

REPORT OF PROCEEDINGS BEFORE

GENERAL PURPOSE STANDING COMMITTEE NO. 6

INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES

At Sydney on Monday 10 August 2015

The Committee met at 10.13 a.m.

PRESENT

The Hon. P. Green (Chair)

The Hon. L. Amato
The Hon. R. Borsak
The Hon. C. E. Cusack
The Hon. B. C. Franklin
The Hon. P. T. Primrose
Mr D. M. Shoebridge
The Hon. E. K .C. Wong

CHAIR: Good morning and welcome to the second hearing of the General Purpose Standing Committee No. 6 and the inquiry into local government in New South Wales. This inquiry is examining the Government's Fit for the Future reform agenda for local government in this State. Before I commence I acknowledge the Gadigal people who are the traditional custodians of this land. I also pay respect to the elders past and present of the Eora nation and extend that respect to Aboriginals who are present or listening today. The hearing today is the second of six hearings we plan to hold for this inquiry. We will hear today from two panels of local councils, the United Services Union, Local Government Professionals Australia, NSW Business Chamber and Sydney Business Chamber, and the Save Our Councils Coalition. Following the conclusion of the public hearing, we will also be holding a public forum from 6.00 p.m. to 7.00 p.m.

Before we commence, I will make some brief comments about procedures of today's meeting. Today's hearing is open to the public and is being broadcast live via the Parliament's website. A transcript of today's hearing will be placed on the Committee's website when it becomes available. In regard to broadcasting, in accordance with the broadcasting guidelines, while members of the media may film or record Committee members and witnesses, people in the public gallery should not be the primary focus of any filming or photography. I also remind media representatives that you must take responsibility for what you publish about the Committee's proceedings. It is important to remember that parliamentary privilege does not apply to what witnesses may say outside of their evidence at the hearing, so I urge witnesses to be careful about any comments you make to the media or to others after you complete your evidence, as such comments would not be protected by parliamentary privilege if another person decided to take action for defamation. These guidelines for the broadcast of proceedings are available from the secretariat.

In regard to questions on notice, there may be some questions that a witness could only answer if they had more time or with certain documents to hand. In these circumstances, witnesses are advised that they can take a question on notice and provide an answer within 21 days. In regard to delivery of messages and documents tendered to the Committee, witnesses are advised that any messages should be delivered to Committee members through the Committee staff. Finally, could everyone please turn their mobile phones to silent for the duration of this hearing. I welcome our first witnesses, who are representatives from local councils in the Sydney region.

WAYNE ROGERS, Director Corporate Services, Blacktown City Council,

KERRY ROBINSON, General Manager, Blacktown City Council,

GREG CUMMINGS, Mayor, Holroyd City Council, and

TIM BUTLER, Director, Corporate and Financial Services, Holroyd City Council, affirmed and examined:

STEVEN ISSA, Deputy Lord Mayor, Parramatta City Council, and

GREG DYER, Chief Executive Officer, Parramatta City Council, sworn and examined:

CHAIR: Would anyone like to make a short opening statement?

Mr ROBINSON: Just to outline briefly, Blacktown City is the largest local government area in New South Wales with a current population of 335,000 people. We are expected to grow to some 540,000 people over the next 20 years due to development largely within the north-west growth centre. We currently administer about \$2.8 billion worth of assets and in the growth centre we are currently building a further approximately \$2.5 billion worth of assets. Our regional economic output is about \$13 billion, and that is scheduled to grow to about \$18 billion. Council is well equipped to lead and represent our growing community. There are minor issues of boundary adjustment that I draw the Committee's attention to. For instance, Toongabbie, which is on our boundary, is split into three local government areas and we have industrial sites which are in fact split between Holroyd and ourselves.

Blacktown City Council is a strong partner with the State Government. We work closely with the Independent Pricing and Regulatory Tribunal [IPART], particularly in relation to growth centre section 94 matters. Council is in a large and strong financial position. We submit that the Fit for the Future guidelines do not particularly well address the issues that confront a growth centre council and that the Fit for the Future criteria fail to take into account special issues relating to growth. We want to see a holistic reform process within local government and we work very, very closely in partnership with Western Sydney Regional Organisation of Councils [WSROC].

CHAIR: Thank you, Mr Robinson. I commend you on your submission. It was very helpful.

Mr DYER: Thank you for this opportunity to address the Committee. Parramatta City Council believes the Fit for the Future reform process is a once-in-a-generation opportunity to redefine the future of local government in New South Wales. More importantly, under the model we have proposed, it is an opportunity to deliver more and better services in an expanded Parramatta-based local government area. Parramatta City Council has provided an overview of the proposed geographical area for the new council that takes into consideration communities of interest, commercial hubs, transport links and natural landmarks. We have asked to work with the New South Wales Government to conduct a detailed review to determine the exact scale, scope and geographical definition of this new proposed local government area [LGA].

Ours is an initiative aimed at creating synergies and savings for the benefit of the community. It would also create a new council with the scale and capacity to help drive Sydney's future growth and development—a position that strongly aligns with the Government's metropolitan strategy, A Plan for Growing Sydney. A new, expanded LGA would bring with it a significantly expanded residential, commercial and industrial rate base capable of generating half a billion dollars a year in revenue to provide improved services for the community. It would also allow the council to become a true partner to the State and Federal governments in supporting future growth in the geographic centre of global Sydney, maximising Parramatta's potential as Sydney's dual CBD.

Some of our neighbours have suggested that local community services will suffer under an expanded Parramatta based council. To the contrary, our model will benefit not only Parramatta but all communities in the LGA, through an increased capacity to deliver services and support growth. We will not be closing libraries; we will be building the libraries of the future. There will be more bike paths, more festivals and events and more Meals on Wheels services. We will be able to put services into the areas that need them.

Parramatta City Council already plays a key role in delivering services and facilities to the region. Our ratepayers pay for this. Now we have the opportunity to move from being a well-run suburban council to a

strong regional council with expanded scale and capacity. This would place council in the best possible position to service our community and contribute to the vision for Sydney. In regard to the future we believe that to do nothing is inconceivable.

Mr CUMMINGS: I would like to thank the Committee for inviting me to speak today on behalf of the people who live and work in Holroyd. We support the reform of the local government industry to ensure the continued delivery of efficient, effective and sustainable services to our communities, and to be a supportive partner of the State Government. Holroyd is home to 111,000 people and is expected to grow to 170,000 over the next 16 years.

The Fit for the Future program has primarily been promoted as a way of making councils sustainable. Sustainability is about managing growth. It is about having services and infrastructure in place for the growing community. It is about having the ability to manage change and unexpected events. It is about informing your community and listening to their wishes. Sustainability is not about creating mega councils.

We strongly believe that the size of council does not determine how effective a council will be, the quality of the projects it produces, the quality of customer service or whether they are financially sustainable. The effectiveness of an organisation and how successful it is will depend on how well it is managed. As mayor, I am proud that Holroyd is a well-managed and financially sustainable organisation and that it provides over 200 quality services, which are reflective of the needs of its diverse and multicultural community.

Council has actively sought feedback from our community in relation to the proposed merger of Holroyd and has conducted four surveys and held two public meetings. Our most recent survey found that 87 per cent of respondents were opposed to forced merger. The community wants to retain their local identity. The community has sent a clear message that scale criteria is only a tool for achieving reform objectives.

The scale criteria must be an objective, not an end in its own right. The community has been very critical that the scale criteria was placed as the highest priority of the reform process and saw this as placing them and the outcomes they require—being services and works—as secondary to that of the Fit for the Future theme of "bigger is better".

Holroyd is financially 'Fit for the Future', with the Government's own agency the Treasury Corporation giving Council a sound financial sustainability rating. Council currently has no debt but our community will be worse off under a proposed merged identity. The Holroyd community will go from no debt to \$257 per person, with no guarantee that the rates collected for the special rate variation, which they agreed to, would be put to use to complete works they supported. As a result of incurring that debt ratepayers will be paying for services and works that they are unlikely to utilise.

The priorities of our community will fail to be adequately represented in a merged entity. Representation of Holroyd is currently one councillor for every 9,000 residents. This would grow to one councillor for every 32,000 residents, leading to reduced representation and no guarantee that the community would be listened to or its needs met. Holroyd Council is not opposed to shared services and other joint arrangements, such as alliances, joint organisations and joint regional authorities. In fact, Holroyd currently has a successful alliance with Hay Shire Council and has shared services with Auburn Council. We are also part of Metro Pool and the Western Sydney Region of Councils, working together across the region to best represent our community.

Withdrawing the option of joint organisation from the metropolitan Sydney councils, the Fit for the Future process denied our communities the opportunity to put forward alternative, workable solutions. Holroyd initiated discussions with Parramatta, Auburn, the Hills and Ryde councils as per the requirements set down by the Fit for the Future process. We had eight meetings and discussed the proposed merger options and shared services. However, as each council had differing views on which consultant to engage to review the merged entity option, it was agreed that councils would engage the consultant of their choice. Each council agreed to continue discussions in relation to future shared services.

Holroyd City Council, as a stand-alone identity, meets all the seven Fit for the Future benchmarks, and will meet its infrastructure backlog by 2019-20. It has been independently assessed as a superior option to the proposed merged entity. We remain financially sustainable and can maintain current and future services reflective of our community both now and into the future. Our special rate variation will be spent where it should—on Holroyd's assets and infrastructure and services. As a stand-alone council, Holroyd will maintain its

local identity and sense of community. With greater levels of representation on local matters our planning will continue to coordinate the reflected Holroyd residents' needs and our community will avoid the costly process of a merger, but at the moment we could possibly be forced into a merger because of one term, "scale". Not even the Minister could answer a question on the meaning of "scale".

The Office of Local Government could not give anyone a straight answer until earlier this year, when one of our officers finally got a response at a boot camp run by Local Government NSW, where it was confirmed that it was the population number for your merged entity. However, evidence that supports such large councils is missing. Whilst Holroyd has proved that we are financially fit for the future, the Government has failed to show how forced mergers will provide economic and social benefits to the people of Holroyd.

CHAIR: Just a question to Blacktown. In your submission on page 2, the last paragraph, you talk about the practicality of the Fit for the Future assessment timeline proposed. For example, the assessment of 144 council proposals in approximately 12 weeks has been fairly criticised as being unrealistic and tokenistic. The opportunity for councils to respond individually and in depth to findings which may significantly affect the wellbeing of their communities has not been clearly established. Can you clarify that statement more broadly?

Mr ROBINSON: It depends entirely on the resources available to the independent assessor, the Independent Pricing and Regulatory Tribunal [IPART]. We are aware, in speaking with IPART, as we regularly do, that they have been putting on a lot of additional resources. However, I think, just from the man in the street's point of view, assessing in detail 144 proposals in three months and coming up with coherent analysis of those and then recommendations is, shall we say, challenging at best.

CHAIR: Does anyone else want to comment on that question in terms of 144 councils being processed over 12 weeks? No. My other question relates to a revenue issue. As I said, your submission was very clear and concise, which was fantastic. Obviously across a lot of New South Wales councils there are a lot of section 94 areas that are locked up in terms of funding and then likewise require a huge amount of money that is not accounted for to make up the gap in terms of those projects. What do you see is the way forward, given that one of the major structural reforms is because of financial unsustainability? How would you address that section 94 issue differently?

Mr ROBINSON: Section 94 is a vexed issue. In the case of Blacktown with the north-west growth centre to be developed, we have a shortfall because of the structure of items that we can levy for of about \$150 million for the provision of community facilities. That is to say, we are unable to levy and the State does not provide through the grant system funding for the construction of community facilities buildings.

CHAIR: I want to put this on the record clearly. Are you suggesting that the State is basically tying one hand behind your back in order to keep, for instance, housing affordability open to those people who want to buy houses but by doing that they are putting one hand up your back to meet the gap that actually complements that section 94 collection?

Mr ROBINSON: I would not put it in those terms, as you might. The current controls do not permit the levying of contributions for community facilities buildings. At the completion of development of the north-west growth centre with some 200,000 additional people, it will be a reasonable expectation of the community that community facilities buildings such as libraries, community meeting spaces and swimming pools are provided to that community, as council has done in the past. I think it is also inappropriate that those people who have already been taxed for those facilities are taxed once again to provide them. So there is a need for change, and we would advocate that there needs to be a mechanism—we are neutral as to the form of that mechanism—which provides funding for the delivery of those community facilities.

CHAIR: Does anyone else want to comment on that section 94?

Mr CUMMINGS: I understand the dilemma with section 94. In fact, Holroyd gazetted their new LEP in August 2013. The Government's target for the number of dwellings for Holroyd back then was 12,000. We have exceeded that. We are now currently estimating and can cope for 17,000 dwellings. That would be an estimated approximately \$300 million on section 94. We are more than happy to take out loans to make sure, as Holroyd is mostly an infill council, more than happy and we would need to do major infrastructure work, flood causeways, road systems and the like. More than happy to take out loans and facilitate so these developments can move ahead. I will hand over to Mr Butler if he would like to add anything.

Mr BUTLER: In the Holroyd situation the cap is restrictive. Holroyd is all but at the cap already and what we are finding in the current climate with land prices going through the roof, where we do need to buy land—

Mr DAVID SHOEBRIDGE: But that is the monetary cap per property under section 94. What is that at the moment?

Mr BUTLER: Twenty thousand dollars.

Mr DAVID SHOEBRIDGE: So regardless of need, you can only levy \$20,000 per property. That is the real problem, is it not?

Mr BUTLER: Correct. What we are finding at Holroyd—which may be replicated in other parts of the State—is that as costs increase, the main one being property land values at the moment, we cannot increase the amount we can levy developers by too much. We are all but at the cap, so consequently to balance the section 94 budget—I hear what the Blacktown colleagues have said—we are in effect dropping projects off the bottom of the list in order to balance the section 94 equation and/or putting councils or ratepayers own rate money in to fill up the gap.

Mr DAVID SHOEBRIDGE: At a minimum that should be indexed against the real construction costs of council—not CPI but your actual real constructions costs.

Mr BUTLER: It would certainly help and it is not only construction costs. Obviously the price of land is out of our control.

CHAIR: I remember talking to former Minister Frank Sartor about this because he was trying to cap anything that moved in the name of affordability but obviously it had indirect implications and one of those is in this case. I come back to Holroyd but I open this question to everyone. One of the statements that the Minister has been making is that local government is losing \$1 million a day in cash. Do you want to make any comment on that? I notice it is in your submission.

Mr CUMMINGS: Yes, certainly. I fail to see how the evidence stacks up. I believe that the section 94 was not even taken into consideration with that statement. Definitely in Holroyd's case, we are not losing but again I will refer to Mr Butler who will probably be able to enlighten you more.

Mr BUTLER: Certainly one of the challenges the industry has had is to try to get clarity on the \$1 million a day—where did it come from? I suggest that all three councils represented here today would take the same view that we are financially sustainable so please show us where we are losing \$1 million a day. Councils, as per their nature, will have surpluses and deficits over the years. There are very good reasons why councils might be in surplus or deficit.

No better example in the last set of financial accounts where, with our financial assistance grants, the last payment was withheld just prior to the end of the financial year, which councils would normally have budgeted for. To Holroyd, that was in the vicinity of \$2.2 million. It had a material impact on our bottom line and we were in a deficit position as a result. Clearly, what needs to come out of this—I suggest the practitioners have long understood—is that you need to interpret the operating results for a council before you want to draw conclusions. That is a classic example where last year a number of councils would have shown deficit positions but there was a very good reason for it.

Mr DAVID SHOEBRIDGE: The financial assistance grants would have appeared as capital and that ordinarily would not affect your operating budget. Did you have to find money from your operating budget to fund capital works because of the shortfall? Is that how it happened?

Mr BUTLER: No, it was just a timing issue but it is more an example of, instead of receiving in the last few months of the financial year it was put off until the start of the new financial year and as a result when you do your financial statements you had to report you are \$2 million short on what you projected that you were going to get.

Mr ISSA: In terms of the section 94 contributions and the suggested shortfall, my council colleagues are saying that there is not an opportunity to provide public amenity. In Parramatta's terms—and I speak on

behalf of Parramatta—I think there is a way to do them. It is through section 94A contributions. Through section 94A contributions, not section 94, there is an ability to levy a developer based on a quantity survey capped at 1 per cent to allow a council to deliver public amenity. In addition to section 94A and section 94, council can also engage in a VPA or a voluntary planning agreement with a developer. It works best in councils like Parramatta because it is predominantly infill and allows us again to develop things like libraries and swimming pools. So not only section 94 but section 94A and a VPA which we have used to varying degrees and to great success.

Mr ROGERS: Blacktown's infrastructure at the moment is about \$2.8 million. In the north-west sector we will take on roughly another 170,000 to 200,000 more people, which is another \$3 billion of works and land. Section 94 only provides for what is called baseline infrastructure and it now excludes community infrastructure. We estimate that community infrastructure at a baseline standard to be \$135 million. Blacktown is one of the dozen councils left in the State which is debt free. There has been an existing State Government threshold for how much debt a council should have, which equates to spending no more on repaying your loans than 10 per cent of your operating revenue.

If we did that and borrowed everything we needed to we would scarcely cover the cost of community infrastructure, let alone provide upgraded infrastructure in an existing area. That is our real issue, that we could not really fund it. It is a bit different in a greenfield area to a brownfield development. The 1 per cent levy for a greenfield area does not work because we have to provide the roads, we have to provide the drains, we have to basically acquire the land. It is quite different to urban development.

Mr DAVID SHOEBRIDGE: In fact not relying on section 94A entirely would bankrupt you in that regard.

Mr ROGERS: Absolutely.

Mr DAVID SHOEBRIDGE: It would be a terrible outcome

Mr ROGERS: Section 94A was a good initiative to offset some of the changes of section 94 but not enough for councils to deal with the huge gap.

The Hon. PETER PRIMROSE: I think that was a very important conversation. Do any other members of the panel have any comments before I move on to my question about financial issues?

Mr DYER: If I could make a comment on value capture generally. Section 94, section 94A, Environmental Protection Agency [EPA] and so forth, there is a heavy reliance upon those mechanisms for the provision of infrastructure and it is insufficient in my view. I think there needs to be a broader view taken and a broader look at value capture methodology.

Mr DAVID SHOEBRIDGE: Are you after a betterment tax, or some kind of betterment tax?

Mr DYER: I am not after any particular mechanism.

Mr DAVID SHOEBRIDGE: That kind of model is something we could explore.

Mr DYER: Some kind of stamp duty ring fencing potentially in particular growth areas would be a particular mechanism. I am not suggesting any particular mechanism; I am simply saying we need to review.

The Hon. PETER PRIMROSE: Councillor Cummings, one of the things you mentioned in your address was the fact that the option of joint organisations was not available in the metropolitan areas. Has anyone explained to you the reasons for that?

Mr CUMMINGS: No. The Minister has never to my knowledge given a clear indication of why he was against the possibility of joint regional organisations in the metropolitan area. But then again there is a lot that has never been explained. I have invited the Minister to Holroyd to hear and see for himself how our operation works. Unfortunately, he has to date declined.

The Hon. PETER PRIMROSE: Would a joint organisation be an option that Holroyd would consider?

Mr CUMMINGS: It did come up in our discussions, one of the eight with the other councils, but unfortunately we were, as per the process, locked in fairly rapidly to get a submission ready by the 30 June deadline and obviously we were still waiting for the Independent Pricing and Regulatory Tribunal [IPART] to issue the criteria for that submission to the eleventh hour. So unfortunately the whole process, I believe, and especially my understanding even for country councils you had to have a signed agreement to say that this is how it would work. Unfortunately, there was not that opportunity, I believe, for Holroyd or other councils.

The Hon. PETER PRIMROSE: Do any of the other panel members wish to comment?

Mr ROGERS: Mr Primrose, I note that the three councils here today are all shareholders of WSROC Limited. WSROC is a company under Corporations Law and does have a procurement function. To some degree the elements of procurement that have been suggested can be carried out by a joint organisation and are indeed at the moment being carried out in part by WSROC.

