

The Future Governance of the Auckland Region

A discussion paper on possible options

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February 2008

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1. Purpose

This discussion paper is being produced as part of a project undertaken by the Local Government Centre (LGC) for a group of co-funders including five territorial local authorities within the Auckland region and the New Zealand Council for Infrastructure Development.

The purpose of the project is to develop resource material which can help meet the need for access to high-quality, current and objective information on the different possible options for regional, district and local governance for people considering making submissions to the Royal Commission on Auckland Governance. The project will scope New Zealand and international experience, examine emerging trends and their strengths and weaknesses, and outline the different possible options for the future governance of the Auckland region which, in the words of the terms of reference for the Royal Commission, will "over the foreseeable future... maximise, in a cost-effective manner:

- The current and future well-being of the region and its communities; and
- The region's contribution to wider national objectives and outcomes."

This paper is the first in a series of discussion papers being produced to enable feedback from the project co-funders. Its focus is on current trends in metropolitan governance. The LGC's expectation is that co-funders will use this discussion paper both to inform their own thinking at this stage of their preparation for submissions to the Royal Commission, and also as a stimulus for suggestions to the LGC on matters which they would like to see covered in more detail or differently in the final project report.

Subsequent discussion papers will cover:

- Local governance – the role of scale, function and engagement in effective local governance.
- Amalgamation: lessons from international experience – assessment of the costs of the costs and benefits of amalgamation versus other options for efficiency gains.

2. Background: Approach

INTRODUCTION

This discussion paper is concerned with trends in metropolitan governance, that is, the governance of large urban areas. Typically such areas will encompass a number of different local authorities, and be of major significance within their national economy and society. Wikipedia provides the following definition of metropolis:

A metropolis is a big city, in most cases with over half a million inhabitants in the city proper, and with a population of at least one million living in its urban agglomeration. Big cities belonging to a larger urban agglomeration, but which are not the core of that agglomeration, are not generally considered a metropolis but a part of it. A metropolis is usually a significant economical, political and cultural center for some country or region, and an important hub for regional or international connections and communications.

This emphasises that, in discussing metropolitan governance, we are dealing with matters which are qualitatively different from discussions of the governance of the average local authority district. At that level the focus is typically on a single entity and its related institutional and informal arrangements. Discussion of metropolitan governance is concerned with multiple entities, typically multiple tiers of governance, and complex networks and relationships.

Our starting point for this discussion paper is the terms of reference for the Royal Commission. It is notable that the Royal Commission is titled *Royal Commission on Auckland Governance* and not *Royal Commission on Auckland Local Government*. It can be presumed that this reflects an awareness by the drafters of "the shift from local government to local governance that is recognizable in most OECD countries" (Hambleton 2004).

The recitals in the terms of reference repeat the emphasis on governance, first setting out the challenges which the Government believes the Auckland region will face over the next hundred years and then stating:

"... to face these challenges Auckland requires local and regional **governance** equal to the best in the world and capable of working effectively with central government to ensure Auckland is a successful, sustainable city in the Asia-Pacific region and is recognized as such" (emphasis added).

The governance theme is further emphasised in the statement of relevant matters which separately recognises ownership, governance and institutional arrangements, requiring the Royal Commission to consider:

“(d) what ownership, governance, and institutional arrangements and funding responsibilities are required to ensure the effective, efficient, and sustainable provision of public infrastructure, services, and facilities to support and enhance—
(i) the current and future well-being of the Auckland region and its communities; and
(ii) the performance of the Auckland region as a growth engine in the New Zealand economy and in its role as a key transport hub for New Zealand and the Pacific region; and
(iii) the ability of the Auckland region to compete internationally as a desirable place to live, work, invest, and do business; and
(iv) the ability of the Auckland region to respond to economic, environmental, cultural, and social challenges (for example, climate change).”

The difference between government and governance, and its importance for the future of the Auckland metropolitan region, will be a principal theme of this discussion paper.

In the remainder of this section we first provide a brief overview of changes which have taken place in recent decades in institutional arrangements for Auckland governance, and then outline the approach which the main part of the paper will take.

A brief overview of major changes in Auckland regional governance

The mid 20th century, in New Zealand as in many other jurisdictions, was characterised by relative stability in the structure of the local government sector. To the extent that governments did seek to intervene, local government and its allies were normally effective in resisting or rolling back any changes.

The one major exception in New Zealand during that period was the formation of the Auckland Regional Authority in 1963, following a successful campaign led by the then mayor of Auckland, Dove-Myer Robinson.

The pace of change quickened in New Zealand during the 1980s, as it did in a number of other jurisdictions, largely as an offshoot of reforms taking place at a central government level driven by a combination of fiscal pressure, and changing economic circumstances. This was the age of public choice theory and new public management, with its strong emphasis on efficiency, value for money and institutional change within the public sector. Significant local government reform moved from being well-nigh impossible politically to an accepted part of the way that

successive governments pursued their objectives (Brenner, 2003; the IPAC, 2003; Bovaird, 2007).

Principal reforms of governance in the Auckland region between the late 1980s and the present day include:

- 1988 - formation of the ASB Community Trust. Treating this as a reform of governance in Auckland may come as a surprise to many readers. However, The ASB Trust is now the single greatest source of discretionary funding for community purposes within the Auckland region and thus a key player in regional governance. Its funding choices, and the strategies they serve have a major impact on community well-being across the region. The fact that trustees are appointed by the Minister of Finance can be seen either as an historical anomaly¹ or as a useful means of insulating the Trust from the risk of parochialism. Either way, though, the arrangement distances the Trust from other institutions and networks of regional governance.
- 1989 – local government reorganisation. 29 territorial local authorities become seven.
- 1992 - the (now) Auckland Regional Council was dismembered. Trading assets were vested in the newly formed Auckland Regional Services Trust which has a primary obligation to resolve the debt issues associated with those assets. To the extent it does so, and generate a surplus, that surplus is to be distributed by a community trust for community purposes. The overt reason for the dismemberment was the alleged financial instability of the ARC. The literature on metropolitan governance would suggest two other factors may have played a part. First, "existing local governments have always looked unfavourably upon the appearance of new autonomous and powerful political structures in a given territorial organisation because this would call into question the authority and legitimacy of the existing system" (Lefèvre 1998). Next, generally central governments have remained hostile to a strong metropolitan level even although they may have played a central role in creating that level (OECD 2004). The known opposition of the then Minister of Local Government to regional councils was consistent with this common experience.

¹ The Trust's principal asset on formation was ownership of what is now the ASB Bank: appointment of its trustees by the Minister of Finance was seen as a logical extension of government's supervisory role in respect of the banking system.

- 1992/93 – electricity restructuring. Today the AECT/Vector is the major provider of energy infrastructure in Auckland outside the National Grid. A public investment in excess of \$1.5 billion is locked into electricity and not available for other public infrastructure². This raises the question of whether questions of regional infrastructure should be addressed within the confines of current institutional arrangements, or against some shared understanding of regional need and the benefits and disbenefits of an integrated approach to infrastructure provision. The principal oversight role, from the central government view, is not exercised through the Department of Internal Affairs as is the case with core local government, but through the Ministry of Economic Development.
- 1998 – The Auckland Regional Services Trust is replaced by Infrastructure Auckland. A prime reason was concern that the ARST was about to reach the point at which significant surpluses would be available for distribution through a community trust approach. The purpose of its replacement was to focus its capital and income on local infrastructure particularly transport and stormwater.
- 2004 – Infrastructure Auckland is replaced by Auckland Regional Holdings, and the Auckland Regional Transport Authority established to coordinate transport planning and provision across the Auckland region.
- 2006 – the Government Urban Economic Development Office is established by four ministries (MED, MSD, MoT and MfE) “to improve the focus on Auckland-related policy development”.
- 2007 – the Royal Commission on Auckland Governance is established to develop the final solution.

² The community ownership interest is now in the form of a 75.1% shareholding by AECT in Vector as a listed public company. The regulatory consequences include (1) the board of the company is required to manage its business in the interests of all shareholders which is typically understood to mean maximising the value of shareholder wealth (2) its listed status places constraints on the flow of information between the company and AECT (3) the regulatory regime operated under the Commerce Commission for supervising pricing and investment activities of lines businesses constrains the ability of owners in setting their pricing strategies. Taken together these three influences suggest that community ownership may in practice be little or no different from investor ownership in being able to affect the governance of the company.



This paper's approach

In the remainder of this paper we look first at the difference between government and governance including what lies behind the shift in focus from one to the other. We then look at the scope of governance and the emergence of regime theory as "the dominant paradigm for the study of urban politics not only in the USA but also the UK". We then outline current trends in metropolitan governance - what changes have currently been taking place and why - and finally provide an summary of a number of current themes in metropolitan governance.

3. From Government to Governance

The difference between government and governance is more than just semantic. Hambleton (2004) describes it thus:

Government refers to the formal institutions of the state. Government makes decisions within specific administrative and legal frameworks and uses public resources in a financially accountable way. Most important, government decisions are backed up by the legitimate hierarchical power of the state.

Governance, on the other hand, involves government *plus* the looser processes of influencing and negotiating with a range of public and private sector agencies to achieve desired outcomes. A governance perspective encourages collaboration between the public, private and non-profit sectors to achieve mutual goals. Whilst the hierarchical power of the state does not vanish, the emphasis in governance is on steering, influencing and co-ordinating the actions of others. There is recognition here that government can't go it alone. In governance relationships no one organisation can exercise hierarchical power over the others. The process is interactive because no single agency, public or private, has the knowledge and resource capacity to tackle the key problems unilaterally.

Why the shift in emphasis? Common explanations include:

- A response to globalisation as city regions become increasingly engaged in the international economy, competing for inward investment, skills and other resources (Lefèvre, C.1998); and
- A shift in the focus of local government from the basically 'local administration' focus of the mid and late 20th-century to an emphasis on well-being - seeking solutions for the so-called 'wicked issues' which now preoccupy public officials (Rittel & Webber, 1973; Clarke, M. & Stewart, J.,1997; Sullivan, H., 2002; Hambleton, R. 2004).

