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by

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Stephen Soul and Brian Dollery**

Abstract

Since federation Australian state governments have held numerous formal Inquiries into the question of local government boundaries. This paper outlines and examines the major criteria invoked by these Inquiries. It is argued that not only are many criteria intrinsically incoherent, but also that they have generally been inconsistently applied to the problem of local government amalgamation.

Key Words: amalgamation; local government boundaries, restructuring

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An Analysis of the Criteria Used by Australian Local Government Amalgamation Inquiries

In 1984 the Advisory Council for Intergovernment Relations (ACIR) reviewed the official Inquiries that have been conducted in Australia on local government boundaries and restructuring since 1960 and produced a discussion paper on the criteria applied by each of those Inquiries relating to community, economic, geographic and inter-governmental considerations. Criteria relating to political considerations were not thought to be of sufficient importance to be separately categorised, and were included as a community consideration. Some Inquiries were required to establish the criteria against which the review should be determined while others were commissioned to conduct a review against a criteria determined by State governments. Inquiries conducted during this period differed markedly in their assessment of the scope and relative importance of these criteria and this often led to criticism of the criteria, the research methods used and the eventual recommendations.

Amalgamation Inquiries are often instruments of political intent rather than mechanisms to achieve the greater public good. Accordingly, the best that these various Inquiries were generally able to offer was a politically-tolerable outcome which was necessarily given effect by political power alone. These findings were often no more than “prescriptive definition, heroic assumptions and romantic conceptions” (Brennan and Lomansky 1993:3). Almost all Inquiries conducted prior to 1992 into the number, size and boundaries of local government authorities in all States over the last century chose to “recommend substantial reductions” in jurisdiction numbers but more often than not failed to be put into practice (LAEBR 1990). The “absurdity of many anachronistic local government boundaries is repeatedly demonstrated by Boards and Commissions of Inquiry in most [Australian] States still persists” (Bowman 1976:43). This ‘absurdity’ was again demonstrated by the recent Parry Inquiry in NSW which called for the State government to encourage voluntary amalgamation to “slash the number of councils” to achieve greater efficiency and effectiveness and review progress in twelve months (Totaro 1998:3).

Although the sophistication of more recent State Government Inquiries has improved markedly since the progressive theoretical approach of Bains’ reviews (1978a, 1978b, 1979), the arguments put by many submissions to these Inquiries often lack theoretical and empirical substance. Rarely have Australian Inquiries sought to find theoretical foundations for their recommendations or given a comprehensive accounting for any inequities in expenditure, representation and allocation of public goods, for the differential size and efficiency of local government institutions and jurisdictions, and for the true cost of small jurisdictions and their

heavy dependence on financial assistance grants. The literature indicates that virtually no effort has been made to apply the theoretical rationale of either Tiebout (1956) or Oates (1972) to determine the size of jurisdictions.

The relevance and value of the various criteria previously applied by Commissions of Inquiry form the subject matter of this paper. We address these criteria in the order outlined by ACIR (1984). They are those relating to community factors, such as community of interest, the wishes of the people, historical and cultural factors, democratic representation and political participation, to economic factors, such as financial viability, economies of scale, administrative efficiency and qualitative factors, to geographic factors, such as natural features and physical contiguity, accessibility, population, urban development, the interdependence of town and country and the economic importance of the institution to the community, and finally to intergovernmental considerations such as complementary roles and intergovernmental effects.

Criteria relating to community factors

1. Community of Interest

Notions of community of interest are difficult, if not impossible, to define. It is often claimed that community of interest in local government is government conducted locally by the local people for the benefit of the local area (Gifford 1967). Hillery (1955) considered almost 100 different definitions of community, identifying several common definitive attributes, including territory, a sense of belonging and common social norms and interaction. An Australian perspective was put by Purdie (1976) who alluded to the gathering of a substantial group of people who have a number of interests in common who feel a sense of belonging. Reiss (1970) also found difficulty in defining the term and suggested that the concept be established spatially or territorially. Others, like (Palm 1973), sought to differentiate between the spatial and social aspects of community. Margaret Thatcher's now famous statement that abstract notions of community did not exist in the real world, and only individuals and families are recognisable social and economic entities, all tended to weaken the concept of community in recent times (Cooke 1990). Nevertheless, the ACIR (1984) concluded that community of interest was regarded by many in local government and some Inquiries as a great source of strength for communities. Moreover, it has been argued that cities grow in cell-like structures, splitting and replicating into mixed but natural jurisdictions of around three to five thousand people with supporting infrastructure and housing (Rogers 1998). A somewhat different view that conceptual measures of 'community' are between three to five hundred people has been advanced by Hassell (1995). Submissions to Inquiries have used the community of interest argument to justify the retention of existing boundaries, but no case seems to exist where the argument is used to remove artificially imposed local government boundaries which prevent

strong and viable communities of interest, like Casino, Deniliquin or Grafton, from uniting to form a single entity.

