

ROLE OF RESIDENTS, NON-GOVERNMENT ORGANIZATIONS AND QUASI-PUBLIC
AGENCIES IN LOCAL GOVERNMENT

by

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Introduction

This paper will examine the nominated topic for Australia and New Zealand. New Zealand has been very innovative in recent years in the reform of the local government sector. The framework used for the topic will be taken from Charles H. Levine "Citizenship and Service Delivery: The Promise of Coproduction."¹ American local authorities have faced severe fiscal stress in the past decade so their research is the most useful to use as a framework.

Australia has only recently begun to examine this topic. Australian local authorities collect only about three and a half percent of all taxation and this minor tax level means that there has been no locally-based tax revolt. Most local authorities increase their property taxes in line with the increase in consumer prices, so there has not been the fiscal crisis that has caused local units in other countries to examine revenues and expenditures. The intergovernmental grants system in Australia has also been relatively stable and this has also limited the financial crisis on local authorities.

Levine's framework is presented below:

Methods of Coping With Fiscal Stress

I Privatising service delivery

Contracting with a private for-profit firm
Franchising services to a private firm
Vouchers

User fees and charges to ration demand for services
Shedding service responsibility to a private firm or no-profit organisation.

II Intergovernmentalising service delivery arrangements

Shedding service to another unit of government or authority
Sharing service responsibility

III Improving operating productivity

Methods to monitor performance
Methods to maximise output per dollar
Methods to improve financial decision making
Methods to track costs
Methods to monitor and manage contracts

IV Deprofessionalising bureaucracies

Civilianising sworn personnel
Using volunteers and paraprofessionals
Using reserves and auxiliaries

V Devolving service responsibility

Neighborhood organisation of service delivery

Self help
Co-production
Public/private partnerships to solve community problems

Source: Charles H Levine, 'Citizenship and Service Delivery: The Promise of Coproduction,' Public Administration Review, vol. 44 (March, 1984), pp. 178-189.

I Privatising service delivery

Contracting with a private for profit firm.

Compulsory competitive tendering for local government services – as applied in New Zealand and the United Kingdom – has been probably the most widely utilised innovation in local government over the past decade. Originally the idea of Margaret Thatcher, compulsory competitive tendering is designed to ensure efficiency in in-house activities. Usually applied to services such as garbage collection, cleaning and park maintenance, and other 'outdoor' services, the threat of outside contractors can be a powerful incentive to improve internal effectiveness.

Some recent writers such as Rodney Brooke claim that local government should merely be an 'enabling authority.'² Many councils in the United Kingdom and New Zealand are moving towards being merely managers of private contractors with a low level of full-time staff. This trend is a powerful one within the private sector. Charles Handy refers to the 'shamrock' organisation that is now becoming so widespread in the private sector. One leaf of the shamrock is a small core of highly paid, highly skilled managerial and planning staff. The second leaf of the shamrock is the private contractors who supply almost all the products. The army of part-time staff employed by the contractors is the third leaf of the shamrock.³ The system provides flexibility, cuts overheads, and competition among suppliers lowers costs.

Many Australian local authorities use private contractors. Garbage collection is the item most frequently let to private contractors, and some councils also contract road maintenance and construction, and kerb and channelling work. Contracting is most frequently used for tangible physical works. The pattern in contracting in Australian local government is shown in tables one and two, taken from Evatt Research Centre Breach of Contract Privatisation and the Management of Australian Local Government (Sydney: Evatt Foundation and Pluto Press, 1990), pp. 42-44.

Table 1
1989 Evatt Survey: Councils Providing Specified Service who are Currently
Contracting Out that Service: by State %

	NSW %	Vic %	Qld %	SA %	WA %	Tas %
Recreation Facilities						
Maintenance of Parks/Gardens	18	18	13	21	8	14
Operation of:						
Public Libraries	1	3	1	2	2	0
Art Galleries/Museums	7	5	4	15	12	0
Pools/Recreation Centres	42	36	44	21	12	29
Theatres	25	23	0	25	25	0
Camping/Caravan Parks	65	58	41	42	23	53
Cleaning of:						
Halls/Community Centres	47	39	38	30	24	23
Public Libraries	46	33	35	36	21	60
Art Galleries/Museums	38	22	40	50	35	33
Pools/Recreation Centres	40	35	41	27	15	37
Theatres	60	33	44	33	38	67
Camping/Caravan Parks	67	59	38	48	27	57
Public Works and Services						
Construction of						
Roads/Footways/Bridges	61	59	25	49	27	28
Cleaning/Watering of Roads	25	7	12	19	7	21
Drainage	28	37	14	18	8	26
Building Inspections	1	8	9	14	1	3
Cleaning of:						
Foreshore	10	20	11	12	3	6
Town Hall/Office	46	38	37	36	27	38
Statues/Other Fixtures	11	10	10	19	4	5
Operation of:						
Cemeteries/Crematoria	6	13	6	13	3	5
Aerodromes	0	6	7	11	9	0
Car Parks	4	4	4	3	2	0

	NSW %	Vic %	Qld %	SA %	WA %	Tas %
Maintenance of:						
Roads/Footways/Bridges	18	18	13	26	11	14
Cemeteries/Crematoria	9	10	7	13	3	0
Aerodromes	9	15	13	11	8	0
Car Parks	11	7	0	5	5	0
Parking Meters	0	28	14	0	0	0
Sanitary Services						
Household/Garbage Collection	61	61	49	52	44	67
Other Garbage Collection	64	57	48	37	44	0
Recycling	78	57	60	33	50	60
Sewerage	10	12	0	17	19	24
Public Convenience cleaning	27	28	21	42	17	22
Welfare and Health Services						
Home Help/Nursing	0	1	25	11	0	0
Meals on Wheels	21	8	0	14	0	0
Elderly Citizens Services	9	2	17	7	0	0
Fire Prevention/Control	1	24	13	5	4	8
Social Workers	5	0	0	0	0	0
Operation of:						
Kindergartens	12	7	33	0	8	0
Child Care Centres	3	7	7	0	5	0
Health/Welfare Centres	14	1	0	17	4	0
Cleaning of:						
Health/Welfare Centres	43	42	14	20	38	17
Kindergartens	44	49	0	0	25	0
Child Care Centres	45	49	58	40	38	20

