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Spontaneous Structural Reform in Australian Local Government: The Case of the Gilgandra Cooperative Model *

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Abstract

Dire financial constraints and the threats of forced structural reform have had the unforeseen effect of forcing municipal councils across Australia to reconsider their operation activities and organizational arrangements. With considerable ingenuity, numerous municipalities have proposed and sometimes adopted new structural formations that embody various forms of co-operative service provision. This remarkable development has unfortunately been largely ignored in the scholarly literature on Australian local government. In a modest effort aimed at remedying this neglect, the present paper seeks outline the Gilgandra Shire Council's (2004) 'Co-operative/Local Government Service Company' model, place it in the broader context of alternative models of local governance suitable for Australian conditions, and evaluate its characteristics.

Key Words: Gilgandra Shire Council; local government; structural reform

* The views expressed in this paper do not necessarily represent the views of any actual organization.

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INTRODUCTION

Australian local government is in the midst of a deepening crisis with municipal authorities across the country under severe fiscal stress, especially in regional, rural and remote areas (Johnson 2003). The primary cause of this crisis is chronic under-funding and its major symptoms have been manifested mainly in the form of delayed infrastructure investment and postponed infrastructure maintenance. The continued degradation and depletion of local government infrastructure is obviously unsustainable over the long run (Hawker Report 2004; Dollery 2005).

However, even in this bleak set of circumstances, it is nonetheless possible to find a silver lining in an otherwise very dark cloud. In an effort alleviate harsh financial constraints, and often under threat of structural reform by state and territory governments, councils across Australia have shown remarkable ingenuity in developing, implementing and fostering new forms of cooperation amongst themselves that not enhance economic efficiency and thereby generate cost savings, but also sometimes expands and improves service provision.

Despite the self-evident importance of documenting and evaluating these impressive new institutional arrangements, until recently these developments had gone largely unnoticed by the scholarly community in Australia. Nevertheless, an embryonic literature has arisen. For example, in *Secession: A Manifesto for an Independent Balmain Local Council*, Percy Allan (2001) proposed a model of virtual local government designed for Australian municipal conditions. More recently, the Shires Association of NSW (2004) constructed a joint board or area integration model, first developed in Australia by Thornton (1995), and then empirically evaluated by Dollery and Johnson (2006). Various features of joint board models have also been incorporated into new real-world arrangements, including the Wellington-Blayney-Cabonne Alliance (Dollery & Ramsland 2005) and the Armidale Dumaresq-Guyra-Uralla-Walcha Strategic Alliance (Dollery *et al.* 2005a). Scholars of Australian local government have also documented the performance of regional organizations of councils, such as the Riverina Eastern Regional Organizations of Councils (REROC) (Dollery *et al.* 2005b).

However, much remains to be done. In particular, there is an urgent need for researchers to record and assess numerous as yet unexplored models of local governance that have been proposed and sometimes implemented by councils across Australia in order to fill substantial gaps in this nascent literature. The present paper seeks to take up this task by outlining and evaluating the Gilgandra Shire Council (2004) 'Co-operative/Local Government Service Company' model henceforth referred to as the Co-operative Model.

The paper itself is divided into four main sections. Section 2 provides a synoptic review of the theoretical literature on alternative models of local government in Australia. Section 3 sets out the background to the Gilgandra model, examines its proposed operation and considers its chief features. Section 4 seeks to locate the Co-operative Model in terms of the taxonomic classification systems of Australian local governance and assess its efficiency and equity characteristics. The paper ends with some brief concluding comments in section 5.

ALTERNATIVE MODELS OF LOCAL GOVERNANCE

Two main taxonomic systems for classifying Australian local governance have been advanced in the literature on Australian local government. In the first place, the Local Government Association of Queensland (2005, p.15) has distinguished between four generic models: 'Merger/amalgamation'; 'significant boundary change'; 'resource sharing thorough joint enterprise', where aligned councils combine specific functions in search of scale economies, like information technology system development and management; and 'resource sharing through service agreements', where one local authority undertakes specific functions for other councils, such as strategic planning, waste management and works maintenance.

