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Dollery, B., & Yamazaki, K. (2018). Is Bigger Really Better? A Comparative Analysis of Municipal Mergers in Australian and Japanese Local Government. *International Journal Of Public Administration*, 41(9), 725–734.

This is an Accepted Manuscript of an article published by Taylor & Francis in *International Journal of Public Administration* on 31st March 2018, available online: <https://www.tandfonline.com/doi/full/10.1080/01900692.2017.1298127>

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Is Bigger Really Better? A Comparative Analysis of Municipal Mergers in Australian and Japanese Local Government

Abstract: While structural reform by means of municipal mergers has been employed in many different countries, council consolidation has been especially marked in Australian and Japanese local government. This suggests that much can be learned by examining amalgamation through the analytical prism of comparative analysis. In this paper we investigate structural reform through municipal amalgamation in Australian and Japanese local government by examining the aims of amalgamation, the methods employed by public policy makers and the outcomes which were achieved. From this comparative analysis we attempt to draw some broader lessons for local government policy making aimed at local government reform.

Keywords: Australia; Japan; local government; municipal mergers; structural reform

1. Introduction

Numerous local government systems worldwide have experienced significant reform over recent decades (see, for instance, Denters and Rose, 2005; Shah, 2006; Dollery and Robotti, 2008; Sancton, 2011), including all Australian state local government jurisdictions (Dollery, Grant and Kortt, 2012), as well as Japanese local government (Koike, 2010). A useful way of conceptualising local government reform is to invoke the taxonomy proposed by Garcea and LeSage (2005). They distinguished between five distinct categories of municipal change: financial reform, functional reform, ‘internal governance and management reform’ and structural reform. Local government reform has typically sought to address problems in some or all of these categories in order to improve local government performance. In this paper we are primarily focused on structural reform through municipal mergers and - following Garcea and LeSage (2005) - we define structural reform as changes to the boundaries, numbers and types of local authorities in a given local government system.

Many different policy instruments have been deployed. These include performance management and monitoring (Bouckaert and Halligan, 2008), infrastructure management and reporting (Dollery, Kortt and Grant, 2013), intergovernmental grants (Johansson 2003), community co-production (Andrews and Brewer, 2013), shared service provision (Hawkins and Feiock, 2011), and municipal mergers (Lago-Penas and Martinez-Vazquez, 2013). Whereas all local government reform programs have been contested to some degree, the most controversial policy instrument has typically been municipal mergers (Dollery, Garcea and LeSage, 2008; Sancton, 2000).

In general, advocates of amalgamation typically argue that it represents an effective method of enhancing the operational efficiency of local councils, improving their administrative and technical capacity, increasing scale economies, generating cost savings, and strengthening

strategic decision-making (Lago-Penas and Martinez-Vazquez, 2013). By contrast, opponents of compulsory council consolidation typically underline the divisive nature of amalgamations, the absence of supportive empirical evidence, the equivocal outcomes observed in case studies, the diminution of local democracy and the loss of a local ‘sense of place’ (Sancton, 2011). The case for structural change through municipal mergers is often met with the claim that shared services represent a superior means of securing any benefit attendant upon council size (Tomkinson, 2007).

A substantial international literature exists on local government amalgamation (see surveys by Leland and Thurmaier (2010), Faulk and Hicks (2011), Dollery, Grant and Kortt (2012) and Faulk and Grassmueck (2012)). Empirical scholars of local government have investigated the impact of municipal mergers on numerous dimensions of local government performance, including financial sustainability (special editions of *Journal of Public Management and Finance* volumes 13(2) and 13(3)), operational efficiency (Dollery, Grant and Kortt, 2012) and operational effectiveness (Drew and Dollery, 2014a). In general, the weight of empirical evidence falls against the efficacy of compulsory council consolidation as a means of improving local government performance.

