

# CPIJ

## News Letter

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## Municipal Mergers and City Planning

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### 1. Editor's Preface

**Yasuyuki FUJII**

Today, municipal mergers are the greatest concern of local governments in Japan. Many municipalities throughout Japan completed mergers within the March 2005 time limit required by the national government's incentive program. Many more candidate mergers finished required procedures and are ready to be enacted under the same incentives by the end of this fiscal year, which is March 2006.

As can be imagined, municipal mergers encompass many difficult issues: post-merger reductions in the number of public officials and assembly members, integration of municipal information systems, selection of a location for the new city/town's administration, and the naming of the newly-created municipality. In particular, the selection of a new name is a sensitive issue due to local histories. Further, while the assumption is that the mergers are taking place between equals, irrespective of population sizes, most communities tend to perceive that one party is acquiring the other, or that one of the parties is being subsumed.

This edition of CPIJ Newsletter tries to draw a broad picture of how ongoing municipal mergers should be

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understood and dealt with from the city planning perspective. Certainly, municipal mergers hold a variety of consequences for city planning. I have chosen here a geographical approach, going from national structure and regional governance, to practices at the local level.

All three of the contributors are leading authorities on their respective topics. Dr. Onishi stresses that municipal mergers are an integral issue in the new regional divisions being considered for the national structure. Dr. Sawai, proposing a three-tier local government system made up of regional blocks, prefectures and municipalities, emphasizes the importance of cooperation between municipal governments and their citizens. Finally, Mr. Yanagisawa explains the thorny practical issue of mergers of municipalities that implement development zoning with those that do not.

Local governmental systems are unique from one country to another. In this sense, it may be safe to say that no optimum solution exists. I sincerely hope that the recent Japanese experience with municipal mergers is of some interest and of some use to readers abroad.

## 2. Municipal Mergers and the National Structure

Takashi ONISHI

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### 1. The Evolution of Municipal Mergers in Japan

With the introduction of a modern municipal government structure to Japan in 1889, the number of municipalities nationwide was reduced to just one-fifth of pre-Meiji levels, or about 15,859 (the Great Municipal Merger in Meiji Era). A more gradual decline continued through the first half of the next century, until by 1953 there were just 9,868 local jurisdictions. The subsequent need to establish and supervise a new junior high school system, local fire and police departments, and provide regional social welfare and health services drove further mergers, as authorities targeted a minimum population of 8,000 as the sustainable size for a local government. By 1961, the number of municipalities was down to one-third of the 1953 number, or 3,472 (the Great Municipal Merger in Showa Era).

The next three decades saw little change, but as the end of the millennium approached, the government once again took action to promote regional mergers, this time with an eye to helping local administrations overcome looming financial crises. In 1999, a major revision to the Special Law on Municipal Mergers was passed, providing for special breaks to newly merged municipalities, an offer which was set to expire in March, 2005. As of January, 2005, the number of municipalities nationwide had fallen to 2,869; if all currently planned mergers take place before March, 2005 as scheduled, that number is expected to be reduced further to about 2,300. (The Great Municipal Merger in Heisei Era). In total, the number of regional governments in Japan has fallen to just one-thirtieth of what it was 120 years ago; this is still seen as an excessive number, and plans are moving forward for more mergers, even after the expiration of the Special Law.

What, then, is the “right” number of municipalities for a country of this size? In fact, that question is not easily answered. Looking at other countries around the world, the number of core regional governments varies widely. At the high end, France has 36,600, Germany 16,100, and America has 35,900, but at the other extreme there are countries like England, with even fewer

