

Universal Services at the Crossroads

The concept of universal services – the provision of a uniform level of public services to every part of the country – is at a crossroads in Japan. Rural areas are facing depopulation, and increases in the costs of maintaining previous levels of services can no longer be ignored. With declining regional populations and an increasing number of “marginal villages” (villages in which more than 50% of the population is aged over 65) expected, what is the appropriate direction for the future of universal services?

MyVision

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What is the Appropriate Direction for Universal Services in a Time of Population Decline?

As Japan's population decline continues, the provision of universal services in regions experiencing depopulation is becoming increasingly difficult. How should we consider the maintenance of universal services in the future? What effect will the situation have on the lives of residents of rural areas from the perspectives of costs and necessary services? In this issue of *My Vision*, we hear opinions from experts in the fields of urban policy, local administration, corporate governance, industrial organization and urban economics.

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What government agencies must immediately undertake is to encourage migration from marginal villages

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In Japan, citizens are able to receive identical public services no matter where they live. However, the low birth rate and aging and declining population will make it difficult to continue to provide these services in their present form. The Abe government unveiled a local revitalization policy, and almost all local authorities are formulating their local revitalization plans.

In the formulating process at the local level, two different policies should be pursued. One is to “rediscover” strong points in the local community, based on cooperation between the public and private sectors. Local authorities, private companies, and NPOs must talk more about dream of prosperity.

The other policy to be easily forgotten is to gird their loins, and to reconstruct the system of public services provision. Both prefectures and municipalities must work together to encourage residents to quit marginal villages in the rural areas. That is the very policy that only local government must put into effect. Local government should specify the areas which universal services can be no longer provided. Confronted with fiscal deficits and depopulation simultaneously, prefectures and municipalities, which are mainly responsible for providing public services in Japan, must consider a hard-line policy including setting “no public services areas.”

In the future, there will be no more resources for the provision of small-scale, across-the-board infrastructural measures for all marginal villages in which no more than 10 households remain. The people living in these villages should be encouraged to relocate their households to an area which is more convenient. If it is necessary to

maintain the forest commons in the old village, introducing the public transportation system such as a community bus is one of solutions worth considering. We should recognize the constitutional right of citizens to choose where they live, whereas the principle should be that the individual concerned recognizes the risks and assumes responsibility.

In considering local revitalization, both government officials and citizens tend to imagine stories which contain dreams. However, we cannot ignore the fact that there exists something, before us, that only government agencies are capable of realizing, no matter how difficult it may be politically. ■

Professor Kitamura studies central-local governmental relations and its impact on local government performance. He analyses the Japanese urban government system, focusing particularly on socio-economic issues faced by Japan's ordinance-designated cities like Yokohama, Nagoya, Kyoto, Osaka, Kobe, and so on.

Towards discussion of sharing the burden in new metropolitan zones

Hiroshi Yahagi

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Up to the present, municipal administrations have competed to provide a complete set of universal services against the background of inter-city rivalry. Each city has constructed the same general hospitals and cultural facilities as its neighboring cities. Even if some of these facilities were unused and wasteful, the expense could be absorbed by the administration during the era of economic growth.

As Japan's population declines and rural areas become depopulated, the fiscal underpinnings of municipal administrations are becoming increasingly fragile, and it is already difficult for them to maintain the provision of a complete set of universal services.

Municipalities must change their mindset from one of competition to one of cooperation and collaboration, and reconsider the necessary direction for service provision. The time is coming when it will be essential to move away from the model of ownership of public services by individual municipal administrations in competition with others, towards a model of cooperation and shared service provision by individual municipalities gathered together in larger metropolitan zones.

In order to do so, aggregated structures could be created within these metropolitan zones through the establishment of hierarchies of city functions and the redistribution of public services between cities. It would be essential to consider a configuration in which municipalities formed an association spread over a broad area, while advanced city functions such as shopping centers and specialized hospitals were concentrated in the central city.

Because the realization of this vision would change the structure of the allocation of expenses, it would also be necessary to reconsider the form of governance within the urban area. The central cities would realize the greatest benefits through accumulation of resources, and it would therefore also be essential to discuss the nature of the redistribution of costs and benefits to be effected, in line with the division of roles in taxation, financial and administrative duties among the municipal administrations. It is problematic that the concentration of city functions has been a subject of discussion within the government, but there has been almost no discussion of the burden of costs. ■

An expert on city policy, Professor Yahagi has visited a large number of cities in Japan and internationally. He urges the importance of making the transition from a "myth of growth," which assumes that continuing increase in the scale of cities is a good thing, to a model of "small" and "smart" growth.

We should reconsider the direction for services from three perspectives

Yuko Kawamoto

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In today's Japan, universal services which can be accessed anywhere in the country are taken for granted. The public's idea of regional equality is strong, and the insistence on rights for the services is deep-seated; there is even the impression that companies providing services take advantage of their privilege to supply the services.

In considering the direction for universal services, I believe that it will be essential to reconsider whether they are a basic right, beginning from the following three perspectives.

First, the definition and scope of universal services should be clarified. Universal services naturally differ depending on the country, the period, and the people involved. Surely, then, the concept of universal services should be defined precisely now in Japan, as the nation's population continues to decline. It will be important to reconsider the direction for public services from the fundamentals, based on various discussions.

Second, objective evaluation of the cost of providing services is necessary. We should know the results of cost-benefit analyses, and judge whether services should be maintained, despite the burden of taxes and utility charges. The transparency of systems will be very important in understanding among the public.