Despite the absence of compelling empirical evidence in support of the efficacy of compulsory council consolidation, policymakers have nonetheless continued to employ municipal mergers in numerous nations with varying degrees of intensity. Indeed, amalgamation has been widespread in developed countries, including many European countries, such as Britain, France, Germany, Italy and Spain (Dollery and Robotti, 2008), and North America (Sancton, 2011). Over the recent past, it has been especially heavily applied in Australia (Dollery, Grant and Kortt, 2012) and Japan (Koike, 2010). Little comparative work on municipal mergers has been undertaken in the literature. This paper seeks to address this gap by comparing two local government systems in which council amalgamation has been particularly dominant. We thus examine municipal merger programs in Australia and Japan. In particular, using data drawn from the literature and other published sources, we compare the aims, methods and outcomes of amalgamation in Australian and Japanese local government in an attempt at distilling broader policy lessons for all local government systems.

A comparative analysis of Australian and Japanese local government structural reform through council consolidation is important for several reasons. Firstly, relative to other advanced nations, both countries have relied heavily on structural change, despite already having large local authorities (by population) in international context (Dollery, Byrnes and Crase, 2008; Okamoto, 2012). In addition, Australian and Japanese local government both form integral and well-established parts of multi-tiered systems of government. Similarly, in both countries local government is reliant not only on funding from higher levels of government, but also finds itself in a relatively legislatively subservient position to these higher tiers (Dollery, Crase and Johnson, 2006; Yokomichi, 2007).

The paper is divided into six main parts. Section 2 briefly describes Australian and Japanese local government by way of institutional background. Section 3 offers a synoptic account of municipal mergers in contemporary Australia and section 4 outlines the recent ‘Heisei’ wave of council consolidation in Japan. Section 5 briefly locates Australian and Japanese local government in international perspective. Section 6 provides a comparative analysis of structural reform in Australia and Japanese local government. The paper concludes in section 7 with the broader public policy implications of the analysis for local government policymaking.

2. Local Government in Australia and Japan

The structure, powers and responsibilities of the different Australian state and territory local government systems are determined at the state/territory rather than the national level. However, while local government systems may differ between state jurisdictions, most of the major functions of local government are nonetheless similar (Dollery, Crase and Johnson, 2006). Each of the seven Australian local government systems is governed by its own Local Government Act and regulated by its own Department of Local Government (or equivalent). Councils typically fall under the control of (part-time) councillors and an indirectly elected mayor, who face periodic elections and oversee the operations of professional staff under a general manager. According to the *Local Government National Report 2013/14* (DIRD, 2015), Australia currently has 569 local governing bodies with roughly 40,000 people per council.

In contrast to many other advanced countries, including Japan, Australian local government undertakes a relatively limited range of functions, focused mostly on ‘services to property’, providing comparatively few ‘services to people’, such as education, fire protection and police, which are the primary responsibility of Australian state governments. The chief responsibilities of councils centre on the provision of local infrastructure, like local roads, town planning and development, and local services, such as sewage and solid waste disposal. However, over the past few decades the range of services provided by Australian local government systems has increased (Dollery, Wallis and Allan, 2006).

Australian local government is funded through a combination of property taxes, fees and charges for services, intergovernmental grants, developer charges and other minor sources (Dollery, Crase and Johnson, 2006). On average, local authorities raise around 91 per cent of their own revenue, with property tax income at an average of 36 per cent of local revenue, and grants and subsidies comprising about 9 per cent (Australian Government, 2010, p.12, Table 1.5). In international context, this represents a high degree of financial self-sufficiency. However, these averages mask a substantial degree of variation between councils, with marked differences between urban, rural and remote councils, as a result of substantial variations in population size, property tax bases, and the capacity to levy user charges.

Australian local government is also characterised by great diversity. For example, population size varies from a mere 735 residents in Wiluna Shire Council to 1,006,936 people in Brisbane City Council in 2010. Similarly, population density differs greatly, as evidenced by Burnside with 1,630 residents per square km and Flinders Council with 0.45 residents per square km.