than Japan at only 484. Overall, most major nations seem to have proportionately more local municipalities than Japan. Even looking at the average population per municipality, the only countries with a higher average than Japan’s 38,300 are Ireland (pop. 3.57 million), New Zealand (pop. 3.55 million) and England (pop. 58.49 million). Thus, at least from the point of trying to determine an ‘appropriate’ number based on the experience of other nations, there is no real justification for continuing to promote local mergers in Japan. The real driver of the latest merger wave has not been statistical, but fiscal: the accumulating red ink generated by the system for distributing central government tax revenue to regional governments. Under the Japanese system, these distributions from national revenues are intended to fill the gap between what municipalities, prefectural, and city governments collect in local revenue and their basic annual operating budgets. As a result, should the nationwide total of that gap, or the regional budget shortfall, exceed the central government’s tax allocation for distribution, the allocation budget itself falls into the red, and the government needs to borrow money to fulfill its obligation to the system. Today, critics point out that while these grants to local governments now exceed 20 trillion yen per year, the cumulative debt for the allocation system is nearing 40 trillion yen, putting it at the brink of collapse. The government continues to promote regional mergers in the hopes that larger municipalities will be able to build stronger fiscal foundations, enabling the central government to reduce the amount it must contribute from tax revenues.

Still, it goes without saying that coming up with the ‘right’ number of regional governments is not just an exercise in fiscal analysis; a second crucial factor lies in how a country chooses to serve its citizens, by bringing government closer to them, and responding carefully to their needs and concerns. From this point of view, smaller, more accessible municipalities with fewer disruptive changes would seem to be the most desirable. Being smaller, of course, means that basic fixed costs can become an increasingly heavy burden for these governments, and it is important that they operate within a larger regional framework to achieve

greater fiscal efficiency. Thus, while a very large municipality like Yokohama may find itself dealing primarily with internal issues, smaller unconsolidated cities and towns will increasingly face questions of wider regional administration.

## **2. National Structure and Multi-district Initiatives**

With local municipalities and prefectural and city governments as a foundation, national and regional planning has begun to move toward establishing multi-district divisions and configurations: regional development that encompasses several prefectures or metropolitan areas (i.e. the Tokyo Area Basic Regional Plan), or planning that incorporates multiple neighboring cities and towns into larger regional communities. Administrations overseeing these broader regions have largely been given responsibility for establishing and managing everything from transportation infrastructure to shared regional facilities within their purview. In the same sense, the latest wave of municipal mergers is expected to bring the greatest changes in scale to those newly formed communities composed mostly of smaller cities and towns. Even after the major consolidations of the Heisei era are complete, there will still remain significant differences in size between various municipalities, and considerable gaps between the geographic range of peoples' daily activities (commuting, going to school, shopping, hospitals, etc.) and the size of the communities where they actually live. For smaller local governments to effectively address these concerns, it will be essential that they continue to work together to establish spheres of cooperation based on the needs of the wider regional population.

Working to develop and implement rational planning by first setting standards for physical and social infrastructure based on a set of common geographic or lifestyle needs probably makes sense. However, in Japan, local government is imbued with an increasingly higher level of administrative authority and local law-making ability; as decentralization of government authority has progressed in recent years, the focus on local identity continues to be reinforced, with the result that multi-district regional administrations have begun taking a back seat to local needs. In reality, the formation of these districts was in many respects influenced by the original geographic divisions under the

old county-based system, and their structure today may be at odds with the more objective decision-making that later went in to establishing local divisions based on social concerns such as school populations or commuting patterns.

With the expiration in March, 2005 of the special treatment for mergers under the revised Special Law, it is hoped that general discourse on the future of our cities and towns will move away from merger issues, and more towards a focus on alliances and broader regional relationships. When discussing the formation of multi-district authorities, for example, commuters as a percentage of the total regional population is usually considered a reasonable benchmark number. When a majority of the labor force in one city commutes to another city for work, their own city becomes, in effect, a bedroom community of the other, and is subsumed in the larger municipal embrace of this 'mother' city. While there are various arguments for how to go about selecting a ratio of commuters that defines such a dependent relationship, if one sets the bar too low, the relationship between the 'mother' city and its dependent turns cumbersome and complex; set the ratio too high, and the metropolitan center shrinks and one ends up with an excessive number of stand-alone municipalities. Research tends to support a benchmark commuter population ratio of between 5-10%, resulting in anywhere from about 100 to fewer than 300 metropolitan areas, depending on the country. Still, if one considers that the role of regional administrations is to both complement and supplement other government services, then the areas most urgently requiring such supplementary support are, rather, the more under-populated regions. It is difficult to develop a regional model for such areas without extending the benchmark ratio beyond the commuter population figure, to include such factors as the need for trips to the hospital, or for daily shopping.