In a contrasting taxonomy of generic models of Australian local government, Dollery and Johnson (2005) have identified seven alternative organizational structures. These models have been arranged along a continuum calibrated by the degree to which operational control and political authority can be decentralized between local councils and the new organizational they form. The degree of centralization measures the concentration of control vested in the new institutional structure. Operational control refers to the ability manage service provision and political control focuses on the capacity to make decisions over local service provision.

In terms of the Dollery and Johnson (2005) taxonomy, existing small councils enjoy the maximum operational and political autonomy as well as highest degree of decentralization within the constraints of their respective state local government legislation. The next most autonomous and decentralized model consists of voluntary arrangements between geographically linked municipalities to share resources on an *ad hoc* basis. In the third place, Regional Organizations of Councils (ROCs) represent a formalised version of the *ad hoc* resource sharing model, typically financed by a fee levied on each member council and a *pro rata* contribution based on population, income, or some other proxy for size. Fourthly, the area integration or joint board model retains autonomous existing councils with their current boundaries, but actual administration and operations are shared under the control of a board of directors consisting of elected councillors from the member councils as well as the general manager. The virtual local government model is made up of several small adjacent local authorities with a common administrative structure or 'shared service centre' that constitutes the minimal administrative expertise necessary to implement the policies adopted by member councils. Under the agency model, all service provision supplied and financed by state government agencies along the lines of present state education, health and police departments, with elected councils acting in an advisory capacity to these state agencies to establish the specific mix of services for their municipal areas. Finally, large amalgamated councils represent the most centralised form of local governance when local authorities are consolidated into larger municipalities; pre-existing small councils surrender political autonomy and operational control and thus effectively disappear.

THE GILGANDRA 'CO-OPERATIVE/LOCAL GOVERNMENT SERVICE COMPANY' MODEL

Background

The development of the Co-operative Model by the Gilgandra Shire Council (2004) should be seen against the background of the NSW state government's aggressive program of compulsory municipal reform. In the aftermath of the March 2003 NSW state government elections, the (then) Carr government suspended the forthcoming local government elections and announced its intention to implement a program of wide-ranging structural reform, especially amongst non-metropolitan councils. The official rationale for this abrupt policy reversal was the need to consolidate small and financially ‘unviable’ regional, rural and remote councils into larger amalgamated municipal organizations (Carr 2003). In terms of this policy, councils designated as possible targets for forced consolidation were invited to submit proposals aimed at improving their service provision.

In response to an official state government request to indicate how it could improve its performance, in July 2003 the Gilgandra Shire Council set out its proposal to remain an autonomous local authority. The Minister for Local Government replied by acknowledging the council’s correspondence, but reiterated the need for municipalities across the state to review their abilities to provide services effectively. Moreover, this view was again emphasised in a speech delivered to the June 2004 NSW Shires Association Annual Conference held in Sydney.

Prompted by a Department of Local Government proposal that the Coolah, Mudgee and Rylstone Councils should be obliged to amalgamate into a single local government organization, the Coolah and Coonabarabran Shire Councils both felt it would be wise to pre-empt this forced consolidation by proposing an alternative voluntary amalgamation instead. Accordingly, the Gilgandra Shire Council was invited to a meeting with Coonabarabran and Coolah representatives as a preliminary step towards the potential amalgamation of these three shires.

However, the Gilgandra Shire Council rejected this proposal at an Extraordinary Meeting and in its place adopted a consultative process using a time horizon guided by the Minister's due date for the amalgamation of Coolah and Coonabarabran set at 26th November 2004. After extensive community consultation, the Gilgandra Shire Council began exploring its best options. The Co-operative Model represents an important outcome of this process.

Co-operative Model

In the initial stages of designing the Co-operative Model, its architects considered various other institutional arrangements that had already been proposed, including the Shires Association of NSW (2004) 'Joint Board' model, the Wellington-Blayney-Cabonne Alliance (Dollery & Ramsland 2005), the Armidale Dumaresq-Guyra-Uralla-Walcha Strategic Alliance (Dollery *et al.* 2005a), the Warrumbungle Shire amalgamation proposal, and the Canada Bay local government service incorporation model.

