

MERGER PROPOSAL: PALERANG & QUEANBEYAN COUNCILS

Presentation to Public Inquiry by Palerang Mayor Pete Harrison
Wednesday 16 March 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 would like to emphasise from the outset that the present Proposal's point of reference is the Minister's Proposal to divide the Palerang LGA. Its purpose is not so much to present a case for merging Palerang and Queanbeyan Councils as it is to present a case not to divide the Palerang LGA.

In line with the views expressed by the majority of our residents, Palerang Council remains opposed to any merger or boundary adjustment, believing that the current organisation is better positioned to deliver the range of services our community needs than any of the alternative merged structures being proposed.

Both Palerang and Queanbeyan Councils have been assessed by IPART as being financially viable. The only point on which they have been declared 'not fit' is the claim that the respective communities would be better served by a single Council.

It is our view that the best option by far is for the two Councils, Palerang and Queanbeyan, to play an active role in the reform process through membership of the Canberra Region Joint Organisation of councils, working together with all of their neighbours, including the ACT Government, to the benefit of the whole of the SE NSW region.

In this regard, I would like briefly to draw your attention to the ILGRP Report, *Revitalising Local Government*. There are two quotes that I believe are particularly relevant here. First, is the note that:

“The Panel sees stronger regional cooperation as a central plank of local government reform. This will enhance the role of councils and facilitate more productive State-local relations, especially in strategic

planning, economic development, infrastructure provision and service delivery.” (Section 11, p.79)

As such, we propose that active participation in the Joint Organisation initiative rather than any merger is clearly the most productive path to follow in the present case. This path is, as noted by the Panel, “a central plank of local government reform”, and it is a plank of particular relevance in the present case as we will see presently.

The second quote puts the spotlight on what should be motivating mergers:

“Mergers should be pursued where they can make a **substantial contribution** to addressing financial problems, reducing fragmentation of resources and duplication of effort, and building strategic capacity for the long term.” (Section 10.2, p.72)

Critically, I will, in the comments that follow, provide an overview of the evidence we will present in our written submission to illustrate why neither of the Proposals involving Palerang and Queanbeyan Councils make any significant contribution to addressing financial problems, or reducing fragmentation of resources or duplication of effort within these Councils. Neither do they give cause to believe that there would be any impact on strategic capacity to serve any more than the urban population involved, at best.

In the same vein as Council’s previous presentations, I’d like to spend most of the available time this [afternoon] evening addressing the specific shortcomings of the ‘high points’ listed in the Forward to this Proposal, these having been drawn directly from the Minister’s previous Proposal.

Looking over the claimed benefits of a merger we have:

- a total financial benefit of \$37 million over a 20 year period that can be reinvested in better services and more infrastructure

Using the data provided by KPMG in earlier Proposals, we would indeed see an improved financial benefit with a full merger when compared to dividing the LGA. However, the same problems remain with the assumptions that lead to the figures quoted, and indeed the significance of the claimed savings.

This claimed benefit comes in two parts. The first is a \$15 million enticement from the State, paid out of residents' taxes, if one of these Proposals gets the green light.

It is not at all clear, however, 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, and only up to \$5 million, 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 \$22 million is money that it is claimed will be saved over 20 years through the proposed merger. As we have noted previously, 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 \$22 million would really mean, if indeed this saving could be realised.

Over 20 years, taken simply that's \$1.1 million per year. Using the Minister's figures for the new Council's budget in 2019-20, that's a hypothetical annual saving of barely 1%, although that budget is forecast to double over the next ten years, so that'd be only half that in 10 years, a saving of just 0.5%. Even if this saving could be achieved, it's hardly what could be described as a "substantial contribution" that would justify the risk and upheaval associated with the merger of two such disparate Councils.

Our own financial modelling, which is based on audited financial data rather than the Minister's dubious KPMG modelling, suggests that not even this small saving could be realised.

I say dubious because the Minister has still not released anything more than a set of generic, high level assumptions upon which he claims his savings figures are based. Nonetheless, let's move on.

This \$1.1 million is 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 around 250 metres of extra road construction in the Palerang area 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...

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, some playing fields 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, I would assert on behalf of the Palerang community that the ongoing financial benefit of this Proposal is insignificant at best, but perhaps even non-existent. Certainly not the "substantial contribution" recommended by the Independent Panel.

- **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 outlined, I would also assert on behalf of the Palerang Community that the, at best minimal, financial benefit delivered by this Proposal will have no potential whatsoever to reduce any reliance on SRVs, particularly while the State continues to shift the cost of maintaining regional 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. The sorts of savings we are looking at are simply not going to have any long term impact on infrastructure backlog because, in the present case, as is the case with most rural councils, this is the result of the long term failure of the State's funding model for regional infrastructure. Until the State addresses that funding issue, anything else will be a short term fix at best that will not resolve the underlying funding problem.

Any increase in capacity, therefore, would have to come through internal efficiencies, and this brings me to another flaw in a proposal

to merge a geographically large rural LGA, with a relatively small but more densely populated urban council.

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 with a population density 80 times lower.

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 or 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.