Relative to both Australia, Japanese local government is much larger and performs a much wider range of functions, as evidenced by the fact that more than 70 percent of general government expenditure flows through the local government sector (Mochida, 2004; 2006). In particular, municipal expenditure on local infrastructure, especially urban development, local roads and public housing, and public education accounts for almost forty percent of outlays. In addition, local authorities provide significant welfare services, including aged welfare and child welfare. Councils are also responsible for policing and fire services.

While some functions are clearly delineated between the central government and local government, such as defence, the judiciary and foreign affairs, in many areas both tiers of government share joint responsibility. In this regard, Mochida (2006, p.155) has noted that ‘unlike in countries with the dual federalism system, in Japan the function of the central government and the local government is not separated clearly’, which means that ‘various levels of Japanese governments have overlapping and shared responsibilities’. This means that ‘policy and standards of main functions such as education, medical treatment, and public works are planned within the central government’, whereas ‘oversight of implementation is carried out by prefectures’, and ‘services are implemented or provided by the local governments’. In essence, Japanese government can thus be described as a combination of ‘centralized tax assignment with delegated expenditure responsibility’.

Some changes in this system have occurred in the process of decentralisation which began in 1995 (Heisei), when Local Decentralization Promotion Law was enacted. In particular, after 2001 a set of three policy pillars were introduced and partially implemented under the banner of ‘Trinity Reform’: (a) a reduction/termination of some national subsidies to local governments, (b) a devolution of tax bases to local authorities and (c) comprehensive reduction of the Local Allocation Tax (LAT) revenue-sharing. Some subsidies were abolished and LAT was reduced to some degree, but tax base devolution was realized only on a limited scale. Thus the net result of the Heisei Reform resulted in unfavorable fiscal conditions for many local authorities. However, despite these changes, the overall features of the Japanese local government basically remained much the same.

3. Amalgamation in Australian Local Government

As we have seen, Australian public policymakers have relied heavily on compulsory council consolidation since the establishment of the Australian Federation in 1902 (see, for instance, Dollery, Byrnes and Crase 2008; Aulich 2005; Vince 1997). Table 1 illuminates the magnitude of the impact of council consolidation on Australian local council numbers over time:

TABLE 1 HERE

Several notable features are apparent from Table 1. Firstly, the total number of local authorities in Australia has decreased from 1,067 to 556 (a fall of 48 per cent) between 1910 and 2012. Secondly, the timing of merger programs has been uneven across state and territory jurisdictions. For example, major mergers occurred in New South Wales between 1967 and 1982 (with a reduction from 224 to 175 councils), whereas an analogous amalgamation program occurred in Tasmania over the period 1990 to 1995 (a reduction from 46 to 29 councils). In Victoria, a period of major structural reform took place during the period 1995 to 2007 (a reduction from 184 to 79 councils). In Queensland, major consolidation was implemented in 2007 (a reduction from 125 to 73 councils) and in the Northern Territory in 2008 (a reduction from 63 to 16 councils).

These episodes of consolidation have occurred despite long-term population growth in Australia, where average council size – defined as the number of residents per council – has increased markedly. Indeed, the average size of councils nationally has grown from 4,147 persons per council to 40,118 persons per council between 1910 and 2012. In addition, the most populous states have, on average, larger councils. For instance, in 2012 the average size of municipalities in Victoria (71,183 persons per council), Queensland (62,467 persons per council) and New South Wales (47,963 persons per council) lay above the national average of 40,118 persons per council, while the average size of councils in South Australia (24,335 person per council), Western Australia (17,484 person per council), Tasmania (17,666 person per council) and the Northern Territory (14,677 person per council) fall well below the national average.