For metropolitan governance, other factors have also been significant. One is the growing realisation that administrative and functional boundaries seldom coincide (Davoudi, S. 2006) - is a region best defined by formal administrative boundaries, 'journey to work' patterns or the extent of economic influence? Another is the ownership, governance, management and funding of major infrastructure. For a recent example see the TransLink governance review (TransLink has responsibility for metropolitan wide transport matters in Vancouver and surrounding areas).

Another factor is the changing understandings of the nature of governmental power at the local and regional level. There is a growing acceptance that the formal legal power of institutions of government is by itself insufficient to deal with many of the issues now confronting local government. We have moved from the certainties of



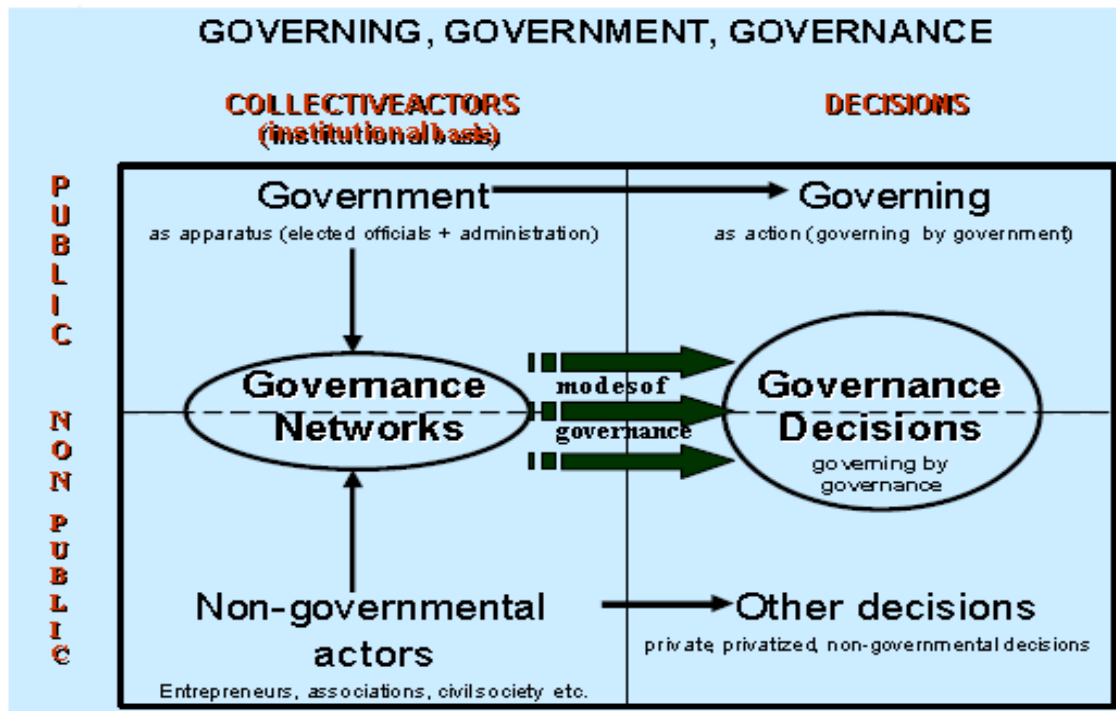
'local administration' to the uncertainties of modern governance (Jones, G. and Stewart, J. 2007). As one of the leading exponents of urban regime theory has expressed it "The power struggle concerns, not control and resistance, but gaining and fusing a capacity to act – *power to*, not *power over*" (Stone 1989, p229; emphasis in original).

4. The Scope of Governance and the Emergence of Regime Theory

In considerations of metropolitan governance (or for that matter local governance) the scope of governance has expanded. It is no longer simply the matters over which the relevant local authority itself exercises unchallenged authority. Instead, it is now widely accepted that the scope of governance at a local level encompasses a much broader coalition of forces in which urban or metropolitan government and administration as such may have only a relatively minor or facilitative role to play:

“I want here to insist that urban ‘governance’ means much more than urban ‘government’. It is unfortunate that much of the literature (particularly in Britain) concentrates so much on the latter when the real power to reorganise urban life so often lies elsewhere or at least within a broader coalition of forces within which urban government and administration have only a facilitative and coordinating role to play. The power to organise space derives from a whole complex of forces mobilised by diverse social agents. (...) Within a metropolitan region as a whole, we have to look to the formation of coalition politics, to class alliance formation as the basis for any kind of urban entrepreneurialism at all.” (Harvey 1989, quoted in Giersig 2005).

The following is a diagrammatic representation of the different concepts and relationships (Giersig, op cit).



Regime theory

Urban regime theory has become an important tool of analysis for understanding the nature of governance within modern urban environments. Davies (2003) states that "regime theory is now the dominant paradigm for the study of urban politics not only in the USA but also the UK". One of the founders of this field of study, Clarence Stone, observes that " Urban regime theory assumes that the effectiveness of local government depends greatly on the cooperation of non-governmental actors and on the combination of state capacity with non-governmental resources ... the reality is that government and business activities are heavily intertwined, as are government and non-profit activities (Stone 1993 p7).

Its focus necessarily is on the less visible aspects of governing arrangements, something which contributes both a measure of difficulty in being precise about what is and is not encompassed within regime theory, and clarity about the pre-conditions required for the evolution of effective regimes.

Holman (2007) suggests the following characteristics for describing regimes:

1. A long-term set of arrangements or relationships by which an informal network of local actors from both the public and private sectors and possibly voluntary and/or other organisations make some governing decisions for their community.
2. There is an agenda, purpose or vision that is strongly defined.
3. Dynamic actors are able to recognize and act upon the unique attributes of their locale (John, 2001, p. 52).
4. Mobile capital and external resources are sought in order to achieve a positive sum outcome for the city.
5. Collaboration produces outcomes that would not be attainable by remaining independent.
6. Co-operation within the network is built on relationships of trust (often existing prior to the regime) and is a negotiation of individual preferences. It is what brings actors to the table.
7. Complementary resources, i.e., relevant skills, experience and adequate finances along with congruent goals, help to shape and strengthen the nature of the arrangements.
8. The arrangements are reinforced by complementary networks of agencies and participation of coalition actors within those agencies such that business interests are relatively integrated.
9. The coalition is not formally within the institutionalized structure of local government, although some of its members will be and it will often act on behalf of or in co-ordination with those institutions.
10. Selective incentives may enter into negotiations.

Stone (2005) in a retrospective article looking back over his years of work on regime theory describes the condition which regime theory addresses in these terms:

The political condition that urban regime analysis probes is weakness in

the foundation for democratic politics. Why is one person, one vote an insufficient foundation? In contemporary society, addressing problems calls for complex forms of action. Any major problem has many strands that affect many people in multiple ways. No single action is likely to make much lasting difference. For that reason, problem solving calls for multistage thinking, planning, and action—far beyond what clusters of what even active but loosely organized citizens are capable. Bounded rationality is sharply confining in ways that can best be overstepped by actors who are part of arrangements that facilitate far-reaching deliberations. In short, the “retail” politics of pressuring officials on particular issues makes little long-term difference. Sustained courses of action stem from arrangements built to further a priority agenda. Without a link into institutional arrangements, scattered bodies of even aroused citizens are in no position to develop and pursue such agendas.

However context and environment also matter. Not all conditions will be equally appropriate for the emergence of urban regimes:

Different problem arenas give rise to quite different challenges. Intergovernmental mechanisms and interlocal relationships can aggravate or ameliorate problems and help shape responses to them. For example, central government funding can stimulate action, but sometimes such funding carries with it conditions that work against the scope and level of local cooperation that may be needed for effective action (Davies 2001, 2003). Still the nature of local political and civic arrangements carries great weight.

The UK and USA compared

Davies (2003) compared and contrasted urban regeneration partnerships in the United Kingdom with urban regimes in the USA. The regeneration partnerships were a UK government initiative intended to encourage the development of local partnerships between councils, business and the third sector to regenerate rundown areas. The expectation was that bringing together the three sectors in what was intended to be a market led approach to redevelopment, assisted by significant government funding, would be able to achieve results which local government on its own could not.

Davies (2003) found that the initiatives “have resulted in highly bureaucratized, but symbolic, partnerships with local business elites. Business activity in these partnerships thus far has been marginal.”. The contrast with successful urban regimes in the USA is palpable.

A number of factors appeared to be relevant. First, urban regimes evolved out of the relationships between local actors who perceive mutual benefit in collaboration. The urban regeneration partnerships were a consequence of bureaucratic “coalition” by the central government. Secondly, the relationship between the business sector and local government in the UK was markedly different than between business and local government in the USA.



US business typically has a close relationship with local government for reasons which include the fact that business taxes of various kinds are a major funding source for local government, so that business has a natural incentive to take a close interest in what local government does. Local government also has a much greater measure of autonomy in the USA than in the UK. In the UK, with very minor exceptions, local government raises no revenue from the business sector (the business rate is set and collected centrally, and redistributed by central government as part of its grant funding of local government). Perhaps more importantly, the pervasive role of central government in the United Kingdom means that business's lobbying activities are focused on the central government bureaucracy and politicians, not on local government, because that is where the influence and power lies.

Davies research suggests that if the UK government wants strong self-sustaining partnerships between local government and business, then central government will have to give up significant power to the locality.

The New Zealand situation

In some respects the New Zealand situation is closer to the USA than it is to the UK. Local government does raise significant revenue from the business sector and also has a much greater measure of autonomy (although not to the extent of USA local government with its "home rule" status). However, in many respects the business/local government relationship is closer to the UK situation than the USA, partly because of the greater extent to which central government is prepared to and does intervene both in the structure and in the role and function of local government. The incentive this creates from a business perspective is to focus on central government as the ultimate problem solver, rather than seeking to work collaboratively with local government. It seems likely that one consequence of this is to significantly inhibit the potential for the development of a trust based relationship between the two sectors when both are aware of the potential for business to seek central government intervention if it cannot get what it seeks from local government.

5. Current Trends in Metropolitan Governance

This section provides a brief overview of current trends in the restructuring of metropolitan governance, looking at the three overseas jurisdictions whose systems are closest to New Zealand's: Canada, United Kingdom and Australia. Of these three, two are federal systems in which responsibility for local government rests at the second tier of government - provinces in Canada, states in Australia.

