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by

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No. 2005-4

Working Paper Series in Economics

ISSN 1442 2980

<http://www.une.edu.au/febl/EconStud/wps.htm>

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Alternatives to Amalgamation in Australian Local Government: The Case of Walkerville*

Brian Dollery and Joel Byrnes**

Abstract

Structural reform chiefly through of council amalgamation has long been the most favoured means of enhancing municipal efficiency by Australian state government policy makers. However, the disappointing results of most amalgamation programs have led to a growing scepticism in the local government community and a search for alternative methods of improving council efficiency. Not only have scholars designed generic models suitable for Australian conditions, but individual councils and groups of councils around the country have also developed several de facto alternatives to amalgamation. An embryonic body of research has now begun to examine the efficacy of these alternative organizational arrangements. The present paper seeks to augment this nascent literature evaluating the outcomes achieved by Walkerville; an Adelaide suburban council that escaped the South Australian merger program completed in 1998.

Key Words: Amalgamation; Regional Co-operative Agreement (RCA); Walkerville

* The authors would like to thank the Town of Walkerville Mayor John Rich and senior management for their kind assistance and co-operation in bringing this paper to fruition. The opinions expressed in this paper do not necessarily reflect the views of the Town of Walkerville.

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Introduction

The spectre of structural reform is once again haunting Australian local government. New South Wales is in the final throes of a widespread program of compulsory amalgamations, the prospect of substantial municipal reform is imminent in Western Australia, and the Queensland state government has indicated that it will explore all avenues for enhancing the efficiency of local authorities. In common with earlier episodes of Australian local government reform, perhaps most notably the Victorian council consolidations in the 1990s, municipal amalgamation thus still seems to be the favoured instrument of policymakers intent on structural reform.

In stark contrast to these earlier incidents of structural reform, which enjoyed considerable support from the Australian policy community as well as significant sections of organized local government itself, apparently in the specious and unsubstantiated belief that ‘bigger is better’ in municipal governance, Australian local government practitioners and policy commentators alike are now deeply sceptical of the purported benefits of municipal amalgamation, as a direct consequence of the disappointing outcomes of previous episodes of structural reform.

Despite the surprising fact that no comprehensive empirical analyses of the earlier structural reform programs have ever been conducted, even in the critical case of Victoria, which experienced the most drastic structural reform program ever undertaken in Australian history, there are nevertheless substantial grounds for the present cynicism surrounding the efficacy of municipal amalgamation. For example, international empirical evidence on the comparative efficiency of large consolidated municipal entities overwhelmingly suggests that far from delivering services more cheaply, bigger local government typically provides more expensive services (see,

for instance, Boyne 1998). Indeed, in his *Merger Mania*, Andrew Sancton (2000: 83) examined the outcomes of council amalgamation programs in Australia, Britain, Canada and New Zealand, and concluded unambiguously that ‘the efficient delivery of municipal services does not require large municipalities’.

Although much more empirical work is urgently required in Australia, especially on the long-run impact of the radical restructuring in Victorian local government, existing published material nonetheless casts considerable doubt on the desirability of amalgamation as a rational means of enhancing local government efficiency. For example, in the Final Report of the NSW Government Inquiry into the structure of local government in Sydney, Commissioner Kevin Sproats (NSW Government Inquiry 2001: 6) observed that ‘conclusive evidence is not available’. In addition, Dollery and Crase (2004a: 274) examined both the international experience and the Australian literature on council amalgamation and concluded that ‘there are scant grounds for anticipating substantial financial benefits to flow from amalgamation, except possibly in terms of local government capacity and scope economies’. Moreover, in a comprehensive evaluation of all available Australian and international evidence on economies of scale in municipal operations, Byrnes and Dollery (2002: 405) noted that ‘the lack of rigorous evidence of significant economies of scale in municipal service provision casts considerable doubt on using this as the basis for amalgamation’. In an analogous article, Allan (2003: 80) argued that in Australia ‘all the empirical evidence suggests that big is not better when it comes to local government’ since ‘at the administrative level the efficiency and effectiveness of a local council is not a function of size’.¹

¹ Numerous scholars of local government, both in Australia and elsewhere, have argued on theoretical and empirical grounds that ‘bigger is not better’ in municipal organizations. See, for instance, Jones (1989), Thornton (1995), Dollery (1997), Oakerson (1999), Bish (2000), Allan (2001), Dollery (2003), May (2003), and Katsuyama (2003).

