know the history of the RRC but we want to hear you opinion once more so we may proceed with confidence and resolutemess.

3. Col. Kunz - Who in the national government is advocating the program:

Mr. Tomiyasu - Mr. Hirokawa, former Secretary-General of the Liberal party who is presently the Minister of Agriculture and Forestry and concurrently Director of Administrative Management Agency.

4. Col. Kunz - How do each of the other commissioners feel about this problem:

Mr. Amishima - I am very astounded. Mr. Hirokawa does not know how the RRC was established.

Mr. Segawa - I believe that streamlining of the government must take place. This has been the policy of the liberal party for a long time. It was the policy of the Liberal party before the Commission was established. Since the Commission was established after the liberal party announced its streamlining policy and since there is no national emergency or national circumstances to require changing the Commission at this time, I cannot understand the program. I would like the high government officials to understand the nature and purpose of the RRC.

Mr. Nukiyama - I think this program rises from the private opinion of Mr. Hirokawa. The RRC has no political support. It is independent of politics yet this is in a way one of its weaknesses.

Mr. Kamimura - I have nothing to add.

Col. Kunz - CCS is very sympathetic to the views of the RRC. There is no change in the opinion of CCS. Independent Commissions are a necessity in a progressive democracy. If the independence of the Commission is eliminated there will be a great injustice to the people. However, this problem is your problem. When we step out, you must be so organized to be able to handle this by yourself. You must build up sufficient public opinion and support and gain the support of the Diet in such a manner as to resist such programs. What would the Commission do if we were not here?

Mr. Amishima - If the government presses its views the three radio laws must be amended. In accordance with Japanese government practices of the past, the competent agency involved must give its agreement. The RRC being the competent agency would not agree. Yesterday Mr. Hase, Director of the RRC went to the Cabinet to explain our attitude. However,, in the cabinet conference the RRC has no representation and if the AMA program is adopted by the cabinet, the RRC will have to go to the Diet to explain its views.

Mr. Feissner - Such a policy appears to be a passive one. Should not RRC now rise forth and fight with indignation and righteous wrath, much like the NFA which defeated the attempts of the cabinet to remove Mr. Saito? The RRC is independent - protected by law.

The Commissioner's term of office is for a fixed term. They can be removed only in accordance with the law. It appears that the situation calls for positive action.

Mr. Amishima - The Saito case is different. Mr. Saito's tenure was under the jurisdiction of the NPA's. However, NRC will do its best.

Col. Kunz - It might be well to fight fire with fire. You can't expect to change the situation overnight but you must build up public opinion - build up support in the cabinet and in the Diet. We will assist you in every way possible.

Mr. Tomiyasu - We are going to fight. We are resolved and determined.

Mr. Feissner - In order to follow Col. Kunz's suggestion and build up public support you must let the public know your views. It is my personal opinion that the statement made by the chairman of the Commission this morning, is one of the finest I have heard by a government official since I have been in Japan. If only the chairman had been speaking to the press instead of CCS! Why not hold a press conference at which you would express your views much the way you did here this morning. In building political support in the Diet and in the cabinet, Col. Kunz, of course, did not imply that you should utilize the radio wave for disbursing political favors. Your strongest ally is the independent non-political execution of the laws which you have so well done thus far. Your political support must be based on good government, democratic practices, and on the prestige of the Commission. There are many members of the Diet to whom this line will appeal.

Mr. Tomiyasu - We are very happy to be so reassured.

Mr. Feissner - As you know the Supreme Commander wrote a letter to Prime Minister Yoshida at the time 3 radio laws were being considered by SCAP in which letter the Supreme Commander opposed the making of the Commission subordinate to any governmental agency. He even opposed the appointment of a state Minister as chairman of the Commission. That letter still stands. However, it is not our intention to rely solely on that letter now. It is hoped that we can rely on the prestige of the Commission and the fine work it has done. There is no doubt as to your success. However, you should go to the public and repeat what you have said here today.

Mr. Cherrigan - If the plan has already been discussed in newspapers certainly it is necessary to have a statement from the RRC.

Mr. Tomiyasu - The newspapers have merely set forth the proposed plan without comment.

Mr. Feissner - We have had the views of all the Commission with the exception of Mr. Kanimura. What are your opinions concerning the independence of the Commission?

Mr. Kanimura - I was astounded to hear of the proposed program. I quite agree with the other Commissioners. The independence of the Commission should be strongly maintained.

Mr. Feissner - If the RRC does not get public support it has no right to exist. There are 7 Commissioners. How many have delivered public addresses since their appointment 1 June 1950?

Mr. Tomiyasu - There have been official trips on which many prominent people have been met and to whom the Commissions' plans and procedures have been explained but there have been no public speeches.

Mr. Feissner - Mr. Sukiyama is one of the famous scientists in Japan. Surely, the various scientific groups would be interested in knowing how radio frequencies are allocated in the public interest, convenience and necessity. Mr. Okazaki was Director of the first Legislative and Opinion Bureau of the Attorney General's office. The RRC is the first Independent Commission in Japan. There never have been public hearings held in Japan. These are new as are all the procedures and regulations concerning them. Surely the various law associations, federations of law organizations and others would be interested in hearing from Mr. Okazaki. Mr. Sakamoto was Chief, Director of the Japanese French Economic Council. Mr. Kanimura was Director of the Political Affairs Bureau of the Foreign Office. Aren't businessmen and business associations, particularly radio manufacturers and others interested in the activities of the Commission? Should not they be informed? Mr. Tomiyasu is formerly Vice Minister of the Ministry of Communications. They have many contacts in the government. Should not all these contacts and all these various groups be publicly informed from time to time of the activities of the Commission?

Mr. Sloan - There are two practical ways by which the opposition may be overcome: (1) The trend of the retrenchment should be studied and analyzed and then the Commission should present its own plans for retrenchment. (2) Fight an attack on the Commission with a counter-attack. There are some defects in the 3 radio laws. Present amendments to the present Diet by which the position of the Commission could be strengthened. In the U.S. the Federal Communications Commission publishes documents. Many are in very simple language explaining the ABC's of the Commission. Such might be done here. As the Commission has not expended much effort in informing the public of its activities we here in CCS have been guilty of ommission by having missed many changes to publicize the Commission.

Col. Kunz - Please be assured that I am very happy to receive you at any time and please feel free to come to see us for any help and assistance. We are proud of the Commission and the Commissioners.

REPORTED BY:

C. A. FRISSENE
Special Projects Officer

NOTED BY:

N. R. SHERRIGAN
Actg. Dir. of Telecom. Affairs

R. E. KUNZ, Colonel
Assistant Chief, CCS

CROSS REFERENCE

FILE UNDER: Communication

DATE: 12 July 50

FROM: CCS TO: GL

SUBJECT: Rationalization of Management of Nation's Telecommunication Services.

DOCUMENT FILED UNDER: CLASSIFICATION:

CABINET # DRAWER #

SHELF #

→ Maj. Napier* has this filed in his suspense file.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

G.S. File per JPN.

CHECK SHEET

(Do not remove from attached sheets)

Maj Jack P Napier
26-6962

File No.:

Subject: Rationalization of Management of Nation's Telecommunications Service

Note No.	
	From: Govt Sec To: CCS Date: 10 June 1950 1. Reference conversation General Whitney, General Back. 2. Forwarded for your comment. 1 Incl
2.	To: Govt Sec From: CCS Col Kunz, 26-6141 Date: 12 July 1950 Due to the situation, it is recommended that action be deferred indefinitely. 1 Incl n/c - G. I. B.

14 July
Mr - Rcmvd Chief Liaison Fm
+L O Cabinet informed -
JJ

FEC AGO Form No 37a
(13 Dec 49)

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JAPANESE GOVERNMENT

MINISTRY OF FOREIGN AFFAIRS

LIAISON BUREAU

TO : GENERAL HEADQUARTERS, SUPREME COMMANDER FOR THE ALLIED POWERS.

FROM : Ministry of Foreign Affairs.

SUBJECT: Rationalization of Management of Nation's Telecommunications Service.

FOM No. 1056(L) 29 May 1950

Transmitted herewith is a letter of the Director of Cabinet Secretariat on the subject matter, addressed to the General Headquarters, Supreme Commander for the Allied Powers.

FOR THE MINISTER:

T. Yoshioka

(T. Yoshioka)
Chief of Liaison Section,
Liaison Bureau,
Ministry of Foreign Affairs.

1 Incl
Letter as stated above
(in quintuplicate).

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TO : GENERAL HEADQUARTERS, SUPREME COMMANDER FOR THE ALLIED POWERS.

FROM : Japanese Government

SUBJECT: Rationalization of the Management of Nation's Telecommunications Service

May 27, 1950.

The nation's telecommunications service is currently being operated by the Ministry of Telecommunications which has been established in pursuance of the recommendation contained in the letter from the Supreme Commander for the Allied Powers, General Douglas MacArthur to the Japanese Prime Minister dated July 22, 1948.

In order to expedite a further improvement of efficiency in the operation of the service as suggested in the abovementioned communication, it is believed most expedient that the Government should take steps so that the management of the service be switched from the existing governmental organization to a public corporation, and on April 28, 1950 a decision was adopted by the Cabinet embodying this view as per the Enclosures herewith.

In this connection, a report, similar in its essence to the said Cabinet decision, has been issued by the Council for Rehabilitation of Telephone and Telegraph Service instituted in the Cabinet and further, at the 7th session of the Diet, a resolution to a similar effect has been passed by the House of Representatives.

The Cabinet decision referred to above, of course, merely serves to show that such decision has been reached at as to the basic policy in support of the management of the nation's telecommunications service to be undertaken by a public corporation in preference to the existing organization (MOTC).

As it is expected that a draft be drawn up in formulating a law covering the details and submitted to you for reviewing, this is presented to you, in the meantime, for consideration and preliminary approval as to the said basic policy only.

KATSUO, OKAZAKI

Director of Cabinet Secretariat

Rationalization of the Management

of Nation's Telecommunications Service

Rationalization of the Management of Nation's Telecommunications Service

1. The nation's telecommunications service has, after all its history of over a number of scores of years, not practically attained any standard of efficiency that lives up to the requirements of her people nor has her telephone service, in particular, ever been abreast with any of the leading nations of the world speaking comparatively of the development it has accomplished in the field.

Failure in the acquisition in the budget of sufficient funds for construction and improvement programs, due partly to the fact that the service has, it appears, invariably been held in the people's attention as something of more or less subordinate importance compared to the proportion of concern they attach to other government-operated services and the lack of mobility and latitude sufficient to warrant an efficient management of the service, are believed to be the principal factors responsible for the situation.

2. A speedy rehabilitation of the nation's telecommunications service has been brought to our attention as one of the post-war problems of supreme importance and in this connection, in a letter signed by General MacArthur to the Prime Minister Ashida dated July 22, 1948, need for improvement of efficiency in its management has been pointed out. Pursuant to the Memorandum, the Ministry of Telecommunications was established in June, 1949 with a view to rationalizing and improving the efficiency in the management and operation of the service in such a manner as to meet the requirements of the people.

3. As the people's cry for improvement of the service through expansion and re-adjustment of the telephone and telegraph facilities has been growing louder, resolutions have been passed by the two Houses in support of the national urge and subsequently, the Council for Rehabilitation of Telephone and Telegraph Service was instituted in the Cabinet in July, 1949.

In response to an inquiry submitted to the Council for its views regarding fundamental policy covering rehabilitation and expansion of the service, a report was received dated March 31, 1950 as per Enclosure 1, gist of which will follow;

THAT in view of the fact that the service is an economic enterprise just as well as it is a public utility, it is believed expedient that the present management (MOTC) be re-moulded into an economic enterprise corporation vested with a full proportion of autonomy and mobility in order to enable it to run the service with maximum of efficiency. Embodying this view, it recommends that the time-honored governmental management be discarded in favor of a public corporation with all the merits to the maximum possible extent of a private enterprise.

4. Further, on April 25, at the 7th session of the Diet, another resolution, similar in its essence to the abovementioned Council's report, was adopted by the House of Representative as per Enclosure 2, which, for the purpose of accomplishing radical renovation and improvement of the service, proposes that the management be transferred to a public corporation and that measures be studied carefully so as to ensure full autonomy and mobility for its management after the transfer. It is urged in conclusion that necessary steps be taken by the Government immediately toward establishing its policy along this line.

5. Pursuant to the views and requirements expressed either by the people direct or through the Parlimentary organs, the Government has elaborated on measures of its own for adjustment of its fundamental policy dealing with the management of the service as they are formulated in Enclosure 3, contents of which may be summarized as:

THAT in order to accomplish a radical development in the nation's telephone and telegraph service to the greatest interest of the greatest majority of the people, the acquisition of construction fund in sufficient and

stable amount is one of the factors of supreme importance and an all-out execution of most rational as well as efficient management of the service, for which the Ministry has been established, is another factor which exceeds the preceding one in importance.

In other words, the Ministry's execution and control of accounting, financial and personnel affairs which have an important and decisive bearing on the management and operation of the service is, on principle, subject to the same rules and regulations governing that of other general governmental administrative organizations, standing as an impediment in the way of freer activities of the management in executing its functions on the basis of an economic enterprise. The first and most essential consideration at the moment, therefore, is to straighten out this situation.

While it may appear feasible that amendments may be made in the laws and regulations governing the activities of general governmental administrative organizations, of which the Ministry is one, leaving the Ministry's organizational set-up intact, it is believed, more expedient and desirable that the management be re-shaped into a public corporation, thereby eliminating its bureaucratic elements and providing it with properties characteristic to an economic enterprise.