The Hon. PETER PRIMROSE: A number of people have essentially described the Fit for the Future process as a dog's breakfast so far. I go to Blacktown's submission, page 5, where you talk about the indicators used as part of the Fit for the Future apply a one-size-fits-all methodology:

This is not necessarily appropriate for all councils which will have local different factors that impact the results.

I was wondering whether you and the other members of the panel could comment on that further please?

Mr ROBINSON: Certainly, Mr Primrose. I think from the point of view of the man in the street coming up with seven indicators which sensibly describe the activities and measure the activities of Urana with 1,600 people, and Blacktown with 300,000 people, is perhaps problematic. Blacktown council passes one of the seven indicators. It does not pass one because we have no debt. It does not pass one because section 94 contributions are not considered revenue; they are considered grant funds and in a growth scenario it is impossible for us, given the amount of growth, to meet that indicator. There are three other indicators that are based on the rate of depreciation adopted by council. Blacktown council's average rate of depreciation on its schedule 7 assets is about 57 years, yet our neighbours in The Hills depreciate their assets over 103 years.

Mr DAVID SHOEBRIDGE: They must build them better.

Mr ROBINSON: Our neighbours in Penrith depreciate their assets over 118 years. Our depreciation rate is based on a very detailed construct of our assets and understanding of their condition and understanding of their run of useful life. Our depreciation rate is very similar to Parramatta's and very similar to Sydney City's. So in order to meet four of the indicators unilaterally, I as the general manager can lease a car, that is create debt, and change our rate of depreciation—a matter that does not require reference to council—and magically meet four indicators. I question whether that is a sensible test.

CHAIR: For all councils, would you be of the view that we need to standardise the definition of "depreciation" for all councils across New South Wales?

Mr DYER: I absolutely agree with that. There needs to be a common methodology at least.

CHAIR: Would you be of the view that the interpretation that the State uses would be the same sort of definition that the local councils could use?

Mr DAVID SHOEBRIDGE: The State Government has no idea what its assets appreciate at—none.

CHAIR: I do not want your views on the record, Mr Shoebridge; I am after the councils' point of view.

Mr ROGERS: If I can add to what the general manager said, some years ago TCorp did its initial assessment of local government indicators. We visited TCorp and they basically conceded what the general manager said. It is impossible for them to have one set of indicators that totally measures the financial position of 152 councils. By their own admission we were that far out, because of our growth and other things, that some of the indications were not relevant. In regard to our question on depreciation, engineers tell me that, for example, where I live in the Blue Mountains, sandstone, high mountains, water runs off the roads, a road may last longer than a clay area such as Western Sydney. That said though, how could our council, which is

surrounded by other councils and very much the same ground, have roads that last twice as long? It is impossible.

I utterly agree with your assertion that there should be a standardisation, particularly for urban councils around depreciation. Depreciation significantly affects the bottom line of a council's financial result. Our depreciation is around \$60 million a year. That is increasing by about \$2 million a year by virtue of the new infrastructure we are taking on. We believe that our depreciation is correct. We properly modelled the life of our assets—we call it Run to Fail. We have changed our works program to intervene earlier in the cycle of the roads to basically waterproof them with spray sheeting. That has already pushed the life of a road out to about 76 years. That said though, that is only one part of our infrastructure boasts; there are a lot of different other things. I totally agree with your assertion.

The Hon. ERNEST WONG: I would like to ask a question about the indicated benchmarking. In your submission you mentioned that is not suitable for a growing city like Blacktown. When you receive a template or indicated benchmarking have you ever been told by IPART or the department where they derived that indicator, or have they given you critical evidence or any kind of quantitative formula to indicate from where they are all derived?

Mr ROGERS: The way the Treasury Corporation [TCorp] did their indicators and the way the Fit for the Future has been based are effectively extractions of each council's reports. It is a process where you complete a datasheet in Excel, which is your annual accounts, and they take different figures and come up with formulas. Own-source revenue, which is one of the indicators we have not passed, is around looking at how much revenue a council gets from its own sources as opposed to external. Our denominator, our total revenue, is impacted by the amount of section 94 income we get. Because our section 94 income is so big, as a growth council, it is harder for us to pass on the other indicators. Yes, they do tell us where the indicator comes from but they are less willing to tell us about the logic of how those indicators, for a growth council such as Blacktown, are appropriate.

The Hon. ERNEST WONG: Over what percentage is there benchmarking?

Mr ROGERS: Own-source revenue should be at least 60 per cent of your total revenue. The debt-service ratio was between 0 per cent and 10 per cent. We were 0 percent; as the general manager said, if we had a finance lease on the books we would have been 0. something, something per cent.

The Hon. ERNEST WONG: From where do they derive the benchmarking?

Mr ROGERS: It is my understanding that TCorp benchmarking came from a practice used in Queensland local government. I believe the Fit for the Future indicators were an extension of that original work.

Mr DYER: My understanding is that the benchmarks are consistent with those outlined in the report of the Local Government Independent Review Panel and the subsequent Office of Local Government publications. They are consistent with those.

CHAIR: What is Parramatta's debt-service ratio? And what is Holroyd's debt-service ratio? You can take this question on notice, if you would prefer.

Mr DAVID SHOEBRIDGE: The operating performance ratio determines that.

CHAIR: No, I want the debt-service ratio.

Mr BUTLER: Holroyd's is zero.

CHAIR: That is very good.

The Hon. ROBERT BORSAK: Not according to governments.

The Hon. ERNEST WONG: Following the Chair's question regarding debt for Holroyd council, you indicated a misleading statement from the Minister. In your submission you said Holroyd council has done its own study of the financial outcome of most councils, where you derived \$3.2 million a day operating surplus for New South Wales councils for the 2014 financial year. Please elaborate on how you got those figures.

The Hon. ROBERT BORSAK: Your submission says there should be an operating surplus as opposed to deficit. How did you reach that?

Mr BUTLER: Holroyd's submission is based on independent assessment done by Morrison Low whom council engaged. It indicates that council's operating position is better off under a standalone entity than under a merged entity. When we combine the operational results of the councils potentially flagged for a merger with Holroyd, you will find that the combined operating results over the long term turn out to be inferior to Holroyd remaining as a stand alone council.

The Hon. ERNEST WONG: In attachment 2 you say that study confirms a \$3.2 million a day operating surplus for New South Wales councils. Do you derive that from all the councils' financial reports?

Mr BUTLER: Those figures are obtained by looking at the operating results of all councils across New South Wales. You can glean that there are operating surpluses and deficits. Looking at councils that are in surplus, they will have an operating surplus of that magnitude.

Mr DYER: Returning to the question about debt service, our historic number is 6.8 per cent, going in the forecast period 2014-15 to 12 per cent with spending we are doing on our Parramatta Square development, but then returning to approximately 7 per cent in the out years. That is reasonably healthy.

CHAIR: What is the start of the out years?

Mr DYER: It is 2015-16. I make the point that we are in a net cash position. We have debt on our balance sheet but we have substantial net cash at the moment as well.

The Hon. PETER PRIMROSE: In Holroyd council's submission, under key issues, you have protecting and delivering democratic structures for local government that ensure it remains close to the people it serves. I note your table. Please speak to that.

Mr BUTLER: That table points out that in Holroyd's case, when comparing a merger with a non-merger scenario and how the local community voice their opinion, it was a dominant view of our community that the residents were against a merger—87 per cent in our latest survey clearly said they were against a merger. One of the clear questions that came through from the community was: why is the size issue paramount over what residents want? The residents want services available to them. Why was the outputs process not put in front of the size issue, the bigger-is-better issue, that seems to have dominated the Fit for the Future process? Clearly, our local constituents said that one in 30,000 representation was not satisfactory from their point of view. They are currently used to one in 9,000. They thought a merger would be detrimental to them.

Mr CUMMINGS: We know how much we look forward to receiving rate notices. One of our surveys involved sending out a postcard asking if recipients were in favour of mergers or against mergers. I was quite nervous about sending out a card like that to every ratepayer in Holroyd. To my surprise we got 2,266 returned, 96 per cent in favour of Holroyd standing alone and 4 per cent against.

Mr DAVID SHOEBRIDGE: Did you send that out with your rate notices?

Mr CUMMINGS: With our rate notices.

Mr DAVID SHOEBRIDGE: That was courageous.

Mr ISSA: Holroyd pushed a fairly strong agenda about hands off Holroyd. My view—and I speak on my own behalf—is that was push-polling, because every postcard had "Hands off Holroyd" on the back and on the reverse said, "Would you like to amalgamate or not?" In my view that is not fair and equitable polling of a community. Parramatta presented four options to the community, not biasing the view of the elected representatives or the council in general. We asked for feedback without a specific agenda. In my view, essentially we were not push-polling. In the same vein—

Mr DYER: Can I leap in and say our sample was a statistically valid sample done by an independent survey.

CHAIR: Can that postcard sent to ratepayers be tabled at some stage?

Mr CUMMINGS: Certainly, and I take the point that Parramatta is making. But we also had to—

CHAIR: No, Parramatta has the floor.

Mr ISSA: In the same vein, on the view of one in 30,000 or one in 9,000 representatives for local government, there was no clear indication of, if it was to go to one in 30,000, how we could achieve that. Parramatta is a little above one in 9,000, but we have in place a place services team. We have place managers, place planners per ward; we have operational liaison officers per ward. Even though the constituent ratio may not be, as Holroyd, says keeping local local, we have initiatives in place through the organisation that allow us to keep contact with local residents and keep the word "local" in local government.

The Hon. PETER PRIMROSE: Mr Cummings?

Mr CUMMINGS: We did carry out two independent phone surveys, and, again, the results were near 70 per cent. We can present them to the Committee. One was done by Micromex Research and the other by ReachTEL. We are more than happy to stand by those surveys. We are not against Parramatta becoming the second CBD of Sydney; we would encourage it. With the increase in our population we as a community will need those jobs and need them near where people live. It was there the day after Parramatta came out with its second option. It was stated:

We believe the current scale and capacity of our council make it difficult to maximise Parramatta's potential as Sydney's dual CBD, and an expanded council should be created with a stronger revenue base and improved resources.

I fail to see what the difference is between Sydney City Council, which has a very similar population, and Parramatta. At the end of the day, why should Holroyd's ratepayers be paying for corporates to move into the second CBD? To my knowledge, in the past 10 years only three commercial towers have been built in Parramatta and there is one on the way. The first one was the police centre, the second was Sydney Water and the third one was Deloitte. The first two were government funded and the fourth one will be University of Western Sydney. If you make ratepayers from a larger area subsidise corporates to move to Parramatta, people will be upset. That is why our residents are upset.

Mr ISSA: What is the difference between Sydney City Council and Parramatta City Council having the same resident base? The difference is about \$300 million in operating revenue. That is the difference between Parramatta City Council and the City of Sydney. That \$300 million allows a council like Parramatta City Council to deliver strategic initiatives and to subsidise the people of Holroyd in their employment choice, for lack of a better term. That is the difference between the two councils.

The Hon. PETER PRIMROSE: The first paragraph on page 11 of the Blacktown City Council submission states:

New South Wales has no comprehensive or meaningful performance measurement framework for local government...

It is Council's view, in common with the sector, that the NSW Comparatives data and reporting process requires a major overall. Again, this review was commenced by OLG following Destination 2036, but has not been completed.

Can you elaborate on that?

Mr ROBINSON: It goes to the comments that I have already made in relation to depreciation, unsourced revenue and matters like that. Trying to get a nuanced assessment framework for local government requires more than seven simple tests. Certainly, the words of Independent Pricing and Regulatory Tribunal [IPART] following its appointment as the independent assessor are comforting. It said that while IPART is constrained to deliver the results of those seven indicators, it will be doing a range of other analyses which will provide more insight across local government. I leave it at that.

The Hon. PETER PRIMROSE: We do not know because the Minister and the Office of Local Government have not been able to tell us what will happen after they receive the Independent Pricing and Regulatory Tribunal report. Do any or all of you believe that the processes of the Local Government Boundary

Commission should be retained? Should the Minister move to merge or amalgamate councils in any way after that?

Mr ROBINSON: Blacktown has no position in relation to that.

Mr ISSA: I do not believe we have a position in relation to that.

Mr CUMMINGS: Definitely. Part of the criteria is to talk to the residents affected. If we are fair dinkum about it, let us give the residents of those areas a say.

The Hon. ROBERT BORSAK: I am intrigued not only by the body language but also by the verbal jousting between Councillor Issa and Councillor Cummings about the unfriendly takeover moves. It is interesting that, even from my reading, Parramatta's proposal in relation to its growth does not conform to the Independent Pricing and Regulatory Tribunal template either. Why is that the case?

Mr ISSA: We set out on a path to conform to the Independent Local Government Review Panel and IPART's view on what the merger should look like. We approached all our neighbouring councils, especially those recommended by the review panel—Holroyd, Auburn, Ryde and also The Hills. We approached them and asked whether we could work together and said we would appoint a consultant together and share information. The resounding feedback was no. Essentially, we were forced not to comply because we could not work together as councils. We were forced to make an alternative submission.

Mr DYER: We were to be judged against the criteria of a greatly expanded area, which included, Auburn, Holroyd, Parramatta, part of The Hills and part of Ryde. It was an impossible task to go to those councils, particularly The Hills and Ryde, and to say, "Can we please have some of your geographical area?" The obvious answer was no. We were always going to be in a very difficult position in relation to presenting a conforming submission that compared us to what had been recommended for Parramatta. It was a very difficult position. As Councillor Issa said, the very early indication from Holroyd and Auburn, in particular, was that they wanted no truck, if you like, with discussions around mergers and amalgamations. As Mayor Cummings said, we had some early discussions in good faith, but they were clearly not going to be fruitful. Therefore, we proceeded down a different pathway.

Mr CUMMINGS: It is pity that the lord mayor of Parramatta is not here today, because he attended the most of the meetings that I attended. On 29 October we had a meeting with the Auburn mayor and the general manager at Auburn. On 17 November, the Parramatta lord mayor and the chief executive officer and my general manager and I had a meeting at Parramatta. On 24 November, I again had a meeting with Auburn at Auburn with the mayor and general manager and my general manager. On 15 January, the general managers from the respective councils had a meeting to discuss possibilities of where we could go. I could not attend a meeting that I believe was held on 28 January. On 8 April we had a meeting at the Holroyd Centre involving Holroyd, Parramatta, Auburn and The Hills. Ryde sent an apology. I believe which consultant we would engage was discussed.

We interviewed the consultants recommended by the Office of Local Government and we decided to engage Morrison Low. That all took place prior to Christmas, so we were virtually locked in. We also engaged Morrison Low to go through the special rate variation that happened earlier. At that meeting Parramatta City Council put forward a company call PPB. We were definitely not comfortable using that company, especially given that it was not recommended by the panel. I believe the indication from Auburn was similar. From that we agreed to go our own way and to engage our own consultants. Talking to our neighbouring councils and sharing services or anything else that would make our operations more efficient and allow us to service our community better was never taken off the table.

The Hon. CATHERINE CUSACK: That is why collaboration does not work.

The Hon. BEN FRANKLIN: If you cannot even agree on a consultant, how will you agree on sharing services?

Mr ISSA: I concur absolutely that all those meetings took place. In our view they were all fruitless. Even if you do not want to share a consultant you can still share data, and that opportunity was not afforded to Parramatta City Council.

Mr DAVID SHOEBRIDGE: But did you put up a consultant who was not on the panel?

Mr ISSA: We did. There was not a mandatory requirement.

Mr DAVID SHOEBRIDGE: Why? Why did you do that? Surely that is a way to destroy trust?

Mr ISSA: The panel put up consultants to help mediate not to develop the response—there were two different types of consultants. Any representatives from the panel could tell you that the panel put up a list of consultants to help mediate between councils not to develop a proposal or help councils develop a proposal. In doing that, it would have been beneficial to share data but indications from Holroyd were that, no, that would not happen irrespective of which consultant was used

The Hon. ROBERT BORSAK: I have been in business for over 35 years and I have had offices in Parramatta. On at least two previous occasions over those years I have heard the story or message being put forward that Parramatta is the growth centre and potential second central business district [CBD] for Sydney. Now I am hearing that again. What in any amalgamation at the residential level is going to help propel Parramatta to become the second business centre for Sydney? What is going to change if you take ratepayers from Holroyd, Auburn or other areas into your local government area? What is going to propel Parramatta into becoming a second CBD for Sydney which is attractive to business—as opposed to just becoming a larger council from a residential and population point of view?

Mr DYER: We would argue that growth of scale and capacity will give us the opportunity to build better infrastructure.

The Hon. ROBERT BORSAK: Are you going to incentivise business to Parramatta? Do not get me wrong, I think it is a good idea; but I cannot actually see the nexus. Are you going to take money from Holroyd residents, your own residents and others and provide an incentive for development in Parramatta, bringing jobs to the area?

Mr DYER: In my view business follows infrastructure investment. We think that greater scale and capacity will allow better infrastructure within the city and that business will therefore follow that infrastructure investment in transport, roads, parks, gardens, library services et cetera. Better infrastructure equals improved conditions for business.

Mr DAVID SHOEBRIDGE: But where is the money for that? That is what the Hon. Robert Borsak is asking you: where is the money for that going to come from?

CHAIR: Order! We should allow Mr Issa to complement Mr Dyer's answer to the question from the Hon. Robert Borsak. We will hear that and then maybe Mr Shoebridge can ask his questions, because it will be his time.

The Hon. ROBERT BORSAK: As I said earlier, I have seen similar proposals twice before. I have seen false starts twice before. For example, Coopers and Lybrand has a branch in Parramatta for a number of years. They gave it up as a bad joke and went back to the CBD.

Mr ISSA: I appreciate the concern, but we have \$8 billion of development in the pipeline in Parramatta. We have a \$2 billion redevelopment of Parramatta Square, which outside of Barangaroo is the biggest in New South Wales—and this is without any amalgamations or merger or any of Holroyd's money, for want of a better term. We are doing those things on our own. In my view the State Government has played a significant role via the Powerhouse Museum move, light rail and the stadium strategy—all those things contribute to what Parramatta will become. The cumulative effect of those things is that business wants to come to Parramatta. Essentially people want to want to work in Parramatta and live close to Parramatta.

As I say, build it and they will come. We can use that idiom in Parramatta. The question was where is the money going to come from? As I say, section 94, section 94A and the voluntary planning agreements [VPA] all flow from essentially the \$8 billion that is currently in the pipeline. There are ancillary benefits of having Parramatta Square developed. The Hon. Robert Borsak said there had been two false starts previously. But we are well and truly on the way. The University of Western Sydney is building on the site at the moment. That is scheduled for completion within two years. There is a lot of work happening. Just this week we have moved out

of our council buildings, and the site is almost shovel ready, to expedite the redevelopment of Parramatta Square.

The question was do we need Holroyd's money to do it? The answer is no. But with greater scale and capacity and greater operating revenue comes an opportunity to provide things like a cultural precinct—to expand the Riverside Theatre, to improve sporting facilities and to work on the local eat street. All those things contribute to a well-balanced city—not only the development but also the cultural aspects. When you put those things into a city not only businesses but also residents want to move there. So it is about all those things together.

CHAIR: We need to move on because some of the other witnesses want to contribute.

Mr ROBINSON: I have said to our councillors on a number of occasions that a stronger Parramatta is a stronger Western Sydney and that is good for Western Sydney. To directly answer the question from the Hon. Robert Borsak, I direct the attention of the Committee to the digital engagement strategy of Brisbane City Council and the international and national economic development activities of Brisbane City Council as examples of how a larger council is able to have a broader engagement with business.

Mr BUTLER: Mr Chair, can I just clarify a couple of comments to make sure it is abundantly clear that the Office of Local Government had two groups of providers on their panels. PPB were not on either one. The councils—Parramatta, Holroyd, Auburn and The Hills—all met and it was agreed between those councils that they would go their separate ways and use their own providers. It was an agreed position that they agreed not to agree—I suppose that is how I would put it. They did agree to go their own separate ways. So it was not that Holroyd was unwilling.

CHAIR: Thank you. I am not here to chair a debate; I am here to gather evidence. In light of that I call Mr Shoebridge.