Today in Japan, there is talk of doing away with the Comprehensive National Land Development Act which has been in place for 55 years, and putting forward an entirely new plan for the country. The stated goal of the revision efforts is to finally make the transition away from a national plan that focuses only on development, to one that has conservation, use, and management of the land as its key concepts. Further,

the debate seems to be moving toward a plan that splits the country into new regional divisions. It is imperative that in order for the needs of all of the nation's

local communities to be reflected in the new planning, regional administrations begin coming together to make sure their voices are heard.

### 3. Urban Management and the Outlook for Regional Government

Yasuo SAWAI

National Institute for Research Advancement

#### 1. The need for administrative reforms

##### (1) Trends toward reform in government

Since the latter half of the 20th century, much of the world has been transformed from a largely industrialized society to one based on the value of knowledge and information, and along with the spread of globalization across virtually all fields, this has ushered in perhaps the greatest period of socioeconomic upheaval in history. In the West, the major countries of the European Union have moved toward the elimination of borders and the completion of their plan for European unity, while elsewhere the emergence of global, knowledge-based economies has driven innovation in political, social, and economic realms. Internally, these changes have also prompted a fast-paced shift toward a more decentralized political architecture, with a strengthened emphasis on regional authority as the basis for the national politic. This process has resulted in stronger ties between regional governments, local economies, and the private citizen, and a push toward greater regional economic activity that has helped to revitalize the economy of nations as a whole. As can be seen in the many success stories coming out of the EU, vigorous civic networks, supported by active local economies in a decentralized sociopolitical framework, can contribute far more to building a dynamic social and economic foundation than was possible with the highly centralized models of the past.

Meanwhile, in Japan, the end of the millennium saw the development of decentralization efforts at the national level, driven by an increased awareness of regionalism among local governments, and by the example of decentralization movements seen throughout the European Union. As regional entities have continued to evolve, the government is now pushing forward with the "Great Municipal Merger in Heisei Era," a reconfiguring of cities and towns promoted as the best way to build local municipal management abilities and pave the way for continuing decentralization.

Today, the momentum created by this large-scale realignment of municipalities is driving greater discussion among government bodies, political parties, local governments, and private sector think tanks about how best to create a new system that effectively combines both centralized and regional approaches, enabling Japan to overcome the challenges it faces in its own period of historic upheaval.

##### (2) The direction local government should take

Commonalities may be found among strategies for government reform, whether they be innovations to central or local systems. First, at the national level, it is necessary to redesign existing government structures to create a slimmer, more policy-focused organization, better able to deal competently with complex international issues, and with strategies for addressing mounting domestic challenges such as fiscal crises and social security. At the local level, the effort is toward establishing a regional authority that is empowered by decentralization, and that by building close ties with both local citizenry and private industry, is able to dynamically address and solve critical issues such as falling long-term population growth and reduced economic vitality. Particularly at the local level, which has seen a wide variety of proposals for new regional systems, the NIRA (National Institute for Research Advancement), a research group focused entirely on public policy issues, has crafted its own picture of what local government systems might look like as our country moves toward an increasingly decentralized model.