Table 2
1989 Evatt Survey: Councils Providing Services who are
Currently Contracting Out that Service: by Region %

	Developed Metro %	Fringe Metro %	Provincial Cities %	Small Cities %	Rural Towns %	Rural %
Recreation Facilities						
Maintenance of Parks/ Gardens	29	36	30	24	10	9
Operation of:						
Public Libraries	0	0	0	7	2	2
Art Galleries/Museums	7	9	0	9	6	11
Pools/Recreation Centres	26	44	38	52	37	18
Theatres	44	25	0	7	30	10
Camping/Caravan Parks	100	44	58	76	54	29
Cleaning of:						
Halls/Community Centres	49	46	57	65	35	14
Public Libraries	44	46	62	62	34	10
Art Galleries/Museums	25	27	64	55	17	33
Pools/Recreation Centres	32	48	42	56	34	17
Theatres	50	75	44	67	37	9
Camping/Caravan Parks	100	67	59	63	62	26
Public Works and Services						
Construction of Roads/ Footways/Bridges	82	67	63	56	38	28
Cleaning/Watering of Roads	8	32	25	15	14	9
Drainage	50	44	46	35	17	7
Building Inspections	4	15	0	3	6	9

	Developed Metro %	Fringe Metro %	Provincial Cities %	Small Cities %	Rural Towns %	Rural %
Cleaning of:						
Foreshore	8	10	15	21	18	0
Town Hall/Office	39	48	48	68	40	22
Statues/Other Fixtures	29	18	0	17	7	4
Operation of:						
Cemeteries/Crematoria	8	0	0	11	7	8
Aerodromes	0	0	9	0	11	2
Car Parks	6	8	5	0	3	0
Maintenance of:						
Roads/Footways/ Bridges	37	23	21	15	14	11
Cemeteries/Crematoria	21	6	0	11	8	5
Aerodromes	0	0	27	7	12	8
Car Parks	18	0	14	3	4	0
Parking Meters	30	0	0	9	29	0
Sanitary Services						
Household/Garbage Collection	40	61	60	65	62	45
Other Garbage Collection	52	75	69	67	46	40
Recycling	62	83	71	63	41	50
Sewerage	33	33	25	5	8	8
Public Convenience cleaning	31	23	24	24	32	19
Welfare and Health Services						
Home Help/Nursing	6	0	0	8	0	3
Meals on Wheels	15	9	0	0	10	3
Elderly Citizens Services	10	0	18	0	1	3
Fire Prevention/Control	35	16	18	17	10	3
Social Workers	3	0	0	0	0	0

	Developed Metro %	Fringe Metro %	Provincial Cities %	Small Cities %	Rural Towns %	Rural %
Operation of:						
Kindergartens	14	9	0	10	6	10
Child Care Centres	10	5	7	0	5	0
Health/Welfare Centres	0	12	0	0	4	5
Cleaning of:						
Health/Welfare Centres	53	50	29	58	40	13
Kindergartens	59	73	0	67	42	0
Childs Care Centres	61	61	27	71	36	0

(Note: Data in Table 3.7 shows the percentage of municipalities that Contract out who actually provide the service; i.e. it does not count those who don't contract out simply because they don't provide the service.)

The State Local Government Acts usually prevent the contracting out of many senior staff positions. Most local authorities must by law employ a Town Clerk, a Health and Building Surveyor, a Municipal Engineer and so on. - This adds to costs and restricts these well paid positions to a limited group who must have an approved background in local government. New Zealand local government has been drastically reformed and all staff are now on contracts with detailed performance criteria. The New Zealand approach is to encourage general managers with proven track records in the private sector and other parts of the public sector to enter local government. These managers are generally well paid but have little employment security.

There are some problems with contracting in Australian local government. Unions are powerful in Australia and moving from in-house supply to contracting can often lead to industrial unrest and even strikes. Unions - especially in waste disposal - can often gain above average rewards by industrial threats or the policy of the council, and these may be reduced if the service is contracted.

Local authorities outside the metropolitan areas may find it difficult to engage reliable contractors. Local government is an important employer in country towns and rural areas, and using private contractors may mean that workers are introduced from outside the town.

The vast distances in Australia also mean that private contractors might find it difficult to respond to urgent requests in a reasonable time. Many local authorities feel that there is no need to contract services for which there is a reliable and predictable demand. Council employees can get to know their area well and may often perform better than contractors.

Australian local authorities enjoy major tax advantages over private contractors. They can obtain goods and services free of sales taxes, are not liable to company tax, can use internal funds free of interest costs, and do not have to pay a profit. They can also undercut tender prices by not charging overheads fully into costing for services to be contracted. It can be expected, therefore, that local governments can often provide services at lower cost than private contractors who have to pay high interest rates and taxes - and make a profit.

New Zealand local authorities are very innovative in their use of contractors. The Labor government in New Zealand in the eighties was very much influenced by the privatisation philosophies implemented by Margaret Thatcher, the British Prime Minister. New Zealand reduced the number of local authorities from 828 to ninety-three in 1989. A new management philosophy accompanied this dramatic reduction in the number of units. Basically New Zealand local authorities have to become competitively neutral, with no tax advantages over the private sector. Apart from general public services and those directed at the needy, local authorities have to establish local authority trading enterprises (LATES). The local authority must establish a LATE for road construction work if it obtains any funds from the central government. The local authority itself is not allowed to tender for the road works. The LATE is registered under the Companies Act and obtains no special tax concessions. The aim is to make local authorities use private contractors more extensively to maximise efficiency. The reform shows the deep suspicions about the efficiency of the traditional local authority in-house production system.⁴

Franchising services to a private firm

Franchising is one of the fastest growing segments in the private sector. The idea makes sense because the franchiser can undertake substantial research and development, train staff, and provide marketing and product innovation advice. Local government would seem to be ideally suited to franchising because in Australia the more than 800 units

are often too small in population to be able to afford proper in-depth research on a wide range of local government activities. Local governments often repeat the same mistakes, and fail to gain the advantages of specialisation that can only come through a focus on a few areas of activity.