Mr DAVID SHOEBRIDGE: Councillor Issa, I listened to your answer about how picking up Holroyd, Auburn and other council areas would increase your scale and capacity. But all I could really hear from that answer was that it would increase revenue base that you could then spent in the central business district. If I was a resident of Auburn, Holroyd or any of the surrounding areas, I would have been deeply frightened at that prospect. So I ask you: where is the actual additional revenue coming from other than sucking the money out the surrounding suburbs? Where is the actual additional revenue coming from? It is a simple question.

Mr ISSA: Mr Shoebridge, with respect, you can put words into my mouth but that is not what I said.

Mr DAVID SHOEBRIDGE: Well where is the revenue coming from?

Mr ISSA: I did not say we are going to suck the money out of Holroyd and put it into Parramatta's CBD; what I did say is that we are building Parramatta's CBD without Holroyd at the moment. We have \$8 billion worth of redevelopment in the pipeline. We have \$2 billion of urban renewal as part of the Parramatta Square development at the moment without Holroyd.

The Hon. ROBERT BORSAK: In a takeover it is pretty good to get your hands on an ungeared balance sheet, isn't it?

Mr ISSA: I do not like to use the word "takeover". We are not saying that that is what it is. What we are saying is that an expanded economic region for Parramatta—where the rates would come from commercial, residential and industrial sources not just residential—would benefit the whole region not just the Parramatta CBD. If we wanted to put a park in Holroyd or Auburn then we would have the operating revenue to allow us to do that holistically. The biggest benefit would be our strategic capacity and capability—where we could do regional planning.

In terms of our redevelopment we could do regional traffic management and regional delivery of services such as cultural services in the arts and sporting services. It would allow us to take a holistic view of the region. So the cumulative traffic impacts across different local government areas and across boundaries would not be blurred. At the moment we have parts of the Holroyd local government area in the Parramatta CBD. We have a sign for the Holroyd City Council chamber that is closer to our council chamber. We might have a 12-

storey building across the road from where Holroyd has a three-storey building. That sort of discrepancy between planning and the inability to plan as a region does not work well for growing cities.

Mr DAVID SHOEBRIDGE: How many residents are there at the moment in the Blacktown City Council area?

Mr ROBINSON: Approximately 335,000.

Mr DAVID SHOEBRIDGE: So it is currently the biggest council in New South Wales, and is projected to grow to become even bigger—far and away the biggest council by resident numbers in New South Wales.

Mr ROBINSON: We are currently the largest in New South Wales, and the fourth largest in the country.

Mr DAVID SHOEBRIDGE: What is your current operating performance ratio? If we opened up your books at the moment, would we find that the council is in deficit or surplus?

Mr ROGERS: Our operating deficit for 2013-14 was -7.9 per cent. We have not completed our work for 2014-15.

Mr DAVID SHOEBRIDGE: What is the dollar figure?

Mr ROGERS: It was a deficit of about \$8 million.

Mr DAVID SHOEBRIDGE: I would like to explore this further because—

The Hon. BEN FRANKLIN: Point of order: We started question time at 10.21 a.m., which gives a total of 69 minutes of question time. We now have 22 minutes rather than 23 minutes left for Government questions, and Government members have not asked a question yet. I know there has been a bit of toing and froing between Opposition and crossbench members. I can go through each individual question that was asked, if the Chair would like, but I contend that it should now be time for questions from Government members.

CHAIR: The allocated time is one minute and 47 seconds.

Mr DAVID SHOEBRIDGE: It is pretty obvious, then, that it is not a simple formula—that the bigger the council the more likely it is to be in surplus. There are much smaller councils that are in robust surplus, and you are the biggest council and you are in an ongoing deficit situation—you would accept that.

Mr ROBINSON: It also goes to what you are looking at, whether you are including section 94 capital inflows, which for us are worth upwards of \$100 million a year. If you exclude those, you do not get a whole picture of the whole organisation. For instance, for this financial year council agreed to put on 40 additional staff simply to service development activity within the growth centres, the vast majority of those staff funded through section 94 contributions.

Mr DAVID SHOEBRIDGE: I have read your submission and, in fact, I am wholly persuaded by what you say about the operating performance ratio and how in a growth council it in no way reflects the actual financial underpinnings. Fundamentally there is no survey that says the bigger the council the more financially robust you are going to be. It is a much more complicated situation for local government, is it not?

Mr ROBINSON: I would certainly agree.

Mr DAVID SHOEBRIDGE: You are all shareholders of WSROC.

Mr ROBINSON: Correct.

Mr DAVID SHOEBRIDGE: Would you support a mandatory regional organisation of councils which, for example, on tendering would prevent councils from opting out once you have an agreed tender?

Mr ROBINSON: Firstly, the answer is no. The reason for that is that whilst WSROC does procurement, you need, once again, a nuanced answer and compulsion does not work. For instance, if one is buying bitumen and one is in Auburn next to the bitumen manufacturing plant, the price is going to be different to the price if you are in Hawkesbury and you need it delivered halfway up the Putty Road. If you have a single price for the delivery of that, it does not necessarily work. So WSROC's procurement is on an optional basis. Certainly from Blacktown City Council's point of view, sometimes we opt in to WSROC activity and sometimes we do not, and there are good reasons for that.

CHAIR: We move straight to Mr Franklin's questions. We will be giving Government members their full amount of time. We will be running slightly over time for morning tea.

The Hon. BEN FRANKLIN: Thank you, Mr Chair—I appreciate that. My first question is directed to Parramatta City Council. In your submission you talk about the fact that creating a new, larger council will ensure that the benefits of the growth of Parramatta and surrounds is to the benefit of the broader regional community. Can you expand on that and tell us how surrounding communities—for example, Holroyd—might benefit from a larger council?

Mr DYER: Greater scale and capacity will allow us to expand our services and to improve the services that we provide to all of the local communities that are within that broader local government area. We would say that that scale and capacity will allow us to build more footpaths, to build more parks, to build more libraries—the libraries of the future—to make better infrastructure right across the local government area. That greater scale and capacity will allow us the financial power, if you like, to make those alternative choices.

The Hon. BEN FRANKLIN: I was taken by your comments about larger councils keeping local councils local and some of the initiatives that you have utilised in order to do that. There is obviously concern—concern expressed by Holroyd today—that a larger council may not have the same level of interpersonal representation. After your answer, I would very interested to hear what the Blacktown General Manager has to say about the representation of the community from a larger council. Could you tell us perhaps a little more about the initiatives that you utilise to ensure that local council in a larger council is kept close to the people?

Mr ISSA: Sure. Within council's organisation we have a place services team. That place services team is divided by the individual wards. We have five wards of council; we have five place planners that are responsible essential for each ward. Under the place planners there are place managers. We also have operational liaison officers. For example, as a councillor I might get a phone call and I can send an operational liaison officer, a place planner or a place manager out there. I could essentially, for lack of a better term, spread my tentacles across the ward and have that sort of engagement at the grassroots level with the constituents without physically being there and have a report back to me as a councillor.

Mr DAVID SHOEBRIDGE: Through bureaucrats.

Mr ISSA: From the bureaucrats, if I can follow then, I can then follow up like a State Government official would. We also have precinct plans that deal specifically with areas within our wards—so not only a ward plan but precinct plans. So I have a precinct plan in Guildford or a Granville precinct plan in my ward, and I have the operational liaison officer and the place manager going out there and addressing those things. We have frequent ward meetings. We have councillors who run ward meetings with residents every quarter. Whilst I do not think 50,000 or 9,000 is the right number, essentially I am not saying what the right number is. I have a view about how many wards and councils I believe an expanded Parramatta would have, but that is a personal view.

The Hon. BEN FRANKLIN: In a nutshell, why do you believe Parramatta City Council should be a larger council?

Mr ISSA: From my personal perspective—and I do speak on behalf of the chamber because it has supported this particular alternative proposal as our preferred proposal—it is to increase the scale and capacity, to allow us to be a suitable advocate for the region, a true strategic partner for State Government, to deliver on broader initiatives that on our own we cannot because we do not have either the advocacy or the leverage, because we are not big enough, or the operating revenue to do so. To a larger extent I think the biggest benefit would be regional planning—for instance, traffic planning, as I said before—so we know if we are building a second CBD how that affects the land use planning, facilities planning and the amenities of suburbs around it so when you look at the region as a whole rather than the insular local government area you have a broader view of

how we can deliver for the region. As the Plan for Growing Sydney and the commission will state, a thriving Parramatta is good not only for Parramatta but for the broader region. Without that sort of scale and capacity in the expanded Parramatta, I do not think the Government or our local government council can deliver that.

The Hon. BEN FRANKLIN: I have one final question before I hand over to my colleague, and it is to the gentlemen here from Blacktown. We have had a lot of discussion about smaller councils being closer to the people and so on. Do you believe that the councillors on Blacktown City Council adequately represent their constituents?

Mr ROBINSON: I will say yes, and it is a qualified yes, which is to say that all councillors are not the same, just as all politicians are not the same.

The Hon. BEN FRANKLIN: Indeed.

Mr ROBINSON: Some of our councillors work full time. One cannot expect them to do the same job that a person who is retired or semi-retired does—it is simply not possible. Some councillors are politically engaged. Some are engaged with community groups and sporting groups. So the councillors themselves are all different. The quantum of representations that we receive from councillors varies. From looking at their mobile phone bills I can tell you how many are making phone calls and how many are not. I can tell you how many representations they have received, and it varies. I think that the important thing is not necessarily from the bureaucracy's point of view; the important thing is how we respond to that engagement. We do not have the same structure that Parramatta does—its place management structures. There are line management structures. We have a line management structure. There are arguments for both and I do not think this is the place to canvass those. But what is particularly important to us is our responsiveness to inquiry.

The Hon. BEN FRANKLIN: Absolutely. I agree with everything you have said. But none of those things have indicated that the size of a council is an impediment to a councillor being able to effectively serve their community.

Mr ROBINSON: Absolutely not.

The Hon. BEN FRANKLIN: Thank you.

The Hon. CATHERINE CUSACK: We have talked a lot about council amalgamations. Another issue being looked at is the issue of leadership and, in particular, the mayor's position. Cr Cummings, I understand Holroyd has a situation where you rotate the position of mayor every year and you have had 12 mayors of Holroyd since the year 2000. Can you explain to the Committee the benefits of that system?

Mr CUMMINGS: We are just like most councils. There are some councils in New South Wales that have popularly elected mayors; not many, but some. Generally, in all the others, every 12 months in September there is an election and, depending on the number of councillors in that council, the majority elect who they believe will best serve as mayor or deputy mayor for that term. That is how the system has worked.

The Hon. CATHERINE CUSACK: Can you explain for the Committee the benefits of that system for your ratepayers?

Mr CUMMINGS: I used to be in favour of popularly elected mayors but I have since reconsidered my position, because I can see that somebody walking in with a fistful of dollars can buy a mayoralty and could create quite a lot of damage in four years. Unfortunately, in my opinion—and it may be wrong—there is not enough community engagement to understand the best candidates who put themselves up prior to a general council election. Sometimes it has to be left to the wisdom of the chamber to pick who should lead them in the following year.

The Hon. CATHERINE CUSACK: So giving the local community the right to elect their mayor is inferior to the wisdom of the chamber? I am really trying to understand the benefits. What is the benefit to the community of having 12 mayors in 15 years?

Mr CUMMINGS: One of the surveys or phone polls we carried out showed a 92 per cent satisfaction rate or better. So obviously the Holroyd community is satisfied with how that is operating.

The Hon. CATHERINE CUSACK: So 92 per cent of the community like having 12 mayors in 15 years?

Mr CUMMINGS: No; I said that 92 per cent gave a satisfactory or better rating on how Holroyd is carrying out its services.

The Hon. CATHERINE CUSACK: Are you saying, under oath to this Committee, that that is scientific research?

Mr CUMMINGS: I am more than happy to provide those statistics.

The Hon. CATHERINE CUSACK: Thank you. I would like to ask you about an organisation. I will ask the other councils about it as well. In relation to the environment, councils play a very important role, in particular in the health of the Parramatta River. In regard to the capacity of Holroyd effectively to collaborate, I have been concerned about some of the negative comments you have made about the other councillors. The Parramatta River Catchment Group comprises Ashfield Council, Auburn Council, Bankstown Council, Blacktown Council, Canada Bay Council, Holroyd Council, Hunters Hill Council, Leichhardt Council, Parramatta Council, Ryde Council and Strathfield Council.

If everybody rotated the mayor's position the way Holroyd does, you could technically have 120 mayors in the space of 15 years for Sydney Water to work with to try to improve the health of the Parramatta River. Is there any possibility of an improvement on that position? Do you think it is working effectively, or can we improve that in the interests of the health of Parramatta waterways?

Mr DAVID SHOEBRIDGE: Point of order: It was next to impossible to work out what the question was. Was it about rotating mayors? I think it is an unfair proposition—

CHAIR: Order! There is no point of order. If Mr Cummings is not happy with the question he can point that out to the Chair and the question will be asked again.

The Hon. CATHERINE CUSACK: I am happy to explain it further. Give me another go; I am quite happy to take it.

CHAIR: Do you want clarification?

Mr CUMMINGS: I thank the Committee for the question. Holroyd has had a good working relationship with the Upper Parramatta River Catchment Trust. One of our mayors of distinction, Councillor Allan Ezzy, who has been mayor of Holroyd nine times in his 40-odd years as a councillor, was a champion for better flood mitigation and worked tirelessly on that. I would put Holroyd's flood management committee up against any other council in how we handle the problems of quality of water and flood minimisation. The rotation of mayoralty has had no effect because we take those issues very seriously and we understand the impacts on councils down creek or down river from us.

The Hon. CATHERINE CUSACK: I ask other councillors the same question.

Mr ISSA: I have personal views on the election of mayors. I think that one year is too short a term. I think it needs to be at least two years, because a mayor will find his feet after six months and then start delivering in the next 18 months. I do not agree with the idea of a popularly elected mayor. That is my personal view; I do not speak on behalf of the chamber. It could mean that in Parramatta we could have a Lord Mayor for four years who does not have the support of the chamber. Being popularly elected they may be popular in the community but they may then want to put a Lord Mayor minute up or run any initiative of their own and the chamber may vote them down. Although the community might like them, broadly, across the LGA, they may not have the support, whether it be politically or otherwise.

Mr DAVID SHOEBRIDGE: You may have a lame duck for four years.

Mr ISSA: Absolutely. That is my only issue.

The Hon. CATHERINE CUSACK: Is there any feedback from Blacktown?

Mr ROBINSON: I think the Committee might direct its attention to North Sydney to understand what can occur when one has a popularly elected mayor, as Mr Issa described, who does not have the support of the chamber. Blacktown council, by virtue of its decisions, endorses the current system of election of the mayor by the chamber—not popularly elected. The other matter I put before you is the view of our mayor, which has not been tested in council, which is that, given the role of a mayor in a large council above some threshold, the mayor ought to be a full-time paid position.

The Hon. BEN FRANKLIN: I just want a yes or no answer, ideally. Would you support one of the options put out in the independent report by Professor Sansom that, if they are elected by the council, the terms be for at least two years?

Mr ISSA: Yes.

Mr ROBINSON: That would be my personal view; that is not council's view.

Mr CUMMINGS: Yes.

Mr DAVID SHOEBRIDGE: A consensus for reform, there.

The Hon. CATHERINE CUSACK: Earlier, Blacktown referred to the fact that there are a number of new employment lands that everyone is trying to open up, including the billions being spent on the WestConnex to create greater connectivity for Western Sydney residents to new employment lands. I understand that some of those sites are split between a number of councils, and that in the case of Blacktown City Council you are sharing governance arrangements with Holroyd Council.

Mr ROBINSON: There are some parcels of industrial land in a former quarry at Pemulwuy which are split with an LGA boundary down the middle of a lot. I do not think it is a very sensible piece of administration to have a single parcel of land receiving two rates notices or needing the consent of two different councils at the one point in time. We have a golf course which is split in two by an LGA boundary. All that says is that from time to time there might be sensible minor rationalisations of LGA boundaries which councils could achieve.

The Hon. CATHERINE CUSACK: So in relation to new employment lands, lots are being split down the middle. What about parcels of land, and the holistic master planning for a new industrial site?

Mr ROBINSON: Once again, there needs to be collaboration. In this case the sites have been zoned by the two councils. It was in a common ownership of a single developer and the developer has carried out that master planning.

The Hon. CATHERINE CUSACK: So the developer has had to get zoning from two different councils for the same piece of land.

Mr ROBINSON: That is correct.

The Hon. CATHERINE CUSACK: How ridiculous.

Mr CUMMINGS: I believe you are talking about the Pemulwuy industrial lands. That was formulated under a State SEPP.

The Hon. CATHERINE CUSACK: Councillor Cummings, did you say that Holroyd is in a collaborative arrangement with Hay Council?

Mr CUMMINGS: Correct.

The Hon. CATHERINE CUSACK: Can you explain that?

Mr CUMMINGS: We have exchanged officers. We have helped them in different areas where they did not have the resources or expertise. Likewise, our officers have been able to gain knowledge about the difficulties faced by our country cousins. We came out with an early childhood reading policy. Holroyd has 15 council run childcare facilities—all cost neutral to the ratepayer. They employ roughly 150 people—mainly women, permanent and permanent part time. They educate and care for roughly 3,500 children a week. Through

our early childhood learning we were able to encourage the scheme which has won awards. And we were able to help Hay introduce that scheme to the preschools in that area. I would encourage the Government to look at partnerships like that because, unfortunately, I think we will always have to subsidise our country cousins, purely because of the areas of their councils and the lack of population. I think it would be far more beneficial for metropolitan councils to share their resources with their country cousins rather than having sister cities in Japan or Lebanon.

The Hon. CATHERINE CUSACK: There is an irony here, though, that you are able to share with Hay Council, which is a very long way from Holroyd, but you cannot seem to sit down with your neighbouring councils in Sydney and agree on a consultant to mediate between the councils on how you might share the services. Can you see the irony of that?

Mr CUMMINGS: No, not at all. We work in a partnership and by all means we are more than happy to work with Parramatta at looking at the possibilities of sharing and combining services where appropriate. As I said, we are not here against reform of local government. We would encourage it, but we do not believe bigger is always going to be better, and I am still waiting for the Government to show proof of how that is the case.

The Hon. BEN FRANKLIN: Can I jump in with one question? Did I understand you correctly before when you said the community did not really know—I am paraphrasing—who was representing them so it is better that the mayor gets elected by councillors?

Mr CUMMINGS: No. I said that they often do not get exposure. I was indicating that a lot of the time if council was running correctly and providing the services, the general population had no need to know who their mayor is or their council—

The Hon. BEN FRANKLIN: So in Holroyd at the moment the local council—

Mr DAVID SHOEBRIDGE: Point of order: The mayor was part way through an answer and has been interrupted by Mr Franklin.

CHAIR: Were you finished your answer?

Mr CUMMINGS: No, I was not. As I was saying, basically a lot of residents would not know until September every four years when we go out there and we letterbox and stand at a polling booth because they are happy with the services that they are receiving.

The Hon. BEN FRANKLIN: I understand, thank you. But you basically agree that many residents in your council area do not know who their local councillors are.

Mr CUMMINGS: Not many but a portion would because the only information they receive would be basically through local papers, and unfortunately a lot of the times the local papers are not even read.

The Hon. ROBERT BORSAK: Point of order: My questioning at the time was shortened significantly by interruptions and other people asking questions. Can I ask one question?

CHAIR: I think it is appropriate for Mr Amato to ask questions. If the Government is of the view that you might be able to ask a question at the end, that might be their grace.

The Hon. LOU AMATO: My question is directed to both Blacktown and Parramatta councils. A number of smaller councils in Sydney have implied that if they were merged the community would not be adequately represented. How do you respond to that?

Mr ROBINSON: Blacktown council has no view on the matter.

Mr ISSA: It is a good question. As I said, we have initiatives in place to allow us to represent our community through politicians or the elected representatives and through the bureaucracy of local government. When you combine those two things there is obviously going to be a threshold so you will not have one councillor representing 60,000 residents. I do not think that is practical. But as it currently stands, where you have something like a Hunters Hill, where you have eight or seven councillors representing 44,000 people, which is the size of my ward, I do not think that is appropriate either.

