



Osaka's Attempt at Restructuring its Public Water Utility Services

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INTRODUCTION

The provision of clean and safe water is one of the most basic public services offered by local governments. One of the major concerns of local governments during Japan's era of high economic growth in the 1970s is related to how they would satisfy the increasing water demand from households and factories.

Currently, local governments in Japan are confronting difficult issues in the same area, although they are totally different from those experienced in the high growth era. Increasing depopulation and deindustrialization in Japan have caused the water demand to shrink, and therefore, local governments are struggling with the growing overcapacity of their water facilities and overstaffing of water services personnel. While many local governments have initiated various reform plans regarding their water utility systems, they are often at an impasse. Osaka's case, as explained below, is one of the most noteworthy in this regard.

LOCAL GOVERNANCE SYSTEM IN JAPAN

Before discussing Osaka's attempts at reforming its water utility system, it is useful to quickly review Japan's local governance system. Japan follows a two-tier system of local governance. The lower tier comprises the municipalities, which constitute the basic unit of local governance. Each citizen is obliged to register as a resident with the municipal government operating in his or her area of residence. Municipalities are classified into three types according to the population size¹: city (more than 50,000), town (between 50,000 and 8,000), and village (less than 8,000)².

The upper layer of the local governance system constitutes prefectures. There are 46 prefectures in Japan³. They support municipalities in their own jurisdictions by providing public services that the municipalities cannot. For example, in principle, the prefectural government is in charge of constructing main roads, designing city development plans, and issuing approvals and guidance to public nursing care organizations.

If the population of a city exceeds 500,000 and the Prime Minister's Office recognizes that the city office has sufficient administrative ability, that city is qualified to become an ordinance-designated city⁴. An ordinance-designated city has more administrative power than an ordinary city⁵.

The government of an ordinance-designated city has almost the same administrative

power as that of a prefecture. For example, the government of an ordinance-designated city has the power to appoint and dismiss teachers in public schools within its jurisdiction whose salaries are paid by the prefectural government. While the government of an ordinary city would need to secure the approval of the prefectural government to design its city development plan, the government of an ordinance-designated city does not need such an approval.

ROLE OF LOCAL GOVERNMENTS IN WATER UTILITY SERVICES

Water utility services provide three functions: water intake, water purification, and water supply. There are no general rules regarding the division of responsibility between a prefecture and a municipality. Indeed, the nature of the water utility service system in Japan differs according to municipalities.

There are two noticeable trends in water utility system reforms in European and North American countries. The first is related to scaling up operation units to enjoy economies of scale. Previously, many small public water utility entities drew water from the same river. Recently, such small entities have undergone consolidation. The second trend concerns privatization. An increasingly greater number of public water entities are outsourcing the operation of their water utility plants to private companies, aiming for a reduction of operational costs.

The United Kingdom presents a typical example. In 1974, there were nearly 1,600 water utility entities in the United Kingdom. However, they are now consolidated according to the major river systems from which they source their water. As a result, the total number of water utility entities is now only 10. In addition, The River Thames, one of the United Kingdom's 10 water utility entities, was privatized in 1989 as part of Prime Minister Thatcher's economic reform.

Mr. Shin-ichi Ueyama, a former member of the Advisory Board for the Osaka Prefectural Government, argues that Japanese local governments are generally lagging behind in water utility service system reforms⁶. Ueyama further asserts that Osaka Prefecture has been even slower in reforming its water utility service system compared with other prefectures in Japan.

According to Ueyama, Kanagawa Prefecture's water utility service system is better than that of Osaka Prefecture⁷. Kanagawa Prefecture consists of 33 municipalities: 3 ordinance-designated cities, 16 ordinary cities, 13 towns, and one village. As can be seen in Fig. 1, the prefectural governments and 33 municipal governments jointly established the Kanagawa Water Supply Authority (KWSA). KWSA is in charge of water intake and purification for all areas in Kanagawa Prefecture. The municipalities of three cities in the eastern part of Kanagawa Prefecture, namely, Yokohama City, Kawasaki City, and Yokosuka City, have their own water works bureaus. The bureaus (called the Yokohama Municipal Water Works Bureau, Kawasaki Municipal Water Works Bureau, and Yokosuka Municipal Water Works Bureau, respectively) are responsible for supplying water to the residents in their jurisdictions. The residents of the other 30 municipalities receive their water supply from KWSA.

