

MERGER PROPOSAL: PALERANG & QUEANBEYAN COUNCILS

Presentation to Public Inquiry by Palerang Mayor Pete Harrison
Thursday 11 February 2016

Delegate: John Turner

Thank you Mr Turner for the opportunity to present Palerang Council's comments on this Proposal.

Given the time constraints of this meeting, the following is simply an overview of the written submission that will be lodged by Palerang Council.

I'd like to start by clearly stating that Palerang Council is opposed to the Minister's proposed boundary adjustment and I'd like to spend the available time this afternoon [evening] first of all addressing the 'high points' listed in the Minister's Forward to this Proposal.

The Minister begins by spruiking the benefits of the proposed boundary adjustment. He calls it a merger, but it not a merger at all, and this is the single greatest failure of this proposal because we are not talking about combining two organisations, perhaps taking the best elements of both to create a better, new entity.

We are actually dismantling one entity and simply absorbing part of it into the other. But nowhere in the Proposal do we see any reference to the direct cost to the community, or the ongoing economic cost of dismantling Palerang, only the claimed benefits of expanding the Queanbeyan City Council boundary.

So let's start with a quick run through the claimed benefits and see how they stack up.

- a total financial benefit of \$35 million over a 20 year period that can be reinvested in better services and more infrastructure

If one reads carefully, one will note that this supposed benefit comes in two parts. The first is a \$15 million enticement from the State, paid out of residents' taxes, if the Minister's Proposal gets the green light.

So let's understand this. The Minister is proposing to spend \$15 million dollars of residents' tax money in their area to help make his

Proposal palatable. But this is not the whole story in our case, because this \$15 million was committed for Councils that are merging. Nothing has been said about what funding will be provided for Councils involved in a boundary adjustment.

Even so, it is not at all clear what strings might be attached to this funding—\$5 million is associated with merger expenses and is not an open cheque. The commitment is merely to cover immediate merger expenses, not to simply provide any funds to the benefit of the community as such. And if there are no other benefits in this proposal, this is \$5 million of residents' money down the drain.

The other \$10 million here is just a one-off payment for infrastructure improvements and we'll look at this a little more in a moment.

The remaining \$20 million is money that it is claimed will be saved over 20 years through the proposed boundary adjustment. Our own assessment shows nothing like this, but let's just take it on face value for the moment and have a closer look at what that \$20 million would really mean, if indeed this saving could be realised.

Over 20 years, taken simply that's \$1 million per year. Using the Minister's figures for the new Council's budget in 2019-20, that's a hypothetical annual saving of only 0.8% of the new Council's budget. Not a particularly significant saving in itself, given the associated upheaval.

Nonetheless, that's enough to pay for around 1 km of sealed road today, and no doubt somewhat less as the years go by. Just for the record, there are over 1400 km of road, over 700 km of which are unsealed, throughout Palerang. And of course, these savings are for the whole new Council, not just the Palerang part.

If we look at this based on the relative populations involved, that amounts to somewhat less than 250 metres of road construction in the Palerang portion of the Proposal each year. That's the sum total of the financial benefit to current Palerang residents of the savings identified in this Proposal—if the Minister's figures are correct...

If that sounds like a dud deal, spare a thought for the other part of Palerang, the part being partitioned off to Goulburn. The sum total of their financial benefit in this exercise amounts to just 25 metres of new road.

Of course, we can also only spend this money once, so if we do want to contribute to a new picture theatre, or a new car park, or a celebration of some sort, we'll get even less than our 250 metres of road, maybe none of it at all.

On this basis, could I assert on behalf of the Palerang community that the ongoing financial benefit of this Proposal is insignificant.

- **potentially reducing the reliance on rate increases through Special Rate Variations (SRVs) to fund local infrastructure**

On the basis of the calculations we have just exposed, could I also assert on behalf of the Palerang Community that the financial benefit of this Proposal will have precisely zero potential to reduce any reliance on SRVs, particularly while the State continues to shift the cost of maintaining core transport infrastructure onto local communities.