1998 saw the publication of a much cited paper, *Metropolitan Government and Governance in Western Countries: a Critical Review* (Lefèvre 1998). The paper considers both the widespread emergence and then failure of models of metropolitan governance in the 1960s and 70s, and the renewed interest in metropolitan governance in the 1990s following a very different approach.

All of the examples Lefèvre considers involve structures or arrangements which are separate from the basic local authorities within the region and are focused on regionwide activities, whether infrastructure, spatial planning or addressing issues of social inclusion where one function of the metropolitan government is spreading the cost of doing so across the region as a whole.

He presents the following description of metropolitan government as the basis for his discussion:

The expression 'Metropolitan Government' generally refers to a structure or institutional arrangements for the government of metropolitan areas. In its purest form, which might be termed the 'Metropolitan model', this structure has four main characteristics: (1) strong political legitimacy, obtained by the direct election of its political representatives; (2) meaningful autonomy from both 'senior governments' and basic local authorities, acquired as a result of adequate financial and human resources; (3) wide-ranging jurisdiction; and (4) 'relevant' territorial cover, consisting, roughly speaking, of the functional urban area.

This model of metropolitan government came under strong attack, especially from advocates of public choice theory who claimed that arguments in support of the creation of a single strong metropolitan government lacked empirical support. For example the claimed benefits from economies of scale had not been empirically verified, there were other means of achieving scale benefits (collaboration; shared services) that did not require such a heavy institutional form, and where economies

of scale could exist, these would be functions of the nature of individual services (whose functional areas vary widely) rather than institutional structures.

The best-known experiment with metropolitan governance in the 1960s and 70s was the creation of the English metropolitan counties, including the Greater London Council. The experiment lasted 10 years, with councils which were created in the 1970s being abolished in the 1980s.

Lefèvre identifies two elements underlying the failure of the earlier experiments with metropolitan government: problems of legitimacy and the manner in which they were constituted. In respect of the first element he makes the point that the establishment of successful metropolitan government requires more than just putting in place the formal institutional structure. As he puts it "local authorities are only legitimate if the population recognizes itself in them and identifies with them, in other words because their legitimacy is above all based on political, psychological and social elements constructed over a period of time. These elements were lacking in the metropolitan governments and they found themselves confronted with three actors (local governments, pressure groups and populations) who did not recognize their legitimacy ". In respect of the second, typically metropolitan governments had been put in place through an authoritarian process – a higher tier of government had simply legislated for them, raising questions about the appropriate means of implementing metropolitan government.

He then turns his attention to the re-emergence of metropolitan government in the 1990s, noting a renewed interest both in continental Europe and in North America, taking different forms within different jurisdictions but with a commonality of approach which he sees as based on a different process and understanding that has learnt from the lessons of the failed experiments of the 1960s and 70s. He has this to say of the new approach:

The present history of metropolitan governments is a good illustration of the development of institutional policies. Metropolitan governance highlights values of negotiation, partnership, voluntary participation and flexibility in the constitution of new structures. In doing so, it presents us with a radically different idea of the institution. It is no longer presented at the start, created in advance, ready-to-use, but appears as the result of a constitutive process. It is the process which radically transforms yesterday's metropolitan model. Metropolitan governance does not consider the institution to be pre-established - on the contrary. The objective to be achieved (roughly speaking, the form and content of the metropolitan authority) is not fixed in advance, but becomes the product of the system of actors as the process unfolds. Thus, the process has its own dynamic, fed by the actors themselves. But this feeling is not left to chance; it is done through specific forms and negotiated procedures which frame and punctuate the process. Unlike the classic metropolitan

model where the process of constitution was generally short but where implementation proved, as we have seen, defective, the process here is long, and may stop or slow down at any time, but the result seems less uncertain because the legitimacy of the institution is produced by all the actors during the process of constituting the metropolitan government.

The precise institutional form may vary. A metropolitan government may be either supra-municipal or inter-municipal in form. The former is a separately constituted institution broadly following the four characteristics identified above. The latter is the product of collaboration amongst the basic local authorities within the region. It may have a statutory form as with regional districts in much of Canada; it may be non-statutory as with Australia's regional organisations of councils.

In the 10 years since the publication of Lefèvre's seminal article, the pace of reform of metropolitan government in the three jurisdictions this paper considers has increased significantly though not always quite in the way Lefèvre's research suggested would produce the most stable outcomes.

The examples considered are:

- Canada: municipal reform in Toronto, Montréal and Vancouver.
- Australia: local government reform in South East Queensland; Sydney.
- England: the creation of the Greater London Authority.

CANADA

Montréal

As a result of a series of reforms over the past decade Montréal now has what is probably the most complex structure of metropolitan governance of any city within the jurisdictions considered in this paper. It is example of the inherent problems of restructuring a major metropolitan area without first securing a measure of consensus at a political level on the outcomes which should result.

Before the reform process began, the island of Montréal itself comprised 28 local municipalities, and a regional organisation, the Montréal Urban Community which was responsible for regionwide functions such as transit.

The provincial government had been concerned for many years that Quebec had far too many small municipalities. Between 1990 and 1996 the government attempted to encourage voluntary amalgamations but without success. In the year 2000 Quebec had 1306 municipalities, 85% of them with a population of less than 5000. For Montréal itself, the province's principal city, the provincial government's concerns included efficiency and quality in the provision of local government services, fiscal equity (the central city of Montréal itself was seen as carrying a disproportionate share of costs of facilities and services which benefited the entire metropolitan area) and the need to build a competitive city in response to globalisation.

Following the failure of attempts to encourage voluntary amalgamations, the provincial government, then led by the *Parti Québécois*, instituted compulsory amalgamation. Within Montréal itself the result was:

- The creation of a single city of Montréal.
- Within the city, the creation of 27 boroughs, with a series of locally-based functions, but without any separate revenue raising powers of their own.
- The establishment of a new Montréal Metropolitan Community, covering not just the area of the previous Montréal Urban Community, but a number of rural and semi-rural municipalities on the outskirts of the metropolitan area.

The amalgamation ran into significant political resistance, especially from former municipalities whose populations were majority English-speaking. The Liberal Party of Canada made an electoral commitment, in the provincial elections in 2003, that it would enable referenda on de-amalgamation. By 2006 15 municipalities had de-amalgamated from the new city of Montréal.

To provide for the continuing governance of Montréal, the provincial government has created what is known as the **agglomeration city of Montréal** which comprises the city itself including 19 of the 27 boroughs created in the early reform (the remainder disappeared through de-amalgamation) and the 15 autonomous municipalities resulting from de-amalgamation. The agglomeration city undertakes a range of functions which together consume approximately 60% of the budget of the city of Montréal and the autonomous municipalities. The overall voting control of the agglomeration city will rest with the city of Montréal but the provincial government also retains a significant role in mediating disputes between the city and the autonomous municipalities.



The new Montréal Urban Community is controlled by a Council of 28 persons which includes the mayor of Montréal and 13 members of the agglomeration city, effectively giving the agglomeration city 50% of the voting power within the MUC, with the remaining members from groupings of municipalities outside the agglomeration city. The MUC does not have an independent taxing power but instead pre-empted on its constituent authorities. Once the MUC adopts its budget, funding is distributed amongst the constituent municipalities in relation to their own tax bases. There is an obvious presumption that the government structure of the MUC will act as a sufficient constraint on excess expenditure.

It is too early to assess the effectiveness of the Montréal reforms, or the implications of the split along linguistic lines which resulted from the de-amalgamation initiative. What does seem clear, though, is that Montréal provides a very good example of the problems which can arise when significant reform is pushed through without an adequate political consensus to underpin it.

Toronto

Metropolitan governance was established in Toronto in 1954 with the formation of Metropolitan Toronto, usually referred to as Metro Toronto, to handle a range of regional issues including water and sewerage infrastructure, roading and regional planning. For many years, the governance of the Toronto area was recognised as a leading example of two tier governance (Sancton 2005). However, in its later years Metro Toronto faced increasing difficulty, largely because its boundaries remained restricted to those established for it on its formation in 1954, and much of the continuing growth of the Toronto region was taking place outside those boundaries. By 1971, only 72% of the population of the Greater Toronto Area was within the boundaries of Metro Toronto. By 1996 this proportion had fallen to 52% (LeBlanc 2006).

Metro Toronto itself was abolished in 1998 as part of the provincial government reform of local government in Ontario. The major focus of the reform was the creation of a mega-city of Toronto largely in response to the provincial government's belief that a larger entity would result in greater efficiency and reduced costs, and be better able to respond to the pressures of globalisation (Sancton 2005).

In Toronto, the reforms merged the city of Toronto with five adjoining municipalities and Metro Toronto itself, with the new single city inheriting the majority of the regional functions of Metro Toronto other than transit which was assigned to a newly created regional entity, the Greater Toronto Services Board. The reform process was also complicated by the "downloading" of a number of provincial functions to local government within Ontario, including police, social housing and forms of social

assistance (offset by the province taking over responsibility for elementary and secondary education) (LeBlanc 2006).

The reforms were pushed through with minimal public consultation despite the recommendation of the GTA task force which had reported to the provincial government on the reform of regional government in Toronto that:

The right kind of citistate governance must be developed in a consultative "bottom-up" process involving a wide range of civic players, neighbourhood leaders up to the level of corporate leadership. Mutual trust needs to be built amongst the parties. It would be an error for a state government to impose a regional government without broad consultation with the local community.

A greater influence on the provincial government than the report of the task force appears to have been a KPMG report, *Fresh Start: An Estimate of Potential Savings and Costs from the Creation of Single-Tier Local Government for Toronto*, which had estimated potential savings approaching \$C300 million per annum. Although the city of Toronto web site contains a number of reports from the first two or three years after amalgamation, the general consensus now appears to be that the reforms generated few if any savings (Deloitte, 2006).

Three years after the reforms created the Greater Toronto Services Board as a successor authority to Metro Toronto, with responsibility primarily for transit, the board was abolished. Its transit functions, Go Transit, were taken over by a newly formed Crown entity, the Greater Toronto Transportation Authority. Go Transit is responsible for transportation between the city of Toronto and the remaining metropolitan area. Public transportation within Toronto itself is the responsibility of a city controlled agency, the Toronto Transit Commission.

