

## **(4) Sub session 2**

**Presented Paper (Preliminary draft)** //

# **Auckland**

## **LOCAL GOVERNMENT REFORM IN NEW ZEALAND**

Thank you for your invitation to attend this congress. The Mayor of Auckland, the Hon John Banks sends his warmest wishes and regrets he has not been able to attend the congress. However, I feel very fortunate to have been provided this opportunity to address you instead. I Chair the Strategy and Governance Committee of the Auckland City Council.

I am addressing you today on Local Government Reform in New Zealand. I will spend some time providing you with a historical overview, but I wish to spend more time looking to the future. New legislation governing how local government operates is to be introduced by the end of this year and in my view this offers some wonderful opportunities to work with and for the community that elected me..... but more of that later.

First a historical context:

Local government in New Zealand is a history of reform. In New Zealand a central government for the country was developed first. It devolved power out to newly formed local government entities. This means that local government in New Zealand has always been an instrument of central Government, with powers and duties being devolved to them only as situations have demanded.

We are a young country. As recently as 1840, New Zealand was covered in dense bush and transport routes between the developing coastal settlements were essential. The government of the day passed the Public Roads and Ordinance Act of 1845, which allowed for the building of roads within and between settlements. Not only was this was the first piece of local government law, it also signalled the formation of the first organisations that were to evolve into local government "councils".

As problems arose, the Government set up new councils or boards, with their own legislation, to deal with the issues. This resulted in a local government system that was fragmented. There were a huge number of councils or boards, all of which were almost entirely geared towards service delivery. It should be noted that services such as police, education and health have always been run by central government, leaving councils to focus on local issues such as water supply, road management, rubbish disposal and flood control.

The mid-1980's marked an important change for New Zealand particularly in the role of central and local government. At that time it was decided that government should exit from all activities and services that were best delivered by the private sector (for instance central government got out of owning the telecommunications company, the rail company and the airline). At a local level structural reform was undertaken. The number of separate councils or boards was reduced from over 1000 to 86. This reform got rid of a huge number of single purpose bodies, such as flood control boards and rural fire boards and replaced them with two tiers of local government-city or district councils and regional councils. Regional councils are responsible for environmental issues - (in particular water and air quality management), and for co-ordination of the city and district councils that make up each region. City (urban) councils and district (rural) councils, are responsible for the delivery of services such as water supply and disposal, waste disposal, roads, libraries and other community facilities. They are also responsible for land-use and building controls. The responsibilities of regional and city or district councils are complimentary rather than overlapping.

So structural changes have occurred but to date there have been no corresponding changes to the legislation. Up until now that is. Legislative change is in train that will set the foundation for some exciting developments within local government. I wish to now talk about these future directions.

Since 1999 the three major pieces of local government law have been reviewed. These are:

- ❖ The local election law;
- ❖ The rating or property tax law; and,
- ❖ The local government law.

I will talk about each piece of legislation.

The Local Electoral Act 2001, was passed into law last year and it modernized the way in which councils can hold and manage their elections. It introduced the option for councils to consider using STV (single transferable voting), a form of proportional voting. 2004 is the first opportunity that councils will have to introduce this form of voting. While some councils are considering introducing it none have yet signaled that they are likely to adopt it.

The Local Government (Rating) Bill 2001 was passed in December last year. This new law modernises and streamlines the way in which councils set and collect rates, or property taxes. Property rates are the principle form of local government funding in New Zealand; we do not have provision for either local sales taxes or payroll taxes. The changes to the law won't necessarily mean that we will increase our revenue from rates but there are more flexible management options. For instance the setting of rates used to be based on a rigid set of legal imperatives. Now setting the rates is attached to the already existing Annual Plan consultative process. Another change is that we are able to set targeted rates or charges for stormwater based on paved areas or roofed areas.

The third piece of law, the Local Government Act fundamentally changes the orientation of how we work.

The old law was firmly based on the principle of limited powers delegated to local government by Central Government. In effect, it provided a legislative list of what councils were allowed to do-if an activity or function was not listed in the law a council simply could not do it.

So it was determined that the new legislation should:

- Reflect a coherent overall strategy for local government;
- Enable local authorities to meet the needs of their communities making sure that the legislative framework supported this.;
- Allow the development of a partnership relationship between central and local government; and,
- Clarify local government's relationship with the Treaty of Waitangi. The Treaty of Waitangi is the fundamental document of our country and details the contractual basis of the relationship between the Crown (and subsequently the government) and Maori (the indigenous peoples).

Furthermore, the legislation should operate according to the following principles:

- Contribute to community priorities
- Be transparent and accountable
- Recognise diversity
- Provide for community and Maori involvement in decision making processes
- Work with other bodies
- Use sound business practice and prudent stewardship.

This means a move from a detailed, prescriptive form of law to one that is empowering and flexible. And more importantly is based on our company law with a few provisos.

In adopting a business approach to the way in which local government operates, central government has adopted a principle of "general competence". By this I mean, that local government can undertake any activity or function provided that it is not explicitly excluded within the legislation. However, there is a trade off. This legislation is not about councillors like me charging off in a direction according to my preference. We are required to consult with our community to determine their priorities and outcomes for the next ten years. Based on this we will then develop our long-term financial plan; Strategic Plan and annual business plan and so forth. Every three years we have to go back to our communities to determine the relevance of the priorities and outcomes. Every year we are required to report on our progress towards achieving the community direction. This certainly implies a high level of accountability and transparency. It also means that as we are undertaking our range of activities we have to think about how we might monitor-making tangible what are some times long term actions. To be honest we are already part of the way there-for instance we have already developed a "community vision" using well-founded consultation processes.

