

30 September 2009

The Hon. GM (John) Castrilli, MLA
Minister for Local Government, Heritage, Citizenship and Multicultural Interests
12th Floor, Dumas House
2 Havelock Street
WEST PERTH WA 6005

Dear Minister

Local Government Structural Reform Submission

Name: Marion Fulker, CEO
Organisation: Committee for Perth
Address: 996 Hay Street, PERTH WA 6000
Interest: Community and Business Representation

We respond to your request for submissions on the subject of Local Government Structural Reform from the perspective of metropolitan governance.

The Committee for Perth is an apolitical business sector think tank whose focus is to actively improve the liveability of Perth by providing visionary ideas and solutions that drive the sustainable development of Perth as a metropolitan area of rich cultural diversity, economic prosperity and world-class amenity. As such, we focus on all areas that impact on the liveability of the Perth metropolitan region. We are not a problem identifier but rather a solutions provider.

This submission has been prepared by the Committee for Perth using a fact based approach through researchers and academics and with input from members of the Reforming Working Group which has responsibility for developing initiatives, advocacy and monitoring programs in order to progress the deregulation of government policies that negatively impact on our vision for Perth.

This submission outlines the Committee's views on local government structural reform in Western Australia, with a particular focus on the impact of governance structures on the economic development and global competitiveness of the Perth metropolitan region.

Should you require any additional commentary, please do not hesitate to contact me.

Yours sincerely

Marion Fulker
CEO

Local Government Structural Reform

INTRODUCTION

This submission has been prepared by the Committee for Perth and outlines the Committee's views on local government structural reform in Western Australia, with a particular focus on the impact of governance structures on the economic development and global competitiveness of the Perth metropolitan region

BACKGROUND

The Committee for Perth, established in 2006, is an influential member-based organisation driven by Perth's business and community leaders. We promote and enable change that improves the cultural diversity, economic prosperity, sustainability and world-class amenity of Perth.

Our vision is a city with an integrated strategic plan which ensures that metropolitan Perth:

- promotes the high value of its people;
- embraces its natural environment;
- is vibrant and innovative;
- participates on the world stage; and
- has a strong sense of place.

The Committee for Perth believes that the current fragmented system of local government in the metropolitan region is hindering the potential to achieve this vision.

The Committee therefore supports structural reform of local government, however we believe that this reform needs to go beyond the voluntary amalgamation of Councils to incorporate a structure for regional leadership and co-ordination in the Perth metropolitan region.

IMPACT OF GOVERNANCE STRUCTURES ON ECONOMIC DEVELOPMENT

We assert that in order to effectively compete with other metropolitan regions throughout the world, the Perth metropolitan region needs to be formally organised to explicitly serve the purposes of the region in pursuit of economic development.

The current governance structure fails to achieve this for two reasons: local government is too fragmented; and there is no dedicated mechanism for integrated regional co-operation (i.e. there is no specific mechanism for regional integration in the metropolitan area and there are poor links at state government level between different Ministries influencing greater Perth's development).

There is a significant amount of literature that considers the impact of fragmented local government on economic development. There are three primary schools of thought on this issue:

1. The first suggests that fragmented local government benefits economic development by providing greater choice and improving performance through competition.
2. The second supports the theory that government consolidation supports economic growth due to the efficiency of large, multi-purpose governments in administration and production and in addressing regional problems and preventing costly duplication of services.

3. The third acknowledges the potential for multiple local governments to provide some benefits in representation and local service delivery but focuses on the importance of coupling this with mechanisms for collaborative planning and decision making at a regional level.

The third 'regional' model is the model which we believe is most suited to Perth and this view has been supported by a number of recent studies.

The 2006 OECD Territorial Review: Competitive Cities in the Global Economy found that economically successful cities attract talented young highly-skilled workers, are centres of innovation and entrepreneurship and are competitive locations for global and regional headquarters. Further, the report finds that effective governance of cities depends on a formal government at the metro-regional level as well as lower level local government and non-government networks.

The OECD findings are supported by studies undertaken in the United States, which indicate that governance affects the long term competitiveness of the metropolitan economy. It does not determine economic outcomes but reduces the ability of cities to adapt to changing economic conditions (Hamilton, Miller & Paytas, 2004). These studies conclude that regional economic performance is optimal where there is unified regional governance coupled with decentralised local government. The worst combination for metropolitan competitiveness is decentralisation within regions where there is a centralised state government (Hamilton, Miller & Paytas, 2004).