The reforms have left something of hiatus at the regional level. There is now no regional entity with responsibility for matters such as regional spatial planning or infrastructure. Instead, a business led group, the Toronto City Summit Alliance, has emerged attempting to provide some leadership for city-region issues, including linking together representatives of Toronto's many different communities and interests (Sancton 2005).

Sancton speculates that, in reality, the provincial government may see itself as effectively the regional government for greater Toronto. He notes that at the time of the formation of the City of Toronto, its population was 2.48 million, the population of the Census Metropolitan Area was 4.68 million and the population of what is known as the Extended Golden Horseshoe (the extended Metropolitan agglomerations centred on Toronto) was 6.7 million. The combination of the provincial government's failure to address the need for regional mechanisms, within



its local government reform process, and the limited influence of the city of Toronto post reform (most new development takes place well outside the boundaries of the city itself) are both regarded by Sancton as evidence that the provincial government sees no need for any form of strong regional governance within local government.

Vancouver

In contrast with much of the rest of Canada, British Columbia's provincial government has taken a relatively non-interventionist approach towards local government. It has preferred to encourage the practice of collaboration amongst local authorities, rather than, for example, forcing amalgamations as a means of seeking to improve efficiency.

In a presentation to the World Urban Forum III (Paget and Walisser 2006), 2 senior officials of the province's Ministry of Community Services described the four key factors of the province's local government architecture as:

- municipal governments are strong – they are equipped to meet real local needs;
- regional governments serve the local government system without dominating it. Political boundaries are fixed, yet functional or service boundaries are soft. There are literally thousands of different boundaries for providing and financing individual services (with new service units forming each year);
- municipal and regional governments provide local services – they regulate people and property, and guide physical and social development of communities – but are not responsible for equity services such as health or education; and
- collaborative institutions provide support in areas where local governments can achieve more by acting collectively rather than individually.

40 years ago the province legislated for the creation of Regional Districts. The districts link together groups of municipalities in what is intended to be essentially a collaborative approach to managing inter-municipal issues. The boards of regional districts are made up of elected members from the constituent municipalities, with voting power based on population.

Sancton (2005) observes that "municipalities can opt out of many regional services or, if they are near the outer boundaries, opt into the services being provided by a neighbouring district." Paget and Walisser (op. cit.) note that "The 27 regional districts undertake literally thousands of responsibilities, quite often to deliver at a regional scale services that cannot be delivered efficiently at the municipal level. The



vast majority of these services are undertaken as locally-initiated partnerships, with only a few mandated by the provincial government. What this means in practice is that no two regions are alike and, over time, regional districts acquire service responsibilities one-by-one – they evolve continuously."

The best known of the various regional districts is the Greater Vancouver Regional District which serves the city of Vancouver and surrounding municipalities providing services such as public transit, water and sewage services, garbage disposal and regional parks.

Sancton (2005), who is a very well respected writer on metropolitan governance, has clearly concluded that the Regional District approach is the best option yet developed for effective metropolitan governance. In respect specifically of the Greater Vancouver Regional District he comments:

Although it is impossible to determine objectively an ideal institutional model for Metropolitan governance, it is hard to imagine a mechanism that could better combine local self-government through established municipalities with the existence of an institution at the Metropolitan level that can both provide a degree of consensual Metropolitan leadership (the strategic plan) and a framework within which municipalities can voluntarily co-operate with each other.

He goes on to conclude that:

The genius of the Regional-District system in British Columbia is that the Vancouver city-region obtains most of the benefits of having a metropolitan authority without the addition of another competing tier of directly-elected local government. For many of the world's city-regions, the Greater Vancouver Regional District merits at least further study, if not emulation.

People familiar with New Zealand's experience with United Councils, which had many of the same characteristics as Regional Districts, especially at the governance level with a board made up of elected members from constituent authorities, may be surprised by Sancton's views. United Councils are remembered mainly for the inability of the majority to rise above protecting the parochial interests of their constituents. The history of many of Australia's Regional Organisations of Councils, which are similarly constituted, has also reflected the problems of parochially-based governance.

Discussing this issue with officials from British Columbia's Ministry of Community Affairs elicits the response that the strength of the regional districts today is the product of some 40 years of evolution, with the provincial government prepared to

give regional districts, and their constituent councils, the time needed to build trust and move beyond simply protecting parochial interests. Implicit in their response was also a sense that it was better to spend time getting it right than to rush through the development of new structural arrangements which did not work.

Despite the relatively hands off approach which has been traditional in British Columbia, the provincial government has recently intervened in a major reform of transportation governance and management for Vancouver and surrounding areas.

Since 1999, municipal transit, including the building of associated infrastructure, had been the responsibility of the Greater Vancouver Transportation Authority known as TransLink. The authority was the vehicle through which the Greater Vancouver Regional District exercised its public transit function. Transit's governance was through a board made up of elected members from within Greater Vancouver who were directly responsible for major decision-making.

In 2006 the provincial government established a panel to review TransLink with terms of reference including:

- The appropriate division of responsibility and control between the Province and TransLink for transportation matters in Greater Vancouver.
- The appropriate size, composition and appointment processes for the Board of Directors of TransLink.
- The appropriate responsibilities, authorities and powers of the GVRD in relation to TransLink under the *GVTA Act*.
- The appropriate responsibilities, authorities and powers of TransLink to institute revenue measures for funding service delivery and capital projects.
- How to ensure the Province will have effective input into, and oversight of, TransLink activities and decisions as they affect provincial interests.

The background to the decision to establish the review was provincial government dissatisfaction with the decision-making process of the Transit board over a major public private partnership proposal known as the Canada Line. In an interview shortly after the review panel was announced, Kevin Falcon, the Provincial Minister of Transport stated:

"Just recognizing that when we're talking about taxpayer dollars on major investments like this, where you've got people from around the world committing huge amounts of dollars and time and people to make commitments to bidding on a process like this, it does not at all help the credibility of the province or the region to have an atmosphere like that taking place. You've got people opposing it for reasons that are not even

remotely connected to the actual merits of the project. And people opposing it for issues that are entirely parochial and back-yard local politics in nature, and that's something I said does not do a service to the broader regional needs." (<http://www.straight.com/article/translink-review-defended>).

Considered in a somewhat more objective fashion, the Translink governance structure was coming under pressure from several sources including the rising cost of infrastructure, and the difference between the administrative and functional boundaries of the transport function. A board made up of elected members was finding it more difficult to make decisions that could be seen as being in the "wider regional interest" when this might result in significant tax increases for their own residents and ratepayers. This was compounded by the need to improve transit arrangements for communities outside the regional district itself.

The review report recommended a different approach to governance, distancing the political level from the planning and implementation level.

Under the new structure, the ultimate responsibility still rests with local government. At the peak of the governance arrangements is a Mayors' Council made up of Mayors of councils within the metropolitan area and with provision for Mayors of additional municipalities to join the Council to facilitate extension of Translink's coverage. The Mayors' Council is responsible for appointing Translink's Board of Directors who may not themselves be elected members or employees of public bodies.

The board is responsible for preparing and implementing Translink's strategic and operational plans. The Mayors' Council receives these but has limited powers to amend.

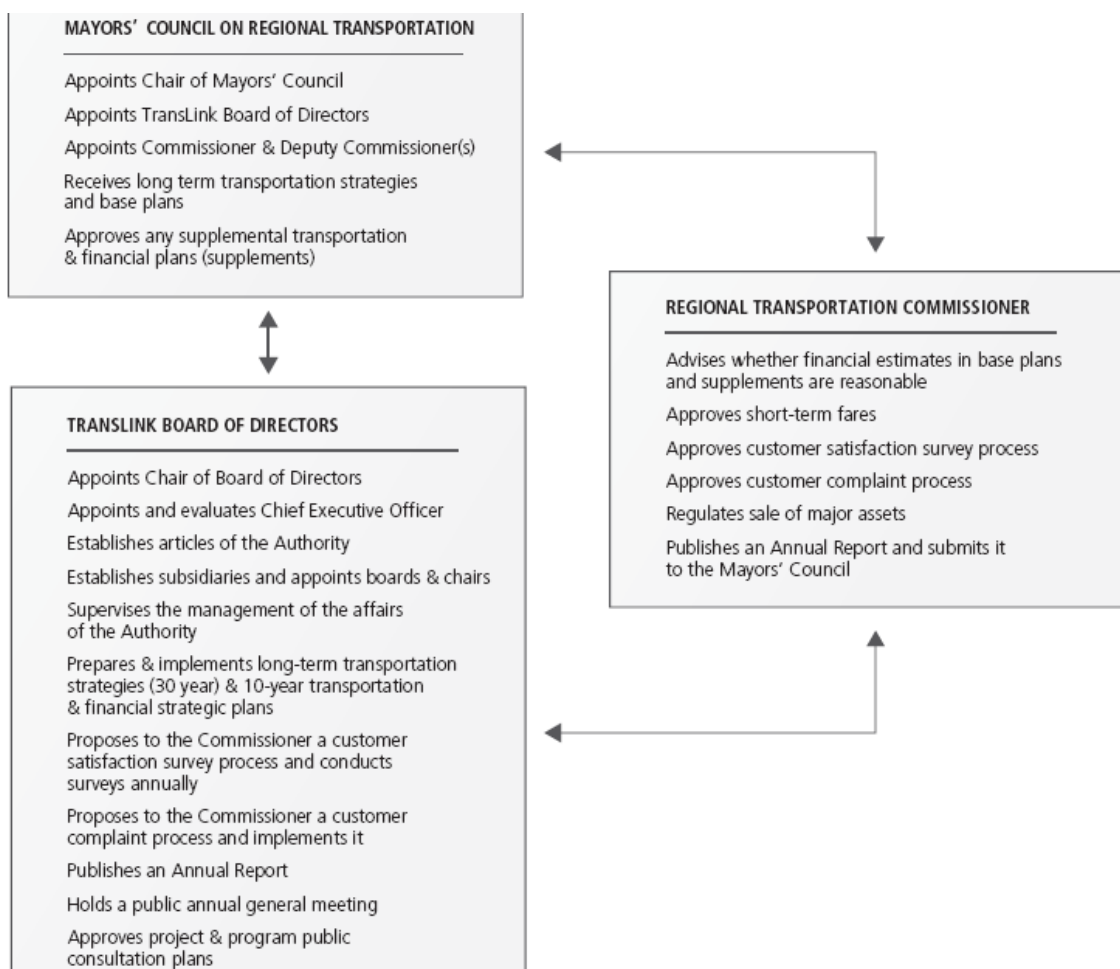
Finally, a regional transport Commissioner is appointed with power to comment on financial arrangements and approve short-term fares.