The Co-operative Model that grew out of these deliberations has five main objectives. In the first place, it must provide an opportunity for member shire councils to achieve cost savings through service specialisation, resource rationalisation and improved purchasing/selling power. Secondly, any cost savings that flow from the Co-operative Model must be returned to each member council in the form of a profit distribution to both simplify its operation and to make it readily accountable to the community it serves. Thirdly, it must ensure that rural communities continue to be represented and involved in local decision making in their local area, especially regarding strategic decisions with significant future ramifications. In the fourth place, as a consequence of these arrangements the new role of elected councillors on their respective constituent councils must be simpler, reduced and focused on broader strategic questions rather than on the day-to-day minutiae of municipal operational detail.

Finally, the agglomeration of the working assets of the member councils must ensure the benefits flow to the communities represented by these councils.

In essence, the Co-operative Model concept is designed to provide a predetermined core range of local government services in its initial stages, such as Engineering, Parks and Gardens, Roads, and Water and Sewer services, to member councils (and other possible clients) on a ‘fee for service’ basis. Once this has been successfully achieved, then additional services could be provided over time. Each participating local authority is required to contribute an equal share in the new Local Government Service Company. In return, they are each issued with two shares in the entity. The contribution from each member municipality would be made up of working capital (comprising major plant, equipment and tools), cash and staff. Working capital could be moved to the new entity depending on the core services the Local Government Service Company will provide; this would be decided by agreement between founding shires. The Co-operative Model has been designed to grow through time by extending its membership to include additional local authorities. For instance, a shire council not presently a shareholder could be offered an opportunity to invest and allocated shares on the basis of its investment. The architects of the Co-operative Model anticipate that as non-participating shires begin to contract service provision with the Local Government Service Company, they would become interested in full membership. This mechanism would thus represent an uncomplicated method of raising capital for further specialisation and attendant service enhancement.

Organizational Structure of the Model

The Co-operative Model is designed to bear approximately the same structural relationship to ratepayers of a given municipal jurisdiction as the current relationship between traditional the Australian council and its constituency. Put differently, each council would continue to represent ratepayers at a local level, provide the local services, enact and enforce the various local and state legislative requirements, and inform the community of developments as they arise. However, the architects of the Co-operative Model contend that it will substantially enhance the ability of the member shires through greater service specialisation and resource rationalisation. Thus, participating councils that typically under-utilise expensive plant and equipment would be able to secure the services of these capital assets more cheaply through the Co-operative Model. Moreover, the costs of purchasing expensive new plant and equipment could be better spread over the participating shires rather than borne by small individual councils with limited funds.

By way of a practical illustrative example, the Gilgandra Shire Council (2004) document highlights the hypothetical case of a grader. For instance, a given single rural shire with 1,500 kilometres of dirt roads may possess 5 graders that achieve a 65 per cent annual utilization rate (i.e. do not operate for four months of a typical year). If three equally –sized rural shires must service a total of 4,500 kilometres, then the 10 graders are required for the same level of service provision under an assumption of constant returns to scale. Obvious cost savings result.

In sum, in the Cooperative Model the Service Company will concern itself with provision of designated local government service, quotes and costing for works, efficient practices, reviews and profit and loss distribution. This will allow each member council to concentrate its energies on its own 'community relationship', corporate plan, 'non-core' assets and activities (i.e. non-Service Company assets and activities), investments and revenue. Each participating council will appoint two board members to the Co-operative Model whose role is to: Monitor the investment on behalf of each shire; ensure financial responsibility; oversee planning and review activities; guide the Service Company General

Manager on policy planning; advise on local government service provision; and appoint the General Manager when the occasion arises. While the architects of the Co-operative Model recommend that the Mayor and/or Deputy Mayor be appointed to these positions, they also note that individual councillors may be given this specific portfolio to better service its specialized needs. This might operate along similar lines to the appointment of non-core activity committees in each of the member local authorities. Figure 1 provides a diagrammatic description of the structure of the Co-operative Model.

