



University of New England

School of Economics

**Virtual Local Government in Practice: The Case of Town
Councils in Singapore**

by

Brian Dollery, Wai Ho Leong and Lin Crase

No. 2005-14

Working Paper Series in Economics

ISSN 1442 2980

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

Copyright © 2005 by UNE. All rights reserved. Readers may make verbatim copies of this document for non-commercial purposes by any means, provided this copyright notice appears on all such copies. ISBN 1 86389 974 X

Virtual Local Government in Practice: The Case of Town Councils in Singapore*

Brian Dollery, Wai Ho Leong and Lin Crase**

Abstract

Various taxonomic systems have been developed for classifying alternative models of local government in advanced societies. Some of these theoretical typologies include the category ‘virtual local government’ as part of a larger spectrum of alternative conceptual models of municipal governance. However, with the partial exception of Singapore, and its unique system of local government, no other real-world local government structure has actual operating local authorities approximating the virtual local government model. This paper places virtual local government in the broader context of alternative generic models of local governance, outlines the Allan (2001) virtual model of local governance, and then examines Singaporean town councils in the light of this model.

Key Words: Local government; Singapore; virtual local government

* Brian Dollery acknowledges the financial support of a University of New England Faculty of Economics, Business and Law Research Grant. The authors would like to thank Mr Chong Weng Yong of the Singapore Housing and Development Board for his kind and valuable assistance in the research for this paper. The views expressed in the paper are the sole responsibility of the authors and do not represent the views of any organization.

** Brian Dollery is Professor of Economics and Director of the Centre for Local Government at the University of New England. Wai Ho Leong is Senior Economist, Ministry of Trade and Industry, Government of Singapore. Lin Crase is a Senior Lecturer, School of Business, La Trobe University. Contact information: School of Economics, University of New England, Armidale, NSW 2351, Australia. Email: bdollery@une.edu.au.

INTRODUCTION

Scholars of governance have long sought to develop taxonomic systems of local government that encompass all conceivable institutional arrangements for delivering local goods and services under democratic oversight. A complete typology of this kind would include not only observable real-world municipal models, but also theoretically feasible prototypes not yet in existence. However, despite a growing literature in the area, no universally accepted taxonomy has yet been developed.

Notwithstanding this gap in the conceptual literature, existing typological schema have nevertheless proved valuable for both the examination of the characteristics of actual local government systems as well as comparative studies of different municipal institutional arrangements. For instance, the Dollery and Johnson (2005) taxonomy of Australian local government has formed the basis of an embryonic literature that seeks to locate the many new municipal service delivery models that are springing up across Australia in the context of this taxonomy and then evaluate the economic and political characteristics of these models¹. However, two of the seven models of identified by Dollery and Johnson (2005) have no real-world counterparts in Australian local governance. Virtual local government is the most interesting of

¹ See, for example, Dollery *et al.* (2005c) and Dollery *et al.* (2005a).

these two absent models since it has not only has its own small literature, but also appears practically feasible.

The question thus naturally arises as to whether an actual local government system exists in any other country that approximates the theoretical model of virtual municipal councils. Fortunately, the unique Singaporean system of town councils comes close to the conceptual model of virtual local governance advanced by Percy Allan (2001; 2003) and other scholars. An examination of local government in Singapore would thus throw light on both the robustness of the theoretical model itself and the characteristics of Singaporean municipal arrangements. This represents the aim of the present paper.

The paper itself is divided into five main parts. Section 2 provides a synoptic description local government in Singapore. Section 3 reviews the various taxonomic classificatory systems for local government systems and municipal models. Section 4 outlines the theoretical basis for Allan (2001; 2003) model of virtual local government. Section 5 attempts an evaluation of Singaporean town councils in terms of the Allan model. The paper ends with some brief concluding comments in section 6.

LOCAL GOVERNMENT IN SINGAPORE

The origins of the present system of local governance in Singapore can be traced back to the increasing complexities involved in the provision of public housing that accommodates a substantial majority of citizens. On 1 February 1960, the Housing and Development Board (HDB) was established as a statutory board of the Ministry of National Development to improve on the hitherto unsatisfactory rate of large-scale public housing construction. The HDB was established with two primary purposes in mind: to provide adequate housing for lower and middle-income households, largely in the form of apartments, and to provide management services for public housing (Wong and Yeh, 1985). However, with around a half a million flats provided in the first 25 years of operation of the HDB, the provision of adequate management services had become increasingly complex. Despite advantages accruing to a single large organization generating these services, it was argued that this had given rise to ‘a lack of opportunities for public housing residents to participate in the management of their own estates and to establish a sense of belonging and identity’ (Lim Lan Yuan, 1996: 2). Accordingly, it was decided to institute a system of town councils to each manage their own estates. The rationale for the establishment of town councils thus appears to have been two-fold, with the twin aims of “educating” public housing residents and inculcating more

responsibility among voters as well as an effort at decentralizing the management of public housing estates' (Ooi, 1990: 4).