An additional study, which investigates the relationship between metropolitan governance structures and growth in personal per capita income in metropolitan statistical areas, supports the regional perspective. It found that, as decision-making becomes fragmented, growth in personal income declines. Second, it finds that the presence of a regional government has a positive effect on personal income growth, even when fragmentation exists at a local government level. The authors conclude that that individual welfare appears to be advanced by the presence of more consolidated governments and a governance structure capable of coordinating decisions among local governments for regional benefit (Nelson & Foster, 1999).

The OECD study also identifies a need for coherent regional visions and development strategies for economic and community development at a regional level; and finds that liveable cities with high-quality infrastructure and green spaces can contribute to economic success, attracting foreign investors as well as highly qualified professionals and tourists.

Crucially the OECD also finds that a strong, effectively governed, city centre is a vital component of a globally competitive city. It recommends that, in order to attract business, residents and tourists, city centres need to be attractive and vibrant with a mix of uses including inner city residential development. We believe that Perth's city centre is currently lacking in this regard and that both local and regional government needs to be strengthened in order to focus resources on the regeneration and enhancement of commercial and residential areas in the city centre.

It is therefore our view that regional governance or a mechanism for cooperation at a metropolitan region level is an essential component of a globally competitive city. We also believe that a mechanism for formal regional cooperation would benefit Perth by:

- enabling the development and implementation of an integrated vision and strategy for the region;

- allowing for policy consistency and integrated planning and infrastructure delivery;
- providing a united voice for the promotion of Perth as a globally competitive economic centre; and
- promoting the region as a tourism location and a location for world class facilities and events.

We believe that the State Government should initiate an appropriate process to identify the best model for regional governance in Perth. This process will ultimately impact on and inform the appropriate model for local government structure in Perth and should be undertaken prior to finalising a model for local government structural reform.

LOCAL AUTHORITY AMALGAMATION

The 'regional' governance approach would also be strengthened by the appropriate amalgamation of local governments within the metropolitan region where there are opportunities to provide for efficiencies in service delivery, economies of scale and to reduce the potential for parochial issues and competition between cities to retard regional economic development.

In particular, the importance of a strong capital city, with a strong central core for Perth to be globally competitive means that there is potential for substantial benefit by amalgamating central residential and commercial areas under a single local government umbrella. This could provide for integrated planning of the city centre as a whole and build its role as the primary business, retail, cultural, entertainment and residential area in the region.

Another important element of liveable cities is sustainable land use patterns to reduce urban sprawl and ensure infrastructure efficiency, a current priority for the state government. This will be increasingly critical as Perth continues to grow and faces the challenge of accommodating the population without exacerbating problems of high levels of growth at the urban fringe. There is evidence that fragmented local government can contribute to urban sprawl due, in part, to the tendency of local authorities to enact land use regulations to secure lifestyle preferences for low density, suburban living environments (Carruthers, 2003). Amalgamation of local authorities may assist in addressing this issue in the long term.

It is noted that the Department of Planning and Infrastructure (DPI) has identified problems related to the requirement for dual approvals to be obtained under the region scheme (Western Australian Planning Commission (WAPC)) and the relevant local authority scheme. The Department is proposing to address this issue by providing, via legislation change, 'call in' powers for the WAPC and the Minister for Planning for projects of State of regional significance, as well as establishing Development Assessment Panels to assess major projects (DPI, 2009). While these changes would be positive steps in enabling projects of regional significance it does have the potential to further complicate what is already a complex regional planning system by effectively having separate rules for different projects. We believe that the government should consider the potential for a more effective long term approach to simplifying the regional planning system by creating a formal level of regional governance underpinned by a less fragmented structure of local government.

An additional, documented benefit of both local government amalgamation and regional co-operation mechanisms is the potential to minimise the economic segregation of neighbourhoods. Fragmented governance is significantly linked to economic and racial segregation in metropolitan

areas in the United States (Miller 2002). This segregation has undesirable impacts such as the potential for the creation of 'ghettos', which in turn has a detrimental impact on the well being of the city and the economic development of the region as a whole. In the past few decades the south east and north east corridors of Perth have experienced some of these symptoms.

There is also evidence that community satisfaction is generally higher in places with more consolidated government, due to greater satisfaction with service delivery. While the level of government consolidation itself has little direct affect on service satisfaction, it does affect its variance and therefore the equity of service delivery across the region: i.e. that is that satisfaction variance is greater under a fragmented system where service delivery is less equitable (Lowery, 2001).

We believe that there is currently too much inconsistency across local government in the Perth metropolitan region with authorities varying wildly in size, Councillor representation and revenue. For example the land area of regional local authorities varies from 1,043 square kilometres to just 1.5 square kilometres; Councillor representation varies from one Councillor per 11,805 people to one Councillor per 184 residents; and annual revenue varies from approximately \$156 million to approximately \$6.5 million with total revenue across all authorities of approximately \$1.5 billion (WALGA, 2009).