Franchising would seem to be an ideal solution to the problems local authorities face in running swimming pools, recreation centres, child care centres and so on. Franchising could originate from within the local government sector itself. An innovative local authority could specialise in, say, swimming pool management, build up its expertise, conduct research and development, and sell the franchises to other local authorities. This process is rare in local government in Australia. The organisation culture and reward systems do not encourage risk taking. The salary structures are generally uniform within a State and a chief executive officer in local government has little incentive to develop a package that could be used in many areas across the nation. There is of course some interchange between local authorities because it is a piecemeal, ad hoc affair. Local government is inherently parochial, is eager to claim that it is the best in a particular field, and is often not willing to admit that someone else has a better product.

The widespread adoption of corporate planning systems in Australian local authorities has probably been one of the few examples of successful franchising. Corporate planning was imported from the United Kingdom in the 1970s and soon became popular. Some councils like the Shire of Gosford in New South Wales sold their management package to local authorities around the country. The Institute of Municipal Management (IMM) - the association of the Town Clerks and Chief Executive Officers in local government - has become very active in disseminating new management ideas. The IMM has close links with the International City Management Association (ICMA) in Washington and disseminates ICMA material throughout Australia.

The Commonwealth government funds an innovation program called the Local Government Development Program and makes awards for excellence each year. Small research grants are allocated to councils, who hire consultants to research a particular topic. While the program is valuable in encouraging innovation, there are few examples of important policy changes that have resulted from the grants. The grants help to change the general climate of opinion in local government by, for example, making local units more interested in economic development and human service provision as areas of activity. But the program has not led to franchising on any important scale. Disseminating the research results has been a problem.

As privatisation and the emphasis on competition becomes more important in local government culture, some progressive local governments might become more interested in developing franchising. This would overcome the lack of trust that often exists when using private contractors who are seeking profit. It may be, however, that the local government associations that exist in each State might expand their functions and become franchisers. This has already happened to some extent in training matters. In 1989 the Federal government introduced a training levy and each organisation - whether public or private - must spend one per cent of its payroll on approved training activities. Many new private firms entered the training market but their product was rarely specifically designed for local government's needs. Local government associations - especially in South Australia - have tried to gather the training levy funds and develop franchised packages for use in local government. This has met with resistance from some larger local authorities who demand the freedom to pursue their own policies.

Computers are probably the one area of local government activity where franchising is more widespread. Private computer firms like Genasys service about sixty councils across Australia and in effect gain economies of scale in franchising. They conduct seminars and user groups and can afford, with their wide client base, to invest in new software and computer mapping systems for local government. The firm provides an on-going management service to each client council, a practice similar to the franchising idea.

The demand for franchising will probably expand in the future. The Australian economy is growing very slowly and many councils, especially the smaller ones, are finding it difficult to afford the expensive manpower to develop their own management systems for new activities, especially in economic development, human services, and cultural and recreational areas.

Vouchers

The voucher is a possible way for local authorities to manage demand and limit service usage. In some local authorities in Australia a household is given six free vouchers, which allow free entry to the municipal rubbish tip. After these are used up the household is liable for normal tip charges. The voucher idea is a way of allowing people to obtain specific benefits from their local government rates on property, the main revenue raising device used in Australia. The voucher

could be extended to cover a wide range of other local services such as libraries, child care facilities, recreational and cultural centres. The voucher allows more equity in local government funding because, while it allows families some use of council facilities, it ensures that heavy service users are charged for their abnormally high usage. The voucher could also be allocated to specific needy groups, such as the aged and young people, who may have difficulty paying full cost user charges on municipal facilities.

User fees and charges to ration demand for services

Economists usually support user fees for many services. User charges, it is argued, make consumers cost conscious and more aware of service quality than if the service were free. User charges also make local government staff more commercially and marketing minded, because they can no longer attract customers just because the service is free or priced well below the cost of supply. User charges make suppliers more aware of the complex segments in the market and ensure that governments, like a private monopoly, do not just provide a boring uniform product to the mass of consumers.

User charges would allow local authorities to cope with the problem of benefit spillovers between local government areas. Most of the local government boundaries in Australia were created last century and most urban and rural areas have a very fragmented pattern of local governments. People who live in one local authority often, in the course of a week, use the services provided by another unit. This causes friction between local units and leads to actions by State governments to force amalgamations. User charges would overcome many of these spillovers because if full costs are being charged it does not matter and indeed can be beneficial if residents from outside a local authority use its services.

User charges can mean that a local authority reduces the influence of unrepresentative pressure groups who demand expensive services such as sporting fields which are used by a small minority of the population. Increasing levying of user charges on specific services should allow general property taxes to be reduced and relate revenue raised more directly to service usage. User charges quickly establish the real pattern of demand for a product, because if consumers are reluctant to pay charges this is a very good measure of the real demand for the product.

Opponents of full cost user charges usually claim that charges will disadvantage the low income group - that is, they are regressive. This is true to some extent, especially if the municipality supplies services such as libraries, swimming pools and social welfare services that are used predominantly by the disadvantaged. Current thinking in Australia, New Zealand and the United Kingdom is in favour of the clear separation of what is termed 'Community Service Obligations' from normal commercially chargeable activities. For too long the public sector has tolerated inefficiency on the grounds that the activity in question was a 'social service' for which the poor cannot be expected to pay. New management practices insist that local government operate its activities on a commercial basis, costing and charging as if it were a private firm. Those declared subject to community service obligations must be identified and a clear decision made to grant a subsidy to this defined group. The cost of these subsidies can then be recovered from a higher level of government. Increasingly the demand is for central governments to provide the disadvantaged with an adequate minimum income so that they can afford to pay user charges.

