

Chapter 6

The Public and the Defense Agency/SDF

Section 1. Efforts to regain the trust of the Public

Section 2. Basis to Sustain Defense Capability

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Section 1. Efforts to regain the trust of the Public



Minister of State for Defense Nukaga giving instructions to Defense Agency employees

Defense forces are a last resort to ensure the nation's security and their functions cannot be replaced by any other means. However, defense forces that are not supported by the people's strong confidence cannot fulfill their functions. A significant relationship of trust in which the SDF is always with the people is important more than anything else.

As described in the previous chapters, a majority of SDF personnel are working diligently everyday and making efforts to meet the people's confidence and expectations. However, it is also a fact that incidents that undermined the people's confidence occurred. The Defense Agency and the SDF are determined to make every effort to prevent the recurrence of such incidents.

From the above perspective, the beginning of this chapter describes efforts to prevent the interruption of bidding procedures, drug abuse and leaks of information through the Internet.

1. Actions Taken in Connection with the Case of Interruption of Bidding Procedures by the Defense Facilities Administration Agency¹

On January 30, 2006, senior officials of the Defense Facilities Administration Agency and other persons were arrested on charges of having interrupted construction biddings for defense facilities. This case has seriously betrayed the people's confidence in the Defense Agency. With the aim of creating a new system for the Defense Agency as a policy-making government organization that can be relied on by the people, the Defense Agency established the Committee to Investigate the Case of Interruption of Bidding Procedures etc. by the Defense Facilities Administration Agency (hereinafter called "the Committee") headed by Director-General of the Defense Facilities Administration Agency Iwao Kitahara under the auspices of the Minister of State for Defense Fukushima Nukaga, and the Panel to Examine Drastic Measures to Prevent the Recurrence of Interruption of Bidding Procedures etc. by the Defense Facilities Administration Agency (hereinafter called "the Panel") headed by Senior Vice Minister of Defense Taro Kimura. And exhaustive investigation of the facts behind the case was done, and drastic measures to prevent recurrence were examined.

(1) Investigations by the Committee

The Committee was established on January 31, 2006 in order to investigate exhaustively the background and causes of the case. It has met for 19 times to study exhaustively the evidences for understanding of the

background and the causes and reported its findings to the Panel when necessary. On June 15, 2006, The Committee published its report titled "Case of Interruption of Bidding Procedures etc. by the Defense Facilities Administration Agency" and submitted its findings to the Panel on the next day as reference data for development of measures to prevent recurrence of similar cases in the future.

The so-called defense facilities bid-rigging by government officials and manufacturers was found to be practiced for long, through close cooperation between the Technical Councilor and certain other senior officials in the Agency's procurement office and former SDF officials currently in the employ of business enterprises, with such officials exercising initiative in such cases. It is both malicious and organized as a scheme that had been carried on over generations of officials. It is clear that the officials concerned lacked awareness of legal compliance and ability to purge malpractices.

The direct cause of the case was the need to secure re-employment for former officials of the Defense Facilities Administrative Agency (DFAA), special attention paid to such former officials and these causes were resulted from insular nature of personnel management in the Construction Department over the years. At the same time, it is a problem for the entire DFAA organization for failing to engage in human exchange actively with strong awareness of the problem.

Moreover, the problem extends into the failure of DFAA to perceive the "Concrete Measures on Procurement Reform" that had been announced in response to defense equipment acquisition scandal in 1998 in the former Central Procurement Office as a concern of its own as well and to take concrete measures to upgrade inspection and monitoring of the bidding system.

In full awareness of the case for having inflicted serious damage of credibility toward defense facilities administration and of trust not only toward DFAA but also to the Defense Agency and SDF as a whole, the organization is to renew its effort to revamp awareness of each employee in the Agency, implement measures to prevent recurrence proposed by the Panel without fail, and is to restart through disassembling DFAA to prevent any recurrence like this.

Also, the case is under investigation by the Fair Trade Commission, with which the DFAA is supplying full cooperation.



A study session is under way to work out drastic measures to prevent bid rigging involving employees of the Defense Facilities Administration Agency

(2) Drastic Measures to Prevent Recurrence²

a. Process of Examinations

On January 31, 2006, the Panel to Examine Drastic Measures to Prevent the Recurrence of Interruption of Bidding Procedures etc. by the Defense Facilities Administration Agency headed by Deputy Director-General of the Defense Agency Kimura was created. The Panel, attended by outside experts as special members, continued deliberations.

The Panel conducted examinations for each of the themes, including bidding procedures, reemployment, organization, personnel management and public-service corporations, and established basic measures to prevent the recurrence of the similar cases in the future on June 16, 2006 as follows.

