

## **Public Transit Policies and Managements in Japan and South Korea under Distorted Neo-liberalism**

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### **I -- PUBLIC TRANSIT IN THE ERA OF NEO-LIBERALISM**

#### **1. Three Contradictions in Spatial Integration**

Society and economy cannot survive without space. Space is one of the important physical bases of society and economy, offering container to the subjects, buildings and equipment, and identifying the points of interaction for the subjects. The property of space being container belongs to the attribute of absolute space, while being identifier of points the relative space.

The absolute and relative attributes of space have other properties, which functions adversely to economy and society. Property of homogenous expanse in absolute space puts anything in it into the process of equalisation. Property of distance in relative space isolates the agencies to one another, put obstacles in the way of any interactions and thereby fragments the society and economy itself.

Initially, economy and society take in space 'as is'. This is the stage of formal subsumption, where these negative properties affect adversely to the proper functioning of economy and society. In order to establish itself into an integrated whole, the society and economy need annihilate distance. Transportation and communication are the means to do this, which is the stage of the real subsumption of space (Mizuoka, 1991).

The real subsumption of relative space is process is not a smooth, conflict-free process, but it contains two fundamental contradictions.

First, just a few transport lines do not suffice to integrate economy and society, which stretches physically over two-dimensional expanse of absolute space. The society and economy has to build a network, which is a set of one-dimensional transport lines

connected to cover a plane. Some contradiction emerges at this point:

First, in order to annihilate distance and to make the subsumed space more homogenous across the two-dimensional plane, the network has to be dense enough. However, the denser is the planned transport network, the more costly it is to build the network.

Second, production and operation cost of each segment of the network differs, due to differences in population density, topography, relative position in the network, etc. The construction and operational cost of the segment that incurs higher cost must be met by surplus earned from other segments.

Third, the development of transportation technology is devoted to accelerate speed, to reduce time to connect one place with another. Evidently, it costs more per kilometre to build and operate these mode of transportation running at higher speed. This can be demonstrated in case of bullet trains (TGV of France and shinkansen of Japan) as against conventional train, or motorway as against conventional road. For this reason, the higher the speed of the means of transportation, the more sparser becomes the transport network.

All of the above contradictions lead to tendency of creating geographically uneven network and eventually to uneven geographical development.

## **2. The Public Transit Transcending These Contradictions of Spatial Integration**

Since transportation is of fundamental need to every member of society, it has been offered collectively for use of the general masses by the government, a public-private partnership (PPP) or a private company. In some cases, there is profit motive in the provision of public transit.

In public transit, the task of transcending the above two contradictions are left to the body that build, manage and/or operate the public transit. A government body often intervene to coordinate the operators to assure the public nature of transit to the benefit of maximum number of the general public.

A key solution to transcend above contradictions is cross subsidy. This is payment of profit from a segment of the network to another segment which is in deficit to make the profitability of the segments more even across the network. For example, the profit generated from busy sections, as in urban area or less costly to build and operate, as a line running in a flat plain, is spatially transferred and applied to subsidise the deficit of sectors which are slack in demand, as in rural area or more expensive to build and operate as in mountainous area. Cross subsidy is either made in the form of financial subsidy by

governments or by transfer of cost and profit across different sections run by a single transport company.

Another solution comes from physical technology that can 'fill' the areas left out from the high-speed transport lines. An example is Yamagata Shinkansen of JR East, which operates through service from shinkansen to conventional line, so that passengers and from the areas without shinkansen can also enjoy the benefit of the high-speed train service. JR Hokkaido is now developing 'dual-mode vehicle' which can run both on rail as a railcar and road as a bus.

In sum, the planners and managers attempting to enhance movability of the people always need to transcend these two contradictions inherent in the spatial integration in mind, to make the public transit spatially more homogenous, more user-friendly and more efficient.

### **3. The Public Transit Management under Neo-Liberalism**

Neo-liberalism has been proliferating and increasingly dominating in every corner of our society and economy. The plan and management of public transit are of no exception.

The neo-liberalists boast that their prescription is the panacea of every social issue, by claiming that their policies are based on the most rational and robust neo-classical economic theories. They try to persuade the general public that the neo-liberalist reform on public transport is always to their benefit and economically just, because they give economic agencies proper incentive for more efficient services with least regulations which can discourage competition, enhance monopoly and distort the efficient allocation of resource.

In the reality, however, the neo-liberalism has changed the ways to transcend the above two contradictions in significant ways, which undermined the fundamental social requirements for the public transit.

The neo-liberalists treat public transit service just as another kind of commodity. They ask for managing it as if private company would do. They give scant regard to the public nature of the public transit, or recognise it as a universal service. They tend to think that those who cannot use public transit might just as well use a private car; and they indeed encourage people to use private means of transportation.

