

# Modalities for the Basic Municipalities in the Post New Act on Mergers Era

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## Introduction

On June 16, 2009 the 29th Local Government System Research Council released its Report on the Modality of the Basic Local Governments and Their Audit and Legislature Systems in the Future. The most important sentence in the report is the section that reads: “It is suitable to bring the nationwide campaign to promote mergers that began in 1999 to a close by the end of March 2010, which is the time limit for the current Special Mergers Act.” As such, this report declared the end of the Great Heisei Consolidation campaign that had lasted for ten years.

Going forward, each municipality will go about selecting the modalities for basic municipalities in said regions from a variety of options, including freely merging, under their own judgment and based upon the present circumstances that each respective region finds itself in and their future trajectories.

This paper will discuss future modalities for the basic municipalities and take a look at their future prospects based upon the progress with and limitations of the Great Heisei Consolidation.

### 1. Progress with the Great Heisei Consolidation

The Great Heisei Consolidation was kicked off by the revisions to the former Special Mergers Act (Act on Special Provisions of the Merger of Municipalities) by the Decentralization Omnibus Act of July 16, 1999. Through these revisions the period for calculating merger exchanges for local tax grants was substantially extended and special bonds for municipal mergers were created, through which the national government forcefully pressed forward with municipal mergers.

As a result, significant progress was made with municipal mergers, and the 3,232 municipalities that existed as of March 31, 1999 were drastically reduced down to 1,821 (for a reduction rate of 43.7%) by March 31, 2006, which was the deadline for applying the law. The average population size per municipality rose from 36,387 to 65,499 people, with their average size also expanding from 114.8 km<sup>2</sup> to 204.0 km<sup>2</sup>. Through this an expansion in the scale of the municipalities was achieved.

Furthermore, if you were to take a look at a breakdown by type of municipality, you would see that towns and villages dropped precipitously from 2,562 to 1,044 (for a reduction rate of 59.3%), whereas conversely the number of cities increased from 670 to 777 (for an increase rate of 16.0%). As a result, when you look at this in terms of population and area you see that nearly 90% of the former (89.1%, including special districts) and nearly 60% of the latter (55.1%, including special districts) were incorporated into urban districts, giving rise to a structure for basic municipalities that is centered mainly around cities.

However, there were still more than 500 municipalities with a population of less than 10,000 people (the so-called small-scale municipalities), and there were significant disparities in the state of progress with the mergers between the prefectures. For these and other reasons, the

national government decided to enact a new act on mergers (Act on Special Provisions of the Merger of Municipalities), through which it will continue to promote mergers up until March 31, 2010 even after the expiration of the former Special Mergers Act.

There has not been much progress made with mergers based upon this new act on mergers. As was previously mentioned, it is expected that the 1,821 municipalities that there were as of March 31, 2006 will decrease to 1,758 municipalities by March 31, 2010, which is the deadline for applying the law. But this rate of decrease is only a mere 3.5%.

This technique of promoting one more round of mergers is the same one that was used during the Great Showa Consolidation. During the Great Showa Consolidation, the Act for the Promotion of Mergers of Towns and Villages was enacted and municipal mergers were promoted from 1953 through 1956. After this, the Act for the Promotion of the Building of New Municipalities was enacted, and one more round of mergers was promoted that lasted until 1961. In addition, this second round of mergers was similar to that from during the Great Showa Consolidation in the sense that not much progress was made with the mergers.

Ultimately, as a result of the Great Heisei Consolidation that lasted nearly ten years the number of municipalities fell by nearly half.

Assessments of the state of progress from the Great Heisei Consolidation have been ambivalent. That is to say, since the number of municipalities fell to less than 2,000 you could adopt the view that the consolidation made progress that exceeded the initial expectations. But on the other hand, you could take the view that it was not enough since it failed to reach the goal of 1,000 set by the national government, even if this was indirect. Both of these assessments can be made.

## 2. Limitations and Problems with the Great Heisei Consolidation

For the Great Heisei Consolidation the national government deployed a forceful promotional campaign by incorporating the prefectures, but this was for voluntary mergers rather than compulsory ones. In other words, ultimately the decision making over whether to merge or not was left up to each municipality. This is similar to how it was back during the Great Showa Consolidation. Moreover, this differs from the Great Showa Consolidation in that clear criteria for things like population were not indicated when it came to promoting the mergers. In this regard, it was criticized for not having a philosophy when it came to promoting mergers, but you could also say that it was an approach that gave greater respect to the autonomy of the municipalities.

