Who Defines 'Sustainability'? Perspectives on the recent transition from Community Councils to Regional Shires in the Northern Territory

Thomas Michel

Abstract

In recent years, much debate in Australia has centred on the scale of local government entities, and whether larger, amalgamated local government structures are more 'sustainable' than smaller, fragmented polities. This concept of 'sustainability' as applied to local government is very much contested, however in policy making circles at higher levels of government, it has generally been understood in financial terms. This conceptualisation is convergent with a culture of narrowly positivist evaluation practices and downward accountability, whereby local councils are monitored from above and deficiencies in the administration or financial management of councils are perceived as primarily due to internal or structural shortcomings. In such a setting, it is not surprising that a policy bias towards council amalgamation – with its appeal to the laws of economies of scale and financial efficiencies – has emerged in Australia over the past few decades.

This paper argues that the mainstream perspective of local government 'sustainability' is overly narrow in its scope, and omits from its analysis many other influencing factors. The 2008 amalgamation process in the Northern Territory (NT), whereby 53 rural-remote Community councils with majority Indigenous populations were amalgamated into eight Regional Shires, is given particular attention as an example of the complexity involved in defining organisational sustainability. Factors such as the limitations of cost efficiencies through economies of scale, the intergovernmental interplay between the NT Shires and external funding agencies, and political tensions surrounding amalgamations all serve to add richness to our definitions of local government sustainability.

Aims and Key Questions of the Paper

The term 'sustainability' has become a catchword in local government policy making and management circles: many councils have sustainability as one of their central strategic goals, and much discussion and policy decisions in recent years has been focused on improving the sector's sustainability. As stated by the influential consultancy firm PriceWaterhouseCoopers in 2006:

> Over the past decade there has been growing awareness and progress across the sector about the need to improve the efficiency and sustainability of local government. As such a large body of work has been undertaken over recent years, driven by state associations in addition to state and Australian Governments... This is part of an ongoing process of ensuring that there is a robust understanding of sustainability issues at the state and federal level (PriceWaterhouseCoopers 2006: 5).

But what meanings have been attached to the term sustainability? What (and whose) definitions and assumptions are made when this phrase is used? Answering these enquiries is of more than academic consequence: the goal of sustainability has shaped council regulatory and structural reform policies for a generation, it frames how the performance and viability of local government bodies is officially perceived and measured, and defines how future local government policy will be shaped. By all counts, sustainability is a term of practical significance.

This paper will substantiate and critically analyse the dominant definitions of local government sustainability that currently inform policy making. This critique will aim to highlight how these dominant definitions of sustainability have created a policy bias towards council amalgamation. A more robust definition of local government sustainability will be explored, with the goal of mitigating analytical blind spots and informing future policy decision-making, especially regarding structural reform policies for rural-remote councils.

The Sustainability Mantra: Dominant Assumptions and Definitions

As a polemical departure point, three broad generalisations will be made regarding dominant policy making assumptions about the contested term of sustainability, and discussed in turn:

1. In policy making circles, local government sustainability is understood and evaluated primarily in terms of financial sustainability
2. Council amalgamation and structural reform has been an important and oft-used policy tool for improving the sector's sustainability
3. *Ceteris paribus*, larger councils are more sustainable because of improved administrative capacity and cost savings from increased economies of scale.

Generalisation 1: Sustainability = Financial Sustainability

The question of local government sustainability has been afforded serious attention over the years by the Australian Government (including by the Productivity Commission and Parliamentary Committees), various State Governments and high-profile consultancy firms. Although some exceptions exist, the official studies and bodies of research on this topic reveal a similar pattern of focus: the financial viability of councils.

One prominent example is the Australian Parliament Standing Committee on Economics, Finance and Public Administration's 2003 Inquiry into Local Government and Cost Shifting. Titled *Rates and Taxes: A Fair Share for Responsible Local Government* and referred to colloquially as *The Hawker Report*, it provided a largely sympathetic perspective on the issue of cost shifting onto local government and the shortcomings for councils of existing intergovernmental financial relations. However, its influence can also be gauged by how it has set the discourse around local government sustainability: it essentially defined local government's existential struggle in terms of long-run financial survival (House of Representatives Standing Committee on Economics Finance and Public Administration 2003).