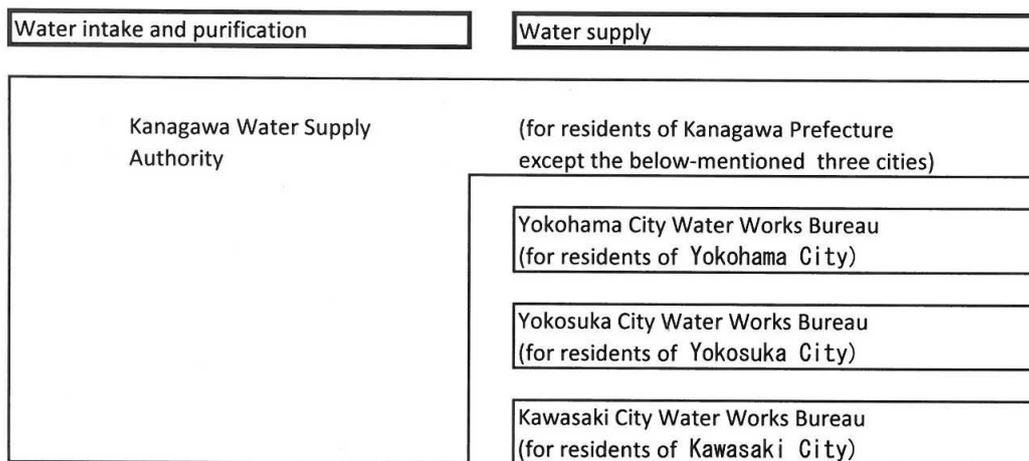


Fig. 1. Water Utility System in Kanagawa Prefecture

WATER UTILITY SYSTEM IN OSAKA PREFECTURE BEFORE OSAKA GOVERNOR HASHIMOTO'S ATTEMPTS TO REFORM IT

Osaka Prefecture consists of 43 municipalities: 33 cities (2 ordinance-designated cities and 31 ordinary cities), nine towns, and one village. With a share of nearly 30% in the total population and nearly 60% in the GDP of Osaka Prefecture, Osaka City enjoys a position of overwhelming economic importance in Osaka Prefecture.

As described in the following section, Mr. Toru Hashimoto initiated a comprehensive reform plan for Osaka Prefecture's water utility service system when he was elected Osaka Governor in 2008. This section reviews the administrative system of Osaka Prefecture's water utility service before Hashimoto became the governor of the prefecture.

The basic structure of the erstwhile system is shown in Fig. 2. The Osaka City Government adopted a self-sufficient policy with regard to water utility services for its residents. The Osaka City Water Works Bureau (OCWWB), a bureau of Osaka City Government, handled all three functions of the water utility services. The other 42 municipalities in Osaka Prefecture were governed by the Osaka Prefectural Water Works Bureau (OPWWB), a bureau of the Osaka Prefectural Government, with regard to water intake and purification. Each of the 42 municipalities received water from the OPWWB and supplied water to residents in its own jurisdiction through its own water works bureau. Unlike the OCWWB, the municipal water works bureaus in the other 42 municipalities did not have their own water intake and purification plants because they received water from the OPWWB.

The OCWWB had three water intake and purification plants: Toyono, Shibatori, and Niwakubo. The OPWWB also had three water intake and purification plants: Mishima, Murano, and Niwakubo.