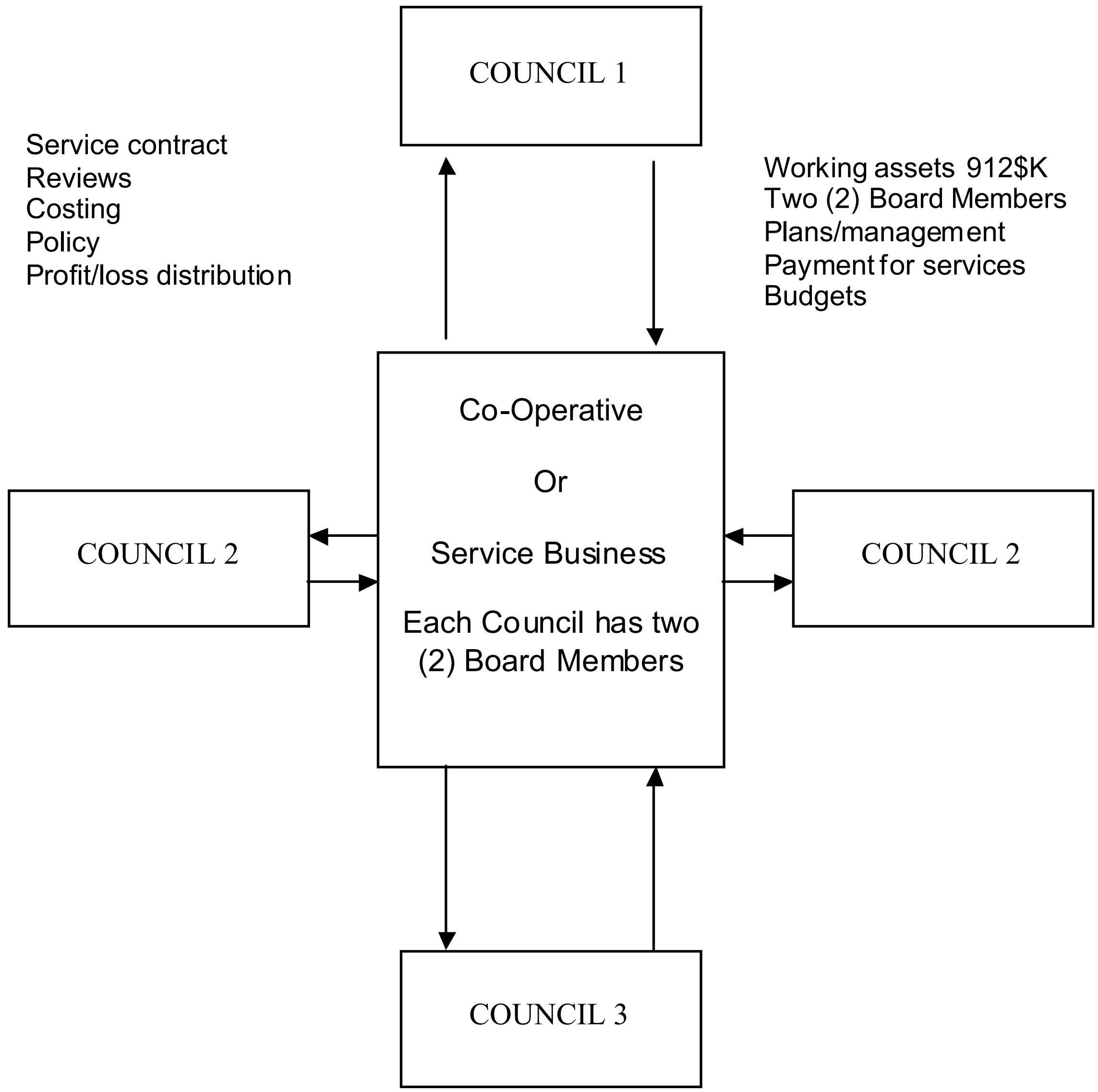

Figure 1. The Co-operative Model

The upshot of these organizational arrangements is that participating councils would confront a very simple set of core business books with a charge for services undertaken and payment for that service. By definition, non-core activities represent only a small fraction of total outlays, despite being necessarily concerned with a variegated array of small services.

The proposed Secretariat would support its council with administrative support, meeting preparation, community communication conduit regarding for service complaints and suggestions for improvement, and advice on regulatory matters. The magnitude and level of administrative expertise contained in a Secretariat would be proportionate to its functions. Accordingly, if the operational role of individual member municipalities diminished over time with a greater number of services provided by the Service Company, then the role and staffing of the Secretariat would decrease correspondingly. The relationship between a member council and the Co-operative Model is illustrated in Figure 2.