- **greater capacity to effectively manage and reduce the infrastructure backlog across the two councils**

Once again, we have seen that the financial benefit to Palerang residents is minimal at best, so any increase in capacity would have to come through internal efficiencies.

And this brings me to another flaw in the Minister's proposal. It is generally recognised that efficiencies in service delivery correlate well with population density—increases in population density lead to improved efficiencies in service delivery. But what the present proposal would have us believe is that we will gain efficiencies by merging Queanbeyan city with a sparsely populated rural area 30 times its size and a population density 100 times lower.

It is important to recognise that both the Palerang and Queanbeyan Council organisations have been recognised by IPART in this whole process as being financially viable, 'financially fit' in the current vernacular. Their 'not fit' status arises purely and simply because the two councils, through their own independent assessment efforts, determined that, contrary to the Minister's assertions, there was nothing to be gained by merging, let alone playing around with boundaries.

The two organisations, however, are in fact fit for different purposes—one is fit as a rural council, the other as an urban council, and the focus of each is clearly quite different.

One is structured to deliver relevant services into a more densely populated urban area, and the other to deliver relevant services into a more sparsely populated rural area.

As such, merging the two Councils in any way, contrary to the fundamental goal of this whole exercise, will clearly degrade the performance of both.

The present proposal will obviously reduce Palerang's service delivery capability, because its workforce is being divided with the associated loss of existing scale and capacity, and quite clearly Queanbeyan's capacity to service its current residents will be compromised by the additional load that will be placed on current staff.

And exactly the same applies to those current Palerang residents who end up on the other side of the boundary fence.

Clearly then there is no benefit here either, in fact quite the contrary.

- **improved strategic planning and economic development to better respond to the changing needs of the community**

This benefit is a bit difficult to argue because it's a bit difficult to define. The bottom line, however, is that if the strategic planning or economic development is not directed specifically into the Palerang area, it will be of little benefit to Palerang residents, because, as I will outline a little later on, neither Goulburn nor Queanbeyan is a major focus for the large majority of Palerang residents for anything much more than grocery shopping.

I'm not being flippant when I make that comment. Our resident surveys indicate that many Palerang residents do in fact do their main grocery shopping in Queanbeyan, but they seek out most other services in Canberra. As a consequence, enhancing business opportunities or service delivery options in Queanbeyan offers very little benefit to them at all.

- **effective representation by a council with the required scale and capacity to meet the future needs of the community**

Once again, a very simple calculation reveals that the residents of the portion of Palerang involved in the present Proposal would comprise only 25% of the population of the new area. As a result, the whole of the Palerang area involved would at best be represented by just two

local councillors, maybe three if the cards fell their way at election time.

Even in a nine member council, this could hardly be considered effective representation for a demographic group that has very little in common with the predominantly urban Queanbeyan population,

It is important, however, to recognise that this is only half the story here, because the proposal is to divide Palerang. The other part of the population comprises only 6.4% of the population of their new area. The result is that even if the entire population of this part of Palerang got behind the one candidate, they'd still be only half way towards having them elected—i.e. they'd be left entirely without local representation on their Council.

For Palerang residents then, this is clearly not effective representation, all the more so for the part that has been excluded from the present proposal.

- providing a more effective voice for the area's interests and better able to deliver on priorities in partnership with the NSW and Australian governments

Once again, taking control of local policy out of the hands of local representatives, as would be the case for Palerang residents, it is difficult to see how they could have any true voice at all unless their interests were indistinguishable from those of Goulburn or Queanbeyan residents. On that score, I'll leave the residents to speak for themselves.

Certainly from the perspective of Palerang residents then, this doesn't present a very compelling case for a boundary adjustment.

Let's move on though.

The services that the Minister next outlines as those that could be funded by the identified savings unfortunately typify the lack of understanding of the Palerang community and its needs. With regard to specific benefits, the Proposal refers to:

- renewing the Queanbeyan CBD by upgrading walking and cycling facilities in and around the Queanbeyan area

I don't imagine that anyone would be too surprised to learn that this would not be seen as a funding priority for most Palerang residents.