This not only will make a speedy advance of the service possible in conformity with the objective for which the Ministry has been instituted but will also go a long way to promote the interest of the people, reduce national expenditures and contribute to increased welfare of the corporation's personnel.

6. What the public corporation under contemplation will look like may be outlined as under;

1. The Government will, by making investment of the telecommunications facilities currently under the Ministry management after an appropriate reevaluation thereof, cause the corporation to take over and execute the management of such facilities on a collective and integrative basis.

2. The corporation will, roughly speaking, be organized by taking over the Ministry's organizational set-up just as it stands. The corporation's organs for decision and execution will be of as simplified structure as possible.

3. The system for accounting and finance currently in operation of placing greater proportion of weight on the basis of the budget will be done away with since it is liable to the fault of carrying out settlement of accounts more or less forcibly so as to make it conform to the pre-arranged budget. Obviously, this budget system is not the one for the corporation whose objective is to conduct a satisfactory management of the service.
Modifications will be made in the budget based on the management policy consistent with the objectives for the operation of the service and the system of account settlement on the basis of accrued principle will be adopted in its stead.

4. It will be provided that the corporation may, besides acquiring investments or accommodations from the Government, if required by circumstance, issue debentures or acquire loans either on its own credit or under governmental guaranty.

5. In making disposal of surplus fund, appropriations will be made for redemption of carried-over losses, transfers to reserves (for improvement of service, reduction of rates and tariffs, and welfare of personnel), transfer to the general account of the amount corresponding to that of interest accrued on the Government investment and sinking fund reserve.

6. Regarding its personnel, the corporation's own and independent standard will be established for appointment, promotion, job-classifications and service practices.

7. In dealing with the compensation for its personnel, a system will be established in such manner as it will best fit to carry out its management on an economic basis and the size of the personnel strength will be fixed so that it will enable assignments in such manner as is rational as well as responsive to meet any need of the moment as may be occasioned by the circumstance.

8. Regarding labor affairs, provisions of the Public Corporation Labor Relations Adjustment Law will be adhered to.

9. It will be provided that the Diet and Government supervision will not go beyond the principal phases of the corporation's management so that the autonomy of the management will be least interfered with. For this reason the supervisory organs will be of simple structure.

Notes:

The principal points of discrepancy regarding the corporation between the statements contained in Enclosures 1 (The Council's Report) and 3 are;

1. In Enclosure 1, it is proposed that the corporation will have within its structure two separate divisions, one for international service and the other for domestic service and that the latter-mentioned division will further be split up into several blocks or sub-divisions, whereas Enclosure 3 holds that the present Ministry organization will be turned over to the corporation to form the latter's organizational set-up roughly in its original shape.

2. Regarding the disposal of surplus fund, Enclosure 3 maintains that the existing government-owned facilities be invested in the corporation after they have been appropriately re-evaluated and that the corporation will transfer to the general account the amount corresponding to that of interest accrued on the government investment so placed.

(Enclosure 1.)

Report of the Council for Rehabilitation of Telephone and Telegraph Service in response to Inquiry regarding Restoration, Rehabilitation and Improvement of the Service:

Insofar as numerical figures are concerned, statistics available indicate that the Japan's war-torn telecommunications system has, thanks to the efforts of the parties concerned, been restored somewhere close to the pre-war level.

Viewed from the point of efficiency, however, it must be admitted that generally speaking, the performance being rendered thereby has so deteriorated in an inverse proportion to the upward trend of demand for service that they still call for an extensive improvement to be made in both plant and operation. In view of the present and future potentials of the nation's economy and population, it is believed essential that approximately 3,000,000 additional telephones be installed in addition to general reinforcement and rehabilitation of telephone and telegraph facilities to be realized within shortest possible time to come.

The telephone and telegraph service in Japan has, since its innauguration, been run by the Government. Throughout the time-honored governmental management, it is an acknowledged fact that due to the various restrictions which accompany any governmental organization and its functional set-up as inseparables, its management and operation in general have never been up to the mark, having only accomplished such a tardy progress in the field as it has invariablly been lagging far behind of the social demand at any time.

While it is an undisputable fact that the service is an affair that is to be undertaken as public utility as well as an economic enterprise, the management has in its present status (MOTC) some short-comings of more or less fatal nature in that just for no other reason than the service being operated by the Government, the systems and procedures for its financial, fiscal and personnel administration, which have an important bearing on the basic requirements for

running its business on an economic enterprise basis, are subject to the same laws and regulations governing those of other general government organizations and their personnel administration.

It has come to our notice for some time that owing to the various restrictions placed on the management without any consideration to its efforts for trying to run the service on an economic enterprise basis, it is confronted with the fact that little has been attained of what the management has been aiming at in operating the service as public utility activities.

Under the circumstances, it has come to believe that it is necessary to modify the present status of the organization to that of an independent enterprise with the attributes of full-proportioned autonomy and mobility so that the maximum efficiency in management may be assured.

Of all the known forms of organizations for enterprise, the one with the biggest proportion of autonomy and mobility would, of course, be that of a private enterprise.

In order to accomplish its objective outlined above most satisfactorily, swiftly and in such manner as to bring about best result, it is believed expedient that the present organization be converted into a form of public enterprise corporation with the atributes to the maximum possible proportion of all the merits of a private enterprise and in full consideration of the following essential factors:

1. Basic factors characteristic to the service, such as the fundamental quality of public utility, the necessity, of technical integration and uniformity, and of natural monopoly of operation.
2. Necessity of immunity, at the present stage of the operation of the service, to taxes and other public levies and of governmental protection and fostering.

3. Consideration for the current status of the nation's economic power and the availability of resources by private enterprises.

It is desirable that the following points be taken into consideration in relation to the establishment of the public corporation mentioned above, (which will hereinafter be referred to simply as "corporation").

I. Establishment of Corporation:

1. In order to expedite a further development through the accomplishment of increased efficiency in the operation of telecommunications service at present under governmental management, a public corporation will be established so as to take over its operation and management comprehensively together with all the rights and responsibilities incidental thereto.

2. The proposed corporation will, while maintaining full consistency and integration in its operation of the service as a whole, have two separate divisions in its internal organizational set-up, one for international, and the other for domestic, services. The division for domestic service will also have within itself several blocks or sub-divisions each of which will be vested with full proportion of administrative authority and responsibility as well as an equal amount of autonomy of management based on self-sufficiency principle.

3. In establishing the limits for an area to be covered by each of the blocks or sub-divisions referred to in the preceding item, primary consideration will be given to the economic and technical importance of a territory as well as to the desirability of regarding such an area as a unit from an administrative point of view rather than to mere geographical or governmental administrative boundaries.

4. Measures will be taken so that the comments and suggestions etc. from customers may be fully reflected, in their best interest, on the operation and management of the corporation at any locality as well as at its headquarters area respectively.

II. Administrative Organizational Set-Up of the Corporation:

1. The overall organizational structure will be simplified as far as practicable and the scope of responsibilities be clarified.

2. Measure will be taken so that the local divisional administrative set-up may be established in such manner as it will enable the organization to take especially prompt and expedient actions within as extensive an area as can practicably be covered.

3. Arrangement will be made enabling any of the personnel holding position of responsibility to devote himself to his duties with a sense of security.

III. Management of the Corporation:

1. Finance:

a. As regards affairs pertaining to the corporation's finance and accounting, systems based on the principle for the operation of a public corporation be established.

b. The corporation may invest its own fund or obtain accommodations from the Government. Besides such investment or accommodations, arrangement will be made so that it may, if circumstance requires, issue debentures and acquire loans to raise necessary fund on its own credit.

c. In connection with the disposal of profit, policies will be established so that appropriations may be made to cover carried-over losses, to improve the operation of the service or to reduce the rates and tariffs.

d. Provision will be made so that the corporation may make use of the service of private financing agencies in connection with operational cash fund and establish interest on monetary accounts either payable to or receivable from the Government Treasury.

e. In order to clarify and definitely establish the foundation on which the management of the corporation may be based, reevaluation of assets will be made at an earliest possible opportunity.

2. Establishment and Alteration of Rates;

a. The principle of fair remuneration be observed as a rule. Where special reduced rates are to be established under governmental requirements, the difference will be compensated for by the Government.

b. Rates other than basic ones will, regardless of the provisions of Article 3 of the Public Finance Law, be established or altered with the approval of the competent Minister.

3. Personnel;

a. For appointment and dismissal, resignation, citation for meritorious deeds and punishment of the corporation's personnel, a special and independent standard will be established in such manner as to make a most efficient operation of the corporation's functions possible.

b. As regards compensation for its personnel and the stipulated size of personnel strength, provision will be made so that they are established in such manner as to ensure most rational and efficient operation of the corporation's functions with due consideration as to the types and volume of services rendered.

4. Service;

a. The corporation will hold itself responsible for services of daily routine categories as they are rendered by its personnel.

b. In view of the nature of the service, which is a public utility, there will be immunity to taxes and levies, while any privileges and advantages the MOTC enjoys under laws and ordinances currently in effect will be maintained as heretofor.

c. On principle, contracts for sale or purchase will be entered into by competitive auction. Such contract, however, may also be effected, if so required by circumstances, by means of fair negotiation or mutual agreement.

d. The Government may, if circumstance warrants, order the corporation to install special facilities or take special measures. In such cases, whole or part of the expenses incidental thereto will be paid by the Government.

e. For construction of various facilities, funds, technical specialities and construction capabilities from private sources will be utilized as much as practicable so that it will contribute to an improvement of general management efficiency of the corporation.

5. Labor;

Regarding labour affairs, the Public Corporation Labor Relations Adjustment Law will be observed.

IV. Establishment & Maintenance of Definite Autonomy of the Corporation:

1. In the operation of the corporation, care will be exercised so as to give full respect to its autonomy in order to see that the maximum efficiency will be at work.

2. The Diet and Government supervision over the operation of the corporation will be limited to its minimum necessity in order to see that the corporation's effort for the maintenance of its distinctive quality in relation to the operation of the service as public utility enterprise is being properly met and that the Government's interest as an investing party is safeguarded.

3. Any governmental organizations or agencies which deem themselves to have been affected by the establishment of the proposed corporation may take any measures they consider fit so long as such measures are consistent with the principles set forth in the Administrative Organization and Procedure Simplification Policy.

(Enclosure 2.)

Resolution
by

The House of Representatives

regarding

Transfer to Public Corporation of the Management of Telecommunications Service:

It is admitted with regret that there has been but a tardy progress accomplished in the restoration and rehabilitation of the nation's telecommunications service despite all the efforts being rendered by the parties interested toward bringing it back to normalcy.

As regards telephone service, in particular, the rehabilitation and expansion programs currently under way appear to be in no way adequate considering the fact that a greater proportion of the nation's telephone system has been allowed to remain in a state of extreme dilapidation with consequent deterioration to such extent of its efficiency as it is not only far from being able to live up to the requirements of the public in general but has been deterring develcpment of nation's industry and culture.

In view of the particular nature of telecommunications service as public utility of highly advanced quality, having simultaneously properties of a business enterprise, the Government has established the Ministry of Telecommunications with a view to making rationalization of the present administrative organization possible.

However, for the reason that the management of the service being taken care of by the Government, the overall administration of its accounting, financial and personnel affairs, which has a bearing of vital importance on its management, is subject to various restrictions governing other general government administrative organizations and agencies with the result that the management's efforts for operating the service on a more progressive scale as well as on business enterprise basis invariably tend to be frustrated. This is, it is believed, one of the principal difficulties that stands in the way of a sound development of the service.

Under the circumstance, it is believed expedient that the Government should, with a view to eliminate the difficulties as well as to accomplish a radical improvement and development of the service, take steps for transferring the management of the telecommunications service from its present governmental status to a form of public corporation and elaborate on measures for providing the management under the corporation status with a full-proportioned autonomy, mobility and versatility for various phases of the operation of the service.

The House of Representative proposes that the Government establishes its policy immediately for taking necessary measure to cope with the situation.

It is hereby resolved as above.

(Enclosure 3)

Measures for Adjustment of Basic Factors affecting the Management of the Nation's Telecommunications Service:

The nation's telecommunications service, operated under governmental management since its inauguration, has not, it is regretted, attained any standard of efficiency such as to live up to the requirements of her people. The telephone service, in particular, has invariably been lagging far behind of the world's standard of development.

Insufficiency and unstableness in the acquisition of construction funds because of the national financial limitation and the various restriction, applicable to general government administrative organizations, standing in the way of freer activities of the management on an economic basis are, it is believed, the principal factors responsible for the situation. The war-time abuse of the facilities and their extreme dilapidation caused by the war damages that followed have proved to be fatal to a successful management of the service.

However, despite a number of adverse factors mentioned, rehabilitation and improvement have, thanks to the devoted efforts of the parties interested, been steadily under way after the war.

This improvement of the situation has subsequently been accelerated by the establishment in June 1949 of the Ministry of Telecommunications followed by a wholesale reorganization of its internal structure as well as by a rational readjustment of the service toward permitting its operation and management with an increase in efficiency and result.

In view of a series of the problems confronting the Ministry under the circumstance such as the installation of additional 3,000,000 stations, which has to be accomplished within a few years to come, and the achievement of an overall development of the service in general to the greatest benefit of the majority of the people, it is considered imperative that an expedient measure should be taken to ensure the acquisition of firmly established and sufficient funds for construction on the one hand and to prepare the ground

for its activities on the principle of a business enterprise basis through adjustment of the existing systems and procedures hampering with a rational and efficient management of the service on the other.