To eradicate disgraceful events, the Defense Agency shall implement measures to prevent recurrence naturally, in addition, in view of the facts that the previous case of the former Central Procurement Office and the DFAA case were caused by senior officials and ex-senior officials of DFAA, the Defense Agency will also implement measures to announce widely and exhaustively that drastically changing the mentality of the

DFAA personnel is highly important, and, especially, the budget is the taxpayers' precious money, and to improve awareness building for compliance of the DFAA personnel.

As part of these actions, in June 2006, DFAA distributed a booklet titled "Attitude of DFAA Staff; 3,100 Staffs' Determination³."

b. Construction Bidding Procedures, etc.

Considering the necessity to create an environment where collusive biddings are least possible, the Defense Agency decided to review the conventional bidding procedures in order to prevent the repetition of the similar cases in the future. Concretely, with the aim of increasing the transparency of the procurement process, the Defense Agency will take the following measures:

- 1) improvement of bidding procedures⁴;
- 2) enhancement of monitoring/supervising functions during bidding and contracting phases⁵;
- 3) enhancement of preventive measures against collusive biddings⁶; and
- 4) establishment of proper relationships with industry stakeholders, including retired personnel⁷.

c. Reemployment

In view of the recent case, the Defense Agency will review the early retirement encouragement practice and ask retiring personnel to voluntarily refrain from being reemployed by related industries.

About reviewing the "early retirement encouragement practice", pursuant to a policy of promoting to implement measures for improvement of the "early retirement encouragement practice", the average retiring age of so-called construction officials will be raised to that of administrative officials, etc. as soon as possible. At the same time, appropriate measures will be taken so that all officials, including administrative officials, may continue service until compulsory retirement age as far as possible. Furthermore, the average retiring age of personnel who retire pursuant to the early retirement encouragement practice will be reported to Director-General of the Defense Agency at the end of each fiscal year.

Measures to ask retiring personnel to voluntarily refrain from being reemployed by related industries are as follows.

- 1) To ask senior officials (general administrative officials of grade 8 or higher) who have been engaged in the placement of orders for construction works to voluntarily refrain from being reemployed by construction companies (for five years after their retirement)
- 2) To ask all of retiring officials to voluntarily refrain from being reemployed by Defense Facilities Technology Incorporated Foundation
- 3) To ask retiring officials to voluntarily refrain from being reemployed by the companies involved in the recent case of interruption of bidding procedures for the time being⁸
- 4) To review companies that are appropriate for retiring officials of the Defense Agency to seek employment with and do not look suspicious to the people, as well as the reemployment system.

d. Establishment of Clear-Cut Disciplinary Action

For procurement-related work, including bidding work, the relevant rules, etc. will be clarified. Then, the clear-cut disciplinary action will be established by categorizing misconducts (both actions and inactions.) Informants will be protected through the proper implementation of the public-minded informant protection system, etc.

e. Personnel Management

Based on the perception that the latest case of interruption of bidding procedures originates from the long-standing personnel management practices of the Defense Facilities Administration Agency, the Defense

Agency will improve the personnel management and take other actions.

In particular, the following measures will be taken:

- 1) adoption of a unified personnel management, instead of relying on recruitment examinations for type-I technical and engineering officials who will be engaged in defense facility-related work;
- 2) adoption of active personnel exchanges between the Defense Agency and other ministries or agencies for type-I technical and engineering officials who will be engaged in defense facility-related work;
- 3) combination assignment of the same work to a unit of administrative official and technical and engineering official for executive post; and
- 4) drastic awareness building for all personnel.

Based on a motto of "Be always as naive as you were when a novice" education and training for drastic awareness building will be repeatedly made for all personnel, especially senior officials, so that they may improve the sense of compliance and the sense of ethics.

f. Organization

Based on the results of the organizational review, the following measures will be taken:

- 1) dismantling of the Defense Facilities Administration Agency and the integration of this organization into the Defense Agency.
- 2) enhancement of the ability of mutual check during the construction work ordering process; and
- 3) strengthening of audits and inspections throughout the organization;

Regarding the functions of DFAA, after reviewing works of DFAA and ensuring the transparency of the organization of DFAA based on the following points, then the Defense Facilities Administration Agency will be dismantled and integrated into the Defense Agency.

- a. To properly satisfy the needs of users, including the SDF, U.S. forces in Japan, etc.
- b. To establish such a system combining defense policies and facility administration work that is appropriate for an organization in charge of maintenance of the security of Japan

When integrating the Defense Facilities Administration Agency into the Defense Agency, special attention will be paid to the following points.

- a. Procurement work, such as construction work and land acquisition, should be carried out by a highly transparent practical unit.
- b. Works conducted by the Defense Facilities Administration Agency, such as "responses to military base-related issues" or "responses to events or accidents that affect local residents," should be handled by a unit that places focuses on the relationships with local governments and the people of Japan.
- c. Regional Defense Facilities Administration Bureaus should be reorganized in from the point of view that those organizations must function as liaison between regions and defense administration.