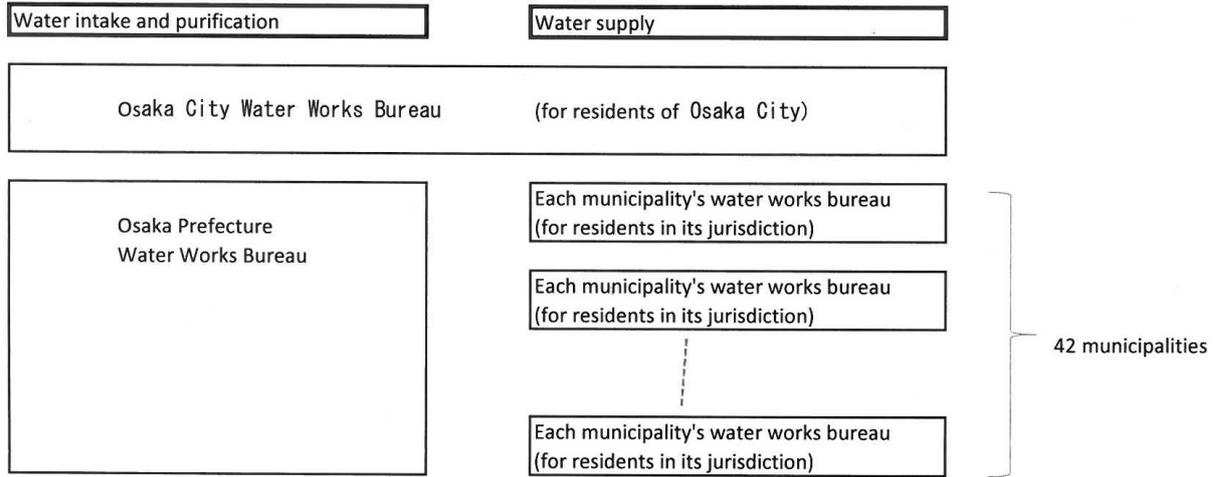


Fig. 2. Water Utility System in Osaka Prefecture until

OSAKA GOVERNOR HASHIMOTO'S ATTEMPT AT REFORMING OSAKA'S WATER UTILITY SYSTEM

Many experts recognize that there is much room for improvement in the water utility service system of Osaka Prefecture. The OCWWB and the OPWWB constructed independent water pipelines. As a result, the pipeline layout was complicated and inefficient. For example, some areas outside Osaka City were better served when the water supply was received from the OCWWB instead of the OPWWB. Moreover, there were duplications of investments between the OCWWB's and OPWWB's plants. The total capacity of the above-mentioned six water plants exceeded the total demand for water. In particular, the OCWWB's Kaikubo and the OPWWB's Kaikubo Plants adjoined each other. Based on his analysis, shown in Fig. 3, Ueyama (2012) proposed reducing the total cost of water utilities in Osaka Prefecture by consolidating the OCWWB and the OPWWB, and by closing or reducing the operations of inefficient plants such as OCWWB's Kaikubo and Shibashima Plants.

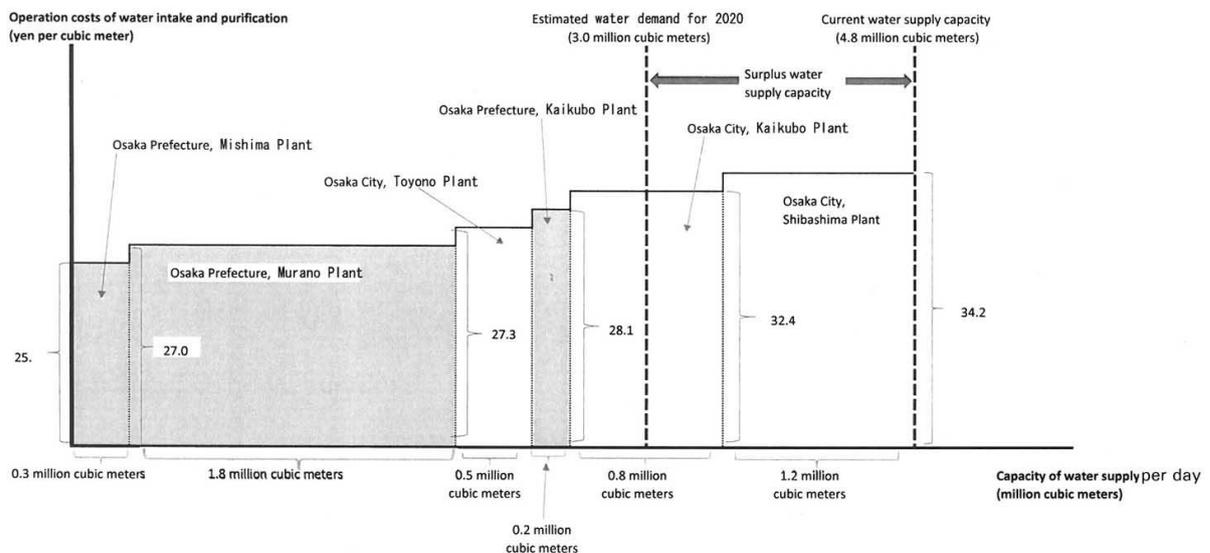


Fig. 3. Comparison of water intake and purification costs among six plants in Osaka Prefecture
Source: Ueyama (2012)

However, Ueyama's proposal faced a hurdle, namely, the necessity for close communication between the Osaka Prefectural Government and Osaka City Government. Generally, in Japan, consolidation between a prefectural entity and a municipal entity is uncommon. Thus, inspite of the economic rationality of Ueyama's proposal, neither the Osaka City Government nor the Osaka Prefectural Government showed enthusiasm in implementing it.