In other words, what the people require of the Ministry are the provision of an excellent service through the accomplishment of such radical development in the operation and management of the telecommunications system as is capable of matching the social, economic and cultural activities of the people and the execution of its policy toward the promotion of the people's benefit through an economic and efficient operation and management of the service in such manner as to bring about relief on the national budget as well as the promotion of its personnel's welfare.

Part I. Factors relative to Existing Systems and Practices adversely affecting the Management of the Service on Business Enterprise Basis:

In the first place, attention is directed to the categorical discrepancy that lies between the Ministry of Telecommunications, whose sole function, as an enterprise-conducting government organization, rests on the management of the nation's telephone and telegraph system on an economic basis, and other general government administrative organizations and agencies whose duties reside in a supervisory administration of general nature.

It is, therefore, considered exceedingly unreasonable that, just for no other reason than the Ministry being one of such government organizations, it should, on principle, be held liable to the rules and regulations governing organizations and agencies of the latter category, making it extremely difficult for the Ministry as the result to carry on the management of the service on an economic basis particularly because of the various restrictions placed on it in connection with the acquisition of its operational funds.

Of the rules and regulations governing general government administrative organizations and agencies above referred to, those adversely

affecting the Ministry's activities for an economic and efficient operation and management of the service in respect of its systems and procedures covering the personnel, compensation, financial and accounting affairs are as follows:

1. Personnel and Compensation:

The telecommunications service is an enterprise that involves the construction, maintenance, operation and administration of facilities of extreme delicacy and complication and, therefore, nothing but an impervious amalgamation of personnel element and mechanical facilities kept up in flawless operating condition is the thing that makes their functioning of highly advanced quality possible.

The nation-wide system of telecommunications invariably acts in such a perfect organic integration that the whole system is responsive to any single error or defect and will, accordingly, be affected seriously by it, if any.

This peculiar quality of the service's functions calls for, as essential qualifications for each member of the Ministry's personnel, professional ability and skill coupled with ample technical knowledge and experience in the respective field in which each individual is assigned, anywhere from the Ministry level down to the front line of operation, and furthermore, it is the first and sole requisite to a successful development of the service that he should play his integral part most efficiently in the organic completeness of the whole set-up. Likewise, any individual of the staff should be in possession of an excellent aptitude for the execution and management of the service.

In view of this situation, it would be taken for granted that there exists an essential and fundamental difference between the functions of the Ministry in its capacity as an enterprise-undertaking body and those of other general government administrative organizations and also that the administration of personnel belonging to one of the two categories of the government organizations mentioned and that of the people in the employ of the other should definitely be discriminated.

However, notwithstanding the obvious facts pointed out above, the application, as it is currently in effect, of the National Public Service Law to the Ministry personnel without least discrimination from other government organization's people puts the Ministry in an embarassing situation in connection with its effort to meet the requirements relative to the distinctive quality in its personnel in the matter of appointment, promotion and general administration.

The system for compensation in any enterprise should of course be such as to encourage activities of any individual toward a successful operation of the enterprise and be provided with means by which his efforts to a good cause be amply reflected on the compensation he receives. Here again, it is a regret to state that the system currently in operation makes practically no consideration of the quality typical to the Ministry's functions as an enterprise-undertaking government organization as distinguished from those of other categories and this also makes it difficult for the Ministry to take any appropriate measures to meet the need of the situation.

An amplification covering the points referred to above will follow with reference to a few specific instances:

(1) Personnel:

While the National Public Service Law provides the principle of competitive examination for appointment of, and promotion for, the national public service personnel, in view of the fact that expert technical knowledge or ability for enterprise management with an ample experience in either case are the qualifications required for the appointment of the Ministry personnel, measures should be taken, unlike in the case of the people for other government organizations, for providing a more appropriate plan

for determining whether or not an individual is in possession of such qualifications as may be required by any of the diversified types of duties which he plans to take.

The abovementioned quality peculiar to the Ministry personnel also makes it difficult to determine as to who is fit and who is not for a promotion by means of such competitive examination as the Law provides. Accordingly, measures should also be provided by which the ability and personal character of an individual may be carefully measured on the basis of a practical and scientific observation of the particular person to be conducted continuously for a certain length of period. In other words, the value of service each individual renders can only legitimately be determined by the following factors weighed collectively, namely his attendance to duty measured on the basis of a sound judgement and objective appropriateness, the result obtained from the training he has been subjected to for re-education and the effectiveness of the service he renders.

In view of the current indication toward the enforcement, with increasing rigidity of the principle, of competitive examination indiscriminately to the Ministry personnel, although the Law provides for certain cases, strictly as exceptions, for which deviation from the said principle is permitted, it is feared that the situation is getting from bad to worse for the management's effort to carry out its personnel administration in a manner most appropriate to the service it undertakes.

(2) Compensation:

a) The compensation for the Ministry personnel is, as already touched upon, regulated by the same plan applicable to the people for other general governmental administrative organizations.

However, it has been found that the plan does not adequately meet many of the requirements involved in the particular quality of the composition of the Ministry personnel and the actual status of its duties. Taking the case of a telegraph or telephone operator whose proficiency in his technical ability is rated as the nation's No.1 for example, so long as he remains to be an operator, the particular grade in the scale of compensation to which he belongs will not warrant him a raise no matter how valuable his service is to the enterprise and there is practically no legitimate means by which a raise can be given to him. This, obviously, constitutes a difficulty for the management in keepting such individual in his present job for any lengthy period contented. The only alternative that can be done is, if an increase is to be given to him by all means, to re-place him in another job of administrative category for which the grading in the compensation scale would justify a better pay, notwithstanding that he may not in all probability prove to be so valuable a person there as he used to do in his old duty.

b) Notwithstanding the well-acknowledged fact that an improvement of efficiency in the personnel is one of the formost requisites to a successful consummation of the objectives of any enterprise, the compensation plan currently in operation, although it provides means for authorizing an extension or prolongation of the stipulated period for a raise for an individual whose efficiency is considered not to be up to that standard as to justify a periodical increase of pay, there is no provision to meet the positive side of the situation either by justifying the curtailment of the stipulated period for pay increase or by authorizing a raise in excess of the amount fixed for each single raise in respect of an individual who has proved to be unusually excellent in his efficiency and out-standing in his devotion to duty.

Further, under this plan, educational career and the length of service in term of years are the only basis used for consideration of a promotion. It is believed more appropriate, however, that for the personnel in the employ of the telecommunications service a greater proportion of weight should be laid on each individual's ability, either technical or administrative as the case may be, instead of his educational career and years of service duration, in relation to the consideration for a promotion. The current plan does not justify an individual a promotion no matter how far outstanding the excellence in his ability is, unless his educational career and the length of his service are of the stipulated description.

c) It is most desirable that any positive efforts on the part of the Ministry personnel toward the rationalization of management, increase of efficiency as well as of revenue, and reduction of expeditures should amply be rewarded by the management so that it will contribute to the acceleration of management rationalization, increased efficiency and so forth.

Here again, the current compensation plan does not provide any means for recompensating the personnel's efforts to such good cause and consequently, the management finds it difficult to encourage or keep up the zeal and interest of the personnel toward an improvement of the operation and management of the service for lack of means in providing any incentive for the personnel's devotion to duty.

2. Finance and Accounting:

In order to meet the national demand for service through the accomplishment of a sound management of the telecommunications service and to ensure the maximum possible advantage to the people in general, the

acquisition of construction fund in sufficient and stable amount is the very factor of supreme importance. It is considered expedient, therefore, that the greater proportion of stress currently being laid on the basis of the budget under the present system of accounting should be shifted over to the account settlement basis, enabling the execution of management with a greater manifestation of the qualities peculiar to the service, which should be operated on the basis of a business enterprise. However, the Telecommunications Special Account, although it refers to the term "special", serves practically in no other way than segregating it from the general account as it is looked upon from the functional standpoint and is, therefore, not free from the various restrictions regarding the systems and procedures governing the national budget account, which is of consumptive, general and administrative nature, nor from the binding elements of the provisions of the Public Finance Law and the Accounts Law.

Consequently, under the budgetary restrictions regulating expenditures, the mobility relating to the Ministry's activities involving any expenditures is seriously affected because of the time required in following the procedures as well as of the tremendous complication involved in the accounting itemization, making it practically impossible for the management to carry out an adequate and active operation of the service.

The Telecommunications Special Account as an enterprise-conducting account, has almost slipped out of the system in which more weight is attached to the account settlement basis, which, incidentally, constitutes a guiding principle for the execution of the said accounting, and in its stead, the current system which attributes a greater proportion of stress to the budget basis and is of an administrative quality, has been in operation, making it more difficult for the management to carry out the operation of the service on business enterprise principle.

Further, the more favored principle of accounting for any enterprise on accrued basis is still in that stage of operation with the Telecommunications Special Account where it is not entirely free from the influences of the accounting system operated on cash basis. Obviously, this is another impediment hampering with an efficient management of the service due mainly to the excessive formality involved in relation to various accounting regulations and procedures.

Regarding the points dealt with above, for illustration reference will be made below to a few specific instances:

(1) Restrictions due to Accounting System in operation on Fiscal Year Basis:

In view of the nature of the telecommunications service, which, needless to say, is an enterprise of lasting nature, it would be legitimate that there should be no year-by-year partitioning or independence in the establishment of its operational programs and expenditures therefor. Restrictions involved in the current system for each fiscal year's budget accounting, based on the so-called principle of annual independence, make it practically impossible to establish any operational programs of stable nature extending over a considerable length of time ahead with the result that the fluctuation in relation to project-scheming is almost invariably inevitable with the accompanyment of the wave-like irregularities highly detrimental to any program-scheming. Furthermore, the current system of accounting based on the annual independence principle stands as an obstruction in the way of the day-by-day operational activities for meeting the requirements of any situation that may be occasioned by circumstances in that immediately before and after the periodic junction which separates each fiscal year from the one that follows there exists some difficulties in effecting expenditures with the consequent delays and irregularities in the operation and management of the service.

(2) Lack of Flexibility and Latitude with the Execution of the Budget:

It is stipulated under the current system of accounting that the execution of the established budget cannot be made except for any obligation for which an approval has been obtained and for public utility service projects for which approvals have been secured from the Economic Stabilization Board freshly for every quarterly period in both cases. The stipulation not only makes it difficult in mapping out any sensible programs for the service management extending over the whole length of a fiscal year but invariably results in deterring operational activities of the service because of the complication of the procedures involved. While the interchangeability of expenditures among items stipulated in the budgetary itemization is acknowledged to a certain extent, it is not adequate to warrant an efficient use of funds to such measure as to meet the requirements of the customers or to carry out service activities capable of meeting the need of any situation that may be occasioned by circumstance of the moment. The elasticity clause, though it does exist, does not, however, permit a fully versatile use of funds at any time other than the end of each fiscal year, hence the mobility of service activities is not fully guaranteed by it.

(3) Obstacles to the Establishment of Accounting System suitable for the Service Management on Business Enterprise Basis:

a) As may be easily seen from what is stated above, the adoption of accounting system with greater emphasis on account settlement and conforming to the established programs for the service activities, analysis of expenses executed, the execution, of account settlement and cost estimation and of management analysis for the purpose of providing suitable basis for the various activities of the service are the essential factors which make a successful operation and management on a business enterprise basis possible.

However, due to the financial restrictions consequent on the budget of an administrative nature, all the efforts of the management for making an efficient use of funds and the employment of the accounting results for such useful purposes as to make them adequately reflected on the service management are being interferred with or turned to little avail.

b) While the establishment of a solid and organic consistency between the budget and the settled accounts is an element of absolute necessity for making use of funds in such way as it will meet the actual requirements of the service, the regulations governing expenditures under the current budget-based accounting system, applicable equally to the general account and administrative budget, make a sensible budget formulation very difficult.

c) Freedom of operational funds from restrictions is another factor essential to a sound operation of the service, whereas under the principle of the unified control by the Government Treasury of funds for government organizations, such operational funds are subject to various restraints in relation to their deposits, receipts and deliveries, hence the desired freedom and independence of the management are apt to be ignored.

d) The official examination of the Ministry's account by the Board of Audit is conducted more or less in a manner similar, both in its method and objective, to the way in which the Board directs the auditing of the account of other general government administrative organizations with more weight, generally speaking, on procedures or formalities, and with little consideration to the adaptation of its accounting system to the objectives of the enterprise management.

This situation has affected the Ministry's accounting system and practice in such manner that they are executed primarily to meet the requirements and objectives of the auditing by the Board and in consequence, the service is not very much benefitted by it.

Part II. Execution of Management of Telecommunications Service on Business Enterprise Principle:

1. Manifestation of Distinctive Qualities of the Ministry functioning as Enterprise Operating Government Organization:

The accomplishment of a sound development of the service would never be materialized unless the various vdefects and obstacles, which the Ministry embraces within itself in relation to its operation, are immediately eliminated. It is believed imperative that consideration should be made in dealing with affairs concerning the personnel, its welfare and compensation with an ample regard to the qualities peculiar to the Ministry personnel and that the service should be established on the basis of a sound management principle so as to see to it that national demand be met through its operation and further that accounting system most suitable for operation of the service on an economic enterprise basis be set up through the establishment of measures for the acquisition of sufficient funds.

In order to carry out these objectives, it would be absolutely essential that the following measures are put into execution:

(1) Personnel and Compensation:

a) For appointement of, and promotion for, the personnel in the service, the indiscriminate application of the provisions of proper categories in the National Public Service Law should be discouraged in favor of those applicable to exceptional cases whenever their application is more preferable and appropriate to the peculiar quality of the service

and in case of any difficulty to do so, measure should be taken to have a special law enacted with provisions for the establishment of a standard that will meet the requirement of such case.

b) As regards compensation, legislative measure should be taken likewise so that payment of compensation, allowances and other remunerations suitable for the particular nature of the service be authorized.