As I mentioned earlier, Palerang resident surveys indicate that about half the residents do their grocery shopping in Queanbeyan but for anything else, the majority use services provided in Canberra:

- Twice as many people went into Canberra for educational purposes
- Around three times as many people did non-supermarket shopping in Canberra
- More than four times as many people sought health care in Canberra
- More than seven times as many people sought entertainment in Canberra

So enhancements of the Queanbeyan CBD are not going to be of much interest to Palerang residents.

- **extending and improving infrastructure in Bungendore and Queanbeyan such as parking, streetscapes, public amenities and footpaths in villages to support local business development**

There is at least something here for Palerang residents, but perhaps a failure to appreciate that Bungendore comprises only around 20% of the Palerang population. Nonetheless, remember the numbers we are talking about, and that we can only spend money once. We're now talking about 20% of 25% (that's just 5%) that might, in ideal circumstances, be allocated to projects in Bungendore—that's about \$50,000.

It is important to notice how that \$20 million so quickly became just \$50,000 of real benefit to a local community.

And to keep this generous amount of money in perspective, note also that the first stage of the new Bungendore car park, for example, is estimated to cost of the order of \$1 million. Without taking inflation into consideration, it would take 20 years to save enough money to pay for just that one project, or put another way, that's the only benefit this boundary adjustment might deliver to Bungendore in 20 years.

This comes back to my previous point about different styles of service delivery. It is very much easier to spend \$10 million in the confines of a city and have the benefits enjoyed by many. It is a completely different story in a rural environment that covers an area

that is 30 times larger with a population density that is almost 100 times smaller.

- **water and wastewater projects including stormwater improvement, mains renewal and sewerage treatment plant upgrades**

Here there is again a failure to appreciate the nature of the Palerang demographic and the underlying strength of Palerang's financial position.

First of all, only a small proportion of the Palerang population lives in the towns of Bungendore and Captains Flat. The vast majority, uniquely for any LGA in NSW, live in rural residential settlements and manage their own water supply and sewerage needs.

Second, Palerang town residents have contributed heavily over the last 10 years to the cost of renewing virtually all of Palerang's water and sewer infrastructure.

It should then, once again, come as no surprise that the renewal of such infrastructure in Queanbeyan would not be seen as a benefit to any Palerang resident.

And on the other side of the boundary fence, Palerang residents are similarly ignored when presenting the benefits associated with dividing the LGA.

You would appreciate then that this does not present a very compelling argument for the proposed boundary adjustment either. And really, as we consider other aspects of the current proposal, it doesn't get any better.

In our written submission we will address each of the criteria identified in Section 263(3) of the Act, but in the time remaining this afternoon [evening] allow me to identify a few more specific problems with the current proposal.

With regard to these specific considerations, let's take a quick look at:

(a) The financial advantages or disadvantages of the proposal to the residents and ratepayers of the areas concerned

We've probably covered this point fairly comprehensively, but just to recap, the Minister's Proposal claims to deliver a benefit of \$35 million over the next 20 years.

Taking this on face value, \$5 million of this is restricted to actual merger expenses, so there is no net benefit to anyone here. In fact, this is our residents' tax dollars at work, so if the Proposal does not deliver any benefit, this is \$5 million down the drain.

\$10 million of this is a one-off grant, the details of which are yet to be explained, paid out of tax revenues collected from local residents, to be used for local infrastructure projects. The Proposal lists Queanbeyan CBD improvements, other infrastructure in Bungendore and Queanbeyan, and water and sewerage systems as possible beneficiaries of this funding.

Of these, the only one of any relevance to Palerang residents would be improvements to Bungendore infrastructure, but we have already seen how this might amount to as little as a \$50,000 windfall for the residents of Bungendore.

Then we have the \$20 million saving over the next 20 years, which we have seen amounts to the reconstruction of about 250 metres (not km, but metres) of road in the Palerang area per year. Again, that's just on this side of the boundary fence. On the other side, the benefit is just 25 metres of road.