There was a flurry of activity on the development of theory on the concept of community of interest in the immediate post-WWII era, with writers like Gilbert (1948), Lipman (1952) and Green (1956). For example, Green (1956) proposed that urban identities of various sizes and characteristics are naturally formed. He cites these as: (a) centres - which are towns or villages; (b) hinterlands - which adjoin centres which are more accessible than others; and (c) subsidiary centres and hinterlands - which qualify as a centre but actually contain the hinterland which is as equally well serviced as the centre itself and the population of which is seamlessly included with the whole of the centre.

Green (1956) also proposed an order of centres based on various grades. Those grades are:

- (i) First order - a metropolitan centre;
- (ii) Second order - a provincial capital;
- (iii) Third order - a major regional centre;
- (iv) Fourth order - an ordinary regional or district capital;
- (v) Fifth order - a service village.

Within a spatial context, it is difficult or even impossible to establish a theoretical or practical 'ideal' regional area. The closest approximation that researchers have devised to achieve such an end is the retail or production-oriented spatial systems of Reilly (1929) and Losch (1954). There are some similarities in both offerings with Reilly (1929) seeking to evaluate the forces which linked population magnitude, distance and the volume of retail trade in a given constellation of city and town nodes, and Losch (1954), who sought to map out sites of production according to their relationship to established commercial networks and markets. Whilst these theories have sought to find a common thread among various places across the spatial landscape which would be generally applicable to one another, they have not been especially successful in achieving this end, even in a conceptual sense. Most researchers have tended to shy away from notions of community of interest and concentrate on other more tangible and meaningful criteria to establish causal factors for social arrangement.

Berry (1987) also sought to establish a relationship between community of interest and local government areas but was similarly unsuccessful although he identified that there are a

multiplicity of horizontal and vertical templates of communities of interest marbled through and overlapping each other in a spatially disorderly manner. Berry (1987) noted that recent boundary inquiries have taken conflicting positions on the significance of community of interest in determining new structures for local government and reported a reluctance by many committees to consider community of interest over adequacy of economic viability. However, he observed that the 1974 Western Australian Royal Commission held that community of interest was of 'great significance' to the delimitation of jurisdictions. These contradictions are almost certainly caused by the absence of a clear definition and theoretical foundation of community of interest, from the inherent difficulty in spatially identifying and delimiting communities of interest and from the fundamentally subjective nature of the concept. Berry (1987) emphasised to the fact that constant economic, social and demographic changes within a jurisdiction would diminish any prospect of identifying the existence, let alone the boundaries of communities of interest. Berry's multi-layered overlay approach replicated the spatial delimitation framework developed earlier by Herbert and Johnson (1978) and is a useful methodology for identifying and describing urban, geographic and social perspectives. However, this approach is similarly unable to establish clear spatial jurisdiction delimitations. Many local government boundaries have existed, unchanged, for over a century despite significant technological advances in transport and communication and radically changed trends and circumstances in industry, economics, population and living patterns. Community of interest may well be the most established formal administrative spatial overlay but it is only a small component of the societal complex and less meaningful than built social and geographic overlays.

It would thus appear reasonable to argue that it would be difficult for empirical research to establish a genuine, unchanging community of interest or sphere of influence for administrative, social, economic or political containment purposes. There is considerable research effort directed toward creating administrative zones based on telephone traffic, travel to work, newspaper circulation, postcodes, ABS areas, school zones, club membership areas and even local government areas as a basis to represent communities of interest, but these zones differ substantially in size and shape, and are rarely identical. Community of interest may be important as a cohesive social glue which binds people together, but it is not an ordered mosaic; rather it is a myriad of complex overlays of social, economic and political contiguity, some of which are very small neighbourhood overlays, while others are large, such as State or even national overlays. It would seem thus to be difficult to comprehensively justify the adoption of any one spatial overlay for administrative purposes over another unless it is delimited by geography. Any adjustment to the spatial dimension of a local government area should recognise that communities of interest exist and that the boundaries of the jurisdiction should not cut across and divide communities, but there is surely no logical or

empirical rationale for using community of interest considerations to vary or retain a jurisdiction at any particular size.

Purdie (1976) argued that community of interest was not destroyed by the placing of a line on a map and evidenced this by the fact that many local government areas exhibit discernible communities of interest within them. If indeed there was veracity in the community of interest argument, then it might also be used to rationalise municipal numbers in instances where strong communities of interest are divided by local government borders or to match the many discernible communities which are contained within existing local government jurisdictions. There are many examples of such division in Australia, and in NSW which “cut across and divide communities whose interest, needs and aspirations are substantially the same” (LAEBR 1990:16). The significant variation in size of Australian local government, from just 45 people to over 800,000 and commonly up to 200,000 in urban areas, suggests that community of interest has little to do with social or economic cohesion or collectiveness. While there may be valid arguments against dividing a strong community of interest among two or more jurisdictions, there is no valid defence to an amalgamation which proposes to contain a series of whole communities within a single jurisdiction and, in the face of the social, political and economic advantages in forming larger local communities, arguments to retain a spatial delimitation of a jurisdiction based on a single measure of community of interest will be very difficult to sustain (Berry 1987).