On 1 September 1984, three pilot town councils were created. Their success led directly to the Town Councils Act (TCA) 1988 that formed the legislative basis for a fully-fledged system of town councils across Singapore. The new system emerged in three distinct phases: 9 Phase I councils were created in November 1988; 9 Phase II councils came into being in July 1989; and 9 Phase III councils materialized in July 1990. By March 1991, town councils had assumed management of all public housing estates (Ooi, 1997). However, by 1997, the number of councils had been pared back to 16 (Ooi, 2003: 167).

A town council can be established for a single national Parliamentary constituency or for a multiple Parliamentary constituency (GRC). It consists of a Chairman (who must be an MP) and not more than ten appointed members for each elected MP to a maximum of thirty members. The Chairman appoints and dismisses all appointed councilors, presides over meetings, and signs annual financial statements. Town councils appoint committees to deal with defined tasks and they enjoy the delegated powers of a town council and operate under Town Council Financial Rules. Committee functions include obtaining feedback on residents and business, promoting council activities, providing

maintenance services, improving the physical environment, and handling budgetary matters.

With respect to the implementation and operation of council policy, each town council is a body corporate and appoints a Town Council Secretary to assume responsibility for the administration and management of its affairs. A council is empowered to employ staff directly or appoint a managing agent. In practice, town councils typically hire a managing agent to conduct their business, generally one of two estate management firms originally established by the HDB (Ooi, 2003: 163).

The process of competitive tendering by prospective managing agents is closely circumscribed by legislation. Under Section 32(2), the TCA empowers any given town council to delegate to any managing agent all or any of the powers, functions and duties prescribed by the Act or any other Act vested in the town council. Furthermore, any power, function or duty so delegated may be exercised or performed by this agent in the name and on behalf of the town council in question. In addition, any delegation of power, function or duty under Section 32(2) of the TCA by a town council must be consistent with the Town Councils Financial Rules (TCFR). Rule 74 of the TCFR lays down the procedure for tenders if a town council wants to invite tender for the services of a managing agent to carry out its powers, functions and duties under the TCA.

The actual period of any managing agent contract will depend on the how the term is specified in the contract itself or upon dissolution of the town council.

If the performance of a contracted managing agent is deemed to be unacceptably bad, then the provision of the managing agent contract could be invoked that enables the town council to take the appropriate action against the managing agent concerned. In addition, under Section 50 of the TCA, the Minister may appoint any person to exercise or perform certain powers, etc., where the Minister is satisfied that a town council has failed to keep or maintain any part of the common property in the housing estates of the HDB within the town 'in a state of good and serviceable repair or in a proper and clean condition or that any duty of a Town Council must be carried out urgently in order to remove any imminent danger to the health or safety of residents of the housing estates'. Finally, the issue of how often town councils change managing agents depends on the terms in the managing agent contract with the town council in question and can thus vary.

Singaporean town councils are charged with controlling, managing, maintaining and improving the common areas and common facilities of the residential and commercial premises within their jurisdiction. Common areas embrace public zones and common facilities incorporate recreational and community facilities, including common areas of residential buildings, such as

elevators, corridors, service installations and fire systems. In order to finance these activities, town councils can levy fees and charges, borrow funds and invest any surplus monies. Apartment owners must pay monthly ‘service and conservancy’ charges based on their flat type, citizenship, interest in private property ownership, etc., together with monthly utility consumption charges. Financial records are audited annually by the Singapore Auditor-General and an Annual Account must be presented to Parliament (Housing and Development Board, 2004).

Residents play an important role in the functioning of town councils in two main respects: Physical maintenance and environmental improvement as well as social and community development. Residents and committees of residents participate in many different ways, including providing critical information on service quality, the organization of ‘cleanliness’ campaigns and other civic activities, referring individuals or groups with social problems to relevant public agencies, and the creation of ‘quality of life circles’ (QLC). In essence, the engagement of residents is critical in the successful attainment of community development by town councils.

