



Post-Hearing responses

Local Government in NSW

General Purpose Standing Committee 6

August 2015



Questions on Notice

A list of members

Tim Williams was asked to provide a list of 'who funds the Committee for Sydney. We are funded by our membership, and a list of our current members is below. This list is also freely available on our website: <http://www.sydney.org.au/current-members>

Accor	KPMG
AECOM	Lend Lease
AEG Ogden	Link Housing
Allens	Liverpool City Council
Amber Infrastructure	Macquarie Group
AMP Capital	MatthewsFolbigg Lawyers
ANZ Banking Group	McKinsey & Company
ANZ Stadium	Meriton
APN News & Media	Merivale
Architectus	Microsoft Australia
Art Gallery of NSW	Minter Ellison
Arup	Mirvac
ASX Limited	Museum of Applied Arts and Sciences
Australian Centre of Excellence for Local Government	Museum of Contemporary Art
Australian Rugby Union	National Rugby League
Australian Turf Club	Newgate Communications
BlueCHP	News Corp Australia
Bouygues Construction Australia	NRMA
Bridge Housing Ltd	NSW Department of Planning & Environment
Brookfield	Optus
BT Global Services	Park Hyatt Sydney
Business Events Sydney	Parramatta City Council
Carnival Australia	Payce Consolidated
Celestino	Penrith City Council
Charter Hall	Plenary Group
Cisco	Port Authority of NSW
City of Sydney	PricewaterhouseCoopers
Clayton Utz	Qantas Airways
CLSA	Sealink Travel Group
Compass Housing Services	Serco Asia Pacific
Cox Architecture	SGS Economics and Planning
Crown Resorts	St George Community Housing
Darling Harbour Alliance	Stockland
Deloitte	Sydney Airport Corporation
Destination NSW	Sydney Festival
DEXUS Property Group	Sydney Harbour Foreshore Authority
Echo Entertainment	Sydney Opera House
Elton Consulting	Sydney Swans
Evolve Housing	Sydney Symphony Orchestra
Faculty of Architecture, Design & Planning, University of Sydney	Sydney Theatre Company

Financial Services Council	Sydney Water
Football Federation Australia	Sydney Writers' Festival
Frost* Collective	Talent2
GPT Group	Tardis Group (Rockpools)
Hames Sharley	Thales
Harbour City Ferries	Transdev Australasia
HASSELL	Turnbull & Partners
Hill PDA	Uber Sydney
Huawei Technologies Australia	University of Technology, Sydney
Hume Community Housing Association	University of Western Sydney
Imagination	UrbanGrowth NSW
Investa Property Group	Virgin Australia
Ivany Investment Group	Westfield Corp / Scentre Group
JBA	Westpac
Kinesis	WSROC

OECD Research

Mr Shoebridge queried the accuracy of a quote in our submission from ‘*What Makes Cities More Productive? Evidence on the Role of Urban Governance from Five OECD Countries*’ by Ahrend et. al. The pertinent section was on page 19 of our submission and is listed in Appendix 1. The research, in essence, examines cities across 5 countries (Spain, Germany, the USA, the UK and Mexico) and identifies a correlation between fragmented local government and reduced productivity – where doubling fragmentation in a given metropolitan area correlates to 6% lower productivity in the absence of a metropolitan government, or 3% lower productivity with a metropolitan government.

Mr Shoebridge referenced a separate piece of research, ‘*Administrative organisation of metropolitan areas*’ by the OECD (2013), which demonstrated that Sydney has much less fragmentation than the OECD average. He queried whether this meant that the Ahrend research was not applicable as Sydney’s fragmentation is lower than average. He specifically asked if the research showed a linear ratio of productivity loss regardless of starting fragmentation.

We believe that Mr Shoebridge’s disagreement is based in a misunderstanding of the findings of this research. It did not identify different levels of productivity loss by different starting levels of fragmentation, but simply identified a correlation that is “negative and highly statistically significant”¹ between decreased fragmentation and higher productivity – regardless of starting fragmentation.

The research also examines the difference between cities that have a metropolitan level of governance (such as London) and those that do not (such as Sydney). This found that the productivity loss from fragmentation can be reduced significantly by having a metropolitan level of governance:

“Without a governance body the negative impact on productivity is about 6%. The fragmentation penalty is halved by the presence of a governance body, in the

¹ Ahrend, R. et al. (2014), “What Makes Cities More Productive? Evidence on the Role of Urban Governance from Five OECD Countries”, OECD Regional Development Working Papers, 2014/05, OECD Publishing. <http://dx.doi.org/10.1787/5jz432cf2d8p-en>, pg. 15

presence of which a doubled number of municipalities is associated with just 2.5-3% lower productivity.”²

When taking both cities with and without metropolitan government, the study’s findings were clear:

“It [the findings] indicates that between two cities of the same size, in the same country, if one has twice the number of municipalities within its functional boundaries it is on average about 3.4% less productive.”

In regards to Mr Shoebridge’s assertion that Sydney’s low level of fragmentation, when compared to the OECD average, meant these findings were less relevant, it is worth noting that the research found the strongest negative correlation in its sample was for Mexico – a country with half the fragmentation of Sydney (0.5 local governments per 100,000 population).