A prime reason for local government boundaries is to define a convenient area of land for administrative and legal purposes and for the convenience of the public where it can most effectively, efficiently and economically carry out its functions (Dickson 1981). State Inquiries which considered local government to be more than a service provider or an agency of a higher tier of government felt it important that the roots of local government be derived from strong community support rather than from legislation imposed by higher authority and that to downgrade or ignore completely local government’s relationship with its community is to deny it any role other than that prescribed by State governments for service delivery (ACIR 1984). However, after expressing this idealistic view the ACIR went on to emphasise the difficulty in gauging and applying this measure to their considerations and (with the exception of the 1974 WA Royal Commission) the fact that many Inquiries ignored or generally disregard community of interest and tend to recommend significant changes to the boundaries of local government. Some of the recent Inquiries were critical of the separation of country towns and their hinterland and have recognised that the “outcome of this philosophy has been that the shires are often little more than roading authorities” and “a readily identifiable example of duplication of buildings, equipment and staff” (ACIR 1984:64). The Bains Victorian Board of Review (1979) refuted the generally accepted view of a community of interest from its own empirical research, proposing that the (arbitrary) redrawing of municipal boundaries would do far less

damage than was previously supposed. There is now convincing empirical evidence that town and country areas are interdependent (Maher and McKay 1980) and their continued separation is “unjustified” and “a major contributing factor to the fragmentation of local authority, (an) unnatural dividing of communities, fostering parochialism (and) the dissipation of resources and effort” (Barnett 1974).

This conclusion was supported also by the 1972 Local Government Commission of New Zealand and Purdie (1976:12) who agreed that local government boundaries do not coincide with local communities of interest by claiming that “to wholly identify the local community of interest with the local government area would be a fallacy”. Community of interest is an important factor in developing volunteerism and a sense of communal belonging and local government has the capacity to become the focus of a local community identity. It can also provide the most appropriate and effective avenue of expression for the collective community of interest (Purdie 1976). Perhaps the final word on the community of interest debate comes from Newman (1980:21) who holds that community of interest need not and will not be lost if it is contained as a “small, distinct subhabitation” within a much “larger urban milieu” of an administrative and political jurisdiction.

2. Wishes of the People

The wishes of the people are an integral part of the policy adopted by the NSW Government on local government amalgamations. The NSW Minister for Local government has proclaimed that local government amalgamations will not be forcibly imposed without due consideration of the communities in question, at least within the term of the current parliament (Payne 1996). The peak Local Government Associations of New South Wales have also consistently maintained that changes to local government borders should only proceed with the agreement of the community and if councils are operating to the satisfaction of the ratepayers then no change to boundaries should be imposed.

One of the most compelling arguments in support of the need to restructure local government is the need for greater equity within and among municipalities (Bowman 1976; Jones 1993). For instance, affluent rate-payers who live in high value properties and enjoy low local rates will strongly resist amalgamation with jurisdictions that have high welfare demand, proportionately higher rate levels and low property values. It is similarly unlikely that constituents in large, well-developed and established areas in the inner-suburban or provincial areas would genuinely wish to be joined with the newly-created, rapidly developing outer-suburban jurisdictions which need significant capital investment to build infrastructure or with long-established rust-belt jurisdictions close to the city with their limited resources, high crime rates and social dysfunction (ACIR 1984). Both of the Royal Commissions conducted in 1974

in Western Australia and South Australia commented on a need to address the overall effect of restructuring on the social and economic well-being of the region as a whole, believing that it would be inequitable and largely impractical to base (the establishment of) local governing bodies on delimitations which would suit any particular group. They concluded that ‘the wishes of the people’ is not, and should not be, of overriding importance in determining boundaries or size.

The means by which the will of the people is most commonly and appropriately measured in a political democracy is by a poll of eligible electors. The rationale for this view is based on a belief that the will of the majority of electors is morally and democratically superior to the will of the minority, and should prevail (ACIR 1984). Purdie (1976) claims that this assumption is without legal or democratic foundation and draws support from Mills’ (1861) contention that the sole motive which would justify interference with the liberty of action of another was the cause of self-protection and the prevention of ‘harm to others’.

The State has a responsibility to secure proper economic and efficient local government and to ensure that public funds are used effectively and enjoyed equally among constituents. It is this responsibility that compels the State to address the significant disadvantage which occurs spatially as a consequence of disparity services and resources among local governments (Barnett 1974). The reluctance of the State to intervene, adjust and equalise jurisdictions has created increasing spatial deprivation and poverty, class polarisation and the disparity in expenditure among jurisdictions. In this regard, the State has abrogated its moral responsibility to avoid ‘harm to others’ by allowing deprivation to occur and subverted or misrepresented the majority will by failing to secure equality.

