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## An Analysis of the New Perspective on Amalgamation in Australian Local Government

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*Abstract:* Local government has always been the favoured policy instrument for Australian state and territory governments intent on improving the operational efficiency of local councils. This policy consensus has flown against mounting evidence from Australia and abroad that council consolidation is not only largely ineffectual in reducing costs, but also generates significant unintended negative consequences. Despite the recent wave of compulsory amalgamations in New South Wales, there are at last significant signs that the erstwhile consensus on the desirability of local council amalgamation appears to have evaporated. This paper considers the deliberations of various recent reports into Australian local government on structural reform and demonstrates that a sea change in opinion on amalgamation has indeed occurred.

*Keywords:* Amalgamation; local government policy; structural change.

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## Introduction

For more than a century, Australian state and territory local government policymakers have employed structural reform in the guise of local council amalgamation in order to correct real and perceived ills in the performance of small councils, predominantly in regional, rural and remote areas of the country (Vince 1997). This reflects a long-standing consensus amongst policy makers that amalgamation represents the most powerful policy tool available to improve both the operational efficiency of municipal authorities and enhance local government service provision.

However, if we consider the conceptual and empirical literature on local government amalgamation, as well as observed outcomes of structural reform programs in the various Australian local government jurisdictions, the historical consensus surrounding amalgamation in Australia is puzzling (see, for instance, Dollery et al. 2006b). After all, the academic literature is decidedly sceptical on the efficacy of council consolidation and the empirical evidence is at best mixed. Why then have Australian local government policymakers remained wedded to the proposition that somehow 'bigger is always better' in local government?

Various explanations have been advanced to explain this apparent anomaly. For example, Dollery et al. (2005) have argued that the threat of compulsory structural reform, rather than its actual implementation, represents rational policy making, given the problem of chronic inertia in Australian local government. However, the dynamics of the political process in the robust Australian democratic milieu has often meant threat has crystallized into policy implementation. An alternative explanation has been developed by Dollery et al. (2006a) that focuses on the phenomenon of local government failure and the derivative popular desire for state government departments of local government to strictly monitor and control the behaviour of local councils.

Whatever the reasons for the longstanding consensus on the efficacy of council amalgamation programs, various important recent public documents on Australian local government suggest that this consensus has at last disappeared. If this assertion is indeed correct, then this has obvious and important repercussions for local councils. Accordingly, this paper seeks to evaluate recent public reports into local government in order to test this claim.

In this endeavour, we consider the following recent public documents: The South Australian Financial Sustainability Review Board's (FSRB) (2005) *Rising to the Challenge* Final Report into the financial sustainability of South Australian councils; the Independent Inquiry into the Financial Sustainability of NSW Local Government (LGI) (2006) Final Report entitled *Are Councils Sustainable*; the Queensland Local Government Association (LGAQ) (2006) *Size, Shape and Sustainability* (SSS) project; the Western Australian Local Government Association (WALGA) (2006) *Systemic Sustainability Study: In Your Hands - Shaping the Future of Local Government in Western Australia* Final Report; and the report commissioned by the Australian Local Government Association (ALGA), undertaken by the commercial company PriceWaterhouseCoopers (PWC) (2006), entitled the *National Financial Sustainability Study of Local Government*. In addition, we consider the influential *Local Government National Report, 2004-05*, prepared by the Local Government Section of the Department of Transport and Regional Services (DOTARS) (2006). The deliberations of the House of Representatives Standing Committee on Economics, Finance and Public Administration ('Hawker Report') (2003), published in the official report *Rates and Taxes: A Fair Share for Responsible Local Government*, is not included in our analysis since it has already been examined by Dollery (2005).

It must be stressed that, apart from the *Local Government National Report, 2004-05*, which examines the whole gamut of Australian local government activity on an annual basis, the other public inquiries all focussed primarily on the problem of the financial sustainability of local government rather than on structural reform *per se*. However, given the undeniable historical importance

of municipal amalgamation in Australia, these public reports nonetheless all assessed the question of council consolidation and drew significant conclusions. In addition, it should be noted that, with the sole exception the *National Report*, all the state-based public inquiries examined in this paper were instigated and run by local government peak bodies, although always with the full support of the relevant state governments.