The reality is also that neither Palerang nor Queanbeyan Councils, nor Goulburn for that matter, are sitting on a bucket of gold, so neither is in a position to subsidise the other at any level.

The greatest burden on Palerang Council is probably the ongoing maintenance of road infrastructure and absolutely nothing about the present Proposal will reduce the magnitude of this problem.

(b) The community of interest and geographic cohesion in the existing areas and in any proposed new area

There will naturally be a range of views in this regard, depending probably on the individual locality concerned. I would suggest, however, that the issue should not be so much whether or not there is a

community of interest or a geographic relationship with an adjacent jurisdiction, but whether the relationship in question is stronger than any that might be broken by the proposed changes.

Nonetheless, the rivers that have been chosen as the boundary are simply not traditional dividing lines. Historically, settlements occur in valleys, for all sorts of reasons, so running a boundary up a valley is the surest way known to dissect a community.

Along its length, this boundary manages to divide 72 properties, the village of Majors Creek and the community within the Araluen Valley. In some cases there are not even any roads providing 'internal' connections between areas of the new LGAs—some residents must pass into an adjacent LGA and out again to travel between two points in their LGA.

There is, in fact, no evidence that there has been any effort whatsoever to give genuine consideration to the impact on communities adjacent to the current boundary when it was proposed.

(c) The existing historical and traditional values in the existing areas and the impact of change on them

While Palerang is only a young LGA, the area most impacted by the present Proposal is that part which is the former Tallaganda Shire. With this boundary established in 1906, the traditional communities thereby defined date back over 110 years.

While the rivers in question might have been around a lot longer, the proposed boundary takes no account of the settlement history of the area. The history of the two communities most impacted by this boundary adjustment, those of Majors Creek and the Araluen Valley that are divided as a result, are intimately connected, obviously internally, but also with that of Braidwood. The relationship in this case goes back to the time of the original European settlement of the area and the subsequent gold rush of the 1860s.

I will leave it to others this afternoon [evening] to comment on the impact that this proposal would have on these communities were it to proceed.

(d) The attitude of the residents and ratepayers of the areas concerned

It is probably fair to say that there will be a range of views on this matter, and I will once again leave this matter for the residents themselves to comment on.

(e) The requirements of the area concerned in relation to elected representation for residents and ratepayers at the local level, the desirable and appropriate relationship between elected representatives and ratepayers and residents and such other matters as considered relevant in relation to the past and future patterns of elected representation for that area

This is a major issue in the present case, where it is being proposed that a rural area with relatively low population be merged with a fundamentally urban area with a relatively high population.

As we noted earlier, the residents of the portion of Palerang involved in the present Proposal would comprise only 25% of the population of the new area and on the other side of the boundary fence they would comprise only 6.4% of the population. This amounts to an ability to elect just two representatives to a Council of nine in the present case, and pretty much no chance of any representation at all on the other side of the fence.

It is perhaps important to consider recent history here. In the amalgamation that created Palerang, the residents of the former Tallaganda Shire comprised only 25% of the population of the new Palerang council area. Their proportionate representation at a community level was reduced from 100% to around 25%, effectively from nine councillor representatives to just three, although elections are funny things and for a brief time local community representatives did in fact dominate the new Council. Today the area is represented by only two local residents.

We are now looking at a situation where this local community might not even rate any representation at all.

(e1) The impact of the proposal on the ability of the council to provide adequate, equitable and appropriate services and facilities

It is fairly widely understood that it is both more practical and economical to deliver services into more densely populated areas. In the

present case, however, we are talking about increasing the size of the Queanbeyan area 30 fold with the addition of a relatively sparsely populated rural area.

There are problems here for both parties in this proposal. Most notably, however, in the case of the Queanbeyan LGA we are proposing to significantly reduce its overall population density. The logical conclusion then is that this will make it less practical and more difficult, and hence more expensive, to deliver services throughout the new area.