This shift in the philosophy towards public transport comes from the principles inherent in neo-liberalism.

First, neo-liberalism, faithful to its mentor of neo-classical economics, assumes

self-sustaining and independent atomic economic men. It has therefore inherent hatred for the rich's giving to the poor. They insist that each segment of public transit system should be managed independently under self-supporting accounting system, and demand to scrap the system of cross-subsidy altogether. The obvious consequence is that less profitable lines are forced to close down, or remain in operation only with higher fares charged.

Second, neo-liberalism puts priority on high-speed transit system, claiming that it enhances competitive edge and efficiencies of cities along the line and country that has it. It encourages building a competitive space equipped with the nationwide network of expressways and sometimes high-speed trains. The conventional system of public transportation catering for the local traffic is thereby sacrificed, and cities that lost connection to the high-speed transport system will face the fate of severe demise.

Third, the egalitarian and universal principle in public provision of transport system is no longer legitimatised nor fulfilled under neo-liberalism. The production of homogenous network of public transportation is no longer the principal policy target in producing the public transportation system anymore. The public bodies that once ran public transportation system under the egalitarian philosophy are now privatised, and investment decisions of public transportation system are made under the short-run profit motive, rather than longer-term benefit to the users. Imprudent abandonment of physical transportation asset often ensues.

#### **4. Distortion of Neo-liberalism under Government Failure**

To make things worse, there is no guarantee that the neo-liberalist policy is put into practise in its pure form ideal to the neo-liberalists because of inappropriate and failed government policies infested by bureaucracy.

Acceptance of the neo-liberalist principle does not mean everything goes according to the scenario of the market-fundamentalist economists. Neo-liberalist reform is often grafted onto the existing structure of government, which has been infested with much intertwined vested interests. Bureaucrats and even private interest groups in charge of public transportation tend to make judgement based on the conventional ways of thinking. This 'path dependency' in the public policy making has been pointed out and well discussed (Low *et. al*, 2006).

The bureaucrats and private companies forming alliance with them often attempt to exploit 'neo-liberalist reform' aiming at maximising their private benefits and enhance their own powers. The real benefit of the public transit users are thereby neglected and

undermined. This is government failure that makes the public transit system deteriorate even further.

A typical problem is the failure to internalise the externalities that the public transit system created. Construction of a new public transit system transforms the configuration of produced relative space, which changes land value in market society. The owners of the land adjacent to station thus enjoy drastic increase in land value. Since this increase was possible only through public investment on the transit system, the government should set up a purposeful land policy to transfer considerable portion of this windfall capital gain properly to the public or private body that built transit system. This arrangement should improve financial situation of the body that built and would manage the transit system and could contribute for reduced fare or better service. Neo-liberalist principle of 'ownership society' in support of small government in a sense justifies this private appropriation of public gain. The capital gain in the land thereby often spills over to private developers which have procured the land beforehand.

Neo-liberalism encourages competition rather than cooperation. It tends to create fragmentation and distortion of both public and private bodies operating public transit. The fragmentation also takes place in policy to operate or subsidise metropolitan public transit system. Faced with different subsidising policies, private operators of public transit, behaving as a 'rational' economic actor, may adjust frequency or change the route of operation to maximise revenue from the government in the form of subsidy. Through operation across the jurisdictional boundary may adversely be affected. The consequence would be that the production of fragmented network of urban mass transit where riders are forced to make transfers more frequently.

Decision making with longer time horizon based on such non-economic criteria as looking after environment, the elderly and young children and sense of security to live in a place is much difficult to attain under neo-liberalism. The time-scale of government decision making has become much shorter, and financial consideration now reigns supreme in making decisions. The local government now decides everything based on short-run financial motive. Imprudent abandonment of existing transport infrastructure, which could have otherwise been put into more active use under a more considerate policies, often results in.

In short, neo-liberalism affects not only the bodies that operate and manage public transit, but also the government that sets up policies for and regulates the public transit system. No wonder, this will lead to further deterioration in management and operation of public transit system.

## 5. Hypotheses

Based on the above arguments, we set up the following five hypotheses in our researches:

1. Neo-liberalism has drastically changed the ways in which the contradictions in the subsumption of relative space (annihilation of space) are transcended.
2. Introduction of neo-liberalist principles has created a network of public transportation that is geographically uneven and less egalitarian across space.
3. When neo-liberalism is grafted onto the existing bureaucracy, it often generates government failure, leading to irrational planning and management of in the public transit.
4. The outcome of the above three points is distorted, more costly and user-hostile system of public transit.
5. The proliferation of neo-liberalism means to encourage people to discourage the use of public transit and to encourage private means of transportation such as cars.