Almost universal acceptance in the Australian local government community that ‘one size does not fit all’ thus represents not only realistic assessment of the tremendous diversity in actual local authorities across and within the various states and territories (Worthington and Dollery 2001), but has also led to an ongoing search for alternative models of municipal and regional government that can accommodate the enormous range of existing councils in Australia.

It is possible to identify two distinct developments that have stemmed from this quest. In the first place, various writers have constructed models that seek to improve the efficiency of municipal service delivery without resorting to crude council amalgamation programs. This line of inquiry includes ‘urban parish’ models (Thornton 1995), ‘joint board’ models (Shires Association of NSW 2004; Dollery and Johnson 2004), ‘*ad hoc* resource sharing’ models (Ernst and Young 1993), Regional Organizations of Councils (ROCs) (Marshall *et al.* 2003), ‘virtual local governments’ (Allan 2001; 2003; Dollery 2003), ‘agency’ models (Dollery and Johnson 2005) and ‘eco-civic regionalisation’ (Brunckhorst *et al.* 2004; Dollery and Crase 2004b). A separate concurrent development has witnessed the growth of alternative real-world organizational structures that include regional organizations of councils, like the Riverina Eastern Regional Organization of Councils (REROC) (Dollery *et al.* 2004), the Wellington model in central NSW (winner of a 2004 National Local Government Award) and the Armidale Dumaresq/Guyra/Uralla/Walcha Strategic Alliance model in the New England region of northern NSW (Dollery *et al.* 2005). The present paper seeks to add to the expanding literature on alternative models of municipal governance amenable to Australian conditions by examining the Walkerville model in metropolitan Adelaide in South Australia.

If state government policy makers are to be persuaded that council amalgamation programs are neither the most efficacious method of enhancing local government efficiency nor the only feasible structural alternative to the *status quo*, then it is necessary to identify other models for improving municipal service delivery under Australian conditions. To this end, Dollery and Johnson (2005) have identified seven alternative generic models of local government, including council amalgamation, and have sought to enumerate the essential characteristics of each of these models. While this represents a useful initial development, much remains to be done. In the first place, scholars need to consider whether the seven alternative models presented by Dollery and Johnson (2005) do indeed exhaust the realistic possible range of local governance models suitable for Australia. In this regard, it should be noted parenthetically that the Dollery and Johnson (2005) taxonomy is not unique in Australia; for example, the Local Government Association of Queensland (2005) has advanced a different fourfold typology. Secondly, it is now necessary to present detailed analyses of the alternative models in order to determine their democratic, economic and other characteristics. Some work has already been undertaken in this direction. For instance, Dollery *et al.* (2004) investigated the Riverina Eastern Regional Organization of Councils (REROC) arrangement, Dollery and Johnson (2004) have examined the joint board model using simulated data representative of NSW regional councils, and Dollery *et al.* (2005) have assessed the Armidale/Dumaresq/Guyra /Uralla/Walcha Strategic Alliance model. Needless to add, significant gaps in the literature remain and require urgent attention. This paper represents an attempt to fill this gap by evaluating the Walkerville model as an alternative to amalgamation in a metropolitan setting.

The paper itself is divided into five main sections. Section 2 provides a brief description of the typology of generic models of municipal governance

identified by Dollery and Johnson (2005). Section 3 outlines the background to the Walkerville model and seeks to locate the Walkerville model within taxonomic systems of Australian local governance. Section 4 develops the conceptual basis of the Walkerville model, while section 5 attempts to evaluate the impact of the model. The paper ends with some brief concluding remarks in section 6.

Alternative Models of Australian Local Government

At least two different taxonomic approaches to Australian local governance have been developed. In the first place, the Local Government Association of Queensland (2005: 15) has advanced a fourfold typology, adapted from earlier work by the NSW Local Government and Shires Association. They distinguish between four generic models: ‘Resource sharing through service agreements’, where one council will undertake specific functions for other councils, like strategic planning, waste management and works maintenance; ‘resource sharing thorough joint enterprise’, where councils combine a given function in order to garner scale economies, such as information technology system development and management; ‘merger/amalgamation’; and ‘significant boundary change’.