However, this atmosphere changed dramatically when Toru Hashimoto, a TV personality and known radical reformer, was elected as Osaka Prefectural Governor in January 2008. Hashimoto's charismatic behavior at mass media events attracted not only the residents of Osaka Prefecture but also those nationwide. Hashimoto placed Ueyama's plan of consolidating the OCWWB and the OPWWB at the top of his agenda for large-scale reform of the local governance system in Osaka Prefecture.

Immediately after the Osaka Prefectural Governor election, Hashimoto had two roundtable discussions with Osaka City Mayor Kunio Hiramatsu. Then, Hashimoto and Hiramatsu announced that both of them personally agreed on the plan of consolidation between the OCWWB and the OPWWB, shown in Fig. 4. The Special Council for Unification of Water Utility Service (SCUWUS) was launched in order to discuss the details of the type of new entity to be created by the consolidation. The Osaka Prefectural Government and all 43 municipality governments in Osaka Prefecture (including Osaka City) joined the SCUWUS.

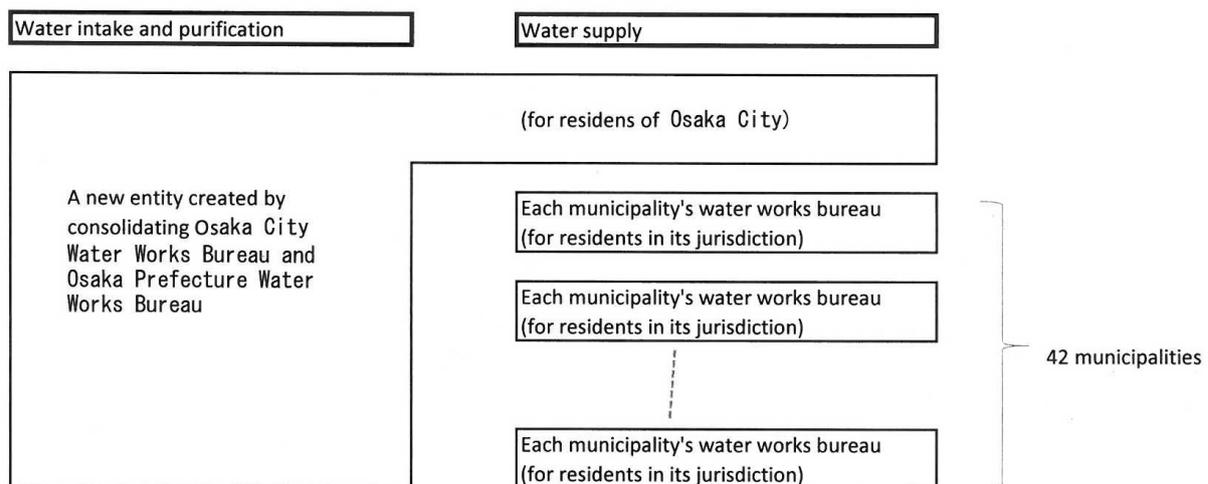


Fig. 4. A plan of a new water utility system in Osaka Prefecture announced by then-Osaka City Mayor Hitamatsu and then-Osaka Prefectural Governor Hashimoto in 2008

However, a serious conflict arose between the Osaka City Government and the other 32 municipal governments during the SCUWUS discussions; they could not agree on which entity should be in charge of providing the water intake and purification services after the consolidation of the OPWWB and the OCWWB. The Osaka City Government wished to be in charge of the water intake and purification services for all municipalities in Osaka Prefecture. On the contrary, the other 32 municipal governments proposed the creation of a new special local public entity for this purpose.

Although the SCUWUS continued discussions intermittently, the gap between the Osaka

City Government and the other 42 municipal governments was almost impossible to bridge. Eventually, the Osaka City Government did not assume the said responsibility, and a new special local public entity, called the Osaka Water Supply Authority (OWSA), was established in 2010 to take charge of the water intake and purification services and replace the OPWWB. The current system is shown Fig. 5. Compared with the previous system (Fig. 2), it appears as if only the title of the OPWWB has changed to that of the OWSA in the new system. Indeed, there has been no significant change in the water utility service system in Osaka Prefecture. However, while the OPWWB worked under the aegis of the Osaka Prefectural Government, the OWSA was jointly established by the Osaka Prefectural Government and the other 42 municipal governments. This means that the Osaka City Government can join the OWSA at any time by transferring the OCWWB's water intake and purification plants to the OWSA. Indeed, this is actually what the Osaka Prefectural Government and the 42 municipal governments wished to accomplish (and still do so).