The provision of rate relief to aged pensioners in Australia is an example of a CSO which is becoming increasingly expensive. The aged may live in expensive homes in well located areas and their dwellings are often well in excess of their current space needs. The aged pension means test is relatively generous in Australia, so many of these pensioners may be less needy than others in the community. Generous rate relief encourages the aged to stay in their often inappropriate homes that could be used by others with more need for housing space. The pensioner or his beneficiaries often obtain substantial - and usually untaxed - capital gains when the property is eventually sold, while the local authority gains no refund for its generous subsidies. Some local authorities provide the rate rebate only as a loan repayable when the house is sold.

A more complicated community service obligation is the belief of many councils that they have to subsidise an activity like a cultural centre or a new industrial estate to improve the image of the town or to attract industry. This is a difficult point to debate. The new management writers insist that the subsidy to this area development role should still be clearly identified and included in a budget for economic development. Then the alternative policies can be debated in relation to their respective costs.

User charges may fail to have much of an impact on local authority finances if local units mainly supply general infrastructure services such as roads, drainage, general parks and so on. These services are almost impossible to organise so that user charges can be applied. The cost of collecting the charges would often exceed the revenue raised. The American local government experience with user charges has been disappointing.⁵ Often, high charges simply reduce demand and the local authority is burdened with 'sunk costs' in specially designed facilities with low resale value for alternative uses.

Shedding service responsibility to a private firm or non-profit organisation.

Rarely do Australian local authorities shed service responsibilities to a private firm or non-profit organisation. Sometimes a sporting facility may be given to a particular sporting club on contract for its exclusive use, and it would then be responsible for the cost of maintenance. Most local government services in Australia are not profit-making, so private firms or non-profit organisations would be reluctant to take responsibility for the service. The cost of liability insurance in Australia has soared in recent years and this can create problems if a service is handed over to private enterprise or a non-profit organisation. The council may then be responsible for heavy liabilities in the event of a major insurance claim.

Many voluntary organisations in Australia are not well managed, partly because voluntarism is not a strong philosophical approach in Australia. Australians are not known as enthusiastic joiners and usually expect governments to supply services. Many of the voluntary organisations are starved of funds and look for grants from government to survive. Australia is also a very egalitarian country, and many people would resent a park or recreational facility being devoted to the exclusive use of a more affluent group which is able to pay. This is legally and politically difficult to do if the facility has been constructed, as is often the case, with funds from higher levels of government.

Local authorities in urban areas often organise shopkeepers to pay special rates to finance a pedestrian mall and parking areas to improve their older style strip shopping centres. Many of these old fashioned shopping centres face difficult competition from large scale new shopping malls, and the closure of roads and the creation of attractive pedestrian malls is often successful in stemming the downward slide.

The imposition of major charges on land developers is probably the major example of service shedding in Australia. Australia has a rapidly expanding population and most families demand and obtain a single family dwelling on its own often large block of land. This means that the provision of water, electricity, sewerage and roads and other services is very expensive, especially with current high interest rates. For many years local authorities have demanded that the responsibility for these services be met by the developers. Large scale developments may also include a provision for developers to include major shopping centres and free land for schools, playing fields, and parks. The developers include the often substantial development costs in the price of the land, which rises to high levels because of these charges.

The policy can be inequitable, because many residents obtained their land without these charges and therefore obtain a major capital gain because of the rise in the price of newly released land. The policy is a major factor in reducing the proportion of the population who can afford to purchase their own homes. Australia has always led the world in allowing a wide range of income groups to purchase their own homes. The popularity of privatising land development is limited by the tendency for developers to bargain with local authorities to see who is the most anxious for development, and then demand the lowest possible charges. This tendency is offset by the growing imposition of State government minimum standards on new subdivisions. The anti-growth movement has never been influential in Australia, so developers are often able to get favourable terms by bargaining.

In some parts of Australia the State governments have passed special acts giving large scale developments the right to opt out of local government services and establish their own private governments. Sanctuary Cove and Hamilton Island are large scale tourist developments in Queensland that are based on this model. Sanctuary Cove is especially interesting, as it is modelled closely on American communities.⁶ It is a high class tourist and residential area with its own service system separate from the local authority system. Security is a key element in this approach and the development has its own sizeable security service. As large scale developers become more common in Australia the Sanctuary Cove model will become more prevalent.

Privatisation is becoming increasingly popular in the Australian public sector. The New South Wales State government is speedily deregulating much of the State administrative apparatus. Many systems of registration of food shops have been abolished and some local

government building regulations have been simplified and private certifiers are now allowed to issue building control permits. The Commonwealth government is funding a major inquiry into simplifying and speeding up the building control process, which is regarded as a reason for high housing costs through excessive delays.

II Intergovernmentalising service delivery arrangements.

Shedding services to another unit of government

The capacity for Australian local authorities to devolve functions to non-profit groups or the private for profit sector is limited by the weak range of local functions. Australia is a very centralised country administratively, with a powerful central government in Canberra collecting eighty per cent of all taxes. The Commonwealth government has the major responsibility for all social welfare activity, such as aged pensions, unemployment benefits, assistance to supporting parents, and even home care for the elderly. The Commonwealth also conducts wide ranging programs for war veterans, immigrants, Aborigines, and those with special housing needs. It seems odd that there is such centralisation in a country of nearly eighteen million people, but with about the same geographical area as the mainland United States.

In 1989-90 the Commonwealth Government spent \$84,901 million (including grants to the States), the States spent \$46,419 million, and local government spent only \$7573 million. Local government in Australia thus spent only 6.7 per cent of all public sector outlays.⁷ Government co-ordination in a region must involve Commonwealth, State, and local government functions. Commonwealth and State expenditures account for 93 per cent of all outlays.

The devolution of Federal and State functions to local government is a feasible strategy in Australia, because of the modest range of local functions by comparison with other western political systems. This could involve responsibility for town planning, education, health and welfare - either on a comprehensive basis or on a voluntary agency system - whereby local governments act as agents for higher levels of government.