By contrast, in their taxonomy of generic models of municipal governance for Australian local government, Dollery and Johnson (2005) identified seven discrete alternative organizational models. Their range of models is arranged along a bipolar continuum given by the degrees to which political and operational control can be centralized or decentralized between local councils and the new organizational entity they could become. According to this view, on the one hand, the degree of centralization indicates the extent of concentration of control vested in the new governance structure as opposed to the original small councils that formed the new arrangement. On

the other hand, operational control refers to the ability to administer and undertake local service provision and delivery, whereas political control focuses on the capacity to make decisions over local services provision.

Located at one end of the Dollery and Johnson (2005) conceptual spectrum, *existing small councils* possess the most operational and political autonomy as well as highest degree of decentralization within the constraints of their respective state government acts. Secondly, the next most autonomous and decentralized model consists of *voluntary arrangements* between spatially adjacent councils to share resources on an *ad hoc* basis. In the third place, *Regional Organizations of Councils* (ROCs) constitute a formalization of the *ad hoc* resource sharing model, with considerable diversity in both geographic size and population across Australia, usually financed by a fee levied on each member council as well as a pro rata contribution based on rate income, population, or some other measure of size. The *joint board* (or *area integration*) *model* is based on the retention of autonomous existing councils and their current boundaries, but with a shared administration and operations overseen by a joint board of elected councilors from each of the local authorities. By contrast, the *virtual local government model* consists of several small adjacent councils with a common administrative organization or ‘shared service centre’ that provides the necessary administrative capacity to undertake the policies decided upon by individual councils. The sixth model identified in the Dollery and Johnson (2005) continuum is the *agency model*: All service functions are run by state government agencies with state government funds and state government employees in the same way as, say, existing state education departments. However, elected councils act as advisory bodies to these state agencies, determining the specific mix of services for their particular jurisdictions. Finally, *large amalgamated councils* represent the most extreme form of centralization when several small councils are consolidated into a single large municipality. Pre-existing

small councils surrender all political autonomy and operational control to the new organization and thus effectively disappear.

Background to Walkerville

The most recent wave of local government reform in South Australia began in 1994. Unlike the Victorian experience, it was voluntary and eventually saw a reduction in the number of councils from 112 to 68 by the program's conclusion in 1998. This section of the paper attempts a brief synoptic description of the South Australian structural reform process as it affected Walkerville.

The December 1993 election of a Brown Liberal government in South Australia brought about a renewed vigour for local government reform, primarily in the form of amalgamations. The policy was made plain in the government's financial statement of 1994:

The objective will be to strengthen the capacity of Local Government in this State so that it can assume a more significant role in the operations of the South Australian public sector. A lift in the efficiency and effectiveness of Local Government can be seen as a logical and desirable extension of the major reforms being pursued by the State Government.
(LGBRB 1998: 8)

In order to give impetus to the structural reform process, a Ministerial Advisory Group (MAG) was established in order to report to the government on the functions carried out by local government, the performance of individual councils against a range of benchmarks, and the most efficacious means by which South Australian local government could become both more efficient and more effective (MAG 1995: 1).

The MAG proposed that reform in local government must occur across three main fronts: function, structure and management. Of most interest in the present context was the MAG's recommendation that the number of councils in the Adelaide metropolitan region should be reduced from 29 to just 11. Moreover, the MAG Report recommended that Walkerville should amalgamate with seven neighbouring councils and part of two adjacent councils. The new council would have a population of 150,000 (MAG 1995: 7.59). A perusal of Figure 1 readily illustrates why the MAG Report viewed Walkerville as an excellent candidate for structural reform.



Figure 1: Metropolitan Adelaide Councils

Source: LGBRB (1998: 2)

By any measure Walkerville is small. Established in 1855, it is one of the smallest councils in South Australia, both in terms of geographical area and population. The median local authority in South Australia has an area of 984 square kilometres and serves a population of 8,110 residents (NOLG 2003: 4-6). By contrast, Walkerville encompasses an area of only 3.6 square kilometres and serves a population of 7,144 people.

