Delivering Public Services in the Era of Decentralization and Deregulation: A Comparative Case Study of Urban Transport Policy in Japan

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Introduction

In recent decades, local authorities have faced various changes to both administrative institutions and socio economic circumstances. As part of the New Right policy in the 1980s, the Japanese government introduced a market-based regulatory and subsidiary framework into the public transport policy area. First, the Japanese government deregulated railway business licensing. The government had previously introduced the strict Approval and Licensing System for public transportation, which was enforced until the 1980s. Companies were severely regulated with respect to both entry into and withdrawal from the public transport market. In the case of withdrawal, for instance, a railway companies which wished to abolish its loss incurring railway line needed to make consensus amongst all local authorities along the line, because it was one of the legal requirements for line closure. In the 1980s, this regulation was deregulated to that the company submit notification of line closure to the Ministry of Land, Infrastructure, Transport and Tourism (MLIT). Second, the central government's subsidy framework for sustaining public transport was also changed. Until that point, subsidies were granted to offset the operating losses of local railway companies. However, this institution has since changed into subsidies for investment into railway equipment. This means that a railway company should invest its money if it wishes to obtain subsidy from public bodies.

In addition to changes within administrative institutions, local authorities have also faced sociological and economic changes, especially in rural areas of Japan. Most rural areas have seen a decrease in population, especially among the young generation, who prefer to leave for a metropolitan area such as Tokyo; this is partly because it is difficult for young people to find a job in rural areas. These circumstances affect the public transportation market, including railway and bus services. Residents in these areas tend to use their own cars instead of public transportation, since private cars are seen as more convenient than public transport, which runs with low frequency and has high fares. As a result, transportation companies cut their services due to low numbers of passengers, which in turn leads residents to use private cars; this becomes a vicious cycle. Finally, a transport company will choose to close the railway line itself.

These changes in public transportation policy and markets have resulted in a decrease among local lines. From a rational perspective, a loss incurring railway line should be closed and converted into bus services. In fact, according to the MLIT, 33 lines totaling 634.6 km of railway were abolished after the deregulation process. We can, however, also find that some railway lines have survived, even after a former operator abandoned its loss incurring railway. This may be because a public authority must pay attention to demand for public transport from elderly people or high school students who cannot drive a private car and need a public alternative.

This issue also relates to the argument about a responsibility of providing a public transportation in the era of decentralization of power. In the era of centralization and regulation the central government had the responsibility about both design of institutional arrangements and providing public services, which though in Japan were supplied not only by street-level bureaucrats but also private companies.

Various researches show that in Britain and the EU, regional public bodies have the responsibility of the upkeep and the expansion of public transportation (Docherty 1999, Docherty and Shaw 2008, Glaister et al 2006, Headicar 2009, Utsunomiya 2012). For example, in Britain, not only local authorities but also regional authorities play important role to institute public transportation policy framework (MacKinnon and GeoffVigar 2006 29-48). The Blair government published the white paper “A New Deal for Transport: Better for Everyone” (Department for Environment, Transport and Regions 1998). In the white paper, the government promoted to integrate the transport means in order to develop the local community, which would be recipient of devolution. For achieving this policy not only nationally but also locally, the government required the counties to formulate their Local Transport Plan (LTP), which should include infrastructure maintenance plan, safety measurement, accessibility goal and service requirement. Metropolitan counties and non-metropolitan counties have the responsibility to describe LTP.

The question of this paper is if the Japanese public transportation policy institution has the same framework as these countries in the era of deregulation and decentralization. For this, this paper investigates a comparative case study about local railway lines which faced the danger of line closure. This is related the issue of policy convergence and divergence across the nations in this era. As mentioned above, county, which have crucial responsibility in terms of providing public transportation, in the UK is a public body equivalent of prefectures in Japan. So, the main concern of this research is to investigate if prefectures have equivalent role in regional public transportation policy and, if not, to find out the crucial actor to keep public transportation. This paper is especially focus on the process of negotiation among actors; such as local governments, private companies, citizens, prefecture government and the MLIT.

This paper consists of the following three chapters. The following chapter will describe the public transportation policy framework in Japan in detail. And then, two case studies will be investigated in order to illustrate the differences between successful and unsuccessful political processes for maintaining rural railway lines. Finally, as a conclusion, this paper reveals that it is local governments, not the central or prefecture government or private companies, which have the responsibility to preserve public transport.