The pattern of intergovernmental functions in Australia in 1991 is a product of historical accidents. There now seems to be general recognition that the Federal and State governments have become

excessively centralised in service delivery. If Australian governmental service delivery was now being planned with a clean slate, it is extremely unlikely that we would have such a centralised pattern, with so much power given to Canberra. Local governments in all western countries undertake a far wider range of services than is the case in Australia.⁸ The process of rationalisation of Federal, State and local functions was begun at the special Premiers' Conference in Brisbane on 30/31 October 1990. The detailed communique from the conference makes interesting reading, and is strongly biased towards devolution of functions to lower levels of government. The report stated, 'The most efficient level for delivery will most often be at the State or Local Government level' (p.8).

Extensive devolution of power from the Federal level to State and local government will depend upon two prime factors: the level of trust in the honesty and efficiency of State and local political and administrative systems; and a willingness to tolerate diversity in service delivery arrangements. There is now greater understanding that the role of the Federal government is to ensure minimum national standards in areas such as education and social welfare, but to encourage regions to develop diverse approaches to needs.

The popularity of privatisation in western countries means that intergovernmental structural reform must also consider whether the activity in question should be delivered by Commonwealth, State, or local governments, or by the private sector. Privatisation adds an important new element to the debate.

The devolution of functions is not possible without devolving financial powers to State and local government. Australian local government is largely limited to a tax on property which restricts revenue raising capacity. Local government systems in most other modern countries allow local units to levy a wide range of local taxes - including sales taxes, a tax on motor vehicles, a local income tax, and a more flexible tax on property that is related to capacity to pay. There is also a growing reliance on user charges and fees. Alternatives to the Community Charge (1990) is a recent excellent discussion of alternative financial systems in the United Kingdom and the report has major implications for Australia.⁹ Intergovernmental financial systems also need an overhaul to ensure that they maximise incentives for efficiency.

Genuine devolution of power to State governments is made problematic by the widespread scandals that affected State governments - especially in Queensland, Victoria, and Western Australia - in the late eighties. The Queensland State government scandals are well known and were documented in the report by G.E.Fitzgerald, Commission of Inquiry into Possible Illegal Activities and Associated Police Misconduct, Brisbane, 1989.

The scandals in the Victorian State government are more diverse, and cover the failure of the Victorian Economic Development Corporation, the collapse of the State Bank's merchant bank and the general financial incompetence of the State. Victorians are naturally nervous at the high level of indebtedness in their State. The Auditor-General's report for 1989-90 estimated that total State indebtedness at 30 June 1990 was \$32.6 billion and was increasing. The Auditor-General criticised the State government for funding normal expenditure on health and education services by borrowing.¹⁰ In 1991 a Royal Commission is investigating the affairs of the Tricontinental merchant bank, a division of the State government.

The deepening scandal in the Western Australian government is documented in the Report of Inspector on a Special Investigation into Rothwells Ltd (1990).¹¹ A Royal Commission also has been appointed to look into this matter.

The widespread breakdown in State government in Australia raises some fundamental questions. Was the corruption uncovered by the Fitzgerald inquiry in Queensland a result of a gerrymander, or a system of single member electorates and no Upper House which encourages a 'winner take-all' authoritarianism in the victorious party? Was the almost total breakdown of the Victorian State government a unique event? Or is it a structural condition: the reliance on State governments for Federal grants for about half of their revenue may make them irresponsible; they spend money but do not have to bear the political costs of raising funds.

The willingness of the Commonwealth and State governments to devolve functions to local government which can then be devolved further to community groups is limited because of the proliferation of local governments in Australia. There have been numerous attempts in most States to force a 1974 British style amalgamation plan to drastically reduce the number of local authorities. These constant plans make local governments defensive, rigid, and reluctant to innovate especially by weakening their budget sizes by service shedding.

Table 3
Number of Local Government Units in Australia, 1910-1990

	1910	1923	1931	1946	1956	1967	1977	1980	1986	1990
NSW	324	320	319	289	236	224	209	176	176	176
VIC	206	192	196	197	205	210	211	211	211	210
QLD	164	170	146	144	134	131	132	134	135	134
SA	175	187	196	143	143	142	130	129	124	121
WA	147	142	147	148	147	144	138	138	140	139
TAS	51	49	49	49	49	49	49	49	47	46
NT									6	60
TOTAL	1067	1060	1053	970	914	900	869	837	832	886
Aver Pop.	4147	5127	6295	7813	9831	12887	16195	17403	19114	19284

SOURCE : Australian Bureau of Statistics. Note: the 1981 and earlier figures exclude units in the Northern Territory. The 1990 population figure is actually the figure at 30 June 1990. Note that the static average total for Australia for 1990 is due to the rapid proliferation of local authorities in the Northern Territory, mainly to provide for the needs of Aboriginal communities.

The number of local governments in Australia fell from 1067 in 1910 to 837 in 1980. More significantly, the average size of local authorities has grown dramatically from 4147 in 1910 to 17,403 in 1980. Moreover, many Australians live in local authorities that are quite large. From 1970 onwards the State governments in New South Wales and Victoria have tried to implement major amalgamation plans for local authorities. These plans were partially implemented in New South Wales, which saw a reduction in the number of local units from 309 in 1937 to 175 in 1986. The number of units in Victoria actually increased over the same period, from 195 to 210.

Amalgamation of councils is a current issue in most Australian States, especially Tasmania and the EARC proposals in Queensland. There is probably a case for some change in Tasmania, which has forty-six councils of an average size of only 9928 people in a small area.

After disillusionment with large scale forced amalgamations in the seventies, the New South Wales government has abandoned the policy and dismembered Sydney City in 1989 into a residential municipality (South Sydney) and a central business district council (Sydney City). Amalgamation has totally stalled in South Australia after massive public outcry. The Northern Territory is rapidly increasing the number of new councils despite its small population: the Territory has a total of fifty-seven councils that qualify as local authorities under the Commonwealth revenue sharing rules. In June 1990 these Northern Territory local authorities had an average population of only 2759 people.