There is another plank to our consultation responsibilities. We must always consult with our communities on plans associated with areas that are deemed strategic or significant. As a council we are required to define those significant or strategic areas but typically they will include water, roads, capital assets such as the

shares that Auckland City owns in the region's airport. Again this list will be developed in conjunction with communities.

Local government in New Zealand is facing a huge challenge associated with this change. Not only in what we do but also in how we do it. No one doubts the difficulties we face, but it is exciting and I am pleased that I am part of it.

Thank you.

# Fukuoka

## Customer-Based, Results-Oriented Administrative Reform

### **[Introduction]**

I am Kenichiro Nishi, the deputy mayor of Fukuoka City. I would like to extend our warmest welcome to the delegates from all parts of Kyushu and the Asian-Pacific cities who have come to Fukuoka.

In Japan, the prolonged economic slump following the burst of the economic bubble has hit government finances both nationally and locally. Currently, the sluggish growth of tax revenues is forcing the central and local governments alike to manage public finances under severe conditions. Meanwhile, as society matures and citizens' needs become diversified and more complicated, responding to new demands for public administration, such as the environmental, educational and children's issues, is a challenge to be addressed.

Public administration functions as specialized organizations financed by taxes received from citizens. Under the direction and supervision of their representatives, these organizations implement solutions for public issues too difficult for citizens to cope with individually. Since such implementations are by nature consigned by the citizens, the organizations are required to effectively meet the needs of those citizens. However, the emphasis in public administration management has not been placed on "how to secure profit by offering services that satisfy market needs" as commonly practiced in the private sector. Rather, the emphasis has been on "how to appropriately use" the budget earmarked beforehand since revenues are secured by the power to levy taxes. Further, the development of administrative policies in Japan has been led by the government since our people have little sense of being part of a popular sovereignty, and lack taxpayer awareness compared to Western countries, indicating a national tendency of depending on public administration.

However, with the Japanese economy in a recession, and with a sense of stagnation hanging over the entire society, attention towards public administration has gradually intensified. In addition, the progress of information disclosure regarding public administration has definitely stimulated understanding and interest. In the future, we must benefit from the knowledge and vigor of the citizens to tackle diverse emerging issues facing the public administration as management resources, such as people, commodities and money, are difficult to secure. Further, we must grasp the citizens' needs, design projects based on strategic thinking, examine their effects, and flexibly review the system for policies and administrative projects. This concept, known as "Plan-Do-Check-Action," should be adopted throughout the public administration as it is necessary to achieve "maximum results at minimum expense" when exercising policies.

The fundamentals of private management are to "listen to the voice of the market, measure customer

satisfaction and deliver better services.” Hereafter, the public administration must learn from management concepts and techniques of private sectors, and spread these fundamental ideas of being “customer-based” and “results-oriented” in order to efficiently provide citizens with better service and to become a more trusted organization in this harsh socio-economic environment.

### **[Proposal from the Fukuoka City Business Management Committee]**

Under these circumstances, in August 1999, Fukuoka City established a private advisory panel to the mayor consisting of experts known as Fukuoka City Business Management Committee. In April 2000, the committee prepared a plan for municipal government management reform entitled “Proposal to the mayor: for the establishment of public administrative management.”

This “proposal” is a comprehensive public administrative reform plan drafted based on detailed issues drawn from wide-scale surveys and interviews, in addition to hundreds of hours of thorough discussion conducted by private citizens who are familiar with administration. This plan boldly adopts the concept of new public management, which began in Western countries, based on “customer-based” and “results-oriented” approaches, as well as “on-site principles” and the “market mechanism principle.” The plan is now drawing attention from those involved in local governments across the country as an innovative solution for municipal reform. This proposal recommends changes in work habits, such as the organizational norm, employee mindset and decision-making mechanism, instead of conventional streamlining solutions typically implemented with integration and the disbanding of sections or cutbacks in budget and staff. Based on this proposal, Fukuoka City is currently carrying out reforms aiming at establishing public administrative management.

### **[Customer-Based Approach]**

The theme of this section meeting, a customer-based approach is one of the philosophies underlying the proposal. This approach requires respecting as much as possible the needs of citizens who are customers of the public administration, and improving their level of satisfaction with public services while making effective use of limited resources. The customer-based approach is also the fundamental concept of administrative management.

As recommended by this proposal, an on-the-scene self-improvement campaign called the “DNA movement\*,” was a first step taken towards the customer-based point of view. This derives from a total quality management technique seen in private businesses. Such a technology is adapted for the public administration wanting front-line staff to obtain a new understanding of one’s job objective and to discover, recognize and ultimately solve business issues for the purpose of changing employee mentality and organizational norms. Almost all sections of the city government have joined in this DNA movement; and every year each section is actively involved in resolving over 600 improvement themes. Through this movement, we aim to foster an attitude among our staff to act in consideration of the citizens’ needs first rather than prioritize rules and regulations within the organization. Additionally, staff members should

develop a mentality to question the current work status and methods, and show a challenging spirit to bravely tackle matters that don't benefit the citizens.

N.B. \*DNA is an acronym for recoding the red-tape DNA. D is for *dekiru* (can do), N is *nattoku* (satisfied or convinced) and A stands for *asobi-gokoro* (fun spirit), showing the city's effort to introduce their staff to a "can-do attitude to do satisfying work with a bit of fun spirit."

For any organizational reform, changing the mentality of those who work there is required. Altering an organizational structure or system alone is not worthy of being called a reform. Also, indication of reform begins from the front line of a workplace facing customers' needs every day. The voices from such a workplace will eventually become a larger movement that will change the entire organizational structure. In the light of this, we believe the DNA movement is the first step for this customer-based reform, as well as the driving force behind the entire reform.