A third aspect of the will of the people is the legal standing and democratic rights of local government constituents. As local government is not contained in the Australian Constitution and thus enjoys no Constitutional or legal legitimacy in its own right, the institution remains subordinate to, rather than co-ordinate with the State and, despite the incorporation of local government in some State government Constitutions, it remains, at best, an instrument of the State and, at worst, it *actually is* the State (Harris 1975). Further, Australians have shown they are not prepared to extend Constitutional recognition to local councils by national referendum.

The will of the people has consistently been rejected by Inquiries on a combination of legal, moral and democratic grounds (ACIR 1984) and while Commissioners extended “the greatest respect for the wishes of the people” they have, with rare exception, acceded to the public will. Some Inquiries have recognised that it would be “difficult to see how an informed vote on such a complicated question can be obtained” (Ward 1974:19) but it remains, in the view of

local government, the most important factor for determining jurisdictional boundaries (Park 1996).

3. Historical and Cultural Factors

Historical and cultural factors have been given little attention by past amalgamation Inquiries (ACIR 1984). Not one of the Victorian Local Government Board Interim Reports published in 1993-4 mentioned this factor. The Commissioners insisted that “to maintain boundaries merely for the sake of retention of a municipal identity cannot be taken as a valid reason, nor as justification for not changing boundaries set more than a century ago” (Heron 1968:53). The W. A. Royal Commission noted that it would have “difficulty in accepting that boundaries which were originally created in circumstances which no longer exist, should be forever preserved” (Ward 1974:112). In many metropolitan areas, councils areas either encompass a single suburb or a single large suburb and several smaller ones, and when they are joined to form a larger council there may be some loss of communal identity and belonging with the loss of the name of a council but this factor has been ignored by most Inquiries.

Representation is a recurring theme in the objections to boundary changes (ACIR 1984). The ratio of constituent to elected representative varies greatly in NSW with small rural councils like Windouran having each councillor represent just 75 constituents, councillors in small metropolitan areas such as Hunters Hill represent 1,375 constituents, and large urban councils like Blacktown having a ratio of 15,660 constituents to each councillor; some 208 times the political representation of Windouran. An absurd twist to this unequal representation is that internal ward boundaries are subject to review by councils or by the Department in NSW to ensure a tolerance of 10 per cent is maintained within a jurisdiction. This variation in constituent representation ratio may seem extreme but Australia-wide it deteriorates further from 1:16 (including the councillor) at the small rural Perry Council in Queensland to 1:52,740 at the Brisbane City Council, the largest council in Australia. State and Federal government electoral Acts maintain equality in vote value (usually a variation of 10 per cent), and other countries, including the USA, extend maximum vote value limits to local governments. There exists a 208 per cent inequality in representation among NSW jurisdictions (the difference in Queensland is 3,300 percent). This is clearly unacceptable in terms of fundamental democracy and this disparity can hardly be used as a defence against amalgamation.

It is often the contention of constituents in small jurisdictions that their political influence and democratic rights have diminished when their representation ratio drops, when the total number of councillors to be elected falls, or when the voting system changes to (or from) a ward system. The value of individual votes may differ substantially under ward systems, particularly where the same number of councillors represent ward populations of markedly

different size. Often the explicit representation and privilege enjoyed by individuals and groups, particularly in small rural councils, is lost with amalgamation. Where amalgamation joins small rural areas with a larger provincial urban centre without a ward system, insufficient elector numbers may remain in the rural area to return a single councillor and legitimately give substance to protests that all representation is lost. Although difficult to quantify, there is a view that at a certain point the elector representative ratio ceases to be 'adequate' for true representation to occur and, from a representative point of view, where it becomes impossible to perform this role with any degree of sensitivity (Mack 1998). In contrast, there is said to be little value in achieving high levels of representation where the small size and role of the jurisdiction produces trivial government which is of little consequence in the community (Purdie 1976), but a contrary view is that because of communication, mobility and distance, the representation needs of rural and regional constituents are greater than those in urban areas. Councillors with larger constituencies are less frequently imposed upon at a personal level or subjected to personal enticement than those representing small constituencies (Robbins 1975).

A logical but less cited criticism is the relationship between the level of representation and the prospect of change to the cost and access of public goods. It does not naturally follow that 'diminished' representation leads to fewer services or high costs; in fact the contrary case is more likely with larger municipal units generally being able to render more and better quality services at a lower per capita cost (Manning 1985, NSWGC 1998). Others have added to this confusion by incorrectly suggesting that "in New South Wales, and generally elsewhere in Australia, rural authorities carry out more functions than their urban counterparts although the rural areas have smaller populations (and smaller ratebase, which) guarantees a negative correlation between expenditure per head and population per area which has nothing to do with economies of scale" (Abelson 1981b:16) or that "representation in itself does not mean that ratepayers...obtain better services or more prompt and better attention (as this will)...depend more on the council's resources and its effectiveness and efficiency rather than on its numbers or aldermen" (Bains 1978:16). Thus, it is important to differentiate between concepts of effective democracy and political representation and between levels of political representation and the quantity and quality of public services obtained, as the link between them appears tenuous.