Today, Japan has a two-tier government, with a central administration on one level, and prefectural and municipal administrations on the other. We propose replacing this with a three-tier system, under which the nation is divided into large regional blocks which will assume many of the key functions of central government; slimmed-down prefectural governments which

will act primarily as a supporting layer between the regional blocks and smaller municipalities; and municipalities, which will take on all aspects of providing services directly to the citizenry. Adding another layer may seem counterintuitive; in fact, given the trend in central government to slim down and push more tasks out to branch offices and agencies, the continued shrinking and increased specialization of prefectural functions, and the decrease in the total number of municipalities through mergers, this structure makes it possible to generate effective reforms across government. Compared to two-tiered regional systems, which effectively puts the mandate for regional administration entirely at the prefectural level, the three-tier system makes it possible to maintain the principle of subsidiarity, placing the most essential government functions closest to the people. From a purely democratic point of view, it also makes sense to use a three-tier structure to give the prefectures, which are historically the most well-established government unit in the peoples' minds, a new role for the near future. The model further envisions identifying those cities established by government ordinance as special entities, endowed with the functions of both the prefecture and the municipality. Finally, regarding the national capital, a variety of approaches have been suggested, from turning Tokyo into a separate "state," to creating a special regional authority or alliance, similar to the Greater London Authority, which would carry much of the responsibility for regional coordination, to breaking out only the central metropolis as a distinct capital city with its own administration.

## **2. Local governance and urban management**

### **(1) Citizens and the community will lead municipal governance**

Taking into consideration the trend toward increased worldwide urbanization, and the increased presence of urban governments as a result of municipal mergers, further decentralization will put city administrations, as the entities closest to the public, in the critical role of delivering comprehensive government services to the public. Further, a parallel movement toward increased involvement of local communities, NPOs, and citizens in the political and economic life of their cities is

bringing about the creation of new kinds of so-called 'network governance' and 'social governance.' As Robert D. Putnam of Harvard University pointed out in his work examining the roots of growth in northern Italy, these 'networks of civic engagement,' supported by trust and reciprocity, can actually work to improve the performance of the system as a whole.

### **(2) A new paradigm in urban management**

When looking at the future of urban management in Japan, it is necessary to assume that new forms of governance will be both highly decentralized and strongly influenced by a more associative democracy. At the same time, it is important to remember that, beginning around the year 2006, Japan is also likely to enter a long period of continued population decline. Already, many regional cities have entered what Leo H. Klaassen of the Netherlands refers to in his theory of the urban cycle as 'de-urbanization,' where an entire metropolitan area begins seeing population losses, accompanied by the social problems associated with general regional decay and loss of vitality. The revitalization of these cities will require proactive management that makes best use of regional culture and resources to strengthen regional identity; such an effort can only be realized with the cooperation of all of the local players: the community, citizen groups, local business, and government, working in concert to create a framework for governance that encompasses the entire region. Further, to assure that local governments are able to create and implement plans based on their unique needs, the entire foundation of urban planning and land use provisions must transition away from the standard specifications that characterized the highly centralized policies of Japan's rapid economic and population growth years, and toward a framework that focuses on locally optimum choices, allowing regional planners to select the policies that best fit their circumstances. With such a framework in place, regional governments and residents will be free to draw their own visions of the future, designing flexible, cooperative strategies that are not bound by the conventions of the past. This will represent a whole new style of decentralized, participatory municipal management.

## 4. Municipal Mergers and Urban Planning Districts

Atsushi YANAGISAWA C- Town Planning Office

I've been asked by the editors to discuss urban planning districts as they relate to municipal mergers. As I think about it, though, it is clear that this is an apples-and-oranges proposition: traditional urban districts come out of planning ideas that are based primarily on theoretical concepts, whereas the discussion of municipal mergers is far removed from intellectualizing, and driven by real-life political decisions. Thus, I'd like to respond to the editors by trying to answer two questions: what exactly are urban planning districts, and what kind of relationship should exist between them and municipal entities.

### 1. The role of urban planning districts

Currently, the roles that urban planning districts play can be divided into three general areas:

1. To define a physical area within which basic data used in urban planning can be collected and analyzed.
2. To define a physical area within which enterprises and regulations are implemented based on the established plan.
3. To define a physical area for tax collection, which revenue goes to pay for government costs related to implementing the plan.

However, as is noted below, given current socio-economic conditions, it has become increasingly difficult to justify these roles as being truly effective; in short, we may be at the point where a complete re-thinking of the need for urban planning districts is necessary.