Besides the DNA movement, the "proposal movement," a top-down problem-solving approach intended as deregulation within the organization, is employed so that city employees can cope with the citizens' needs without being overly tied down by internal rules and regulations. Other customer-based efforts include the "administrative marketing movement," in which complaints from citizens are sent to managerial-level municipal officials and information regarding how the complaints are handled is shared utilizing IT, facilitating direct communication between citizens and employees.

### **[Results-Oriented Approach]**

The other theme of this section meeting, the results-oriented approach, is also vital for the future public administration. This approach examines the results of measures taken numerically whenever possible, and selects policies bearing effective outcomes. In the past, public administration in Japan somewhat neglected assessing the outcomes of policies implemented and examining the outcomes for the purpose of reviewing policies. Instead, more emphasis was placed on policy planning including preparation, obtaining and spending the budget. To establish a results-oriented public administration, we must formulate and adopt new techniques not conventionally practiced by public administration, not to mention the need to change employee mentality by fostering cost-consciousness. Such techniques include measuring the citizens' level of satisfaction regarding public services: assessing public administration achievement by quantifying policy results and adopting cost calculation methods commonly used in corporate business accounting to figure out the accumulated cost of each public service.

Fukuoka City has introduced the "strategic plan" widely used in municipalities in the United States as its core public assessment system. This idea will clarify the vision and objective of each bureau and articulate issues and challenges there. Then indicate the strategy and achievement schedule for reaching those visions and goals while aiming to settle these matters. In addition, the city will check and review bureau performance every fiscal year according to a result indicator, and consider policy selection and concentration. This fiscal

year, the groundwork for a “strategic plan” has been laid out in almost all bureaus based on examination of the policy formulation process of a model bureau from last fiscal year. Further, the “CS survey,” a method drawn upon from a private business marketing technique to measure customer satisfaction, has been also adopted at various facilities and counters contributing greatly to understanding the level of satisfaction regarding public services and thereby improving on-site administrative work.

### **【Efforts for the Future】**

Today, I shared with you the undertakings of a “customer-based, results-oriented administrative reform” in Fukuoka. In the future, we would like to establish the customer-based and results-oriented organization control system and decision-making mechanism by utilizing “strategic plan” while further implementing the “DNA movement” in our workplace. We aspire to become a sensitive management entity capable of responding to the citizens’ needs promptly and flexibly through these processes.

Finally, I believe what awaits us beyond administrative reform of the management entity is a mission to establish an ideal of local government involving citizens. To the public administration, the citizens are “taxpayers” who bear service expenses and “customers” who receive services. At the same time, they are a part of a democratic society and also the “governing rulers” with responsibility and authority. The citizens are expected to take the initiative in approaching resolutions for immediate issues related to them, rather than leave the role of resolving public issues to the public administration entirely.

As society matures, issues difficult for local governments to settle alone, such as parenting, nursing care for the elderly, and crime and disaster prevention, have continued to increase. A wide range of entities that support the city, including NPOs, private sectors, regional organizations, various institutions and individuals, will need to become actively involved in solving such issues in cooperation with one another. The participation and close cooperation of all citizens and all involved parties will help create a peaceful and energetic city to live in. The public administration is expected to play the role of a partner that cooperates with solving issues as well as a coordinator encouraging its citizens to settle problems on their own. For the realization of a society in which autonomous citizens and the public administration work together, we would like to continue to promote the vitalization of the community.

### **【Closing】**

I have now stated the efforts being made for “customer-based, results-oriented administrative reform” in Fukuoka. We hope that sharing undertakings for a better public administration through debates and exchanges with various cities at sectional meetings like this, will contribute to the further progress of each of our cities.

Thank you for your kind attention.



# Saga

## Customer-Based & Results-Oriented Governmental Reform

I feel fortunate today to have gathered here together with all of you from various cities in Asia and the Pacific with the opportunity to explore and discuss 'Customer-Based & Results-Oriented Governmental Reform.'

Before I speak about today's theme, I would first like to give you a simple outline of Saga City.

Saga City lies approximately 40 kilometers far to the South-West of Fukuoka and by the JR express train it takes about 40 minutes to go to Fukuoka. The population is approximately 170,000 and the area is about 100 square kilometers. Saga City is the prefectural center for government, economics, and culture.

Within Saga City, we have been developing our network of rivers and canals upholding that Saga is a cultural city of bountiful greenery and clean water.

Furthermore, every autumn Saga hosts the largest hot air balloon festival in Asia. On an average, 80,000 spectators and over 120 teams from about 20 different countries travel to Saga every year to participate and color the autumn sky with poetic charm. This year again, from the 31st of October to the 4th of November we will host the festival. Please come and join us in the festivities.

Now I would like to discuss what Saga is doing about 'Customer-Based & Results-Oriented Governmental Reform.'

It has been 3 years since Saga City has begun this reformation, and up until that point, our way of working only included the "Plan" and "Do" stages. Therefore we would plan and carry out our work, yet the cycle of making the most out of conducting survey questionnaires, customer satisfaction surveys, as well as seeing proof of our results, did not exist.

Now, by including the "Plan (planning)", "Do (carrying out)", "Check (self evaluation)", and "Action (improvement)" stages, we will be able to see the results of our undertakings and the improvement of our planning as we receive feedback and aim to build the management cycle.

Next I would like to talk about why we started this undertaking.

- In Japan, around 1990, the bubble economy collapsed and the high level economic growth came to an end.
- The debt of many self-governing bodies suddenly swelled, in turn making each subsequent year's payments also increase.

Over those 10 years, Saga's debt balance also increased by two and a half times. With this kind of financial difficulty, it became a necessity to assess priority rankings to our undertakings and question our own results.

Saga City's first phase in grappling with the task at hand is testing and evaluating office work and creating concrete, statistic-oriented objectives and goals.

From the year 2001 to 2010 we have 66 statistic-oriented objectives that have been planned.