Public Transport Policy Framework in Japan

This section describes the change in regulatory and subsidy framework for railways in Japan before and after the implementation of neo-liberal policies. This change would also affect the behaviour of actors described in the following section. In the 1980s, as in other western countries such as the UK and the USA, the Liberal Democratic Party, which ruled in Japan from 1955 to 2009, began a series of New Right policies including privatization, deregulation and public administration reform. Due to length constraints, this paper will not review this policy as a whole; rather, this section focuses on the two main policy factors, regulatory framework and subsidies for rural railways.

Regulatory Framework

Since rail is a natural-monopoly industry, a central government will often introduce various regulations in order to stabilize the market, such as for licenses, fares and safety. Specifically, this section will discuss licensing policy in Japan. Within the railway industry, the government would issue a license for operating each line to a railway company; this policy was introduced to adjust for supply and demand, and to supervise and guide the companies in question. The government would grant the license to only one company for the entry of a railway business.

The government also imposed regulations regarding line closures. Because of the highly public nature of rail services, the government would not simply permit a company to abolish a line, even if it had incurred a huge loss. These regulatory frameworks meant that the government imposed an obligation upon a railway company to supply services in exchange for a regional monopoly. Under this policy, a local authority was a veto player who could reject a proposal from a railway company for the closure of a loss incurring line.

This regulatory framework began to be eased during the process of reforming the Japan National Railway (JNR). In the process of JNR privatization, the policy concerning local lines changed. In the past, the government had been inclined not to close loss incurring lines because of political pressure from MPs and local governments against these closures. Various literatures including works by academics, journalists and former JNR personnel (Kakumoto 1989, Kasai 2003, Kusano 1989) point out that constructing and keeping loss incurring lines was part of the reason for the JNR's collapse.

JNR privatization in 1986 changed the structure of transportation policy in Japan. The Railway Business Act prescribed the regulation of the railway business in Japan. This policy was enacted in order to unify the legislation relevant to railway companies, such as the Japanese National Railways Act and the Local Railway Act. In 1999, this act was revised to ease regulation. Prior to this, in December 1996, the Ministry of Transport resolved to ease regulation with respect to entering and withdrawing from the market in the field of public transportation, including railways, civil aviation, taxis and buses. For the purpose of proceeding with this deregulation, the Minister of Transport consulted the Council for Transport Policy to propose a new regulatory framework. The council responded as follows (Un'yu Seisaku Shingikai Tetsudo Bukai 1998): first, entry into the rail services market would be changed to an approval system for each line. Those who wished to begin operation of a line could easily enter into the railway business, as long they met minimum standards regarding passenger safety and conductors' licenses. Moreover, in order to promote competition, the government encouraged new entries into the railway business to employ various configurations. For example, the ministry introduced a new licensing scheme that would allow a company to use other companies' railway infrastructure.

Second, line closure policy was also changed from the conventional permission system into the prior notification system. According to this system, a railway company that has decided to abolish a railway line is required to ask for opinions about the line closure from local governments and residents along its line. After a public hearing, the company can submit a notification of line closure to the MLIT a year before the planned closure. This means that the closing process should take up to one year. The local authorities concerned can thus support and maintain the railway financially if they wish to keep it, or accept the closure and convert the railway line into another mode of transportation thought to be more suitable, such as a bus line.

Government Subsidies to Railway Companies

In general, public transport, not only in the form of railways but also buses, receives subsidies from various levels of public institutions, such as national or prefectural governments and local authorities. These subsidies include revenue grants, investment subsidies, fare adjustments and tax exemptions. In Europe, central and local governments provide subsidies for operation costs regardless of loss or profit in the railway business (Docherty 1999, Glaister et al 2006, Headicar 2009, Utsunomiya 2012). This is because they believe that public transport cannot exist without public financial support. In contrast, in Japan, business conditions determine whether public bodies offer subsidies to a transportation company; this stems from the idea that a transportation company should first run its business without public funds. This idea, known as the 'self-support system', has been a major guiding principle for public transport in Japan.

In Japan, there central government provides two kinds of subsidies to operators of an existing railway line. On the one hand, it is a revenue grant to offset a train operator's operation deficit. On the other hand, it is to construct or modernize the railway infrastructure. This paper points out that the focus of the MLIT's subsidy framework for local railways has been changed from revenue grants to investment assistance around the 2000's.