#### (1) Planning districts for data collection and analysis

Because urban planning is essentially an exercise in implementing a physical plan in a pre-defined space, a physically delimited space becomes a requirement for implementation. Of course, analyzing and understanding the environmental, social and other conditions of the district is also a prerequisite of the planning process, and conducting such advance research and analysis is actually required by law under Section 6 of the City Planning Code. The law goes on to further

require that population size, size of labor force by occupation, urban district total area, land use, traffic volumes, and other parameters be re-measured every five years, and that the results of such updates be used as the basis for any subsequent changes to the master plan (ref. Sections 6.1, 13.1.18, and 21 of the Code).

This data, once collected, provides a wide-ranging and detailed picture of the surveyed district, and serves as valuable material in the urban planning process. In many cities, though, in part because of the effects of greater mobility in a motorized society, there is a growing disjoint between the original urban district as defined for planning purposes, and the actual district as it has expanded incrementally over time; it may no longer be sufficient to gather and dissect data based only on the traditional urban district boundaries. This is why we see an increasing number of prefectural and metropolitan governments expanding the range of their data collection and review to a few, much broader divisions within a prefecture, and a times even defining the entire prefecture as a single "district."

#### (2) Planning districts as places for implementation of plans, regulations, and enterprises

Planning districts are useful in that they provide a framework for the systems required by the Planning Code (districting, block divisions, urban facilities, urban development projects, local planning, etc.). Further, with a few exceptions such as certain facilities that might be made available outside of the established district, or zoning districts that might cross into a sub-urban planning region, the Code specifies that all components of the district plan be implemented entirely within the district itself. Additionally, the collective building codes governing the development permitting and construction zoning processes also primarily target the Urban Planning District.

These are probably the most critical functions of the Urban Planning District within the overall system. However, many of the enterprise aspects of the urban plan are seeing a growing trend away from a district-wide focus, as suburban redistricting efforts are effectively abandoned, victim of the fall in housing

demand, and the imperative for more compact cities shifts the attention of enterprise planners toward the rebuilding of existing urban areas. On the regulatory side, because the source of so much of what is seen as a region's 'identity' is found most abundantly in its surrounding mountains and countryside, a stronger movement to conserve such areas through micromanagement of development and construction is appearing, and there are calls to extend the reach of existing regulations beyond the boundaries of the urban planning districts. In response, the government has indeed been working to implement revisions to the City Planning Code and the Building Standards Law to enable the necessary development permitting and collective building codes to be applied outside of established urban districts. What is important is that these expanded regional definitions be treated not as a simple creeping outward of the urban boundaries, but as a way to provide comprehensive control over a single environment that stretches from the urban zones, to the surrounding countryside, to the mountains themselves. With the city of Kobe leading the way (with its 'Ordinance On Zones of Coexistence Between Nature and People'), a considerable number of regional governments have begun responding to similar concerns with regulatory action.

What can be read from all of this is that, at the boundary of the urban district, stimulation efforts are increasingly converging on the interior, while regulatory efforts are beginning to expand outward; with both trends contributing to the slow death of the Urban Planning District as an effective entity.

### **(3) Planning districts as tax collection bases**

This function of the planning district is critical to the day-to-day operation of government. As defined in Section 702.4 of the Regional Tax Code, city planning taxes may be levied to a maximum of 0.3% of the combined total of land and building taxes, and in fact most local governments mandate the full 0.3% amount. The amount represents about one-quarter to one-fifth of the real property tax, and a fixed ratio of municipal taxes. However, the system, including the regional tax code that regulates it, was designed to target those areas supporting urban development projects. In cities divided between urban development and restricted development areas, the tax is applied in the urban zone; in

undivided municipalities, only areas zoned by ordinance are subject to the tax. In this sense, the Urban Planning Districts are nothing more than a stage for expediting tax districting and zoning.