(2) In order to adjust and improve the various defects existing in the current system of accounting as referred to above and to make the operation and management of the service strictly on an economic enterprise basis possible, a new system of accounting is to be established through a special legislative measure for enactment of, say, a national enterprise special account law completely independent of the Public Finance Law, the Accounts Law and the National Property Law.

2. Establishment of Public Enterprise Corporation:

While the preceding Article (1) deals with a proposition for adjustment to be made under the existing government ministry structure, this Article will cover the establishment of a separate public corporation, for the following reasons:

It has been definitely impossible, as it has been learned from the experiences of the past, to bring about result out of the efforts expended to free the management from the rules and regulations governing general government administrative organizations and it appears very likely that a considerable amount of difficulty will also remain in a near future just as it does at present. Rather than assuming a "wait-and-see" attitude indefinitely until the difficulties are removed, it is believed more expedient in the interest of the people and for the development of the

service that in view of the particular quality of the service, the management should free itself from the current status of governmental body and assume such a form of public corporation as will be most suitable for the public utility service it now undertakes, with the result that the positions of the personnel responsible for its management be more stabilized and their devotion to duties made possible, while making the whole personnel thoroughly business-minded in consequence.

The following are, roughly speaking, the elements that should be incorperated in the public corporation under contemplation:

(1) Establishment and Organization of Corporation:

a) A public corporation be established in the capacity of a separate and freshly created juridical person. The Government will, by making investment of the telecommunications facilities currently under the Ministry's management after an appropriate reevaluation thereof, cause the corporation to take over and execute the management of such facilities on a collective and integrative basis.

b) The corporation will, roughly speaking, be organized by taking over the Ministry's organizational set-up just as it stands. Corporation's organs for decision and execution will be of as simplified structure as possible.

(2) Finance and Accounting:

a) In view of the Particular qualities of the service calling for full mobility and business-like element, the budget-based fiscal year plan will be switched over to a fiscal year plan based on account settlement. Overall service activity programs including construction, operation and maintenance etc. will be submitted to the Diet for appreval.

b) The system for accounting and finance currently in operation of placing greater proportion of weight on the basis of the budget will be done away with since it is liable to the fault of carrying out settlement of accounts more or less forcibly so as to make it conform to the prearranged budget. Obviously, this system is not the one for the corporation whose objective it is to conduct a satisfactory management of the service. Modifications will be made in the budget based on the management policy consistent with the objectives for the operation of the service and the system of account settlement on the basis of accrued principle will be adopted in its stead.

c) It will be provided that the corporation may, besides acquiring investments or accommodations from the Government, if required by circumstance, issue the Telecommunications Debentures (named provisionally) and acquire loans either on its own credit or under governmental guarantee.

d) In making disposal of surplus fund, appropriations will be made for redemption of carried-over losses, transfers to reserves (for improvement of service, reduction of rates and tariffs, and of welfare of personnel), transfer to the general account of the amount corresponding to that of interest accrued on the Government investment and sinking fund reserve.

e) Provisions will be made so that the corporation may make use of the service of private financing agencies in connection with the handling of operational cash fund and establish interest on monetary accounts either payable to or receivable from the Government Treasury.

f) In view of the particular qualities attributable to the autonomy and public utility of the service, approval of the Diet will be required for the establishment or alteration of basic rates only, whereas those other than basic ones may be either established or altered with the approval of the supervisory organ.

(3) Personnel and Compensation:

a) For the corporation's personnel, its own and independent standard will be established in relation to the appointment, promotion, job-classification and duties.

b) In relation to the compensation, a system will be established enabling the corporation to carry out management of the service on the basis of a business enterprise, while it will be planned that the size of the personnel strength be fixed in such manner as to permit rationalized assignments with a freedom of mobility.

c) Regarding labor affairs, provisions of the Public Corporation Labor Relations Adjustment Law will be adhered to.

(4) Government Supervision and Protection of the Corporation:

a) It will be provided that the Diet and Government supervision will not go beyond the principal phases of the corporation's management so that the autonomy of the management will be least interfered with. For this reason the Supervisory organs will be of simple structure.

b) In view of the public utility of the service, in addition to the fact that the enterprise's immunity to takes and levies be authorized on principle, any privileges and advantages the MOTC now enjoys under the laws and ordinances currently in force will be maintained by the corporation as heretofore.

Communication

GOVERNMENT SECTION
Action Slip

Date Rec'd: 8th June 50

Line No: 290

Action Assigned to Mr. Riggs

Suspense Date 16 June 50

NOTE:-
1 copy has been forwarded to Civ Sec for info -

RECEIVED
8 JUN 1950

[illegible]

[illegible]

Reidentification of Assignment of Military Telecommunications Service

Govt Use [illegible] GOS

20 June 1950

1. Reference conversation General Billings, General Bath.

2. Herewith for your concurrence.

1 Incl

---------- C. W. ----------

GS

MAJOR NEITZEY 9 [illegible]

33

Action completed + forwarded 10 pm

Communications

Mr. Schwob 26-8502

GRR/DTS/kt

Committee for Joint Use of Poles

TCG/WLM/mch

Government Section

23 January 1950

ESS

2 1. ESS concurs in the necessity for the Japanese to construct joint pole lines for carrying lighting and power service, communications and signals. This is particularly necessary in suburban areas adjacent to large cities. The Japanese have developed a conglomeration of poles, overhead wires and low-voltage street lights which present a hazardous condition to personnel maintaining the equipment and the general public.

2. Construction of joint pole line will conserve critical material and reduce cost of construction for individual units. Present Japanese financial condition does not warrant excessive cost practices.

3. The Electric Power Bureau has done considerable work and study to assist the companies in joint pole line construction. ESS recommends that the functions of the present committee operating under the ESB be ultimately transferred to the Electric Power Bureau. This will combine the efforts of the two organizations working along parallel lines.

1 Incl
n/c

GS FILES

W. F. M.

Maj Napier 26 6962
24 January 1950

From: GS To: CCS

3 1. Reference paragraph 5 of Check Note 1 above.

[illegible] of a technical
is suggested that
administrative re-
GS desires to dis-
that GS has agreed
ntion of this Com-
economy in govern-

/ 1125

Mr. Rizzo, Gatrie

Major Napier wanted you to see attached before it is hand-carried to CCS.....

cns

Sounds OK to me
Come FR
Keep this paper.

(communications)

Mr. Schwob 26-8502
GHR/DTS/kt

TCC/WLW/meh
ESS

Committee for Joint Use of Poles
Government Section

23 January 1950

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1 Incl
n/c

GS FILES

- W. F. M. - - - - - - - - - -

Maj Napier 26 6962
24 January 1950

From: GS To: CCS

3 1. Reference paragraph 5 of Check Note 1 above.

2. Since advice in this matter would necessarily be of a technical nature pertaining to your area of primary interest, it is suggested that State Minister HOSHIJIMA who is responsible for matters of administrative reform within the Japanese Government, be advised that CCS desires to discuss the retention of subject Committee with him, and that GS has agreed with you that, from a technical point of view, the retention of this Committee appears advantageous to the Japanese policy of economy in government.

7R

1 Incl
n/c

- C. W. - - - - - - - - - - - - - - - - - -

32

Consult BJC members for their attitude on original and amended communication, &c

Napoleon Commend

Williams

Non communicate

Forbear any thing here for the present

CS Files

November 17, 1949

Brig.-General Courtney Whitney

Honored Sir,

Re Radio Control Committee

We take the liberty of making this appeal to you regarding the projected Radio Control Committee.

We wish to point out four big defects accompanying the present bill concerning the organization of the Radio Control Committee. They are:

(1) In the present plan the chairman of the Radio Control Committee is a Minister of State. This, we believe, is the first of schemes undertaken by the Democratic-Liberal Party which intends to place at its mercy the committee administration which should function democratically. We fear if this first step is allowed to pass, independency of all committee may be lost.

(2) The Radio Control Committee undertakes to conduct two utterly different phases of administration, technical administration concerning electric waves and cultural administration concerning broadcasting industry; so to speak, filling the posts of a teacher of chemistry and of history concurrently. This may be likened to two persons trying to seat in a single chair.

(3) The third defect is deribable from the second contention. We can expect troubles if the chair fails to seat the two persons at a time. And the possible troubles must lead to nullification of the committee. Such a deplorable situation, we should think, will be what government officials of the committee are desirous to create, so that they may-be can avail of such an eventuality to grab real power. This committee, we wish to argue, is a manifestation of underhand schemes by government officials by which they want to clamp another official control on radio broadcasting.

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(4) The Broadcasting Corporation of Japan will be placed under supervision of the feeble Management Committee and the Radio Control Committee which may not be free from the possible troubles. This will not only deprive the Broadcasting Corporation of Japan of its freedom and power, but also freedom and power of multitudes of listeners who can catch electric waves aired by the Broadcasting Corporation of Japan only.

From the above contention, we earnestly hope that these blemishes surrounding the organization of the Radio Control Committee shall be removed, and at the same time wish that the Radio Broadcasting Bill, the Radio Control Committee Bill and the Electric Waves Bill shall be reexamined and revised along the following line:

(1) The Broadcasting Committee is created to conduct radio cultural administration; it shall be responsible to the Diet and the people; and it conducts proper administration regarding the Broadcasting Corporation of Japan and commercial broadcasting companies;

(2) The Radio Control Committee shall undertake technical controls on electric waves. And the above-mentioned two committees shall be made independent of the government, and they shall represent the best sense and the best interests of the nation.

We wish to thank you in advance for your kind attention and consideration of the matter.

We have the honor to be

Yours respectfully,

H. Taniguchi

(HISAO TANIGUCHI)

CHAIRMAN,
JAPAN BROADCASTING LABOUR UNION

Comm

CS Files

Letter Tgm yesterday by CCS Just for convenience Cleared OK

NOTES FOR COLONEL KUNZ'S CONFERENCE WITH MR. SUZUKI

1500, 14 Nov 49

1. CCS wishes again to emphasize that it is felt the MOTC has done a very fine job in drafting the Radio Law and that I wish to congratulate each of you for your outstanding work. Mr. Brown has stated that he wishes to join me in these statements in behalf of CIE.

2. However, in view of discussions within SCAP and because of high level policy, CCS and CIE strongly urges that the following changes in the draft laws be made:

a. Draft of the Radio Regulatory Commission Establishment Law, 15 Oct 1949.

(1) Delete paragraph 2 of Article 5.

(2) Delete paragraphs 2 and 3 of Article 19 and amend paragraph 1 thereof to read essentially as follows:

"The Cabinet may on demand from the Prime Minister review the decision of the Radio Regulatory Commission (excluding the decision of the Radio Regulatory Commission with regard to the complaint prescribed in Chapter 7 of the Radio Law (Law #____ of 1949)), and the Cabinet may request the Radio Regulatory Commission to review its decision. After the Radio Regulatory Commission has reviewed its decision, no further consideration or review shall be made by the Prime Minister or the Cabinet."

b. Draft of the Broadcast Law dated 10 October 1949.

(1) Article 37 delete paragraph 3 and substitute therefor:

"If any changes are recommended by the Cabinet in the items mentioned in the preceding paragraphs, then the appropriate committees of the Diet will obtain the views of the Broadcasting Corporation of Japan."

(2) Change paragraph 2 of Article 37 to read:

"Upon receipt of the budget of revenues and expenditures, business project and financial program mentioned in the preceding paragraph, the Radio Regulatory Commission shall review them and transmit them with its comments through the Cabinet to the Diet for its approval."

(3) Add as paragraph 4 of Article 37:

"The amount of the listeners fee will be as determined by the Diet when considering the above mentioned items."

(4) Delete paragraph 2 of Article 32 of the Broadcast Law.

H

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Comm

GS File

Proposals Concerning Radio Regulatory Commission

GS CCS 14 November 1949

2 1. Concur in C/S No. 1 above with recommendation that, in keeping with the established modus operandi, the advice to the Minister of Telecommunications be couched in such terms as "strongly urge" rather than "must insist."

---------- C.W. ----------

28

C. A. Feissner
26-6424

PPR/CAF/dk Proposals Concerning Radio Regulatory Commission

CCS Government Section 10 November 1949

1 1. In accordance with the discussion held this morning between Mr. Frank Rizzo, Deputy Chief, Government Section, Col Kunz, Lt Col Johnson and Mr. Feissner, all of Civil Communications Section, CCS proposes the following action and solicits the approval of Government Section:

CCS will very strongly recommend to the MOTC that the three drafts of radio legislation have been prepared in very fine manner by the MOTC, and compliment the Ministry on the work done. However, in view of discussions within SCAP and because of high level policy, CCS must insist that Paragraph 2 of Article 5 be deleted from the draft of the Radio Regulatory Commission Establishment Law (a Minister of State shall be appointed Chairman) and further must insist that Paragraphs 2 and 3 of Article 19 be deleted and Paragraph 1 of Article 19 be re-written somewhat as follows: "The Cabinet may on demand from the Prime Minister review the decision of the Radio Regulatory Commission (excluding the decision of the Radio Regulatory Commission with regard to the complaint prescribed in Chapter 7 of the Radio Law (Law #____ of 1949)), and the Cabinet may request the Radio Regulatory Commission to review its decision. After the Radio Regulatory Commission has reviewed its decision, no further consideration or review shall be made by the Prime Minister or the Cabinet".