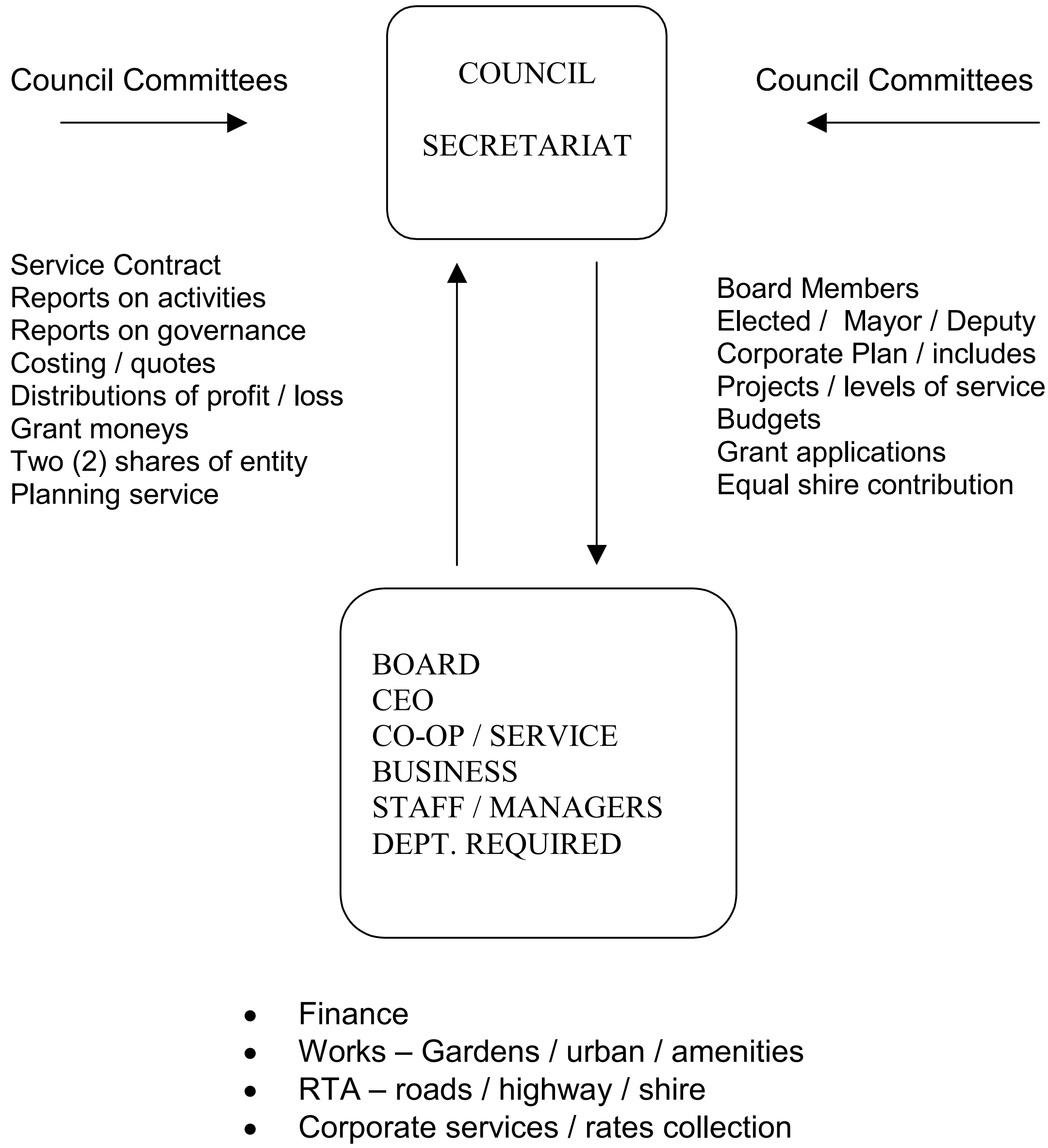

Figure 2. Member Councils and the Co-operative Model

Roles and Functions of Participants in the Co-operative Model

The Co-operative Model envisages the involvement of four key participants and its architects have tried to define the roles that each participant will play. In the first place, the elected councils of the member shires are presumed to perform six main functions: To represent their own electorate's desires for local government services; to develop a future vision and corporate plan giving to provide strategic direction for their own communities; to negotiate a level of service commensurate with available revenue; to ensure the service provision meets regulatory standards; to develop and maintain all other council non-core services in a responsible way; and to set the rates and charges for municipal services.