4. Amalgamation in Japanese Local Government

In common with their Australian counterparts, Japanese policy makers have also long relied heavily on municipal mergers as a policy instrument. Three major amalgamation episodes have been identified in modern Japanese history, often termed the Meiji, Showa and Heisei waves of amalgamation (Mabuchi, 2001; Koike, 2010). The Meiji mergers in the late nineteenth century saw the number of towns and villages reduced from 71,497 to 14,289 over the period 1883 to 1893. Secondly, the Showa consolidation program reduced the aggregate number of municipalities from 9,968 to 3,866 between 1953 and 1957. Finally, the Heisei municipal merger program diminished the number of local authorities from 3,229 to 1,719 over the period 1999 to 2012 (Okamoto, 2012). Table 2 illustrates the decline in the number of Japanese local authorities over the period 1888 to 2014.

TABLE 2 HERE

It is evident from Table 2 that municipal mergers were especially drastic in the Meiji wave of amalgamation. Table 3 shows the decline in the number of local authorities as a consequence of the more recent Heisei council consolidation program.

TABLE 3 HERE

Table 3 shows the concentration of mergers over fiscal years 2004 and 2005. As Koike (2010, p.377) has observed, ‘the Government reduced the number of municipalities within a short period of time’ representing ‘a remarkable change in the history of local government in Japan’. The fall in the number of local authorities through the Heisei merger program is all the more remarkable when consideration is given to the fact that ‘during the period from 1965 to 1995, a total of 145 consolidations or mergers were completed and the reduction of 158 municipalities was achieved’ (Koike, 2010, p.377).

A critical factor in the Heisei mergers was the use of incentives and penalties to promote municipal mergers. After 2004 when Heisei amalgamation law was enacted in the Diet, the main tools applied were incentives, such as Special Amalgamation Bonds (SAB). These Bonds required that 70 percent of the amortization costs be covered in later years by LAT transferred from the central government. Many newly merged ‘bigger’ councils resorted to SABs to finance the construction of long overdue local infrastructure. However, the SAB incentive policy did not work as effectively as expected. As a consequence, the central government then imposed penalties on reluctant municipalities in the form of reduction of LAT transfers to small local authorities. This proved effective in further promoting amalgamation. Other methods were also invoked, as we shall see under 6.2 below.

5. Post-Merger Council Size in International Perspective

Given the drastic nature of the amalgamation programs deployed in Australia and Japan, how does the average size of Australian and Japanese councils by population compare with other advanced countries? Table 4 sheds light on this question by providing an international comparison of average council size. Of the 18 countries listed in Table 4, the Britain has the largest councils with an average of 143,000 persons per council, whereas France has the smallest councils with an average of 1,500 persons per council. Relative to other OECD nations by population size, Australia has the fourth largest councils with an average of 40,118 persons per council and Japan the fifth largest at 39,943. Australian and Japanese councils are thus large compared with other developed countries.

TABLE 4 HERE

However, Table 4 covers a broad range of types of local government arrangements, embracing European systems (Britain, Ireland, France, Germany, Belgium, Switzerland, Austria,

Netherlands, Poland and Portugal), including the Nordic zone (Denmark, Finland and Sweden), as well as federal countries outside of Europe, such as Australia, Canada and the United States, together with unitary states (Japan and New Zealand). There is thus a high degree of functional and other differentiation in the local government systems contained in Table 4. It is thus important to stress that various academic commentators, including Stoker (2010), have pointed out that municipal size is a relative and not an absolute measure, if we take into account the functions performed by local authorities.

6. Comparative Analysis of Australian and Japanese Local Government

We have seen that comparatively speaking Australian and Japanese policymakers have relied heavily on municipal mergers as a policy instrument. This has meant *inter alia* that measured by population size, local authorities in these two countries have grown steadily through time and are now amongst the largest in the OECD. In order to shed light on council amalgamation, we now examine various specific aspects of Australian and Japanese municipal mergers in comparative perspective.