The arrangements can be seen as a compromise between the public interest in democratic control of major decision-making, and the imperative, especially strong in major infrastructure issues, to be able to get on and make timely and efficient decisions. It addresses what is now a common dilemma in this area that, typically, any major infrastructure issue can be dealt with by more than one possible solution, each of which will impact differently on different interests within the affected community or region. As the provincial Minister of Transport clearly believed, if these kinds of matters were left to be resolved by decision-making groups with individual members whose primary loyalties are to only part of the affected region, there could be a very real risk of parochial interests overwhelming any rational decision-making process. In the light of the issues currently facing Auckland, this is an extremely interesting experiment in balancing competing interests, especially as it



has been developed within a jurisdiction that historically has eschewed intervention within local government.

The principal elements of the new structure, and the responsibilities, are set out in the following table extracted from the Translink publication *The New Governance Model* (see http://www.translink.bc.ca/About_TransLink/default.asp).



AUSTRALIA

Australia, like Canada, is a federal system in which the constitutional responsibility for local government rests with the second tier of government - in Australia, with the states. Like Canada, Australia has a history of states being proactive in intervening in the structure and functions of local government. Also like Canada, Australia has one state which has generally refrained from intervention - in this respect, South Australia is the equivalent of British Columbia.

In recent years New South Wales, Victoria, Tasmania and Western Australia have all been actively engaged in local government restructuring. This has also been the case in South Australia with the difference that the restructuring process in South Australia was very much a collaborative one with local government itself working in close partnership with the state.

As well as structural intervention, several states also reserve the right to intervene significantly in local government financing. Of these the most significant is New South Wales which maintains a policy on "ratecapping" which is now largely blamed for the systemic underinvestment in New South Wales infrastructure identified by the *Independent Inquiry into the Financial Sustainability of NSW Local Government* (Allan 2006).

Brisbane

Brisbane is often held up as an example of large-scale metropolitan governance which has worked, and therefore a precedent which other jurisdictions should consider.

The history and practice of metropolitan governance in Brisbane was considered in McKinlay Douglas Ltd (2006) which summarised the Brisbane experience as follows:

The Brisbane City Council is the largest local authority in the southern hemisphere, serving a population of some 900,000 people - approximately 50% of the population of the Brisbane metropolitan area.

The city was created by the City of Brisbane Act 1924 which merged two cities, six towns and 10 shires to form a single city. The city is regarded as a successful example of a metropolitan administration being effective to manage a very substantial undertaking serving a large population. It does not, however, follow that Brisbane's current success as a metropolitan administration is evidence to justify the amalgamation, today, of several large local authorities to create an equivalent sized metropolitan administration.

First it should be noted that the formation of the City of Brisbane was more in the nature of the de novo creation of a new entity, than the amalgamation of several existing entities. Next the City of Brisbane in 1924 was a very much smaller entity than the City of Brisbane in 2006 so that the issues involved in bringing together a large and complex administration to create a city of today's scale were not addressed in Brisbane's formation. Finally the nature of modern metropolitan administration is very different from what it was in 1924 - the complexity of infrastructure requirements, the nature of technology, the local authority funding environment and much else has changed dramatically over the past 80 years.

For the purposes of this report, the City of Brisbane may be seen as providing an instructive example of apparently effective management of a large metropolitan area under a single administration but does not have a great deal to offer on the merits of amalgamation versus other means of addressing issues of scale and capability in today's local government environment.

The principal reason for this judgment is that it is not possible to draw from the current circumstances of the City of Brisbane any lessons relevant to the immediate questions which arise when considering the merger of several large local authorities to form a mega-city. Brisbane's culture, operating systems (including technology), salary structures funding arrangements and other critical determinants of effectiveness and efficiency must all be regarded as the product of a single long-lived local government entity. Accordingly, they do not allow the drawing of any conclusions on how best to bring together those elements from several different entities into one.

Of greater interest, in terms of trends in metropolitan governance, is the current restructuring of local government across the whole of Queensland. This process began in 2006 with the establishment of the *Size, Shape and Sustainability review* is effectively a joint undertaking of the State government and the Local Government Association of Queensland. It followed a series of Queensland state government reports which had raised concerns regarding in particular the financial sustainability of Queensland local government. The review adopted a consultative approach, and showed a clear preference for shared services and collaborative arrangements as the way forward rather than council amalgamations.

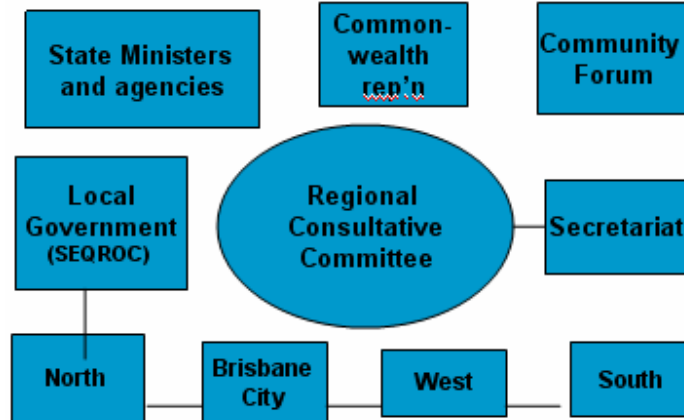
Early in 2006 the Queensland State government concluded that the review was making insufficient progress so established a Local Government Reform Commission. The Commission was established on the first of May 2007 and delivered its report on the 27th of July. It drew its terms of reference partly from statute, and partly from ministerial direction, with quite a strong inference that its focus should be on amalgamation, stating for example that its terms of reference required:

- consolidating, to the extent practicable, regional natural resource management areas, including for example water catchment areas and environmental areas, including for example, coastal wetlands; and
- creating local governments with improved financial sustainability;

The overall recommendations of the Commission, once implemented, will reduce the number of territorial authorities in Queensland from 157 to 73, including a reduction from 17 to 10 of the number in the Brisbane metropolitan area (the boundaries of the city of Brisbane itself remain unchanged).

Of particular interest is the reasoning which the Commission applied in arriving at its recommendations for the Brisbane metropolitan area. Over the period since 1990, the South East Queensland area had gradually evolved a coordinated approach to regional planning which, in 1994, took statutory form.

Organisationally, the regional planning process had been based around a series of sub-regional organisations of councils linked through a South East Queensland Regional Organisation of Councils and working closely with the State government. Diagrammatically the arrangements were:



The structure had provided a form of metropolitan governance, focused on spatial planning, which was somewhat weakened when regional planning was given a statutory basis. This brought it more closely under the direct oversight of the State government, through a newly established Office of Urban Management, and a new Regional Coordination Committee involving six State ministers and for mayors, and placed under the umbrella of the Department of Infrastructure and Planning.

The Local Government Reform Commission determined that the rationale for the restructuring of local government in South East Queensland should be "local



governments with the ability to successfully and sustainably respond to the demands of rapid and ongoing population growth." Accordingly, it sought to:

- Build on the broad regional strategy and sub-regional structure of major urban areas underpinning the statutory SEQ Regional Plan; and
- Establish a scale and association of local governments that would best address the planning and infrastructure needs of particular sub-regions, within the overall strategy of the SEQ Regional Plan.

The approach is of interest as reflecting a quite widespread view that for metropolitan areas, "Land-use planning can only be provided in a co-ordinated way if the area includes the integrated economic and social metropolitan area as a whole." (Stren and Cameron 2005). Also of interest is that the State Government effectively remains as the regional planning authority for southeast Queensland (as it does for other regions of Queensland as well).

The Department of Infrastructure and Planning's website states: "The Office of Urban Management will expedite the completion and manage implementation of the regional plan for South East Queensland." As part of the current local government reform process, the State government is also assuming responsibility for water and wastewater services (prior to the reforms, Queensland had been the only state in which these services remained a local government function).

It is tempting to conclude that, as with Andrew Sancton's comments in respect of the provincial government of Ontario, the Queensland State government sees itself as the equivalent of the regional government entity for southeast Queensland and other regions of the State.

Sydney

Sydney is included here not so much because of the lessons it can offer for the governance of Auckland, as because of its importance within the region of which Auckland is part.

Graham Sansom, director of the Centre for Local Government at the University of Technology in Sydney, has described metropolitan governance in Sydney as a "mess"³ identifying amongst others the following influences:

³ In a presentation to the Local Government Centre seminar "Is Strong Metropolitan governance Feasible? The Dilemma of State Intervention", held at AUT University on 4 February 2008.

- State jealously guards metro governance but:
 - Lack of vision, **understanding** and agreed priorities (attention diverted by crises in service delivery)
 - Weak planning agency and poorly constructed system
 - Poor inter-agency coordination
 - No money so *ad hoc* public-private partnerships
- Fragmented, largely incapable local government with:
 - No clear role
 - Too many small councils
 - Very limited strategic thinking or (sub) regional cooperation
 - Rate-capping and often poor financial management
- At both levels:
 - Strategic planning over-shadowed by development control
 - Infrastructure backlogs, especially transport, environment.

Kübler and Randolph (2007) are somewhat more generous in their assessment, mainly by placing a strong emphasis on the role of the state to "act as a metropolitan government". They document a history of relatively unplanned and unanticipated expansion, especially in western Sydney, combined with a series of strategic plans, suggesting a shift so that "metropolitan planning is no longer seen as the drafting of master plans to be implemented by state agencies, but more as an activity of managing a process that binds the agencies with a major stake in Sydney's development in a coordinated approach".