A report with similar influence is the consultancy firm PriceWaterhouseCoopers' 2006 *National Financial Sustainability Study of Local Government,* which was commissioned by the Australian Local Government Association (ALGA). Similar to the 2003 *Hawker Report*, its emphasis was on the identified problem of burgeoning financial operating deficits across the local government sector, and the difficulties faced by councils when they are expected to operate with a shrinking financial base (PriceWaterhouseCoopers 2006).

Many other recent official reports, studies and government commissions in Australia into local government sustainability have likewise primarily focused on financial issues. A survey of the body of study undertaken as a precursor to the 2008 structural reform of Queensland's local government sector is a case in point: firstly, the Queensland Treasury

Corporation authored a Financial Sustainability Review of Local Governments, which complemented the annual reporting work of the state's Auditor-General's Department on council finances. These efforts were followed by the establishment of the Queensland Local Government Reform Commission, whose main term of reference was to create a local government sector with improved financial sustainability (State of Queensland (Local Government Reform Commission) 2007).

Another more recent example is from the Northern Territory, where no comprehensive report or study has been carried out on the local government sector's sustainability. After its own structural reform in 2008, the Northern Territory Government has finally commissioned the accounting firm Deloitte to also undertake a review – into the sector's financial sustainability.

Other definitions of sustainability and how they impact on local government operations – on political, social, cultural, environmental or ecological terms, for example – have been explored and researched by academia and elsewhere. However in policy making terms, these perspectives have had secondary influence, and are largely relegated to a special interest or strategic planning sub-set.

Thus the strategic goal of improving local government sustainability has largely been construed within a financial perspective. The corollary is a policy framework aimed at dynamically achieving this goal. In recent times in Australia, this policy framework has gravitated around local government structural reform and amalgamations.

Generalisation 2: Amalgamations = Improved Sustainability

Although public controversy has surrounded local government amalgamations (Allan 2003; Dollery, Wallis et al. 2007; Dollery, Mun Ho et al. 2008; Smith 2008), an official consensus in Australia has emerged on the net benefits of this policy. In the PriceWaterhouseCoopers' 2006 report cited above, a number of policy recommendations to improve sustainability were made, including: outsourcing of non-core operations; commercialisation of services; regional and shared service delivery; and *structural reforms or amalgamations*. The report went on to state: 'structural reforms have been adopted by councils in order to provide more cost-effective local services… many of the most unsustainable local governments have already been merged, although voluntary amalgamations may achieve further efficiency improvements' (PriceWaterhouseCoopers 2006).

Similarly, Queensland's Local Government Reform Commission justified the state's 2008 amalgamation reform because 'concerns were expressed about the long-term financial capacity of some councils under the current local government system' (State of Queensland (Local Government Reform Commission) 2007). Other influential bodies have made similar statements in support of council amalgamations, including the Productivity Commission (Productivity Commission 2005).

However, the most telling support for council amalgamation policies has been historical action: over the past 25 years, major local government structural reforms have been implemented in New South Wales, South Australia, Tasmania, Victoria and Queensland (Dollery, Byrnes et al. 2008). The most recent sector-wide local government structural reform process in Australia was in the Northern Territory, whereby 53 rural-remote and majority Indigenous councils were amalgamated by fiat in July 2008 into 8 regional Shires (Michel, Gerritsen et al. 2010). At the time of publication, a gradual voluntary structural reform process was also being undertaken in Western Australia (Government of Western Australia Department of Local Government 2011).

Given the broad application of amalgamation reforms in Australia's local government sector, this begs the question: how have amalgamations been expected to improve the sector's financial sustainability?