Secondly, the Service Company has six main tasks. These include the provision satisfactory designated core local government services to the contracted shires; the improvement of service provision through service specialization; the more efficient resource use through resource rationalization; increased and improved career opportunities to employees through specialisation, movement within the Service Company, both in terms of the region and in terms of position; profit distribution back to each shareholding shire; the expansion of participatory membership; and contracting its services to non-participating entities, including other councils, public agencies and private organizations.

Thirdly, members of the Service Company Board should accomplish five major functions. These tasks centre on ensuring financially responsible management; safeguarding their respective member shires investment; ensuring a corporate plan, a Company budget and Company reviews are regularly conducted and reported; guiding the Company General Manager on policy, planning and advice regarding the provision of services; appointing the General Manager.

Finally, the architects of the Co-operative Model have envisaged several key roles for the participating shire secretariats. These include advising its own council of regulatory requirements, providing administrative support to its shire's activities, ensure service agreements are met; assisting its council in the development of a vision for future development, a corporate plan, a budget and budget comparisons, facilitating policy formulation and implementation; and acting as the point of 'community contact'.

Finance and Resources

The designers of Co-operative Model calculated that its successful implementation and continued operation would require a substantial input from each member shire. As we have seen, an initial process of agreement is needed to establish its core service activities. It must then be determined what resources are required for the new entity.

Under the fictive assumption that Gilgandra Shire could be joined by Coolah Shire, Coonabarabran Shire, and one other similar sized shire, the architects of the Co-operative Model sought to establish some parameters of the possible magnitudes involved. Table 1 contains the requisite information.

Table 1. An Example of Potential Partners in a Co-operative Model

	Gilgandra Shire	Coolah Shire	Coonabarabran Shire	Another Shire	Total
Area Hectares	4,836	4,804	7,576	5,264	22,480 Hectares
Population	4,802	3,977	6,872		
Land Value	$136,477,000	$172,522,000	$216,147,000	$246,796,000	$771,942,000
Rate Revenue	$2,250,000	$2,249,000	$2,898,00	$3,293,000	$10,690,000
Financial Assistance Grants	$2,017,000	$1,734,000	$2,400,000	$2,538,000	$8,689,000
Rural Roads	1,500 kms	1,618 kms	1,200 kms	1,276 kms	5,594 kms

The authors of Gilgandra Shire Council (2004) consider Engineering, Water and Sewer, Parks and Gardens, Community Assets (that encompass the municipal swimming pool, public toilets, etc.) and Roads (including RTA) as an initial set of core activities of the C-operative Model. These aspects of the present Gilgandra Shire Council have an approximate salary expense of some $2.7 million annually. If these services areas were transferred to the new Service Company, then this would require the initial wages component be transferred as well. This impost would be added as cash to the already substantial transfer of physical assets. Alternatively, if the Service Company adopted a monthly or quarterly charge for services rendered, then the required cash on hand would be substantially lower. For instance, in terms of monthly wages around $225,000 or in terms of quarterly wages about $675,000. This monetary transfer would ensure the shires could quickly see their initial capital investment develop an income stream without debt. Under the NSW state government guidelines for employment guarantee, legislative protection of jobs over the first three years is expected to also apply to this concept. This will also apply to the work place entitlements accrued over the years by individual employees.

The policy of limiting charges exclusively to services actually provided would ensure a shire paid only for what they received. Under this stipulation, if projected costs forecast for, say, May did not start until July, then these costs would be not charged until the task was performed. In some cases, such as major capital works, the Service Company would be entitled to ask for a deposit for material purchased for the task. This could be negotiated on the same terms as large commercial contracts.

Before the establishment of the Service Company, a list of assets in each shire and valuation of these assets represent an essential starting point. Moreover, the need to establish what the new Co-operative Model would require to service the new area would have to be established. The architects of the concept anticipate that the first savings to eventuate would derive from the sale of excess equipment.

However, further cash pool may be needed for the repair and maintenance in the early stages. Nonetheless, if all equipment put into the Service Company was already fully serviced or old multiple equipment sold to purchase a single new model, the need for such maintenance would be limited.