The Hon. LOU AMATO: Sydney faces many challenges in terms of job creation, transport, housing supply. How has your council contributed towards confronting these challenges, and what specific initiatives has your council been responsible for?

Mr ROBINSON: Blacktown city's economy is growing by between 6 per cent and 7 per cent per annum. About one-third of its employment land is currently vacant. We are working closely with the developers of Sydney Business Park to build a business park in Blacktown which is three times the size of Norwest. Council is engaged with both the local chambers of commerce and with industry generally, and certainly our councillors. We are facilitating planning for delivery of development in the north-west growth centre. We work closely with the Property Council and the Urban Development Institute so there is a range of ways in which council is engaged with the development industry and with businesses across the city.

The Hon. LOU AMATO: This is a question on notice for Holroyd council. In your phone survey how many phone calls were made?

Mr BUTLER: It was a statistically relevant sample, which for a council the size of Holroyd had to be 400 or more.

Mr DAVID SHOEBRIDGE: It is in the table.

The Hon. LOU AMATO: What was the cost of the survey?

CHAIR: If you do not know that, you can take it on notice.

Mr BUTLER: We will take it on notice.

The Hon. ROBERT BORSAK: I have a question of each council. This process to date, how much is it costing each council? Ultimately, what do you think it will cost the council in terms of dollars to answer or respond to the Government's requirements?

CHAIR: You can take that on notice or answer it now.

Mr ROBINSON: It cost us nothing.

The Hon. ROBERT BORSAK: What about Parramatta?

Mr ISSA: For the consultant I think the bill was roughly between \$75,000 and \$100,000. I will take that question on advisement and get back to you.

The Hon. ROBERT BORSAK: So you are not costing in staff time?

Mr ISSA: There is the additional staff time cost, of course.

Mr CUMMINGS: I believe our costs are approximately \$80,000 for Morrison Low to get together the submission but as far as the cost to our officers, because of the uncertainty we have lost a lot of good officers who obviously have to make sure their families are secure. So in fact apart from us reviewing and comparing ourselves to our neighbouring councils, it has cost us in good officers.

CHAIR: You are suggesting that the Fit for the Future reform has made some people consider their future in light of the fact that they may be amalgamated?

Mr CUMMINGS: Correct.

CHAIR: Is that your comment?

Mr CUMMINGS: Correct.

CHAIR: Once again, thank you for all the witnesses. I applaud Holroyd's great contribution to asbestos and the handling of asbestos. As I said earlier, this is not a debate; this is gathering evidence. The Committee

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thanks you for your time. We know that it has taken a bit of resource out of your councils—something that may have been better applied to your local areas. We wish you well. You may have taken some questions on notice. You have 21 days to answer them. You may get some questions in the next 24 hours. The secretariat staff will ensure that you are assisted in those matters, or you contact them if you need assistance.

(The witnesses withdrew)

MARK DUNSTAN, Legal Special Projects Officer, United Services Union, and

STEPHEN HUGHES, Manager-North, United Services Union, sworn and examined:

CHAIR: Would either of you like to make an opening statement?

Mr DUNSTAN: I would like to make an opening statement. To introduce where the United Services Union [USU] sits as a union in relation to local government; we are the primary local government union in New South Wales. We have over 30,000 members in the local government industry. We are probably one of the largest unions in New South Wales generally, and that is particularly true in regional and rural areas where a large number of our members live and work. We are not against local government reform. We have not opposed Fit for the Future as a whole or in principle. We support the making of local government stronger because we support our members and their communities. In regard to amalgamations, which of course have been a primary focus of much of this inquiry, we are not against amalgamations per se. What we do oppose and have opposed quite strongly is where they are forced or where they occur without proper consultation with employees and without the approval and support of communities.

We see local government as being the primary area in which government and individuals are able to interact, and we support the continuance of that dynamic. In our view the reform agenda has been about two primary areas: funding and function. First, with funding, we have been able to see a lot of what the Government's plan is. It can be categorised generally as a movement of funding responsibility more towards local government entities themselves and that is reflected by two primary elements, one being the ability of councils to borrow more money through estate borrowing facilities, that is, to move borrowing costs onto councils but at a cheaper rate. The second funding element is to change the way that rate variations occur, which is to allow councils to change their rates, one imagines in an upward direction. I have not heard of too many councils making applications to lower their rates.

In regard to function, the main things happening at the moment are still somewhat unclear. We are looking at whether or not councils which have not proposed to amalgamate will be amalgamated. We are also looking at whether the Local Government Act, which has been reasonably stable since 1993, will have significant changes, particularly for the USU's members, employment protections that are currently in the Act and the consultation process with communities in amalgamation. Very briefly I want to highlight three things that we are looking for from Parliament that we urge Parliament to take into account. The first is protection of rural jobs. There is a section in the Local Government Act, section 218CA, which is about when councils are amalgamated that small communities of fewer than 5,000 people must maintain their core employment numbers where practicable. Those words "where practicable" have not been heard in rural communities. What it has meant is that section does not have teeth and where we have had amalgamations in rural areas in the past there has been a dramatic decrease in the number of employees in small communities. The best example of that is in the Tamworth amalgamations.

When we look at towns like Nundle we see that the number of employees there has reduced from around 30 to around three or four. It would have a huge impact on a small community in metropolitan Sydney but it has an immense impact on a community in a rural area. The second area that we want to highlight is the importance of employment protections for workers who are impacted by structural change. In the energy industry we are seeing five-year levels of protections. The Local Government Act currently protects people for three years from redundancy after an amalgamation. We would like to see that changed.

Finally, if the Committee would indulge me to speak personally, I think of my interaction with local government. Apart from work, primarily it happens through social and civil society organisations. I go to a church in Balmain; I assist at a legal centre in Marrickville; I play football particularly badly for a team in Beecroft, in Hornsby Shire Council. The point is that for most people their interaction with local government happens through community organisations. At the moment there are close ties between local government and those organisations, between civil society groups and the people who make the decisions that impact them. The impact of an amalgamation is to separate those two. It is to lessen the influence of community organisations and the individuals who are part of them.

Are there benefits? Undoubtedly, particularly in the area of strategic advocacy. If you have a larger council, they can advocate with more power. There is a tension in that, however, between maintaining social capital, in particular at the local level, and allowing greater advocacy. Because of that tension, we say that the

method by which any amalgamation should occur must be through a method that focuses on community consultation. We say that should be the Local Government Boundaries Commission process, a process that allows communities to give clear evidence of their view on structural change before it happens.

CHAIR: Thank you.

The Hon. PETER PRIMROSE: You mentioned the boundaries commission's report. Do you believe that the boundaries commission process should occur and there should be no attempt to usurp that in any way?

Mr DUNSTAN: Absolutely. Thank you for the opportunity to clarify. We say that the boundaries commission's process is the appropriate one through which any structural change should occur because at the centre of that process is not just consultation with communities but consultation that involves an empirical study of what people believe.

The Hon. PETER PRIMROSE: We have been unable to get confirmation that the IPART report, when it is subsequently presented to the Minister, will be made public. Do you believe that that report should be made public?

Mr DUNSTAN: Absolutely.

The Hon. PETER PRIMROSE: On page 3 of your submission you state the United Services Union [USU] is opposed to forced amalgamations and you list a number of grounds. The third dot point relates to organisational turmoil. We have heard from previous witnesses this morning that there is already turmoil within the structure in some councils.

The Hon. BEN FRANKLIN: One.

The Hon. PETER PRIMROSE: Please talk to your point about how this affects staff on councils.

Mr HUGHES: I spent most of my life in regional New South Wales and still live in regional New South Wales. I spent most of my life in Narrabri and that council merged in 1981. I have to say that I was in the army at the time, so it was pre me coming onto the council, as I did in 1984. When I commenced at council in 1984 there was still a lot of bad blood between the old municipal staff and the councillors and management, and the shire staff. It did make sense—it might be controversial for me to say this—where you had a doughnut council, a municipality and a shire operating out of one town with two admin buildings and two depots, to combine that.

I think most of the doughnut councils, as we call them, have been amalgamated now. Where they have gone further than that, like Tamworth, it was five councils into one and we have seen the decimation of jobs. Admittedly, the reduction in jobs in Nundle from 27 to three has not necessarily been forced. What has happened is that a lot of staff have seen an opportunity to relocate their jobs, with the council's permission, to Tamworth itself because their families have better access to services, schools et cetera. But that has been to the detriment of the Nundle community. When I worked on a bridge crew at Narrabri council after the amalgamation, I questioned management why they were sending a truck with five people to Pilliga, 100 kilometres away, to do basic maintenance work like whipper-snip or replacing signs and guideposts, when it would have been simple to have a local ratepayer resident employed in that community to look after all that work. It was important to me as a delegate that the ratepayers' money be shared within all communities and they be given equal opportunity for jobs.

In regional New South Wales most councils are the largest employers and any reduction in jobs has a major impact. To be fair again, with Tamworth's amalgamation, they have not reduced overall employment—I am being upfront with that. The council itself, I believe, has about the same amount of jobs as it had pre-amalgamation, but they have centralised those jobs in Tamworth itself to the detriment of the far-out communities. As a regional person I believe that the biggest threat that regional New South Wales faces is the movement of people to the coast, the cities and the larger regional centres at the expense of those smaller towns, where the farmers, the miners and others have to have shops and services to retain people within those communities so as not to rely on fly in-fly out workers.

Whilst I could take the line that as a union we should not care where our members are based, we do care and we want every community to remain viable. It is my position, and it has been repeated by people from

all walks of life during this inquiry, that amalgamations on their own will not be the solution until we address issues such as cost-shifting, rate pegging and a lack of guaranteed funding, which is the biggest issue facing regional New South Wales.

I just came from a meeting of the ministerial advisory group where I learnt that, for example, Wilcannia, which is called Central Darling, is one of the most at-risk councils in the State. Only 7 per cent of its income comes from ratepayers; that is, 93 per cent of its income comes from other sources. Obviously rate pegging on its own is not a solution. It requires funding. There are many jobs within that disadvantaged area that rely on population being maintained. Something needs to be done to ensure that whatever the reforms and whatever government is in office that it protects jobs and services in all communities equally and does not focus on the coast and metropolitan areas.

The Hon. ERNEST WONG: Do you have a method to determine how many jobs will be lost and the effect on the industry?

Mr HUGHES: Amalgamation on its own has not necessarily resulted in large job losses in councils as a whole. As I said, you will see centralisation, such as happened in Tamworth. However, small communities will suffer. Every person who leaves to go to a larger centre takes their family with them and that impacts on local clubs, shops, businesses, services, and volunteer organisations. It has a major impact on the community. I cannot speak for Sydney; it may be different. However, amalgamations in regional areas like mine, where councils in the Clarence Valley, Gwydir, Tamworth and other regions were amalgamated, have not necessarily seen an overall decline in employment, but we have seen a decline in specific areas.

After the Tamworth amalgamation and because of the poor wording in section 218CA with regard to retaining jobs were practicable, the council was going to move its one ordinance inspector. That person removes stock from the road when police call at any time of the day or night. There can be cattle, sheep or horses on the road and it is important that the police can call someone locally to respond quickly to remove them so that members of the public are not at risk. Tamworth Regional Council, in its zeal to move everyone to Tamworth, tried to move all its rangers from small communities. We entered into a dispute with the council and tried to retain that position using industrial means—not strike action; we went to the Industrial Relations Commission, which was unusual. By doing that we ensured that the ratepayers and people who drive through that area would not face a higher risk as a result of bloody-minded decisions to relocate staff to central areas.

The Hon. ERNEST WONG: On page 5 of your submission you state that financially successful councils that choose not to amalgamate may find that they are subject to punishment and forced into economic strife because of the arbitrary decision of a council not to merge. You go on to state that it would be generally more costly for the average ratepayer and that those councils are unlikely to be financially sustainable in the short to medium term. Can you elaborate on that?

Mr DUNSTAN: I am sure members know the way in which Fit for the Future works for councils that choose not to amalgamate. There is one test for councils that amalgamate; they do not have to satisfy any economic criteria. For those that do not, there is a list of criteria. Those that do not fulfil those criteria and are declared not fit by the Independent Pricing and Regulatory Tribunal will be prevented from accessing State borrowing facilities, which will mean the interest rate on their borrowings will increase. They will also be deprioritised for State funding and pooled Federal funding. They will also not have the same access to financial advice assistance from TCorp. We say there is a certain lack of logic in taking the councils in the most financial trouble and making their lot more difficult. It would seem that the only outlet for councils like that would be to get more funding from their local communities; that is, by raising rates. The Government's position is specifically that that will happen by changing the special rate variation system to allow it.

Mr HUGHES: In some cases like the Far West, even if you remove the cap totally from rate pegging, there is no way the local community could fund the services required. They will continue to remain heavily reliant upon external funding.

The Hon. ERNEST WONG: Mr Dunstan, you mentioned interactions between councils and community organisations. Do you believe that the creation of bigger councils would be detrimental to their connections with community organisations?

Mr DUNSTAN: Absolutely. We can talk about economic issues, and they are important. However, in terms of social capital and the interactions between people and their community, larger councils inevitably

distance decision-makers from the individuals they represent. It is sensible that that is the result. We think that has an especially large impact on community organisations, which tend to be smaller and which advocate or work with specific groups of people or on specific issues. In a metropolitan council area it is possible for a small organisation with 50 or 60 members to have a relationship with a councillor from their area. That becomes much more difficult if the council serves 400,000 people.

The Hon. ROBERT BORSAK: We have spoken at length about amalgamations and I know the union's position. How has greater scale and capacity worked in terms of the council's ability to advocate for local residents?

Mr DUNSTAN: If there is any positive development that can be taken from large-scale amalgamations it is regional advocacy. There is no evidence of sustained economic improvement from amalgamations. I will give an example that you might know about in Tasmania. Hobart City Council is an independent and separate entity and it has advocated publicly for Federal changes to the Marriage Act. It is attempting to reflect the views of some people. This is an important point; it is not just advocacy about development issues. I do not want to use the word "progressive", but councils have a greater variety of views. If you have larger councils, they will advocate issues like that at a State and Federal level.

The Hon. ROBERT BORSAK: Are you saying you agree?

Mr DUNSTAN: I am saying that it has positives and negatives depending what a council is advocating. Amalgamations give more advocacy power to local government. There will be places where that is important and where it is complicated.

The Hon. BEN FRANKLIN: Are you saying that amalgamations will lead to bigger councils trying to change the Marriage Act?

Mr DUNSTAN: No, I was using an example. Councils will advocate for the people in their community. They do that at the moment.

The Hon. ROBERT BORSAK: Like Marrickville Council's nuclear-free zone.

CHAIR: Or the foreign affairs policy.

Mr DUNSTAN: That is exactly right.

The Hon. CATHERINE CUSACK: There are examples of advocating for their communities.

Mr DUNSTAN: I am not saying that was not a good example. I am saying that there is a range of examples of how that will work. That is, I think, what amalgamations are trying to create

The Hon. ROBERT BORSAK: More specifically, and this question might be for Mr Hughes, how have amalgamations previously impacted regional towns in New South Wales?

Mr HUGHES: As I said before, we have seen a reduction in jobs in small communities, which has been to their detriment. The centralised community has generally done okay. There are often ongoing hostilities. I was out at Dunedoo at a joint meeting with management and workers from Coolah and Dunedoo depots and there is still resentment from the Coolah workers that they were forcibly merged into Warrumbungle Shire Council back into 2004. I saw that firsthand.

What Mr Duncan has not already covered is that the Government is also running the joint regional organisations trial to replace the regional organisations of councils and to have legislation to make them creatures of the Local Government Act. I attended the mid-point joint regional organisation trial meeting the other week and it seems to be going quite well. If these joint regional organisations are intended across the State, as the Government intends, that will provide for regional collaboration and regional networking. Therefore we will not need amalgamation. People will be able to retain their local identity and local councillors and rely on the joint regional organisation to be the spokesperson on a regional basis to deal with the issues that Mr Dunstan is talking about.

The Hon. ROBERT BORSAK: How does the United Services Union [USU] respond to the refusal of the Office of Local Government to answer questions relating to potential changes to the Local Government Act?

Mr HUGHES: I have just come from a meeting and I have a copy of a document about the potential changes to the Act. I have only just received it. Mr Dunstan has not seen this document.

Mr DAVID SHOEBRIDGE: Could you table that document?

Mr HUGHES: It is not marked confidential. I was not told that it was confidential. This is just a discussion paper at the moment. They intend to have further consultations.

The Hon. PETER PRIMROSE: It is more than we have seen.

Mr HUGHES: They intend to have further consultations with the stakeholders in the near future. So, yes, I guess I can table the document.

CHAIR: We will accept that document to be tabled.

Mr DAVID SHOEBRIDGE: It is still warm.

Mr HUGHES: Yes, it is. I have only just read it. I might not be invited back to the next ministerial advisory group meeting.

The Hon. ROBERT BORSAK: Are employment protections for workers in cases of amalgamation sufficient in your view?

Mr HUGHES: We are seeing now in the energy sector protections extended out to four or five years. I think that would also be fair for local government. Local government is the form of government closest to the people and often the largest employer. I think trying to secure and protect regional employment in particular, and extending that, would be a good thing for all.

Mr DUNSTAN: If there are to be large-scale structural changes in local government, there are elements of employment protection that need to be extended. Section 218CA, which we brought up earlier, is foremost—that is, taking out those words "where practicable" and giving a hard protection to employees in small communities.

The Hon. ROBERT BORSAK: In this case what size are small communities?

Mr DUNSTAN: Under 5,000 people.

Mr HUGHES: That operates within the town boundary—it is not for the shire.

Mr DUNSTAN: The other one, which I mentioned briefly at the beginning, would be extending the protection against forced redundancies that come out of amalgamation. We say that should be extended from its current three years to a five-year protection.

Mr HUGHES: That does not prevent people leaving of their own volition, which often they do during these periods, or taking voluntary redundancies. We are opposed to forcing people out.

The Hon. ROBERT BORSAK: How have wage increases affected local government in New South Wales in years past?

Mr HUGHES: I have been negotiating the local government State award now for over 20 years. We modernised our award back on 8 June 1992. In fact a lot of the words in our award were similar to those in something I was looking at today from the Office of Local Government. It is all about flexibility and being innovative under the statement of intent of the award, which is what the Government and the Office of Local Government are after. Basically for the last 15 years our award increases have only exceeded the rate pegging cap twice—that has been in the last couple of years and it has been only slightly above. The rate pegging increases have been fairly low. There was one year where we were the same. When you do the mathematics on

it, you see that our award increases overall have amounted to a much lesser amount than what rate pegging has been. So our award is not making councils uncompetitive.

CHAIR: We will now move to questions from Mr Shoebridge. Mr Shoebridge has four minutes. I gave my time to the Hon. Robert Borsak so that is why it looks a bit shorter.

Mr DAVID SHOEBRIDGE: I have some questions about joint organisations. Have you had a look at the proposal put forward by Ryde, Hunters Hill and Lane Cove councils?

Mr DUNSTAN: I have looked at it briefly but I do not have it with me.

Mr DAVID SHOEBRIDGE: They have put forward a model for joint organisations which will see the strategic planning shared across the three councils and binding decisions made on strategic planning and certain other areas where they can get synergies from combined tenders and the like. Is that a model that the USU has looked at?

Mr DUNSTAN: We definitely thought it was an unusual element of the Fit for the Future program that one of the primary recommendations from the independent panel report was for joint regional organisations in both regional and metro areas and yet that had been ignored for metro areas. We think that is, in many cases, an appropriate way to deal with scale and capacity questions, to use the Government's language, without amalgamation.

Mr DAVID SHOEBRIDGE: So you share those activities where there are good financial or strategic arguments to share the activities but you do not have all of the disruptive costs of forced amalgamations?

Mr DUNSTAN: Yes.

Mr DAVID SHOEBRIDGE: Is that a model that the USU would endorse?