Generalisation 3: Amalgamations = Cost Efficiencies and Economies of Scale

One of the main justifications for local government amalgamation has borrowed its logic and language from microeconomic production theory, specifically relating to economies of scale. The theory can be summarised as such: during any production process, cost efficiencies may be affected by combining the use of inputs (labour, capital and other natural resources) into a consolidated production function, thereby producing a given amount of outputs (for example, local government services) with a changed amount of inputs per unit of output. Increasing economies of scale are said to occur when the marginal value of the production output is increasing compared to the marginal cost increase in inputs. This may theoretically happen if inputs are able to be more efficiently specialised in the production process, or are able to be used closer to their optimal capacity. Conversely, decreasing economies of scale are said to occur when the change in the marginal value of production output is less than the increased marginal cost of inputs. This may theoretically occur when the production function becomes so large and complex that inefficiencies begin outstripping productive gains (Dollery, Byrnes et al. 2008).

This rather mechanistic production theory has enjoyed broad practical application since the time of the Industrial Revolution, lends itself well for analysing manufacturing processes and the production of primary goods using capital-intensive processes, and has become one of the conceptual cornerstones of classical and neoclassical economic thought (Smith 1991 [1776]; Screpanti and Zamagni 1993; Marshall 2009 [1890]).

The theory of economies of scale has also more recently been applied to service-based industries such as local government, and commonly in the context of justifying council amalgamations or a regionalised service delivery approach. For example, the PriceWaterhouseCoopers' 2006 Financial Sustainability Report advocates reforms available (including amalgamations) 'that can be implemented by councils to gain better economies of scale and hence, improve their efficiency' (PriceWaterhouseCoopers 2006: 121).

The Productivity Commission, in its 2005 *Review of National Competition Policy Reforms*, stated: 'In parts of Australia, further council amalgamations and/or shared service provision arrangements would allow for greater realisation of economies of scale and lead to considerable cost savings' (Productivity Commission 2005: 293).

The Queensland *Report of the Local Government Reform Commission* in 2008 stated, '[previous amalgamations in Queensland] illustrate the gains over time that came from amalgamation in terms of capacity and economies of scale' (State of Queensland (Local Government Reform Commission) 2007: 74). And upon announcing local government amalgamations in 2006, the NT Minister for Local Government Elliot McAdam declared: 'It is evident from research undertaken on the sustainability of local governments in other jurisdictions that a Shire of less than 5,000 people would struggle to be sustainable in the long term' (McAdam 2006).

All these arguments cited in the paragraph above make specific mention of the financial benefits that can be expected from the increased scale of local governments. Of interest is the uncritical approach adopted in these sources quoted above: rather than the economies of scale argument being considered as a contested theory requiring verification, they make little or no attempt at an empirical or critical analysis thereof, and instead appear for all intents to elevate the theory to the realm of common sense.

Cracks in the Edifice: A Critique of Economies of Scale Theory Applied to Rural-Remote Local Government

The 2008 structural reform in the Northern Territory serves as a useful – even extreme – example for analysing the rationale for amalgamation. In terms of scale and administrative capacity, the case for council consolidation appeared clear-cut: prior to the reform, the estimated median population of the affected rural-remote councils was 475, far short of the then Minister for Local Government McAdam's sustainability benchmark of 5,000. Most councils were non-contiguous, single-settlement jurisdictions (Michel, Gerritsen et al. 2010: 7). The turnover rate of management and administrative staff was high and destabilising, and a report produced by the Northern Territory Government department responsible for local government indicated that 50 per cent of the councils in question were unsustainable and deemed to be 'high risk' or 'dysfunctional' (McAdam 2006).

After 2008, all the new regional Shires in the Northern Territory (with one exception) now have populations of approximately 5,000 or more, thus meet the former Minister's sustainability and increased efficiency benchmark. Likewise, his expectation of improved efficiencies and cost savings through increased scale under the new arrangements is conceptually plausible enough: through the combined use of resources and inputs, larger councils can feasibly deliver outputs and services to their residents more effectively. Some examples of potential scale efficiencies include:

- Savings on administrative functions (such as payroll, human resource management or financial management)
- Savings through bulk purchasing of equipment, supplies and services
- Regional sharing of capital plant and equipment

However, as Allan, Dollery, Byrnes and others have argued, there is little or no empirical evidence consistently supporting the realisation of economies of scale through local government amalgamation in Australia or abroad (Byrnes and Dollery 2002; Allan 2003; Dollery, Byrnes et al. 2008). Other studies of expansionist restructuring in other parts of the public sector have also found no evidence of economies of scale (Cummins and Xiaoying 2008; Kwoka and Pollitt 2010). Further, many of the assumptions of scale economies are particularly ill-fitting with the example of rural-remote council amalgamation in the Northern Territory, and there are a number of potential inhibitors to cost efficiencies being reached based on the scale increases. Over three years has passed since the Northern Territory reform was implemented, and there is no real evidence there of scale-driven cost savings (Michel 2010).