The paper itself is divided into eight main sections. By way of background, section 2 provides a synoptic outline of council amalgamation in Australian local government, with an emphasis on recent structural reform programs. Section 3 deals with the South Australian inquiry. Section 4 scrutinizes the work of the NSW LGI. Section 5 tackles the Queensland SSS program. Section 6 examines the Western Australian report. The nation-wide PWC report is considered in section 7 and the DOTARS *Local Government National Report, 2004-05* is discussed in section 8. The paper ends with some brief evaluative remarks in section 9.

## **Recent Australian Structural Reform Programs**

Although numerous alternative policy options exist to council mergers (see, for example, Dollery et al. 2006b), not least shared service models, state government policy makers across Australia have long been convinced of the economic and political advantages associated with size in municipal governance and have traditionally relied on local government amalgamation as the primary policy instrument for consolidating small councils into larger organizations (see, for instance, Jones 1993; Chapman et al. 1997; Vince 1997; Marshall et al. 1999; Dollery and Soul 2000; May 2003; NSW Department of Local Government 2004; Witherby et al. 1999). Indeed, council amalgamation has been aptly described as the 'thread which runs through Australian local government history' (Vince 1997, 151). Over the past fifteen years, New South Wales, South Australia, Victoria, and Tasmania have all witnessed extensive municipal restructuring which seems to epitomise the

enduring belief by Australian state policy makers that ‘bigger is better’ in local government.

In its *Local Government National Report 2003-04* (DOTARS 2005, 66), the Local Government Section of DOTARS observed that during ‘the 80 years from Federation to 1991, the number of councils in Australia fell by over 20%’ and ‘in the 13 years since 1991, council numbers have fallen by a further 27%’. Table 1 shows the change in the absolute number of local councils across Australia from 1910 to 2005 and highlights the steady reduction in local government entities over that period in all states, except Queensland and Western Australia. Table 1 also serves to illustrate the impact of the Victorian amalgamation program conducted in the mid-1990s – the most drastic Australian local government structural reform in history – that transformed 211 local councils into only 78 municipalities.

**Table 1: Change in Numbers of Australian Local Councils, 1910 to 2005**

<b>Number of Councils</b>					
<b>Year</b>	<i>1910</i>	<i>1948</i>	<i>1978</i>	<i>1997</i>	<i>2005</i>
<b>NSW</b>	324	289	205	177	157
<b>Vic</b>	206	197	211	78	80
<b>Qld</b>	164	144	131	125	157
<b>SA</b>	175	143	132	71	74
<b>WA</b>	147	148	138	142	142
<b>Tas</b>	51	49	49	29	29
<b>Total</b>	<b>1067</b>	<b>970</b>	<b>866</b>	<b>622</b>	<b>639</b>

Source: Adapted from Worthington (1998) and DOTARS (2006).

In general, Australian structural reform of local government has four main features. In the first place, amalgamation is almost always the favoured policy instrument of state governments and typically involves the consolidation of two or more small local authorities into a single entity, often small rural shires surrounding larger regional centres in the form of so-called ‘doughnut’ councils. Secondly, council amalgamation is seldom voluntary and almost

always occurs under various degrees of state government coercion, ranging from outright compulsion to financial incentives and penalties. It is almost thus entirely a 'top-down' policy phenomenon (May 2003). Thirdly, state government policymakers invariably prescribe additional measures designed to ameliorate the immediate effects of compulsory consolidation. For instance, the dramatic Victorian restructuring program was followed by a two-year freeze on property taxes and the more recent NSW amalgamation was accompanied by a three-year ban on involuntary redundancies amongst council employees. Finally, no systematic official attempt has ever been made to evaluate the outcomes of amalgamation programs, despite confident and often detailed pre-consolidation forecasts by state government politicians of substantial savings derived from enhanced efficiency. A cynical view of this neglect might suggest that policy makers fear that cost savings have not eventuated and thus deliberately avoid a public review that would demonstrate the counter-productive effects of amalgamation.

### **South Australian Financial Sustainability Review Board**

The South Australian FSRB was set up as an independent body by the South Australian Local Government Association on the 14<sup>th</sup> February 2005. Its chief task was to assess 'the financial position and prospects of councils in South Australia'. The Inquiry itself published three documents: A preliminary discussion paper, an interim report and a Final Report entitled *Rising to the Challenge: Towards Financially Sustainable Local Government in South Australia* (2005), released on 17<sup>th</sup> August 2005.