Representation

A key aspect of the Co-operative Model resides in the fact that the introduction of the Service Company would not change the ability of local people in rural areas to participate in local government. For example, should a member shire choose to reduce the representation by decreasing number of elected councillors, then it retains this right without threat of subsequent amalgamation on grounds of too few elected representatives.

The most difficult problem faced by Australian rural shires is thorny issue of centralisation and the tyranny of distance. For instance, where three towns of a very similar size amalgamate, what priority listing or pecking order will emerge under the new dispensation? In particular, the architects of the Co-operative Model stress the real concern that exists for the smaller satellite villages surrounding larger centres in rural shires that already find it difficult to influence policy outcomes. They argue that while the introduction of the Co-operative Model will not improve the status quo, at least it will not result in any deterioration of their existing position. It is postulated that the extant close regional relationship between small rural towns and their satellite villages will continue, thus ensuring the service provision and lifestyle of its residents remains undisturbed.

EVALUATION OF THE CO-OPERATIVE MODEL

Given the proposed structure and operation of the Gilgandra Co-operative Model, what can be deduced with respect to its probable characteristics? In the first place, how can we locate the model in terms of the taxonomic systems advanced by the Government Association of Queensland (2005) and by Dollery and Johnson (2005)? Within the former typology, the classification of the Co-operative Model is straightforward; it clearly meets the 'resource sharing thorough joint enterprise' category since the member councils combine specific functions in search of cost savings and service enhancement by jointly merging Community Assets, Engineering, Parks and Gardens, Roads (including RTA), and Water and Sewer functions under the auspices of the Service Company. However, under the more nuanced Dollery and Johnson (2005) taxonomy the categorization of the Co-operative Model is not so easy. At first sight, the Co-operative Model seems to approximate the joint board model, especially in the light of its representative arrangements and the pooling of resources in a single entity, with two councillors from each shire constituting the board of directors. Nevertheless significant differences between the Co-operative Model and the Shires Association of NSW (2004) version of the area integration concept remain. For instance, the general manager does not appear to occupy a voting seat on the joint board under Gilgandra Shire Council (2004) proposal in contrast to the Shires Association of

NSW (2004) model. Similarly, whereas over time asset ownership would revert to the joint board in the Shires Association model, in the Gilgandra conception individual council ownership of assets continues in perpetuity. Moreover, the Co-operative Model still allows each member council to operate its own non-core business, keep its own general manager and small managerial, secretarial and operating staff in contradistinction to the Shires Association model. However, as we have seen, the architects of the Co-operative Model envisaged that over time the Service Company would assume greater responsibility for service provision. Indeed, eventually the normal administrative functions conducted by the individual shire secretariats would diminish to the point where the Service Company would conduct all normal council business as core functions, except checking by each residual secretariat to determine whether Service Company activities accorded with policies decided by its shire. This comparatively minor function would only require a single relatively low-level official, possibly on a part-time basis.

It thus seems evident that Co-operative Model fits uneasily with conventional area integration models since it lacks at least some of their characteristics. Indeed, by maintaining separate administrative and operational functions for constituent local authorities, the Co-operative Model not only assumes some of the features of a ROC (Dollery *et al.* 2005b), but also a virtual local government. However, unlike the virtual local government model (Allan

2001), the Service Company does not outsource the bulk of its service provision, no doubt because in a rural Australian setting competing private firms may not be forthcoming, with the obvious danger of monopoly power arising. In sum, it would therefore seem that the Co-operative Model represents a hybrid version of the joint board model that shares some attributes of the standard ROC model.

The Co-operative Model appears to posses a number of positive equity and efficiency characteristics. For example, in terms of local democracy and local equity considerations, the Co-operative Model protects the existing degree of political representation and participation by retaining current elected councilors and prevailing council autonomy. It holds promise of enhancing the effectiveness of the political process by simplifying the role of elected councils and allowing councillors to focus more sharply on policy rather than the trivia of day-to-day administration. Distributional questions are accommodated through a decentralised allocation of non-core staff and non-core resources in their respective shires, thereby ensuring councils in small country towns continue their positive financial role in maintaining the level of local economic activity. This may also have the beneficial side effect of boosting local business confidence and investment. Finally, small outlying villages do not lose any of their original political influence on local government resource dispersion.