In response to the MAG Report's findings, the council of Walkerville commissioned two reports to assess the validity of its recommendations. Both were asked to determine the benefits of amalgamation to Walkerville residents. Both found that there would be none. Indeed, it was argued that the residents of Walkerville would probably face higher municipal rates as a consequence of the proposed amalgamation, while neighbouring councils would experience lower rates.

With this information in hand, the Walkerville council engaged the services of the Australian Electoral Commission to poll the community on whether it favoured or opposed amalgamation. It emerged that 96.5% of the 73% of residents who voted in the referendum were opposed to the proposed merger.

The state government largely backed away from the recommendations of the MAG concerning municipal mergers, opting instead to take a 'bottom-up' community-based approach to reform in the form of voluntary amalgamation. While many municipalities nevertheless took the opportunity to amalgamate, the Walkerville council opposed merger, and its boundaries remained unchanged. However, given the size of the Walkerville local authority, it nonetheless remained imperative that the council pursued some course of action that brought about the 'efficiency and effectiveness' dividends sought by the South Australian state government. The instrument

selected for pursuing this course of action took the form of Regional Co-operation Agreement (RCAs).

It is thus clear that Walkerville retained its status as an independent metropolitan council. In this sense, it fits the Dollery and Johnson (2005) taxonomic category of 'existing small council'. However, by adopting an RCA, Walkerville moved away from the *status quo* towards the *ad hoc* resource-sharing model in the Dollery and Johnson (2005) framework. Following the Local Government Association of Queensland (2005) typology the position is less clear-cut; while most RCAs entered into by Walkerville fit the 'resource sharing through service agreements' model, some are better described as 'resource sharing through joint enterprise'.

Conceptual Basis for the Walkerville Model

A Regional Co-operative Agreement (RCA) comes into being when existing and independent councils agree to share a resource amongst the group of municipalities party to the RCA. In essence, the conceptual basis of RCAs is as follows: Rather than simply impose an assumption of the existence of scale economies in all local government functions, municipalities should actively seek only those activities that display economies of scale, and then reap the financial benefits by sharing resources with other adjacent councils such that the minimum efficient scale of production is reached for each selected service. If specific functions exist that do not exhibit economies of scale, then they should continue to be provided by individual councils themselves. For example, three neighbouring councils may elect to pool their domestic waste collection trucks in order to form a joint resource that is capable of providing the service at a lower per unit cost than would have been the case had the councils maintained the existing arrangements.

However, a service that typically does not display economies of scale, like streetlight maintenance services, should be provided by individual councils.

Amalgamation necessarily implies that all services in local government are characterised by economies of scale, and thus the formation of larger councils will deliver cost savings. However, advocates of RCAs argue that the benefits accrued from the services enjoying substantial economies of scale may be overwhelmed by the increased cost of providing the services that display diseconomies of scale. Accordingly, RCAs are thus a more efficient means of delivering savings in service provision than amalgamation.

Existing conceptual and empirical evidence supports this view. In their survey of the international and Australian literature, Byrnes and Dollery (2002) advanced two critical considerations surrounding scale economies and structural reform.

Firstly, a key premise underlying the case for amalgamation is that significant economies of scale exist in Australian local government. However, this proposition enjoys neither empirical nor theoretical support in the literature. In economic terminology, economies of scale refer to a reduction in average cost of production of a defined output as the quantum of service provision increases. If this held true of all, or even most, municipal services generated by Australian local government, then it follows that the larger the council jurisdiction in terms of population, the lower will be the per capita cost of service provision. However, it is a matter of empirical fact that Australian local authorities provide services with completely different production characteristics, ranging from capital-intensive road and other infrastructure construction and maintenance to labour-intensive human services. Accordingly, for a given local government population, there is no *a priori* reason for different services to possess the

same cost characteristics. On the contrary, if some services require expensive plant and machinery, with high fixed costs, and thus plenty of scope for economies of scale, whereas other services use largely labour, with relatively low fixed costs, and thus limited hope of scale economies, then there is every reason to expect that no uniform pattern of economies of scale across the range of services will emerge. The argument has been put in a nutshell by Sancton (2000: 74): ‘There is no functionally optimal size for municipal governments because different municipal activities have quite different optimal areas’.

