

## Amalgamations

I recently had some friends visit from South Australia. Ten years ago their Council was part of an amalgamation. I shared the information sent out by the Tasman Council with them. They burst out laughing.

Since amalgamation their rates have increased every year, they have worse services and the locus of their Council is eighty kilometres away – remote and disinterested.

This is what we can expect with an amalgamation.

I have followed this debate for over twenty years. There is no research evidence that supports amalgamations. Indeed the key finding of Brian Dollery's (2004, 2011) research is that bigger is not always better, **especially for smaller regional councils**. Dollery and his colleagues focussed on the Queensland experience and their work is well worth reading (for a precis see the Mercury article 22/10/16). In the KMG document the core assumptions are all based on growth and things being the same. There is no sense that things might be different or better.

The notion of communities of interest is facile. Community is a much better concept. What does the community want? How can we meet their aspirations? These are much better questions. Economies of scale and economies of scope are useful concepts in terms of achieving savings, but building community is about more than this. What if the debate was framed differently? What if the focus was how can the locals benefit?

Having read the KPMG report I can only shake my head. The biggest weakness is the lack of a review of the literature. This topic has been widely researched. The references included in this report are highly selective. Why is there no balance? Why is it, that only the case for amalgamation is presented?

There are two parts of the report worth reading and these are the comments on page 90 from Tiley and Dollery (2010) and the comments on page 92 from Dollery & Tindale (2014). The rest is just consultancy blah. I don't blame KPMG because they have obviously provided what they were asked to provide.

If the Minister was really interested in finding out what people thought he would ask them (there are smart ways to do this). A decision to amalgamate is not just an economic decision, there are also social and cultural dimensions. But even the economic rationale is spurious. Tasman is poor, but at least it can make its own decisions. This means we can create a different future. Research from the Harris Centre (2014) in Canada indicates that when we are seeking to measure the health of a local economy it is functionality that counts most. Peter Ableson's article in *Agenda* (Vol 23, 1: 2016) captures the essence of the debate. There is no dogma here. He simply points up the significant parts of the discussion.

- It is **regional coherence** that makes for effective Council areas. A strong sense of place and issues of compatibility trump economics. The Tasman and Forestier peninsulas are a coherent region. Why not declare it an area of Outstanding National Beauty and develop a regional tourism plan based on the peninsula.
- **No amalgamations have led to reduced costs**. This message is reported over and over and over. Lambert (2015), Marley et al (2015), Breen et al (2015) and Daniels et al (2015) are just a small sample of the huge research base that indicate that amalgamations produce no financial advantages.

- Further, **amalgamation costs**. There is a double cost, if like Noosa, Douglas, Mareeba, and Livingstone in Queensland you later de-amalgamate.

Productivity is what matters. Interestingly in Canada, while small functional economic regions have more lower performers, they also have more higher performers (there are more of them). It is productivity that is the best single metric for determining social and economic well-being and there is no link between potential savings for Councils and economic productivity.

KPMG say that their options have been guided by the following principles:

- Be in the best interest of ratepayers
- Improve the level of services for communities
- Preserve and maintain local representation
- Ensure the financial status of the entities is strengthened.

This last sentence is a nonsense. Under these proposals Tasman would no longer exist. The new entity does not exist. How can you strengthen it? The notion that there will be a financial advantage to amalgamation is laughable. Amalgamation *always* leads to higher costs.

Taking the others in turn reveals more nonsense. How can my services be improved by taking them somewhere else? I live on the Tasman peninsula – the services are here. How might my best interests be served by taking money out of the local economy, reducing my access to services and taking the local out of my local government? If under Option 3 we preserve and maintain local representation the first new Council meeting will have more than 50 Councillors present. Even accepting rationalization why would someone in Sorell want someone in Port Arthur making decisions for them. Their issues are totally different.

The fundamental problem with the whole exercise is the lack of a rationale (outside of economic rationalism). There are so many things that can be done to change and improve the way people live and the way services are delivered, but these are not addressed. The conversation is narrow and not focussed on the way things are currently done or peoples' expectations or their hopes for the future. The benefits of promoting local solutions to local issues and promoting local employment would lead to different decision making. One example, why do we have a French multi-national corporation collecting our rubbish. Is it cheap? What about the multiplier effects of local people doing local jobs and keeping the money in the region? The report ignores the ways a local economy works.

The Tasman peninsula is as related to Sorell as it is to Kuala Lumpur. There is no congruence, no common interest and no shared future. They are a big city satellite with all the growing pains of an under-resourced dormitory. Tasman is a uniquely beautiful and heritage rich jewel with a small population and many residents who only visit at the weekend or during holidays.

It begs the question of who is sponsoring this debate. Who benefits? The "merger myth" is a weird beast. If no one benefits why are we discussing it? Whose best interests are being served?

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