## II -- CASE STUDIES

### 1. Farewell to Cross Subsidy -- Breaking-up of the Urban Underground Transit Network in Tokyo

#### **Past efforts to integrate public transit of the Tokyo Metropolitan Area**

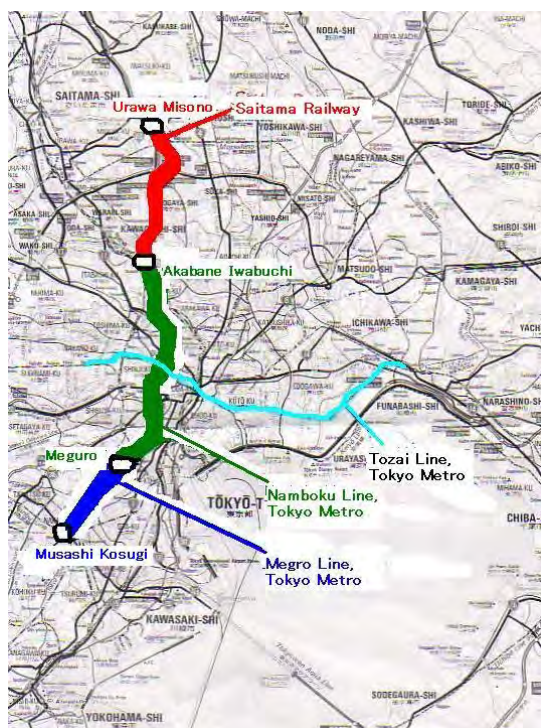
Historically, the rail-based public transit network has been developed in a way just like a inchworm by many different operators without much central planning. The operators included JNR, various private railway companies and Tokyo city government. During WWII, futile attempt was made as one of the 'all-out war' measures to unify the operational bodies of urban public transit in the Tokyo metropolitan area into a single transit authority. It failed, but the Imperial Capital Rapid Transit Authority (TRTA) was set up in 1941, as the single body to build and manage underground railways then under operation of two private companies.

After the war, Tokyo metropolitan government, which had been managing trams in urban area, insisted that the underground train system of Tokyo should be built by the Tokyo metropolitan government. The Ministry of Transport however wanted to keep

underground train in Tokyo to the TRTA's hand. Compromise was made and Tokyo Metropolitan Government opened a new line in 1960 passing through Asakusa; and the power of planning of underground railways in the entire Tokyo Metropolitan area was concentrated to the hand of Urban Transport Policy Council of the Ministry of Transportation. The Council published official reports showing statutory plan of the future underground railway network in the Tokyo Metropolitan area. The licenses to build and operate these lines were granted by lines or sometimes by segments to various bodies as deemed appropriate. In other words, both TRTA and Tokyo Metropolitan Government were merely builders and operators of the underground lines. Currently, Tokyo Metropolitan Government operates four lines and the Tokyo Metro, the privatised successor of the TRTA, eight lines.

These two bodies operate services essentially within the city area of Tokyo (23-ku). Yet as urbanisation proceeded, it became necessary to extend underground rail lines to the suburbs. Thus, the TRTA built Tozai (East-West) Line in 1969, a segment of which stretched into Chiba Prefecture and remains in operation by TRTA hand until now (shown in a thin light blue line in the map below).

### Namboku Line – Horizontal Disintegration



**Figure 1:** Namboku Line (green) and Saitama Railway (red)

In 1968, the line of similar nature but running north – south was first given mention in the Urban Transport Council Report. In 1985, the Transport Policy Council formally included into its statutory plan the extension of this line, then called 'Line No.7', into Saitama, a prefecture neighbouring to Tokyo. At this time, another 14.6km sector running in this suburban area where population was much sparser than downtown Tokyo was planned as a part of the TRTA network.

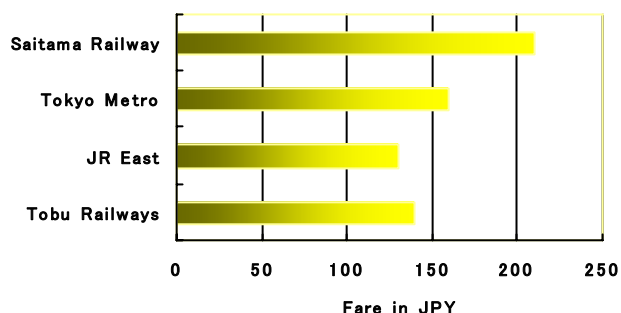
In 1992, it turned out, in spite of the request from Saitama Prefecture, that the TRTA pulled out of the construction and operation of this sector, and a newly founded public-private partnership (PPP) called 'Saitama Railway Company' (SRC), with the

president the Governor of Saitama Prefecture, was to assume the construction and operation of this extension segment between Akabane Iwabuchi and Urawa Misono stations (coloured red in the map left). Thus, a segment of the line, called Namboku or North-South Line, running within the territory of Saitama Prefecture was horizontally disintegrated from the TRTA system. In 1995, the construction began. Total cost was JPY 258.7billion and 8 stations were to be built.