These *a priori* theoretical considerations find strong support in the empirical literature on economies of scale in local government. Byrnes and Dollery (2002) reached three conclusions. Firstly, ‘given the mixed results that emerge from the international evidence’ it was entirely plausible ‘to conclude that considerable uncertainty exists as to whether economies of scale do or do not exist’ (Byrnes and Dollery 2002: 405). Secondly, most empirical research in Australia was ‘miss-specified’ and thus did not really measure scale economies. Finally, the lack of systematic evidence of substantial economies of scale in local government placed ‘considerable doubt on using this as the basis for amalgamations’. Accordingly, whereas ‘advocates of amalgamation have based their arguments on the proposition that substantial efficiency gains would flow from the formation of larger local authorities’, in fact ‘research on economies of scale in local government does not support this proposition’ (Byrnes and Dollery 2002: 405).

In the second place, even if significant economies of scale can be identified in well-defined service areas that constitute a substantial proportion of local government budget outlays, then this would still not conclusively demonstrate the existence of an optimal municipal size. The argument

underlying this proposition is straightforward; if the provision of a given service can be separated from production of that service, and since scale economies typically only arise during the production (and not provision) phase, then a purchaser-provider split can realise full scale economies without altering the size of the municipal jurisdiction. For instance, small councils that cannot achieve economies of scale on their own can still reap the benefits of scale economies by purchasing the service from other public agencies or private firms that are large enough production units to secure economies of scale. Thus by contracting with commercial firms or other governments (like RCAs), small local authorities can deliver services characterized by scale economies in production without actually producing these services and pass on the accrued savings to their constituents in the form of better and more abundant services or lower fees and charges. In other words, the presence of scale economies in production does not necessarily imply that structural reform through amalgamation aimed at larger local government units should occur.

Notwithstanding these considerations, research regarding the efficiency of RCAs is thin on the ground. Moreover, the MAG argued that resource sharing arrangements are likely to have limited impact, observing that ‘the process of resource sharing carries a considerable degree of risk, and depends on trust and cooperation between councils’. Furthermore ‘if there are a range of authorities for a number of activities, this complicates the management process, and more importantly, dilutes the accountability and responsibility lines. Alternatively, trying to broaden the responsibility of regional authorities may well have the effect of imposing another sphere of government’ (MAG 1995: 7.27).

Walkerville entered into nine RCAs. Table 1 provides the relevant details for each RCA:

Table 1: Regional Co-operative Agreements Entered Into By Walkerville

Regional Co-operative Agreement	Description	Councils
East Waste	Domestic waste collection service. Combined fleet of trucks servicing 100,000 households	Burnside, Norwood Payneham and St Peters, Walkerville, Campbelltown and Adelaide Hills
Home Care	Provides home care on a short-term basis to assist residents remain independent in their own homes	Walkerville and City of Prospect
Crime Prevention Programs	Eastern Region Crime Prevention Programme – 3 year agreement with state government to reduce the incidence of car crime and serious criminal trespass in the eastern region	Burnside, Campbelltown, Norwood Payneham, St Peters, Prospect and Walkerville
SWAP Library Network	Patrons have access to around 230,000 items across a shared computer network, while maintaining small libraries	Campbelltown, Walkerville, Norwood Payneham, St Peters and Prospect
Reduction on use of plastic bags	Councils provide supermarkets in the community with sample bags to encourage the use of reusable bags, and discourage the use of plastic bags	All councils in Metropolitan Eastern Region
Wastecare S.A	Six councils have formed a regional subsidiary to provide a \$12m integrated waste recovery centre	Adelaide City, City of Campbelltown, City of Prospect, City of Charles Sturt, City of Norwood Payneham & St Peters and the Town of Walkerville
Joint inspections services	‘Around the clock’ inspectorial services – dog and cat management, parking and environmental pollution	City of Prospect and the Town of Walkerville
Eastern Health Authority	Prevention and control of disease, immunisation, hygiene and sanitation control, environmental protection, licensing and monitoring of supported residential facilities and surveillance of food premises	City of Burnside, City of Campbelltown, City of Norwood Payneham & St Peters Council, Town of Walkerville and the City of Prospect
Travel Smart	State government-funded officer employed to develop projects to encourage alternative modes of transport to reduce fuel emissions	City of Prospect, Norwood Payneham and St Peters and the Corporation of the Town of Walkerville