## **2. Municipal districts and urban planning districts**

What is the best structure for assuring integrated operation and management of a city? To the extent that urban planning is responsible for shaping and managing a city's physical environment, it is probably necessary to identify, at least for planning purposes, those districts which share common geography and topography. This is the traditional approach to establishing planning districts, and has long been considered desirable because of the belief that such districts should encompass broad urban areas that reflect the actual outlines of the metropolis without regard to municipal or regional boundaries. Today, however, trying to use this approach to determine the optimum configuration of districts is complicated by the fact that simply trying to define the 'actual outlines' of a metropolitan area is increasingly difficult, and in the end, effective realignment to create broader urban planning districts may not be feasible.

On the other hand, from the point of view of urban management, the relationship between planning and administrative entities is critical. Depending on who is primarily responsible for defining and then implementing urban development, it is generally better that the reach of their administrative authority match the extent of the urban district being managed. Since most basic decision-making power over urban planning now rests with local municipalities, these same municipal governments also find themselves responsible for operating and managing those urban districts. In this respect, it makes sense that if urban planning districts are going to continue as a needed tool, districting also continues to be a function of the municipal government.

Of course, there are many cases where, in the process of deciding the components of an urban plan, the planning body must look beyond their own municipal borders and take a broader regional view. In such cases, a framework needs to exist for an equally broad regional consideration of the relevant issues, whether that means having the prefectural government step in to

coordinate the discussion, or establishing a regional council for that purpose. Where final decision-making authority resides with the municipality, this kind of broad coordination is necessary regardless of how the urban districts may actually be drawn. To put it another way, if a mechanism already exists for including wider regional input in the planning process where necessary, there is actually no need to establish new, broader urban planning districts.

The one case in which this may not be true is in the relationship between the planning process and rezoning to control development. With this system, which uses urban districts as the base for determining which parts of the municipality will be actively developed, and in which districts development will be more tightly controlled, it is not uncommon for regional discrepancies to occur when one municipality using the system borders another which does not. The point of employing such zoning is to focus public spending on defined development districts, which then become magnets for population growth. Since the purpose of surrounding these centers with districts where development is highly restricted is to drive population to the urban core, the proximity of a municipality with no such divisions means that the 'magnet' districts of a zoned municipality stand to lose potential population growth to the unrestricted neighboring area. This is one reason why one of the primary goals of good urban planning—development of a suitable residential environment, in an appropriate location—often goes unaccomplished.

Regardless of how existing urban planning districts may be configured, the authority to implement this kind of redistricting scheme lies with the prefectural government, and at least in theory, when problems such as the one noted above crop up—or threaten to crop

up—it should be the prefectural government which steps in to address the situation. In reality, the unrestricted municipalities abutting the zoned ones are typically disadvantaged districts made up of an unplanned conglomeration of population centers, and even if they were targeted for redistricting, exploiting what little opportunity might exist for viable development would likely exhaust the area's economic resources.

The zoning issue has also been brought up as a barrier to implementing municipal mergers. For example, should a city that implements development zoning merge with one that does not, and one assumes that it wouldn't make sense to have a single municipality in which both systems coexist, then at some point the merged entity will have to choose whether to continue development zoning or not. The real core of the issue lies in the rigidity inherent in how non-development zones are defined. Regardless of pressure to develop or the realities of actual land use, these zones are placed under such severe restrictions that, in effect, they practically invite impoverishment. Revisions to relevant codes in 2000 did something to improve the resiliency of the system, but it is clear that most regulatory bodies still find it hard to leave old practices behind. The ideal solution to this situation would be to 'customize' these more flexible land use restrictions to suit regional circumstances, in such a way that they do not represent an excessive burden; the entire area can then be considered as a single Urban Planning District for rezoning. This would of course require the cooperation of not only the bureaucracies concerned, but more important of the local citizens and landowners, as well as considerable time for deliberation. Unfortunately, in the meantime we are forced to continue living with this 'one-country, two-system' structure, under which dual, disparate urban planning districts exist side by side.