The engineering work was carried out by the TRTA, the carriages were designed to the TRTA specifications, and when the segment was put into service in 2001 under management of the SRC, almost all the services operated through into the TRTA Namboku Line. In fact, the segment is essentially an integral part of the TRTA underground railway system. Yet the company charges a separate, much higher fare for this segment, due to the lack of cross subsidy from the TRTA, operating the system in much more lucrative urban area of Tokyo.

### The Consequence of Horizontal Disintegration -- Problem-ridden Saitama Railway

The consequence of this vertical disintegration was precisely what we discussed previously in Part I. The fare is the highest of all the underground train services in Japan (Figure 2). Higher fare meant less ridership. Many people living along this new underground railway line did not change their travel patterns.



**Figure 2:** Comparison of initial ride fares between different rail operators in Tokyo.

They kept travelling by existing bus lines to nearby JR stations, where they could catch the cheaper JR East urban service to downtown Tokyo. To take an example, it takes 44 minutes and JPY590 to travel from Kawaguchi Motogo, a Saitama Railway station to Shinjuku, one of the major urban centres of Tokyo, whereas it takes only 28 minutes and costs JPY210 to From Kawaguchi, a nearby East Japan Railway Company (a privatised company managing a part of former National Railway system) station.

As the balance sheet quoted Figure 3 shows, the SRC is suffering from hefty annual deficit. This deficit is being made up by additional capital injection from the local government and interest-bearing loans from private banks.

### Future Plans

In 2000, the Urban Transport Policy Council recommended to extend the 'Line

Revenue		Expenditure	
Fare	5,008.9	Train operation	4,185.3
Other transport-related revenues	1,661.3	Interest	3,284.1
government subsidy	971.9	management costs	251.3
interest, rent etc.	1.2	Tax	567.5
Miscellaneous	65.9	Miscellaneous	50.3
<b>TOTAL</b>	<b>7,709.2</b>	<b>Sub-total</b>	<b>8,338.5</b>
		Depreciation	5,650.0
<b>CURRENT DEFICIT</b>	<b>6279.3</b>	<b>TOTAL</b>	<b>13,988.5</b>

**Figure 3:** Financial Position of Saitama Railway (fiscal 2004, unit: million Japanese Yen)

No. 7' farther northward for another 12.5km from Urawa Misono, the current terminus, to Hasuda, the existing station on JR Tohoku Line <sup>1</sup>. The sector is divided into two: Urawa Misono to Iwatsuki, the existing station on Tobu Noda Line for the first phase, and Iwatsuki to Hasuda for the second phase.

Iwatsuki having no through rail service to the CBD area of Tokyo, this proposed extension can be a good news. However, the problem is again a higher fare that the Saitama Railway has to charge. An estimate<sup>2</sup> shows that the fare from Iwatsuki to the stations in the CBD of Tokyo would be ca. 1.5 times higher than the existing route, while travel time will not be shortened, because all the planned services would be stopping trains. No wonder, little passengers for the CBD Tokyo would switch their commuting patterns towards Saitama Railway.

This problem could be solved if the Saitama Railway could operate real fast express service on Saitama Railway for the CBD and make the SRC line more competitive compared to other lines running in parallel. However, with physical asset built according to the TRTA standard, which is designed for maximum speed of less than 80km/h without does not have 'passing lane' to overtake slower local train, the plan for swift express service is not feasible option. Many people doubt that the second phase of the section would ever be built, if the first phase.