Another criticism stems from assertions that larger municipal units are more likely to have voting blocs and alliances based on ideological or on political persuasion. Views differ greatly on the impact such developments have on the effectiveness and representativeness of local government but evidence suggests (Bowman 1976, ACIR 1981) that most councillors are 'in their private capacity' members or supporters of a political party. Bowman (1983:19) cites a member of a small rural council as saying "there's no politics in this council, we're all members of the National Party".

It seems appropriate that a level of acceptable representation be set by an Inquiry at the outset in much the same way as this is set for State (1:42,000) and Federal (1:71,000) jurisdictions and that claim of loss of representation be gauged against this measure or against other peer units within the Australian Local Government Classification Standard. The average representation in NSW councils is currently 1:3,258. Empirical research in the UK has held that a balance between efficiency and democratic representation can be met across a wide range of municipal sizes from 250,000 to 1,000,000 people (John *et al* 1995). Thus it is of interest to note that the WA Boundaries Commission (Heron 1972:14) felt that “local government should be democratic and the possibility of fulfilling this (requirement) is less likely if municipalities are too large”. The average population size of WA municipalities is less than 12,000 which is a little over half the average size of all Australian municipalities and is the lowest State average among all Australian States.

Participation is a similarly complex notion to define. At the outset, it is necessary to note that Australia has joined a select group of countries by compelling citizens under legislation to participate in the electoral process and thus ‘participation’ is hardly active and voluntary. On the face of it, compulsory voting seems a rather incongruous and fundamentally undemocratic imposition but this compulsion is not uniformly imposed across all local government or all States (Parish 1992). A basic foundation of local government is that it is purportedly ‘closer to the people’ and therefore able to offer easier and more effective participation (Jones 1993). There is a perception that the size of a local government organisation is related to the extent and effectiveness of constituent participation and claims that “responsive democratic behaviour *is more likely* in small local authorities than larger units of government, but this is not automatic” (Jones 1977:89). Jones points to research (no source quoted) suggesting that “democracy is most meaningful in smaller communities, probably under 10,000 population” (1993:263) and puts that the need for democracy and efficiency seems to be balanced at around 50,000 constituents but this is not substantiated as an optimum population size for NSW jurisdictions and takes no account for roles, area, density or location.

Participation is often cited by submissions to boundary Inquiries as being of important value but the level of voting participation under compulsory voting is distorted and can be misrepresented as a measure of participation. Participation means more than just voting; it means being actively involved in the many processes of governance over a period of time (Putnam 1993). People that do so without pay or cause in an ongoing way will generally constitute no more than two percent of the population (Wickwar 1970). Local government elections which are conducted in areas where voting is not compulsory, such as in Western Australia, show that constituents are driven more by ambivalence than by any desire to participate with less than 2 per cent of eligible voters turning out in some elections (Jones 1993:25). This may lead to

councils being captured by sectional interests which results in even lower participation and a further weakening of public confidence in the institution of local government (Moore 1993).

Commissioners have argued that participation is heavily dependent on the attitudinal factors of constituents and that “no one who has a desire to be involved needs to feel excluded merely through the large size of authorities...the more important and strong the local authority is, the more likely it is that people will become interested and involved. Where it is seen as relatively weak and powerless the level of participation declines rapidly” (Chapman 1979:190). The Barnett Inquiry (1974, 27) followed this line of thought by concluding that “the right of local individuals and groups to participate in local government is, of course, fundamental to any democratic society, and we wish only to make the point that this right is of little value if there is *no real government in which to participate*” (original emphasis). In other words, it is recognised that the effect and the efficacy of political participation and economic advantage will occur in some relation to the size of the jurisdiction.

In summary, it is clear that Inquiries have always found it difficult to define and measure community factors and to consider their relative importance in a rational and impartial manner. This lack of definition should not be used to weaken the importance of community factors since they are clearly important to local governments and communities, particularly if threatened with amalgamation. It is critical that Inquiries provide empirical or indicative measures of community factors when calling for submissions and seek evidence in support of the claims put forward. These claims must be tested against known community factor benchmarks for local governments of similar size and classification.

Criteria relating to economic factors

Financial Viability

The financial viability of local government jurisdictions have been considered by almost all Inquiries to be the most important factor and yet many jurisdictions which are grossly uneconomical and small have managed to survive the close scrutiny of one, or even a number of amalgamation Inquiries. The logic on which the economic viability of municipal units is based has always been related to either area, population or rate base or a combination of these factors. This view is best evidenced by the observation that “local government suffers from the existence of too many small and uneconomic areas, resulting in a fragmentation of authority, the unnecessary duplication of assets, the under-utilisation of plant, equipment and human resources and the inability to provide the varied kinds of expertise required by local councils in the modern world” (Barnett 1974:30). Research based on per capita expenditure, public administration, staffing and ratebase indicates that smaller units are up to ten times more

expensive than larger units and thus demonstrates a relationship between increasing size and decreasing cost across all council sizes, although this relationship is not uniform (Manning 1985, and Moore 1993).