6.1 Aims of amalgamation: In general, Australian policymakers have premised municipal merger programs on the claim that ‘bigger is better’ in local government (Dollery, Grant and Kortt, 2012). Traditionally, this claim was centred on the proposition that larger local authorities would be more economically efficient as a consequence of scale economies as well as greater administrative and technical capacity, and that this would yield cost savings. However, cost savings and other beneficial outcomes attendant upon superior efficiency have seldom materialised in practice. This in turn has induced policymakers to modify the purported aims of amalgamation. For example, in the debate over mergers in New South Wales over the period 2011 to 2016, mergers were justified on the basis that they would generate improved ‘strategic capacity’ through ‘adequate scale and capacity’ and enhanced financial sustainability (Drew and Dollery, 2014b), although neither of these objectives was defined in operational terms.

The Australian emphasis on the efficiency enhancing properties of amalgamation is broadly replicated in Japanese local government. However, the rationale for enhancing municipal efficiency in Japanese local government was enmeshed with national decentralisation policy (Koike and Wright 1998; Fukui and Fukai, 1996; Estevez-Abe, 2008). In terms of municipal mergers, the Japanese Government sought the amalgamation of small municipalities, embracing

cities, towns, and villages, to strengthen their administrative and financial capacities. In this sense, policymakers have placed greater emphasis on administrative efficiency rather than local democracy in local government (Horiuchi, 2005; Koike, 2010; Nishio, 2007). This view has been endorsed by other scholars. For example, in his assessment of decentralization policy in Japan, Mochida (2006, p.150) observed that ‘in recent years, the government has promoted municipal mergers to strengthen administrative capacity’. Similarly, Okamoto (2012) has argued that the Heisei merger program was premised on the assumption that small local authorities should be amalgamated to enhance administrative efficiency and improve financial capacity.

In addition, in Japan some scholars have emphasised political objectives. For example, Ken’ici Miyamoto (1958) cited the following comments made by Toichiro Tukada - Commissioner of Agency of Local Autonomy of Japan in the Fifth Cabinet (May 1953 – December 1954):

“If there is a progress in municipal amalgamation in the first phase, the nature of larger municipalities and the nature of prefectural governments may come to overlap. Then either should be denied. Prefectures should be denied. This leads to the natural idea of appointed governors.” (Miyamoto, 2016, pp. 136-137)

Underlying the 1950s Japanese amalgamation policy lay the Do-Shu system (i.e. a state governmental system replacing the existing prefectural government system) and returning to a system of appointed governors. Calls for the introduction of the Do-Shu system have been reiterated to the present day. Koichi Endo (2012, pp. 10-11) has pointed to the ‘top-down’ nature of Heisei mergers compared to the earlier Meiji and Showa amalgamations. In addition, Endo (2012) stresses that the Meiji and Showa waves shared a much clearer concept of rationalisation to foster economic development. Thus a major objective of the Meiji mergers was to establish local authorities of sufficient size to run an elementary school. In an analogous vein, a key objective of Showa wave - whose target council size was set at 8,000 residents - was to facilitate the efficient management of a junior high school. However, Endo (2012) argues that the Heisei wave – with its target size of 10,000 residents - lacked a clear objective for economic development. It was simply imposed by the central government without a clearly articulated rationale. One consequence lay in the significant number of municipalities which rejected amalgamation.

6.2 Methods employed in merger programs: Australian policymakers almost invariably rely on compulsion (Dollery, Byrnes and Crase, 2008). State governments are characteristically empowered by their Local Government Act to enforce compulsory council consolidation, even in the face of stiff resistance by targeted councils.

It is possible to identify an Australian ‘model’ of municipal mergers. A state Minister for Local Government customarily initiates a policy debate about poor local authority performance, frequently centred on financial sustainability. An ‘independent’ inquiry is then launched to investigate these problems and make recommendations. The inquiry customarily releases a Discussion Paper, followed by public consultation, and then the publication of an Interim Report with policy recommendations, almost invariably involving forced council amalgamation, followed by further consultation. A Final Report is released several months later reiterating the earlier municipal merger recommendations in the Interim Report. The Minister for Local Government then introduces a program of forced amalgamation. The intensity of subsequent mergers depends in practice on political strength of the state government (Dollery, Grant and Kortt, 2012).