The lack of empirical evidence notwithstanding, the central importance of the economies of scale theory in justifying council amalgamations in the past -- including the Northern Territory's 2008 amalgamations of rural-remote councils into regional Shires – lend the concept an undeniable gravitas, and warrant a critical analysis of its theoretical validity. To this end, some of the theoretical shortcomings of the economies of scale argument as applied to rural-remote councils are outlined below.

Inappropriate Measures of Scale

Measures of output in service-based industries such as local government are, by definition, difficult to measure. For example, how would the productive output of a sport and recreation program be quantified? This raises the question of what is an appropriate and reliable measure of local government production scale. As demonstrated in the NT Local Government Minister's 2006 statements around the announcement of council amalgamations, the favoured proxy measure was to be population size, with 5,000 residents in one Shire being the threshold of 'sustainability' (McAdam 2006). The use of this population size as a measure of production scale is consistent with the approach commonly taken by other state governments (Dollery, Byrnes et al. 2008, p167-8.).

However, as argued by Dollery et al (Dollery and Fleming 2006; Dollery, Byrnes et al. 2008), and suggested by preliminary statistical research by the author, even if per unit service costs can be established, these costs are weakly or inconsistently correlated with population size, especially for rural-remote councils. In the case of councils with small, isolated and dispersed populations, per unit costs are more plausibly a function of population dispersion and isolation from urban centres and manufacturing bases. Intuitively, the cost of servicing a sparsely populated area is likely to be only marginally affected by the overall population size of the responsible service agency's jurisdiction. Factors such as transport, travel time, and the operational requirement of replicating services at a local level across different locations all serve to impact significantly on service costs by creating diseconomies.[1]

One example whereby per unit costs are likely to increase significantly under a larger, geographically dispersed council is regarding governance or representation costs. In the Northern Territory's case, while the former community-based rural-remote councils as a whole met more frequently and had per capita more elected councilors than currently, these councils also tended to draw their governing bodies from near-residing constituents, and council meetings generally were held without the need for councilors or staff to travel long distances. Conversely, the new regional governance structures are based on twelve elected councilors per Shire representing communities that are in some instances located many hundreds of kilometres apart. This necessitates frequent travel of councilors and relevant administrative and management staff across large distances. During the wet season and other periods of inaccessibility, the costs of meeting and governing are compounded.

Inappropriate Conceptualisation of Local Government Production

A factor related to the measure of production scale is the conceptualisation of production and the assumptions of scalability. As discussed, the economies of scale theory holds best for primary or secondary manufacturing production, where specialisation of inputs can achieve per unit cost savings when production is expanded (for example, when capital equipment can be more tailor-made for specific purposes, or labour can improve efficiency by concentrating on a more limited range of tasks). However, in production processes for

[1] The Commonwealth Grants Commission, in its calculation of State and Territory Government revenue sharing relativities, explicitly takes factors such as population dispersion and isolation into consideration when determining differences in governments' per unit service costs. (Commonwealth Grants Commission (2010). Report on GST Revenue Sharing Relativities - 2010 Review. Canberra. **2**.)

people-based services, where output is more suitably measured in staff contact time with clients (for example, in services delivered by NT rural-remote councils such as aged care, sport and recreation, front-counter customer service, and so forth) there is little or no scope for input specialisation.

For local government in rural-remote settings, there are other inhibitors to scalability of production. The Commonwealth Grants Commission refers to the issue of 'indivisibility of labour' affecting services to dispersed populations. This refers to the necessity of providing small-scale service points in many remote locations, even if the volume of demand for services would not warrant a separate service point in a larger urban setting (Commonwealth Grants Commission 2010, vol 2 chap 25). In this case, distance and the costs of providing services across a region with a dispersed population is a significant inhibitor to economies of scale being achieved. This applies even for local government production processes that are more capital-intensive rather than labour-intensive. In the case of waste management services for example (for which large vehicles and other capital equipment are important inputs), once the distances between population centres is large enough, it becomes unviable for this service to be delivered on a regional scale.