As a measure to enhance mutual supervision concerning the construction work ordering process, "quantity survey work" and "contracting work" that are now conducted by Construction Department of each Regional Defense Facilities Administration Bureau will be separated.

In addition, as reinforcement of audits and inspections throughout the organization, the Defense Agency will check all activities of the Defense Agency and the SDF, including regional military units, throughout the organization. And the Defense Agency will establish a highly independent bureau or department with enough system that can supervise or inspect all activities of the Defense Agency and the SDF.

In the current organizational review, studies are made by constantly paying attention to the following points.

- a. Each of the personnel of the Defense Facilities Administration Agency should see things the same way

as the people does, be always aware of performing the duty of defense of Japan, and can be proudly engaged in respective service by continuing one's same roles played for local governments etc. and by utilizing one's knowledge accumulated so far.

- b. All personnel of the Defense Facilities Administration Agency should pay serious attention to the fact that the recent case of interruption of bidding procedures rooted in the peculiarity and particularity of the Defense Facilities Administration Agency. Then, they should make efforts to reduce barriers between "civil officials" and "military officials," between "administrative officials" and "engineering officials" and among "GSDF officials," "MSDF officials" and "ASDF officials" as far as possible.

g. Public-Service Corporations

Since public-service corporations were found to have problems due to the occurrence of the recent case of interruption of bidding procedures, the following measures will be taken:

- 1) dismantling and integration of Defense Facilities Technology Incorporated Foundation;
- 2) change of private contracts to open biddings;
- 3) prohibition of recommission of work;
- 4) modification of the period of service at public-service corporations

Since it was found that Defense Facilities Technology Incorporated Foundation has various problems with regard to actual operations, including reemployment of persons retired from the Defense Agency, private contracts and recommissioning of work, the Foundation will be required to voluntarily dissolve itself within FY 2006 after necessary measures are taken to enable an appropriate organization to conduct those functions of the Foundation that cannot be performed by private companies etc.

Except in special circumstances, the type of contracts will be changed from private contracts to open biddings etc. If a private contract is concluded with a public-service corporation, the corporation will be prohibited from recommissioning the contracted work.

If a person has retired from the Defense Agency and has been employed as full-time officer by a public-service corporation that pays wage to the officer, the officer will be required to refrain from being employed by a profit corporation that has a close relationship with the Defense Agency within five years from the date of the person's resignation from the Defense Agency.

The service agreement that is concluded between Technical Research and Development and Defense Facilities Technology Incorporated Foundation or a private corporation will be changed to open biddings etc., and the method to compute estimated service charge will be reviewed.

h. Disciplinary Actions against Personnel Involved in the Recent Case of Interruption of Bidding Procedures

Based on the perception that rigid response to the recent case will prevent the repetition of the similar cases in the future, the two current officials who had been arrested and prosecuted in the case have been dismissed in disgrace on April 26, 2006. In view of the organized interruption of bidding that had been practiced for many years that had been uncovered in the investigations, employees who had been involved and those who had been responsible for supervision and leadership in the scheme in the past have been punished strictly and retroactively on June 15 (1 demotion, 10 suspensions, 6 wage cut, 33 reprimands, 18 admonitions and 14 cautions), following confirmation of evidences.

Also, former officials who had been the Technical Counselor and the Director General of Construction Department, and already left DFAA have been asked to consider voluntarily returning or donating all or part of their retirement payments.

Also, if officials concerned and value of damages of the government is identified through investigations

by FTC, legal procedure is scheduled to be implemented for recovery of losses of the government, including demand for compensation of damages against such officers at that time.

i. Future Actions

Although action has already been taken to prevent recurrence in the respective fields completed in the report, regarding practical works for Defense Agency's budget request for 2007 fiscal year, the Committee to Study a New Defense Organization after the Dismantling of the Defense Facilities Administration Agency (headed by Director-General of the Defense Agency) will energetically undertake works to make the budget request.

2. Countermeasures against Drug Abuse Cases⁹

Since July 2005, SDF officials have been arrested in succession on charges of violation of the Cannabis Control Law, etc. The SDF can perform its duties based on public confidence. These disgraceful cases betrayed the confidence of the people in the SDF, for which the Defense Agency and the SDF feel deep regret.

The Defense Agency and the SDF took the matter seriously. In October 2005, the Drug Issue Investigation Committee headed by Deputy Director-General of the Defense Agency was established to examine measures to prevent the recurrence of similar cases in the future pursuant to the order of then Director-General of the Defense Agency Ohno. The Committee held meetings six times, and prepared a "final report" on the problems involved in the drug abuse cases and measures to prevent the recurrence of similar cases in the future in February 2006.