Table 4
Average Population of Local Government Units in the Main
Australian States, Selected Years

	1910	1946	1980	1990
NSW	5073	10320	29134	33107
Victoria	6317	10426	18410	20857
Queensland	3652	7680	16597	21692
South Australia	2343	4517	10072	11894
Western Australia	1883	3391	9151	11754
Tasmania	3800	5244	8600	9928
Total of Above	4147	7813	17403	20,148
States				

(Source: Australian Bureau of Statistics)

The above table shows the dramatic increase in the average sizes of Australian local authorities. The table below shows that all Australian capital cities have a fragmented local government structure. Brisbane City is very unusual in Australian local government with its 1989 population of 744,828. Blacktown in Sydney is the next largest local authority with a 1989 population of 210,900. The smallest council in Sydney is the Municipality of Hunters Hill with a 1989 population of 12,800. Peppermint Grove - an extremely affluent inner Perth local authority - had a 1989 population of 1675 in an area of only 1.06 square kilometres.

Table 5
Number and Average Sizes of Local Authorities in Main Australian
Urban Areas, June 1989.

	Number of local authorities	Average Size (population)
Gold Coast	3	84,953
Hobart	9	11,318
Perth	26	40,398
Adelaide	30	34,590
Melbourne	56	53,613
Sydney	44	82,353
Brisbane	10	127,351

Source: Australian Bureau of Statistics. The figures refer to the metropolitan statistical districts designed to contain the anticipated urban development for at least twenty years.

The Australian pattern - apart from Brisbane - is duplicated in most other countries, which are sceptical of the argument for creating one large metropolitan government.¹² Jonathan Bendor in his recent book Parallel Systems (1985) develops an extensive theory to explain the preference for numerous local authorities.¹³ Monopoly is being attacked by governments in both democratic and communist countries as a cause of inefficiency in the private and public sector. Vast state bureaucracies are being dismantled in most countries and sold to the private sector, or if maintained in the public sector are forced to face competition from other suppliers. 'Contestable markets' is the key demand for all industries, whether public or private. There is a strong feeling that organisations will not be competitive unless there is freedom for competitors to enter the market.

Sharing service responsibility

The Commonwealth government allocates large sums to local authorities in the form of tied grants, controlled by detailed rules and regulations. A good example of this is the Home and community Care program (HACC). This program is a large scale Commonwealth funded scheme to help State, local and voluntary agencies assist needy groups, especially the frail aged, to continue to live in their own homes and avoid expensive institutionalisation. In 1990-1991 the program was funded with \$282 million by the Commonwealth government.

Local governments are unhappy with the administration of the HACC program with its complex Commonwealth, State and local networks. The problem is that the available funds are inadequate to meet needs, especially with an ageing population. Many local authorities, especially in Victoria, have established large scale human services departments that are expensive to staff. HACC grants depend on matching amounts from State governments and these amounts are unstable, as they depend on fragile State budgets. There is a strong tradition in Australia that local property taxes should not be spent on social welfare activities such as HACC which, it is considered, should be funded by intergovernmental grants.

The Municipal Association of Victoria is negotiating with State and Federal governments to obtain full cost recovery for local government human services to targeted needy groups designated as eligible by the Federal and State governments. This is unlikely to eventuate because of fiscal restraint by the higher levels of government. The Commonwealth government announced as part of the special review of federalism in 1990 that it would transfer total responsibility for HACC to the States and local government. This has led to protests by local authorities and voluntary agencies because it is regarded as a way for the Federal government to limit spending in this area. Also there is a fear that financially pressured State governments will simply use the funds to restrict grants to local governments in other areas. Many professionals feel that the State governments are less sympathetic to social welfare spending programs such as HACC than is the Federal government.

There is a complex network of Commonwealth, State, local, voluntary and for profit involvement operating in most areas of Australian economic life. Roads, education, health, and the personal social services are all characterised by this network. The growing popularity of privatisation and user pay philosophies in Australia means that the pressure is often on the client to seek his own solutions in the private or voluntary sector. Hence many Australians send their children to expensive private schools, use private hospitals, private child care centres and now there are even private universities. The government has created incentive systems to encourage people to provide for their own retirement by using private superannuation schemes.

New Zealand established thirteen new Regional Councils as part of its radical 1989 reforms to the local government system. These councils have been given a wide range of functions, especially for pest control and town planning. While the regions appear to be a logical

step, there are some problems. It is difficult to find a new revenue source for the councils and the central government in New Zealand is busily privatising and corporatising the public sector, so there are fewer and fewer functions to be regionalised in any case. Regionalism might make sense for Australia as an intermediary between the State governments, considered to be large by most Australians, and local governments, considered to be too small and fragmented by many. Most Australians live in or near the large capital cities of Sydney, Melbourne, Brisbane, Perth, Adelaide, Hobart and Darwin. These areas form distinct city regions that seem ideally suited to regional government. It would be a major task, however, to weaken the power of the specialised Federal, and State departments to allow for effective regionalism.

Local authorities tend by their very parochialism to be suspicious of regionalism, although there are some important groups of councils in the outer suburbs of Sydney and Melbourne who form associations to lobby higher levels of governments for better financial deals on infrastructure provision in high growth areas. Councils near Sydney airport are also highly organised as a lobby in co-operation with community groups in an effort to prevent the construction of a third runway at the airport.

III Improving operating productivity

Methods to monitor performance maximise output per dollar, improve financial decision making, track costs and to monitor and manage contracts.

Some reform strategies focus on improving the organisational processes within local government. This could mean altering the relationship between the political and administrative elements, decentralising a large unit to neighbourhood offices, changing the committee system, and adjusting the organisation in line with alterations in technology. The councillor could tap into the decision making system via a laptop computer.

Another reform option focuses on the bureaucratic system. This may mean the adoption of corporate planning based on the achievement of organisational objectives. Budget reform, and the use of marketing methods, could also be included in this category.

The past decade has witnessed major internal financial reforms in local government in other countries. Internal financial reforms are now regarded as the principal means of really transforming local government, and of improving accountability and efficiency. In this context, seventies-decade large scale amalgamations are seen as a conservative force, a victory for the old-style bureaucrats, who were able to hide their inefficiency in larger bureaucracies, and resist attempts to increase the level of accountability.