Additionally, when evaluating potential cost efficiencies of production processes delivered across dispersed regions, it is also important to consider the medium- to long-term cost dynamics of applied inputs. A pertinent example is transport costs, and the underlying forecast trends in energy and fossil fuel prices. With reputable organisations such as the International Energy Agency (IEA) now predicting future oil production will soon be unable to meet demand (International Energy Agency 2010; Australian Broadcasting Corporation 2011), it appears likely that transport fuel prices will trend upwards in the coming years. This market dynamic may have far-reaching economic consequences, including for rural-remote local government service delivery (Whipple 2010). In this case, if transport costs do rise significantly, regional service delivery models predicated on mobility and use of transport across large distances may become less cost efficient than smaller-scale, localised service delivery models.

Understated Restructuring Costs of Amalgamation

An inherent cost of amalgamations is the implementation and establishment costs of the new entities. These costs may be incurred through the introduction of new or standardised business systems, asset management systems, operating procedures, and so forth. Additionally, bureaucracies and elected officials often invest much extra time and effort in planning and implementing amalgamation changes.[2] These costs are often understated or ignored, but can be significant and ongoing for many years, especially regarding business system implementation. Any marginal improvement in cost efficiencies from scale increases may therefore be nullified by these start-up costs for years to come.

A related issue is the changes to staffing cost structures brought about by council amalgamations. Conventional theory states the expansion of a council's operations can lead

[2] In April 2007 the then NT Minister for Local Government McAdam announced $9.9 million of 'additional' funding to assist with the establishment of the new Shires (McAdam, E. (2007). NT Government Media Release: $9.9m injection for New Local Government, Northern Territory Government). In April 2008 an extra $5 million was announced, and the new Minister Rob Knight declared the NT Government would deliver 'a total of $27 million to assist the eight new shires with their establishment and running costs' (Knight, R. (2008). NT Government Media Release: Extra $5 million for New Shires, Northern Territory Government.). The indirect costs to bureaucracy and to local government councils during the restructuring implementation phase were likely to have amounted to tens of millions of dollars more.

to more efficient specialisation of labour, potential reductions in staffing, and thus cost savings. A counter-hypothesis is, with an increase in the size and complexity of an organisation comes a corresponding increase in the responsibilities and skill sets required of management staff. These extra requirements on management staff are usually reflected in higher salary levels, in particular for executive management.

Studies on private sector mergers and acquisitions in the private sector have suggested that when large organisations consolidate, CEO and executive management salary costs tend to increase proportionate to total costs (Bliss and Rosen 2001; Grinstein and Hribar 2003; Anderson, Becher et al. 2004; Elsaid and Davidson 2009). This pattern appears to have been followed in the Northern Territory's local government sector after the 2008 amalgamation reform, without resultant staff cost reductions elsewhere. Notwithstanding consideration of improvements to administrative capacity, preliminary research of these Shires' financial statements indicates no downward trend in the overall expenditure share on employee costs, and anecdotal evidence suggests the effect of additional management staff costs have increased rather than decreased overall per unit costs. However, more formal research in this area is needed to draw conclusive findings.

Lack of Recognition of Resident Expectations about Service Quality

Another inhibitor to achieving cost savings by council amalgamation relates to the affected councils' strategic goals. For many local government organisations, improved quality of services rather than greater marginal cost efficiencies are given priority. This is especially valid for councils with perceived backlogs in service delivery or infrastructure supply: cheaper per unit operations may be unacceptable to community residents and elected councilors, who would prefer for the council to deliver the best possible quality and volume of services and infrastructure with the available resources. This argument is validated by preliminary, unpublished community survey research conducted in two Northern Territory Government Shires between December 2009 and July 2011 by Julie-Ann Bassinder and the author. In these surveys, 464 participants residing in 25 communities in the Victoria Daly and Roper Gulf Shires were interviewed. Of these responses, a very common expectation expressed was that the Shires should improve services and job opportunities in their resident community, whereas expectations or demands for cost savings hardly featured.