The main thrust of the FSRB Report dealt with the definition, measurement and assessment of the elusive notion 'financial sustainability' and the findings of the Report in this regard reflect its heavy reliance on the Access Economics accounting approach to the problem (Dollery and Crase 2006). However, as part of this inquiry the FSRB considered the role of council size as a potential

source of financial sustainability and drew various conclusions on the efficacy of council amalgamation as a means of strengthening financial sustainability.

Chapter 6 of *Rising to the Challenge* assessed the financial sustainability of South Australian local councils. In so doing it found that ‘there is no strong relationship between a council’s organisational size and either a strong financial position or a good annual financial performance’ (FSRB 2005, 49). Moreover, ‘the size and density of councils seem to play littler role in explaining the observed differences in the sustainability of the long-term financial performance and position of councils’. This led the authors to conclude that since ‘relative growth rates, size and density of councils altogether explain only a fraction of the differences observed in the sustainability of the long-term financial performance and position of councils, other financial characteristics must be more important contributors’.

Chapter 11 of the Final Report considered the thorny problem of optimal local government policy to enhance the operational efficiency of individual councils. The Report evaluated the claims made by the South Australian Local Government Boundary Review Board prior to its program of structural reform in that state which reduced the number of councils from 118 to 68 in the post-1995 period: ‘Recurrent savings’ of \$19.4 million per annum; and ‘one-off savings’ of \$3.9 million. The FSRB (2005, 85) observed that ‘whether the ongoing savings have in fact continued is a moot point’ since ‘fewer, larger councils are not the instant or easy fix that many would like to believe’, particularly in ‘non-metropolitan areas dominated by the “tyranny of distance” and other impediments’.

This led the Final Report to conclude that ‘amalgamation brings with it considerable costs and often exaggerated benefits’. Instead, it argued for other models of cooperation between councils, noting that ‘there are many intermediate forms of cooperation/integration among councils, with

amalgamation being the most extreme (and confronting) form of integration'. The authors then went on to consider the most promising of these alternative options and found that numerous 'voluntary arrangements' in shared services and joint enterprise had proved successfully in the South Australian local government milieu. Finally, it found that both regional organizations of councils and area integration models represented sound models for formalising inter-council cooperation.

## **Independent Inquiry into the Financial Sustainability of NSW Local Government**

In 2005, the Local Government and Shires Associations of NSW (LGSA) commissioned an Independent Inquiry into the Financial Sustainability of Local Government in NSW (LGI). The Inquiry had four main aims: To assess the financial position and performance of the NSW local government sector; to determine the adequacy of existing NSW local government infrastructure and service delivery; to evaluate the financial capacity of local government; and to identify potential reform options that could address any problems. To this end, the Inquiry published three public documents, including its Final Report *Are Councils Sustainable* published in May 2006.

Chapter 10 of the Final Report considered the question of council size and council efficiency. It observed that 'past local government amalgamations were based on the primary rationale that larger councils with larger populations could exhibit greater economic efficiencies' on grounds that bigger local government entities 'would enjoy lower administrative costs, smaller unit costs of representation, increased purchasing power, improved utilisation of depots, plant and equipment and draw from a more diverse funding base' (LGI 2006, 259-60). Stressing that there is 'uncertainty as to whether such a concept has a sound empirical basis', the authors cite the work of Byrnes and Dollery (2002) on scale economies, Rawlings (2005) on the Bombala Shire Council amalgamation, Chen (2001) on de-amalgamating

Delatite Shire Council, Allan (2003) on the economic effects of the Victorian amalgamation program, Brooks (2006) on relative rate rises, and Byrnes (2006) and Allan (2006) on operating costs per capita relative to population size, all of which cast doubt on the empirical premises underlying Australian council consolidation programs. The Final Report concluded that 'that achieving increased economies of scale and greater efficiencies through forcible amalgamation seems questionable, and generally not desirable from a local government or community perspective' (LGI 2006, 261).

Drawing on the models of local government identified by Dollery and Johnson (2005), *Are Councils Sustainable* argued that resource sharing and shared service models represented a superior alternative to compulsory amalgamation as a means of enhancing the efficiency of NSW local government. On the basis of this analysis, the Final Report proposed Recommendation 37 urging the NSW LGA to investigate the most appropriate methods of resource sharing.