CLASSIFYING MODELS OF LOCAL GOVERNANCE

A thorny problem in the theoretical analysis of local government resides in the classification of alternative models of local governance. At least two major obstacles must be overcome. Firstly, real-world municipal systems are complicated and multi-faceted and seldom fit neat conceptual categories. Bailey (1999: 13) has argued that ‘there are substantial differences in the array of powers attributed to local governments in different countries and territorial administration systems vary enormously in terms of administrative structures, political cultures, and the dynamics of central-local relations’. Moreover, ‘whereas some local governments deliver a complex array of goods and services, including education, health and social services, especially in the European context, other municipal systems, particularly in Australia and New Zealand, focus much more narrowly on “services to property”, like roads, sewage and water’ (Dollery and Wallis, 2001: 1). Matters are further complicated by the fact that municipalities typically range in size from vast organizations commanding huge budgets measured to their much more modest counterparts presiding over minuscule resources and few residents. The second major obstacle is that, despite considerable effort, scholars have struggled to produce satisfactory generic models of government as a whole (Mueller, 2003), and this is reflected in the literature on local government.

Nevertheless, several promising approaches to the classification of local governance models have been developed. For instance, Hirschman (1970) has advanced the concepts of ‘exit’ and ‘voice’ as methods by which consumers of municipal services can influence the provision of the services they receive. In this context, ‘exit’ refers to the capacity of citizens to choose between alternative producers of specified services, whereas ‘voice’ deals with the ability of consumers to express their preferences for a different mix or quality of service.

Bailey (1999) has proposed a rather different approach to the problem. Embracing a fourfold taxonomy of government (Bailey 1995) that includes a ‘benevolent despot’ model (a paternalist government simply decides on service mix and delivery), a ‘fiscal exchange’ model (government provision of services depends exclusively on voter’s willingness to pay taxes), a ‘fiscal transfer’ model (public sector service provision is an instrument of social welfare policy), and a ‘leviathan’ model (‘despotic self-serving bureaucrats and politicians maximize their own welfare rather than those of national and local citizens’), Bailey (1999: 13-14) argued that while ‘it may not be possible to develop a robust model of local government because of these differing power relationships, nevertheless it is possible to modify the standard models of government in order to reflect the specific features of local government’. For

example, a benevolent despot model becomes the traditional ‘command council’ representing ‘a rational, paternalistic, hierarchical, bureaucratic machine driven by standardization and economies of scale’ (Bailey, 1999: 15). Similarly, a fiscal exchange model represents ‘a service-delivery instrument, providing services in response to citizens’ and users’ demands and tax payments and/or service charges for them’.

Other scholars have developed more functionally descriptive taxonomies of local governance. For example, Katsuyama (2003: 5) has observed that ‘there are a number of alternative service delivery approaches that offer opportunities to reduce costs and improve services. These include private contracting, mutual aid agreements, shared use of facilities and/or equipment, exchange of services, intergovernmental contracting, and consolidation of selected functions’.

Dollery and Johnson (2005) have developed a typology of alternative models of municipal governance specifically adapted to the narrow range of ‘services to property’ characteristic of Australian local government. The conceptual basis for this taxonomic system is based on the proposition that existing and potential models feasible in the Australian local government milieu can be located 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 join. In terms of this system, 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 the domain and mix of local services. On the other 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 comprise the new arrangement.

The Dollery and Johnson (2005) typology contains seven alternative models. In the first place, 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 and are thus located at one end of the continuum. Secondly, the next most autonomous and decentralized model resides in voluntary arrangements between geographically adjacent councils to share resources on an *ad hoc* basis whenever and wherever the perceived need arises (Ernst and Young, 1993). Thirdly, regional organizations of councils (Dollery *et al.*, 2005c) represent a more formalized version of the *ad hoc* resource sharing model, typically consisting of between five and fifteen councils, with considerable diversity in both geographic size and population, and are usually financed by a set fee from each member council as well as a *pro*

rata contribution based on rate income, population, or some other proxy for size.

The joint board (Shires Association of NSW, 2004) or area integration models (Thornton, 1995) is based on the retention of autonomous existing councils and their current spatial boundaries, but with a shared administration and operations overseen by a joint board of elected councillors from each of the member municipalities. Constituent councils each retain their current political independence, thus preserving extant local democracy, whilst simultaneously merging their administrative staff and resources into a single enlarged bureau, in an attempt to reap any scale economies, scope economies, or other benefits that may derive from a bigger administration. Fifthly, virtual local government (Allan, 2001; 2003; Dollery, 2003; May, 2003; Dollery *et al.*, 2005b) consists of several small adjacent virtual councils with a common administrative structure or ‘shared service centre’ that would provide the necessary administrative capacity to undertake the policies decided upon by individual councils. Service delivery itself would be contracted out either to private companies or to the service centre depending on the relative costs of service provision and the feasibility of using private firms.