In reality, the prefectures formulated the merger pattern (under the former Special Mergers Act) and the merger structure (under the new act on mergers), with the mergers being promoted on the basis of these. So in most cases this merger pattern and merger structure were formulated based on spheres of daily life as the unit for the mergers. Put another way, this round of mergers was designed to strengthen and improve the efficiency of the administrative structures in the municipalities in order to respond to regional decentralization and changes in the socioeconomic climate. Yet at the same time this could also be described as an attempt to bring the municipal districts closer to the spheres of daily life.

But now there are a large number of so-called small-scale municipalities, as well as large differences in the state of progress with the mergers between prefectures. Given this situation, it does not appear as if there will be any significant improvements by the cutoff date for the new act on mergers of March 31, 2010. What is more, even in regions where mergers have

been carried out there are few cases where these mergers have been carried out at the level of the spheres of daily life, and in most of the regions mergers were carried out that took part of these spheres of daily life as their unit. Of the 582 mergers that were carried out from April 1, 1999 to March 31, 2006, mergers that were carried out at the level of wide-area municipalities (creation of wide-area municipalities) only accounted for a mere 35 (6.0%).

This means that even in the Great Heisei Consolidation the need still remained for wide-area administration at the level of the spheres of daily life in many of the regions.

On the other hand, the Great Heisei Consolidation brought about all new problems. These are the problems brought about by the fact that the municipalities grew larger both in terms of their territory and their size. Looking at this in terms of territory reveals that the municipalities with an area of 500 km<sup>2</sup> or more increased from 89 to 202 over the period mentioned above. When it comes to the merged municipalities, including those municipalities that have not grown this large, the need has arisen for them to take the relationship between their central and peripheral areas into consideration and come up with measures for this, particularly for the peripheral areas. Moreover, when seen from the residents' perspective, they have started to feel as if government administration has grown distant from them. The organizational autonomy of the municipalities has been strengthened, but on the other hand concerns have surfaced over the autonomy of the residents growing weaker.

### 3. The Wide-Area Administration Method and Its Limitations

The wide-area administration that will be discussed here means administration that is promoted through mutual cooperation between municipalities over a range that exceeds the bounds of a single municipality, and which are referred to as spheres of daily life. This wide-area administration is a horizontal supplementation method. It also encompasses regional administration, in which content such as jointly handling waste disposal and similar undertakings is added into this in an effort to promote administration in a comprehensive and planned manner in which these spheres of daily life are treated as a single region.

Since the FY1969 Guidelines for Promoting and Improving Wide-Area Municipal Regions that were unveiled on May 28, 1969, the national government has been moving ahead with measures for wide-area municipal regions by way of wide-area administrations. The characteristics of these wide-area municipal regions are listed below.

- 1) They differ from cases where municipalities were merged in that they were promoted based on guidelines rather than laws
- 2) The establishment of wide-area municipal regions has been promoted all over the place, except for in some major urban regions
- 3) The criteria for wide-area municipal regions is that they have a population size of roughly 100,000 people or more, and their establishment has been promoted on the basis of the spheres of daily life
- 4) They utilized the existing method of jointly handling tasks through the partial administrative associations and councils that served as wide-area administrative bodies

Wide-area municipal regions were established over almost the entire country over the four years from FY1969 to FY1972. Following which, in aiming for the functional enhancement of the wide-area administrative bodies in the wide-area municipal regions, the combined partial administrative association system was newly set up in 1974, followed by the wide-area cooperative system in 1994. What is more, a project to install core facilities for garden cities

(regional plazas) was initiated in FY1980, and beginning in FY1989 the hometown municipal region policy was deployed.

These wide-area municipal regions had two aims. Their first objective was to set in place wide-area systems for handling tasks jointly that could not be achieved by individual municipalities in order to complement municipal administration. Their second objective was to promote comprehensive and planned improvements across entire regions, thereby achieving functional mergers.

The first objective of installing these wide-area systems for handling tasks jointly through the wide-area administration initiatives of wide-area municipal regions has lasted for a little over 40 years. These tasks are epitomized by things like waste disposal and wide-area firefighting, and while verification needs to be made on whether or not they are efficient, the case could be made that they have sufficiently achieved results. However, when it comes to the second objective of achieving functional mergers, while numerous efforts have been made for this they have failed to adequately achieve results. A major causal factor behind this is the fact that the wide-area administrative bodies in the wide-area municipal regions were unable to serve as the primary agents behind the planning and project implementation for integrating the regions as a whole.

In cases where attempts were made to promote wide-area administration based on the spheres of daily life, including for regional administration, after the Great Heisei Consolidation, breaking away from the challenge faced by the wide-area municipal regions of integrating the regions once again came to pose a major problem.

For major urban areas, wide-area administrative regions for the areas surrounding major urban areas have been set in place since FY1977. In these regions initiatives for wide-area administration and especially for regional administration will be a significant challenge over and above cases of wide-area municipal regions.