For Example:

- The average number of cavities for a 3 year old child in 1999 was 2.67. Our goal is to lower that to 1.80 by 2010.
- The percentage of teachers that had a commanding grasp of computers in 1999 was 32.4 percent. Our goal is to raise that to 100 percent by 2010.
- The percentage of serviced or maintained sewage systems up until the year 1999 was 47.6 percent. Our objective is by the year 2010 to make that 100 percent.
- The number of tourists that came to Saga in 1999 was approximately 3,172,000. Our objective is to raise that number to 4,000,000 people by the year 2010.

In order to follow through with our general planning objectives and to display our statistic-oriented goals clearly, we have regular checks on the current status of all our objectives.

However, there are more fundamental aspects that are necessary before we can move ahead.

- It is not just about securing the budget and creating plans but it is also necessary to maintain a way of thinking that will benefit the lives of the people.
- It is important to review one's results and have the attitude of always trying to improve the contents of one's work.
- It is necessary to stop at the appropriate time once you've played your part.

In short, what is important is reforming the awareness of the workers.

It is because without thinking, the officers fall into the trap of just continuing the same work that was done before they do.

Furthermore, the problem exists of residents in Saga City not being conscious of the administrative work checks.

If there is not awareness reformation,

- Evaluations have little meaning.
- Even if you do "Check (self evaluate)," the "Action (improvement)" will not occur.

Saga City's second step deals with more fundamental aspects.

#### 1. Awareness Reformation:

- In the morning meetings of the various departments, greeting practice now is a standard. Due to the large number of complaints from the City citizens concerning our attitude, we have considerably upped our manners and have reduced our tardiness to virtually nil.
- We have implemented a worker suggestion system. This system started in 2000 and is where workers themselves can suggest various ways of reform or improvement and be rewarded by the best proposals receiving 100,000 yen.

#### 2. Examples of successful customer based reforms:

One such successful work reforms that we can mention is the reformation of the customer windows in the City Hall. We received quite a few complaints from the citizens due to the large amount of people always visiting the City Hall and their difficulties concerning family registration, resident cards, tax procedures, pension certificates, etc.

Several examples of complaints were:

- Not being able to complete the things you want to get done at one department, ie: getting the run-around.
- During the season of personnel changes (end of March), procedures simply took too long. (Some family registrations took up to 5 hours to process)
- The City Hall is only open until 17:00 which makes it inconvenient for people who work or are busy to come. It is also closed on Saturdays and Sundays.

These are some of the improvements that Saga City has accomplished.

- ① Made it possible to complete all procedures at one department.
- ② Revised the computer system, drastically reducing processing time. (At the busiest moments the longest processing time now only takes approximately 26 minutes)
- ③ This year on March 30 (Sat) and 31 (Sun) the City Hall remained open for business.

One aspect worth noting that has great meaning is that the revision of the customer windows first and foremost came from the proposals and ideas of the workers.

Also, within Kyushu this system only exists in Saga.

Furthermore, we have also stationed floor managers near the customer windows whose job is to help answer questions and direct the citizens.

These reforms have received praise from the citizens and have given confidence back to the workers.

The direction we are heading now is,

- ① Grappling with understanding costs and definite effects.

For example, public health nurses are meeting one-on-one with the citizens, giving health advice and guidance. Up until now however, the cost for an individual had never been calculated. This year when the costs were finally realized, it came to about 300,000 yen per person. Yet in congruence with the costs, people were staying healthy but we still didn't have the data to know if the medical costs were also going down. We are now gathering the necessary data to accurately assess the situation.

- ② Various branches of libraries, children centers, and the like, are now undergoing customer satisfaction surveys.
- ③ Evaluation of personnel is also changing. Employees that are more qualified will be recognized and their salaries will be adjusted accordingly.

Saga City is dealing with very basic issues right now, but we believe it is important to maintain a constant steady effort grappling with the changes that can be made. In order to progress Saga into the future and deal with the ideas such as being able to produce various certificates over the internet as opposed to having the citizens come to the City Hall, I would be grateful to hear any opinions and/or advice you may have.

Thank you very much for listening.

## (5) Keynote Speech 2

### Mr. Kouji Ohboshi Profile

Mr. Ohboshi joined Telecommunications Agency. Promoted to executive board manager of the electronic telecommunication department, then executive general manager of Chugoku Branch. After the company was privatised to become Nippon Telegraph and Telephone Public Corporation in 1985, he successively held various important positions including deputy director-general of the planning telecommunication system division, director-general of the corporate planning division, and executive managing director of the planning telecommunication system business division. In 1992, he became the first president of the newly established NTT Mobile Communications Network Inc., present-day NTT DoCoMo Inc. In 1998, he was appointed chairman. Since June 2002, Mr. Ohboshi has been making his contribution as corporate advisor not only to the company but also the society as a whole.

Mr. Ohboshi's excellence has been recognised by many prizes such as the 26<sup>th</sup> Business Circle Award and the Proprietor Award given in 2000. His active commitment also stretches beyond Japan, as advisory professor at the Harbin Institute of Technology and as economic advisor of Changchun City.

### Mr. Kouji Ohboshi's Speech

#### Information 'Renaissance' City in Today's Era of Ubiquitous Networks

##### Mr. Kouji Ohboshi, Corporate Advisor, NTT Docomo Inc.

Thank you for your introduction. I am Kouji Ohboshi. Urban issues are not my speciality, but having worked in the telecommunications industry for many years, I'd like to focus on communication networks and their influence on urban structures, and solutions to urban issues as we witness global communication networks such as the internet rapidly increasing their presence in society.