External grants represent a substantial proportion of revenue for some councils (up to 76 per cent in NSW) and are used to “prop up a number of local governments, particularly rural ones, which would otherwise cease to be viable” (ACIR 1984:51). The Grants commission has noted that the equalisation problem is aggravated by the large number of small, rural local governments, by jurisdictions with less road length securing an advantage over those with greater road length and the fact that there are tiers of assistance entitlements at the 5,000 and 20,000 population levels which serve to discourage the amalgamation of small and medium sized jurisdictions under these levels (Wright 1997). The grant system also fails to recognise that residents of rural councils ‘free-ride’ facilities provided and funded by provincial jurisdictions. If rural-based constituents and councils were levied for the true cost of their usage of such facilities, they might quickly appreciate the value in amalgamating town and country or doughnut arrangements of councils.

Economies of Scale

Economies of scale is one of the most important and commonly mentioned factors in the amalgamation debate. Australian Inquiries have consistently found that substantial economies of scale are achieved in local government up to a population of 40,000 to 60,000 (ACIR 1984:53) but not all Inquiries concede that the achievement of scale economies is an important factor in the size debate, claiming other matters such as accountability, responsiveness, access and sensitivity to community needs and desires outweigh the importance of economic efficiency. Clearly, these further considerations are important but only relative to levels achieved in other similarly sized and classified jurisdictions and should not be used to justify the absence of scale economies or to diminish the overarching importance of economic efficiency and viability. There is no reason why jurisdictions which are demonstrably sensitive and accountable cannot also be scale efficient and these considerations are not, and should not be mutually exclusive.

There should be no doubt that there is a clear relationship among local government institutions between increasing scale and increasing technical economic efficiency measured on the basis of population size (Manning, 1985, Moore 1993). Technical economic efficiency is shown to increase rapidly from zero to a point just below 30,000 people and to gradually flatten out and approach the range of least-cost optimality at a point just below 50,000 people which continues to around 241,000. However, economies of scale achieved by amalgamating large, remote jurisdictions which contain a small population may be more than offset by the additional costs

needed for administration, transport and co-ordination over the much larger area, thus the joining of these jurisdictions needs to be considered in a different way to urban and provincial amalgamations including the prospect of restructuring these institutions to create an agency of the State Road and Traffic Authority to assume responsibility for road making and maintenance, and a shop-front local government agency for community and other local services. A further option would be to amalgamate the eleven large rural, remote jurisdictions located in the far western regions of the State into a single jurisdiction with a single large rural headquarters at a central provincial centre, such as Dubbo, to administer all local public services which can readily be centralised and maintain choice making and a smaller local capacity for all essential local services at fragmented centres throughout the western districts.

Administrative Efficiency

To many Inquiries, savings achieved by increasing administrative efficiency following a union of jurisdictions represents the most compelling argument in favour of amalgamation. The proportion of the rate base which is consumed by administrative costs amounts to over 93 per cent in the worst instance in NSW and is grossly high in a large proportion of jurisdictions. Despite the fact that large jurisdictions are believed to create more elaborate administrative structures and become more 'bureaucratic' in the worst sense of the word, it is evident from Table 1 that per capita administrative costs fall dramatically with the increasing efficiencies obtained with size. The attainment of a reasonable population size will in itself allow the acquisition of specialised facilities and professional staff to be employed and causes them to be utilised to a greater extent, and in more cost-effective roles.

Table 1

Administrative Costs of a Sample of New South Wales Municipal Units

Council	Administration Costs as a % of Ratebase	Population
Hastings	21	54,000
Leichhardt	25	60,000
Kogarah	28	47,542
Willoughby	39	54,000
Blacktown	44	235,000
Bankstown	50	158,000
Barraba	131	3,020

Nundle	137	1,410
Dumaresq	143	3,800
Copmanhurst	167	4,750
Kyogle	174	10,040

Source: Department of Local Government Statistical Returns

Qualitative factors

Qualitative factors are noted by ACIR (1984) as being important. The quality of the services provided by local government is determined by management and by political means. This consideration is of peripheral importance as amalgamation will produce little difference to the style of management or change the choice-making structure of the joined jurisdictions and, moreover, these matters can be influenced by political means to maintain, lower or increase the allocation, range and quality of local public good offerings that are desired by a majority of consumer-voters.