<sup>1</sup> [http://www.pref.saitama.lg.jp/A02/BF00/SRkento/z01kekka/z01\\_siryou3.pdf](http://www.pref.saitama.lg.jp/A02/BF00/SRkento/z01kekka/z01_siryou3.pdf)

<sup>2</sup> <http://blog.goo.ne.jp/crofts/e/22ad3ac38e63dc5e7b67331f86d703a3>

## 2. Distortion of Public Bus System in Seoul Metropolitan Region, Korea

### The Seoul Metropolitan Public Transportation Reform in 2004

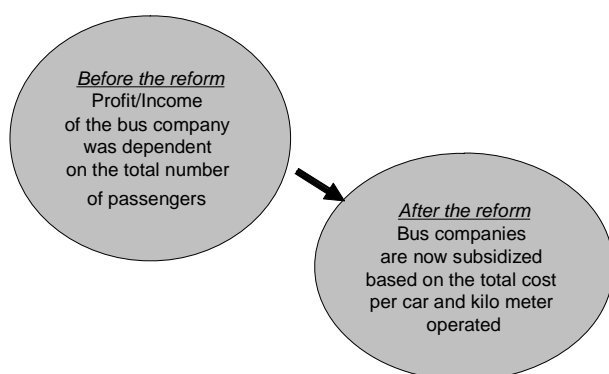
Since 1 July 2004, Seoul Metropolitan Government implemented a metropolitan-wide transportation reform which encompasses its bus and underground train systems along with railways and village bus networks. Three essential elements of the reform include the quasi-public bus transportation management system, establishment of the central bus-exclusive lanes and one unified pricing system.

Before the reform, private bus companies suffered from chronic deficits as passenger cars and underground trains had taken away passengers from public buses. In the late 1990s, public buses still served about 36 percent of total passengers, but it continued to decline to 26 percent in 2005. (Table 1) In order to maintain public bus services, Seoul metropolitan government introduced a new management system to save

Year	1990	1995	2000	2002	2003	2005
Bus	43.30%	36.70%	28.30%	26.80%	25.90%	26.20%
Subway	18.80%	28.80%	35.30%	37.60%	34.60%	35.80%
Cars	37.90%	34.50%	36.40%	35.60%	39.50%	38.00%
Total Passengers	6,949,522	5,280,470	4,281,310	4,179,911	4,006,087	4,468,505

**Table 1:** Share of Ridership in Seoul, 1990 – 2005

deficit-inflicted bus companies. The key element of this quasi public bus management system is implementation of cross subsidy by public hands. The metropolitan government coordinates loss and profit management of the private bus companies, and provides subsidies in case of deficit and channelling profits to transportation infrastructure



**Figure 4:** The implementation of cross subsidy through public coordination

development in case of surplus. (See Fig. 4) The new bus system has yet to record a profitable year of operation.

Second important part of reform was establishment of the central bus-exclusive lanes. On major trunk roads linking main centres of the city of Seoul, a central lane on each way is reserved only for buses in order to

ensure their smooth and timely operations. The bus-exclusive lanes have improved travel speed in sections all over the Seoul metropolitan area for both buses and cars.

Thirdly, introduction of the unified pricing system has also improved user-friendliness of the public transportation system. Instead of paying separate fares between different modes of transportation, passengers now can pay with pre-paid public transportation cards that automatically debit the amounts. Fares are largely determined by the distance of travel, regardless of the number of transfers between different transportation modes. Though the basic bus fare is raised to 800 won from 650 won, the new system proved to be economically beneficial to most passengers in Seoul whose trip involves different means of transportation, which is quite normal in Seoul metropolitan area.

### **Hidden Problems of the Reform**

Despite early confusions and problems, this new transportation system is now well perceived by the public. Along with restoration of *Cheonggyecheon* (formerly covered-up tribute of Han River), the reformed transportation system is considered a mostly celebrated showcase of policies by incumbent Mayor Lee's Seoul metropolitan government. For the first 18 months, the number of total bus passengers increased for the first time since 1987 and the number of bus accidents and of casualties decreased by 28 percent and 30 percent respectively.

Mayor Lee, formerly CEO of Hyundai Corporation, is a prominent conservative presidential candidate for the upcoming election and publicly endorses 'new right' movement preaching market principles and liberalism. Mayor Lee's transportation reform however contradicts some key elements of 'new right' movement, for instance, institutionalizing quasi-public management of transportation system to cross-subsidise private bus companies in lieu of deficit-stricken private bus companies. At the same time, profitability of individual bus lines are constantly monitored and lines are closed or changed to improve profitability by order of the authority. These contradictory policy tools illustrate complicated ways in which neo-liberalism or 'new right' movement works in South Korea.

Drawing on recent controversies, I briefly sketch out three critical aspects of Seoul metropolitan transportation system. First, while Seoul metropolitan government succeeded in raising the number of bus passengers, reducing accidents, and making bus more amenable, the deficit to the operation, i.e. the amount of subsidy to bus companies, expanded much larger than expected. The expanded deficit caused troubles in securing other welfare budget, including education. Careless budget planning has simply

transferred the deficits from the balance sheets of bus companies to that of Seoul metropolitan government in much larger amount.