The revenue grant system would assist with the amount of loss to a company that operated a socially required but loss incurring line. The revenue grant system is a common system employed to assist a railway company that has fallen into financial difficulties. Within this system, the central government and a local authority would grant an amount equal to the operational loss; the central government abolished this system in 1997. Subsequently, thought they did not have bountiful budget for transportation, local authorities introduced their own framework to keep public transportation system in their cities.

Subsidies for the modernization of a railway infrastructure are designed to support a company's capital investment, and are an effective way to achieve notable improvements in service and safety. The central government and a local authority provide 20% of the amount of investment in principle, and the railway company is responsible for the rest. From 2005, the central government imposed the condition that in order to receive a subsidy for an investment, a statutory council, which comprises a train operator, a local authority and residents, may draw up a five year plan to increase the number of passengers and improve the line's operational income. This scheme must receive the authorization of the MLIT. If the Ministry were to authorize a scheme, the government would increase their subsidy to 30% of the total investment.

By changing regulatory and subsidiary frameworks in the local railway policy area, the central government shifted its priority from the survival of existing loss incurring railway lines to the promotion of infrastructural investment. This can be interpreted as having strengthened the 'self-support system' mentioned above. If a company decides to relinquish a railway line, the company can withdraw from the market without the possibility of a veto from public entities. These policy changes indicate that the government decided to respect the management decisions taken by private companies. This change is consistent with the idea of New Right policy, which values market competition. It is not the central government or private companies but local authorities along a railway line that are responsible for the supply of local public transportation. When a railway line faces difficulties in continuing its business, the relevant local authority needs to decide whether to involve itself in the operation of the railway company, or accept the line's closure.

Case Studies

This chapter investigates two cases of public transport policy by local authorities in Japan, and looks at two political processes used to deal with a local railway in Ibaragi Prefecture, which is located in the northern part of the Kanto region, the central area of the Japan. Both of these processes faced the danger of line closure because the companies running the lines were in a management crisis. They planned to close the railway lines, which had resulted in a huge amount of debt, in order to salvage the companies themselves.

Actors in this political process

This section defines actors involved in this policy area. The arena where actors discuss this issue is a council called *Taisaku Kyogikai* (a council for discussing railway issues) chaired by the city mayor. A branch of the city government serves as a secretariat. Members of this council are local authorities, the prefectural government, representatives from local associations of commerce and industry, residents and the railway company operating the railway line.

First, the railway company, a private company, seeks to maximize its profit while also paying attention to the public value of railway transportation. Compared with other transportation modes such as buses, the costs of participating in the railway industry are very high. These costs include both infrastructure and rolling stock, while a bus company, in comparison, does not need to own roads. Therefore, a railway company must usually monopolize resources in order to operate a railway. These include the line license, railway infrastructure such as cars, tracks, stations and depots, and mechanical personnel such as drivers, mechanics and conductors. Furthermore, the railway industry has a very complicated regulatory structure. For example, a conductors' license for train operation is divided into 12 categories. This complex structure plays the role of an entry barrier.

Secondly, the preference of local authorities along the railway line is to take into account that residents receive public transportation services. If a railway company provides railway services without public support, local authorities need not do anything. In the past, due to the system in place for withdrawal from a railway line, public authorities had veto power to prevent line closure. However, when this authority is taken away, the behaviour of authorities becomes politically important. Since most local authorities are faced with financial restrictions, they must choose policy options based on cost effectiveness. However, since a city's layout is often shaped by a train station, authorities also have to consider that railway abolition may affect not only a transport service supply, but also a town planning scheme.

Thirdly, in addition to the local authorities along the line, the prefectural government is also interested in public transportation within the region, though it is not necessarily concerned with the individual interests of each city. Prefectural governments are specifically concerned as to whether the prefecture can maintain the most suitable public transportation network. A public official, not a prefectural governor, attends meetings at the council.

Fourthly, the preferences of residents with respect to transportation policy are to secure a means of transportation for everyday life. Senior citizens and high school students form the majority of railway users in the region. How to provide public transportation services for these residents remains an important issue.

Finally, although it is not a member of the council, the MLIT, which is responsible for the national transportation policy, is also an important actor in this political process. Using District Transport Bureaus, the MLIT affects local transportation policy in the region. The MLIT utilizes its authority to give permission or subsidies to influence the political process. However, it is not among the actors who play a leading role in this political process; rather, the MLIT is an actor that sets up overarching rules, such as a regulation framework and subsidies.