Mr HUGHES: We do not believe that the joint regional organisation should enforce decisions upon member councils that are to the detriment of any member council. We believe that there should be consensus and any decisions made should not be at all to the detriment of any members.

Mr DAVID SHOEBRIDGE: But if we are going to look at a joint council model that has a statutory underpinning, as opposed to at the moment where it is all voluntary and based upon corporate structures, surely part of that must be saying to the councils, "Well, if you're going to have this model then elements of it are going to bind you." Do you agree that should be some part of the model?

Mr DUNSTAN: There would have to be some kind of buy-in for councils to be part of it, of course. I think what Mr Hughes is referring to in particular is staff and property and that decisions impacting them should not be enforced from the top down.

Mr DAVID SHOEBRIDGE: Could you have a look at the specific model being proposed by those three councils and give us your feedback on it, because I think it addresses those concerns. They are not talking about staffing and property; they are talking about those regional advocacy and regional strategic planning things and having a statutory structure that allows for not only some compulsion but also a strategic approach. Could you give the Committee a considered response on that model?

Mr DUNSTAN: Absolutely, and I appreciate the opportunity to do that.

Mr DAVID SHOEBRIDGE: You have some figures in your submission about rates and funding which show that since the Victorian amalgamations rates in Victoria have grown at double the rate of rates in New South Wales. Could you explain what impact that has on the finances of councils in New South Wales, particularly in rural and regional areas?

Mr DUNSTAN: There is clearly a funding issue in New South Wales, particularly in the regions. The way that councils have reacted to that—and this is a generalisation that does not work for everyone—overwhelmingly is by neglecting infrastructure renewal in favour of maintaining some semblance of operational budget. We can see the impact of that, particularly in the deterioration of roads in rural areas and things like that.

In large part that is due to a lack of funding. It is about not only the issue of rate capping but also changes in State and Federal funding, which has contributed to that.

Mr DAVID SHOEBRIDGE: I would like to go to that. We had Mosman and Marrickville councils together with Fairfield City Council give evidence at the previous hearing. The issue of Financial Assistance Grants came up. To summarise it briefly, Fairfield City Council said that they are not particularly well heeled and require Financial Assistance Grants for some of their capital infrastructure. Mosman and Marrickville councils said they have a capacity to raise additional rates from their residents; and if they are able to raise some additional rates from their residents then as part of a package they would be minded to see the Financial Assistance Grants really focused on those councils in need. Does the USU have a position on that?

Mr HUGHES: We have seen that there are metropolitan councils that feel they are not as reliant on Federal assistance grants as some of their poorer cousins in the bush. They would like to see the redistribution of that, and we would agree to that. The other thing—

Mr DAVID SHOEBRIDGE: But you would agree that it has to be part of that package: if councils have the capacity, allow those councils the funds locally and therefore free up the financial assistance grants for those councils that need it?

Mr HUGHES: Well, in some cases, I guess. The City of Sydney—it is not my area—is raising plenty of money without Federal assistance grants and may not need Federal assistance grants in the same way that some of the regional councils do, because they have other means—parking inspectors and other means—to raise revenue that you do not see in country towns. Comparing our figures on rates, another thing that is in the bush is that 102 regional councils provide water and sewerage. I can tell you from personal experience living at Cessnock, Singleton Council, just up the road, has water and sewerage. Their combined rates that cover everything including water and sewerage are about the same as the rates I pay at Cessnock just for my rubbish and whatever else I get.

Hunter Water, which I am in, have put up their prices just like the electrical sector has over the last 10 years or so. I pay far more for water rates with Hunter Water—and I do not run a pool, I do not have to water my yard and we get plenty of rain; I have a double block—than I do for my council rates with Cessnock. The 102 regional councils are providing all the services—water, sewerage. They have had to live within the rate pegging as well as provide additional services and they have done a great job. The figures that we got from the Tate report—and that is something that the Government and the Independent Local Government Review Panel are relying on—show that New South Wales has the lowest rates per capita on average in the country.

CHAIR: Thank you. We go to Government questions.

The Hon. LOU AMATO: The United Services Union [USU] states that there may be justification for some amalgamations in New South Wales. Mr Hughes, I understand the concerns, issues and challenges with regional New South Wales. Would it be fair to say that the USU would perhaps be more supportive of some form of amalgamations in, say, the richer cities of New South Wales?

Mr HUGHES: That is a matter for the councils and the ratepayers. If the councils and the ratepayers support that and go through the due process, we will not oppose that.

The Hon. LOU AMATO: Thank you.

The Hon. CATHERINE CUSACK: Returning to the issue of rate pegging, do you support the abolition of rate pegging? Is that the position of the union?

Mr HUGHES: This is a personal view from me, so I could still answer to an executive and a boss, but maybe what needs to happen is that the low rate pegging caps that have been in place need to be made a bit higher so they are a bit more reasonable so councils can ensure that the rates increase at least meets consumer price index [CPI] increases. That has not necessarily been the case over the last couple of years. It is unfair to hinder or limit councils' ability to raise funds when, quite frankly, every time there is a meeting every year with the Federal Government in relation to funding, the State Government makes a lot of noise about them being cut back but seems to turn a deaf ear to local councils saying the same thing to the State Government.

The Hon. CATHERINE CUSACK: Sure. But just on the issue of rate pegging, does the union have a position on rate pegging?

Mr DUNSTAN: We do not have a position that says we should abolish it completely. We do have a position that there is a lack of funding in local government in New South Wales. That is what the short chart on page 8 of our report is meant to indicate. We would say that if there is not going to be a substantial change to the way that local government is funded from State Government or from Federal Government then the only alternative is to change the way that councils raise money from their own communities. The reason we do not have a stance of complete abolition of rate pegging is that we represent workers who are both workers and community members. But the reality is that there is a point at which the constriction of funding in local government actually becomes inefficient because councils just cannot do the things that they need to do.

Mr HUGHES: In fact, because of cost shifting, in some areas they have been required to do even more. Gwydir Council has had to provide secretarial services and housing to attract local doctors, for example, in order to ensure that the community has access to a doctor. Every community should have proper access to a doctor. That is not ideology, left wing or anything like that—it is just that all Australians and everyone in New South Wales deserve reasonable access to services at a local level.

The Hon. CATHERINE CUSACK: I think it has become very clear from the research that there are some councils—I am not going into names or place, but there is a group of councils in New South Wales—that are financially unviable and that there is a need for local government reform in this State. You in particular, Mr Hughes, have decades of experience and would be aware that reform has been discussed in this State for decades.

Mr HUGHES: We are not opposed to reform.

The Hon. CATHERINE CUSACK: I understand that. The question I want to ask you relates to voluntary reform, given that everyone could have voluntarily reformed any time they wanted to in the past few decades. The fact that people are going broke does not seem to change their thinking. Dodging reform, putting off reform and maintaining unsustainable councils is contributing to much of the uncertainty that is undermining the morale of your employees, is it not? Because the uncertainty never goes away until the decision is made about reform, does it?

Mr HUGHES: Basically it comes down to this: The Federal and State governments have to make a decision as to whether they want to see all communities have reasonable access to services and retain population. If they choose not to do so and they come out and say that, then the hard decisions will be made. I do not think any State or Federal government is going to do that. The other thing is that the incentives in the past may not have been good enough to encourage amalgamation. They may not be now either. I think there are requests for further money. In the group that I was at today there was some discussion from both LG New South Wales and the LGPA wishing to issue supports to increase the \$4 million that has been made available. When amalgamation takes place, there are a lot of ongoing on-costs. Just the cost of updating your computer systems can be as much as \$200,000. We are not even talking about that amount being available out of the \$4 million budget for the 50 councils they are looking at making money available to. So really I think whilst the Government—

The Hon. CATHERINE CUSACK: Mr Hughes, I come from the North Coast and we have Kyogle Council. We have a lot of small councils. We have no bus services.

Mr HUGHES: I live at Cessnock where we do not have a train service.

The Hon. CATHERINE CUSACK: We have nothing like they have on the Gold Coast where there is one council, one tourism strategy and one economic plan, and people hear them in Brisbane. On the North Coast we are all chopped up into little councils that are invisible on the radar. The most remote one is Kyogle. If everybody manages to dodge reform yet again during this process, and there is a real chance that might happen—"A big win to the community; we've avoided reform; we go on"—there is not going to be any certainty for those employees, is there, because they are still going to be unviable? There is no solution in that. Until we solve the problem, the employment insecurity just continue on in perpetuity, does it not?

Mr HUGHES: The issue is that councils in New South Wales have done pretty well under rate pegging so far. We have had to modernise our award to provide as much flexibility as possible to work within

limited means, but I think the level of cost shifting that has occurred in the last decade or so in particular has exacerbated the situation. Again it comes down to the fact that the State and Federal governments need to make a decision. Do they want all areas to have reasonable access to services or not? If so, it has to be paid for somehow.

CHAIR: It looks as though it has been coping, but it is like a rust spot on the car: It has been spray-painted but it will come back to bite if that rate issue is not dealt with.

The Hon. CATHERINE CUSACK: I have just visited Auckland and seen the reforms in Auckland Council post amalgamation. One of the comments they made was that their employees now have a fantastic career structure—access to far more job training opportunities—and they are attracting some of the best people in the country to come and work for that council. This is one of the benefits: You can have a lot more opportunity for individual employees and a lot more training, surely, if you have a critical mass in your organisation.

Mr DUNSTAN: I will let Mr Hughes get to that. I completely take your point about Auckland, but one of the things that is unique about New South Wales local government is that we actually already have most of that in place because of, firstly, the way we have a State-wide local government award. Part of that State award is that it enables transition of employees from council to council—

Mr DAVID SHOEBRIDGE: With continuity.

Mr DUNSTAN: —with continuity of service. And there is a lot of cooperation in terms of having job availabilities made public across all local government entities. A lot of that is also enabled by the close relationship that the union has traditionally had with the local government association, Local Government NSW. If, for example, we were in a State that was in the Federal industrial relations system, which has its own elements to it, and you had different employment agreements in every single council instead of a unifying State award, I think the point that you have made would have more merit. But I think what you are talking about is probably already in existence in New South Wales.

Mr HUGHES: We have had a close look at Auckland through independent paperwork. I cannot remember the exact figures, but they had 20 or more entities that were merged into Auckland Council. After the amalgamation they ended up with an additional one because they created 20 or more boards with CEOs, vehicles, and full-time paid board members instead of councillors. The additional costs have been enormous.

The Hon. CATHERINE CUSACK: No; that is not correct.

Mr HUGHES: My understanding is that the council has been ignoring what has been coming out of the boards that have been established. I am led to believe that the deficit of Auckland City Council is quite massive and that they are in many billions of dollars of deficit.

The Hon. BEN FRANKLIN: Do you agree that the local government sector has a challenge in attracting young employees? I have had a look at the figures.

Mr HUGHES: I do agree. I am not talking about introducing a levy, but years ago, rightly or wrongly, there was a levy that the Federal Government brought in. I think it was about 2 per cent back in Keating's and Kelty's days. Employers had to spend a certain percentage on staff training. That is long gone. Last year, I was sitting on a panel for the Department of Local Government on a general manager and senior manager contract working party. The professional unions that cover town planners and engineers were in agreement with us that we are not seeing any funding now to train locally the next generation of those professions and specialist trades in the bush.

This morning I put to the Minister, at the Ministerial Advisory Group [MAG] meeting, that there should be some funding provided to those far west or at-risk councils that do not have the funds to train the next generation of professional and specialist staff. They need to have the money to find local people coming out of high school and train them. Those people want to live in those communities, and instead of moving people there who do not want to live in regional Australia we should create the jobs and fund them for people who do want to live there.

The Hon. BEN FRANKLIN: Thank you for raising the Ministerial Advisory Group. I am interested in the process. Can you advise how often the group has met? What issues have you talked about and on what issues has it been providing advice to the Government?

Mr HUGHES: Bi-monthly.

Mr DUNSTAN: Yes; we tend to meet probably every two or three months. It seems to correspond with major announcements and events. For the most part I think we have found it a very useful group to be a part of. If there had to be a criticism it would be that some of the major announcements on the Fit for the Future process have been made to the media and publicly before any stakeholders have been told. That has been unfortunate.

The Hon. BEN FRANKLIN: That happens in governments of all persuasions.

The Hon. PETER PRIMROSE: Increasingly.

Mr DUNSTAN: As a group of stakeholders, that group has been incredibly unified. Overwhelmingly, the advice we have given to the Minister, whether it has been accepted or not, has been by consensus.

Mr HUGHES: The make-up of the group is Local Government New South Wales, Local Government Professionals Association and the USU. We have the employer representatives, the management representatives and the union representatives in agreement on 99 per cent of issues. We recognise that there is a need for reform—we are not opposed to reform for opposition's sake—but we want to do it in a way that is not rushed, it is sustainable and it will protect jobs, protect councils and be good in the long term.

The Hon. BEN FRANKLIN: I understand.

CHAIR: Thank you, very much, for your presentation. You may have taken some questions on notice and there may be some questions that we have to follow-up on in the next 24 hours. You have 21 days to get them back to the secretariat. The secretariat will be glad to help you if you need assistance. Thank you for what you do in watching out for all those people, particularly in regional and rural areas. I think you have put on the page exactly what is experienced out in the rural areas. There are not a lot of options and when people take up those options it is important for the people, their families, their jobs, what they do and how they exist. Thank you for all that you contribute to the people of the USU and the workers across New South Wales.

Mr HUGHES: We appreciate the opportunity to speak. This certainly supports the relevance of having an upper House in this State.

(The witnesses withdrew)

ANTHONY PIZZUTO, Vice President, Local Government Professionals New South Wales, and

BARRY SMITH, President, Local Government Professionals New South Wales, sworn and examined:

CHAIR: Welcome. Would you like to make an opening statement?

Mr SMITH: Good afternoon. Thank you for inviting Local Government Professionals to meet with the Committee today. I am the general manager of Hunters Hill Council and a member of the Ministerial Advisory Group on local government reform. I have been a member of Local Government Professionals for over 30 years and I have worked in local government for over 40 years. Mr Pizzuto was, until recently, the financial services director at Willoughby City Council. Mr Pizzuto has been a member of this organisation for over 23 years, and has worked in local government, particularly in the finance area for over 35 years.

We are not a union—you met with the union earlier—but we are a professional association whose objectives, in part, are to promote excellence in local government management; to promote the development, advancement and improvement of management of local government; to promote the development of local government by formulating policies and making public statements or organising or joining in deputations, initiating or promoting legislation; and generally to make such representations and advice as may tend to promote our objectives.

Local Government Professionals New South Wales has been a partner in the current reform process since the original Destination 2036 meeting in Dubbo in 2011. I am sure you have read our submission, so I will not go over it. I would just like to emphasise a couple of points before responding to the many questions I am sure you are waiting to ask.

It is without question that we support a reform process, and we all believe that we can do things better. I can say without contradiction that the vast majority of professionals in local government want to do things smarter, simpler and better. Who has the most knowledge and experience to bring about and provide the best advice and direction for change or reform? It is our view that it is local government professionals. In the myriad research that has been done on local government reform, the data clearly shows that where the change reform process has been imposed by others this approach has failed.

Destination 2036 was aimed at taking a new and different approach to reform. Destination 2036 started out as a partnership project and was progressing, in our view, very satisfactorily. While we may not have agreed with the need and timing for an Independent Local Government Review Panel, as professionals we embraced that direction. Unfortunately the direction under the Fit for the Future banner means that the wheels may have fallen off the bus, with the concentration on structural reform rather than those things that could bring about real and lasting reform.

One question that must be asked is: Who is driving the bus or, rather, have we got the right people driving the bus? The evidence of researchers such as Dollery and Drew, Percy Allen and others demonstrates that another failure awaits us and the cost to our ratepayers of this failure could be in the millions. We do not want to be negative about reform or change. As an industry we have made a decision to embrace reform, but it must be done as a real partnership without any bias or preconceived ideas. The reality is that 65 recommendations of the panel are the opinions and ideas of three members of the panel, many of which were derived from many meetings that were held with councillors, professionals and the community over several months.

Councils and professionals alike have reviewed those ideas and generally support in principle many of them. There is, however, a lack of concurrence or consensus around the ideas put forward about structural reform. The main reason for rejecting these ideas is that there is consensus and no empirical or other data provided that tests or supports those ideas, yet blindly the bus drivers or some other—

The Hon. CATHERINE CUSACK: Point of order: Can I clarify that this is the opening statement?

CHAIR: Yes, it is the opening statement. Normally the Committee gives grace to the witness to do that. However, I am happy to take a point of order to draw it to a close and ask Mr Smith if maybe he could conclude his statements and we will move on to questioning.

Mr DAVID SHOEBRIDGE: To the point of order: It is all fresh. It is in addition to what was in the submission. It is not a regurgitation of his statement.

CHAIR: I know.

The Hon. PETER PRIMROSE: If it assists, the Opposition is happy to allow some of its time to be used because I think the evidence being given by Mr Smith will be worthy and valuable to the Committee.

CHAIR: I will not uphold the point of order, given that the Opposition has allowed its time to be used.

Mr SMITH: Yet blindingly the bus drivers or some other unknown unidentified source has proclaimed that these last set of recommendations must be acted on first because local government does not know what it is doing. I would strongly argue that this is a serious misjudgement of the many highly qualified and experienced professionals in local government in New South Wales. There are about 40,000, I think was the last count. When I speak of the bus driver I do not mean to treat this lightly, but after 40 years of service to something I love this is just frustration for me. If the real concern for local government is about our long-term financial sustainability, particularly in regional New South Wales—I know some questions have been about that—then surely the recommendations dealing with such matters as rating reform, regulatory reform and access to lower financing costs should have a much higher priority.

If the real concern is about how we conduct our business, then those recommendations such as a review of the Local Government Act should have a much higher priority. If the real concern is about the quality of elected representatives or our ability to attract and retain quality staff, then those recommendations should have a much higher priority. If there is a real concern about local government as a whole, why are joint organisations not considered or proposed for metropolitan Sydney? There are 58 recommendations that are generally about strategy and strategic directions that will assist in providing real and lasting reform in local government. They are not the be all and end all of the reform process but they are a solid platform upon which we can begin and we can build.

So the next question is: Why is there a priority for structural reform? Sometimes the messages being sent are quite mixed and confusing. There is a very old, tried, tested and true saying about change or reform: Structure follows strategy. It was never more so than in this case. Local Government Professionals believes that we must continue to put people, both our professionals and our communities, and strategy first, not last. We are happy to answer any questions from the Committee.

CHAIR: Thank you for that comprehensive opening statement.

The Hon. PETER PRIMROSE: On page 2 of your submission you state:

It is imperative that any proposal involving mergers or boundary adjustments includes a business case.

Can you elaborate on that and tell us how you think that would actually take place?

Mr SMITH: Yes, I can. The whole template process did not have the requirement for a business case. That was a suggestion put to OLG by Local Government Professionals NSW. What we are trying to say there is that if you are proposing to do an improvement program, stand alone or whatever it is, you need to have a business case to support what it is you are wanting to do. Part of that is a long-term financial plan, an integrated planning and reporting process, all things that are already in place. It is easy to simply go out and say we would like to do this and we would like to do that. But where is the evidence that supports your case? One of our biggest criticisms about the independent panel report is there are 65 recommendations and there is no evidence to support those recommendations.

The Hon. PETER PRIMROSE: Mr Pizzuto, would you like to add anything?

Mr PIZZUTO: Basically, anything that councils would be proposing to do in their own scheme and their own area would be supported by a business case. I do not believe that anything that we propose here or the Government proposes to do should not be supported by a business case to support it.

The Hon. ERNEST WONG: Can you expand on that question with regard to this business case? You are talking about a business case that should be structured by the bus driver as mentioned or there will be individual separate businesses but each council would like to put in a submission.

Mr SMITH: No, each council should have, as part of the template process, submitted a business case for their proposal. Whether it was a desire to stand alone or whether it was a desire to have an improvement program or to have a merger, they were required to put a business case with that proposal. Mr Pizzuto is right in that anything we do—I know many of you are councillors; part of your process every year is to put a business case around what you want to do going into the future. That is how you formed your long-term plans.