Source: Rich (2004)

Outcomes

Before turning to the specific outcomes of entering into RCAs, a number of generic observations on calculating so-called ‘cost savings’ are warranted. In order to estimate the impact of a resource sharing effort, such as an RCA, one has to determine the counterfactual – that is, what circumstances would have prevailed had resource sharing not taken place. This can be more difficult to determine than at first may be apparent since accurately determining the cost of an event that does not or will not occur is a fraught exercise. One might assume that services may have continued to be provided in the same manner, but this also may not necessarily have been the case. Comparisons with anything but the *status quo* generally lead to a less accurate calculation of the savings generated. With these limiting factors in mind, we turn now to an analysis of the estimated cost savings for Walkerville as a result of entering into a number of their RCAs.

The CEO of the Town of Walkerville has estimated involvement in the RCAs outlined in Table 1 to have resulted in quantifiable savings to the council of \$138,180 per annum. Details of these savings are presented below.

East Waste

East Waste is a Regional Subsidiary established by the Cities of Burnside, Norwood Payneham and St. Peters and the Town of Walkerville for the collection and disposal of domestic waste. The Adelaide Hills Council and the Cities of Campbelltown and Mitcham have also recently been admitted to the Regional Subsidiary.

The cost to Walkerville for the financial year 2003/2004 was \$202,900, consisting of \$98,700 in collection costs, \$64,000 associated with disposal, and \$40,200 relating to recycling activities. It is estimated that to have the

same level of service provided through a private contractor would have cost approximately \$253,500 per annum. Thus, involvement in this RCA is estimated to have resulted in a direct cost saving to the council of \$50,600 for the financial year 2003/04.

East Waste currently costs \$1.55 to \$1.60 per household per week for domestic waste collection (excluding recycling). Private contractor's charges would be in the range of \$2.05 to \$2.10 per household per week, thereby representing a rise in domestic waste disposal costs. The Walkerville Council also receives a dividend on profits made by East Waste. This disbursement is in proportion to the percentage of equity held by each member council.

SWAP Library Computer Network

The SWAP Library Computer Network was originally established in order to service the Councils of St. Peters, Walkerville and Prospect. This initiative provides for a computer network to be centrally established which services all three councils. All member councils then have full access to the stock of library books held by any one of the councils in the network. Moreover, a courier service runs between each of the councils delivering books as requested. The SWAP Network has recently been expanded to include the City of Campbelltown.

Walkerville's contribution to the SWAP Network for financial year 2003/2004 was \$77,260. Had Walkerville been obliged provided its own computer system a number of recurrent costs would have been incurred as well as the cost of purchasing and implementing the system. It is estimated that the recurrent costs would include the services of an IT Consultant (\$20,000), a librarian (\$54,200), casual staff (\$15,200) as well as software and hardware maintenance (\$10,000) to support the system. It is estimated

that these costs would have been around \$99,400, including on-costs. Therefore being a member of SWAP is estimated to have resulted in cost savings of \$22,140 for the financial year in question.

Eastern Health Authority

The Eastern Health Authority has been established to service the Cities of Burnside, Campbelltown and Norwood Payneham and St. Peters. The City of Prospect and the Town of Walkerville are client councils of the Eastern Health Authority. Both Councils have sought to become member councils of the Eastern Health Authority.

The Eastern Health Authority provides an inspection service of food premises, cooling-tower inspections, pool and spa inspections, environmental inspections and immunisation services.

The cost to Walkerville for the financial year 2003/2004 was \$27,600, consisting of general health and environmental services at a cost of \$21,600 and immunisations at a cost of \$7,000. Walkerville management estimates that to provide the same level of general health and environmental services, the Town of Walkerville would have required the employment of an officer at Level 6 for 2 days per week (\$21,700), plus a single day's administrative support (\$8,380), excluding 25% on-costs. Because South Australian legislative requirements specify that an officer must be available 24 hours per day 7 days per week, this would mean that the officer concerned would need to be paid 10% of their salary while on call-out standby (\$2,160). The total estimated cost for health and environmental services therefore is \$39,760; or a \$12,160 increase for providing this service in-house.