### **Queensland Size, Shape and Sustainability Program**

In 2004, the LGAQ resolved to consider the pressures confronting councils in Queensland and investigate local government reform to secure the long-run viability of local councils. A Discussion Paper entitled *Size, Shape and Sustainability of Queensland Local Government* was released on 3<sup>rd</sup> March 2005 and a Special Conference of the LGAQ held in Brisbane in early June 2005. A 'ten point Action Plan' was subsequently endorsed by both the LGAQ Executive and the Queensland Minister for Local Government and Planning. The Action Plan provided for a local government reform program embodying the *Size, Shape and Sustainability* (SSS) Review Framework, sustainability indicators, 'options for change', 'Independent Review Facilitators' (IRF), and funding arrangements for state government support. The reform program itself is outlined in the *Size, Shape and Sustainability: Guidelines Kit* (LGAQ 2006).

The SSS program differs from the other state-based inquiries insofar as it involves a high degree of self-assessment by local councils; the *Guidelines Kit* (LGAQ 2006, Chapter 1, 6) noted that local councils must ‘assess their current and future sustainability against a number of key indicators’. It argued that ‘the use of indicators for SSS will assist councils determine how their councils are performing’. In particular, the SSS indicators may ‘help identify where there might be present or future vulnerabilities, opportunities, and strengths’. These latter three terms are defined in some detail: ‘Vulnerabilities’ consist of ‘risks or weaknesses within specific areas of council operations’; ‘opportunities’ focus on ‘areas within council operations that could be improved’; and ‘strengths’ consider excellence in council operations and areas where a given council could ‘provide assistance/benefit to other councils’.

Chapter 4 of the *Size, Shape and Sustainability: Guidelines Kit* (LGAQ 2006, Chapter 4, 4-5) considers the question of structural change in Queensland local government. The SSS proposed four different ‘options for change’: ‘Merger/amalgamation’, where two or more councils are consolidated into a single larger local authority; ‘significant boundary change’, where the spatial area of municipal jurisdictions is altered substantially; ‘resource sharing through service agreements’, in which one local authority undertakes specific functions for other councils, like strategic planning and waste management; and ‘resource sharing thorough joint enterprise’, in which municipalities combine their activities in a given service function in order to reap scale economies, such as official record keeping and storing. In addition to these ‘options for change’, the *Guidelines Kit* urges local government to ‘think beyond’ these possibilities and ‘identify additional options’.

Chapter 4 goes on to provide a detailed assessment of each of these four options, including tabular summaries of the ‘advantages’ and ‘disadvantages’ of each model. Benefits that can flow from amalgamation purportedly include ‘a sufficient resource base’, a reduction in the ‘total costs of government’, scale economies, lower staff levels, an ‘opportunity to review’ operations, rationalisation of assets, examine ‘cross-border’ facility and service utilization,

better promotion of economic development, improved growth management, the 'formalisation' of communities of interest, increased political lobbying power, and potential for 'fulltime' elected representatives. On the other hand, potential costs embrace 'exposure' to liabilities of other councils, addressing 'major difference in rates', lower grants, high costs of 'integrating' constituent councils, dealing with 'widely differing organizational cultures', creating 'differing levels of service in some areas', diluting existing representation, and 'small areas may lose direct representation'. Chapter 4 goes to some pains to stress the 'voluntary' nature of any amalgamation proposal, although it does point out that, under the Local Government Act 993, section 64(1) empowers the Queensland government initiate forced mergers.

Appendices B and C to Chapter, as well as Attachment A, provide detailed information on shared services and a rather incomplete summary of research into the question. The thrust of the discussion is that shared service models can deliver significant cost savings, numerous successful examples of effective arrangements exist, and research in Australia and abroad suggests widespread benefits from shared services. In essence, although it is never spelled out in so many words, the *Guidelines Kit* leaves the reader in no doubt that the LGAQ is strongly in favour of shared service approaches.

## **Western Australian Systematic Sustainability Study**

In January 2006, the Western Australian Local Government Association (WALGA) commissioned a review of local government, culminating with the publication of a Final Report of the WA *Systematic Sustainability Study* (WASSS) group entitled *In Your Hands: Shaping the Future of Local Government in Western Australia* in December 2006. Although this document examined all local government activity in WA, it devoted most attention to financial sustainability. However, the question of structural reform was discussed, together with council amalgamation.

Chapter 8 of the WASSS report considered municipal mergers as part of the broader tapestry of alternative models of service delivery in which a 'state/territory' model and an 'industry-owned service provider' delivered selected services on a regional basis for member councils represented the favoured options of the authors. In respect of council amalgamations, the report unequivocally observed that 'there was little prospect that forced amalgamations would achieve any lasting community benefit' on grounds that 'there is a growing literature and operating experience to this effect elsewhere in Australia' (WALGA 2006, 70). In short, Chapter 8 argued that 'the main benefits [from amalgamation] can be obtained by methods other than enforced structural reform.