Finally, it is worth restating the value of increasing productivity by 6% – achieved through halving the fragmentation of our local government. Given Sydney’s GDP per annum in 2012/13 was \$337 Billion³, this equates to just over \$20 Billion per year – similar figure to the expected revenue of the long term leasing of poles and wires, year in, year out. The economic potential from amalgamation for Sydney, on Ahrend’s analysis, is too large to ignore.

The research is clear and reflects our evidence – that Sydney’s productivity is impacted by fragmented local government and a lack of metropolitan government. This is one of the reasons why the Committee for Sydney is strong in our conviction that amalgamations will improve Sydney’s capacity to grow its economy – and that there is a need for the Greater Sydney Commission.

² Ahrend, R. et al. (2014), “What Makes Cities More Productive? Evidence on the Role of Urban Governance from Five OECD Countries”, OECD Regional Development Working Papers, 2014/05, OECD Publishing. <http://dx.doi.org/10.1787/5jz432cf2d8p-en>, pg. 16

³ SGS Economics 2014, “GDP growth: how are Australia’s major cities performing?”, <http://www.sgsep.com.au/insights/urbecon/gdp-growth-how-are-australias-major-cities-performing/>

Appendix 1: Committee for Sydney Submission section referring to Ahrend et. al. research

Since these submissions were made, the OECD has issued ground-breaking research by one of their key advisors Ruder Ahrend, on 'What Makes Cities More Productive? Evidence on the Role of Urban Governance from Five OECD Countries'. The paper finds that cities with fragmented governance structures tend to have lower levels of productivity. For a given population size, a metropolitan area with twice the number of municipalities is associated with around six percent lower productivity; an effect that is mitigated by almost half by the existence of a governance body at the metropolitan level.

The Figure 1 below illustrates the degree to which administrative fragmentation is associated with city productivity premiums. The degree of fragmentation of urban areas is measured by the number of municipalities per 100,000 inhabitants. The charts show a tendency for more fragmented cities to have lower levels of economic productivity.

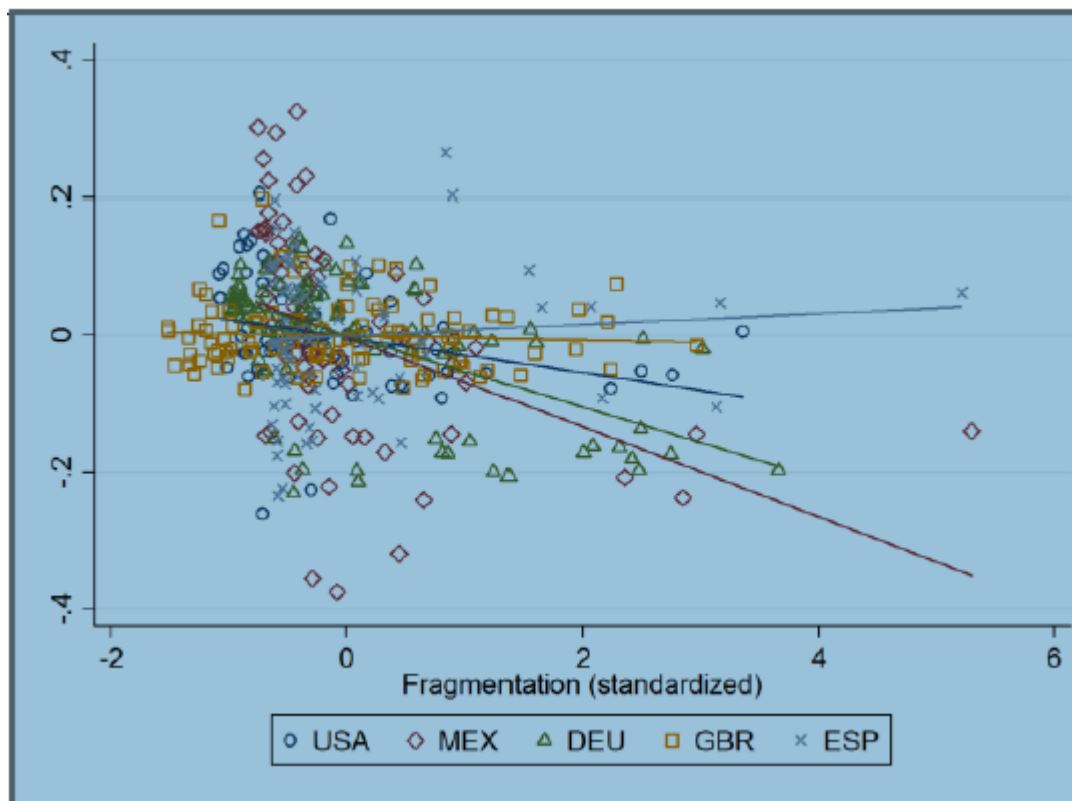


Figure 1: administrative fragmentation and productivity

The OECD found that the impact of horizontal fragmentation is more severe when the presence of governance bodies is taken into account. Without a Metropolitan governance body the negative impact on productivity is about 6%. The fragmentation penalty is halved by the presence of a governance body at the Metro level to 2.5-3% lower productivity. The study notes these are 'significant' penalties.