In an analogous fashion, the provision of a monthly immunisation service would have required the employment of a doctor and registered nurse for

the designated day. This is estimated to cost \$13,680 for the doctor and \$1,550 for the registered nurse, plus on-costs of 25%.

The total cost of providing both these services in-house would therefore be \$56,640. By being a member of Eastern Health Authority, Walkerville has thus saved an estimated \$29,040 per annum.

Regional Inspectorate

A resource sharing arrangement has been established between the City of Prospect and the Town of Walkerville to provide inspectorial services by the City of Prospect to the Town of Walkerville.

The cost to Walkerville in financial year 2003/2004 was \$15,950, consisting of \$7,250 for dog and cat management and \$8,700 for parking control. The provision of these services in-house would require the employment of an additional inspector for two days per week at a cost of \$22,550, plus 25% on-cost (or \$28,187.50), plus 10% call-out standby of \$11,725, bringing the total estimated cost to \$39,850. By entering into this RCA, Walkerville has estimated the net savings to have been \$23,900 for the whole financial year.

Other Services

There are a number of other minor resource sharing arrangements that have resulted in an estimated saving to Walkerville of around \$12,500 per annum. These are home and community care, community information and crime prevention.

Table 2 summarises the aggregate cost savings. Senior management of the Town of Walkerville has estimated the total savings for the financial year 2003/04 as a result of entering into RCAs at \$138,180.

Table 2: Summary of Estimated Cost Savings for Walkerville

Regional Cooperative Agreement	Estimated Cost Saving – 2003/04
East Waste	\$50,600
SWAP Library Network	\$22,140
Eastern Health Authority	\$29,040
Regional Inspectorate	\$23,900
Other services	\$12,500
Total	\$138,180

Concluding Remarks

Walkerville is small in terms of geographic area (less than 4 square kilometres), population (7,144 souls) and rateable income (\$2,652,327) relative to both other metropolitan councils and its Australian Local Government Classification as ‘urban developed’ (National Office of Local Government 2003: 7). Moreover, it is entirely surrounded by other larger and immediately adjacent municipalities. These stark facts made it an obvious candidate for amalgamation with one or more of its neighbouring councils in the 1994/98 South Australian state government’s structural reform program in line with the (then) fashionable dogma that ‘bigger is better’ in Australian local government. The subsequent surprising survival of Walkerville as an autonomous small council is thus a tribute not only to the elected leaders of Walkerville, who organized the referendum conducted by the Australian Electoral Commission, but also to concerted ‘people power’ with the high participation rate and overwhelming vote in favour of continued independence.

This could well have been the end of the matter. It is therefore a further tribute to the elected leadership and senior management of Walkerville that the council nonetheless successfully negotiated and entered into nine RCA projects with its neighbours, thereby moving away from the *status quo* towards an *ad hoc* resource-sharing model.

This paper has sought to identify and assess the economic outcomes of these resource-sharing arrangements. We have been at pains to stress the difficulties involved in an *ex poste* exercise of this kind that obviously cannot draw comparisons with unknowable counter-factual alternative arrangements, such as what would the case had Walkerville been merged during the 1994/98 structural reform program. With this crucial caveat in mind, the paper represents an initial tentative attempt to place a monetary valuation on the RCA arrangements and draw preliminary conclusions relative to the position had Walkerville not entered into these RCAs.

Over the financial year 2003/04, estimated total cost savings amounted to \$138,180.

While in aggregate terms this does not represent a substantial proportion of either operating revenue or operating expenses, compared to the operating deficit of \$143,532 in the same fiscal period it is by no means insignificant. Put differently, the resultant per capita savings of around \$19 almost equals per capita grant income of some \$22 (National Office of Local Government 2003: 7). In addition, this cost saving makes no allowance for the improved service quality and mix that has flowed from the resource-sharing arrangements, thus seriously under-estimating their impact. Moreover, other financial measures are not invoked. For instance, anecdotal evidence exists that suggests rates are markedly lower in Walkerville than in the surrounding council areas for comparable properties (Rich 2004). Finally, important 'non-economic' benefits deriving from the retention of political and operational autonomy by the Walkerville community, such as an enhanced 'sense of place' by residents and greater democratic representation through low councillor/voter ratios, have been entirely ignored

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