Many issues, however, come into play here, not least of all staffing and travelling distances. There can be no economies of scale if more staff are required to address the issue of distance. Similarly, there can be no economy of scale if staff time is wasted travelling to a remote location. Such economies can only be achieved if services can be delivered within an existing sphere to more residents with minimal increase in costs. In the present situation, this is clearly not the case.

It is also important in this context to recognise the reputation that Palerang Council enjoys with respect to some of the services it delivers. There appears to be an assumption that both partners in the proposed relationship deliver the same range of services, or that one partner is always inferior to the other. This, however, is not the case.

Palerang, for example, regularly wins awards for the work undertaken by its environmental services division. It was, for example, recently appointed as the lead agency for the \$20 million SE Weeds Action Program.

Similarly, Palerang's road engineering crew is widely regarded as the best in the region, regularly winning RMS contracts against private operators.

Dividing either of these teams will destroy its capacity to carry out these external works, with flow-on effects to the work that can be supported locally.

In both of these cases, a boundary adjustment such as that proposed has the precisely opposite affect to that intended—it actually reduces the capacity of the new organisation to achieve economies of scale that previously existed.

(e2) The impact of the proposal on the employment of the staff by the council

In this matter, I will speak only in relation to the impact on current Palerang staff.

In one sense, this is not a major problem for the area of Palerang involved, as all staff are employed in rural towns with populations less than 5,000. As such these positions are protected under Section 218(C)(A) of the Act.

This situation will, nonetheless, have an impact on the new council's ability to find efficiencies through staff reductions.

(e3) The impact of the proposal on any rural communities in the resulting area;

As has already been noted, the current Proposal is seriously ill-conceived in this regard. The boundary itself divides one physical village (Majors Creek) and another community (the Araluen valley). It separates other rural communities from their primary local centre—e.g. Krawaree from Braidwood—and divides 72 rural properties.

(e4) The desirability (or otherwise) of dividing the resulting area or areas into wards

Wards would not solve the problem of appropriate representation of the rural communities within Palerang. While they might provide some guarantee of a level of representation, this level will always be relatively small.

Without wards, we are left playing a game of Russian Roulette—the rural area may be able to successfully put forward candidates that would have a genuine opportunity to influence policy decisions, but it may also miss out entirely.

Wards simply do not solve the problem of representation for relatively small communities within a larger population.

(e5) The need to ensure that the opinions of each of the diverse communities of the resulting area or areas are effectively represented

For the reasons already outlined, due to the populations involved this is largely not possible at the councillor level unless the more remote

Palerang communities share opinions with more highly populated areas of the new council areas. There will obviously be more overlap for communities closer to the current Goulburn or Queanbeyan boundaries, but this will decrease the further one moves away.

Unfortunately, it is these groups, the more distant ones, who are perhaps also the least likely to have local representation, that will have the most divergent views.

(f) Any other factors relevant to the provision of efficient and effective local government in the existing and proposed new areas

All I can really say at this point is that there can be no logical reason why a council such as Palerang, that has been deemed to be as or more financially sound than many of its neighbours, should be dismembered as is being proposed. The strength of councils in SE NSW lies in accepting the influence of Canberra and the ACT on the region, addressing the unique needs of their respective communities, and working together under the banner of a regional organisation to harness those individual benefits for the good of the region.

The Proposal does indeed note membership of SEROC/CBRJO, but fails to acknowledge that most, if not all of the supposed benefits of merging are already being realised through Palerang's involvement with this regional organisation. The claim that a merger will provide these benefits 'without relying on voluntary collaboration' is a nonsense, since it is proposed that JO membership will indeed be compulsory—not that such a heavy-handed approach has ever been necessary for the CBRJO member councils to cooperate and work together constructively.

The bottom line is that this is not a proposal that strengthens local government, it is a proposal that marginalises rural communities, which is contrary to everything we seek to achieve as a rural council.

Mr Turner, could I urge you, in the strongest way possible, to advise the Minister not to proceed with this Proposal.

Thank you for your time this afternoon [evening].