The clear separation of different local government activities is another important recent reform in local government in other countries. The British system is probably the most interesting, as is shown in table 6.

Table 6
What is Local Government?: Classifying Activities

<u>Need</u>	<u>Protective</u>	<u>Amenity</u>	<u>Facility</u>
<u>Service</u>	<u>Services</u>	<u>Services</u>	<u>Services</u>
Personal	fire, police	highways	libraries
social		street cleaning	museums
services, e. g.		refuse disposal	housing
meals on		environmental	recreational
wheels,		health services	centres
child care		parks and open	
		spaces	
		town planning,	
		economic development	

Source: Guy Hollis et.al. Alternatives to the Community Charge, Joseph Rowntree Foundation and Coopers Lybrand Deloitte, London, 1990, p.12.

The new management thinking indicates that different strategies are needed for each of these different strands in local government services. Some involve community service obligations (CSOs) to needy groups in society who cannot afford user charges and may not even be able to pay rates. Other services are capable of varying degrees of user pay contributions, or it may be effective to rely on a property rate or some type of per capita payment. Some services can be placed on a totally commercial basis.

The 1989 reforms in New Zealand required local authorities to publish detailed annual reports that detail their performance according to various objectives. The report has to separate the social, political and economic sections of council activities and clarify which funds are used to service particular activities. Grant funds are separated from services funded from locally raised revenues.

Australian local authorities are pursuing the development of performance indicators under a research program funded by the Commonwealth Office of Local Government. The following is a list of the main program areas and the detailed headings are presented, with the transport indicator as an example. These indicators are central to any effective method to improve performance, compare local authorities, and to establish criteria for the management of contractors.

KEY PERFORMANCE INDICATORS FOR LOCAL GOVERNMENT

- 1: TRANSPORTATION INDICATORS
- 2: LOCAL ECONOMIC INDICATORS
- 3: RECREATION INDICATORS
- 4: NATURAL ENVIRONMENT INDICATORS
- 5: BUILT ENVIRONMENT INDICATORS
- 6: COMMUNITY HEALTH INDICATORS
- 7: COMMUNITY SAFETY INDICATORS
- 8: COMMUNITY INFORMATION/EDUCATION INDICATORS
- 9: COMMUNITY WELFARE INDICATORS
- 10: COUNCIL FINANCIAL INDICATORS
- 11: COUNCIL ASSETS INDICATORS
- 12: COUNCIL MANAGEMENT INDICATORS
- 13: COUNCIL POLITICAL PROCESS INDICATORS
- 14: INDICATORS OF COUNCIL STAFF EFFECTIVENESS
AND SATISFACTION

PERFORMANCE INDICATORS BY FUNCTION: Transport Indicators.

PAVEMENT MANAGEMENT SYSTEM

ROAD PAVEMENT—SHORT TERM MAINTENANCE

SEALED PAVEMENTS—LONG TERM FUNCTION:SEALED PAVEMENT

SHOULDER MAINTENANCE

UNSEALED PAVEMENT—GRADING AND REGRAVELLING

RESTORATION OF ROAD OPENINGS

BRIDGE MAINTENANCE

STREET FURNITURE

PARKING AREAS AND CONTROL
LIGHT TRAFFIC REGULATION
TRAFFIC ACCIDENT PREVENTION
CAR PARK REGULATION
KERB AND GUTTER
AERODROMES
BICYCLE PATHS
FOOT PATHS

Number 1: TRANSPORTATION INDICATORS

OBJECTIVE: safe, efficient systems of transport whereby people and freight can move quickly within, to and from the Council area.

Key Long Term Indicators

- * Percentage of road pavement rates as in Category 1,2,3,4, and 5 condition.
- * Percentage of road system covered by up-to-date road condition inventory.
- * Percentage of road system covered by up-to-date traffic management plans.

Key Operational Indicators

- * Average cost per lane kilometre of sealed road pavement maintenance/construction.
- * Average cost per kilometre of unsealed road pavement maintenance/construction.
- * Average time taken to respond to maintenance problem.
- * Number and value of insurance claims on council compared to previous period.

General Transportation Indicator

- * The cost of travel on key routes for the various transport types.
- * The average time to travel on key routes for the various transport types.
- * Percentage change in the number and cost of accidents for the various transport types.
- * Percentage of residents who rate access to, cost, efficiency and convenience of the various transport as satisfactory.

These indicators were published in a lengthy document A Reference Manual for the Development of Performance Indicators for Use in Local Government, Econsult, Sydney, 1990. Only a section of this excellent report has been reproduced here, but the details show how advanced measurement in this area has become.

IV Deprofessionalising bureaucracies

Civilianising sworn personnel, using volunteers and paraprofessionals, using reserves and auxiliaries.

Australian local governments are restricted in their use of non-professional people. The powerful unions resist pressures for the use of volunteers, while many people argue that volunteers often perform poor quality work and are expensive and difficult to supervise. The delivered meals on wheels for the aged is the service that most often uses volunteers.¹⁴ Most councils employ a paid professional to supervise the program.

As in most western countries, many more women in Australia are now better educated and are in full or part-time work. This reduces the pool of female labour, the usual source for volunteers in local government. Human service professionals are usually women, and they often resent their low status in an industry dominated by men and better paid engineers and better paid professionals. They sometimes resent the exploitation of women in the volunteer labour system in the human services, which they may see as a failure by the local authority to face up to the high costs of service provision in these areas.

In the radical reforms in New Zealand local government in 1989 all councillors were required to be paid a substantial sum. This is supposed to attract better quality councillors, to make being a councillor more professional and more of a full-time activity. This is yet another example of the move away from amateur voluntarism in local government and towards professionalism, even in political activities. These payments to councillors add to the costs of local government and there is no research to show that the quality of representatives has improved.

A survey in 1988 shows that spouses or partners were by far the most important providers of a wide range of informal non - official caring services to disabled persons sixty years and over.¹⁵ Daughters were the next most important source of assistance. Sons were mainly useful in home maintenance. Formal caring services were far less important in all areas except home maintenance, chiropody services and home help.