Criteria relating to geographic factors

Natural Features of Physical Contiguity

The use of natural features and physical contiguity as the basis for boundaries is not a new concept. Major roads have historically formed the borders of urban jurisdictions but this presents problems about whether the road itself is in one or the other jurisdiction. In non-urban areas, borders are less frequently based on distinct physical features. The internalisation of externalities is known to be enhanced where boundaries are located “along some very impressive natural barrier” (Tulloch 1969:19) and natural features should to be used wherever possible as they form a tangible and recognisable delimitation despite the fact that this may create asymmetrical sized jurisdictions. Certainly, river valleys are the most obvious natural feature and have been used successfully as a basis for recent structural reform in New Zealand. The use of river valleys to contain jurisdictions was also recommended by the NSW Barnett report (1974).

A delimitation system using natural features cannot be applied uniformly throughout a State, particularly in the western slopes and plains districts of NSW where there are few distinguishing features other than roads. Perhaps the most rational approach to establishing borders in such circumstances would be to locate boundaries a distance from the most

substantial urban node which is feasible in relation to logistical limits for transportation of plant and equipment, despite the fact that the population may be too small to allow such operations to be conducted at a 'reasonable' level of economic efficiency.

Accessibility

The accessibility of municipal offices is a highly subjective criterion and of diminishing importance and relevance with the advent of toll-free 1800 telephone numbers, pay-by-phone and agency facilities at banks and post offices, internet access and other technological advancements. However, it is clearly important in terms of efficiency that municipal offices should be, and generally are, located in the centre of the most populous and the most central urban node in the municipality.

Population

Demographic trends exhibit a significant and sustained decline in the population of remote, rural jurisdictions and the impact that this has on the socio-economic characteristics of these centres is well-documented in the literature (Walmsley and Sorenson 1993). In many developed countries this trend is tending to accelerate despite the best efforts of central and local governments to regenerate local economies and to entice constituents to remain in, or migrate to, smaller population centres (Putnam 1993). The size, growth and decline of population across space has been a central consideration of some Inquiries (Heron 1972) but because it has always been difficult to sustain an argument that a particular size jurisdiction was more or less efficient across a broad range of services and circumstances, there has never been any determination of jurisdictional boundaries made on the basis of a 'optimum' population level. Heron (1972) examined rate revenue and the cost of public administration in jurisdictions ranging from 5,000 to 40,000 constituents to find that jurisdictions of 40,000 or more appeared to promote more 'economical' local government. The Johnston review in Western Australia (1974) subsequently concluded that a size of 40,000 was necessary for "reasonable economy and efficiency" but these reports only examined data for jurisdictions of up to 40,000. A supplementary submission by the Victorian Branch of the Local Government Engineers Association provided empirical evidence to the Bains Board of Review in 1979 that the optimum urban jurisdictional size based on figures available for Melbourne lay in a broad range of population sizes from 40,000 to 150,000 and a joint submission by the Victorian Institute of Municipal Management and the Local Government Engineers Association Working Group suggested "a municipality of between 50,000 and 80,000 population should possess these resources and could be achieved by combining two or more units without destroying the basic fabric on which the system has been built. There are characteristics of the present system such as community of interest, time-distance relationships and natural boundaries,

which could and should be retained within this population range” (Bains 1979:73). These were the only empirical reports submitted to Bains’ review which were based on technical efficiency and both produced a minimum viability level in the order of 40-50,000. Under this standard, 41 (23 per cent) of the existing 177 NSW jurisdictions and 31 (40 per cent) of the 78 existing Victorian jurisdictions could be deemed ‘viable’.

Urban Development

The co-ordination of urban development has become an increasingly important part of the political and public policy process. Governments have been compelled to embrace a more sensitive approach to sustainable development, particularly in environmentally sensitive and burgeoning urbanised areas which are under environmental and social pressure. Scant mention has been made of this important local government responsibility although the Barnett (1974:67) report spoke of the need to “rationalise areas associated with development along the coastline. This development is exerting considerable pressures upon councils and can be expected to increase in the future”. Any future Inquiry into structural reform of local government will need to canvas the issue of consistency in the co-ordination and management of urban development among many small jurisdictions, particularly in the inner city and in areas which are subject to significant inward migration. This matter has recently been reviewed in a white paper by the NSW Department of Planning and it is expected that some local planning powers may be resumed by the State.

Interdependence of Town and Country

The interdependence of town and country is an important and controversial issue for small rural jurisdictions located outside provincial towns and for provincial town councils. Constituents of ‘doughnut’ councils are known to ‘free-ride’ by utilising facilities provided by the larger provincial councils, often without contributing to the cost of the facilities through their rates. The municipal offices of both the rural and provincial councils are invariably both located in the town and often within a short distance from one another although the small rural shires tend to have a smaller ratebase, few resources and their role is largely limited to road and bridge works. There are eight instances in NSW where two councils are co-located within the one provincial town and two instances where three councils are co-located, one at Grafton and the other at Deniliquin. Historically, there has been little co-operation or resource sharing between these organisations thus “providing a readily identifiable example of duplication of buildings, capital equipment and staff” (ACIR 1984:64). Further problems arise where extensive urban development and hobby-farms spill into rural areas, imposing a burden on the resources of a rural council if large capital expenditure becomes necessary to provide additional infrastructure.