Third, we should think about new forms for services. The use of IT

can enable the provision of lower-cost and more convenient services. For example, it would be cheaper and would enable the maintenance of closer communication to make it possible for residents of mountain villages which are difficult to reach, to use Skype rather than delivering mail daily. We should do away with the prejudice that the elderly cannot use IT. We must broaden our perspectives, and precisely because we are dealing with universal services, have the courage to take the initiative and improve the quality by innovation. ■

Professor Kawamoto's areas of study include the management of financial institutions and corporate governance. She serves as an independent directors of financial institutions, insurance, manufacturing and so on. She has been a member of government committees, including the Financial System Council and the National Public Safety Commission.

We must think about the concept of compact cities together

Toshihiro Matsumura

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The idea of "universal services" commenced existence as an advertising catchphrase for companies which offered services throughout the country. Through its connection with basic rights, it was transformed into the concept of the minimum level of services which should be received by the public no matter where they live. However, the majority of people must now recognize that the decline in Japan's population will make it impossible to maintain the previous level of services throughout the country as a whole in the future.

Given this, we will have to reconsider whether the concept of providing services for a uniform low cost throughout the country is reasonable based on the minimum content of the services and the cost of their provision. Rather than the content of services and the fees charged for them being uniform throughout the country, one possibility would be for municipal administrations with an understanding of the specific circumstances of their region to choose the content of services and the consequent fees. Selections could be made: For example, optic fiber connections necessary for monitoring services might be prioritized, and other services discarded.

Because it will become impossible to continue to provide services entailing enormous costs, it will also be necessary to reconsider the regions in which services are provided. The concept of compact cities will induce movement to regions and cities which will form centers of population within Japan's prefectures. It will take a considerable amount of time for this movement to actually take place, and therefore it will be essential to begin to present plans immediately. One possible proposal to help encourage people to move away from the areas they are accustomed to might be for the national government and municipal administrations to provide residences in the new areas as a trial for potential migrants.

While people would not be prohibited from living in areas other than the designated areas, they would have to be aware that the time is coming when this choice will mean the relinquishment of a certain degree of services. ■

Professor Matsumura analyzes the principles of conduct of public corporations in mixed oligopolistic markets and their relationship with regulatory reforms. With regard to the liberalization of Japan's power market, he believes that the ideal outcome would enable consumers to take personal responsibility in freely choosing their sources of energy and power.

Comparative weighing of burden and benefit

Masayuki Nakagawa

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The ability of citizens to receive a minimum level of services no matter where in the country they reside is considered to be a constitutional right. However, this right does not guarantee the provision of services of unlimited value. For example, it would not be possible to receive the same services at the top of Mt. Fuji as are received down below. Fundamentally, public services have been provided on the basis of rational decisions following calculation of costs and benefits, and they should continue to be provided on this basis.

The issue is that because Japan's rural areas are facing population decline and an increasing number of marginal villages, the circumstances of universal services have changed fundamentally, and the government is being driven by the necessity to adopt new responses. The government needs first to explain to the public that if it maintains the present level of service provision, the efficiency of the economy as a whole will decline. The next step would be to announce that if the cost of maintaining services in a specific region exceeds a predetermined limit, it will be impossible to maintain services in that region. In addition, when expenses outweigh benefits, it will be necessary to cease the provision of services, and request the ben-

eficiaries of the services to relocate to an area in which they can be provided. This will be extremely difficult, but the necessity of narrowing down the public's expectations to services that can continue to be provided over the medium- to long-term is unavoidable.

Future depopulation and the development of marginal villages are phenomena which can be predicted. Should we continue to bear the burden for service provision in regions which have been aware that the provision of services would become difficult if their populations declined, and which have had a sufficient margin of time in which to take action? The idea that we should redistribute funds to regions which could have taken action but have not, because of our sympathy with their plight, is entirely emotive reasoning. ■

Professor Nakagawa's field of specialization is the study of housing policy and the real estate market. He stresses that in an era in which cities are shrinking, policies must be formulated to increase the ease of moving residences, and that it will be essential to increase liquidity in the second-hand real estate market.

This is a translation of a paper originally published in Japanese. NIRA bears full responsibility for the translation presented here. Translated by Michael Faul.

About this Issue

Universal Services at the Crossroads

The concept of "universal services" guarantees essential lifeline infrastructure including power, postal services, water and communications to every citizen. Public entities and private companies are required by law to provide these services.

However, Japan's transition from population increase to population decline has significantly changed the environment for service provision, and the maintenance of these services is becoming difficult in some rural regions. For example, there are post offices in every municipality throughout Japan, which deliver the mail once a day and provide banking services. But as the population of their specific area declines, their revenues will come under pressure, until ultimately the public will have to bear the burden of their debt.

Should universal services be maintained in an era of population decline? The experts interviewed in this issue of *My Vision* are largely united in their responses to this question. It has come to be regarded as natural that the same level of services should be provided no matter where an individual lives, and our interviewees believe that we must rethink this attitude. While they may differ with regard to the concrete mea-

asures involved – clarifying the costs of service provision, redistributing the expenses of public services between cities, identifying areas in which it will no longer be possible to provide services – they all agree that regions in which it will become difficult to maintain services must take action quickly.

The existence of stable infrastructure has been a foundation supporting Japan's regional economies. There is a fear that restructuring universal services would cause us to lose this foundation. Nevertheless, we will not be able to maintain the previous level of services. What is demanded of public service providers is that they increase the quality of services in order to support citizens' quality of life and business activity. In order to do so, it will be essential for prefectural and municipal administrations to rethink the direction for efficient service provision and to work together with regional residents and service providers to determine measures to support the burden of costs.

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