Second, spatially the current Seoul metropolitan transportation system is confined to the city of Seoul, creating inter-governmental conflicts regarding bus routes running through both Seoul and Gyeonggi province. Seoul metropolitan government denied the request by Gyeonggi province of establishing new bus routes or modify existing bus routes to run into Seoul. One of the obvious reasons for this refusal was to curtail the budget deficit whose substantial portion (about 50 percent) arises in inter-city routes.

This problem clearly shows why infrastructure planning, especially transportation, needs to be considered at the level beyond individual jurisdictions of cities.

Last, the reformed Seoul metropolitan transportation system fundamentally transformed the existing segmented line (connecting points) system into network transportation system, integrating existing buses, village buses, underground trains, and railways into one whole network with one pricing system. However, inside the system, the deficit problem continues to pressure on the unprofitable routes. According to Seoul metropolitan government statistics, 49 percent of route modifications in 2005 came from motive to enhance profitability of the routes. In the guise of the project's original motto, 'to improve the citizen's transportation amenity,' the biggest beneficiaries have been bus companies which are now guaranteed to be profitable thanks to tax money.

### **Future Research Directions**

Each problem discussed above needs to be addressed in future research. At this point, the case study of Seoul plans to focus on the following two issues.

First, I would like to examine ways in which the Seoul metropolitan government institutionalizes market principles through subsidized bus companies. Once inner dynamics of this contradictory institutional arrangement I would like to test sustainability of this type of marriage between social subsidy and market principles.

Second, the study will investigate current jurisdictional individualism in bus routes debates and consider some solutions to them. One of the solutions may come from the administrative reform. Currently Greater Seoul Initiative has been one of the key issues in next presidential election of 2007. This initiative may present with a good opportunity for infrastructural development and planning that has been interfered by jurisdictional individualism. However, mere expansion of jurisdictional boundaries cannot solve the issue unless cross-subsidies among different operational units are established.

### 3. Rail giving way to Motorway: Chihoku Ginga Line, Hokkaido, Japan

#### Abandonment of the Rural Lines after Privatisation of the JNR

Two decades have passed since the Japan National Railways (JNR) was privatised and divided into six regional passenger companies. This privatisation, carried out in the global current of neo-liberalism and deregulation, has been touted as a myth of success by the policymakers and company executives (e.g. Matsuda, 2002).

A key policy carried out in the process of privatisation was to abandon unprofitable rural lines. Each line of the JNR network was classified according to 'transport density' (number of passengers transported per day and per kilometre); and 83 lines (3,157.2km) across the nation with transport density under 4,000 passengers fell into the category of 'specifically designated local lines'. The privatised JR companies were allowed to pull out of operation of these lines, and they would eventually be replaced with bus service or transferred to a new management under PPP. The rail service was retained for 38 lines or 1,310.7km; and 45 lines or 1,846.5km of services were replaced with buses (Figure 5).

In Hokkaido, JR Hokkaido was allowed to abandon 24 lines or 1,453.7km of services, out of which four lines exceeded 100km in length and therefore significant negative impact was expected if those lines were really given up. The government of Hokkaido strongly opposed the plan; and ultimately the political decision at the higher level of the central government resolved that Chihoku line would continue offering rail service but be horizontally disintegrated from JR Hokkaido and handed over to a PPP body, and other lines were to be converted into bus services. There was rumour that a powerful member of the parliament played role in leading to this decision.