Case Study 1: Kashima Railway and along Cities

Outline

Kashima Railway ran a railway line between Ishioka City and Hokota City for 27.2 km. This railway company was a subsidiary of Kanto Railway, which runs a transport business including railway, bus and coach, mainly in Ibaragi Prefecture. The line experienced a sharp downturn in passenger numbers from about three million passengers per year in the 1970s to about 770 thousands in 2005. The company registered an operating loss of 13 million yen, and thus received subsidies from local governments and the parent company in order to keep its line in operation. In 2001, the line first faced the possibility of its closure following the loss of one of the railway's core businesses. This particular freight business involved the transportation of aviation fuel for battle planes of the Japan Air Self-Defense Force Hyakuri Air Base, and was valued at about 100 million yen per year. Local governments along this line organized a council to deal with this matter in 2001, when the line was first in danger of closing. People living along the Kashima Railway formed organizations to support this line, and the movement soon received a major compliment from the MLIT in the form of an award for distinguished achievement in the revitalization of public transport. Finally, the parent company and the council decided to provide subsidies to preserve this railway line.

However, in 2005, the parent company, the Kanto Railway, went into a management crisis because its coach branch, which was its core business, faced intensifying competition and ran a deficit. The board of the company announced a rehabilitation plan, which included cutting subsidies to Kashima Railway. This decision forced Kashima Railway to terminate its business and submit a notification of line closure to the MLIT.

Behaviour of Actors in the Political Process

The preference of cities along the Kashima Line was to preserve the railway line, and the council thus investigated the options to keep the line running. The first option was the extension of subsidies by a member of the council; this was an extension of the existing policy. The council calculated that member cities could offer a total of 650 million yen over five years. The second option was to invite another operator to take over the Kashima Line operation. In this option, they would accept Kashima Railway's withdrawal of its train operation and arrange the transfer of its railway assets and license to another railway company for an appropriate market value or, if possible, for free. The third option was to establish a third sector company, which meant that a local authority would contribute money to a new company and take over management responsibility. In the fourth option, they considered that it may be inevitable to abolish the railway and create bus services as a substitute. This option was seen the most cost effective, although high school students, who had formed the majority of railway passengers along with elderly people, would be affected in their morning commute to school due to limited road capacity in the cities.

The prefectural government did not want to take a primary role in this issue, so it announced that city offices and residents along the line should take a responsibility in dealing with the problem. If they came to an agreement, the prefecture would help. However, in a press conference, the governor of Ibaragi Prefecture made criticisms the council for not improving a situation (Press Conference Minutes of the Governor of Ibaragi Prefecture, 2006/6/16). Even after the implementation of policy measures to increase passengers, the Kashima Line was failing to increase the number of passengers.

The Kashima Line's parent company, Kanto Railway, could not afford the subsidiary railway company any longer, because the amount of passengers had diminished by 50,000 in every year. The transport density, which is the amount of passengers of the line per km and per day, was only 600; to keeping a railway in operation, the transport density should be more than 2,000. In order to keep the line, the company estimated that it would cost 1,100 million yen for five years, which included 530 million yen for operation costs, 200 million yen for investment and 330 million for two new cars (Ibaragi Shinbun, 2006/9/9).

Results

On the 19th of November 2006, the council for Kashima Railway proposed that its parent company provide a subsidy of 650 million yen over five years (Ibaragi Shinbun, 2006/11/20). However, the company turned down this proposal because the amount of the subsidy was far lower from its estimate. The company responded to the council that it would keep its plan to close the line.

In response, the council invited other operators to take over the line as a substitute for Kashima Railway. The council indicated some specific terms to potential operators. First, the operator company should purchase and retain railway equipment and facilities from Kashima Railway. Second, the operator company should obtain the qualification of Type I Railway Business, which means the company is responsible for operating trains and obtaining railway infrastructure. Third, cities would subsidize an operator for investment and operation losses. Two companies applied for this position. One of the two was the Kasumigaura Peoples'

Railway, established by citizen organizations in favour of keeping the line in operation. It proposed to keep this line as a people's train and entrust train operation to the Okayama Denki Railway, a company that operates trams in Okayama City and operates trains as a trustee company in Wakayama City.