While Japanese policymakers have depended much less on outright compulsion than their Australian counterparts, they have nonetheless often presented municipalities with a ‘Hobson's choice’ stacked heavily in favour of merging. For example, under its decentralization initiative, the national government sought to stimulate voluntary municipal mergers by setting up a facilitative legal framework (Koike and Wright, 1998). However, this proved ineffective and resulted in only three mergers in 1999. In order to promote mergers in 2001 the Council on Economic and Fiscal Policy (CEFP) released a policy paper calling for local authorities with more than 300,000 residents to be accorded more functions, with smaller municipalities simultaneously merged and replaced by the prefectural government. In addition, the CEFP recommended a decrease in national fiscal transfers to councils. As a consequence, in 2003 the Ministry of Finance announced a 12 percent reduction in the LAT for local government. The net result was that small councils were obliged to merge to avoid bankruptcy (Koike, 2010). In this regard Okamoto (2012, p.8) has noted that the national government offered ‘financial incentives’ to councils to merge by way of ‘special bonds for amalgamation projects’ as ‘carrots’ and then

reduced local grant taxes as a ‘stick’. This proved most successful (Yokomichi, 2007), as we can see from Table 3 and the discussion in section 4.

6.3 Outcomes of Mergers: The bulk of Australian empirical evidence on the outcomes of amalgamation in the various state and territory local government systems derives largely from numerous national and state public inquiries into local government over the past two decades (Dollery, Grant and Kortt, 2012). These inquiries have been virtually unanimous that a majority of councils in all state jurisdictions still face daunting financial problems, despite municipal mergers. Dollery, Byrnes and Crase, 2008) have argued that compulsory merger programs have not only failed to solve the systemic financial and other problems in Australian local government, but they have also not provided a regional dimension to local service provision.

In addition to these public inquiries, some earlier empirical work on amalgamation has appeared in the literature, together with consultant reports, although this has been largely descriptive. In *Councils in Cooperation*, Dollery, Grant and Kortt (2012) provided a detailed evaluation of this work. With some exceptions, such as Soul (2000), they conclude that the this body of work is pessimistic on the efficacy of amalgamation to improve local government efficiency.

A new strand of the Australian empirical literature has employed the econometric analysis of state-wide datasets to determine the effect of mergers on council performance (see, for example, Drew and Dollery (2013; 2014a; 2014b); Drew, Kortt and Dollery (2014; 2015); Marques, Dollery and Kortt (2014). For example, Bell, Drew and Dollery (2016) examined the outcomes of the 2000/04 NSW council amalgamation program by comparing the performance of merged and unmerged ‘peer’ councils against several performance indicators. They could find no difference in the performance of merged and unmerged councils. Moreover, Drew, Kortt and Dollery (2015) conducted an empirical examination of the outcomes from the Queensland 2007/08 amalgamations and found empirical evidence to suggest that the forced amalgamations were generally deleterious.

In 2008, the National Association of Towns and Villages (NATV) published a report on the Heisei municipal mergers on research undertaken between October 2007 and March 2008 on nine of the newly-merged municipalities and the eight independent local authorities which rejected amalgamation. In terms of positive outcomes, NATV (2008) found that the mergers

resulted in (a) a reduction in personnel expenditure, (b) increased infrastructure development, such as bridges, roads, water supply and sewage, due to fiscal incentives, (c) improvement in the capacity of staff employees and (d) improved local community activities. However, NATV (2008) also established negative outcomes: (a) a drastic reduction in public expenditure due to coincidental overlapping with the 'Trinity Reform' which involved a significant reduction in LAT; (b) deterioration in quality of public services to the local residents; (c) the abolition of local public services peculiar to a particular rural communities and a concomitant standardization of services; a loss of community identity and trust between council staff and local residents; (d) a decline in local autonomy-related activities (i.e. 'community building') on the part of local residents; and (e) decreased attention by local authorities to the outer rural areas of newly-merged councils.