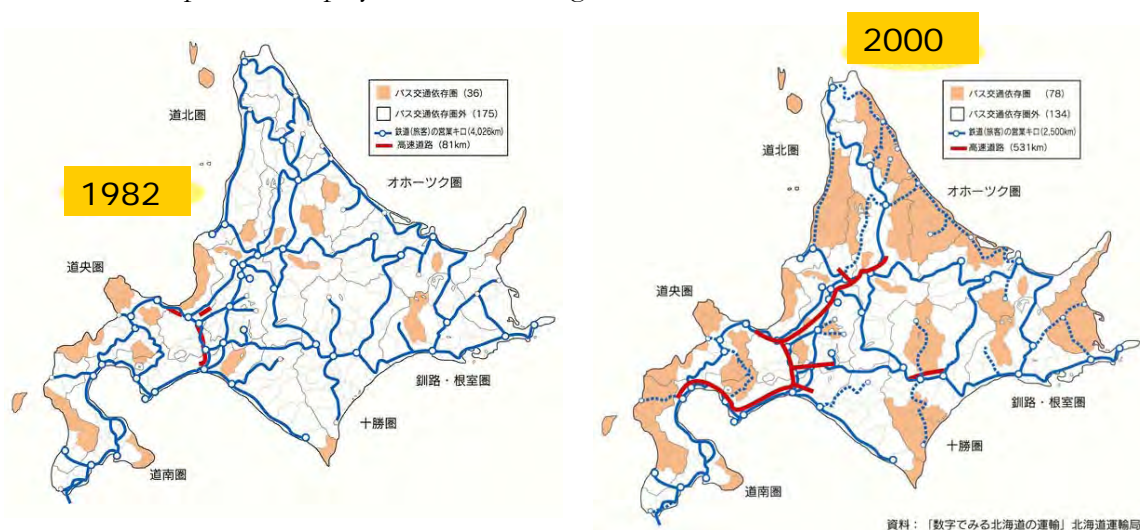


Figure 5: The networks of railways (blue) and expressways (red) in Hokkaido

### **Establishment of a PPP: Chihoku Railway**

The new PPP body called Chihoku Kogen Railway Company operating the abandoned 140-km long Chihoku line was established in June 1989 and line got a new name: Ginga Line. It connected Ikeda on the Pacific coast of Hokkaido with Kitami, an intermediate station of Sekihoku Line leading to the Okhotsk Coast. Along the route there were 7 local municipalities.

Ginga Line, which ceased its rail operation for good on 20 April 2006, had history of almost a century. It started rail operation in 1911 as 'Abashiri Main Line', the trunk line connecting the cities along the Okhotsk coast with Sapporo, the capital of Hokkaido. After a shortcut line was built crossing mountain ranges to Sapporo, the line was relegated to rural line serving mainly local people.

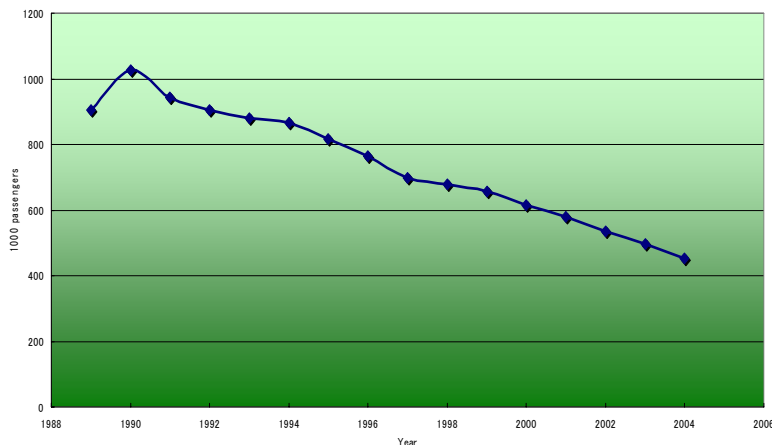
The line was named Ginga (Milky Way in English) to infiltrate a fairy image of starry heavens to attract more visitors into the area. Besides this name, there were few attractive tourist destinations as national parks along the route.

The largest shareholder of the PPP company was the Prefecture of Hokkaido, followed by the City of Kitami, the municipality at the northern terminus of the line. The mayor of Kitami served the president of the company. At the outset, a reserve fund of ca. 4 billion yen was put up, and high interest rate that this fund would accrue was to make up the operational deficit. The possible risk arising from prospective decline in interest rate, which did happen after the burst of the bubble economy, was not taken into account.

### **15 years of Ginga Line under the PPP Operation**

The railway company introduced various improvement strategies in the beginning to make the rail service more attractive and efficient: introduction of light railcar, increased frequency and speeding up. Having been disintegrated from the JR network, these management strategies treated Ginga Line as a separate entity, and few attempts were made to promote ridership by integrating Ginga Line into the intercity rail network of Hokkaido.

The company could not halt the trend of gradual decrease in ridership (Figure 6). The corporate finance suffered from the protracted economic recession, which lowered interest earnings on the initial reserve fund. This aggravated the annual deficit, amounting to four hundred million yen per annum. The PPP company broke into the capital of the reserve fund to make up the deficit. The financial base of the company thus became more vulnerable.



**Figure 6:** Dwindling ridership of Ginga Line

Most of the senior management members of the company were the bureaucrats of prefectural and municipal governments, with temporal assignment to the executive positions of the PPP company. The sense of responsibility in management was weak, as manifested in the fact that

the company president, the mayor of Kitami, showed up in his office only several days a year. The drivers and station personnel were mostly former railway workers retired from the national railways, and were not in the position of decision making. The PPP company was more of a bureaucratic body, lacking enthusiasm to invigorate the rail service amidst the difficult management ambience.

There were many proposals from the railway users and the National Railway Users' Conference to make the Ginga Line more viable: reinforcing the track to allow high-speed operation, introduction of intercity express service through from the JR network, issue of discounted rail ticket jointly with the JR, promotion of tourism along the railway route. The senior managements of this nature rejected almost all positive proposals to make the rail service viable. Only passive measures such as fare hike were put into practise. It is important to note that most of the successful PPP rail companies in Japan have intercity express services through from the JR network or tourist promotion as indispensable source of revenue.