When we look back in history for the emergence and changes of urban cities, we realise that urban needs or requirements also change. Our society is now in the stage of economic maturity; as information technology develops in such a society, you'd expect the society itself to become computerised or informatised. When there are changes in the social structure, new issues arise, such as the problems of an aging population and declining birth rates. When a society becomes more affluent, the sense of values becomes diversified, too. All of these social and technological changes have, and will bring about new situations; starting from the internet, then broadband networks, and the ubiquitous network. I believe that the maturity of this highly visible and influential ubiquitous network will create a totally new structure, something of a second Renaissance, responding to new urban needs. I would also like to touch on the future progress of the Asian-Pacific intra-city communication network in this respect, too.

There have been numerous discussions on what follows an industrialized society in books such as "The Third

Wave” by Alvin Toffler. Daniel Bell suggested it would be a “post-industrial society” and Mach Loop argued it would be a “knowledge industry.” Toffler predicted the arrival of an information society as the third wave, following the agricultural revolution and the subsequent industrial revolution. The industrial structure of a nation shifts from the primary industry to the secondary, then to the tertiary as its economic and social development proceeds, and there are data to prove this. Recently, communication-related fields, including the computer industry, are sometimes differentiated from labour-intensive services within the tertiary industry and called the fourth industry. So the process that began with the Industrial Revolution, which gave birth to the railway, then the automobile and then the aeroplane, has now brought to our society the global network of communication. People in hunting societies became settled as a result of changes in lifestyle brought about by the agricultural revolution. Settled and dispersed, people moved further into an industrialised society, where a more efficient environment for production was created and, in turn, fostered the creation of industrial cities. People moved into these industrial cities, creating a new problem of urban overpopulation. This in turn caused the phenomenon of urban sprawl, giving rise to numerous bedroom communities while factories were forced to disperse in an effort to solve the new problem. The urban structure shifted its focus from industry to non-manufacturing and services, which are taking the form of knowledge or information-based industries operated by many knowledge-intensive clusters such as R&D bodies and venture businesses as well as the entertainment industry. So you have concentration, dispersion, and redevelopment in the urban history; and I think you can say the development of the communication network is running a parallel course with this. Cities have been redeveloped as an environment where people can live in harmony with nature. Our network development is moving towards establishing partnerships among cities within the Asian-Pacific region.

As you are all aware, the industrial structure surrounding us has clearly changed. The proportion of secondary as well as primary industries in the GDP has been decreasing rapidly.

The American economist and sociologist Marc Porat tracked the demographic changes of various vocations. His data indicates the understandable decline of agricultural populations. Findings also show that the industrial population has peaked. Now, as I mentioned earlier, labour-intensive communication and knowledge industries are growing within the service sector. But this tendency is not limited to the service industry. Japan Agricultural Cooperatives, for instance, though engaged in the primary industry, obviously have employees dealing with computers. These people really should be categorised as information and communication staff. The same is true of Toyota car manufacturing factories and Nippon Steel ironworks, since large-scale production systems are computerised and adopt robotics. So whether it’s in the United States or Japan, the number of employees engaged in communication and knowledge is growing to be the largest of all. Abraham Maslow’s famous hierarchy explains different need levels of an individual. When your income is low, very basic needs such as food, clothing and shelter have to be satisfied, but as you become affluent, you will be motivated by higher needs such as self-actualisation.

Surveys conducted by the Ministry of Public Management, Home Affairs, and Posts and Telecommunications since 1970 have revealed an interesting result: the general public used to seek material affluence but this has changed since 1979. The data shows that people still think material affluence is necessary, but they believe in the prime importance of spiritual affluence in their life to come.

Now, the type of occupation on the increase for the past five years has been in service-related areas. By contrast, manufacturing is decreasing. Mass production bases have naturally moved to China or other Asian countries, where labour costs are generally lower. This means that the industrial structure in Japan has to shift from mass production to specialise in more advanced or knowledge-intensive areas.

There are changes in the consumption profiles of household incomes; Engel's coefficient is levelling off or falling. On the other hand, spending on transportation and communication is increasing. Transportation, for instance, would include expenses for going abroad. This is a step towards seeking new knowledge, information, or entertainment, that is to say, spiritual affluence.

I applied this when I felt the necessity of creating new markets for the mobile phone in 1996 to prevent DoCoMo growth from levelling off. Japan was already a mature society blessed with material affluence. When you think about consumers' needs or wants beyond material affluence, they would be information, communication, knowledge, and entertainment. Then the use of the mobile phone is, if you connect your mobile phone as a terminal in place of your computer to the internet via the mainframe as the server, a variety of content is available over the internet. If you'd like to reserve a ticket with an air carrier, you make a call with your mobile phone, which functions as a computer, to be connected directly to the airline's computer via the server. Directly in the sense that it doesn't involve any staff or operator in between, which means the cost is 20% cheaper. By creating such a market as a new business model, DoCoMo has successfully generated an enormous demand with 30 million new subscribers signing up in just three years.

As you know, internet access is becoming more and more widespread, and popularisation of information technology is also quite visible. The potential of IT is recognised by the national government as the tool that leads to breakthroughs in the prolonged economic slump of the past decade. The Information Technology Strategy Council has been formed and e-Japan strategies have been drawn up. One of the four major strategies is to construct, by 2005, information superhighways boasting high transmission speeds of about 50 to 100 megabytes per second that would enable some 30 million households to be hooked up to the internet on a constant basis for about 2-to-3 thousand yen per month. The move to build such an infrastructure has already started nationwide and municipalities within Fukuoka Prefecture, as I understand, have already stepped up their efforts to creating gigabyte-level networks. Such a commitment will not only push forward electronic commerce and e-governance on both national and municipal levels, but also promote equality in education, made possible by narrowing the gap between municipalities through the use of the internet.