The Hon. ERNEST WONG: With this business case, are you suggesting just financial sustainability or should you also include the social impact, the environmental impact and the impact of interaction of various councils?

Mr SMITH: I would think all of those things would have a place in a business case. Again, it depends on what level of detail you want to go to, but I would certainly believe that, depending on the nature of what you want to do, you may not necessarily do an environmental impact but you absolutely should consider doing a social impact, together with your long-term financial plan and your overall plan.

Mr PIZZUTO: Many of the submissions that have been put in by councils for Fit for the Future will have included all those components, looking at the argument for what they were proposing to do or the counter-arguments as to why those things would not work in a proposed amalgamation.

The Hon. ERNEST WONG: On the same page you mention that you would like to encourage the Government to continue with a fully consultative approach with all key stakeholders into the future. Have you received any feedback from members where you would have in your mind a list of all those key stakeholders of who will be the one that should go through the consultation and where that has been lacking in the whole process until now?

Mr SMITH: I do not think I can say that we should necessarily consult with this person or that person. For instance, in consulting with Local Government Professionals, if there was a need to consult about social impact, we have a professional officers group within our organisation that looks at social issues. We have a human resources group and we have a governance group, so we can make a wide variety of people available for consultation, both from metropolitan and regional council areas, to assist in that process.

The Hon. ERNEST WONG: So you are saying that that process has not been happening with your professional organisation?

Mr SMITH: No.

The Hon. PETER PRIMROSE: When IPART finally reports, do you think the report should be made public?

Mr SMITH: Absolutely.

The Hon. PETER PRIMROSE: If the Minister subsequently chooses to have forced amalgamations or mergers, do you believe that the Boundaries Commission process should be gone through or should there be an attempt to take that away in some way?

Mr SMITH: No, I believe that the Boundaries Commission process should stay in place.

Mr DAVID SHOEBRIDGE: As strengthened in the recommendations of Professor Sansom?

Mr SMITH: Not necessarily. I will take that on notice.

The Hon. PETER PRIMROSE: At the beginning of the fourth full paragraph on page 2 you said:

Local Government Professionals Australia NSW is also particularly concerned with the potential career path disruption that many staff at all levels will face if significant mergers are to take place.

Can you talk to that?

Mr SMITH: Clearly if one of the purposes of amalgamations is to reduce staff numbers there will be many staff within local government at all levels who will no longer have a career path. They may or may not get

a job in the new entity, whatever the new entity may be, or they will be forced to look for a similar job with one of the other new entities, if that is the case, which may or may not be able to occur. I think there is ample evidence across all amalgamations, whether Victoria, Queensland, New Zealand or wherever that the number of staff at the start of the amalgamation process has been reduced. There is also ample evidence that suggests the staffing numbers in fact go up to the same or more after the new entity is formed but those people may have already lost their positions and their career paths as part of that process.

The Hon. ERNEST WONG: Further to this question you mentioned that your organisation:

... has already prepared an employee assistance package specifically focused on supporting staff... This needs to be properly resourced and recognised in council business cases by the State Government with funding set aside from any government funding...

With the unit that we have mentioned before there will be funding available for those voluntarily amalgamated councils but not for those that are forced to amalgamate or that choose to stand alone. Is that the funding you are talking about supplementing or helping with the package that you have prepared, or you will be asking for the Government to look into it to have other funding set aside?

Mr SMITH: I would think at this point in time there is uncertainty about how the funding package will work. If the funding could be made available from within the current funding package that would be fine. I doubt that would be the case, based on what we understand the funding is to be used for. So we would clearly be seeking some additional funding for that.

The Hon. ERNEST WONG: I wish to ask you a question about your members as professionals in local government: How are they feeling? Most of them will be afraid of losing their jobs, job transitions or they will be uncertain as to what will happen in that industry.

Mr SMITH: I think the overriding feeling from most people is about uncertainty. We are in a process. The process will take some time, whatever that is. It is a natural human reaction to be uncertain about whether you will or will not have a job—whether it is with your existing council or a new entity. Some people may or may not feel comfortable with that. Some may or may not see that it is actually an opportunity. Others may feel they are reasonably comfortable because there are employment protections in place. It is very different for different people but I think overall the overriding feeling would be one of uncertainty.

The Hon. ERNEST WONG: Do you see that now impacting on the industry before any decision is going to be made? Holroyd Council mentioned that it is already losing a lot of very good staff. Is that a common impact that you are seeing in this transition process?

Mr SMITH: At this point in time I have to say, based on some research that we have done through our local government survey, our turnover rates overall are not necessarily any worse than they have been in the past and not any worse compared to other industries. I have to say definitively I do not know, but I am aware anecdotally that councils are losing people and that they are having trouble recruiting people. I think, again, that is a natural reaction to that whole environment of uncertainty.

The Hon. ROBERT BORSAK: You talked in your submission about Destination 2036. What has happened to that whole process?

Mr SMITH: I think it was going along quite well, there was a lot of good work and it really was a partnership proposition. The independent panel was placed into the process. We embraced that. Mr Hughes mentioned something; I did catch the end of his presentation where he talked about Working Party 2e. There was a lot of really good information pulled out of that whole process that is still there. Our concern is whether or not that information is being used, whether people have gone back and had a look at it to see whether it could be used or not used. We hold the view that perhaps better use could be made of it.

The Hon. ROBERT BORSAK: That whole process of consultation that went on through Destination 2036, was that completed in your view, or was it just truncated?

Mr SMITH: No, I think truncated is probably a good word because the Independent Local Government Review Panel just stopped; it stopped there.

The Hon. ROBERT BORSAK: Does that take you to the point where this whole process of Fit for the Future may perhaps be just a short-term brain snap—someone's thought bubble?

Mr SMITH: No, I honestly do not believe so.

The Hon. ROBERT BORSAK: Curtail the planning processes and consultation processes of Destination 2036 and all of a sudden we end up with an economically based process called Fit for the Future.

Mr SMITH: I think based on the fact that we have to live with what we have got, we had an independent review panel and they have come up with a number of recommendations. We will work with that and we will make it work if we have got the opportunity. We will still get good outcomes but we need to concentrate on the really good things about the reform process; perhaps not some of the others.

Mr DAVID SHOEBRIDGE: But you are going back to the recommendations of the Independent Local Government Review Panel, which is separate to the Fit for the Future package. I think that is what Mr Borsak is asking about.

Mr SMITH: I am sorry, I misunderstood.

The Hon. ROBERT BORSAK: What I am saying is that it appears as though that has just been put aside, whatever work was done, even though it was not finished.

Mr SMITH: I think with the Fit for the Future package my observation would be it is generally aimed at trying to pursue or proceed with only those recommendations dealing with structural reform. Clearly that is not necessarily the case because we are talking about a review of the Local Government Act, the regulation reduction reform. There are processes happening at the same time; it is just there is this concentration on one particular area. I think that is to the detriment of the whole process, yes.

The Hon. ROBERT BORSAK: You were talking about driving reform. In your view what is driving this reform?

Mr SMITH: That is the mixed message and the confusion about the process. I do not believe we really know what is driving reform. We all agree, whether it is the Government, Local Government Professionals, Local Government NSW or the union. The wonderful thing about all this is that we all agree we need to do things better and we need reform. But we all need to get on the same bus and go in the same direction to make it work.

The Hon. ROBERT BORSAK: So that you are on the bus but there is no driver, is that what you are saying?

Mr SMITH: I think at the present time there may not be.

The Hon. ROBERT BORSAK: What is the association's position in relation to forced amalgamations?

Mr SMITH: We do not support forced amalgamations.

The Hon. ROBERT BORSAK: Why is that?

Mr SMITH: Again, we believe the amalgamations ought to be the outcome of a process not the driver of a process. As I said in my earlier statement, structural reform should be an outcome of a strategic process and an understanding of why you need to do those things. So why do you need amalgamations? No-one is actually telling us why we need amalgamations. There are these airy-fairy, out in the cloud things about bigger is better but there is absolutely no evidence that supports that contention.

Mr DAVID SHOEBRIDGE: Between the two of you, Mr Smith and Mr Pizzuto, how many years experience do you have in local government—40, and about 70-odd in total?

Mr PIZZUTO: About 70.

Mr DAVID SHOEBRIDGE: That is primarily at a managerial level?

Mr SMITH: Yes.

Mr DAVID SHOEBRIDGE: The Government is pushing forward with an amalgamation agenda through the Fit for the Future package but there were more than 60 recommendations from the Independent Local Government Review Panel. I am going to put you on the spot and say if you had to pick the top three recommendations to be implemented, legislated by this Parliament, what would you pick?

Mr SMITH: I think we would both pick rate pegging.

Mr PIZZUTO: Or an overhaul of the rating system.

Mr DAVID SHOEBRIDGE: An overhaul of the rating system?

Mr SMITH: There are a group of recommendations dealing with financial sustainability or fiscal responsibility, and there are a group of recommendations dealing with things like regulatory reform. In my opinion they would be the ones I would tackle first.

Mr DAVID SHOEBRIDGE: Because so much of the political agenda is about amalgamation, we have not heard a lot about problems with the rating system. How does the way we go about rating strata properties impact on some councils? What are the other issues in the current rating system? Please expand on that.

Mr SMITH: Mr Pizzuto is an expert in this area and I am more than happy for him to take the question.

Mr PIZZUTO: One of the recommendations in respect of apartments was the option of looking at capital improved values rather than land values.

Mr DAVID SHOEBRIDGE: That is because you might have 70 or 100 apartments sharing one small piece of unimproved land value and therefore there is a tiny rate. Is that what happens?

Mr PIZZUTO: That certainly can be addressed through applying a relevant minimum charge, which approximates the lower end of the detached dwelling amount they would generally pay. I wrote down a couple of things on the way on the train. You could increase the minimum detached dwellings rating.

Mr DAVID SHOEBRIDGE: But then you might have a \$3 million penthouse being rated the same as a \$300,000 fibro property.

Mr PIZZUTO: Exactly. That is one of the things that detract from that. Currently there is a 50 per cent limit on the amount of money you can generate from the minimums in a particular category, which is exceeded by a number of councils because places like North Sydney and even Willoughby at the moment, with so many units on the residential rate, are getting more than half their rates from minimums.

Mr DAVID SHOEBRIDGE: As we get more apartment developments in Sydney, this is going to become even more of a problem.

Mr PIZZUTO: That is right. Another thing you can do is to look at increasing the base amount, which is a pretty technical argument. You increase the base amount limit of 50 per cent that is currently there to a higher number.

Mr DAVID SHOEBRIDGE: But then you have the inequity I spoke about earlier, a \$3 million penthouse paying the same rate as a \$300,000 fibro property

Mr PIZZUTO: Exactly.

Mr DAVID SHOEBRIDGE: So we need a more sophisticated model than that.

Mr PIZZUTO: The problem with the capital improved side of things is you would then need to get all the things separately valued. For a block of units you would not just value the whole block, you would have to look at individual units within the block, which may be a relatively expensive exercise.

Mr DAVID SHOEBRIDGE: Are you not frustrated that this is not the kind of conversation that is happening in politics?

Mr PIZZUTO: Exactly.

Mr DAVID SHOEBRIDGE: What about some other funding pressures on local government, such as a streamlined rates process?

Mr PIZZUTO: The special rates variation process I believe, even though a lot of councils are now used to it, is a very time-consuming and expensive exercise. There is engagement with the community, which takes a lot of effort with phone polls and public meetings. A lot of collateral has to be produced and sent out, with complete mail-outs to ratepayers. The exercise often extends beyond 12 to 18 months; in some cases it takes two years to get a decent result from a special rates variation.

Mr DAVID SHOEBRIDGE: Do you have a set of recommended reforms for that process, to make it engaging and effective?

Mr PIZZUTO: It needs to be looked at as part of a whole review of the ratings system.

The Hon. BEN FRANKLIN: How does Local Government Professionals Australia NSW [LGPA] formulate its position on important local government reform issues like mergers? What is the process before you come to a conclusion?

Mr SMITH: We have a board from selected boards across the State that is representative. We use what we call member networks to gauge the opinion of our various members. We have member networks in human resources [HR], governance, finance, integrated planning and so on and so forth. We will test what those groups suggest if we have a particular question. We might go to a specific group, depending on the topic so we have a fair idea of what all our members are thinking, not just a minority.

The Hon. BEN FRANKLIN: Does that body then come up with its determination on the position of the LGPA?

Mr SMITH: Yes.

The Hon. BEN FRANKLIN: I understood for a long time your organisation has called for incentives for voluntary mergers; that if we go down a path of allowing councils to merge there should be incentives. Is that correct?

Mr SMITH: Yes.

The Hon. BEN FRANKLIN: How much did you suggest the Government should provide prior to the launch of Fit for the Future to encourage voluntary mergers?

Mr SMITH: I cannot be sure; I would have to take that on notice.

The Hon. BEN FRANKLIN: I would appreciate that. Would you agree that it was in the order of \$205 million?

Mr SMITH: I am sorry, I do not know. I cannot tell you off the top of my head.

The Hon. BEN FRANKLIN: I have a letter here from—

Mr SMITH: Probably signed by me.

The Hon. CATHERINE CUSACK: It is a funny thing to forget.

The Hon. BEN FRANKLIN: Signed by the chief executive officer [CEO] saying—

Mr SMITH: That is not me.

The Hon. BEN FRANKLIN: —this would total approximately \$205 million and so forth.

Mr DAVID SHOEBRIDGE: Show him the letter.

The Hon. BEN FRANKLIN: I am happy to show you the letter.

The Hon. CATHERINE CUSACK: Table the letter, in fact.

The Hon. BEN FRANKLIN: I am happy to table the letter. Do you not contend that that is not the case?

Mr SMITH: No.

The Hon. BEN FRANKLIN: If that is the case, and I believe it is—

Mr DAVID SHOEBRIDGE: Point of order: I think the witness needs a chance to see the letter.

The Hon. CATHERINE CUSACK: He is being shown the letter.

Mr DAVID SHOEBRIDGE: Not just look at it but read it and then respond to the question.

The Hon. PETER PRIMROSE: Just because the Minister's office has provided it, does not mean it is correct.

The Hon. BEN FRANKLIN: I am happy to wait.

CHAIR: We will give Mr Smith the courtesy of having the opportunity to read the letter and indicate whether he wants to take this question on notice or answer it.

Mr SMITH: What was the actual question?

The Hon. BEN FRANKLIN: Would you agree that the LGPA suggested that an amount in the order of \$205 million would be appropriate for the Government to provide to encourage voluntary mergers?

Mr SMITH: My recollection is that we were asked by the Government if we could put some number around it. We did what is really a back-of-the-envelope calculation and that was the figure we came up with.

The Hon. BEN FRANKLIN: Since the Government then provided well over \$50 million more than that figure, why do you think so few councils decided to voluntarily merge?

Mr SMITH: You would have to ask some of those individual councils. They probably all have different reasons.

The Hon. BEN FRANKLIN: I am asking for your opinion.

Mr SMITH: I think part of it was some of us saw that suggesting we would have a \$600 million saving by having access to cheaper loan borrowings was a bit of a furphy. If you take \$600 million out of the figure and you are left with the rest—

The Hon. BEN FRANKLIN: But you still have more than \$50 million more than you asked for.

Mr SMITH: People came up with a number, but the incentive—

The Hon. BEN FRANKLIN: When the Minister's office asked you for advice, you did something on the back of an envelope and made it up?

Mr DAVID SHOEBRIDGE: Point of order: Mr Smith is halfway through his answer.

CHAIR: Mr Franklin, this is not a court and you are prosecuting your matter very well, but please allow the witness to answer.

The Hon. CATHERINE CUSACK: We have been very patient listening to Mr Shoebridge.

CHAIR: The witness has a right to answer the question.

Mr SMITH: At the start I said you would have to ask individual councils why they thought the incentive was not enough. Clearly, in my view it is not just about the money.

The Hon. BEN FRANKLIN: You suggested in your testimony that one of the purposes of amalgamation is to reduce staff numbers—those were your words. You said there is ample evidence that the number of staff is reduced after amalgamations. I contend that is based on a fallacious premise and, if you look at the case of Tamworth as referred to by a previous witness where 10 councils plus Tamworth were merged into four, the 10 councils had 852 employees in 2002-03 and in 2010-11 the four new councils had 1,008 employees—that is, 150 more. That shows, as do many other examples, that that is not the case. What is your response to that?

Mr DAVID SHOEBRIDGE: Point of order: Mr Franklin has misstated this witness' evidence. The witness' evidence was the numbers go down leading up to the amalgamation and then rise after. Mr Franklin has only given half the witness' evidence. It was not what he said.

The Hon. BEN FRANKLIN: I am asking for an answer from the witness.

CHAIR: Mr Smith, do you want to clarify any information that has been put to you by both members?

Mr SMITH: I think what I said was that the evidence shows that following an amalgamation the numbers go down, but then some time in the future they go back up. There is certainly evidence to suggest that those numbers are larger than the pre-merger numbers.

The Hon. BEN FRANKLIN: It is going to be a very good thing for regional communities if there is more employment.

Mr DAVID SHOEBRIDGE: It depends where they are located.

The Hon. LOU AMATO: Can you describe the workforce profile of the local government sector and outline any challenges facing it?

Mr SMITH: I will take that question on notice.

Mr PIZZUTO: Is the member referring to the age of people in the local government workforce?

The Hon. LOU AMATO: Yes.

Mr PIZZUTO: Clearly the evidence from the surveys conducted throughout the industry by Local Government Professionals Australia in conjunction with PricewaterhouseCooper indicates that the age profile within local government is getting older. The evidence also suggests that we are attracting young people at the bottom end, but they are not staying. They are moving on to other careers; they are not staying within local government.

The Hon. LOU AMATO: So the local government sector struggles to attract them.

Mr PIZZUTO: We are attracting them but not keeping them.

The Hon. LOU AMATO: Why can you attract them but not keep them?

Mr SMITH: That is the next part of our research.

The Hon. CATHERINE CUSACK: We have had 12 witnesses from local government today and all 12 have been men. I have to ask, where are the women in local government? As modern organisations reflective of their communities, why have 12 out of 12 of the sector's witnesses been male? Where are the girls?

Mr PIZZUTO: The survey indicates that we are attracting younger people, but those who most frequently leave are the young females.

The Hon. CATHERINE CUSACK: What does that say about the culture?

Mr PIZZUTO: As Mr Smith said, that is the next part of the research.

The Hon. LOU AMATO: Do you believe that smaller councils offer enough career opportunities to attract the best and brightest? Are there opportunities for young people?

Mr SMITH: I believe there are. The best example I can provide is my own experience. I started working at the council in Windsor in 1972. It was a very small council and I was the payroll clerk. Not only did I perform that role, but I was also the creditors' clerk, the cashier, the run-around boy, and I got the tea. I learnt a lot. When I went to a larger council—Penrith City Council—the many things I knew helped me. I then went to The Hills. That council had a great traineeship scheme. Steve Hughes talked about that earlier. When I became a general manager I chose to go to a small council because I thought I would learn more and be a better general manager of a larger council because I had a broader range of experience. There is a real role for smaller councils to play in developing our people.

The Hon. LOU AMATO: How many years have you worked in local government?

Mr SMITH: I have been in local government for 43 years.

The Hon. LOU AMATO: That is a long time.

The Hon. CATHERINE CUSACK: Is it your policy that we should abolish rate pegging?

Mr SMITH: We do not have an adopted policy, but I suggest we would support that.

The Hon. CATHERINE CUSACK: Is it like The Greens' policy, which is to shift rates from unimproved land value to improved land value? Is that your policy?

Mr PIZZUTO: We do not have a policy in respect of that.

The Hon. CATHERINE CUSACK: When you say that you would prioritise rates reform, is that what you are talking about? I just heard a conversation about the problem of strata units not being taxed enough.

Mr SMITH: Part of the exercise would need to be to look at all the variables.

The Hon. CATHERINE CUSACK: What do you want to see happen? What is the outcome you are seeking?

Mr SMITH: We want a fairer and more equitable rate system that allows councils—particularly metropolitan councils—to use their rate base to gain a fairer share of revenue.