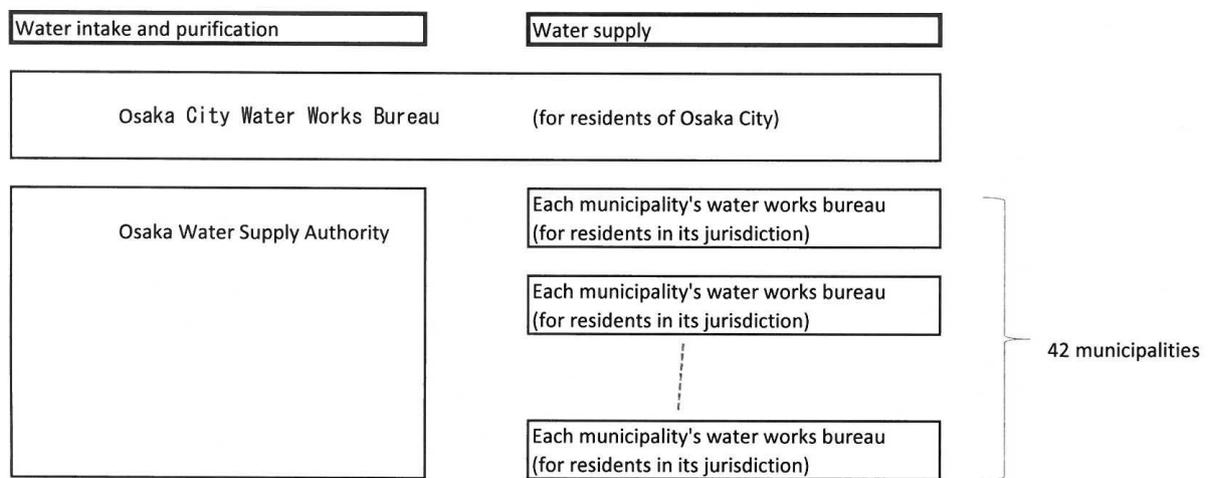


Fig. 5. Water Utility System in Osaka Prefecture after April 2011

CONCLUSION

The Osaka City Government's decision of not participating in the OWSA gave rise to a tense atmosphere between Hiramatsu and Hashimoto. As the outgoing Osaka Prefecture Governor, Hashimoto ran for the election of Osaka Mayor in November 2011 and seized the position of Mayor from Hiramatsu. Since then, Osaka City Mayor Hashimoto has repeatedly attempted to have Osaka City join the OWSA by dissolving the OCWWB. However, Hashimoto's attempts faced serious resistance from a majority of the members of Osaka City Assembly and the labor union of public servants in the Osaka City Government. Consequently, Hashimoto could not make any significant changes to the water utility service system in Osaka City throughout his 4-year term as Mayor.

Many political commentators describe Hashimoto as one of Japan's most influential politicians⁸. When Hashimoto won the 2008 Osaka Prefectural Governor and the 2011 Osaka City Mayor elections, the general public's expectation for his reform surged. However, as mentioned above, even Hashimoto failed to reform the water utility service system. Hashimoto's failure can be seen as a striking example of the difficulty of reforming Japan's

water utility service systems.

Footnotes

1. The Local Autonomy Law (LAL) stipulates various conditions for distinguishing cities, towns, and villages. For example, even if a municipality has a population exceeding 50,000, if the total number of households in urbanized areas is less than 60% of the total number of households in its jurisdiction, the municipality is not qualified to be a city (it is only qualified as a town). For simplicity, however, this paper refers to the LAL's condition with regard to the total population only.
2. The boundary population between a town and village is stipulated by a prefectural ordinance. The value of the boundary population for Osaka Prefecture is 8,000.
3. Tokyo has a unique local governance system, which is different those of the other 46 prefectures.
4. Before 2001, the minimum population size for a city to be labeled as an ordinance-designated city was 1 million instead of 50,000.
5. for the sake of simplicity, this paper refers a city that is not an ordinance-designated city as “an ordinary city.” In other words, all the cities are classified into two types: ordinance-designated cities and ordinary cities
6. See Ueyama (2012).
7. See Ueyama and Kida (2015).
8. For example, see Matsumoto (2015).

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