## **PriceWaterhouseCoopers Report**

The PriceWaterhouseCoopers (PWC) (2006) *National Financial Sustainability Study of Local Government* report was commissioned by the ALGA in order to determine 'key financial issues' affecting financial sustainability and develop recommendations for improving sustainability. The report was made public in November 2006. In contrast to the earlier state-based inquiries we have examined, the PWC (2006, 147) report took a nation-wide perspective on local government and found that 'up to 10-30% of councils nationally may face sustainability challenges'.

Despite its heavy emphasis on the accounting attributes of local government sustainability, the PWC report nonetheless gave some considered attention to the question of structural reform. The following observations are significant in the present context:

- With respect to the state-based inquiry findings on amalgamation, the PWC (2006, 15) report observed that 'while the sustainability report undertaken in SA indicated that sustainability may be more linked to policy skills rather than size, evidence from other states indicates that scale, and implicitly size, does assist in improving sustainability'. Moreover, this 'divergence in results is largely due to the majority of SA

being an unincorporated zone, which would minimise the incidence of rural councils that cover large areas with a small population base and limited opportunities for economies of scale'. However, it reiterated that scale economies could best be sought via 'regional or shared service provision, outsourcing, [and] use of state-wide purchasing agreements' (p.16).

- The PWC (2006, 72) report argued that 'while structural reform through amalgamations are necessary in some instances, each potential amalgamation needs to be assessed carefully to avoid the risk of simply creating large inefficient councils'. It stressed the fact that 'remote councils' face 'higher cost structures' largely due to the tyranny of distance that no amalgamation process could remove.
- Section 2.6.2 of the PWC (2006, 75) report examined the effects of Australian council consolidation programs and concluded that 'mergers can bring greater financial strength and stability to councils, however, simply merging a number of adjoining unviable councils is unlikely to increase financial sustainability to the stage where there is a single viable council and it may decrease effectiveness and result in greater disputes between councillors based on parochial interests'.
- Finally, in its formal recommendations, the PWC (2006, 149) recommendation (a) contended that 'efficiency, effectiveness and scale' could be improved through regional service provision, shared service arrangements, outsourcing, state-wide purchasing initiatives, and the like, rather than by means of council amalgamation.

## **Local Government National Report**

Advocates of Australian municipal amalgamation have typically claimed that the weight of evidence supports the notion that 'bigger is better' in local government. For instance, in its 1997-98 *Local Government National Report*, which represents perhaps the most comprehensive justification for Australian municipal amalgamation, the (then) Commonwealth National Office of Local Government (1998, 51-62) provided a partial review of council restructuring,

with a summary of developments in all six states. The *Report* (1998, 51-2) argued that the Commonwealth government financially assisted structural reform in local governance, including amalgamation, for three main reasons: Firstly, larger local councils have 'a more secure and adequate financial base'; they are 'better able to plan and to contribute to economic development'; they are usually 'more effective community advocates'; and larger municipalities typically 'interact more effectively with government and business'. In essence, this claim rests on the proposition that small councils lack administrative and other forms of financial capacity compared with larger merged municipalities.

Secondly, since Commonwealth Financial Assistance Grants from the Australian government represent around 10% of council income on average, the federal authorities want 'councils to deliver value-for-money services to local communities'. In addition, due to the fact that structural reform yields 'economies of scale and permits councils to employ a wider range of professionals', amalgamation will generate both a greater range of services and an enhanced quality of service.

Finally, 1997-98 *Local Government National Report* maintained that structural reform is essential because 'without change, councils face the possibility of an ever-diminishing role as individual services are contracted to the private or voluntary sectors, while other concerns, such as the environment, are addressed by special interest groups or agencies', all of which can 'undermine local democracy and reduce service integration'.

The 1998-99 *Local Government National Report* (National Office of Local Government 1999, 51) added a fourth argument to this set of claims: 'An important advantage of structural reform is that money stays in the community' since 'money that would have been spent on council depots or stores or on administration can be spent instead on service improvement or infrastructure for the benefit of the local community'.