(1) Outline of Drug Abuse Cases

During a period from July to December 2005, 17 SDF officials in total (11 from MSDF, 5 from GSDF and 1 from ASDF) were arrested, or their case files were referred to the Public Prosecution Office, on charges of violation of the Cannabis Control Law, etc. The SDF took disciplinary actions, including dismissal in disgrace, against all of these officials.

Arrests etc. or so many SDF officials on violation of the Cannabis Control Law, etc were not seen before. In the case of MSDF, especially, it has become clear that persons, in addition to carrying and using cannabis, grew cannabis, handed over cannabis to other persons through their private relations, or sold cannabis to third parties on the Internet.

(2) Measures to Prevent its Recurrence

Units etc. of SDF, handle weapons etc. and perform their duties in with unity, with a mission to ensure the peace and independence of Japan, I shouldn't indulge in drug abuse. Therefore, thorough prevention should be taken to prevent its recurrence and to stop drug abuses once and for all. The "final report" recommended immediate and steady implementation of the following measures: 1) thoroughgoing disciplinary guidance and education; 2) introduction of drug testing (urine analysis) after SDF personnel are recruited; and 3) establishment of a helpline or report desk.

3. Countermeasures against the Case of Information Leak on the Internet¹⁰

Following the disclosure of the incident of leaks of classified information on MSDF'S destroyer Asayuki, on February 24, 2006, the Defense Agency established a Panel to Examine Fundamental Measures to Prevent the Recurrence of Leaks of Classified Electronic Information, in order to study fundamental measures to prevent the recurrence of similar cases throughout the organization. The panel was headed by

Parliamentary Secretary for Defense Takagi and comprised of the Administrative Vice Minister, Director-General of the Secretariat, director-generals of all bureaus, Chief of Staff of the GSDF, Chief of Staff of the MSDF, Chief of Staff of the ASDF, and the directors general of all other departments within the Defense Agency.

Based on the results of the study, the Defense Agency prepared a report on fundamental measures to prevent recurrence and made it public on April 12, 2006.

In order to implement such measures as soon as possible and ensure the prevention of similar cases, the Defense Agency established a Panel for the Implementation of Measures to Prevent the Recurrence of Leaks of Classified Electronic Information headed by Parliamentary Secretary for Defense Takagi and comprised of the directors general of all departments within the Defense Agency and other members as with the previously mentioned panel. The purpose of the Panel is to supervise the implementation of measures.

(1) Concrete Measures for Information Security

a. Implementation of Measures concerning Technology, Physical and Environmental such as the Introduction of New Technology

The government will immediately purchase about 56,000 PCs to replace all private PCs used at work. In order to prevent leaks of work-related data via portable storage media, mandatory encryption software will be introduced.

b. Review of Rules

Once government-issued PCs are procured, all personnel will be prohibited from using their private PCs at the office. In addition, the rules will be tightened to prevent information leak. For example, the use of private portable storage media at the office will be totally banned, and government-issued portable storage media will be centrally safe kept. In addition, agency-wide procedures to prevent information leaks to the Internet will be developed, and inspections on compliance with information security rules and regulations, including those without advance notice, will be conducted.

c. Reinforcement of Education

Depending on the ranks of personnel and the types of information clearance, education on the rules concerning information security, confidentiality, and the prevention of outflow of information will be conducted periodically. Also, the means of dissemination for information security knowledge will be improved by use of information systems. An information security help desk service will be opened within each department to answer and take care of questions from personnel.

(2) Fundamental Measures for Confidentiality

a. Enhancement of Deterrent Effect

Depending on the contents of confidential documents etc., those documents etc. that are currently protected by the classification of "JDA secret (Top secret or Secret)"—the compromise of which is subject to comparatively light punishment—will be transferred into the classification of "defense secret"—the compromise of which is subject to heavier punishment—within one year or so in order to enhance the deterrent effect.

To prevent the number of confidential documents etc. from increasing excessively, a measure to apply the standard to designate documents etc. as confidential in a stricter manner will be taken. Furthermore, all personnel who handle confidential documents etc. will be obligated to hand in a "written pledge" so that they may be aware of their grave secrecy obligation.

b. Reinforcement of Inspection System

Unannounced inspection will be institutionalized to deter personnel from carrying out of confidential information through portable storage media, or storing confidential information in an inappropriate way. Specifically, unannounced inspections include body searches at the entrance or exit of off-limits areas, inspection of data stored on those PCs that are not authorized to keep confidential information, and secrecy compliance inspection for those companies that handle confidential information.

(3) Fundamental Measures Related to Disciplinary Punishment

To improve the sense of information protection and responsibility of personnel in handling confidential information and enhance the deterrent effect, misconducts in the cases of outflow of information in the current Internet-based society will be categorized and the clear-cut standard for taking disciplinary actions, a severe punishment even for managerial responsibility.