However, they also identify two factors which seem likely to remain major barriers to effective metropolitan governance (if by effective is meant governance which is able to deal appropriately with the major needs of metropolitan Sydney). The first is vertical fiscal imbalance, the fact that the great bulk of tax revenues are raised by the Federal government but the bulk of expenditure obligations fall on state governments in particular, and on local government. This can be seen as an extreme example of the privileged position of the highest tier of government, in most developed countries, in having access to the most productive tax bases - in New Zealand's case income tax and GST.

The second factor they describe as "the tension between local interests and the regional scope necessary for planning the development of the wider metropolitan area" and go on to comment that "it is clear that the implementation of area-wide planning strategies developed by the State government can only be successful if the regional goals and objectives translate into the local planning regulations made by local governments." Although the comment is expressed in terms specific to the structure of local government in Sydney, the theme is one which is consistent in any assessment of metropolitan governance arrangements in developed countries.

ENGLAND

The Greater London Authority

The Greater London Council was abolished in 1986. Ongoing local government within the former GLC area became mainly the responsibility of the 32 London boroughs and the City of London. Other elements of governance were the responsibility of a number of London wide appointed boards and other institutions. Finally, different government departments also played a role. The Department of the Environment was responsible for strategic land-use planning and the Department of Transport controlled major roads. Writing of the situation as it existed in the late 1990s, Travers and Jones (1997) concluded that "London is a city with much government but little political power. While this contrast has been true in the past, the demands of a modern, advanced democracy make the failures of weak and fragmented government more important than before. Fragmentation of government - and the lack of effective political power that goes with such a system - is now worse than in the past. The recent creation of new London-wide committees and boards, the growth of new Whitehall involvement and the rapid development of partnerships together suggest there is a power vacuum".

The then opposition Labour Party picked up on what it saw as an opportunity, and on discussion which had been taking place within government policy circles on the option of moving to an executive mayor in some circumstances, to put forward the following commitment in its 1997 General Election manifesto:

London is the only Western capital without an elected city government. Following a referendum to confirm popular demand, there will be a new deal for London, with a strategic authority and a mayor, each directly elected. Both will speak up for the needs of the city and plan for its future. They will not duplicate the work of the boroughs, but take responsibility for London-wide issues - economic regeneration, planning, policing, transport and environmental protection. London-wide responsibility for its own government is urgently required. We will make it happen. Labour, once elected, moved quickly to deliver on that commitment.

The July 1997 green paper *New Leadership for London* was followed by legislation providing for a referendum on proposals for the establishment of a Greater London Authority. The referendum attracted a turnout of 34.6% but a majority of 72% for the government's proposals.

The Greater London Authority Act was passed in 1999 and the authority itself established the following year. It contains two separate elements; an elected executive mayor, and the London Assembly comprising 25 members 11 of whom are elected on a London wide franchise and 14 of whom represent constituencies made up of between two and four London boroughs. Under the Act the mayor's responsibilities include developing the authority's strategies for transport, planning and environment in London, setting the budget for the Authority itself and for its functional bodies (the London Development Agency, the London Fire and Emergency Planning Authority, the Metropolitan Police Authority, and Transport for London). The assembly oversees the mayor's role and has the power, on a two thirds majority, to amend any of his budget decisions. It is also responsible for appointment of senior staff including the chief executive.

Assessing both the performance of the GLA itself, and its replicability in other contexts, is a complex task. This is not made easier by the personality and profile of the initial and still current mayor, Ken Livingstone. He was chair of the Greater London Council at the time it was abolished by the Thatcher government, and a long-standing left leaning member of the Labour Party. When the GLA was created by the Blair government, Ken Livingstone made it very clear he considers himself the natural choice as the Labour Party candidate, but the party wanted nothing to do with him and chose instead a somewhat colourless former Minister. Livingstone stood successfully as an independent, and as a result was expelled from the Labour Party, something which complicated relationships between the GLA and the Labour government for at least the first couple of years.

It seems clear that much of the profile of the GLA itself is a function of the profile of the mayor, making it difficult to assess what the standing of the GLA would be with a different mayor.

There are, though, a number of indicators to suggest that the checks and balances built in to the GLA system have generally worked on the one hand to constrain the mayor and on the other hand to achieve the intent of a single high-profile decision maker on the strategic matters which the GLA is responsible.

Rydin et al (2002) report what they describe as tensions between the long-term strategic focus of the GLA's experienced bureaucracy, and the more short-term pragmatic focus of the mayor, suggesting that the policy/advisory function of the GLA, which forms an essential part of even the mayor's decision-making processes, is operating independently - as intended by the model.

Mulholland (2008) reports that the current assembly (elected in 2004) considers that it has achieved a number of successes especially through its scrutiny role. It has



also been successful in achieving a two thirds majority to restrain the mayor's budget proposals.

Perhaps the best indicator is the extension of powers of the GLA enacted in 2007. All The mayor has been given considerable additional powers in respect of housing, learning and skills, spatial planning and health amongst others. This suggests that the GLA has at least earned the confidence of central government. More significantly, the extension of powers was broadly supported by the Association of London Government, the body which represents the 32 London boroughs and the City of London, who might normally have been expected to resist any moves by central government to increase the power of a body which competes with them in the "political space" of London governance.

5. Overview of Some Current Themes in Metropolitan Governance

This section provides an overview of a number of current themes in metropolitan governance. Most of these have been touched on in one way or another earlier in this paper. They are brought together in this section as, collectively, they cover virtually the whole range of issues which frame the current debate about the nature and form of Metropolitan (and for that matter local or district) governance. The themes are:

- Tiebout revisited.
- Mismatch between administrative boundaries and functional areas.
- The funding and ownership of infrastructure.
- Amalgamation – is it beneficial?
- The legitimacy of governing arrangements.
- The emergence of the executive mayor.
- The role of regions in innovation.
- Central government attitudes to strong metropolitan government.

Tiebout revisited

An unresolved issue in the debate about the structure of local government is whether the better approach is a large number of smaller local governing entities, each close to their own communities and offering a range of choice, or a smaller number of large, consolidated entities. Associated with this is a separate but related debate on the number of tiers, especially over whether the claimed benefits of large-scale metropolitan governance are out-weighed by the presumed loss of choice implied by a single governing entity covering an entire region.

As Boyne (1992) makes clear, there are a number of different possible combinations based on fragmentation, consolidation and the number of tiers. With the now widespread acceptance that economies of scale in individual services should not be seen as a determining factor (because of the range of options available to an individual local authority for ensuring the provision of the service - see the discussion below on amalgamation - is it beneficial?), attention is firmly on the relationship between size and choice in achieving desired outcomes.

In an extremely influential article, the Chicago-based economist Tiebout (1956) essentially defined the framework for this debate by postulating that choice could operate as a mechanism to ensure that expenditures on local public goods approximate to the proper level. He described the situation of the hypothetical consumer-voter in the following terms:

Consider for a moment the case of the city resident about to move to the suburbs. What variables will influence his choice of a municipality? If he has children, a high level of expenditures on schools may be important. Another person may prefer a community with a municipal golf course. The availability and quality of such facilities and services as beaches, parks, police protection, roads, and parking facilities will enter into the decision-making process. Of course, non-economic variables will also be considered, but this is of no concern at this point.

The consumer - voter may be viewed as picking that community which best satisfies his preference pattern for public goods. This is a major difference between central and local provision of public goods. At the central level the preferences of the consumer-voter are given, and the government tries to adjust to the pattern of these preferences, whereas at the local level various governments have their revenue and expenditure patterns more or less set. Given these revenue and expenditure patterns, the consumer-voter moves to that community whose local government best satisfies his set of preferences. The greater the number of communities and the greater the variance among them, the closer the consumer will come to fully realising his preference position.

This argument was widely seen as supporting the case for more rather than fewer local authorities, and fewer rather more tiers of local government. Public choice theorists used Tiebout's approach to argue the case for fragmented local government as a necessary precondition for ensuring efficient and economic provision of local public goods. The argument was particularly influential in the United States which today has more than 85,000 units of local government (including not only territorial authorities, but a number of special purpose districts including school districts).

The Tiebout argument has been used not just to make a case for more, rather than fewer local authorities, but also for the primacy of individual choice as a key determinant in the provision of local public goods. In this respect, taken to its logical conclusion, it is essentially an argument against any form of redistribution but instead that payments by local residents, ratepayers etc to their local authority should equate to the value of the local public goods and services they receive in return.

The argument has been strongly revisited in recent years by the so-called 'consolidationist' school whose research, especially in the United States, has highlighted that a natural consequence of the Tiebout approach is the creation of a series of basically homogenous local authorities, as those who can afford to do so locate to local authorities offering the choice of services and amenity they prefer (or as American law often enables, create their own local authority) , and those who cannot get left behind in relatively impoverished areas unable to afford reasonable minimum service standards.

Lowery (2000), in a review of the then current state of the debate between public choice theorists and consolidationists, highlights research demonstrating that, in practice, the Tiebout approach has promoted sorting by race and by income.

Howell-Moroney (2008) notes that when Tiebout was writing, there was less of an emphasis on redistribution – less of an understanding of the implications of spillovers - in considering the structure of local government. As he puts it "the implications that the Tiebout hypothesis holds for producing better efficiency and economy in the provision of local public goods are sometimes very different from those for producing equity. Indeed, this asymmetry is a fundamental dilemma posed by locally-based systems of metropolitan governance."

Much of the current literature and discussion about metropolitan governance highlights this very point, that one of the major justifications for metropolitan governance is the ability, through sharing costs across the whole of the metropolitan area, more effectively to address issues such as affordable housing, social deprivation, provision of social services and the like. It is also the ability through establishing local government organisations of significant scale to develop the research, policy and advocacy capabilities needed to negotiate effectively with higher tiers of government to ensure that they recognize and as far as possible accept their responsibilities to address those issues.

This will remain one of the most controversial issues in the debate over metropolitan governance as, on one hand, arguments for social equity gain strength and, on the other, local residents, ratepayers and taxpayers will resist assuming obligations which they believe are properly those of a higher tier of government.