2. The very urgent need for radio legislation will require that this matter be handled expeditiously.

- G.I.B. - - - - - - - - - - - - - - - - -

1/ Commuter

T. K. Tindale
26-8927

Visit to Telecommunications School

Govt Sec CCS 7 November 1949

1. Between 19 and 22 November 1949, the Chief of the Efficiency Bureau, the Chief of the Training Section, and the chiefs of the three branches of the Training Section of the Japanese National Personnel Authority will visit the Telecommunications School at Suzuka. They will be accompanied by Mr. Thomas K. Tindale, Chief, Training Branch, Civil Service Division of this Section. The purpose of the visit will be to study the operation of the school with a view to adapting the modern training methods there developed to other organizations and agencies of the Japanese Government.

2. It will be very much appreciated if Mr. Vandergrift of your Section can accompany them on this visit and give them benefit of his technical knowledge of the operation.

- C. W. -

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27

REPORT ON
TELECOMMUNICATION AND TELEPHONE REHABILITATION COUNCIL
(Second and Third Meetings)

Oct. 25, 1949

The Second and Third Meetings of the Council were held on October 10 and 24 respectively at the Premier's Official Residence attended by the members of the Council and officials of the Telecommunication Ministry in charge of the affairs.

A good lot of materials was presented from the Ministry for reference before reaching a final conclusion, with a view to deepening the general understanding and cognition of members in regard to the present situations of telecommunication facilities, management and financial conditions, state of affairs in other countries compared to those in Japan and so forth. Question-and-answer was held on both occasions based upon those materials. In the next meeting which will take place on November 7, the same procedures will be taken.

So far the deliberation is on the stage of explanation by the Ministry; and full-scale and substantive discussion will be expected to begin from the Fifth meeting.

Under-mentioned are materials from the Ministry for the Second Meeting:

1. Demand for telephones in Japan
2. On transition of expansion and reform on telecommunication enterprises

REPORT ON
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1. Demand for telephones in Japan
2. On transition of expansion and reform on telecommunication enterprises
3. Telecommunication enterprise management in foreign countries
4. Outline of P.B.X. system

5. Comparison of telecommunication fees between Japan and other countries.
6. Five-year plan for telecommunication rehabilitation
7. Telecommunication rehabilitation plan (2nd draft)
8. Comparison between telecommunication fees and price levels
9. Comparison between national income and telecommunication revenue
10. History and present situation of telecommunication finance
11. Performance of No. 4 telephone set
12. Production capacity and management situation of telecommunication material producers

For the Third Meeting:

1. Materials from Rehabilitation Council
2. Report on construction classified by works and amounts of money
3. Report on telephone increase in 1948
4. Materials on P.B.X. system

Comm ✓

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GIB/mjc

Interruption to occupation Force Telephone Circuits as Result of Sabotage

CCS Chief of Staff 12 August 1949

Government Section

1. 1. An informal report received this date from the Deputy Communications Officer, Eighth Army, who supervises all long distance telephone service in Japan and also the telephone service in the Tokyo area, indicates that there have been two instances in which occupation force telephone service has been interrupted as the result of sabotage, presumably on the part of disgruntled employees who have been discharged by the Ministry of Communications. These two instances are as follows:

a. 26-pair aerial cable carrying 14 circuits between Tachikawa and Johnson Air Forces Base and 14 circuits between Tachikawa and Yokota was cut at approximately 102200 JDST. On the morning of 11 August, it was determined that a section approximately three feet in length had been cut out of the cable in the village of Misuho. Circuits were promptly re-routed and normal service established. The damaged cable was repaired at approximately 111400 JDST. It is understood that the Provost Marshal, Tachikawa, and the CIC are investigating the incident.

b. At approximately 122240 JDST, service on underground cable between Chiba and Kisarazu Air Forces Base was interrupted. Investigation showed that the cable had been excavated and a section approximately sixty feet long removed in the vicinity of Kisarazu Air Forces Base. The cable was cut at a second point located approximately 3 km. from Chiba. This cable contains five occupation forces circuits connecting Kisarazu Air Forces Base with other points. Of the five circuits interrupted, Tokyo-Kisarazu and Johnson Field-Kisarazu circuits had been restored as of 131000 JDST.

2. The Deputy Communications Officer, Eighth Army, and the Chief, Civil Communications Section, GHQ, are maintaining close contact with Ministry of Communications officials to the end that appropriate recommendations may be submitted to higher authority should the developing situation appear to warrant specific action by the CINCFE or CG Eighth Army.

G.I.B.

Copies to: Deputy Chief of Staff, FEC
G-2
G-3
Government Section

25

SECRET

WPM/HCK/ECA/vmp
E. C. Allen - 26-8059

004.01(23 Jun 49)ESS/ST Relaxation of Controls over Japanese Communications

ESS

G-1
G-2
CPC
DS (in turn)

12 August 1949

5 1. Ess divides this matter into two parts:

a. The rescission of paragraphs 4c and 4d of the SCAPIN 1900 series.

b. The rescission of paragraph 3d of SCAPIN 1900 series and the Amendment of SCAPIN 677.

2. With regard to paragraph 1a above, ESS comments on paragraph 4c of SCAPIN 1900 series were contained in check note 1 from ESS to CCS, dated 10 June 1949 (concurred in by DS). Subsequent discussions between ESS and CCS resulted in SCAPIN 1900/11, dated 27 July 1949 (copy enclosed).

3. With regard to the main issue, viz., that referred to in paragraph 1b above, ESS considerers that it should await approval of the staff study circulated by DS on 12 July 1949, subject: Delegation by SCAP of limited Functions to Japanese Ministry of Foreign Affairs. ESS concurred with Staff Study on 5 August 1949 except for wording of paragraph 9e on matters relating to copyright and industrial property registrations. If that Staff Study is approved and the proposals therein implemented, ESS considerers that SCAPIN 1900 and SCAPIN 677 should be amended to bring them into conformity with those proposals.

3 Incls
Added Incl 3
3. Copy SCAPIN 1900/11

- W. F. M. - - - - - - - - - - - -

24

CONFIDENTIAL

COPY

Mr. Finn 26-5528

Relaxation of Controls over Japanese Communications

DS

In turn: CCS, LS, GS, ESS, G-1, G-2

23 June 1949

1

1. DS believes that, in accordance with Occupation policy of reducing controls, the Japanese Government or individual Japanese should be permitted to communicate abroad on all matters except where specifically prohibited by SCAP. The increasing need of the Japanese Government and of individual Japanese to communicate abroad, as in the case of personal status and patent matters, points to the desirability of relaxation of SCAP communication regulations. Specific restrictions as in the case of foreign exchange controls will serve to prohibit communications in regard to matters of continuing concern to SCAP, while censorship will serve as a check to insure compliance with appropriate regulations.

2. DS therefore recommends that the following restrictions on Japanese communications be relaxed as no longer compatible with Occupation policy:

(a) amendment of paragraph 2 of SCAPIN 677 dated 29 Jan 1946, subject: "Governmental and Administrative Separation of Certain Outlying Areas from Japan", in order to permit all communications between Japan and points abroad subject to specific SCAP regulations;

(b) deletion of paragraphs 4c and 4d of SCAPIN 1900 dated 28 May 48, subject: "International Postal Service", in order that "papers of legal procedure" and "Documents of all kinds drawn up by Ministerial officers" can be transmitted to and from Japan.

3. So far as DS is aware, there is no requirement in directives to SCAP justifying the continuance of these restrictions.

4. Appended as TAB A is a proposed amendment of SCAPIN 677 appropriately amending paragraph 2.

5. DS suggests that CCS append as TAB B a draft SCAPIN making appropriate deletions from the SCAPIN 1900 series in regard to transmittal of papers of legal procedure and documents drawn up by Ministerial officers. DS assumes that SCAPIN 1771 dated 9 September 1947, subject: "International Telecommunications Service", will not require amendment as a result of the above proposal.

6. Request comment or concurrence prior to submitting the above recommendations to C/S.

Incl: Proposed amendment of SCAPIN 677. C.K.H.

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Relaxation of Controls over Japanese Communications

GS — ESS, G-1, G-2, CPC, DS (in turn) — 12 July 1949

4

1. Government Section opposes the proposals contained in above C/N #1 of DS and C/N #2 of CCS as being both too broad and premature.

2. Under the present system of control, based on SCAPIN 677 of 29 January 46, the Japanese Government is prohibited from communicating with governments and others outside of Japan, except as specifically authorized by SCAP. Thus, beginning in January 1946 with communications incident to the operation of shipping, communications and weather services, these SCAP authorizations have been extended from time to time until they include a variety of matters such as documents and papers of legal procedure relating to the personal status of individuals (June 1949). Under the present proposals this system would be replaced by a blanket authorization to the Japanese Government to communicate with foreign governments or with organizations and individuals outside of Japan in regard to any matter, subject to regulations by SCAP.

3. The proposed system might provide a satisfactory method of control were there extant an exhaustive list of subjects concerning which, or of parties with which the Japanese Government might not directly communicate. Such a list does not exist, however, for the reason that the general prohibition of paragraph 2 of SCAPIN 677 has heretofore proved efficacious. For example, there is no specific SCAP regulation which would prohibit the Japanese Government or agencies thereof from communicating directly with the heads of foreign countries or agencies thereof on political or policy matters of concern to the Occupation. There is a very real risk that were Japanese governmental agencies permitted to correspond directly with foreign governments on any but specifically defined subjects of non-political or policy import they would before long overstep the bounds of discretion or propriety, with consequent confusion and embarassment to the delicate relations existing among the participating powers, the Supreme Commander and the Government of Japan. Repeal of the general prohibition of SCAPIN 677 would, therefore, necessitate simultaneous preparation and publication of a complete list of prohibited subjects and correspondents, an unnecessarily cumbersome method of control with inherent risk of omission and embarrassment.

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Relaxation of Controls over Japanese Communications

GS — ESS, G-1, G-2, CPC, DS (in turn) — 12 July 1949

A
Cont'd

4. Aside from the risk noted above there is the no less important question of the advisability of removing this particular control by SCAP action at a time when acrimonious discussion is being recorded in the Far Eastern Commission over recent United States proposals to enlarge the area of Japanese participation in international affairs, of which Japanese governmental communications are naturally a part. It is apparent that the other member governments do not favor Japanese participation in international activities, except in non-political matters, and then under SCAP supervision and subject to the policy control of the Commission. These other countries would undoubtedly react sharply to any action by SCAP which appeared to sanction resumption of direct relations by the Japanese Government with other governments prior to a peace treaty. The fact that the United States Government has submitted its proposals in these matters to the consideration of the Commission signifies that the United States Government considers these matters to be within the purview of the Commission's policy-formulating functions.

5. RECOMMENDATION:

In view of the foregoing, recommend that further relaxations of control over the Japanese Government's communications with other governments, organizations and individuals be the subject of individual authorizations as the need is demonstrated from time to time, in accordance with the method followed hitherto.

2 Incls n/c ---------- C.W. ----------

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RD/MLM/mlt

Relaxation of Controls over Japanese Communications

CCS

Thrus DS
LS
GS
ESS
G-1
G-2
CPC

29 Jun 49

2

1. CCS concurs in proposals outlined by DS in check note 1 above.

2. Appended as Tab B is draft amendment to SCAPIN 1900, relaxing restrictions on international mails, in conformity with proposed amendment to SCAPIN 677 and in compliance with request made by ESS in check sheet dated 10 June 1949.

3. In addition to rescinding paragraphs 4c and 4d of SCAPIN 1900 as recommended by DS, it is proposed to delete par 3d which prohibits the Japanese government from corresponding with persons outside Japan except on certain specified matters.

4. It is not considered necessary to amend SCAPIN 1771.

2 Incls
1. Proposed amendment to SCAPIN 677
2. Proposed amendment to SCAPIN 1900

- G. I. B. - - - - - - - - - - - - -

From: DS

To: GS
ESS
G-1
G-2
CPC
DS (in turn)

Date: 20 June 1949

3

1. References are check notes 1 and 2 above.

2. Legal Section concurs in proposed amendments of SCAPINS 677 and 1900.

Incls - a/s

C.H.L.
- Acting Chief, Legal Section - - - - - - - - - -

CONFIDENTIAL

Communications

GOVT SECT

Measures to Protect Communications Necessary for Public Safety

Osborne Hauge, 26-6457
5 Aug 49

CS CCS
Thru: G-3

4 1. CS acknowledges that seizure of control over communications facilities by subversive elements would jeopardize the maintenance of law and order, but the Section does not believe the present situation justifies issuance of a directive as recommended by CCS (paragraphs 5a and 5b of CCS Check Note No. 1) for the following reasons:

a. It is unlikely that any large scale action to disrupt the communications system will occur so long as the Occupation Forces remain in Japan.

b. The Japanese government and its agencies have the authority and the resources to deal with emergency situations.

c. Should a situation develop which would over-tax the facilities of Japanese law enforcement agencies, thereby endangering Allied Forces or property, military commanders possess authority to take necessary protective measures. (Note Staff Memorandum No. 29, 16 July 1949, "Use of Troops in Civil Disorders".)

2. Presumably the proposed directive would (a) enable Occupation Forces to intervene immediately in the event of threat to communications services in any part of Japan, and (b) provide a legal basis for the prosecution in provost courts of individuals charged with disrupting communications facilities. Neither of these purposes would justify the assumption of responsibility by the Occupation for what is clearly a problem of domestic law enforcement. It would be incongruous now, following implementation of Headquarters decisions to relax Occupation controls and to encourage progressive assumption by the Japanese of responsibility for self-government, to take action which would in effect extend Occupation influence and control. In view of these recently widely publicized moves to relax controls over the Japanese government and people - as exemplified by Staff Memorandum No. 25 - issuance of a directive such as the one proposed would constitute a distinct step backward in the process of restoring autonomy and independence to the government and would be branded as evidence of failure to achieve a major Occupation goal.