The effects of community expectations on a council's cost functions thus may be considerable: rather than being organisations with commercially-minded assembly-line production processes, the production function of local governments are shaped by electoral processes, public utility functions and community-based expectations around service and infrastructure quality. After amalgamation, a council's service delivery mix or the level of services it provides may therefore expand, along with the larger council's new capacity to more effectively deliver these services. These changes to the production function can render any measures of cost savings difficult and arguably irrelevant, and may therefore fundamentally undermine the economies of scale justification for amalgamation.

Non-Scale Effects on Local Government Financial Sustainability

Whereas much policy-making effort around local government sustainability have focused on addressing internal deficiencies in the local government sector through restructuring and more effective monitoring, the effects on local government financial sustainability caused by the external environment, in particular intergovernmental financial arrangements and regulatory frameworks, are largely downplayed. These exogenous effects are especially acute in the Northern Territory Shires context, for which upwards of eighty per cent of total revenue is received from Australian or Northern Territory Government grants or contracts, and rate capping on pastoral and mining lease properties is in place. Effectively, local government in the rural and remote regions of the Northern Territory has become an operational, service delivery arm for financier departments within the Northern Territory and Australian Governments (Michel, Gerritsen et al. 2010).

Within this fiscal scenario, policy decision-making regarding, for example, the amount of tied grant revenue able to be used for administrative overhead costs, local management support services or asset depreciation can greatly affect a Shire's overall financial sustainability (Michel, Gerritsen et al. 2010; Michel and Taylor forthcoming). However, cooperative strategies to address these significant financial sustainability issues and to improve the management and efficiency of intergovernmental funding programs – with policy tools such as coordinated reporting frameworks, standardised administrative overhead allocations and multi-year funding agreements for local government – have not been rigorously pursued by policymakers.

The dearth of practical attention by policy makers and government bureaucracies towards intergovernmental fiscal relations, coupled with a fixation on restructuring and monitoring, may in part be explained by an ingrained bureaucratic culture of downward accountability and what the British academic Michael Power has termed the 'audit explosion': increasing social, economic and organisational complexity, tightening fiscal constraints and changing public sector processes and ideologies since the 1970s have fed a push by public sector management for long-distance control through accounting and auditing (Power 1996). Implicit within this is an ideological pattern of hierarchy, which largely takes for granted that accountability reporting should travel upwards, and assumes funding agencies have superior expertise and judgement (Sullivan 2009).

Lea and others argue these assumptions of superiority are reinforced in the rural-remote setting in the Northern Territory by the pervasive, if subtle suppositions held by many public servants and politicians that Indigenous communities in the NT are inherently dysfunctional and in need of 'fixing' (Smith 2008; Sullivan 2008; Sullivan 2009). This helps create 'an indigenous terminus point for the onus of responsibility' (Lea and Pholeros 2010: 195) and effectively detracts from deficiencies being perceived external to the organisation or community.

In practical terms, this paternalistic bureaucratic mindset becomes tangible in the external information flows required to be produced by the NT Shires: monthly, quarterly and annual grant acquittals, progress reports and checklists against milestones are passed from Shires to more centralised government agencies in Darwin or Canberra, and appraised by legions of compliance officers. One outcome for these grant-dependent Shires is being 'swamped with reporting at the expense of doing' (Sullivan 2008: 138). The compounded inefficiencies of managing dozens of disparate and uncoordinated funding programs have real cost implications, and ultimately negative effects on financial sustainability.

Can Amalgamations harm or help Rural-Remote Council Sustainability?

With a fixation by policymakers on financial sustainability considerations and an assumption that amalgamations can improve the local government sector's viability, the political costs of amalgamation are often ignored or downplayed as a transitory obstacle. However, these (non-financial) costs can be significant and ongoing, and ultimately detrimental to a council's long-term sustainability.