Against this background, it is thus especially interesting to observe how official thinking has changed over the past eight years. In Chapter 3 of 2004-05 *Local Government National Report* (DOTARS 2006, 70-1) the question of amalgamation is considered under two headings; 'local council size and structural efficiency' (p.70) and 'local government amalgamation and alternative levels of municipal governance' (p.71).

The former section noted that amalgamation has long been 'a key feature of Australian local government reform'. The *National Report* then observed that the Hawker Report (2003) had argued that 'mergers can bring greater financial strength and stability' to small rural councils, but immediately qualified this sentiment by adding that 'the [Hawker] report went on to say that amalgamations might not always be an appropriate response to the need for structural reform, particularly for small remote councils that may be separated by vast distances' and thus 'mentoring arrangements with a larger more prosperous council or membership of regional organisations may be more appropriate in such circumstances' (p.70-1).

The latter section contends that although council consolidation has been the 'dominant form of structural change' in Australia, a 'wide range of other reforms and strategic alliances have also been implemented involving resource sharing, joint purchasing and joint service delivery'. The authors cite the taxonomy of alternative models of local government developed by Dollery and Johnson (2005) and then describe three of these models in approving detail: *Ad hoc* resource sharing models; regional organizations of councils; and joint board models.

## **Concluding Remarks**

This paper has advanced the claim that the traditional consensus amongst Australian local government policy makers that structural reform (under the guise of council amalgamation) represents the most efficacious method of enhancing operational efficiency in local councils has broken down. We have

presented evidence in support of this claim drawn from recent state-based local government association-led inquiries into local government in South Australia, New South Wales, Queensland and Western Australia, the PriceWaterHouse national report prepared for the Australian Local Government Association, and the 2004-05 *Local Government National Report*.

This evidence has demonstrated what appears to be a clear shift in opinion away from amalgamation towards alternative models of council cooperation, particularly shared service provision arrangements. While some of the documents examined are still equivocal on the merits of amalgamation in some limited cases, most notably the Queensland SSS program and the PriceWaterHouse report, the majority has undoubtedly eschewed support for council consolidation in all but extreme circumstances. As the evolution of thought on amalgamation in the various *Local Government National Reports* we have considered perhaps most vividly illustrates, the erstwhile consensus that 'bigger is better' in Australian local government has vanished.

It may be objected that the state-based inquiries, as well as the national PriceWaterHouse report, all occurred under the auspices of local government peak bodies and are thus representative of opinion in the industry rather than among actual policy makers in state legislative assemblies and their advisors in the respective state Departments of Local Government. This objection ignores several important features of the contemporary debate in Australian local government. In the first place, as the discussion on the *Local Government National Reports* made abundantly clear, Commonwealth government policymakers have undoubtedly changed their minds on the efficacy of municipal amalgamation relative to other methods of securing economies of scale and scope in council operations. This proposition derives further support if we consider the Hawker Report (2003) and the ongoing Commonwealth government *Roads to Recovery (R2R)* funding program. As Dollery (2005) has shown, despite its heavily politicised approach, the Hawker Report did not see council consolidation as a panacea for the problems of

struggling Australian local councils. Furthermore, although the *R2R* is primarily designed to alleviate road infrastructure investment and maintenance, Dollery et al. (2006c) have argued that it represents a fundamental break with past funding arrangements in Australian fiscal federalism in that it transfers vast sums of money directly to councils thereby bypassing state governments. In effect, the Commonwealth government has thus developed a ‘partnership’ arrangement with local authorities, including numerous small remote, rural and regional councils, which bespeaks its belief in their ongoing individual autonomy.

Secondly, although the bulk of the material considered in this paper emanates from state-based inquiries held under the auspices of organized local government, the objection that it thus simply reflects the views of the local council membership of these peak bodies is also misplaced when we consider that state governments both actively and passively contributed to these inquiries. For example, the Queensland SSS program and its review process is well-funded by the Queensland state government. Moreover, to date no state government has sought to debunk the findings of its state inquiry; nor has the Commonwealth government attacked the PriceWaterHouse report.

Finally, the shift from amalgamation to other forms of council cooperation that has been demonstrated in this paper has been supported by state governments and their respective Departments of Local Government. This is perhaps best illustrated in the context of New South Wales local government where the Department of Local Government has invested several million dollars in ‘strategic alliance’ arrangements between groups of local councils, most notably the New England Regional Alliance of Councils (Dollery et al. 2005) and the Wellington-Blayney-Cabonne Strategic Alliance (Dollery and Ramsland 2005).

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