The Hon. CATHERINE CUSACK: I am trying to understand what "fairer" means to you. Does that mean a shift from unimproved to improved land value?

Mr SMITH: Not necessarily. No work has been done on that. That is what we need to do. There is a range of reasons to do that and a range of reasons not to do it. If my recollection is correct, a former member of Parliament, Kevin Rozzoli, undertook an extensive review of the rating process many years ago. He came to the conclusion that we should leave the system as it is. There is no easy answer.

The Hon. CATHERINE CUSACK: It is fine if you do not have a policy.

Mr SMITH: No, we do not.

The Hon. CATHERINE CUSACK: Would you accept that there is a diversity of views among your members about reform and amalgamation?

Mr SMITH: Absolutely.

The Hon. CATHERINE CUSACK: How do you capture and communicate that diversity of opinion?

Mr SMITH: As I said, we have many groups.

The Hon. CATHERINE CUSACK: I understand how you consult your members. However, I am referring to the members that you represent whose views are not being put by you today. How do you represent them?

Mr DAVID SHOEBRIDGE: How do you do it from the party room?

Mr SMITH: The best thing we can do is represent what we believe is the majority view, and that is what we do.

The Hon. BEN FRANKLIN: I have a question to put on notice. Picking up on a point made earlier by my colleague, will you provide, if possible, a breakdown of the proportion of men and women employed in local government by category?

Mr SMITH: I am more than happy to do that.

Mr DAVID SHOEBRIDGE: The Office of Local Government also has that information.

CHAIR: Can you provide on notice what you think is the best way forward to address the terminology and the benchmark of depreciation across the 152 New South Wales local councils? You talked about the way forward and addressing section 94 and section 94A. How do you believe we can get the best out of it?

Mr SMITH: We will take the questions from the transcript.

CHAIR: Thank for appearing before the Committee and sharing your knowledge of many good years in local government. Thank for your investment in local government. You have 21 days to answer the questions on notice. If you have any queries, the secretariat staff will assist you. Committee members may wish to ask further questions. If so, they will be forwarded to you in the next 24 hours.

Mr SMITH: I am more than happy to be of assistance. Thank you for affording us the opportunity to give evidence to you today.

(The witnesses withdrew)

(Luncheon adjournment)

STEVE RUSSELL, Mayor, Hornsby Shire Council,

RUSSELL PIGG, General Manager, Shoalhaven City Council,

JOHN WELLS, Deputy Mayor, Shoalhaven City Council, and

JIM MONTAGUE, PSM, General Manager, Canterbury City Council, sworn and examined:

CHAIR: Good afternoon. I welcome our next witnesses to this inquiry. I note that we have Shoalhaven City Council presenting at this session and put on the record that I am a former Mayor of Shoalhaven City Council. It is a great city and very well run, by a very good general manager.

Mr RUSSELL: It is widely accepted that reform of local government in New South Wales is long overdue. This has become even more apparent to me since I became Mayor of Hornsby Shire Council. There are a number of necessary reforms, such as increasing planning powers for local government, but the one that would most benefit our community is amalgamation with our neighbours. Hornsby Shire is the same size as it was when it was founded 100 years ago in the days of the horse and cart. We believe that size equals strength and we see many benefits in joining our neighbours through amalgamation.

A larger council would have access to a greater pool of resources, increasing the scope of current services and allowing for new ones. The reduction in duplication would also save a lot of money, allowing for a significant boost in capital works. We would also be a much stronger partner with the State Government in delivering infrastructure and much better placed to negotiate tenders. We also believe that reforms give the opportunity to bring together a number of communities, such as Epping and Eastwood, which are currently split by shire borders.

These are not conclusions Hornsby Shire Council have arrived at easily or quickly; rather we have commissioned research from a number of organisations to examine the possible outcomes of reform. These included an investigation by PricewaterhouseCoopers that outlined the potential benefits of a merger, independent research by Crosby Textor that examined community opinion about local government reform and a financial report by KPMG that showed there could be significant savings from amalgamation. Each of these reports has strengthened the view within Hornsby Shire Council that reform, and in particular amalgamation, is in the best interests of our community. These are not words of desperation nor are they coming from a place of weakness. Hornsby Shire Council is in a very strong financial position having gone from a deficit of \$4 million in 2011-12 to a surplus of \$17 million last financial year.

Hornsby Shire Council will meet all of the criteria, apart from scale and capacity, the State Government has set in the Fit for the Future program. There is no doubt that Hornsby Shire Council could continue to operate effectively but that does not mean we should ignore the opportunity to increase the services we provide to the community. We should always be open to innovation. For instance, the KPMG research has shown that if Hornsby and Ku-ring-gai councils were to amalgamate it would deliver an extra \$50 million at least to be spent on the community over the next 10 years.

Over recent years we have held discussions with neighbouring councils about the possibility of amalgamation but, for whatever reason, none have been keen to come to the party. That is their decision to make, but the extensive research commissioned by Hornsby Shire Council makes me confident that the best path for Hornsby Shire residents and ratepayers is to at least consider the option of amalgamation as one part of reform. We need to at least test the idea that size equals strength.

Mr WELLS: As a result of the assessment of the Independent Local Government Review Panel, Shoalhaven City Council has not been identified for merger. Shoalhaven City Council is, however, part of a vigorous Illawarra Pilot Joint Organisation. With an area of 4,660 square kilometres and a standing population of 100,000 that jumps to 320,000 in peak seasons, we believe we have sufficient scale and capacity in a regional context to stand alone. Shoalhaven City Council also operates one of the largest local government water authorities in the State, which enhances our city's scale, capacity and financial sustainability. Interestingly, the provision of water and sewer infrastructure and services has not been the subject of rate pegging over the years, so much of the debate around the Fit for the Future agenda has been focused on council's general fund operations, which are under stress in many councils across the State for various reasons.

The theory of being financially fit to properly maintain all council's assets, provide the services and facilities the community wants, and provide new assets and facilities as areas grow is highly commendable. However, the process to meet the Government's timetable has meant very, very tight time frames and has not afforded council the time for extensive or comprehensive community consultation or engagement on our Fit for the Future application. Moreover, the seven criteria identified in the Fit for the Future proposals are essentially financial and asset management based, which is a confined view of local government. There are social, cultural and environmental issues which also warrant recognition and can impact significantly on viability.

Some of the benchmarks and pass/fail measurements are based on unaudited financial data, and there is likely to be variation between councils on methods of depreciation rates, asset valuation methodology and what constitutes acceptable levels of service and asset condition. Fit for the Future applications have also been called and prepared before other reform initiatives have progressed, such as the rating review, the lower interest borrowing options, and the review of the financial assistant grant distribution, all of which could help a council's financial performance and influence the assessment of what constitutes fitness. Whichever way you look at it, there will be an inevitable significant cost impact on ratepayers through special rate variations to meet the criteria. In relation to group 5 councils across the State, I think every single one of them will be submitting a special rate variation to meet the criteria.

During the course of the hearing, my colleague Mr Pigg and I can elaborate on the impact of rating, cost shifting, financial assistance grants freezing, the role of joint organisations and the efficiency options we are driving as a council. Our submission, and I will table further documents, provides evidence that quite large councils—group 5 councils—have either already applied or are in the process of applying for special rate variations or plan to in coming years. No wonder, with the rate pegging constraints local government has suffered for 30 or more years and ironically that these rise now because of criteria set by Government. The parlous position of some councils' general fund operations were therefore somewhat predictable and arise from a succession of State and, to some extent, Federal governments' own making.

CHAIR: Thank you.

Mr MONTAGUE: Thank you for the opportunity. Like most other councils, Canterbury believes in local government reform. Let me make that very clear from the outset. However, we believe that the Fit for the Future process is flawed. In our case we were given two options by the independent review panel. One was to amalgamate with the St George councils to our south—that is Kogarah, Rockdale and Hurstville—and the other option was to amalgamate with Bankstown. We were not given a standalone option. None of those councils want to get involved with Canterbury for varying reasons, which left this council with no choice but to lodge a standalone option, and that is what we finally did. We did that, as I said, because there was no-one else in our region that wanted to amalgamate with us. We believe the council is strong, effective and financially sustainable going into the future.

One of the things that concern me about the whole process is that there seems to be an overriding emphasis on amalgamation or boundary change. The independent review panel released 65 recommendations. Only seven of those dealt with mergers, but mergers are front and centre—they are the thing that is occupying all of the commentary and debate in the public domain. I think that is a shame because, let's face it, if you take two or three councils in our region—and they are struggling; there is no doubt about that—and you amalgamate them, what do you get? You get one big council that is struggling, unless there is a fundamental change in the way councils are financed, the way they are operated and the way that they achieve their service delivery objectives.

Canterbury still exists with the same boundaries that existed when it was originally proclaimed back in 1879. We do not support a forced amalgamation—my council has been very clear on that—but we do support reform of the sector and we would entertain the idea of amalgamating with Bankstown but not the St George councils. The council has made that very clear. I repeat to the Committee that the council's position is very strong financially. However, there are storms ahead—I think I can put it that way—particularly in trying to run down our infrastructure backlog. The council has put measures in place to try to overcome that within the next five years, but time will tell whether we are successful or not. I want to leave this message: We support reform, we think that there is too much emphasis on mergers or boundary changes, and there has not been sufficient consultation with the sector. That extends to other reforms that are proposed, including the review of the Local Government Act and changes in the planning regime. All of these things must be discussed with local government openly and frankly if we are to achieve the best outcomes for our communities.

CHAIR: I note that in section A of your submission, in the last paragraph, you say that the reform agenda appears solely to relate to financial matters and does not consider human values as well as social and environmental factors. Could you expand on what you are saying there?

Mr WELLS: The criteria are all related to asset management, asset maintenance or asset renewal and replacement—all financial criteria—right down to the somewhat unusual concept of efficiency. Perhaps we can talk about that later. My colleague and I were discussing, before these hearings, the impact, for example, on the environmental future of coastal councils of New South Wales. There are only 20 or 25 coastal councils in New South Wales, and they share issues like sea-level rise and coastal management and the need to prepare estuary management plans that the vast majority of other councils in the State simply do not have to cover off.

These processes are expensive. They deal with the future and the management, preservation and maintenance of, in many cases, privately owned assets such as homes, wharfs, jetties, recreational infrastructure and the like that we tend to put on our lovely foreshore areas. These all carry costs and have implications that many inland and metro councils do not share. They are an impost over and above what some of the councils are able to fund. We find it a significant burden on our rate base; they are typically general rate funded. Other councils may not have that burden. That is what we were talking about in relation to environmental factors.

CHAIR: Moving on to the financial sustainability issues, in the final paragraph of part B of your submission you say that it would certainly be helpful to have similar benchmarks in New South Wales and the Commonwealth governments for comparative purposes, especially in relation to asset renewal and infrastructure backlog. You say that the inquiry must be in a position to publish that in detail. What exactly are you suggesting might be a helpful recommendation?

Mr WELLS: I think the thrust of the comment is that the same expectations that are imposed on local government should be applied to State and Federal governments also. What is the condition of the State's asset base and the Federal asset base? This is a national debate, not just a local debate.

Mr PIGG: There are some differences between the levels of government in how revenue is raised. Local governments' revenue, in many instances, is based on taxation based on the land value of properties within the area. Taxation at other levels of government fluctuates quite significantly, depending on a whole bunch of factors. Mr Wells spoke about the principles of proper asset management, renewal and planning. The seven criteria are essentially designed to ensure that local government can manage its assets on behalf of the community in a proper manner and keep them in satisfactory or good condition forever and a day. That is driving and setting the benchmarks for councils to meet, from a financial basis. Part of our submission is clearly targeted on addressing the impact that has on setting rates, both now and into the future, to achieve that.

CHAIR: Mr Wells was talking about Fit for the Future and special rate variations being inbuilt. What impact do you think this has on the true transferability of that process in terms of Fit for the Future and the real outcomes and whether councils are Fit for the Future? Are you convinced that this sort of approach, with this sort of process, would put downward pressure on rates?

Mr WELLS: I found the comments of the Minister for Local Government on, I think, 15 March, in relation to that matter, quite bemusing. In the case of Shoalhaven City Council, our general fund had an operating deficit in 2013-14 of \$12.95 million and the expectation is that we bring our asset management ratio back down to zero, where it is currently minus 8.93 per cent. That 8.93 per cent converts to about \$20 million. The only way we can do that is either stop doing things, and apply all of the funds that we have available to addressing the backlog, or charge higher rates. I think every other council in group 5 has formed the same conclusion.

Having said that, there are some methodology difficulties in the way that these ratios are calculated because they do not take into account grants, which can have a beneficial impact on asset management. Nor do the accounting requirements of the State government require councils to reflect the work of section 355 committees—the community based committees which very often build and maintain councils at their cost—not council's cost—on behalf of council. Nowhere in the asset management ratios is there any reflection of community input to the maintenance, repair, construction and works that are done out there in the community. We have 40 section 355 committees, one of which advised me on Friday that they are spending \$60,000 of their own money this year to renovate Berry showground.

CHAIR: Are those assets on your books?

Mr WELLS: Those assets are on our books but that money is not. I cannot say that you can add \$60,000 times 40 section 355s—that would be a big stretch of the imagination—but every little bit helps.

CHAIR: Do you have any comment about the impact of downward rates with the special rates variation?

Mr PIGG: We were particularly interested in other group 5 councils and making a comparison with what is happening in those group 5 councils, which include Tweed Heads, Coffs Harbour, Port Macquarie, Lake Macquarie, Newcastle, Wollongong, ourselves and Maitland. In every one of those council areas they are either mid-stream in an already-approved special rate variation or—I am looking on IPART's site for everybody's Fit for the Future application—they have in-built an SRV. That includes places like Newcastle, which has five years at 8 per cent per annum from 2015-16 through to 2019-20. Maitland has 7.25 per cent for seven years from 2014-15. Our council has built in 7.5 per cent per annum for two years over and above rate pegging from 2017-18 onwards. I have produced a graph demonstrating that.

In terms of published data for benchmarking your own performance, we have looked at the Office of Local Government's latest information. Rating levels are always a hot topic, politically both within council and in the community. So there are always issues at play in the media and politically to argue that rates should be kept as low as possible. When I compare our council other group 5 councils, our average residential rate is substantially less than the other group 5 councils—upwards of 40-odd per cent lower than some of the others. In dollars and cents, that is \$300 to \$400 per residential assessment difference. If we had a rate increase of \$300 per residential property—

Mr DAVID SHOEBRIDGE: That would be the former deputy mayor.

Mr PIGG: —which would be folly in the eyes of the community, but that is \$15 million in revenue differences we are talking about. So downward pressure, I do not see it demonstrated through applications for group 5 councils. When you look at the TCorp report of a few years ago, the mix of TCorp's assessment of strong, moderate and weak councils across the State, there does not seem to be any pattern at all. I am coming to the assumption that it comes down to management in many respects because there are some very small councils in the mid-west and south that are assessed by TCorp as having a strong financial position and there are some very large councils, both in regional and metro, that are either weak or moderate.

Mr WELLS: The only further comment I would make is that, as I referred to in my introductory comments, the timetabling of the Fit for the Future submissions has put councils across the State in the position of forecasting what their future requirement is likely to be. That has necessarily required them to foreshadow increases which the councils making the submissions will not be rolling out until after the next election and that has led to some consternation in the community about the lack of consultation and transparency in the process, which has entirely been brought on by a deadline.

Mr RUSSELL: Can you repeat your question?

CHAIR: It was a point about downward pressure. There was speculation that, given that the special rate variations have been put in the Fit for the Future applications, would they or would they not put downward pressure on rates?

Mr RUSSELL: I cannot comment on that, sorry.

The Hon. PETER PRIMROSE: Following on from some of the questions asked by the Chair, the Minister has said on a number of occasions that the reason for forced amalgamations will be because your sector is losing \$1 million a day. I was wondering if any of the panel would like to comment on that.

Mr MONTAGUE: I would. I would like to know where he got that figure, for a start. It has been trotted out many times. I do not know where it came from. I doubt it is reliable, which is a problem that local government faces, and I have been in this game a long time. Rate pegging, while very popular politically—and has been since it was introduced in the mid 1970s—has been corrosive for local government when you look at it over that period of time. Couple that with the reduction in grants in real terms and cost shifting that has occurred for many, many years, cutbacks in, say, the pensioner rate subsidy, for example, that had a massive impact on a

council like Canterbury. We have 45,000 assessments; 8,000 of them are eligible pensioners. So the impact there alone was massive.

None of this has been taken into account, yet it is fair enough for the Minister and the Government to trot out this nation of "They're losing \$1 million a day so they must, by definition, be inefficient." I do not accept that for a minute. If you look deeper and you probe deeper into what causes the financial stress that some councils face, it is a combination of factors, and amalgamation will not resolve that. As I said earlier, it will just mean that smaller councils become bigger inefficient councils, and that is what we have to address. That is why I said that the Fit for the Future process is flawed to some extent because it does not delve deep enough into the root causes for local government's financial stress. In the end if the councils are not financially sustainable, regardless of size or political make-up, they cannot achieve the services they want for their local communities. Somebody must pay. It is as simple as that.

The Hon. PETER PRIMROSE: Do any other members of the panel wish to comment?

Mr WELLS: I think the concept of big is beautiful is flawed. I can point to some small councils which have admittedly very high general ad valorem rates that are very sustainable and there would be no case to demand that they amalgamate purely on financial grounds. I think the experience also coming out of Queensland is showing that some of the big is beautiful theories are beginning to unravel. I think there are probably much better bases on which to suggest amalgamation or the opposite.

Mr RUSSELL: Somebody mentioned earlier about the management of councils. That is a very important part. It does not matter whether you are large or small, if you are not managed well, then you will be running into strife. I think that has been a problem and that is one of the reasons that I am strongly in favour of local government reform in that it is trying to get the mixture right. I was here earlier today and I heard the debate between some of the people here about popularly elected mayors and mayors elected annually. I have been through both systems. When I got elected in 1999 Hornsby council elected the mayor every year and it was disgraceful. It was a circus. The mayor had hardly settled into the chair before the lobbying began for the next term. It will not work. For a council to work properly—and you can have different models—if you are going to have a mayor and councillors who are capable of dismissing the general manager if they have the numbers, then you need to have somebody who at least has settled in the job. As I said, I was there under the old system. I have been there under the new system where we had a referendum in 1999 and the people of Hornsby decided that they would have a popularly elected mayor.

I had a holiday courtesy of the ratepayers between 2004 and 2008, and then I got re-elected under the new system of a popularly elected mayor. I served under the former mayor for four years and then I was elected as popularly elected mayor in 2012. I can assure you that this council has not produced this turnaround because of luck. We made the decision when we were confronted back in the early part of that previous term that there needed to be some changes made for the council to get back into the black, and we then fortunately stuck to it. One of them was in the legal bills. It is easy for councillors, when they are assessing development applications and you have a whole lot of people in front of you carrying on about a DA, to say "We refuse it" and it goes to the Land and Environment Court and you will lose and the council pays the legal fees.

One of the things we addressed when I got re-elected in 2008 was to say, "What were our legal bills in the previous term and what were they the term that I was on?" The difference was that in 1999-2004 we spent about \$400,000 a year in legal bills and that included the controversial quarry. Then in the next term it was \$1.1 million. So we made a decision in 2008 that we would be very careful and we would not refer anything to the Land and Environment Court that we were not confident of winning.

The Hon. PETER PRIMROSE: So can I paraphrase that the issue there was improved management?

Mr RUSSELL: Yes. Of course, that is the theme of councillors, the mayor and obviously the executive.

Mr MONTAGUE: As a general manager who faced summary dismissal back in January because of reasons I will not go into now, I agree entirely that there must be a better system and there must be proper separation of powers. It is difficult if you are a general manager, or a mayor for that matter, if there is not a good relationship between those two people. After all, they are at the top of the organisation. But I think there needs to be a better way to discipline or remove a general manager if there is a problem in that relationship or if, indeed, the general manager has transgressed.