However, proposals from the two companies were rejected by the council because of the amount of subsidies required and time schedule for accession of railway assets. In the first, applicants demanded greater subsidies than the council could provide. In the second, four months was not enough for the applicant to take over railway assets and train crews from Kashima Line, and obtain the qualification of Type I Railway Business from the MLIT. Furthermore, the Kashima Railway did not offer assistance to the applicants. The company rejected gratuitous conveyance of railway assets and the extension of operations beyond April 2007 until the successor company was ready.

Finally, the Kashima Line Council gave up keeping the line, the closure of which was officially inevitable. In March 2007, the Kashima Line was closed.

Case Study 2: Minato Line and Hitachinaka City

Outline

Minato Line, a 14.3 km line in Hitachinaka City, was property of Ibaraki Kotsu Co. Ltd, which runs a transport business including railway, bus and coach in Ibaragi Prefecture. This line was under similar circumstances to the Kashima Railway discussed in the previous section, including a downward trend in the number of passengers, increasing operational losses and a financial crisis for its parent company. The number of passengers on the line had fallen from 3.5 million people in the 1960s to 700 thousand in the early 2000s. This downward trend brought about the discussion of whether this line would be kept or abolished.

In March 2006, due to a management crisis, Ibaraki Kotsu Co. Ltd was put under the control of Resolution and Collection Corporation (RCC) and two main banks (Mizuho Bank and Joyo Bank). In September, the company announced a management revitalization scheme that included the abolition of the Minato Line, which was a loss incurring segment of the company. This abolition had been scheduled for the end of March 2006 if no improvement was shown (Nihon Keizai Shimbun, 2006/9/2).

When Ibaragi Kotsu announced the plan to close this line, Hitachinaka City organized the Minato Line Council to deal with this issue. The council, chaired by the mayor of Hitachinaka City, included public officers of the city and Ibaragi Prefecture, representatives of business, schools and residents along the line, and Ibaraki Kotsu Co. Ltd. The council would discuss promotion plans to increase passengers and the bailout package for railway continuation. In the fourth meeting of council on October 31, Ibaraki Kotsu Co. Ltd presented its prediction that the line's operating loss would exceed 500 million yen for five years from the 2007 fiscal year. However, Hitachinaka City presented a different opinion: in its preliminary calculation, if the company successfully applied to the national and prefecture government's subsidies for infrastructure modernization, the deficit would be reduced to about 220 million yen.

Discussion amongst Actors in the Arena

At the third session of the Minato Line council, Hitachinaka City presented five options for assistance for a local railway (minutes of the Minato Line Council, 2006/9/6). Among these options, the city had determined that two options, a revenue grant system and the Gumma Prefecture model, were plausible. First, a revenue grant system was simply to subsidize the operational losses of the line. The advantage of this system was that it is a well-known system for securing rural lines, and one that various local authorities had chosen in the past. Furthermore, the amount of subsidies that the city would have to pay was clear; in this case, the required amount calculated by Ibaraki Kotsu was 1,100 million yen over five years. On the other hand, the disadvantage of this proposal was that the subsidy would be needed on a permanent basis if the train operator did not improve its loss incurring business model. In this scenario, the fiscal burden on the city would become much larger and residents may not support the scheme any longer.

The Gumma Prefecture model was a system adopted when the Gumma Prefecture offered public assistance to Jomo Railway and Joshin Railway in its region (Railway Bureau of the Ministry of Land, Infrastructure and Transport, 2004). A local authority provided companies with subsidies for the expenditure of railway infrastructure, such as rail track, maintenance, depots, electric installation and rolling stocks. Although this model did not include vertical separation, meaning that train operating companies continued to hold their railway assets, it was based on the idea that a local authority should bear the responsibility for the fiscal burden of railway infrastructure, as is the case with road infrastructure.

The council, however, started to consider another option, which would separate Minato Line from Ibaragi Kotsu to establish a subsidiary company. This scheme was developed in order to apply for the subsidy program from the MLIT. In this program, known as the Program for the Promotion of Modernization of Local Railway Infrastructure, the central government and local authorities subsidized a railway company for its investment in railway infrastructure improvement and the equivalent amount of fixed property tax. However, there were conditions concerning the financial condition of the company that intended to receive subsidies. The company must have declared a current loss in operation of all of its enterprises including railway or, if making a profit, current profits should be 5% or less of all of the fixed assets prices of the company. Since these conditions did not apply to Ibaraki Kotsu, it became necessary to consider the establishment of a subsidiary company that would operate the Minato Line. At that time, the council, which was inclined to take direct responsibility for railway business, assumed that Ibaraki Kotsu would establish a subsidiary without capital injection from local authorities.