Next, when you think of the effects of e-governance on the national government and local administrations, you can imagine there will be changes to the urban structure and then to lifestyle in general, and therefore to people's behaviour. To give you a very simple example, in order to have an official certificate issued, such as a resident card, you need to take the trouble of actually visiting the ward office. But in the future you'll be able to do this from your mobile phone, PDA (electronic personal organiser), or from your office. All government offices, whether national or municipal, will be connected to the internet, so online processing of such requests will be possible wherever you are.

This system can be used to deal with different kinds of needs ranging from medical care services to issuance of certificates for residents. In the case of private firms, the system will be used for employment, industrial

relations, and for various industrial processes.

The biggest potential for e-commerce will lie in the distribution of goods. It is said that the size of the e-commerce market, including trading conducted over the internet and internet catalogue shopping, in 2001 was at the 1.2 trillion-yen level. Such businesses making full use of the internet are growing as ever.

Turning our attention to local communities now, one will notice the emergence of various new subsystems. Intranet systems have been constructed for nursing care and welfare services, public administration-an example being the Administrative Information System-and schools where the use of computers and the internet has been encouraged. So all these intranet subsystems at the community level will be connected to form larger broadband networks. Such an infrastructure, or informatisation will certainly change the way people behave.

To realise this infrastructure, laying optical fibre, utilising the existing CATV, and transmitting high-frequency waves into existing metal communication lines have been adopted. But recently, methods to use wireless connections, which seem the simplest and therefore most logical solution, have been widely adopted. The so-called "hot spot method" utilises wireless LAN connections.

Use of the internet can stretch further to providing solutions to the problems concerning security and traffic. ITS or Intelligent Transport Systems have already gone into action. ITS system enables to acquire a variety of information. While riding in a car, which means that cars, once merely a box that moved, will become much more intelligent when equipped with information devices.

Now let's take a look at the changes brought to our lifestyle by the internet. Before the internet became so common, there were concerns that the introduction of such a network might take away chances for face-to-face contact or personal communication. However, the reality is that your circle of friends has widened and your communication opportunities have increased thanks to the new infrastructure. The internet contributes to enriching our lifestyle by providing access to a wide range of information; you can further your personal interests, eat out or go out more using the information you find on the Net. On the other hand, there are activities that you stop doing. You don't go out to buy tickets; you don't write letters, or watch TV like you used to. With TV, viewers passively receive a one-way flow of information or whatever comes along. But a digitised system makes a two-way flow of information or on-demand requests from the user's side possible. So the behavioural change here is that users have become more proactive.

When broadcasting is digitalised, the same type of behavioural changes will happen; on-demand interactive relations will be established between the viewers and the broadcast stations.

When broadcasting is fully digitalised, digital transmission of broadcasting contents will be possible. For example, the large data on digital broadcasting is transmitted via satellite and received at a terminal. At the receiving end or the terminal, users can select and download the information they need; they can use it for on-line shopping, for instance. So the contents for broadcasting will be used interactively and in real-time or on demand, providing much more information and wider choices for the users.

So these situations provide the background for the projects to build a higher-speed internet using the satellite communication.

Moving onto a new topic, the concentration of population in urban areas is a well-known phenomenon

brought about by industrialisation. Workers gathered in large cities where factories were built; this later caused pollution. As a preventive measure against pollution, laws to disperse factories by moving them to the suburbs were implemented. This has accelerated the tendency for populations to decrease, which is already occurring in large cities such as Tokyo, Osaka, and Nagoya because of the shrinking number of employees in the manufacturing industry.

The average working hours are becoming shorter, too. This is, for one thing, as a result of the long-time effort to improve working conditions, as well as a result of the economic slump, which has made overwork less common. This tendency is particularly evident with middle-aged and older workers.

So, under the current economic climate, major corporations are promoting drastic restructuring on the scale of 10,000 employees. Growing industries such as ours [i.e. NTT DoCoMo (telecommunication industry)] aim to expand employment by hiring some of those dismissed during corporate restructuring. The mobile telecommunication industry hired about 900,000 people in 2000 for its newly found eight-trillion-yen market. The creation of a new market will have economic ripple effects such as new demands for retail shops and manufacturing work, so we need to secure the workforce to cover these newly created demands. Other possible ripple effects may include the demand for new services or life industry, including the fields of medical care, the environment, security, and life-long learning education. Efforts must be made to hire these laid-off workers in these new industries. I also believe the government should wisely spend the income from corporate tax money on such safety nets. Business organisations, when thinking of the volatility of the market, would try to minimise personnel expenses, which are a fixed cost, because structural changes in the future are simply unpredictable. This is the background for the shift towards more flexible employment styles, such as part-time and temporary employment.

Japan now boasts the world record life expectancy-probably due to medical advancement. The average life expectancy of Japanese people is the longest at 85 years for females and 77 for males. The average age of the population is getting higher. Furthermore, the birth rate has gone down to around 1.3, but which should be 2.2 to 2.3 per woman for the population to be maintained. At this rate, the Japanese population will start decreasing in 2006. The number of people of productive or working age, which is from 15 to 65, is already decreasing. Now, you work out long-term economic growth by multiplying the population by per capita production. So, with its decreasing population, Japan needs to change its fundamental policies if it still seeks continuous growth; changes may include accepting a workforce from Asia, for instance. So we must start thinking of our future as a multiracial nation.

In an aging society, there will be people with time to spare. These people will look for meaningful way of life or new purpose in life, and become interested in, say, getting involved in volunteer activities. So the industrial structure needs to change to accommodate these needs.