The sixth model in the Dollery and Johnson (2005) system is the agency model: All service functions would be run by state government agencies with

state government funds and state government employees in the same way as state police forces or state emergency services presently operate. Elected councils would act as advisory bodies to these state agencies charged with determining the specific mix of services over their particular geographical jurisdictions. Finally, the most extreme form of centralization occurs when several small councils are amalgamated into a single large municipality. Under amalgamation, constituent councils surrender completely all political autonomy and operational control to the new entity.

In this paper, we are concerned with the classification and analysis of the local government system in Singapore. Within the Dollery and Johnson's (2005) taxonomic system, Singaporean town councils seem to most closely approximate the virtual local government model. In common with Australian municipalities, they have a relative narrow predominantly 'services to property' orientation in service delivery. However, the radical extent of outsourcing through the appointment of managing agents that undertake all operational functions, underscores the sharp distinction between policy formulation and policy implementation characteristic of the Allan model of virtual local governance. Policy formulation is undertaken exclusively by an elected and appointed political body whereas policy implementation represents the domain of the managing agent that is subject to market forces through the periodic

requirement to competitively tender for re-engagement. These themes are taken up later in the paper.

VIRTUAL LOCAL GOVERNMENT

The model of virtual local government employed in this paper was developed by Percy Allan (2001; 2003), who extended the seminal work of earlier scholars, especially O’Looney (1998) and Oakerson (1999), within the institutional context of Australian metropolitan local government². The Allan (2001: 27) model of virtual government was founded on the assumption that ‘a community’s satisfaction with local council services is a function of whether they meet residents’ needs and what they cost in rates’. Three criteria for evaluating municipal performance are invoked: appropriateness, effectiveness and efficiency. Allan maintained that the satisfaction derived from community services depends on two fundamental attributes of the service mix: the appropriateness of services and the effectiveness of service delivery. On the one hand, the appropriateness of the mix of municipal services depends on ‘a council’s ability to identify what needs to be done’ whereas effectiveness implies that the services actually provided achieve their stated aims. On the other hand, the burden of local government service delivery is determined according to its efficiency, which measured by the average cost of services.

² This section of the paper draws on Dollery (2003).

The Allan model of virtual local governance is based on two propositions concerning the nature of local governments. Firstly, small councils with small populations provide a superior decision-making arrangement in terms of both the appropriateness and effectiveness of service provision since they are ‘closer to the people’. This assumption stems from the notion that ‘the smaller a municipality the more intimate should be the understanding by councillors and administrators of the state of infrastructure and quality of services in particular precincts’. Moreover, ‘the easier it should be for residents to get access to policy makers and influence their decisions’ (Allan, 2001: 27).

In the second place, Allan posits that large municipalities reap economies of scale in the provision of some local public services, but by no means all of these services. This argument draws on Oakerson’s (1999) work on the relationship between the degree municipal fragmentation (i.e. the ratio of local government units to population in given metropolitan areas) and the per capita cost of services, and, to a lesser extent, on the New South Wales Department of Local Government’s annual report on performance indicators. Based on American evidence, Oakerson (1999) concluded that greater fragmentation was associated with lower per capita service costs rather than the converse. Allan provides four possible explanations for this observation. Firstly, because small municipalities provide less scope for service cross

subsidisation, the link between service quality and service cost is more obvious to residents than to their counterparts in large councils. Secondly, ‘citizens in smaller municipalities have better access to their elected representatives and so can make their feelings better known about the appropriate mix of taxes and services and value for money’. Thirdly, ‘large councils are inefficient because they are only geared for functions that have economies of scale, when in fact most of the services they provide exhibit diseconomies of scale’. Finally, large local authorities generally produce most of the services they deliver themselves rather than outsourcing these services to private firms ‘whose efficiency is continually tested in the market place’ (Oakerson, 1999: 29).