#### 4. The Concept of Autonomous Settlement Regions as a New Type of Regional Administration

The Guidelines on Promoting the Concept of Autonomous Settlement Regions were unveiled by the national government on December 26, 2008, which clearly laid out that it would promote autonomous settlement regions as a new method of wide-area administration that would replace the wide-area municipal regions in the future.

These autonomous settlement regions are similar to the wide-area municipal regions in that they were also promoted based on guidelines, but they differ drastically from these wide-area municipal regions in the following ways.

- 1) These regions are not set up around the unit of spheres of daily life from the outset, but rather are formed on the basis of one-on-one agreements through the initiative of the core cities and peripheral municipalities
- 2) Wide-area administrative bodies are not set up for them, as emphasis is placed on the leadership of the core cities instead
- 3) It is envisioned that the execution of administrative tasks based on the agreements will not make use of an association method, but simpler types of methods (outsourcing work, jointly establishing agencies, etc.)

In other words, the autonomous settlement regions could be described as an attempt to carry out regional administration more efficiently by having the core cities play a central role in place of the wide-area administrative bodies.

As of March 31, 2009 22 regions (with 24 core cities) are working on wide-area administration via autonomous settlement regions as early adopters. The question of just how far such initiatives will spread in the future is one that will be closely watched.

Yet these autonomous settlement regions were not originally envisioned as something that would spread ubiquitously all across the nation. Core cities require a population of 50,000 people (or at the very least more than 40,000 people). Therefore, regions where the population in the spheres of daily life for the core municipalities does not meet this criteria cannot form autonomous settlement regions. Furthermore, whether or not they become an autonomous settlement region is left up to the initiative of each region, and for its part the national government has no intention of promoting their diffusion uniformly at a nationwide level. This point is a significant departure from the conventional wide-area municipal regions.

## 5. Future Modalities for Basic Municipalities: Toward Diverse Choices

### (1) While the Ideal Vision Remains Unchanged, the Means of Achieving It Have Grown More Diverse

The ideal vision for the basic municipalities was expressed in the following manner within the Report on the Modalities of the Basic Local Governments in the Future from the 27th Local Government System Research Council on November 13, 2003.

“For the future, the basic municipalities must serve as administrative agents with a greater degree of independence than they have had thus far in their capacity as the comprehensive administrative agents that are the most accessible to the residents. They must have sufficient authority and a financial footing that is suitable for this, and must also have a personnel organization that includes specialized occupational categories that are capable of precisely handling the administrative tasks that are growing increasingly complex.”

The recent report by the 29th Local Government System Research Council posits that this vision for basic municipalities is a valid and proper one for the future as well.

But with respect to the methods for achieving this vision for the basic municipalities, the report did not call for the single-minded devotion to mergers that was previously seen. Instead, it stated that the municipalities should select the most suitable mechanisms by themselves based upon the present situation they each found themselves in and their trajectories for the future, with this premised on a notion of diversity for the municipalities.

While the ideal vision remains unchanged, the means of achieving it have grown more diverse.

What is more, upon unveiling its Guidelines on Promoting the Concept of Autonomous Settlement Regions mentioned previously, the national government released a notice stating that it would be repealing its Guidelines on Wide-Area Municipal Regions as of March 31, 2009. This not only put a stop to municipal mergers, but with respect to wide-area administration it also brought to a close the campaign to promote wide-area municipal regions uniformly all around the country.

The municipalities and regions must now once again give serious consideration on their own to what sort of methods they would be best served by choosing for the sake of achieving the ideal vision for basic municipalities.

## (2) Brief Considerations concerning the Options

Well then, what sorts of options are there? This paper will now sequentially consider the options of mergers, horizontal supplementation, and vertical supplementation in that order.

### A. Mergers

The fact that mergers are an effective means for achieving the ideal vision for basic municipalities remains unchanged. In the report by the 29th Local Government System Research Council it says that, “Municipal mergers will still be effective in the future as one means of strengthening administrative and fiscal foundations.”

A new Special Mergers Act that incorporates measures for clearing away the impediments to mergers by municipalities that are independently attempting to promote said mergers will likely be enacted as a post-new law on mergers legal measure.

For their part, the municipalities should start by once again considering the possibility of mergers, so long as they are within the range of these spheres of daily life. What is more, in cases where it will be difficult to merge, then horizontal supplementation should be considered as the next method.

If mergers can be achieved across the spheres of daily life (which are oftentimes aligned with the wide-area municipal regions) in their entirety, then this will give rise to wide-area municipal regions in which the spheres of daily life align with the districts. Since municipal administration would equal wide-area administration and regional administration in such wide-area municipalities, there would be no need to think about separate wide-area administration or regional administration.