3. In view of the above, CS non-concurs in the issuance of the proposed directive to the Japanese government.

1 Incl: n/c

---------- C. W. ----------

23

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Mr. W. L. Wardell 26-6147

TC/WLW/nk

CCS

Measures to Protect Communications Necessary for Public Safety

C/S

(1) 1. Intelligence information at hand indicates it is probable that there will be a major labor movement of a radical nature during the remainder of July and during the months of August and September. It is expected that the first serious phase of these activities will start about 15 July 1949. There are positive indications that the Japan Communications Workers Union plans full cooperation which would probably include the partial or complete disruption of police and fire communications and news disseminating media. Then, if public safety communications and informational services are to be sustained without interruption, it is believed that action on the part of GHQ SCAP should be initiated as indicated in paragraph 5.

C/S File

2. Based upon G-2 intercept information, it is known that the Communist Party, which is the chief sponsor of the movement, has issued instructions that due to the failure of an initial "push" starting about 1 July, an all out effort is to be made during the remainder of July. Instructions have been issued to the effect that "force" will be used if necessary (Tab 1. This information was received from a source which in the past has been reliable). As indicated in Tab 1 and verified by hundreds of intelligence intercepts, the Japanese Communications Workers Union, which is under the domination of the Communist Party (Tab 2), plans full cooperation with the Party and other radical organizations in making the movement successful. This organization had issued an instruction four days previous to the Communist Party declaration that force would be resorted to if necessary and plans other illegal acts in controlling communications (Tab 3). Furthermore, action has been taken by the Union which has placed Communists or Communist sympathizers in positions where they could take over almost full control of not only police communications, but also international circuits and important communications centers (Tabs 2, 4). It is known that this union has also compiled complete records of Occupation Force services. Union plans include control of service offered to news disseminating agencies which is indicated by action taken at Hiroshima quite recently (Tab 5).

3. Tab 6 includes a number of intercepts of a representative nature. These supporting data are intended to be only representative of information at hand; there are literally thousands of bulletins of the same nature available in the intelligence files.

4. In view of the serious situation that now exists in the labor field and in view of the possible use of force and open defiance of law enforcement agencies, it is extremely important to both the Japanese Government and the Occupation Forces that police and fire communications not be interrupted. Furthermore, in view of the possibilities of the situation, it is important

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that news disseminating media remain in operation as a means for reaching the mass of Japanese population with true and unbiased information in the event of general disorder.

5. In view of the above, it is recommended that:

a. If it is desirable that continuity of police, fire and informational communications services be assured, a directive be issued at once to the Japanese Government, by GHQ SCAP (Tab 7) officially directing that public safety communications, broadcasting services and press communications are considered as essential to the Occupation Forces and will be considered the same as Occupation Force services.

b. If the issuance of the directive proposed in a is considered as contrary to policy or as a sign of panic or an undesirable expression of lack of confidence in the Japanese Government, this action be prepared temporarily as secret and be ready for issuance if communications essential to public safety are actually interrupted and it has been determined that actual issuance of the directive is necessary.

c. If plan b is followed then the Eighth Army be alerted now by secret radiogram as to the possibility of being called upon to enforce the re-establishment of such communications (Tab 8).

8 Incls
1. Communist Party Directive, 6 Jul 49, TAB 1
2. Infiltration of Communists into Japanese Police System, TAB 2
3. Communications Workers Union Directives, 2 July and 4 July 49, TAB 3
4. Infiltration of Communists into Control Positions in Japanese Telegraph and Radio systems, TAB 4
5. Control of Communications offered to News Disseminating Organizations, TAB 5
6. Representative Actions and Plans of the Communications Workers Union, TAB 6
7. Proposed Directive to the Japanese Gov., TAB 7
8. Proposed Radiogram to Eighth Army, TAB 8

- G. I. B. - - - - - - - - - -

22218

GS

Lt.Col.Nugent--26-5010
Date: 21 July 1949

2 From: CIE Thru: G-2
GS
G-3
To: CCS

1. CIE concurs in the necessity for insuring that fire and police communications not be interrupted in the event of large scale labor disputes, and concurs also in the necessity for insuring "that news disseminating media remain in operation as a means for reaching the mass of Japanese population with true and unbiased information in the event of general disorder."

2. No objection is offered to the recommendation contained in para. 5.a. of attached checknote to Chief of Staff. However, it is considered that the recommendations contained in paragraphs 5.b. and 5.c. of that checknote will accomplish the desired purpose in the event of an actual emergency which cannot be handled by the Japanese authorities on their own responsibility, and at the same time will not indicate an assumption on the part of this headquarters that Japanese authorities are not able to handle their own affairs.

1 Incl
n/c

- D. R. M. - - - - - - - - - - - - - -

From G-2 To: CCS 23 Jul 49
3 Thru: GS
G-3

G-2 concurs in the proposals as outlined in paragraph 5b, check note No. 1, "Measures to Protect Communications Necessary for Public Safety."

1 Incl: n/c

- C.A.W. - - - - - - - - - - - - - - - - -

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CONFIDENTIAL

Relaxation of Controls over Japanese Communications

GS
4

RSS
C-1
C-2
CPC
DS (in turn)

12 July 1949

1. Government Section opposes the proposals contained in above C/S #1 of DS and C/S #2 of CCS as being both too broad and premature.

2. Under the present system of control, based on SCAPIN 677 of 29 January 46, the Japanese Government is prohibited from communicating with governments and others outside of Japan, except as specifically authorized by SCAP. Thus, beginning in January 1946 with communications incident to the operation of shipping, communications and weather services, these SCAP authorizations have been extended from time to time until they include a variety of matters such as documents and papers of legal procedure relating to the personal status of individuals (June 1949). Under the present proposals this system would be replaced by a blanket authorization to the Japanese Government to communicate with foreign governments or with organizations and individuals outside of Japan in regard to any matter, subject to regulations by SCAP.

3. The proposed system might provide a satisfactory method of control were there extant an exhaustive list of subjects concerning which, or of parties with which the Japanese Government might not directly communicate. Such a list does not exist, however, for the reason that the general prohibition of paragraph 2 of SCAPIN 677 has heretofore proved officacious. For example, there is no specific SCAP regulation which would prohibit the Japanese Government or agencies thereof from communicating directly with the heads of foreign countries or agencies thereof on political or policy matters of concern to the Occupation. There is a very real risk that were Japanese governmental agencies permitted to correspond directly with foreign governments on any but specifically defined subjects of non-political or policy import they would before long overstep the bounds of discretion or propriety, with consequent confusion and embarrassment to the delicate relations existing among the participating powers, the Supreme Commander and the Government of Japan. Repeal of the general prohibition of SCAPIN 677 would, therefore, necessitate simultaneous preparation and publication of a complete list of prohibited subjects and correspondents, an unnecessarily cumbersome method of control with inherent risk of confusion and embarrassment.

FR

GS File

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22

Relaxation of Controls over Japanese Communications

GS

MIS
G-1
G-2
CPC
DS (in turn)

12 July 1949

4
Cont'd

4. Aside from the risk noted above there is the no less important question of the advisability of removing this particular control by SCAP action at a time when acrimonious discussion is being recorded in the Far Eastern Commission over recent United States proposals to enlarge the area of Japanese participation in international affairs, of which Japanese governmental communications are naturally a part. It is apparent that the other member governments do not favor Japanese participation in international activities, except in non-political matters, and then under SCAP supervision and subject to the policy control of the Commission. These other countries would undoubtedly react sharply to any action by SCAP which appeared to sanction resumption of direct relations by the Japanese Government with other governments prior to a peace treaty. The fact that the United States Government has submitted its proposals in these matters to the consideration of the Commission signifies that the United States Government considers these matters to be within the purview of the Commission's policy-formulating functions.

5. RECOMMENDATION:

In view of the foregoing, recommend that further relaxations of control over the Japanese Government's communications with other governments, organizations and individuals be the subject of individual authorizations as the need is demonstrated from time to time, in accordance with the method followed hitherto.

2 Incls n/c - - -

CONFIDENTIAL

GS

Relaxation of Controls over Japanese Communications

FO/HLW/als

CCS

29 Jun 49

Thru: DS
LS
GS
ESS
G-1
G-2
CPC

2

1. CCS concurs in proposals outlined by DS in check note 1 above.

2. Appended as Tab B is draft amendment to SCAPIN 1900, relaxing restrictions on international mails, in conformity with proposed amendment to SCAPIN 677 and in compliance with request made by ESS in check sheet dated 20 June 1949.

3. In addition to rescinding paragraphs 4c and 4d of SCAPIN 1900 as recommended by DS, it is proposed to delete par 3d which prohibits the Japanese government from corresponding with persons outside Japan except on certain specified matters.

4. It is not considered necessary to amend SCAPIN 1771.

2 Incls
1. Proposed amendment to SCAPIN 677
2. Proposed amendment to SCAPIN 1900

---------- G. I. B. ----------

From: LS To: GS Date: 30 June 1949
ESS
G-1
3 G-2
CPC
DS (in turn)

1. References are check notes 1 and 2 above.

2. Legal Section concurs in proposed amendments of SCAPINS 677 and 1900.

Incls - n/c

C.R.L.
---------- Acting Chief, Legal Section ----------

CONFIDENTIAL

CONFIDENTIAL

Mr. Finn 26 5528

Relaxation of Controls over Japanese Communications.

DS

In turn: CCS, LS, GS, ESS, C-1, C-2

23 June 1949

1

1. DS believes that, in accordance with Occupation policy of reducing controls, the Japanese Government or individual Japanese should be permitted to communicate abroad on all matters except where specifically prohibited by SCAP. The increasing need of the Japanese Government and of individual Japanese to communicate abroad, as in the case of personal status and patent matters, points to the desirability of relaxation of SCAP communication regulations. Specific restrictions as in the case of foreign exchange controls will serve to prohibit communications in regard to matters of continuing concern to SCAP, while censorship will serve as a check to insure compliance with appropriate regulations.

2. DS therefore recommends that the following restrictions on Japanese communications be relaxed as no longer compatible with Occupation policy:

(a) amendment of paragraph 2 of SCAPIN 677 dated 29 Jan 1946, subject: "Governmental and Administrative Separation of Certain Outlying Areas from Japan", in order to permit all communications between Japan and points abroad subject to specific SCAP regulations;

(b) deletion of paragraphs 4c and 4d of SCAPIN 1900 dated 28 May 48, subject: "International Postal Service", in order that "papers of legal procedure" and "documents of all kinds drawn up by Ministerial officers" can be transmitted to and from Japan.

3. So far as DS is aware, there is no requirement in directives to SCAP justifying the continuance of these restrictions.

4. Appended as TAB A is a proposed amendment of SCAPIN 677 appropriately amending paragraph 2.

5. DS suggests that CCS append as TAB B a draft SCAPIN making appropriate deletions from the SCAPIN 1900 series in regard to transmittal of papers of legal procedure and documents drawn up by Ministerial officers. DS assumes that SCAPIN 1771 dated 9 September 1947, subject: "International Telecommunications Service", will not require amendment as a result of the above proposal.

6. Request comment or concurrence prior to submitting the above recommendations to C/S.

Incl: Proposed amendment of SCAPIN 677.

- C.K.H. - - - - - - - - - -

SG Action Info copy

CONFIDENTIAL

DRAFT SCAPIN

CONFIDENTIAL

GENERAL HEADQUARTERS

SUPREME COMMANDER FOR THE ALLIED POWERS

APO 500

AG 311.1 ( )GS
SCAPIN 677/1

MEMORANDUM FOR: JAPANESE GOVERNMENT

SUBJECT: Governmental and Administrative Separation of Certain Outlying Areas From Japan.

1. Reference: SCAPIN 677, AG 091(29 Jan 46)GS dated 29 January 1946, subject: Governmental and Administrative Separation of Certain Outlying Areas from Japan.

2. Paragraph 2 of reference 1 is hereby amended as follows:

Communications by the Japanese Government with foreign governments or with organizations and individuals outside of Japan in regard to any matter are hereby authorized subject to specific regulations by this Headquarters.

FOR THE SUPREME COMMANDER:

CONFIDENTIAL

DRAFT

COPY

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
APO 500

AG 311.1 (28 May 48)CCS
SCAPIN 1900/11

MEMORANDUM FOR: JAPANESE GOVERNMENT

SUBJECT: International Postal Service

1. Reference is made to Memorandum for the Japanese Government, file AG 311.1 (28 May 48)CCS, SCAPIN 1900, dated 28 May 1948, subject same as above, as amended. Tab B.

2. Effective on receipt of this Memorandum, paragraphs 3d, 4c and 4d of reference Memorandum are rescinded.

FOR THE SUPREME COMMANDER

Communication

Mr. C.A. Feismer 26-0424

AE/CAF/ak

Radio Legislation Conference

CCS

Chief of Staff

21 JUN 1949

(1) 1. In a conference held 20 June 1949, attended by members of his staff and of Civil Information and Education Section, the Chief, Civil Communications Section, made the following broad recommendations and suggestions on the subject of radio legislation to Mr. Wasuda, Chief Cabinet Secretary, and Mr. Ogawa, Minister of Telecommunications:

a. A radio law or laws might well be drafted for presentation to the next session of the Diet, which law or laws would contain the following four general basic principles:

(1) The establishment of a radio regulatory commission under the Prime Minister's office. (There is a Radio Regulatory Agency now in the Ministry of Telecommunications which would be abolished.)