As Allan, Smith, Dollery and other researchers have claimed, council amalgamations can be politically divisive and unpopular (Allan 2003; Dollery, Wallis et al. 2007; Dollery, Wallis et al. 2007; Smith 2008). This pattern of popular discontent appears to have been followed in the Northern Territory Shire amalgamation process: based on unpublished community survey responses collected in the Victoria Daly and Roper Gulf Shires by Bassinder and the author between 2009 and 2011, support for the new Shires was generally thin and vacillating. Many respondents elicited a sense of loss of ownership and empowerment. As one respondent from Kalkarindji expressed it during an interview in February 2010:

> I felt like we had ownership of this community [under the old Community Government Council]. It was here – somehow it just doesn't feel like that now. [The Shire] is more cut off from the community.

Interestingly, during the early periods of the survey and interview work, a majority of Indigenous respondents also reported a perception that the Shires would only survive for a limited period – in many cases for only one or two years. More important than the accuracy or likelihood of these predictions is the absence of underlying faith interview participants expressed in the Shires' permanency.

The limited popular support for the Shires has been capitalised on by the Northern Territory's parliamentary opposition, the Country Liberal Party (CLP). As Member for Braitling and Shadow Minister for Indigenous Policy and Regional Development Adam Giles stated in October 2011:

> I believe that the Shires have turned to a toxic nature where people, it leaves a bad taste in people's mouths in the bush… the disempowering and the disenfranchising nature that has taken people's voices away from the bush is leaving people without a sense of purpose and without a real role in the communities (Giles 2011).

Conversely, the Northern Territory Shires' recent performance in improving administrative capacity and service delivery may be acting as a political counterweight to negative grievances. By many measures, the restructuring has led over the last three years to improved compliance and more prompt reporting (Michel 2009). Overall capacity to acquire revenue has also increased since Community Councils were in place, although it is debatable whether this is due to better internal administrative capacity or to exogenous intergovernmental factors. For some Shires and in some cases, the scope and quality of services has increased. These marginal improvements were reflected in the community survey responses collected by Bassinder and the author between 2009 and 2011: although grievances around governance and control were common in the Victoria Daly and Roper Gulf Shires, many respondents expressed satisfaction with service levels, and even reported improvements.

Lastly, the introduction of the Shires led to a large increase in employment numbers in the NT's rural-remote local government sector: based on figures collected from payroll data, employee numbers across the rural-remote sector increased on average by over 40 per cent from prior to the reform to mid-2009, translating into over 650 new employment positions (Michel 2010). Although more research in this area is required, it appears these employment levels have been maintained since 2009.

Conclusion: Towards a More Robust Definition of Sustainability

The ecology scientists Walker and Salt described system resilience as such:

> Resilience is the capacity of a system to absorb disturbance; to undergo change and still retain essentially the same function, structure, and feedbacks (Walker and Salt 2006: 32).

This definition highlights the shortcomings of evaluating the local government sector's sustainability on a purely financial basis, and the risks involved with implementing council restructuring policies justified by narrow cost efficiency criteria.

This paper has also set out to demonstrate that especially in the case of rural-remote councils, there is very weak evidence that amalgamations lead to greater cost efficiencies through increasing economies of scale. The economies of scale argument used to justify structural reforms may therefore establish unrealistic expectations of the potential outcomes of amalgamation. The widespread acceptance of the economies of scale argument in policy making circles may in part be due to an entrenched paternalism and ideological bias towards downward accountability onto the local government sector, which assumes financial deficiencies in the sector are more due to internal, structural factors rather than external, intergovernmental factors.

As briefly outlined here, there are many non-scale factors affecting a council's financial sustainability (some of which are exogenous and affected by the policies and behaviours of other tiers of government). Other non-financial costs and benefits of amalgamation should be considered when analysing the question of whether and how council restructuring will impact on organisations' sustainability.

In the case of the Northern Territory's rural-remote local government sector, the recent council amalgamation process has been disruptive to local community governance and appears to have thin popular support, the (non-financial) costs of which may bring ongoing uncertainty and instability to the sector. However, the improvements in administrative capacity and employment outcomes since the replacement of the smaller Community Councils may prove decisive in ensuring the continuance of the Shire model (or a similar version) in the NT's rural-remote sector. Nevertheless, these outcomes and their causality should be differentiated from cost savings or efficiencies due to the Shires' increased organisational scale.

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