Allan contended that ‘the main lesson to draw from Oakerson’s research is that a distinction should be made between the provision of council services and their production’ since the ‘long held assumption that a council must perform both tasks is wrong’. Based on this conclusion, Allan argued that optimal institutional arrangements can be therefore constructed that will maximise the efficiency of municipal service provision. In other words, ‘it is possible for a metropolitan council to remain small and still efficiently provide public services by contracting out services that are capital intensive (e.g. road resurfacing or garbage collection), logistically complex (e.g. street cleaning and maintenance) or require specialist skills (e.g. rate collection, engineering or

legal advice) to producers that capture economies of scale by serving multiple clients' (Allan, 2001: 29).

Given these assumptions, the Allan model of virtual local government seeks to remove 'observed' trade-offs between municipal size and service appropriateness, effectiveness and efficiency. The model thus attempts to combine the most attractive features of small and large councils. Allan (2001: 29) argued that 'if cost efficiency improves for some tasks, but policy appropriateness and service effectiveness deteriorates the bigger a municipality becomes, then an obvious solution is to separate council decision making from council administration'. Accordingly 'by localising decision making while agglomerating administration it should be possible to achieve the best of both worlds'.

Following Allan (2001) model, a virtual council has two main elements. A comparatively small geographic and demographic jurisdiction would elect representatives to form the political structure; supported by a small permanent secretariat, this body would formulate policy and monitor policy implementation. Where several spatially adjacent virtual councils combine under the auspices of a virtual council, they would share a common administrative structure or 'shared services centre' that would provide the requisite administrative services to carry out the policies decided upon by

individual member councils. Actual service delivery would be contracted out to the service centre or to private service producers on the basis of both the relative costs of service provision and the feasibility of using private firms. A virtual council of this kind 'would be small, both in terms of numbers of councillors and numbers of directly employed staff', but nevertheless 'responsible for all the normal functions of a council', while at the same time 'its delivery mechanisms would be indirect', since 'it would buy its services from an administrative centre shared with other municipalities' or 'where these were not suitable or too expensive' from 'other providers in the public, non-government and private spheres' (Allan, 2001: 31-2).

Despite the clear division between service provision and service production, and the implicit view that municipalities should move from 'mainly rowing to primarily steering', Allan (2001) sets in detail the type of service and conditions under which services should be placed on tender, in line with the work of O'Looney (1998). Under these stipulations, activities that should be kept 'in-house' are those that require significant 'core capability', such as 'town planning, service policy making, client liaison, financial management and contract management', possess 'task complexity' that make them 'difficult to specify, hard to measure for outputs and require unique expertise to monitor', and 'asset specificity', which involves expensive and tailor-made capital

equipment to perform a given function. By contrast, service responsibilities that should be optimally ‘outsourced’ are characterised by ‘supplier availability’ (where a substantial number of potential service providers must exist), ‘economies of scale’ (where products are mass manufactured and standardised), and ‘specialist technology’ (where particular and expensive high-level skills are required).

The model stresses the economic and managerial benefits that can accrue from shared service centres and emphasises the fact that they often play a significant role in the public and private sectors throughout the world. Moreover, he underscores the need for ‘the rights and obligations’ of councils and service centres to be ‘spelled out in some detail in a formal performance agreement’ (Allan, 2001: 45). Each service centre would need to be governed by a board of directors drawn by its constituent councils in order to ensure accountability.

The conceptual separation of ‘steering’ and ‘rowing’ in local government that forms the basis for Allan’s (2001) model of virtual local government echoes a strong theme by contemporary scholars of ‘governance’ (Rose, 1987). These writers have moved beyond the traditional dichotomy between decentralised/market-orientated and centralised/statist to highlight a ‘third dimension’ that blurs the boundaries between the public and private

sectors. This process involves state actors playing a catalytic role in engaging societal actors in network relationships as they steer the policy process (Jessop, 1995; Rhodes, 1997). Within the public administration discipline, this strand of thought constitutes a reversal of the normative, formal, constitutional understanding of government as a 'unitary state directed and legitimised by the doctrine of ministerial responsibility' toward an attempt to understand the complex process of governing in practice where it is often the case that 'there are many centres and diverse links between many agencies of government at local, regional, national and supranational levels' (Stoker, 1998: 19). According to Stoker (1998: 18) the value of this 'governance paradigm' lies 'not at a level of causal analysis' but rather its capacity to provide an 'organising framework', 'a language and a frame of reference' that leads theorists 'to ask questions that might not otherwise occur' regarding the changing processes of governing.