Since Maher and McKay (1980) were able to establish an inter-relationship between provincial towns and the adjoining rural area, many, but not all, subsequent State inquiries have rejected arguments that rural shire councils and provincial councils should remain as separate entities, including the South Australian Ministerial Advisory Group 1994 and the Local Government Board in Victoria 1993-4. American demographic trends are similar to those experienced in Australia in that there has been a substantial, long-term migration of people between rural and urban areas and from inner city areas to adjoining suburban areas and to the countryside. This trend has become so common as to blur the borders of both (Berry 1973). Even historians argue that the “differences between city and country have been attenuated almost to the vanishing point (Hallman 1977:17). The NSW Barnett Report (1974:30) found this separation to be “a major contributing factor in the fragmentation of local authority, an unnatural division of communities fostering parochialism, the dissipation of resources and effort” and offered the opinion that “justification no longer existsfor the separation of town and country for local government purposes” (Bains 1979:81). The South Australian Royal Commission resolved that such separation would be an “unnatural situation” and “a breach of the ‘community of interest’ rule” (Ward 1974:30).

Economic Importance

The economic importance of local government to local communities is an important and often misrepresented aspect of amalgamations. It is often suggested that where a council is amalgamated the economic effect of the public sector presence will be lost to the community and, in some small rural communities, remove the only source of public employment and economic activity. This is somewhat mitigated by the fact that public services still have to be provided locally irrespective of whether they are administered locally or from elsewhere. The net detrimental economic impact would probably be the loss or transfer of a proportion of administrative staff.

Criteria relating to intergovernmental considerations

Complementary Roles

The complementary roles of State and local government require close and effective relations between the State and local governments. Local government exists at the pleasure of the State and the State funds and prescribes the functions of local governments by legislation. It is theoretically desirable for each tier of government to levy taxes on constituents in accordance with its prescribed roles (Oates 1972) but the distribution of responsibilities and taxing powers among governments in the Australian federation is not balanced. It would thus seem appropriate that the role of local governments should be limited to those which are efficiently conducted at the localised levels.

Intergovernmental Effects

The intergovernmental effects of strengthening local government have been mentioned by a number of Inquiries, including Chapman (1979) and Barnett (1974). They have noted that difficulties are encountered in area-wide planning where jurisdictions are fragmented as urban infrastructure is less efficiently utilised and duplicated, and building, health and zoning standards are applied less uniformly. A number of Inquiries have also suggested that small and inefficient councils with a relatively limited territory and population are more inclined to compete for resources, do not adopt co-operative approaches to common problems, and are less able to deal with State and Federal government agencies in an equal partnership (Chapman 1979:344-345).

CONCLUSION

In sum, the ACIR (1984) has noted that despite an overwhelming emphasis by past Inquiries on economic factors, little research has been undertaken to determine a minimum population or organisational size which would ensure a reasonable standard of financial viability or establish a relationship between size and economic and administrative efficiency. This deficiency was subsequently at least partly remedied by Manning (1985) and there have been a number of studies which have demonstrated that costs are lower in jurisdictions with around 50,000 constituents (Lomax 1943, Hirsch 1959, Neutze 1965, Moore 1993, Soul 1995a) and various normative assessments have since been made, including Self (1990, 1997) and Jones (1993) that this figure represents, on balance, an 'optimum' population figure. Many Inquiries chose not to go far beyond the tabulation of population to administration cost ratios and a crude comparison of the range and quality of services that existing jurisdictions provide with some

discussion of the natural geographic limitations and costs associated with remoteness. Some Inquiries have undertaken comparative studies among peer units (within and outside the State) and only one has conducted a post-amalgamation review to gauge the political implications, extent of human and capital rationalisation and the effect on municipal efficiency and constituent satisfaction. In 1984, the NSW Local Government Boundaries Commission was instructed to conduct a 'Review of New Country Councils Constituted since 1976'. It found that "many of the major amalgamations forced since 1976 were "experiencing serious problems" and was instrumental in "bringing to a halt the long term amalgamation process in New South Wales" (Jones 1993:237). Problems were encountered and economies of scale could not be achieved where there were few net savings to be achieved from staff or capital equipment rationalisations, there was often a need for a new and larger headquarters to house the larger level of combined staff, and communication and computing equipment was often inadequate, and in some instances had to continue as separate systems. There were instances of net loss in grant allocations which resulted from some amalgamations and problems associated with loan limitations, differential rating and unavoidable commitments to capital equipment programs. Constraints imposed by the State governments' assurance of no forced redundancies and the absence of effective follow up legislation for outsourcing led to the diminished outcome described by the Commission.

By contrast, the Victorian government experience has clearly demonstrated that positive political outcomes and substantial, immediate and ongoing economies can be achieved through amalgamation programs where effective *post hoc* rationalisation of human and capital resources is carried out, where the program is conducted under State supervision and monitoring and where the State is able to provide appropriate legislative, management and funding support to amalgamated jurisdictions.

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