(2) Private broadcasting.

(3) Freedom of compilation of broadcast programs except as restricted by law.

(4) The reorganization of the Broadcast Corporation of Japan.

2. Each of these suggestions was discussed, particularly the appointment of the commission and the method of organizing a broadcast corporation. It was well understood by Mr. Wasuda and Mr. Ogawa that this was only the first conference, that general principles only were being discussed and that further conferences would be held at which time more detailed matters would be examined. No decisions were made and the subjects of listeners' fee and advertising were not discussed.

- G. I. E. - - - - - - - - - - - - - - - - - -

COPY TO: DC/S SCAP
Gen Back
Gen Whitney
Col Nugent
Mr. Feismer

General Whitney

21

CROSS REFERENCE

FILE UNDER: Communications

DATE: 28 May 1949

FROM: CCS TO: GS

SUBJECT: Tentative Choice of Personnel for Appointment to Positions Created by the New Telecommunication Estab. Law

DOCUMENT FILED UNDER: Labor CLASSIFICATION

CABINET #20 Drawe r # 2

SHELF #

20

1 Comm.

Mr. Rizzo 26-6445

Reorganization of Ministry of Communications

Govt Sec CCS 29 Mar 49

2 1. To date Government Section has received from the Japanese Government no proposed amendments to the law establishing the new Telecommunications Ministry other than the amendment postponing the effective date from 1 April 49 to 1 June 49 to which no objection was interposed. Any further proposed amendments received by Government Section will, of course, be referred to Civil Communications Section for consideration and comment.

2. Although the Memorandum for Record enclosed with Checknote No. 1 above appears based on sound organizational principles and makes a persuasive case for the CCS position favoring the type of organization provided for in the existing law, it would not be consistent with SCAP policy to forbid the Japanese Government to consider, or propose to the Diet for its consideration, amendments aimed at streamlining the Telecommunications Ministry in line with similar action throughout the national governmental agencies.

3. If an when such amendments are submitted, CCS will have complete opportunity to present its position for a determination either by intersectional agreement, or if necessary, by command decision as to whether there is sufficient involvement of SCAP policy or objectives to warrant forceful intervention in the Japanese governmental processes in this instance.

1 Incl: N/C

C. W.

Govt Sec file

17

Reorganization on Ministry of Communications

CCS GS 21 Mar 49

1 1. Pursuant to recent discussions between General Whitney and General Beck, Civil Communications Section has had under discussion with officials of the Japanese Ministry of Communications the Telecommunications Establishment Law, -- specifically those portions of the law which provide the organizational structure for the reorganized Ministry of Communications, coincidental with the establishment of a Ministry of Postal Affairs separate and distinct from the Ministry of Communications. These discussions, among other things, have developed the fact that the Japanese Government now has under consideration a proposed Ministry of Communications organization which differs in certain fundamental respects with the organization prescribed in the present law, the details of which were developed as the result of long and careful study on the part of Civil Communications Section and Japanese Ministry of Communications personnel working in concert. It is further understood that the revised organization is being submitted to Government Section for the purpose of ascertaining whether Government Section entertains objection to the revised organization. Hence this memorandum.

2. Civil Communications Section entertains the conviction that a revised organization as now contemplated by the Ministry of Communications:

a. Does not provide the fundamental structure required for proper management.

b. Will not result in greater economy as compared with the structure provided in the existing Telecommunications Establishment Law. (The proponents of the revised organization claim greater economy for the revised organization.)

c. Is based on political considerations rather than considerations of efficiency of operation.

d. Will, if placed in effect, not only fail to correct existing organizational defects which are inimical to sound and efficient operation, but will nullify to a serious degree past, present, and future efforts of Civil Communications Section to guide the Ministry of Communications in providing a communications system which will contribute a maximum to the economic recovery of Japan.

3. Pertinent in connection with the foregoing is the fact that the details of organization as provided for in the present law, and based to a considerable extent on the organization of the Bell System in the United States, represents

1 cont. the consensus of eminently well qualified Civil Communications Section personnel largely drawn from the Bell System in the United States. The organization as originally recommended is based on two and one-half years of analysis and study on the part of these personnel. It is not too much to say that had the Japanese Government contracted for such a survey and study on the part of communication experts, the cost of the survey and study would have been upwards of $1,000,000. Accordingly, it is felt that it would be most unfortunate for the Japanese Government to set aside the findings and recommendations of this group of experts in favor of the new proposal which appears to have more political than real merit.

4. Specifically, the organization now proposed by the Japanese Government is not conducive to good management in that officials provided at staff division levels, although technically placed in position of authority, will in fact be denied the opportunity to exercise authority and thus contribute to ineffective management from the higher levels. This defect is discussed in detail in the attached Memorandum for Record.

5. Pertinent also is the fact that little or no savings will be realized were the revised organization to be adopted as compared with the organization now provided for in the present law. Estimates based on best available data reveal the fact that either plan will cost approximately Y12,000,000 annually (.04 percent of the total operation cost) over and above the cost of the current organization. This slight additional cost is insignificant when consideration is given to the greater efficiency and economy which will inevitably result if the organization structure provided for in the present law is implemented.

6. In consonance with SCAP policy, CCS in its conferences with MCC has acted in an advisory capacity only. As a result of these discussions, it is believed that most of the interested personnel below the level of the Minister of Communications recognize and concur in the merits of the organization structure now provided for in the recently enacted legislation. On the other hand, it is felt that the Minister and possibly other Cabinet members favor the revised organization, probably for political reasons.

7. With the foregoing in mind, it is requested that Civil Communications Section be given an opportunity to discuss the merits and weaknesses of the organizational structure provided for in recently enacted legislation versus those of the revised organization now under consideration by the Japanese Government, at such time as Government Section gives consideration to the question as to whether or not SCAP entertains any objection to the amendments proposed by the Japanese Government.

1 Incl
Memo for Record

Civil Communications Section

18 March 1949

SUBJECT: Reorganisation of the Ministry of Communications

MEMORANDUM FOR: Record

1. References:

a. Organization chart for Ministry of Communications as proposed by Japanese Government. (Incl 1)

b. Organization chart for MOC as provided by present law. (Incl 1)

c. Basic recommendations for reorganization of MOC, SCAPIN 5985 A.

d. Check Sheet, subj: Reorganization, Ministry of Communications, dated 4 March 1949, from CCS to Government Section.

2. Reference a above, is an organizational chart for the MOC which is presently under consideration by the Japanese Government. Reference b shows the organization of the MOC as provided for in the "Telecommunications Establishment Law" now scheduled for implementation on 1 June 1949. It is understood by the Civil Communications Section that the proposed organization shown in reference a is being submitted to the Government Section for consideration by the Japanese Government. It is the purpose of this memorandum to explain in detail why the proposed organization shown in reference a is not a satisfactory one, and to justify the CCS's continued objection to this type of organization.

3. The organization for the MOC shown in reference b was evolved following more than two and one half years of investigation by CCS. Personnel contributing to the study of the present organization and the subsequent preparation of the revised organization consisted of members of various leading communications companies in the United States, none of whom had less than twenty years of actual experience in communications management and operation. These individuals included a former vice-president of American Tel & Tel Co., later president of the Cincinnati Suburban Bell Co., and other key employees of communications industries. The members of the committee which studied the reorganization problem are listed in the introduction to Section One of their report. The organization for the MOC, as provided for in the recently enacted legislation, was developed on the basis of sound operational and management requirements as determined by actual analysis, inspection, and study of the Japanese Communications System as it now exists. In no way were the recommendations upon which reference a was based, conceived upon abstract theory. The organization was developed with a view toward providing a functional organization capable of developing and operating to the economic

and social benefit of the public on a profitable basis. The study was made at the expense of the United States Government with the aid of personnel drawn from large communications companies. Had an equal amount of work been done on a consulting engineering basis, it is estimated that the costs to the Japanese Government would have amounted to upwards of one million dollars.

4. Reference g above transmitted a memorandum study which presented a review of actions taken by the CCS, in connection with the staff supervision of the Japanese Communications System. As covered in detail in the study, considerable progress has been made in establishing sound planning of operation which resulted in the system being placed on a sound business basis. This has been accomplished however, by cutting across organizational lines and taking independent action when it was impossible to obtain results from present organizational channels. Improved methods of operation thus gained cannot be continued except through the assistance of CCS, unless a proper organization is established which will permit the proper functioning of the MCC. The organization shown in reference h above will satisfy this requirement. In accordance with existing policies, the CCS is anxious to return more fully the responsibility for the Communications system to the Japanese. However, until a suitable functional organization is provided and has had time to develop in its operation, the MCC will be in no position to assume greater responsibility for its own direction nor to continue the advances now being made in the Communication System and its operation. If a suitable organization is not obtained in the near future, considerably more staff surveillance will be required than would be necessary if reference h above is implemented as planned on 1 June 1949, particularly in connection with Occupation Forces communication services furnished from the domestic system.

5. Reference g above, is a copy of the basic recommendations for reorganization prepared by CCS and forwarded to the Japanese Government by SCAPIN 5935A. Chart I of this recommendation shows the line of field organization proposed and provided for in the present law. Chart V shows the MCC Staff Organization which was originally proposed. The organization shown by reference h shows final adjustment of the recommended organization, upon which the present Establishment Law is based. It will be noted by comparing Chart V of the recommendation with reference h, that the Establishment Law in its present form provides for ten Staff Bureaus, whereas the original recommendation provides 16 such Bureaus. This reduction in staff was made not because the original recommendation was considered too broad, but in order to compromise with political pressure against the organization as originally recommended.

6. Reference g above, is an organization chart for the MOC which it is understood is being submitted by the Japanese Government to the Government Section. This plan of organization, which would change the present Telecommunications Establishment Law, violates a basic management requirement. The major change proposed by reference g provides for reducing the department level of the MOC staff to staff bureau level, and for reducing staff bureaus to division level. This will reduce the top staff groups to positions below the position held by the field bureaus, thus making the proper discharge of management functions by staff bureaus practically impossible. The Ministry management levels as originally established started at the local office in the field which is the smallest and most basic operating unit, and proceeding from this organizational unit to the organization of necessary geographical areas, providing at each successive level the proper degree of authority and the grade necessary for supervisory and management control. This was continued from the local office, through district, division and bureau until the Ministry of Communications level was reached. The organization of bureaus and departments as provided in the present law was established as a projection of this method and provides a logical and properly balanced general management staff necessary in the operation of any sound enterprise or business.

7. The number of separate staff groups associated with the management and operation of the communications system which determine the breadth of the organization, has been well established throughout the world, and the requirements of Japan differ little from operational requirements elsewhere. An analysis of correspondence and action requiring management decision shows that from an operational standpoint, no less than 10 major management staff groups are required. This number is less than could be used economically but will suffice for the present. If the chiefs of these staff groups are to exercise their authority within the limits of their individual responsibility, it is essential that they have a proper and logical organizational status. The proposed organization contained in reference g does not provide the necessary authority for chiefs of the staff groups. For reasons covered in references c and d the Communications System must be divided into 10 geographical field management or operational areas called field and operating bureaus, each of which is headed by a bureau chief. For basic operational reasons, it is not practicable to change these field subdivisions. Hence the functional staff groups at Ministry level must be at a staff bureau level in order to maintain a proper position of authority. It is emphasized that because of the work-load, staff bureau chiefs must be delegated special management functions and must be held responsible for the

discharge of given duties, he must be, as a corollary, given the necessary authority. If the staff bureaus are reduced to divisions reporting to Bureaus as proposed in reference a no rule or regulation will change the fact that they are subordinate to a bureau chief and their effectiveness in the field bureau is accordingly reduced. This will put the division heads in a position of being subordinate in effect to field bureau chiefs and would remove any authority that the division head requires to properly direct the organization and reduce the effectiveness of the division head. The very condition, that of having a senior management position in effect subordinate to the field unit, is one of the basic faults of the present administrative organization and one which was eliminated in the organization of the MCG shown in reference b. The insert figures included on references a and b indicate the basic differences between the organization provided in the present law and that being proposed by the Japanese Government.

8. The administration and management of a Telecommunications System divides itself into at least three associated by widely differing groups of functional activities as follows, and as shown on reference b:

(a) Plant: Including plant expansion, plant engineering and plant maintenance.

(b) Operations: Including traffic operations, operation of business offices, commercial activities and the like.

(c) Accounting and financing which in this case has been combined with personnel and training (a combination of doubtful soundness).

9. It would be impossible for the Director General to personally coordinate ten staff groups charged with widely differing activities, and at the same time establish system policies and supervise their implementation. In view of this limitation, it is necessary that the intermediate department level be introduced as shown on reference b. At this level are placed general management personnel responsible for associated functional activities, for the uniform implementation of policy, and who act as advisers to the Director General. The proposed organization shown in reference a would serve to defeat this requirement almost in its entirety.