There were government-manufactured organisations aiming at promotion of ridership of Ginga Line along the route. These organisations insisted on the fare discount, but rarely attempted to encourage the locals and outside people to ride the Ginga Line more often. The biggest activity of these organisations hosted was gateball rallies held several times a year.

### **The Steps towards Scrapping the Railway**

As the initial reserve fund approaching to depletion, the prefecture of Hokkaido set up various councils consisting of members handpicked by the bureaucrats and had them discuss the fate of Ginga Line. Before the plenary session with the head and

director class members, the prefecture government organised a ‘workshop’ consisting of the section chief class to build consensus behind the scene along the line that the bureaucrats of the prefecture had intended. This method of bureaucrats performing in their own play is quite normal in Japan, and the bureaucrats of Hokkaido prefectural government pushed through its original plan to scrap Ginga Line.

The council rejected all the positive proposals made by the groups of the residents working and living along the Ginga Line in a bid to retain the rail service. The members of the council had no sympathy with those who must rely on public transport to move about. Many people outside the Ginga Line area, including those living in the urbanised Sapporo, simply took indifferent attitude to this issue, saying ‘I do not ride that line’.

The Railway Business Act of Japan, which has been amended amidst deregulation policy, stipulates that the operator of the line need only to submit a written notice one year before the day when the operator intends to cease operation of the service. The consent of the residents along the line is not required, nor consideration for the global environment. Once the notice is filed to the government, the train shall automatically cease to operate a year from then.

### Hidden Agenda: ‘Expressway construction’

There has been a plan to construct expressway connecting Sapporo with cities along Okhotsk Sea along Ginga Line, following the route of old Abashiri Line (Figure 7).

The section of expressway along Ginga Line has little prospect for profitable operation.

The neo-liberalists mobilised the governor of Hokkaido, whose past career was the bureaucrat in Ministry of International Trade and Industry, the executives of the conservative party in power, and the local mayor cum president of the PPP company into ‘iron triangle’ in pressing their plot to scrap Ginga Line which lay in the way of expressway construction. The powerful MP who had been instrumental in the survival of rail

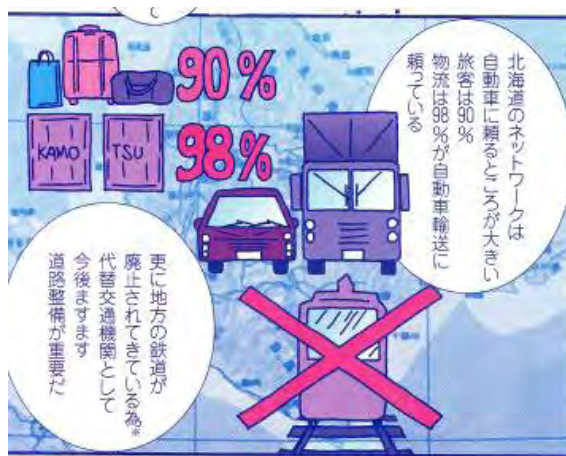


Figure 7: Goodbye trains, Welcome cars and lorries., which already carry 90% of passengers and 98% of freights of Hokkaido!

service right after the privatisation of the JNR was brought down because of his alleged

too intimate relationship with Russia, with which Japan has been disputing for the four islands in the Kurile chain.

The cost of constructing 10 km of the expressway is estimated at 40 billion yen, which could finance the deficit of Ginga Line for a century. However, according to Japanese administration system, the revenue for road construction, which comes from taxes on petrol and automobile ownership, cannot be used to finance railways. The budget allocated to the road construction amounts to 23% of the entire expenditure on public works projects, while only 0.89% goes to railway construction. Since construction of expressways shall generate new demand for local construction contractors, not many local bureaucrats oppose to the wisdom of building expressway at the sacrifice of railways.

### **Situation after Railway was Abandoned**

Right after the final train passed, the railway crossings were promptly removed and railway abandoned. The remaining sum of reserve fund of almost 3 billion yen was used for demolishing railway facilities. The ridership of the bus service introduced in place of Ginga Line rail is very poor, with only a few passengers at most on every bus. There is even no statistics as to the exact number of passengers carried, however, since the result might reveal the general collapse of public transit system in the area.

The disappearance of visible built signs of public transportation such as tracks, stations, railcars running on the fixed schedule and a route map on a train timetable on sale has changed the images of the place into those of insecure and less reliable. This would probably aggravate the problem of depopulation in the area even further.

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