In a study of municipal mergers in Shizuoka Prefecture, Kawase (2001) found that about 70 percent of the respondents living in the amalgamated municipalities which had not amalgamated were subsequently happy they had rejected the proposed mergers, while 75 percent of the respondents living in the municipalities which had amalgamated indicated that that they had experienced no adverse effects and 20 percent noted that life had become worse (Kawase, 2015, pp. 26-29).

Koichi Miyairi (2008) considered the how merged municipalities dealt with substantial disasters which coincided with Heisei amalgamation by examining Nagaoka City in Niigata Prefecture. Nagaoka represented the consolidation of two cities, seven towns and two villages between April 2005 and March 2010. The net result was the biggest municipal merger in Niigata Prefecture: a new entity comprising 280,000 residents in a territory of 890 square kilometres. The area was struck severely by a strong earthquake on October 23, 2004.

Miyairi (2008) found that post-earthquake reconstruction was hampered by the merger. For example, Yamakoshi Village lost 42.8 percent loss of its population between 2005 and 2013 while Tochio Village lost 14.6 percent over the same period. Nagaoka City as a whole lost 3.3 percent of its population. Miyairi (2008) argued that the Heisei merger had induced a fiscal deterioration, less local autonomy and local welfare and a stagnation of regional economies. However, it had led to a greater regional economic development among small municipalities, as

exemplified by the networking activities of the ‘Forum of Small but Shining Local Governments.’

In a comparison of the proportion of targeted mergers actually realised under the Showa and Heisei mergers programs respectively, Tomohiro Okada (2015) demonstrated that the merger rate was 98 percent under the Showa wave, but only sixty percent under Heisei due to a rise in local referenda on proposed mergers. Around 800 municipalities out of 3,230 experienced popular requests to enact a local ordinance to realize a referendum on a proposed municipal merger¹ over period 2003 to 2005 (Tada, et.al. 2015).

Various other scholars have examined the impact of mergers in specific areas (see, for instance, Kuwada 2015; Yokoyama, 2015). For example, researchers considered the impact of mergers on long-term care insurance. In general, it was established that resident who used to live in an unmerged municipality often had to pay more after the merger was completed. At present, it is not known whether service composition and quality had changed significantly and further case studies are required. Similarly, scholars have undertaken comparative analyses of different types of mergers. For instance, at least three types of amalgamation have been identified: mergers of equivalent-sized small municipalities, mergers of a small local authorities with large cities (such as a city absorbing a neighbouring town or a village), and mergers of different-sized municipalities with one large central council. It has been established that different types of mergers generate different outcomes. For example, Yokohama (2015) examined the case of Shinhidaka Town in Hokkaido as an instance of a small town (Mitsuishi Town) merging with a much larger town (Shizunai Town), whereas Kuwada (2015) examined cases of the merger of equivalent-sized small towns (Kuwada 2015). Along analogous lines, researchers analysed interrelations between effects of amalgamation and the effects of local decentralization reform, including the ‘Trinity Reform’. In general, with the effects of the ‘Trinity Reform’ coincidentally overlapping with mergers - due to the timing of two different programs – scholars found the the effects became more complex and difficult to unravel.

7. Conclusion

Given the ubiquitous use of municipal mergers in structural reform across the developed world, we can now attempt to draw broader policy implications from the comparative analysis of Australian and Japanese local government undertaken in this paper. While care must always be exercised in extrapolating from one local government system to another, as a consequence of the complexities of differential functions, fiscal characteristics, governance mechanisms, regulatory regimes, and a host of other system-specific factors, three general public policy inferences emerge.