The council also drew upon the Minato Line Revitalization package, which included market research from questionnaires given to residents and companies along the line, events for collecting customers, a symposium that discussed the survival of public transportation and the establishment of a supporters' organization for railway. In turn, the number of passengers on the line stopped declining. For three years until the announcement of line closure, the number of passengers had decreased by 157 thousands, a larger reduction than in the case of the Kashima Railway. However, this decrease was kept to only 20 thousands in the 2006 fiscal year, and the number of passengers increased slightly in the 2007 fiscal year. The council thus believed that the package was successful.

The prefecture governor offered his view that it was Hitachinaka City's responsibility for drawing up a reform plan to secure and improve the condition of the railway market in the city. This was the same attitude as the case of the Kashima Railway, and the revitalization package put forth by Hitachinaka City seemed to be effective in helping the railway stay in operation. Furthermore, the governor made the positive remark that he ‘hoped that the Minato Line would survive unlike other lines such as Kashima’ (Press Conference Minutes of the Governor of Ibaragi Prefecture, 2006/11/6).

On the other hand, Ibaraki Kotsu repeatedly stated its view that since its top priority was the survival of Ibaraki Kotsu itself, not its railway branch, the loss incurring Minato Line should be closed (Ibaraki Shimbun, 2006/11/1). Its major creditors, such as the RCC and certain main banks, shared this view (Ibaraki Shimbun, 2006/12/23, 2007/2/3).

Result

The Minato Line Council presented Ibaraki Kotsu the grating of the assistance of a total of 676 million yen, which was shared by Hitachinaka City, Ibaragi Prefecture and the central government. First, Ibaraki Kotsu would split up the railway sector and establish a new railway company as a third sector company, supported by investments from both Hitachinaka City and Ibaragi Kotsu. Ibaraki Kotsu would own 49.43% of the new company by using railway facilities, such as rolling stock, rail track, stations and depots as investment in kind. The appraised value of the railway asset was 88 million yen. Hitachinaka City invested 90 million yen and owned 50.56% of the new third sector company. Capital investment on the part of Hitachinaka City included a donation of about 12 million yen from residents and a subsidy from the Ibaragi Prefecture of 30 million yen. The prefectural government was required to choose subsidies instead of direct investment for the new company because the prefectural reform of the administrative structure prohibited investment into a third sector.

Moreover, the council also decided subsidy for an operating loss and an investment. First, as a subsidy for the company’s operating losses, the city would reduce rates and offer an exemption of the fixed property tax of the new company within the limits of its operating loss. Second, the city, the prefecture and the central government subsidies would total 561 million yen for railway infrastructure investment, including funding for an improvement of rail tracks and new rolling stocks. This subsidy would be shared equally by these three actors. Finally, Minato Line was separated from Ibaraki Kotsu and was started anew as Hitachinaka Kaihin Railway in April 2008.

Discussion and Conclusion

After deregulation in 2000, a number of local railway lines were facing a reduction in the number of passengers and the accumulation of operational losses. The circumstances surrounding rural areas in Japan provide a pessimistic outlook for public transportation. Firstly, the population of these areas has been shrinking due to an aging society and a declining birthrate. Secondly, public transport has lost competitiveness because of the high rate of car ownership in these areas. In general, though local authorities understood that keeping a railway in operation was the best option, they could not afford their fiscal burden. So, it is natural that more than 30 railway lines were abolished and converted into bus services after the deregulation. However, there are some cases in which loss incurring rural railways, like the Minato Line, survived even after the former operator had given up on maintaining it. In searching for core factors for the survival or termination of public transport, this research observed political processes within councils discussing rural railways and focused in particular on the behaviour of the actors who had an interest in public transportation in rural areas.

In a comparative analysis of this paper, it should be pointed out that actors in both cases had similar preferences, especially in the early stage of political process. First, the preference of local authorities and residents along the railway lines was to continue their operation. In the case of Kashima Railway, though local authorities along the line had experience cooperating with each other from keeping the railway line running in 2001, they could not provide any effective evidence to persuade other actors to keep the railway in 2006. Furthermore, public evaluation of the citizens' movement by high school students who had used the line for going to school was also highly rated.