Given its stress on the primary function of local government to 'steer', keeping in close contact with its constituents by enhancing accessibility through low councillor/voter ratios, and at the same time maintaining 'networked' relationships between other adjacent partner councils, a shared service centre, public sector service providers, voluntary organizations and private contractors, the Allan model of virtual local government seems fit quintessentially in the mould of the new governance paradigm. Complex patterns of involvement with

other councils, a joint service centre, public utilities, non-government organizations and private service producers certainly serve to blur the public/private divide. Moreover, the almost infinite extent of potential institutional arrangements provides a flexible mechanism for municipal policy makers to meet new challenges by altering the nature of institutional relationships.

Recent developments in the literature on New Institutional Economics (NIE) also buttress the theoretical attractiveness of the Allan model. For example, the purchaser/provider split inherent in virtual local governments enables municipalities to invoke the principle of comparative advantage by choosing service providers from a raft of possible options, ranging from in-house production through to outsourcing to public agencies, voluntary organizations and private contractors. This broad spectrum of institutional choice can enhance effective service delivery by allowing local governments to use the most cost effective methods of providing local goods and services. In much the same vein, the emphasis placed on competent contract administration and monitoring brings it into line with contemporary thinking in agency theory. Theoretical perspectives derived from the theory of market failure paradigm, the government failure paradigm, and the literature on non-profit organizational

failure can be employed to design optimal service delivery arrangements (see, for instance, Wallis and Dollery (1999)).

VIRTUAL LOCAL GOVERNMENT IN SINGAPORE

The structure and operation of town councils in Singapore can now be evaluated in the light of the Allan (2001) model of virtual local governance and the literature upon which this model draws. In the first place, it is immediately clear that the underlying rationale for the creation of town councils in Singapore has its genesis in much the same philosophical roots. By decentralizing the functions performed by the HDB, the Singaporean authorities have implicitly rejected the notion that ‘bigger is always better’ in local governance on both efficiency grounds and on equity considerations closely tied to the need to develop a ‘community consciousness’ and a well-defined ‘sense of place’ amongst residents in public housing estates. Moreover, by outsourcing the entire operational side of their activities, apart from monitoring the performance of the managing agent, town councils can concentrate exclusively on policy development and refinement. Thus, by abandoning ‘rowing’ town councils can specialize in ‘steering’. This accords with the central premise of NIE on comparative institutional efficiency; private sector efficiency is harnessed in service delivery whereas questions of appropriate

service mix and quality are decided through the (admittedly indirectly democratic) political process.

Secondly, by appointing a single managing agent to handle all service provision, rather than several different private firms to each undertake different functions, Singaporean town councils violate the Allan model in at least four respects. Firstly, without a 'core' of employed professional expertise of their own, it is difficult for town councils to adequately assess the performance of managing agents, especially in complex functions that require experienced technical expertise. While it can be argued that in practice this problem is ameliorated by appointing councillors with the requisite professional background, typically a feature of the selection process for appointed representatives in most councils, oversight by a part-time councillor can hardly adequate substitute for a fulltime professional employee. A second and related problem resides in the fact that this procedure maximises the possibility of 'regulatory capture'. Not only is the managing agent endowed with a strong advantage deriving from the knowledge asymmetry it enjoys by preparing and presenting information to councils on its own performance, but also by the intense stake it has in the outcome compared to the relatively dilute interest councillors have in efficient outcomes. Thirdly, despite the very narrow range of service functions conducted by town councils in Singapore, different

activities nonetheless require quite different skills. Accordingly, it is unlikely that one private firm can possess all the necessary range of expertise. Moreover, this contravenes the NIE precept that different organizations enjoy comparative advantages in different tasks as well as running the risk of ‘putting all eggs in one basket’. Finally, if the performance of the managing agent is considered sufficiently bad as to warrant its dismissal, then ‘organizational memory’ will vanish altogether. Similarly, no specific expertise will be retained related to the particular characteristics of a given spatial area and its unique features.

Thirdly, notwithstanding the advantages that flow from separating the ‘steering’ political and policy functions from the ‘rowing’ administrative and operational functions inherent in the Singapore institutional arrangements, it nevertheless departs from the Allan model of virtual local government in that representative democracy is indirect at best. While it is true that democratically elected members of the national Parliament chair town councils and appoint councillors under the Town Councils Act 1988, thus imbuing the process with a democratic tinge, this cannot be described as authentic representative democracy. After all, in terms of the theory of fiscal federalism (Oates, 1972), the decentralization theorem holds that the primary efficiency justification for more than one tier of government in a nation state is that preferences are likely to diverge between different local government jurisdictions and therefore the

magnitude and mix of services should reflect these preference differences in different municipal areas. With multiple jurisdictions offering heterogeneous services that better meet consumer preferences, Oates (1972) has shown that economic welfare will increase. Moreover, despite the possibility of ‘political failure’, Wittman (1995) and others have argued that representative democracy generally acts as an efficient preference revelation mechanism by reflecting the position of the median voter. The Allan model is founded on the notion that councillors should be elected by citizens in local government and not appointed, as in the case of town councils in Singapore. However, it must be added that local government elections need not be conducted along party lines to conform to the Allan model.