Mismatch between administrative boundaries and functional areas

The mismatch between administrative boundaries and functional areas is now one of the most fundamental issues affecting the governance of metropolitan areas. The administrative boundaries of local government entities, at any one time, are fixed, and normally can be changed only through complex administrative or legislative means. In contrast, functional boundaries fluctuate, are often "fuzzy", and may vary from function to function.

In some cases, the mismatch between administrative boundaries and functional areas will be the consequence of a failure to adjust administrative boundaries as the functional area expands. The discussion above of Metro Toronto is a good example of this. Originally, Metro Toronto's administrative boundaries would basically be the same as the functional area for activities such as spatial planning but, as the urban region around Toronto grew, and Metro Toronto's administrative boundaries remained unchanged, this was less and less the case. The practical outcome was seriously to undermine Metro Toronto's spatial planning activity, as increasingly growth in the region was taking place outside its area of influence.

In this respect, there may be a parallel with the Auckland region. Spatial planning needs to encompass the impact of economic development arising out of the growth of the region itself (recognising as the region the area which is essentially interdependent economically). This includes not only land use planning as such, but transport planning as well. For Auckland, with the growth which is continuing to take place, is the natural region for spatial planning defined by the current administrative boundaries of the Auckland Regional Council, or does it encompass nearby centres such as Whangarei, Hamilton and Tauranga? When planning the transportation needs of exporters and importers within the region, is it sufficient to focus on the Ports of Auckland, or should this encompass optimising a combination of the ports of Auckland, the Port of Tauranga, and North Port?

The issue is not just the failure of administrative boundaries to adjust as the boundaries of functional areas shift. It is also that the boundaries for different functional areas can vary significantly. Davoudi (2006) expresses the dilemma in these terms:

We all know that while governments operate on the basis of administratively defined boundaries such as communes, municipalities, boroughs, local authorities and so on, the activities of industries, businesses and households straddle such boundaries and take place in functionally defined areas. For example, 40% of the UK working population cross at least one local authority boundary during the journey to work. The figure rises for professional and

skilled workers. And as I mentioned before, journey to work is not the only journey we make. People may live in one administrative area, work in another, send their children to school in a third, spend their leisure time in a fourth, use the services of a hospital in the fifth and so on. So, making strategies on the basis of administrative boundaries does not make sense and will not be effective. But what is the alternative? How can administrative boundaries and wider functional areas be co-aligned? Well, this is currently the subject of a heated debate in the UK. The debate is mainly focused on the city region and particularly large metropolitan cities which have an extensive catchment area, but their authority is often confined to a much smaller administrative jurisdiction.

The funding and ownership of infrastructure

It is something of a cliché to observe that the funding and ownership of infrastructure is the single most controversial and politically difficult issue facing metropolitan government, and local government generally.

In Australia, successive reviews of the financial sustainability of local governments (SA, New South Wales, Queensland) have all concluded that a proportion of councils face severe problems of sustainability and that the major cause is the funding of infrastructure (this applies whether councils have major water responsibilities, as in Queensland currently, or not, as in New South Wales and South Australia).

In Canada, despite (some might argue partly because) of recent reforms of governance in Toronto and Montréal, funding of infrastructure remains a major problem in both metropolitan areas, partly because of tensions between centre and peripheral authorities in terms of who should bear the cost (Boudreau et al 2006).

In New Zealand *Funding Local Government*, the report of the Local Government Rates Inquiry, has acknowledged the pressures on local government of the cost of funding infrastructure and recommended amongst other things:

- The establishment of a fund of \$100 million per annum to assist with the cost of investment in water infrastructure.
- A move to volumetric pricing for water and wastewater amongst other things as a means of demand management to reduce the need for future investment.

In England, water and waste water infrastructure now belongs to the private sector, but to address what are otherwise believed to be intractable problems of funding and providing roading infrastructure, the government has mandated local authorities to impose congestion charges (an option so far only exercised by the Greater London Authority) and is actively engaged in investigating the feasibility of universal road pricing.

Issues of funding and providing infrastructure are complicated in New Zealand by legislative provisions which, for example:

- Require evidence of substantial public support before any road may be tolled, widely considered to be effectively a prohibition on private investment in roading.
- Severely limit private investment in water and waste water infrastructure, effectively prohibiting private ownership, and place extremely onerous restrictions on contracting out management.

Fragmentation of ownership and management is another issue. Especially with water and wastewater, there is a growing emphasis on the appropriate scale of delivery organisations for reasons including:

- The need to build critical mass of often scarce technical skills.
- Avoiding duplication or redundancy in investment.
- Minimising funding costs.

In parallel with this is a concern to ensure local communities, where it is feasible to do so, are able to express their own priorities in the arrangements they have with the producers of the service. As an example, should local communities have the right to "repackage" pricing arrangements if they are purchasing water from a wholesaler at a fixed price designed by the wholesaler as a demand management tool?

In the context of the issues facing the Auckland region, possibly the most relevant recent development is the restructuring of the Greater Vancouver Transport Authority (see pages 22 and 23 above) so as to minimise the impact of 'parochial' influences on the governance of the Authority while still leaving it ultimately accountable to local government. One obvious motivator, on the part of the provincial government, was the desire to maximise the potential for the Authority to enter into partnerships with the private sector, with the quality and timeliness of the Authority's decision-making processes seen as a critical factor.

Amalgamation - is it beneficial?

The arguments for and against amalgamation as a means of improving the efficiency of local government were canvassed extensively in *Local Government Structure and Efficiency*, a report prepared for Local Government New Zealand by McKinlay Douglas Limited in 2006.

Internationally, the predominant view on the merits of amalgamation is that "there is no functionally optimal size for municipal governments because different municipal activities have quite different optimal areas" (Sancton 2000). The logical corollary of this view is that the better means of pursuing economies of scale in the delivery of local government services is to do so service by service. Options include local authorities working collaboratively to establish shared services arrangements, joint ventures with third-party providers, contracting out and so on. Theoretically, this allows a local authority and its residents, ratepayers and others using its services, to have the best of both worlds. The political/representation arrangements which they have in place can remain undisturbed whilst they benefit from service delivery arrangements designed to optimise the cost effectiveness of services, including ensuring an appropriate critical mass of technical and other skills.

This view has recently been challenged by the Queensland Local Government Reform Commission. It received extensive submissions from the local government sector arguing for a shared services approach but opted instead for extensive amalgamation as the preferred means of improving the efficiency of service delivery within Queensland local government. Its reasoning was as follows:

A simple alliance model is essentially a contracting methodology that enables:

- a more formalised and coordinated approach to the planning and programming of significant infrastructure for roads, water and a range of other services;
- more efficient use of resources in the delivery of that infrastructure;
- and
- longer term commitments to be entered into for contracting work. This improves the prospects of sustaining jobs and retention of skills (which is a particular issue in rural and remote communities).

The Commission acknowledges alliances serve as a useful management tool for the delivery of works and services when two or more government entities have some shared responsibility or accountability for the expenditure, and

where a combined or partnership approach will realise cost efficiencies and social benefits beyond more conventional contracting approaches.

In rural and remote areas of Queensland the approach can be particularly valuable as it enables local governments to program and manage works in a way that most benefits local employment.

These benefits apply equally to amalgamated councils. A larger and stronger council with its enhanced capacity (workforce, plant and equipment) will be able to achieve even greater benefits from an alliance because:

- the size and scale of the council will enable a more strategic and cohesive approach to be taken to the planning, programming and delivery of the works;
- the enhanced capacity of the local government, particularly human resource capacity, is likely to better ensure that the risk/return trade-off between the councils involved and/or the provider of services is more equitable to the councils. Generally such arrangements favour those parties which have the best resources, particularly with respect to negotiation;
- fewer councils reduce the number of parties to a negotiation and the complexity in respect of programming works;
- fewer councils offer the prospect of less administration; and
- the reduced number of participating councils will streamline workforce deployment, and increase flexibility in the programming of work.

The Commission's approach can be criticised on a least a couple of grounds:

- It appears to assume that economies of scale are broadly the same regardless of the service involved, quite contrary to the reality that different local government activities have "quite different optimal areas" (Sanctom 2000).
- It appears to attach no weight to the value which people place on their existing local government arrangements, including representation.

It is useful to put the Commission's decision in perspective so as to better understand the implications for the Auckland region. Theoretically a shared services or other approach for placing a service delivery responsibility outside the local authority itself should be able to achieve at least as much in the way of efficiency gains as amalgamation (and without some of the negatives associated with amalgamation including the need to realign organisational cultures, develop new administrative structures, integrate IT and other systems and so on).

The Australian experience of shared services has largely been through an approach known as regional organisations of councils (RoCs), voluntary groupings of councils usually but not always contiguous, and governed by elected members from the constituent councils. Evaluations of RoCs shows that many of them have been relatively timid in the activities they had been prepared to undertake, and significantly inhibited by parochial interests - sometimes those of elected members, sometimes those of managers who have seen the loss of activity as undermining their own positions. Against this background, it is understandable that the Commission regarded amalgamation as a superior approach (especially as the time frame within which it undertook its task did not allow time for extensive research of international experience).

In 1999 Auckland councils produced a comprehensive proposal⁴ for the development of a series of shared services which proposed starting with the following 12 activities:

- 1). GIS (access to geospatial data);
- 2). Procurement (underway);
- 3). Billing (rates, water and payments for licenses, consents, facility hire);
- 4). Community information/call centres;
- 5). Payroll (processing of staff salaries and other related payments);
- 6). Sharing and benchmarking customer research;
- 7). Human Resources;
- 8). Consent Processing (property information, processing and issuing consents);
- 9). Administration of property management for council owned property;
- 10). SCATS traffic flow management;
- 11). Field Services (animal control, parking enforcement, noise control, security, health and liquor licensing etc) (print media, radio, TV, call centres); and
- 12). Core Financials (accounts payable, accounts receivable, month end, reporting);

It seems that the report disappeared without trace. Discussion with one of the individuals involved in its preparation suggests that the concept of shared services ran into resistance at a management level within Auckland councils and was abandoned as a consequence.