The survey results show the domination of family assistance, a very minor role for friends, and patchy and overall very limited non-family care sources. Since the over-sixty disabled have been a priority group for services for some time, it seems that caring for other not so needy social groups is likely to be even more dominated by family sources. The limited role of non-family help suggests that the modern Australian local community is relatively weak.

V Devolving service responsibility

Neighborhood organisation of service delivery, self help, coproduction, public/private partnerships to solve community problems.

Most Australian local authorities are relatively small in population. The City of Brisbane is unusual in having a population in June 1989 of 744,000. The next largest is the City of Blacktown in Sydney with 210,000 in June 1989. Sydney has a number of other authorities with between 150,000 and 200,000 population but most units are under 50,000. There has been little attempt at decentralisation within local authorities in Australia because most are not large enough, nor do they have the wide range of functions common to local government in other countries. Most State governments force councils to adjust their internal electoral boundaries so that boundaries follow population

patterns. This gives newer settlers, especially the many migrants, an equal opportunity to participate in local affairs if they so desire. Effective decentralisation would require a genuine devolution of the powerful State and Federal responsibilities that impinge on an area. There is no sign that these centralised departments have any desire to decentralise, and they have problems co-ordinating policy even at the central level.

Movements to decentralise activities in Australia are not very strong because there is little use of the referendum in Australian local government. It is virtually impossible for Australians to use the referendum in local affairs. There has therefore been little of the grassroots politics that has so effectively dominated local government spending levels in the United States and Switzerland, two countries where the referendum is very powerful and effective.

New Zealand followed the unusual step of creating 155 Community Boards - each with between six and eleven councillors - in their seventy-three general purpose local authorities serving the population of 3.3 million. The boards can be established in any area that is considered to be a separate community of interest. Some of these councillors are elected, while some are nominated by the main council. The boards are only advisory but councillors are paid. The policy of community boards was instituted to help reduce the damage to participation when New Zealand abolished its 828 local authorities (single and multi - purpose) to form ninety-three new authorities (including regional councils) in 1989.

The Northern Territory in Australia has adopted the most radical form of decentralisation. Even though the Territory has only 70,000 population it has sixty councils, compared with six a few years ago. This is a radical departure from traditional Australian practice where State governments often try to amalgamate local units rather than create new very small local authorities. The decentralisation in the Northern Territory is designed to encourage the many scattered Aboriginal communities to become more self-sufficient and less dependent on government funds. The local authorities can manage quite wide functions if they desire, including some programs normally delivered by State and Federal departments in other parts of Australia.

Australian local authorities are increasingly co-operating with the private sector in monitoring and altering the economic structure of their regions. This is more common now that the Australian economy is experiencing more structural change than has been the case in the

past. Some local units, like Frankston in Victoria, have entered into partnership with developers to build new shopping centres, libraries and other community facilities. Many other councils are organising tenants in small shopping centres to develop a coherent marketing and redevelopment strategy. There have been some failures - at Sale in Victoria the council lost millions of dollars because of a failed shopping centre development in which it was a partner. State governments are nervous of the risks of local involvement in these large scale projects, because the usually small units are vulnerable to unexpected changes in the economy and interest rate levels.

In summary, the trends towards privatisation, self help, and the use of volunteers are having only minimal effect on local government in Australia. This is because the overall tax levels are still moderate, especially at the local level, and because Australians are notoriously apathetic about political participation. There are signs, however, that the troubled economy, rising public service costs, an ageing population, and pressures for devolution to the local level could make these ideas more relevant to Australia in the nineties.

¹Charles H Levine, "Citizenship and Service Delivery: The Promise of Coproduction," Public Administration Review, vol. 44, March 1984, pp.178-189.

²Rodney Brooke, Managing the Enabling Authority. Longman Group, London, 1989.

³Charles Handy, The Age of Unreason. Business Books, London, 1989, pp. 70-82.

⁴Philip Woollaston 'Local Government as a Commercial Entity' , Local Authority Management. vol. 16, no. 2, September 1990, pp. 28-31.

⁵Advisory Commission on Intergovernmental Relations Local Revenue Diversification User Charges, ACIR, Washington, October 1987, report SR6.

⁶Advisory Commission on Intergovernmental Relations Residential Community Associations: Private Governments in the Intergovernmental System?, ACIR, Washington, May 1989, paper A112.

⁷Australian Bureau of Statistics Government Financial Estimates. Australia 1989-90, Cat 5501.0, 12 June 1990, p. 1.

⁸L.J.Sharpe 'Functional Allocation in the Welfare State' , Local Government Studies. vol.10, no.1, Jan/Feb. 1984, pp. 27-45.

⁹Guy Hollis et.al. Alternatives to the Community Charge. Joseph Rowntree Trust and Coopers and Lybrand, London, 1990.

¹⁰Report of the Auditor General on the Treasurer's Statement. Government Printer, Melbourne, 1990, p.9.

¹¹M.J.McCusker, QC Report of Inspector on a Special Investigation into Rothwells Ltd. Pursuant to Companies Code (WA) part VII. Perth, 1990.

¹²Alan Norton The Government and Administration of Metropolitan Areas in Western Democracies, Institute of Local Government Studies, University of Birmingham, 1983; Bruno Dente 'Metropolitan Governance Reconsidered, or How to Avoid Errors of the Third Type' , Governance: An International Journal of Policy and Administration, vol. 3, no.1. January 1990, pp. 55-74.

¹³Jonathan B. Bendor Parallel Systems: Redundancy in Government, University of California Press, Berkeley, 1985.

¹⁴Evatt Research Centre Breach of Contract Privatisation and the Management of Australian Local Government, Pluto Press, Sydney, 1990 pp. 114-119.

¹⁵Australian Bureau of Statistics Disabled and Aged Persons Australia 1988 cat 4118.0.Canberra, 11989. See also Australian Bureau of Statistics Carers of the Handicapped at Home. Australian, 1988. cat. 4122.0.