Finally, a central pillar of the Allan model of virtual local government rests on the presumption that ‘small is beautiful’ in local government since it allows for a relatively low ratio between the number of residents and the and their municipal representatives. Following Allan (2001; 2003) this facilitates close contact between constituents and councillors and ensures the free flow of feedback on resident’s perceptions of both the service mix and service quality. In line with the views of other scholars, including Boyne (1998), O’Looney (1998), Oakerson (1999) and Sancton (2000), the superior ability of small councils to accurately gauge consumer sentiment and react promptly to

preference changes gives them a distinct advantage in service provision. By adopting a model with 27 town councils (subsequently reduced to 16 town councils) and comparatively low ratios between representatives and residents, the Singaporean authorities have adroitly captured this aspect of the Allan model.

CONCLUSION

In the light of these considerations, it seems reasonable to conclude that the design of the Singapore local government system falls broadly within the Allan model of virtual local government. Accordingly, in conceptual terms at least, Singaporean town councils capture many of the efficiency characteristics that form the foundation of the Allan organizational structure.

However, the application of the town council concept in Singapore has undermined many of these advantages. In the first place, it appears that the narrow range of functions ascribed to town councils, and the limitations that this has imposed on its material significance in affecting the daily lives of residents, has dampened public enthusiasm and participation. Indeed, some evidence exists to suggest that anticipated public participation in and identification with town councils has been less than had been desired (Ooi, 2003, Table 2.1: 62). It has been argued that ‘given the run of the rather

mundane tasks which Town Councils carry out in public housing estates, it is not surprising that there has been relatively low interest in the councils'. Thus, 'while recognizing that someone has to keep the taps running electricity working and lifts going, Town Councils do need to consider expanding their interests and those of their residents in the making of community and place in their towns'. In particular, 'councils and their residents have to actively engaged in the timing and scheduling for services that are being planned and provided for their towns' (Ooi, 2003: 61).

Secondly, 'the boundaries of "towns" managed by Town Councils have changed practically before every election since they were instituted in 1988' (Ooi, 2003: 164). At least two adverse consequences have flowed from continual town council boundary alterations. On the one hand, these changes have served to weaken any incipient 'sense of space' and 'community' on the part of people living in affected town councils as well as their links with the elected officials involved. Ooi (2003: 63) has observed astutely that 'given the rapidity of the changes in the boundaries of the towns managed by Town Councils and also the line-up of politicians running the councils, residents in the towns can be forgiven for sometimes not even knowing which councils are administering the estates'. On the other hand, frequent boundary modifications have in addition engendered detrimental economic effects since the scale of

their operations could not be properly aligned to take advantage of any economies of scale or scope economies, especially in small town councils. In particular, diminutive councils cannot spread the fixed costs of managing agents across large populations and thereby reduce the average costs of administration as would otherwise be possible. Moreover, despite the fact that the virtual local government model embedded in the structure of Singaporean town councils is ideally suited to joint outsourcing and sub-contracting by adjacent municipalities acting in partnership, the sequencing of the creation of new councils and boundary alterations to existing councils have formed impediments to the formation of such partnerships.

REFERENCES

- Allan, P. (2001) *Secession: A Manifesto for an Independent Balmain*. Balmain
Secession Movement, Balmain.
- Allan, P. (2003) 'Why Smaller Councils Make Sense', *Australian Journal of Public Administration* 62(3): 74-81.
- Bailey, S. (1995) *Public Sector Economics: Theory, Principles and Practice*.
Macmillan, Basingstoke.
- Bailey, S. (1999) *Local Government Economics*. Macmillan, Basingstoke.