Another visible social change in Japan is the growing number of the unmarried especially in urban areas, which coincides with the lowering birth rate. In addition to the various demographic changes affecting the employment situation, more part-time workers created as a result of corporate restructuring and more women wishing to go back to workplace or other stages for social activities after child-rearing have given rise to the concept of "telework." The idea behind this is to outsource or assign certain work duties, say, making



software, rather than trying to do everything by yourself. Such outsourced work can be performed in the form of telework or from home offices. Telework means to perform work functions using electronic information and communication technologies such as a network; and it makes SOHO, or small offices / home offices, possible. You can work at home, and especially if you're in the sales business you can visit your clients directly without reporting to the office in a central area. You can also send work reports to the office at the end of your working day via a communication network at a station some other locations. This is what a satellite office or a small office is like. All of these work styles are categorised as telework, which is gaining popularity in the States.

To recap, the most typical style of increasingly popular telework is SOHO, where employees report the work done using a communication network from a small office located near their local station, or self-employed individuals work from home or their home offices. It is believed that these new work styles will have an effect on the urban structure in the future.

In greater Tokyo, an urban structure to accommodate telework has been developing to disperse some business operations conventionally concentrated in central Tokyo, with satellite cities gaining their business independence.

Now, five wards in central Tokyo are again showing population increases. This is partly due to lower prices for land and rent, but also due to the attractive business environment in the centre where information is concentrated, especially if you want to start up a knowledge-intensive enterprise such as a venture business. For this reason, information and knowledge clusters are emerging in central Tokyo. It's a little like Silicon Valley in the United States. And if you get your place in such an area for business, only a small space is necessary because it isn't your living quarters, and knowledge-intensive businesses do not require much facility investment. People are coming back to Tokyo on a temporary basis like this, and when your venture business takes off, then you can live in the suburbs with your family.

Let me start a new subject in the context of the possible changes in urban structure prompted by the promotion of informatization. An information-oriented society requires an infrastructure that facilitates the transmission of large volumes of information at a high speed and low price. Broadband connections are rapidly gaining presence to meet this need. In Fukuoka Prefecture, an extensive broadband network already exists. The national government aims to develop the network with a transmission speed of 50 to 100Mbps to serve about 30 million households by 2005. This, together with the fibre-optic network provided by electric utilities, in addition to NTT, will realise a non-stop broadband connection at a flat rate of two to three thousand yen per month by around 2005, when about 80 percent of internet users will be using a broadband connection.

Then, how will the benefits of this broadband connection be used? Entertainment use such as downloading music is one, and business use by SOHO workers is another; you can communicate business matters while staying at home, for instance. Another use would be videophone shopping, and distance learning, which enables students in remote country areas to have virtual lessons or lectures without leaving their home. If you want to take an English conversation class, for instance, your experience will be as good as being in front of a teacher in an actual classroom. And medical use for remote diagnostic technologies will benefit: small

towns with no doctors or places with problems of long waiting hours-because sometimes, even in bigger towns, waiting for two or three hours before you get to see a doctor is quite common. With the broadband network, you can contact the hospital without leaving the house and find most of what you need to know. That's the era of telemedicine as some people call it.

When a broadband network that can transmit large volumes of information is fully upgraded, we'll have to deal with a new problem, which is the IP address shortage. IP or internet Protocol is the standard for allocating addresses necessary for internet use. Now, an incredible number of such addresses will be needed to meet the needs of a world population of some 4.7 billion, as you probably have two or three addresses already; one for your mobile phone, one for your home computer, another for your computer at work, and so on. Under the next Version 6 after upgrading the current IP Version 4 (Ipv4), virtually an infinite number of IP addresses can be used. So, home appliances can be given their own addresses such as digital televisions, air conditioners, and bathtubs. If you can give an IP address to each of your home appliances, then you can remotely set your air conditioner so that you return to a cooled room on a hot day, or a bath is filled with hot water in winter, and so on. Thanks to advancements in nanotechnology, computer chips and microprocessors can now be made as small as the tip of your little finger, so you can put a little computer anywhere, say, on the lining of your jacket and this clever device can go anywhere you go. Now, I understand the word ubiquitous is a religious word that refers to God's ability to be everywhere at once. The network will become ubiquitous with broadband connections and an almost infinite number of IP addresses. You can acquire information in real time wherever you are and whenever you want. You don't have to carry any fat manuals, heavy dictionaries, or thick telephone directories, because terminals can be connected to the ubiquitous network whenever needed to become your walking resource.

Next, I'd like to talk about peer-to-peer networking. The word peer means equal or companion. Peers can communicate with each other without involving an NTT switchboard or switching system, or the DoCoMo server. The process of users going via our devices is one source of our income, so even if there's something not entirely welcome about peer-to-peer networking from a management point of view, we have to accept it. Knowledge and information will be flowing more and more freely among people. This will promote intelligent independence among the general public, which in turn will improve the overall way of life. People will better themselves by getting in touch with each other rather than relying on official bodies.

The information structure at home will change like this, and behavioural change will follow suit accordingly. The arrival of the ubiquitous network will lead to a second Information Renaissance, I believe. Let me explain why. In mediaeval days, information and knowledge were monopolised by a small group of people in power, whereas ordinary people had no choice but to passively obey those in power because of a lack of information. However, what with the Reformation and the development of Gutenberg's print technology, information and knowledge became popularised. The masses awakened to information and knowledge, which eventually led to the Renaissance and the Industrial Revolution. Information concentrates dominantly among the top management such as the president, the board members, and is not shared by the young corporate underclass. The result is that young employees are unable to put their potential creativity into practice since they don't know how the real world or their own company works. However, in a society with the ubiquitous

network, information gets down the corporate ladder to the employees using the internet or intranet, for instance, so that even the newly employed can acquire the same information as the top management. The pyramid will collapse and be replaced by a horizontal network. The arrival of such a new society where young creativity can be exercised, I believe, can be called the second Renaissance. The same is true for academia. Teaching staff at universities used to hold on to their knowledge, and segment it into portions allotted for a year's worth of lectures to sell this monopolised knowledge by the piece. However, students these days can get the latest information, say, American marketing theories. So there's this student, much to the lecturer's surprise, correcting him or her by saying, "That is different from what marketing experts in the States, such as Kotler, say now. We have moved into the era of one-to-one marketing." Academic professionals can no longer monopolise knowledge nor information, and students can acquire more, newer, or more relevant information than their teachers if they desire. So even professors have no time to be complacent. They need to [make concrete achievements from their studies, such as] by coming up with new theories themselves, or focusing on nurturing creativity among students through debate and discussion. Either way, productive education in the true sense of the word is expected.