Firstly, consolidation in both Australia and Japan aimed at securing economic advantages, like cost savings, efficiency gains and service improvements, purportedly contingent on greater council size. While political objectives were also obvious in terms of improving overall public service delivery in Japanese fiscal federalism, in Australia political goals are seldom advanced as justification for compulsory council consolidation, although amalgamation may be instigated in part in deference to the powerful property development lobby.

Secondly, commonalities exist in terms of the methods employed by policy makers. For instance, in both countries, public resistance to mergers by local communities has meant that policy makers have employed outright compulsion in Australia and implicit coercion in Japan. However, in contrast to their Australian counterparts, Japanese policy makers have also offered financial incentives through ‘special bonds’ and the like.

Finally, with respect to the outcomes of consolidation programs, the purported economic and financial benefits attendant upon mergers are typically not realised in practice in either Australia or Japan, although some gains do occur. For example, Japanese local government has experienced some improvements, notably in terms of infrastructure investment.

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Table 1: Number of local councils in Australian local government systems, 1910-2012

	1910	1967	1982	1990	1995	2008	2012
NSW	324	224	175	176	177	152	152
VIC	206	210	211	210	184	79	79
QLD	164	131	134	134	125	73	73
SA	175	142	127	n/a	119	68	68
WA	147	144	138	138	144	142	139
TAS	51	49	49	46	29	29	29
NT	0	1	6	22	63	16	16
TOTAL	1,067	901	840	726	841	559	556

Source: Dollery, Grant and Kortt (2012)

Table 2: Municipal Mergers in Japan, 1888-2014

Year	Month	Cities	Towns	Villages	Total
1888		—	71,314		71,314
1889		39	15,820		15,859
1922		91	1,242	10,982	12,315
1945	October	205	1,797	8,518	10,520
1947	August	210	1,784	8,511	10,505
1953	October	286	1,966	7,616	9,868
1956	April	495	1,870	2,303	4,668
1956	September	498	1,903	1,574	3,975
1961	June	556	1,935	981	3,472
1962	October	558	1,982	913	3,453
1965	April	560	2,005	827	3,392
1975	April	643	1,974	640	3,257
1985	April	651	2,001	601	3,253
1995	April	663	1,994	577	3,234
1999	April	671	1,990	568	3,229
2002	April	675	1,981	562	3,218
2004	May	695	1,872	533	3,100
2005	April	739	1,317	339	2,395
2006	March	777	846	198	1,821
2010	April	786	757	184	1,727
2014	April	790	745	183	1,718

Source: Website of data on municipal amalgamation at the Ministry of Internal Affairs and Communications (Soumu-Sho), Government of Japan (<http://www.soumu.go.jp/gapei/gapei2.html>)

Table 3: Municipal Mergers in Japan, 1999-2012

Fiscal Year	Number of Mergers	Number of Municipalities Merged	Aggregate Number of Municipalities
1999	1	4	3,229
2000	2	4	3,227
2001	3	7	3,223
2002	6	17	3,212
2003	30	110	3,132
2004	215	826	2,521
2005	325	1,025	1,821
2006	12	29	1,804
2007	6	17	1,793
2008	12	28	1,777
2009	30	80	1,727
2010	0	0	1,727
2011	8	14	1,719

Source: Okamoto (2012, Table 1.1)

Table 4: An international comparison of average council size, 2007

Rank	Country	Average council size by population	
1	Britain	143,000	
2	Denmark	55,500	
3	New Zealand	49,000	
4	Australia	40,118	
5	Japan	39,943	
6	Netherlands	37,000	
7	Portugal	34,500	
8	Ireland	32,050	
9	Sweden	31,500	
10	Belgium	18,000	
11	Poland	13,500	
12	Finland	12,500	
13	Canada	9,000	
14	Germany	1	6,500
15	United States	4,000	
16	Austria	3,500	
17	Switzerland	2,500	
18	France	1,500	

Source: Adapted from Callanan, Murphy and Quinlivan (2012)

*Number of persons per council