



Mackay ON MONEY

BY AUTHORISED FINANCIAL ADVISER CHRIS MACKAY

You may have heard the corny yarn about a pharmaceutical representative speaking to an audience of old folk at a retirement village. He started his pre-dinner speech by asking them whether they would like “super sex”. The overwhelming majority shouted back they would prefer the “soup”.

Well good citizens of Lower and Upper Hutt, the question which the Local Government Commission won't let go of, is whether we want a so called “Super City”.

I recently asked a potential National Party candidate for Hutt South why their National mates in the Parliament were hell bent on ignoring local public opinion and were pushing this soup or city nonsense. I was told the P.M. and the rest of his team didn't

care one way or another. So this is good.

What is outrageous is that the Local Government Commission is pushing amalgamation but they don't appear to understand democracy. Very ironic, don't you agree?

I went along to a public meeting at the Dowse, chaired by Sir Geoffrey Palmer, a couple of years back. I made a verbal and written submission that was very much anti amalgamation. Ninety-nine per cent of the attendees at the meeting and other similar meetings were also anti. You can read my submission in *Vibrant Hutt* October/November 2012.

Total disregard from the Commission however.

“I recently asked a potential National Party candidate for Hutt South why their National mates in the Parliament were hell bent on ignoring local public opinion and were pushing this soup or city nonsense.”

They don't get the answers they, Fran Wilde or the Porirua Mayor want, so they keep calling for more submissions, presumably until they wear us down and get us to be totally impassive.

We'll then assume it's fait accompli and roll over and be shafted.

Folks, amalgamation just simply is not the answer.

To date there has been a complete lack of evidence-based analysis by the proponents of amalgamation.

On the other hand, here's some high level analysis sourced by TDB Advisory, leading consultants in Corporate Finance and Economics, and by the way, not from Auckland!

TDB REMIND US OF LOCAL GOVERNMENT'S STATUTORY OBJECTIVES:

Legal Government has a two-fold purpose:

- to enable democratic local decision-making and action by, and behalf of, communities; and
- to meet the current and future needs of communities for good-quality local infrastructure, local public services and performance of regulatory functions in a way that is most cost-effective for households and businesses.

THE INTERNATIONAL EVIDENCE IS THAT THERE IS NO CONSENSUS ON OPTIMAL SIZE

29% of the research papers find evidence of U-shaped cost curves.

39% find no statistical relationship between per capita expenditure and size.

8% find evidence of economies of scale, and 24% find diseconomies of scale.

What does the U-shaped cost curve mean? Well studies based on international evidence indicate at small numbers of population (less than around 30,000) it costs more per capita to run a local authority than populations of 40,000 to 70,000, but over about 70,000, then the expenditure per capita starts to rise again. In fact in the study, evidence showed the cost per capita was double for a population of 270,000 than for a population of 71,000.

New Zealand company, NZIER did a report in 2012 which had broadly similar findings to the international literature.

The conclusion is that amalgamations do not automatically deliver savings.

And having witnessed a number of mergers over my career, I can only echo this.

To be fair, NZ evidence indicates roading costs go down marginally per capita from 100,000 people to 450,000 people.

Solid waste costs per capital don't change.

Water supply costs goes down very marginally.

Emergency management costs the same.

Governance costs the same as does Transportation, Culture, Recreation and Sport, Property, Community Development, Economic Development and other activities.

The NZ evidence indicates reasonable benefits from council-wide amalgamations up to 50,000 people.

Per capita spending is unlikely to change materially for amalgamations larger than 50,000 people.

How many people in Lower Hutt? About 105,000. And 40,000 in Upper Hutt.

FROM A DEMOCRACY POINT OF VIEW, SMALLER COUNCILS ARE MORE RESPONSIVE TO LOCAL NEEDS

They have greater flexibility and ability to tailor services to local communities.

However increased size leads to increased “distance” between ratepayers and councillors.

Councillors become less approachable, less accountable and less transparent to the individual constituent.

Interestingly in NZ, the average population per local council is 67,000. If you exclude Auckland, it is 47,000.

In the US, it's less than 9,000 people.

In Australia, 37,000.

England and Wales have 123,000.

France a petite 1,300.

And in other European counties, it ranges from 1,700 to 66,000.

People cite Auckland as a wonderful example of amalgamation. But we all know

“What is outrageous is that the Local Government Commission is pushing amalgamation but they don't appear to understand democracy. Very ironic, don't you agree?”

Auckland is, and Aucklanders are, well let's be frank, different. By way of example, would you prefer Lenny or Ray or Wayne as the big boss of Lower Hutt or Upper Hutt?

Proponents say we'll have more lobby power. That's just rubbish. Our regional Mayors have excellent access to Cabinet Ministers and represent us extremely well.

Lord Mayor Fran of Wellingtonia Gigantica (apologies to tree lovers) going in to bat for BP for example to stay in Wellington versus going north isn't going to make a jot of difference.

FINALLY HERE'S THE FIGURES FROM THE 2013 LOWER HUTT SURVEY

Only 9% of Hutt Valley residents supported the formation of a “Super City”.

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The majority supported the status quo or an amalgamation between the two Hutt Valley authorities.

In the case of Upper Hutt, only 3% favoured the “Super City” model with an overwhelming response in support of the status quo.

I wish the Local Government Commission would back off and leave us alone.

Super city?

I'll take the soup please!

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