Local governments in Perth are therefore very different types of organisations. We believe that this level of variance could be a significant hindrance to the potential for inter-council co-operation and is likely to result in significant inequities in service delivery between local authorities in the region. This not only reduces the potential for Councils to work together to achieve regional goals it has the potential to exacerbate neighbourhood segregation and ultimately threaten economic development.

We believe that some amalgamation of local authorities could assist in ensuring equitable service delivery across Perth, however to identify where amalgamation should occur the State government should undertake a detailed assessment of local authority service delivery and cost of service to identify the optimal local authority size and structure.

We do not consider this level of fragmentation to be an appropriate mechanism for the management of the Perth metropolitan region, which is the economic powerhouse of Western Australia and Australia's third centre of Corporate Control (Tonts & Taylor, 2009). Nor do we believe that the current local government structure provides for the appropriate management of the \$1.5 billion of funds which is currently spent by metropolitan local governments on an annual basis.

We therefore believe that some local government amalgamation is necessary to reduce variance in the types of local government in Perth and that a formal mechanism for regional co-operation governance is necessary to ensure the appropriate allocation of funds for projects and services that are of regional benefit.

REVIEW OF SUCCESSFUL METROPOLITAN LOCAL GOVERNMENT MODELS

To assist in the preparation of this submission, the Committee for Perth commissioned research into successful local government reform in other jurisdictions. The research considered five cities in the English-speaking world – London, Vancouver, Montreal, Auckland and Brisbane.

The table below compares the five chosen metropolitan regions on the basis of key local government-related criteria.

	London	Vancouver	Montreal	Auckland	Brisbane
Population (m)	7.5 (2006)	2.2 (2007)	3.6 (2006)	1.4 (2006)	1.9 (2008)
State-System	2-tier	3-tier	3-tier	2-tier	3-tier
Name of regional governance structure/s	Greater London Authority	Metro Vancouver	Montreal Metropolitan Community (MMC); Montreal Agglomeration Council (MAC).	Auckland Council	Brisbane City Council
Date established	2000	1967	2001	2010	1925
Local Government Model	<i>Democratically Elected Supra-Metropolitan Governance</i> Directly elected Mayor plus Local Assembly plus 32 London boroughs + City of London	<i>Inter-Municipal Governing Body</i> Inter-municipal governing body (22 municipalities, one electoral area, and one treaty First Nation)	<i>Inter-Municipal Governing Body</i> MMC- Inter-municipal governing body (19 boroughs; president of the MMC is the mayor of Montreal); MAC-supra-municipal entity between the municipal level and the regional municipal level	<i>Unitary Council</i> Directly elected Mayor, one council, 20-30 boards	<i>Unitary Council</i> Directly elected Mayor, one council, 26 wards
Pros	Strong internal leadership	Inclusive decision-making; evolving structures	Inclusive decision-making; evolving structures	Centralised decision-making; Economies of scale	Centralised decision-making; Economies of scale
Cons	Weak external leadership (see Sweeting, 2002)	Perhaps perceived as too bureaucratic	Perhaps perceived as too bureaucratic	Perhaps limited community input	Perhaps limited community input

Source: (Wetzstein, 2009)

This research has indicated that there is no 'one size fits all' governance model and therefore highlights the need for careful consideration of the particular institutional, political, legal, socio-economic and historical context of the city in crafting local government reform. Additionally a more detailed analysis of each of these systems is required in order to gain a more complete understanding of their strengths and weaknesses.

However it is evident that all of these cities favour a governance structure that allows for the co-ordination of governance at a metropolitan region level, and that this has been successful in allowing for the development of integrated visions and strategies for the metropolitan regions and that ultimately these cities have been successful in maintaining and building on their global competitiveness.

CONCLUSION

The Committee for Perth supports reform of local government in Western Australia and believes that the appropriate amalgamation of local authorities within the Perth metropolitan region has the potential to improve efficiencies and economies of scale as well as reduce the capacity for parochial issues and inter-governmental competitiveness to retard regional economic development.

In particular we believe that there is a need to strengthen city centre governance to ensure the long-term development of a vibrant city centre - an essential element of an economically successful metropolitan region.

Most importantly however, the Committee believes that the Perth metropolitan region needs to be formally organised to explicitly serve the purposes of the region in pursuit of economic development and to achieve this there is need for the development of an appropriate structure for regional leadership and co-ordination.

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