In the context of considering the future governance of the Auckland region, one of the questions which will need to be examined is the extent to which amalgamation, rather than any other means, will best "ensure the effective, efficient, and sustainable provision of public infrastructure, services, and facilities". Shared

⁴ A copy of the report can be accessed at

http://www.northshorecity.govt.nz/your_council/projects/shared_services_agreement.htm

services is the obvious alternative approach to amalgamation, where there are potential scale efficiencies. For that to be a credible alternative, there will need to be clear evidence of commitment to implementation.

The legitimacy of governing arrangements

Earlier in this paper we cited Lefèvre (1998) on the issue of legitimacy in local government, discussing the failures of attempts to establish metropolitan governments in the 1960s and 70s. As he puts it "local authorities are only legitimate if the population recognizes itself in them and identifies with them, in other words because their legitimacy is above all based on political, psychological and social elements constructed over a period of time. These elements were lacking in the metropolitan governments and they found themselves confronted with three actors (local governments, pressure groups and populations) who did not recognize their legitimacy".

The theme remains important today. The success of recent initiatives to create or reform metropolitan governments does appear related to the extent to which the governments involved sought to secure public support. In both Montréal and Toronto the provincial governments acted autocratically, seeking to impose new structures. The result in Montréal was strong public resistance, a series of de-amalgamations and a local government structure which in the words of Andrew Sanctom (2005) has resulted in "an institutional morass that will still take years of bickering and conflict to sort out." Toronto did not experience the same process of de-amalgamation but there is clear evidence of strong dissatisfaction with the current government arrangements.

In contrast, the level of acceptance of the role of the Greater London Authority is quite marked as evidenced, for example, by the Association of London Government response to central government proposals for additional powers for the Greater London Authority. It is almost certainly no coincidence that the introduction of the Greater London Authority was preceded by a referendum so that there was actually a public mandate for creating the new body in the form in which it was created.

At the heart of the case for ensuring new metropolitan governance arrangements do have public legitimacy is the nature of metropolitan governance. As much of the material cited in this paper makes clear, metropolitan governance is much more about exercising 'power to' and 'power over' (although the latter does matter). This is a matter of building coalitions, of bringing people, organisations and interests together, and of relying on what is inherently voluntary commitment, rather than behaviour which can be enforced by legislation. The vision for the Royal Commission that "Auckland requires local and regional governments equal to the best in the

world" is a vision that requires a collaborative approach grounded in the perceived legitimacy of whatever new arrangements are put in place.

The emergence of the executive mayor

The executive Mayor model of governance came to prominence with the creation of the Greater London Authority and the election of the high profile Ken Livingstone as first Mayor. It was in fact introduced by the UK Labour Government not just as an integral part of the governance arrangements for the Greater London Authority but as an option for all English local authorities.

The shift away from a Council leader, elected by his or her fellow councillors for an annual term, to more of an overt public leadership role within local government was a personal project of Tony Blair as Prime Minister. In 1998, a year after becoming Prime Minister, he set out his vision for the future of local government in a booklet entitled *Leading the Way: A New Vision for Local Government*.

In it he expressed his concern that "the way local government was operating was inefficient, opaque, and out of date." He argued that the emphasis on decision-making through committee structures had its place but, as a way of providing community leadership, committees are weak vessels. "The heart of the problem is that local government needs recognized leaders if it is to fulfil the community leadership role. People and outside organisations need to know who is politically responsible for running the council." (Blair 1998).

At the core of his argument was a concern with accountability. As he saw it, then current council decision-making processes, with their focus on extensive working committees, and exchanges between officials and councillors, were extremely opaque and made it very difficult for the public to know whom they should hold accountable for any particular decision. The solution was to vest decision-making powers in a known individual, with appropriate checks and balances, so that the decision maker could be held accountable for his or her decisions. It should also mean that electors would have a clear understanding, when voting for a Mayor, of the programme that they were supporting (or opposing) and accountability through the ballot box for post-hoc performance would be real.

The Local Government Act 2000 introduced four options:

- Directly elected mayor and cabinet, with an assembly (mayor/cabinet model)
- Directly elected mayor and council manager, with an assembly (mayor/council manager model)
- Cabinet and leader, with an assembly (cabinet model)
-

- Modified committee system (normally only available to a small number of councils with populations under 85,000).

The decision to adopt either of the elected mayor models required a referendum which could be held either on the initiative of the Council or be triggered by a petition signed by 5% of the local electorate. So far only 12 councils have adopted the elected Mayor model, with none in the big cities outside London (Hambleton and Sweeting 2004).

It is widely accepted that the English initiative to introduce elected Mayors was strongly influenced by American practice where elected Mayors have been commonplace throughout local government for decades or more. The public profile and indeed mythology surrounding Mayors such as Richard J. Daley of Chicago suggests that the American Mayor is all-powerful. The reality appears to be otherwise. Schragger (2006) argues that in practice the American mayoralty is a weak institution for two reasons. The first he describes as "a product of the elite scepticism of urban democracy" which resulted in a major shift in power from the Mayors offices to the city councils and professional city managers. The second is the result of a federal system which looks to states rather than cities as the locus of "local" governance.

The Greater London Authority experiment is thus somewhat unique, especially following the recent amendments to the powers of the Mayor increasing the scope of his authority. It is a model which merits close study as it has been consciously designed to enable decision-making at a metropolitan governance level, focused on strategic regionwide issues, with the bulk of local government service delivery remaining with a lower tier of territorial government (32 London boroughs and the City of London).

The role of regions in innovation

New Zealand's government, in common with the governments of most developed countries, has consciously identified innovation as a major driver of future economic growth. The centrepiece of the government's innovation policy is the Growth and Innovation Framework. It is a national framework administered through the Ministry of Economic Development.

A December 2007 publication of the UK's National Endowment for Science, Technology and the Arts provides a timely reminder that innovation is inherently a regional activity, as well as a national one, observing that:

Innovation systems exist at international, regional and city-levels, within particular sectors and around particular firms. They emerge wherever firms



develop ongoing relationships with universities, governments or other actors in order to access the resources necessary for innovation. As a result, working only on a national scale could fail to maximise the development and impact of successful innovation policies.

It is a timely reminder that the future governance arrangements for Auckland will only satisfy the test of being "local and regional governance equal to the best in the world" if they facilitate the development of an innovation culture, and the practice of innovation, across the Auckland region.

Central government attitudes to strong metropolitan government

A persistent theme in much of the literature on metropolitan governance is the tension between the need for strong autonomous local government to manage the issues now seen as largely the prerogative of metropolitan governance and the agendas of higher tiers of government. Sometimes at the level of the government or individual ministers, sometimes within higher-level bureaucracy, there will often be overt or covert resistance to the measures needed to enable autonomous local government.

It is as though the ability to exercise political power and influence is seen as a zero sum game, such that any increase in the influence of local government is necessarily a reduction in the influence of higher tiers of government.

The general case is described in OECD (2004) as "even in countries which have carried out significant institutional reforms leading to the creation of a new metropolitan structure, the central government remains hostile to a strong metropolitan level. This is particularly apparent in countries with a limited number of large metropolitan areas that concentrate a high share of the national wealth and population. The presence of one or more metropolitan areas is a political threat to the central state impeding its ability to guarantee balanced territorial development. Thus even in the case of the most advanced metropolitan governance models, such as supra-municipal, multi-sectoral or metropolitan governments, the institutional, political and fiscal weight tends to be limited when compared with other levels of government. The strain can be seen in the most advanced metropolitan governance models such as Stuttgart, Montréal or London."

Travers (2002) cites a particular example from the establishment of the Greater London Authority showing how different elements within the bureaucracy were more or less prepared to give authority to the new metropolitan governance structure:

The particular arrangements for each functional body derive from the different views taken within Whitehall about the new London government at the point



the GLA legislation was being drafted. The Home Office evidently demanded – and got – a far lesser degree of mayoral control for the MPA (Metropolitan Police Authority) and LFEPA (London Fire and Emergency Planning Authority) than the DETR conceded for transport. There can be little doubt that the Mayor of London will find it harder to implement radical change to either the police or fire services under the existing legislative arrangements.

Toronto provides another and compelling example. For much of the latter part of the 20th century, it enjoyed an enviable reputation as outstanding example of metropolitan governance. The restructuring discussed earlier in this paper effectively brought that to an end. Frisken (2001) in a review of 50 years of regional governance in Toronto concludes:

Toronto's experience holds discouraging lessons for those who look to senior governments (nations, state or provinces) to use their legislative and financial powers to shape the systems of city-regions into effective organisations for addressing problems on a regional scale. Senior governments, even those with undisputed authority to decide the character and responsibility of municipal institutions, have political and financial agendas that may not coincide with the tenets of regionalism.

The dilemma is a very real one. For the Auckland region to reach its full potential as contemplated by the terms of reference of the Royal Commission it will require very substantial autonomy, including financial autonomy. Achieving that would inevitably require central government, which owns the most productive tax bases (income tax and GST amongst others), to give up some of its taxing powers to the region, or alternatively make additional long-term funding commitment to it.

Nor would funding be the only area of potential conflict. Significant autonomy for a regional governance arrangement covering one third of the country's population would also require significant decision-making power over a number of what are currently central government services and activities (for example education, health and social services) to be devolved to the region. It is unlikely that central government would regard this as a desirable measure.

6. Conclusion

The purpose of this discussion paper has been to provide an overview of what is happening with metropolitan governance internationally, with particular emphasis on Canada, England and Australia as a means of informing consideration of the future for Auckland's governance (subsequent discussion papers will deal respectively with trends in neighbourhood or local governance, and in arguments for and against the merits of amalgamation).

The paper's purpose has not been to recommend any particular approach, leaving that to the people who use this paper, and the final paper which will emerge at the end of this project.

A number of themes likely to be of importance for Auckland's future governance have emerged. They include:

- The shift from government to governance and, accompanying that, the relative importance of 'power to' as compared with 'power over'.
- The emphasis on metropolitan governance as a collaborative process linking formal institutions of government with business and with institutions of civil society.
- The mismatch between formal administrative boundaries, and functional areas.
- The reluctant role of the state.
- The relationship between democracy and efficient decision-making in the development of major infrastructure.
- The potential role of an executive Mayor structure in improving the transparency and accountability of local government decision-making.

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