10. It has been implied by Japanese Government officials that the changes proposed in the organization shown in reference a are necessary in order to carry out the program of government retrenchment. A careful study of the proposed organization indicates this is not the case. An analysis of ratings proposed for division chiefs shows that they are expected to be G-12 or G-13 which is approximately the same grade as bureau directors, the only difference in rating being with the individual in junior or senior grade. In this case, the same individuals will be appointed chiefs of the staff groups whether they be bureaus or divisions. It would appear that motives other than a desire to obtain the most efficient organization are present. It has also been stated that the organization as

now established by law is not economical and will result in excessive administrative expenses. This statement cannot be supported by facts. The cost for implementing the organization as proposed by the Japanese Government will amount to approximately 12 million yen per year; the total operating expense for 1949-1950 has been estimated to be 21.5 billion yen. This increase then amounts to less than 1/4000 of the total operating costs. On the other hand, under CCS supervision it has been found that with suitable management control, savings of hundreds of million of yen can be realized in construction alone. As an example, savings of more than 50 million yen were effected as a result of efforts by the CCS, through proper engineering supervision of plans for three construction projects, totaling an original estimated cost of slightly over 100 million yen. Due to the lack of proper organization, proper review and coordination between adjacent areas is not possible. Such instances are the rule rather than the exception under the present organization of the MOC. The organization shown in reference a would perpetuate this condition. Investigations made in connection with operational groups show that practices of management which contribute to waste and unwise expenditure of funds cannot be eliminated without a reorganization of the system. This reorganization is adequately covered in reference b as provided by present law, to be placed in effect 1 June 1949. It has been admitted by representatives of the various Japanese groups now interested in the present reorganizational activities of the Japanese Government that the slightly increased cost cannot be considered as an objectionable element in implementing the present law. It has been indicated informally by Japanese Government representatives that opposition to the organization as provided by law may be based on general political promises without consideration of the recommendations of both the CCS and the MOC which were in the hands of the Diet prior to the last election.

11. In summary:

a. The proposed changes in the organization of the MOC shown in reference a violate basic management requirements.

b. Changes to the organization shown on reference b cannot be defended from the standpoint of government economy.

c. Reasonable evidence is present to the effect that the changes contained in reference a are based upon general political commitments.

d. The proposed changes will jeopardize the effectiveness of actions taken by the CCS in accomplishing SCAP policy relating to the provision of a communications system for Japan necessary to sustain the minimum economy and assist in carrying out the economic rehabilitation program.

e. The approval of the proposed organization of the MOC shown in reference a will serve to perpetuate an archaic administrative type of organization which permits wasteful and useless expenditures of government funds.

f. The organization for the Ministry of Communications shown in reference b was developed on the basis of an extensive study of the present communications system and will more fully bring about an efficient communications system for Japan.

12. Recommendations:

a. That the organization for the MOC as shown in reference b, as presently enacted into law, be strongly supported by GHQ SCAP.

b. That every effort, consistent with SCAP policy, be made to discourage the return of the communications system to its former status, that of being primarily controlled by politicians with many technically unqualified political appointees filling positions of responsibility which should be filled by technically qualified personnel.

/s/
W. L. WARDELL
Deputy, Telecommunications

1 Incl - Organization Chart

Communications

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section
Public Affairs Division

24 March 1949

MEMORANDUM FOR THE RECORD

SUBJECT: Communications between Japanese Government and Persons Abroad in regard to Personal Status of Japanese Nationals.

The Far Eastern Commission at its 15th meeting on 12 June 1946 agreed that the question of the resumption of limited postal communications with Japan (FEC 07L) was one of administration by the US Government and the Supreme Commander for the Allied Powers and did not require a policy decision by the Commission. The Secretary General, however, was instructed to keep the Commission informed with regard to details of the resumption of postal communications.

OSBORNE HAUGE
Chief, Public Affairs Division

Check sheets Concerning this Document filed under memo to Record.

#18

DTC/WLW/lap

Action Recommended to Meet Minimum Japanese Telecommunications Requirement

W.L.Wardell 26-6147
25 February 1949

CCS GS

(1) · 1. Attached is a memorandum staff study and check sheet from CCS to C/S, summarizing a memorandum for record study which presents basic policy recommendations regarding the future treatment of Japanese telecommunications. Recommendations included are based upon the requirements for a reasonably adequate communications system believed to be necessary to support the present economic rehabilitation of Japan. This study culminates about three years of investigation by communications experts from prominent communications companies of the United States and hence, is considered fundamentally sound and accurate.

2. The part of the discussion regarding personnel is of particular interest to the GS. It is requested that CCS be advised GS concurrence in and/or comments regarding recommendations contained in the attached study.

2 Incls
Memo of Staff Study
Check Sheet from CCS to C/S

Govt. Section file

G.I.B.

2 From: Govt Sec To: CCS Mr. Rizzo - 26-0445
Date: 18 March 1949

1. Government Section does not concur in the CCS recommendation that the Japanese Government be instructed to exempt the Telecommunications Ministry from its current program of stream-lining its governmental agencies and reducing governmental personnel for the following reasons:

(a) If the CCS recommendation of a substantial additional investment for expansion of the telecommunications system during the fiscal year 1949-50 is adopted as a SCAP policy and so communicated to the Japanese Government, it may be assumed that the Telecommunications Ministry will receive special treatment in regard to the stream-lining and personnel reduction program and, therefore, specific instructions to that effect from SCAP will be unnecessary.

(b) If the CCS recommendation on the budgetary question is not adopted then there will be little or no justification for requiring that the telecommunications system be accorded special treatment in regard to personnel.

(c) In either event Government Section believes that the issuance of specific instructions on the personnel question such as recommended by CCS would run contrary to the established SCAP policy of permitting the Japanese governmental agencies to exercise maximum initiative and responsibility in the solution of internal governmental and administrative problems.

2 (cont) (d) Such instructions in direct conflict with SCAP's efforts to force the Japanese Government to adopt drastic cuts in governmental expenditures in implementation of the economic stabilization program might well paralyze all Japanese initiative in that direction and jeopardize the entire program.

2 Incls withdrawn

C. W.

W.L. Wardell 26-6147

TC/WLW/mk

Action Recommended to Meet Minimum Japanese Telecommunications Requirements

CCS GS

(1) 1. This is reference to check sheet from CCS to GS, dated 25 February 1949, subject same as above, which transmitted a proposed check sheet to Chief of Staff and a memorandum study regarding financial requirements of the Japanese Telecommunicatinns system.

2. It is requested that the following addendum be added to paragraph 5c. "In addition to the yen balance above operating expenses, it should be noted that through the settlement of foreign telecommunications accounts the past three years, a sum of $1,128,307 has been deposited to the SCAP Trade Fund in Washington. Monthly dollar deposits from this source are gradually increasing and for the month of December 1948, total $68,279.30. Based on this monthly average and allowing for seasonal variations, it is expected that the dollar deposits from this source during the following year will amount to approximately $720,000. Approximately $100,000 has been used to purchase modern radio equipment to assist in establishing international services. Since these amounts are for services and not materials except for the $100,000 withdrawal, the remaining funds represent dollar profits to the Trade Fund. Hence, although not directly engaged in activities resulting in export products, the Telecommunications system has been able to assist and will continue to assist in reducing dollar deficits accrued in connection with the rehabilitation program".

- G. I. B. - - - - - - - - - - - - -

MEMORANDUM FOR RECORD: 18 March 1949

CCS in Check Note No. 1 above has requested concurrence in, or comments on, the recommendation contained in its check sheet dated 18 Feb. 49 to the Chief of Staff, and supporting memorandum for record, subject as above. CCS recommends that GHQ, SCAP by staff advice and, if necessary, by written directive sponsor (1) the investment by the Japanese Government of approximately 37.5 million yen to expand the telecommunications system during the fiscal year 1949-50; and (2) the retention by the telecommunications system of the number of personnel now employed.

This recommendation of the CCS comes at a time when the Japanese Government, in the implementation of Point One (rigid governmental economy) of the Nine-Point Economic Stabilization Directive of the U. S. Government, which was transmitted to the Japanese Government by letter of the Supreme Commander on 19 December 1948, is planning an operation to consolidate and streamline its governmental agencies and to reduce personnel. Concurrently the Government is engaged in active discussions and consultation with SCAP's ESS and with the Office of the Financial Adviser to SCAP on ways and means of bringing the budget for 1949-50 into real balance.

The case for the CCS position, ably presented in the CCS check sheet dated 18 Feb. to the Chief of Staff and strongly supported in the accompanying Memorandum for Record, is based on the proposition that the economic recovery necessary for Japan to achieve self-sufficiency requires expansion of the plant and capacity of the telecommunications system, and on the belief that the recommended additional investment will pay for itself.

Government Section is not in a position to decide whether, and to what extent the proposed expansion of the telecommunications services must give way before the need for governmental economy as an Occupation objective, and must, therefore, leave this question to be determined by agreement among the Staff sections primarily concerned, or by command decision.

If the additional investment for expansion of the telecommunications system during the fiscal year 1949-50 is approved as a matter of SCAP policy and so communicated to the Japanese Government, it seems only logical that the Japanese will themselves wish to give special treatment to the administrative and personnel set-up of the Ministry of Telecommunications. At any rate, in the course of implementing the SCAP decision regarding expansion of telecommunications facilities, the Japanese Government will normally work in consultation with CCS. In the course of such consultation the personnel question can undoubtedly be covered through the usual method of conference and advice and no formal instructions need by issued. If, however, the decision on the main question (budget) goes against the CCS recommendation, the ~~question~~ case for exempting the Ministry of Telecommunications from the current personnel reduction program of the Japanese Government will appear weak, indeed. In either case, the issuance of direct instructions, either formal or informal, to the Japanese Government on the personnel question would violate the

well-established SCAP policy of permitting Japanese governmental agencies to exercise initiative and responsibility and to perform their constitutional functions with a minimum of direction, control or intervention by the Occupation authorities. Consequently, Government Section should not support the CCS recommendation concerning the personnel problem of the Ministry of Telecommunications.

Frank Rizzo

FRANK RIZZO
Special Assistant

TC/WLW/mk

Action Recommended to Meet Minimum Japanese Telecommunications Requirements

CCS

C/S

W. L. Wardell 1/26-6147
18 Feb 48

(1) 1. The attached staff study covers a discussion of and basic recommendations regarding the future treatment of Japanese telecommunications with respect to occupation objectives in connection with the stabilization of the Japanese economy. It covers the future expansion and financing of the system, rates for service, and treatment of personnel problems. Because of the nature of the problems involved and the multiplicity of related factors the study is long. It has been prepared from data accumulated over a period of about three years and is presented as a basic policy recommendation. The following paragraphs present an outline of the complete study.

GS

2. The present Japanese telecommunications system is inadequate to meet industrial needs of Japan. Due to lack of appreciation on the part of the Japanese Government as to the importance of communications in an industrial nation, the telecommunications system has been inadequately supported in the past and there is no indication that this attitude will be changed in the future. Since communication is an important element in carrying out the occupation objective for the rehabilitation of Japanese economy, continued neglect of communications will contribute toward prolongation of the rehabilitation period and add expense to the United States in its support of the program. Because of this fact, it is believed that action should be taken by GHQ, SCAP to alleviate the situation.

3. Based upon information at hand it is estimated that a minimum of 3,000,000 telephones are required for industrial purposes at the present time. This requirement is expected to increase to approximately 5,000,000 during the next two or three years. There are now in service approximately 1,300,000 telephones.

4. The telecommunications system is capable of installing 400,000 telephones during the 1949-1950 fiscal year; the manufacturers can produce the necessary equipment and generally speaking raw materials are available. The limitation to the program is availability of funds allotted to the Ministry of Communications for capital investment in communications facilities.

5. A program for installing 400,000 telephones would require funds, amounting to approximately 37.5 billion yen for construction purposes. The attached study shows that the investment of funds in capital plant of the communications system is sound not only from the standpoint of aiding the industrial effort but also from a financial standpoint. The system at present is making slightly more than direct operating expense. It is estimated that on the basis of a uniform installation rate throughout the year and at present rates, wages and prices, the gross income from an additional 400,000

Encl. (1)

(1) telephones would amount to approximately 2,98 billion yen and the following a't. year this amount would be doubled. This additional service can be provided with no appreciable increase in personnel and hence the greater portion of the income derived therefrom would be net. This additional income would be sufficient to meet both interest and sinking fund requirements as well as added operating expense.

6. As indicated above the system is obtaining revenues which exceed slightly direct operating expenses. Furthermore the unit income per station telephone is steadily increasing due to rehabilitation and maintenance efforts. Based upon this fact, and considering traffic information on hand, it is believed that any future rate increases should be carefully studied before implementation. If such increases do become necessary they should be in small increments of 10 or 15 per cent or an actual adjustment to a revised economic level. They should not be arbitrarily changed by large percentages simply as a means for balancing income and expenses. (Telephone rates in Japan are extremely high on a comparative basis. For instance, the average cost per month for telephone service in Tokyo is about ¥ 2,000 which amounts to over 25% of an average individual's salary). The last rate increase placed in effect in July passed the point of diminishing traffic in the case of telegraph and it is believed that point has at least been reached insofar as telephone is concerned. It is essential that all of the scarce communications facilities of the Japanese communications be completely utilized as an aid to the industrial effort. It is believed to be false economy to increase rates beyond the point where these facilities will not be fully used because subscribers cannot afford to use the service and the Ministry of Communications possible revenues may decrease accordingly.

7. Over two years ago a program was initiated by CCS which has as its objective the reduction of operating expense per unit of service. This program included, among other items, the problem of personnel and personnel excesses. Because of factors covered in paragraph 7 of the discussion, it is the considered opinion of CCS that no drastic decrease in personnel within the telecommunications system can be made without seriously affecting adversely the already inadequate service although the present employees can assume an added work-load. Furthermore, a reduction at this time would result in the loss of experience and training investment which would have to be replaced in the relatively near future, a loss that the system can ill afford. CCS is in full sympathy with the program of reducing Japanese Government expenses and has taken an active interest in improving efficiency within the Ministry of Communications. To accomplish this, plans now being implemented include a reduction in the unwise and uncontrolled expenditures for materials and for services performed