

We submit this document in opposition to the state government's plan for the forced amalgamation of local governments in NSW.

The economic theory of economies of scale suggests that larger institutions and organisations can provide goods and services more efficiently and cheaper. Deeply rooted in the idea of economies of scale, the proponents of amalgamation of local governments often use the argument that greater efficiencies can be achieved when, for example, common administrative processes can be consolidated under a larger institution to minimise the duplication of the processes. However, what these proponents fail to realise is that there is a point where the efficiencies fade away as the entities become too large. The term diseconomies-of-scale suggests that the efficiency gain is not perpetual and increase in size can be counterproductive. The common side effects can be slow responses to external environmental demands, and unwillingness to adopt or change, due to a breakdown in internal communication, increased bureaucratisation, and conflict of interest between stakeholders. The fallacy of economies of scale gained through amalgamation of local governments has been debunked around Australia. For example, Drew, Kortt, and Dollery (2014) examined whether the forced amalgamation of the QLD local governments in 2007 actually resulted in cost savings. The results show that after the amalgamation, the efficiency gain was minimal and the proportion of residents served by councils that suffering from diseconomies-of-scale was 84% of the residents. There are other numerous examples of research conducted to debunk the assumed economic benefit of amalgamating local governments in Australia (e.g. Allan, 2003; Dollery & Crase, 2004; Drew, Kortt, & Dollery, 2013). The common conclusion is that there is no economic benefit from amalgamating local councils.

Democracy is about deciding ourselves what is best for us and the community. The sense of belonging and participating within the community are mostly fostered through local governments because it is closer to the residents than state and federal governments. By having a larger "local" government that serves wider and more diverse communities our sense of connection to community

and local government would dissipate. As such we oppose this proposal of amalgamating several local governments because we believe that it is no more than an unwarranted and politically motivated agenda that does not serve the interest of the residents of this great state.

#### Reference

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- Drew, J., Kortt, M. A., & Dollery, B. (2014). Did the big stick work? an empirical assessment of scale economies and the Queensland forced amalgamation program. *Local Government Studies*(ahead-of-print), 1-14.