This is why I think we'll have a new Renaissance. In such an era, "prosumers" will be one of the key elements. We were just "consumers" when we were content with passively receiving a large amount of one-way information, like watching TV. The new network will change this relation to an interactive one, making us users proactive participants who use the environment on our own initiative. After receiving information, users can ask questions and respond with favourable or negative criticism or comments, using their personal computers and the internet. Furthermore, they can even transmit messages through their websites. This way, users will become consumers and prosumers at the same time. After you receive new information as a consumer, you add new value to it and transmit it, which makes you a producer, or "prosumer". The conventional business oriented network, such as business-to-business or business-to-consumer relations will become less dominant. Consumer-to-consumer and peer-to-peer communication will be more common. People will come in contact with a broader range of ideas as a result of acquiring access to the information often exclusively held at official bodies. I think this will contribute to the way community building is pursued in that real citizens' participation can be promoted.

As I mentioned earlier, the history of urban development saw the initial growth and concentration, and subsequent dispersion of certain functions, such as factories, in particular. The resulting hollowing-out phenomenon is being tackled with various legal measures for urban redevelopment. Discussions are underway at local municipalities to redefine the role of cities while efforts are being made to create an environment where people can live culturally and closely with nature. In order to meet these goals, the participation of citizens, with every one of them having sufficient knowledge and information, is vital. A structure is necessary that allows citizens to commit themselves to urban community building by their own initiative and intellectual creativity, otherwise people will continue to receive only that which is meted out by those in power. I'd like to point out that the ubiquitous network can break this deadlock, and with that we're already on our way to the second Renaissance. Our needs and wants are not uniform with diversified values, but our future cities will have to be ones that take into consideration the needs of their residents. The contribution of

the ubiquitous information network shall be immense.

We can no longer live thinking about our country alone. Take manufacturing, for instance. Japanese production bases have already gone beyond our national boundary to reach Asia. At the same time, Japan needs to produce what can only be made in Japan and coexist with other Asian nations. To look at the Asian Pacific region, entities of regional cooperation are growing: ASEAN + 3 countries, APEC, or the Economic and Social Commission for Asia and the Pacific (ESCAP) are examples of such entities. We need to think globally, too. Until now, the American economy was overwhelmingly powerful. Intellectual or human resources as well as money were drawn to the United States en masse from all over the world. America led the way for the world. But it can't last forever. Some argue that America is approaching a saturation point. It doesn't necessarily mean America is degrading, but others are catching up, with the EU being one of the most prominent players. The EU has the advantage of borderless, trans-national operations. Within Europe, the principle of comparative advantages is clear: each country has its own characteristics so some countries are better off specialising in agriculture, some others in industry, research development, entertainment and so on. So the resources are optimally distributed and further integrated within the EU as if it were one country. This approach has rapidly pushed the EU to a position as an economic axis that matches the American economy. Asia needs to follow suit. It's no good to let the American economy influence the Asian economy. We need to create an independent trading structure within the Asian economic region that can compensate for difficulties caused by the economic downturn in the States, such as a situation where exporting to America becomes hard. As you know, Asia has a variety of rich cultures. Our increasingly important task is to live in harmony with each other within our region, and to create new things out of the synergy.

One of the ways to achieve this is to build up information networks. The Asia Broadband Program is currently being drafted under the initiative of the Japanese Prime Minister. It aims to create an information base that transmits to the world information reflecting the uniqueness and diversity of Asian cultures in collaboration with other Asian nations. The information, ranging widely from culture to economy, will be transmitted via the internet, and broadband networks, in particular.

To realise this enterprise, a pan-Asian internet network backbone, called A-Bone network, is already in the making as a commitment made by a company called Asia Internet Holding Co., Ltd. The network is jointly operated by Internet Initiative Japan (IIJ), PacificNet in Singapore, SuperNet in Hong Kong, and other companies.

Data indicate that an incredible amount of information is being exchanged between America and Europe, and Asia is so much further behind the West in terms of the volume of information exchanged and its infrastructure. So, both the national government and private corporations are taking actions to change this situation, as I have explained.

Here, let me give you an example that shows the characteristics of the Asian-Pacific region. International passenger traffic, including tourists and business travellers, is rapidly increasing in the region with a surprisingly high annual growth of 9.7 -about 10 percent, compared to 4 percent in the West. This means that the percentage of Asia in global human exchange has doubled from 7 percent to 14 percent in the past ten years or so. In this area, data indicate an overall decline of Western dominance, which probably suggests the

possible arrival of the Asian Pacific age in the future. I think we need to accelerate this trend.

Asia has underlying strength, which is also evident in high foreign currency reserves in the region as well as expanding production share thanks to ASEAN nations and China's growth.

Asia has become an attractive investment. World investments were once concentrated in the United States, which gave rise to the IT Bubble and its subsequent bursting. Stock prices in America soared, too, with an index registering over 10,000 dollars, which is currently at around 8,000 dollars. Then the momentum was lost. So Asia becomes the place where the money is spent. It is essential that cities within the Asian-Pacific region form their own economic block to match their counterparts in America and Europe through international gatherings. In this sense, gatherings like this summit meeting will increase their significance for fostering relevance in the world community.

I'd like to end my speech today by wishing for the continued success of this summit meeting in the future.

Thank you very much for your attention.