It is possible to identify several possible gains in economic efficiency. For instance, if the core functions are selected with sufficient care and due consideration of their economic characteristics, then substantial cost savings could result. Thus, while empirical research has shown that while economies of scale can be found in some selected Australian council functions (Byrnes & Dollery 2002), if capital-intensive services are designated as core functions, especially where equipment is originally run at less than full capacity by member councils, then significant cost savings are feasible, since these kinds of services often exhibit economies of scale. Moreover, the functions stipulated as core services in the Co-operative Model by the Gilgandra Shire Council (2004) proposal embrace activities that largely fit this description. Secondly, Dollery and Fleming (2005) have argued that scope economies are more important than scale economies for the range of services provided by Australian councils. By concentrating core functions under a single Service Company, the Co-operative Model has strong potential to achieve worthwhile economies of scope. Finally, Dollery and Crase (2004) have argued that administrative and managerial capacity is often a significant impediment to the efficient performance of non-metropolitan councils owing to the difficulties these municipalities experience in recruiting and retaining qualified professional staff. With core activities requiring expert knowledge provided by the Service Company rather than several individual local authorities separately, fewer technical experts of this kind will be needed and they can also be better rewarded. This arises in part due to the fact that the Co-operative Model allows for improved staff career opportunities.

Despite its undoubted advantages, the Co-operative Model is not without problems. In the first place, the process of implementing the new organizational structure will be costly and this question is not addressed in any detail in the Gilgandra Shire Council (2004) document. However, anecdotal evidence derived from the recent spate of local government restructuring in country NSW suggests that these costs will not be trivial. It thus seems that the full blessing of the state Department of Local Government would be required in the form of additional funding. However, discussions with the architects of the Co-operative Model indicated that they had anticipated that existing expertise within the participating councils, particularly general managers and other senior staff, would cover most implementation exigencies without the need for additional resources.

Secondly, extensive care will need to be taken to ensure that a new Co-operative Model meets all legislative requirements, and it may even need some adjustment in the NSW Local Government Act to come into being. Furthermore, the successful introduction of the Co-operative Model is dependent on neighbouring shires reaching agreement to not only form the new entity, but also concur on matters like asset contributions by prospective member councils, profit distribution, and the composition of core and non-core services. Fourthly, rating differences as well as administration and policy differences will necessitate synchronisation for the model to operate effectively. However, consultation with the architects of the Co-operative Model has disclosed that issues associated individual shire rates and charges would not require any integration across the new entity since each member shire must independently decide how it funds its membership and balances its own books. Finally, as Table 1 indicates, the architects of the Co-operative Model had in mind the alignment of country shires of roughly equal size that would merit equal representation on the board of directors and approximately equal asset contributions. But in regional, rural and remote Australia, adjacent municipalities often vary tremendously in size.

CONCLUDING REMARKS

Given the nature of the proposed Co-operative Model and its probable equity and efficiency characteristics, what general observations and policy implications does the model suggest? In essence, the Co-operative Model represents a hybrid local government structure containing many of the characteristics of Dollery and Johnson's (2005) area integration model, together with some of the features of ROCs. The major reason for it falling between these two models appears to lie in the retention of non-core activities by each member council and the attendant managers and staff necessary to provide these services. This aspect of the Co-operative Model has some strong advantages, chiefly the continued capacity of councils to meet the myriad of minor local government services involved in non-core functions, the service flexibility and ongoing intimate relationships with residents this entails, and the fact that some residual capacity is maintained. It also accords with the main lesson to emerge from the empirical literature on local government service provision; most non-core functions are labour-intensive and thus cannot yield economies of scale (Dollery & Fleming 2005). However, it does imply that a shire continues to bear the cost of employing its own management team.

Secondly, while the Co-operative Model seems well-suited to the needs of financially distressed rural shires of roughly equal size that seek cost savings through structural reform, in non-metropolitan Australia adjacent municipalities are not typically approximately equal in terms of geographical size, population, revenue and road length. Indeed, much of the pressure for amalgamation from state and territory governments is usually applied to so-called donut configurations of local authorities, where a single large centre is surrounded by much smaller settlements. Under these circumstances, difficult political forces involved in equal representation on the board of directors of any proposed Co-operative Model are likely to sabotage its implementation. It can thus be argued that the Co-operative

Model does not represent an ideal structural instrument to deal with cases of this kind.

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