- Boyne, G. (1998) *Public Choice Theory and Local Government*. Macmillan, Basingstoke.
- Dollery, B.E. (2003) 'A Critical Evaluation of Virtual Local Government in Australia', *Australian Journal of Public Administration* 62(3): 82-91.
- Dollery, B.E., S. Burns and A. Johnson (2005a) 'Structural Reform in Australian Local Government: The Armidale Dumaresq-Guyra-Uralla-Walcha Strategic Alliance Model', *Sustaining Regions* (forthcoming).
- Dollery, B.E., L. Crase, and N.A. Marshall (2005b) 'The Economic Case for Virtual Local Government in South Africa', *Studies in Economics and Econometrics* 29(1): 47-60.
- Dollery, B.E. and A. Johnson (2005) 'Enhancing efficiency in Australian local government: An evaluation of alternative models of municipal governance', *Urban Policy and Research* 23(1): 73-86.
- Dollery, B.E., A. Johnson, N. Marshall and A. Witherby (2005c) 'ROCs Governing Frameworks for Sustainable Regional Economic Development: A Case Study', *Sustaining Regions* 4(3): 15-21.
- Dollery, B.E. and J.L. Wallis (2001) *The Political Economy of Local Government*. Edward Elgar, Cheltenham.
- Ernst and Young (1993) *Resource Sharing Study: Town of St. Peters, Town of Walkerville, and City of Kensington and Norwood*. Office of Local

- Government, Commonwealth Department of Housing and Regional Development, Canberra.
- Hirschman, A. (1970) *Exit, Voice and Loyalty*. Cambridge University Press, Cambridge.
- Housing and Development Board (2004) *Facts on Public Housing in Singapore*. Housing and Development Board, Singapore.
- Jessop, B. (1995) 'The Regulation Approach and Governance Theory: Alternative Perspectives on Economic and Political Change', *Economy and Society* 24(3): 307-33.
- Katsuyama, B. (2003) 'Is Municipal Consolidation the Answer?', *Municipal Research and Services Center of Washington Summer*: 1-3.
- Lim Lan Yuan (1996) *Marine Parade Town Council*, National University of Singapore, Singapore.
- May, P. (2003) 'Amalgamation and Virtual Local Government'. In B.E. Dollery, N.A. Marshall and A.C. Worthington (eds.), *Reshaping Australian Local Government: Finance, Governance and Reform*, UNSW Press, Sydney.
- Mueller, D.C. (2003) *Public Choice III*. Cambridge University Press, Cambridge.

- Oakerson, R.J. (1999) *Governing Local Public Economies: Creating the Civic Metropolis*. ICS Press, Oakland.
- Oates, W.E. (1972) *Fiscal Federalism*. Harcourt Brace Jovanovich, New York.
- O’Looney, J.A. (1998) *Outsourcing State and Local Government Services: Decision-Making Strategies and Management Methods*. Quorum Books, Westport.
- Ooi, G.L. (1990) *Town Councils in Singapore: Self-Determination for Public Housing Estates*, Occasional Paper No. 4, Institute of Policy Studies, Times Academic Press, Singapore.
- Ooi, G.L. (1997) ‘Town Councils in Public Housing Estates: Change and Implications’. In Giok Ling Ooi and Kenson Kwok (eds.), *City and the State: Singapore’s Built Environment Revisited*, Institute of Policy Studies, Oxford University Press, Oxford.
- Ooi, G.L. (2003) *Future of Space: Planning, Space and the City*. Institute of Policy Studies, Eastern University Press, Singapore.
- Rhodes, R.A.W. (1997) *Understanding Governance*. Open University, Buckingham.
- Rose, R. (1987) ‘Steering the Ship of State: One Tiller, but Two Pairs of Hands’, *British Journal of Political Science* 17(3): 409-34.
- Sancton, A. (2000) *Merger Mania*. McGill-Queens University Press, Montreal.

- Shires Association of NSW (2004) *A Joint Board Model*, Draft Discussion Paper, Shires Association of NSW, Sydney.
- Stoker, G. (1998) 'Governance as Theory: Five Propositions', *International Social Science Journal* 25(1): 17-28.
- Thornton, J. (1995) *The Urban Parish: An Alternative Approach to Local Government Amalgamation*, Local Government Development Program Research Series, Office of Local Government, Commonwealth Department of Housing and Regional Development, Canberra.
- Wallis, J.L. and B.E. Dollery (1999) *Market Failure, Government Failure, Leadership and Public Policy*. Macmillan, London.
- Wittman, D. (1995) *The Myth of Democratic Failure: Why Political Institutions are Efficient*. University of Chicago Press, Chicago.
- Wong, A.K. and S.H.K. Yeh (1985) *Housing a Nation*. Maruzen Asia, Singapore.