Conversely, even if mergers were to be carried out in some of the spheres of daily life and municipalities with strengthened administrative and fiscal foundations were to appear in such a scenario, there would still be a need for wide-area administration and regional administration that was based on these spheres of daily life.

### B. Horizontal Supplementation: Supplementing the Spheres of Daily Life

In cases where mergers are not chosen, or cases where mergers are chosen but only for some of the spheres of daily life, then horizontal supplementation at the level of the spheres of daily life—namely wide-area administration and regional administration—will be required.

First of all, there is the question of whether or not the current wide-area municipal regions (an arrangement whereby wide-area administrative bodies take the lead in carrying out regional administration based on wide-area municipal regions) will be preserved.

As was previously mentioned, the national government abolished its Guidelines on Wide-Area Municipal Regions and has stopped promoting said regions. But at the same time it left the matter of whether or not to go ahead preserving this conventional wide-area municipal region framework in the future up to the independent judgment of the relevant municipalities constituting these regions.

Next, when the decision is made to preserve these wide-area municipal regions, then this raises the question of whether or not to go about strengthening said regions. This is largely related to the question of what should be done about the wide-area administrative bodies that play a central role in the wide-area municipal regions. In many of the wide-area municipal regions, partial administrative associations account for the wide-area administrative bodies. So if the wide-area municipal regions are to be strengthened, then the wide-area administrative bodies should be shifted away from partial administrative associations and towards wide-area cooperatives. If on the other hand the wide-area municipal regions are to be slimmed down, then these administrative bodies should be shifted away from partial administrative associations and towards councils. Just maintaining the status quo and leaving the partial administrative associations alone as they are now will probably also be an option.

If in the event that mergers are carried out at the level of the wide-area municipal regions and wide-area municipalities are created, then these wide-area municipal regions will naturally disappear because municipal administration is equivalent to wide-area administration and regional administration. What is more, even in cases of wide-area municipal regions in which there are two structured municipalities due to the mergers that each have a sufficiently large size and territory, there may still be some wide-area municipal regions that disappear. Furthermore, regions in which wide-area administration are abolished at the level of the wide-area municipal regions and through the mechanism of wide-area administrative bodies by a decision by the structured municipalities will presumably arise even in cases other than those listed above.

As for regions calling themselves autonomous settlement regions, there are two types—wide-area municipal regions and autonomous settlement regions—that mutually coexist (excluding those cases where wide-area municipalities have become autonomous settlement regions). Coordinating between them will probably surface as a problem for both of them, and in the future some regions that abolish wide-area municipal regions and carry out regional administration solely through autonomous settlement regions will likely surface. Furthermore, regions that try to undertake regional administration through methods that conform to those of the autonomous settlement regions will presumably surface, even for regions that do not meet the requirements to be autonomous settlement regions.

### C. Vertical Supplementation: Supplementation Over and Above the Spheres of Daily Life

Depending on the region, there may be cases where mergers based at the level of the spheres of daily life are impossible and horizontal supplementation with other municipalities will be difficult, with outlying islands serving as a representative example of this. What is more, depending on the region there may be some cases in which the administrative and fiscal capabilities of the basic municipalities will be insufficient even in instances where mergers or horizontal supplementation have been carried out at the level of the spheres of daily life.

For these sorts of cases where there are limitations to what can be achieved solely through mergers and horizontal supplementation, then it will be necessary to think about vertical supplementation by the prefecture, such as by outsourcing work to the prefecture, as the next method after these.

## 6. Future Outlook: Basic Municipalities based on the Spheres of Daily Life

For the future of the basic municipalities, the spheres of daily life should be taken to be their basic unit. However, after going through the Great Heisei Consolidation, there are a diverse array of configurations when it comes to the modalities for basic municipalities throughout these spheres of daily life.

In some regions, the sphere of daily life has been reduced to a single municipality through mergers (wide-area municipalities), and so regional administration is carried out in the form of the administration of this municipality. In other regions the wide-area administrative bodies in the wide-area municipal regions have been strengthened and so regional administration is carried out with them at the center. There are also some regions where regional administration is specialized towards autonomous settlement regions, and so regional administration is performed under the leadership of core cities. Still in other regions regional administration based around the spheres of daily life is not carried out per se, and so only the joint handling of administrative tasks is performed. And so on and so forth.

The central questions in all of this are: Are the basic municipalities capable of adequately fulfilling their roles when seen from the perspective of the spheres of daily life as a whole? and Have the regions chosen the most appropriate modality for doing this?

Furthermore, in doing so the majority of the regions will need to strengthen their regional administration at a larger level than the municipal districts, or conversely they will need to strengthen community administration at a smaller level than said municipal districts in the future.

**[Works Cited]**

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