In the case of Ibaraki Kotsu Minato Line, the council discussed the financial schemes to keep the railway and conducted market research to promote railway usage in their region. In response to the authorities, a supporters' group, named the 'party for cheering our railway', including students, tourist agencies, and the Chamber of Commerce and Industry, was formed to help promote the council.

In both cases, the train operators, Kashima Railways and Ibaragi Kotsu, were reluctant to continue their operation and cooperate with public bodies. In the case of Kashima Railway, the political process began after the formal notification of line closure was submitted to the MLIT. Furthermore, the parent company had already decided its management decision including the staff realignment plan after its line closure. Therefore, there was very little time left for the council to discuss this issue.

In the case of Ibaragi Kotsu, though the company did not immediately submit a formal notification, a date for abolition was set up by the company's creditors. Ibaraki Kotsu, whose preference was the continuation of the company without a railway branch, was strongly opposed to the continuation of the Minato Line because of its unprofitable operation. Compared with the case of Toyama City, which succeeded in obtaining JR West's cooperation (Doi 2005a, Doi 2005b, Miyama et al. 2007, Moriguchi 2011, Utsunomiya 2012), the hurdles for these cities to keep their railways were much higher. Thus, the original preferences of the actors in political process had little bearing in both cases, even though the results were different.

On the premise of these preference similarities of actors, this paper argues the following two points for explaining the difference in the conclusions of these two cases. First, it was important whether a council composed of local authorities could propose a suitable financial scheme before the deadline. Second, it was equally important that the railway revitalization package developed by a council could successfully show its effectiveness in a few months, in terms of, for example, increasing the number of passengers, in a few months.

Concerning the first point, it is local authorities along the line that have the responsibility to deal with public transport in their region. As has already been pointed out, following deregulation, it became easy for a private transportation company to withdraw from a loss incurring business. Various transportation companies that operate railways also operate other modes of public transportation mode, such as bus, coach, taxi, and/or real estate businesses. It seems to be the general case that the deficit incurred by the railway branch was covered by the operational profit of others businesses. Therefore, subsidies from local authorities to offset the operation deficit of railways had only been life prolonging treatment, unless the company was to invest in railway infrastructure or services to improve their business.

In the case of Kashima Railway, local authorities along the line persisted with the option of deficit assistance, even though they had argued for other options as well. This behaviour was a wasteful use of time and resources in the effort to preserve the railway. After its subsidy package had been rejected by the Kanto Railway, the council pursued to option of the taking over the company for the first time. At that point, business succession was impossible within the required time frame. On the contrary, in the case of the Minato Line, the council had a pragmatic strategy to keep the line. At the beginning, the council had considered the line's continuation by establishing a subsidiary wholly owned by Ibaraki Kotsu. However, when it became clear that the plan would not be supported by the railway company, the council changed its proposal to the establishment of a third sector railway company, half of which would be owned by the city council.

The other factor required for railway's survival was an effective revitalization package for a surviving rural railway. During the discussions regarding the line, local authorities along the line and residents drew up plans for gathering passengers. Despite the fact that councils implemented this plan in both cases, the results were different. In Kashima, their plan failed to increase the number of passengers, while the Minato Line Council succeeded in stopping a rapid decrease in the first year and increasing the number of passengers in the following year. Showing the ability to improving the railway, local authorities were able to persuade other actors, such as the governor of prefecture and the central government, to cooperate in preserving the railway. Thus, it is important for local authorities to show that they can make a revitalization package that demonstrates an immediate effect.

In conclusion, this research shows that it was the responsibility of local authorities along the line to present a persuasive plan, which includes two factors, a rational financial scheme and an effective revitalization package. This proposal was important for persuading other actors, namely the prefecture and the central government, to be involved for helping a railway revitalization scheme. Although a prefecture was a formal member of a council, it was not the primary actor in preserving local public transportation in the region. Furthermore, the MLIT, which held a veto with respect to the granting of governmental subsidies for the railway lines, also held the same attitude towards rail services in rural areas. That is to say, it was necessary for local authorities to make a practical scheme with respect to both financial aid and improving the public transportation market in order to attract other actors into this political process. This finding was different from that of cases of other countries which put primary responsibility for public transportation policy on regional or prefectural government.

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