From the perspective of current Queanbeyan residents, there would certainly be no perceived benefit in broadening the Council's outlook to embrace the needs of rural residents. These rural residents are not economically dependent on Queanbeyan at any level, and as we have noted bring little economic benefit to Queanbeyan.

From the perspective of Palerang residents, merging with a significantly larger, urban council must necessarily change the focus of the new Council to a more urban outlook. This is the only way any economies of scale can be achieved.

The risk to Palerang residents then is that a new Council would have little incentive to do anything more than increase the level of services provided in its urban centre. This might be fine for urban residents, but of no benefit whatsoever to most Palerang residents. As we will see a little later on, Canberra is the primary external

centre of interest and will remain the urban focal point for the large majority of Palerang residents whatever happens.

The reality is that those Palerang residents who are in true need of improved services, those who are unable to avail themselves of services in Canberra, will be the ones who suffer most from this service degradation. If they can't get to Canberra, they certainly won't be able to get to Queanbeyan either. They will simply have to go without.

It is important to note again at this point 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.

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 sparsely populated rural area, and the other to deliver relevant services into a more densely populated urban area. The essential services are different and the delivery model is different, so there is very little duplication of resources, and thus little opportunity to further reduce staffing levels.

We are not talking about two adjacent metropolitan councils, with effectively identical operational characteristics. We are dealing here with a rural council and an urban council, and moreover a rural council that has no dependence on the urban council in question.

As such, merging the two Councils in any way, contrary to the fundamental goal of this whole exercise, will clearly only have the potential to degrade the performance of both. The bigger partner might manage to hold its ground, but that just means that the smaller partner will suffer more.

Efficiencies that can be gained in the present environment through collaboration or cooperation are either already being achieved through existing arrangements between the two Councils, or can be

more appropriately provided within the context of the Canberra Region Joint Organisation of councils to which I will refer more in a moment.

Clearly then a merger offers no benefit with regard to improving the capacity of either Council, 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 Queanbeyan is simply not 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.

Just for the record, our resident surveys indicate that:

- Twice as many people go into Canberra for educational purposes as go into Queanbeyan;
- Around three times as many people do non-supermarket shopping in Canberra
- More than four times as many people seek health care in Canberra
- More than seven times as many people seek entertainment in Canberra

As a consequence, enhancing business opportunities or service delivery options in Queanbeyan offers very little benefit to Palerang residents at all.

At this point I'd like to follow up the QCC comments earlier today on their resident survey on amalgamation. Our own survey on the subject carried out on a stratified random sample of 1100 respondents, the same survey that yielded the results just mentioned, indicates that:

- around 55% of the population would like Palerang to continue as an independent council
- 21% supported amalgamating with Queanbeyan, 9% with Goulburn and 2% with other councils
- 8% thought the area should be split between its neighbours, and
- 6% were unsure.

(That adds up to 101% due to rounding.)

There was a broad range of comments accompanying these responses, but the most common reason for remaining independent was that a city Council wouldn't understand rural needs.

The most common reason for wanting to amalgamate with QCC was that it was close by anyway. This is no real surprise as those Palerang residents who do live close to the LGA boundary will often feel some affinity to the adjacent council area, and the whole issue will be less of a concern to them.

If we are talking about improving more general, regional capabilities, however, then these are precisely the focus of the new Joint Organisations and not something that would justify a council merger.

- **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 Palerang residents would comprise only 25% of the population of the new area. As a result, the whole of the Palerang area would at best be represented by just two local councillors, maybe three if the cards fell their way at election time.

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.

As a rural council, Palerang works closely with community members through more than 30 council committees. This community liaison task is shared between the nine councillors who work with communities in their general geographic area. Any reduction in the number of councillors drawn from the Palerang area will reduce

rather than enhance any capacity of any new Council to effectively represent and serve these communities.

This fact draws attention to another simple geographic reality that constrains capacity in the present case. Queanbeyan is located at one extremity of the proposed new LGA with often circuitous routes required to reach all but the closest Palerang localities. For around three quarters of the Palerang area, this would place the main Council offices a further 25 km away.

All of these factors contribute to that fact that, while the proposed new Council would be bigger, there is no indication that any increase in size would lead to an increase in capacity. In fact, there is a very good case to suggest precisely the opposite.

- 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 significant voice at all unless their interests were indistinguishable from those of Queanbeyan residents, and we have already noted that this is not the case.

Certainly from the perspective of Palerang residents then, this doesn't present a very compelling case for a merger, and really, as we consider other aspects of either of the merger proposals, it doesn't get any better.

I would like to conclude by making the point 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 destroyed 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 various Proposals do indeed note membership of the Canberra Region Joint Organisation (CBRJO), but fail 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.

It has been the position of Palerang Council throughout the Fit For the Future process that working within a regional JO provides the greatest opportunity to both satisfy the unique local government needs of rural and urban residents in our region and provide a viable interface for higher levels of government, including our neighbours in the ACT.

The bottom line is that this Proposal, like the previous Proposals that involved the destruction of Palerang, 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. It would be appreciated if you would also advise the Minister that Palerang Council is committed to the reform process and to improving outcomes for all of its residents through its active participation in regional JO initiatives.

Thank you for your time this [afternoon] evening.