In my case it was purely political. I have been in the organisation for 33 years in the top job, and next week I celebrate 50 years in local government continuous service, so I know a little bit about local government. It distressed me hugely at that time that I was targeted for reasons that had nothing to do with my performance. But if it had not been for a rescue package that came up and some hard work on my part and others, I would no longer be the general manager of Canterbury. I would have been gone summarily in January this year. So there needs to be some review of that too so that general managers are protected from councillors who may seek to exact some type of revenge.

CHAIR: You probably need to be mindful of the fact that while you are under parliamentary privilege you should not go too close to the edge and divulge situations that may not be helpful.

Mr MONTAGUE: I do not intend to. I understand, thank you.

CHAIR: I am sure you do, but I remind you as a courtesy.

The Hon. PETER PRIMROSE: When the Minister receives the Independent Pricing and Regulatory Tribunal [IPART] report—we understand it will sometime in mid-October—do you believe that report should be made public? Can I ask anyone on the panel?

Mr MONTAGUE: Absolutely.

Mr PIGG: Yes, I agree, it should be.

Mr RUSSELL: I think it is up to the Government.

The Hon. PETER PRIMROSE: If any amalgamations are proposed or any mergers or boundary changes, do you believe the boundaries commission process should be followed, if that is the way the Minister wishes to proceed by mergers, amalgamations or whatever?

Mr PIGG: I will make a comment, coming from one of the councils that has not been recommended as a merger, so I guess it is a bit of an independent view on it. Whether it is the existing boundaries commission process or whether it is a modified one I think the key principles of being open and transparent and having the community come on side and make a fully informed decision of whether they support their council being merged or not is just a key principle to protect. I think all the evidence from other studies seems to indicate that to have a higher probability of success in any merger proposal the community has to be part and parcel of that process, be involved and support it.

The Hon. ERNEST WONG: I address this question to Councillor Russell of Hornsby Shire Council. Do you believe that size and financial stability will focus the reform of local government? I have heard across the board mention of all these other issues of financial situations—rate pegging, core shifting, and social and environmental impact. Should those be significant elements of the reform? What are your thoughts about it? Do you believe that size will fix all the problems and that financial focus will be the only thing we should look at when considering this reform?

Mr RUSSELL: We have shown in Hornsby that the first thing you need to do is to get the finances organised because then you can afford to do things for the community. At the end of the day we are a service organisation owned by the ratepayers of Hornsby shire and we need to value their ratepayer dollar.

The Hon. CATHERINE CUSACK: Hear, hear!

Mr RUSSELL: We can get a lot better value if we are very careful with the way we spend it. Then the community benefits substantially. But the first thing you need to do is get your finances in order. For over 30 years Hornsby shire has been asleep and nothing much has happened in Hornsby shire. When I got elected to Hornsby Shire Council back in 1999 it was because the council wanted to impose a licence fee on our septic tanks. I said no, that the council should become more efficient, that it should not be taxing our septic tanks. I got elected and I have been on that issue ever since. We have changed it significantly, as I said, and we are now starting to see the benefits. Some of the benefits are that we can now afford a master plan for Brooklyn. We are going out at the moment to external consultants to get a submission from them and it will cost \$250,000 to do

this master plan, which is long overdue. Brooklyn is a jewel in our crown but it is very tarnished at the moment and it can do with a bit of forethought to try to make it a much more pleasant place for everybody to live in.

Pennants Hills is another one that has suffered a long time because of Pennant Hills Road. We have that on the agenda to be able to spend another \$250,000 on planning Pennant Hills at the beginning of next year so that master plan is in place when NorthConnex opens. All these benefits can come from a council that is well run. I agree that you can amalgamate two councils but if you do not get the management right nothing will happen. But if you have a large council, we are one of the larger councils in Sydney. We are the second largest in area, second only to Hawkesbury, and we are about ninth in population. So we do know a bit about it and we are very confident that a well-managed, large council such as the size and capacity that the Government wants if run well, can deliver significant benefits. We had KPMG do a study and that showed \$50 million over 10 years but that was without the cooperation of our neighbours. We can do what we are supposed to do in a larger council for sure.

Mr DAVID SHOEBRIDGE: Ku-ring-gai Council cooperated with you.

Mr RUSSELL: No, they did not.

Mr DAVID SHOEBRIDGE: They sat down and they had a joint consultant report. They just did not agree with you.

CHAIR: Order!

The Hon. ERNEST WONG: I agree with you that a well-managed council will probably be able to efficiently deliver the services. But that has a lot to do with size. A smaller council, if well-managed, can deliver that. When you say that a bigger council will be able to deliver, are you saying that a bigger council will be able to better manage than a smaller council?

Mr RUSSELL: There needs to be other reforms, obviously, with local government to be able to do that, yes. It cannot happen without other reforms. As I mentioned earlier, the farce of electing a mayor every year is a real handicap to most councils. And, as I say, I am speaking because I have experienced it.

The Hon. ERNEST WONG: So you are saying that there will be a lot of elements other than just being a bigger council, right?

Mr RUSSELL: Yes, there is a lot more.

The Hon. ERNEST WONG: In your submission you refer to all your neighbouring councils that are not willing to come on board to amalgamate with Hornsby Shire Council. Do you suggest a list of all those councils for which you will ask the Government for forced amalgamation? Those councils will be forced to amalgamate with Hornsby. Do you think that is a fair process or that is something that can be workable? If that is the case I do not see any cooperation or any hope of that council managing well.

Mr RUSSELL: That is up to the Government to decide. We can see the benefits. We have done the research and we can see the benefits of amalgamation. We have put our case to IPART that we are not going to be fit for the future in the short term and we are certainly not going to meet scale and capacity. However, that is up to the Government to decide. If it is serious about local government reform it needs to make the decisions, not Hornsby.

The Hon. ERNEST WONG: What about your community? Have you done community research in regard to how they are supporting this suggestion of amalgamation, or what they will see as the key elements of this reform?

Mr RUSSELL: We engaged Crosby Textor to go out and consult with the community. We did not give them any loaded questions or anything else; we said we wanted a completely independent assessment. They consulted 700 residents, not only in Hornsby shire—300 from Hornsby shire, 100 from Ku-ring-gai, 100 from Ryde, 100 from Parramatta and 100 from The Hills. They came back and said something that did not surprise me at all—that none of them could name their mayor, none of them could name any councillor in their council and very few of them, about 3 per cent, had anything to do with the council in the previous 12 months. So there is not really great awareness. As a matter of fact they were more dissatisfied. They named as their priorities

issues to do with the State Government. Their issues to do with local government were well below the radar. So yes, we have done a fair bit of consultation but we are fairly confident that an amalgamation of Hornsby and Ku-ring-gai would work quite well, but Ku-ring-gai will not.

The Hon. ERNEST WONG: Is that a survey of the satisfaction of the community to the council or is it about amalgamation?

Mr RUSSELL: It is about amalgamation.

The Hon. ERNEST WONG: What is the outcome? Were they in support of amalgamation or not?

Mr RUSSELL: I think it is in our submission. There is a report in our submission about what Crosby Textor found.

Mr RUSSELL: Yes, but they were soft on amalgamations too.

The Hon. BEN FRANKLIN: All the results are on your website, are they not?

Mr RUSSELL: Yes, we have published it all.

The Hon. ERNEST WONG: What about shared resources? Have you been looking at this option?

Mr RUSSELL: Again, it is in our submission. The KPMG results that we got from their inquiries showed that there was marginal improvement in shared services.

Mr DAVID SHOEBRIDGE: Seventy-two per cent is not marginal.

Mr RUSSELL: The problem we have is that we do not see a benefit in that. We are a member of Northern Sydney Regional Organisation of Councils [NSROC] and we find that very rarely is there much agreement in NSROC on issues. I liken it to a company being run by one board of directors, two boards of directors or seven, as in the case of NSROC. It will not work. There is no point in having too many chiefs and not enough Indians. There is only one way that it will work: either amalgamation or forget it. We saw the case of Kerry Packer and Alan Bond, where Channel 9 was well run by Kerry Packer, Alan Bond bought it and turned it into a small business before Kerry Packer took it back again.

Mr DAVID SHOEBRIDGE: Are you saying that is comparable to local government?

Mr RUSSELL: I am talking about management.

The Hon. CATHERINE CUSACK: I ask that Mr Shoebridge's interruptions be deducted from his question time.

CHAIR: Order! I will take a point of order.

The Hon. CATHERINE CUSACK: Point of order: I ask that Mr Shoebridge's continuous interruptions of witnesses be deducted from his question time and not at the expense of other people's.

The Hon. PETER PRIMROSE: To the point of order: Can the interruption of our time be taken—

The Hon. CATHERINE CUSACK: I am trying to help you.

CHAIR: Order! I remind members that interruptions are disorderly at all times. Please allow members to ask questions to get evidence needed to make informed decisions.

The Hon. PETER PRIMROSE: I have about three minutes and about 30 questions. On page 11 of Canterbury's submission a key point is:

... the differences between the development of TCorp's benchmarks, the 2014 Fit for the Future Criteria, the IPART Draft Methodology (April 2015) and the IPART Final Methodology (June 2015) have been well-described by Professor Brian Dollery as "*a chaotic way of conducting public policymaking.*"

Would you like to comment on that quote?

Mr MONTAGUE: We think it has been chaotic. We do not want to reflect on the Government per se, but the process has not been satisfactory, in our opinion, for a variety of reasons that we do not have time to delve into now. There is a lot of inconsistency. I think it would have been better if the Government had just set a figure—you have to be at least 250,000, let us say—and gone with that. No council knows in essence what is going on in terms of scale and capacity. How do you define that? I do not know and I do not think anyone in this room does. The problem is we are really labouring in the dark to some extent. We are being forced to comply with artificial deadlines that are not realistic. To return to the comment about the size of councils and whether it is—I have lost my train of thought.

The Hon. PETER PRIMROSE: Size or management.

Mr MONTAGUE: It is about making sure councils take into account their communities. In our case, 62 per cent of people said in a statistically reliable survey of 1,200 people that they did not want to amalgamate. I wonder where that fits into the Government's overall scheme of things. Are they going to reject community opinion? One of the things I worry about with amalgamation is you take away the very essence of local government, and that is its localness. I do not believe these big councils that are already 300,000 have the same degree of commitment to their local communities as a smaller council. Size is how you define it, of course, but to me local government is about local issues and we run the risk of losing that. You must take into account the 62 per cent who said they do not want to amalgamate. To answer the question about the boundaries commission, if there is no better mechanism then I would certainly recommend the boundaries commission as a way of furthering this because at least you have to have a public inquiry and community views are taken into account.

Mr PIGG: I will comment on one of the criteria that was a late change through the process, and that was changing the operating performance ratio to a must meet by 2020 instead of demonstrate improvement to meet. In the last three weeks before the Fit for the Future applications were due, a very significant KPI was changed and locked in. That changed how our application was put together in the last three weeks to demonstrate meeting the KPI, and hence the comment in the opening statement by Mr Wells that we did not have time for any consultation in our final application format.

Mr WELLS: Reference has been made to Professor Dollery and his opinion on the approach being taken by Lawyers in Local Government [LLG] and Government in relation to criteria. I gained another insight about three weeks ago at a rural and regional workshop on the operation of joint organisations of councils in which all the pilot groups were gathered together to assist Government to work out how the thing would work. We have a transformative change on the face of it happening in regional New South Wales and a number of pilots have been set up. A lot of exploratory work is being done by the pilots on how it is going to bed down. Issues raised included whether there are going to be statutory corporations, if so whether they are going to be legislated and if so whether they are going to be prescriptive or non prescriptive. Those questions were thrown out in the workshop format and that indicated to me that at this point in time nobody really has an idea. Indeed, the officer hosting the workshop said this is a clunky process and I think it is going to be a bit clunky.

The Hon. PETER PRIMROSE: Clunky process—it is a great name.

Mr WELLS: We resolved to gather again in September. Hopefully the outcomes of that workshop will resolve into some basis for future discussion, but the process is being driven hard. Transformative change is always going to create some sort of friction. In this Committee today we have discussed the difference between shared, collaborative approaches to cooperation between governments and forced amalgamation. Obviously one is going to be far more acceptable, and that appears to be the model being applied to regional New South Wales as opposed to what I am hearing from some of my metropolitan colleagues.

The Hon. ROBERT BORSACK: Mr Montague, I see the Independent Local Government Review Panel [ILGRP] recommendations have largely been ignored by the Fit for the Future process. Why do you think this is?

Mr MONTAGUE: Possibly it is because the Government has an objective in mind, that it wants to achieve the amalgamation of councils. That does not have to be a bad thing. I said at the outset that Canterbury favours reform of local government but we do not see mergers as the only way to do it. It is perhaps part of an overall transformative approach. Now the Government has possibly decided on an outcome it wants to achieve and everything else is directed towards that objective.

The Hon. ROBERT BORSAK: If the ILGRP recommendations were implemented, would we need so many amalgamations?

Mr MONTAGUE: We have said in our submission we believe if some other things were done, amalgamations may not be necessary particularly in relation to shared services. Our experience with the Southern Sydney Regional Organisation of Councils is very different to that of Hornsby. Our ROC has been extremely successful since its inception in 1986. That is something you could explore further.

The Hon. ROBERT BORSAK: Why do you think the Government has not provided more clarity on the ongoing role and authority of local governments?

Mr MONTAGUE: I think local government has been the poor relative since day one. You have heard the term "a creature of the state". It is true, because we operate under a State Act of Parliament. However, local government is local and it provides local services. Those services have expanded tremendously over recent years—say, the last 20 or 30 years, in particular. I do not know if enough credit is being given for what councils achieve when you consider the constraints under which they work—and I am talking about cost shifting, reductions in grants from both Federal and State governments.

We are expected to deliver the same with less. There comes a point where you cannot cut any more. I do not want to be too parochial, but in our case we have reduced from 714 equivalent full-time staff to 540. That has meant a significant improvement in our performance. We cannot continue to cut staff without it detrimentally affecting service provision. That is the other side of this coin. It is not only about money. Of course, financial performance is important, but I do not think the two are mutually exclusive. If you cut too deep you will do damage to the very services you are trying to provide.

CHAIR: Have the other councils cut similarly?

Mr PIGG: It is unfortunate that the industry seems to be progressing this way with a high degree of uncertainty about what will happen after mid-October when the Independent Pricing and Regulatory Tribunal report is tabled. Neither the Office of Local Government nor the Minister's office is willing or able to say, "Here is the plan. This is what will happen from that point onwards." That level of uncertainty is unfortunate for everybody. Over the past few years our organisation has been going through a transformation program. We have been able to deliver significant operational budget savings through staff restructures, reductions in staffing, service reviews, being smarter with procurement, and a range of other measures. Since the beginning of the 2013 calendar year to current time about \$6 million has been quantified and taken off the bottom line in the operating statements.

We commented in our submission about the efficiency measure—the seventh criterion. I have described it as clumsy and unreliable. Having a dollar spend per capita does not tell us very much. There are so many variables between councils in terms of quantum of services, types of services, level of services, population density, geographic size, number of estuaries—which John mentioned—and the number of rateable properties versus population. If you start doing ratios to work out average rates compared to population or the number of residential properties, you get a range of different figures and different measures. I do not have a clear-cut answer on the efficiency key performance indicators, but the one being put out is not worth much.

The Hon. ROBERT BORSAK: Mr Russell, you were heading down the track of discussing an increasingly more efficient Hornsby Shire Council. Do you want to add anything?

Mr RUSSELL: When we were confronted with this issue a number of years ago we embarked upon an internal review and then an external review, which resulted in us reducing the number of full-time staff by 10 per cent. We also had three swimming pools in Hornsby that were running at a substantial cost to the ratepayers—they were very much in the red. When we completed the new one, which cost \$27 million, we went out to tender for the management. The staff asked whether they could tender for the work and we said yes. However, my message to the works manager was that he should sharpen his pencil. They won the tender, but with a substantially reduced deficit. They are now budgeting on a deficit of \$112,000 compared to a \$640,000 per annum. In fact, they are coming in ahead of budget—they will come in in the black. These are some of the issues, and I mentioned the legal fees.

It is a can of worms. I do not envy the Committee. The more you look at local government finances the more you have to look and the worse it gets. We have embarked upon this and we are part of the way through it—there is still a way to go. However, there are savings there if you are determined to get them. Services have not suffered and staff morale has improved. We have enjoyed better productivity because the staff are happy. So much so that the HR manager is whinging because there is not enough staff turnover; he would like it a little higher.

The Hon. ROBERT BORSAK: Mr Montague, you mentioned at the outset that no-one wanted to merge with Canterbury City Council. Why is that the case?

Mr MONTAGUE: You would have to ask them. As I said, and at the risk of repeating myself, we were given two options: first, to merge with the St George councils—Rockdale, Hurstville and Kogarah; or merge with Bankstown. We approached all the councils involved and none of them wanted to merge with us, and they made that very clear. Of course, unlike the others, Bankstown City Council was given a standalone option, which it has exercised. Even after the amalgamations, if Bankstown has not merged it will be relatively small compared to its surrounding councils. We simply had no option.

The Hon. ROBERT BORSAK: Why in your view was Bankstown given the option to stand alone?

Mr MONTAGUE: That is a good question.

The Hon. ROBERT BORSAK: What are the criteria?

Mr MONTAGUE: They are 190,000 and we are 150,000. I felt that at 190,000 they were a bit light on anyway. No-one has explained to me why Bankstown was singled out when all of the other councils in our immediate vicinity were proposed for amalgamation. I do not know; I cannot answer that question. It is intriguing.

The Hon. ROBERT BORSAK: Much of this is intriguing, to say the least.

Mr DAVID SHOEBRIDGE: Shoalhaven City Council is in a pilot joint organisation; is that correct?

Mr WELLS: Yes.

Mr DAVID SHOEBRIDGE: Can you update the Committee on how that is going? What are the positives and negatives?

Mr WELLS: Yes, I can, and I can do so in a manner that might address or elaborate on Mr Borsak's question. We are an enthusiastic member of the Illawarra Pilot Joint Organisation of Councils. We were formerly part of the southern councils group, which operated very tightly as a group of councils for 25 years. That group included Bega Valley, Eurobodalla and Wingecarribee shires. Eurobodalla broke ranks 18 months ago and pointed towards Queanbeyan, Aaminaby and Braidwood, with Canberra as its magnetic hub. That voluntary opt out did some damage. The new joint organisation of councils, comprising Wollongong, Kiama, Shellharbour and Shoalhaven, is much tighter. Our rugby union teams play in the same competition, as do many of our league teams. We have strong cultural, economic and heritage links.

Unfortunately, I think that the emphasis the Government has placed on the key priorities for joint organisations—that is, strategic planning, capacity building, regional collaboration and regional advocacy—miss the point in relation to the opportunities that joint organisations offer in future in terms of collaboration and service provision. This is where collaborative service provision is an alternative model to merger.

Mr DAVID SHOEBRIDGE: But do you support those other strategic priorities?

Mr WELLS: Yes, we certainly do.

Mr DAVID SHOEBRIDGE: You said it is also an opportunity with regard to services.

Mr WELLS: I think there is further opportunity to develop. For example, why do we need four pay clerks, four plant clerks and four library services? I am pointing to the future in which we have one regional library service with each council employing its own staff.

Mr DAVID SHOEBRIDGE: What is happening with the joint organisations model? What is the management model and where is the democratic accountability?

Mr WELLS: We have transferred the regional organisation of councils administration to continue with the operation of the pilot. One real benefit coming out of the joint organisation that we have never experienced in the past, and it is a real bonus, is that for the first time we are meeting with the heads of the Department of Premier and Cabinet, the Department of Planning, the Department of Health and the Department of Education at a regional level. In fact, last month at the Illawarra joint organisation's third business meeting we had every departmental head in the same room as the mayors and the staff.

Mr DAVID SHOEBRIDGE: You are getting the benefit of the existing councils and their close connection with communities and that strategic engagement through the joint organisation?

Mr WELLS: Exactly. In fact, in relation to the poles and wires funding prioritisation issues, the Illawarra Joint Organisation of Councils agreed unanimously on its priorities across the region.

Mr DAVID SHOEBRIDGE: From your experience is that something you would endorse across the board in local government?

Mr WELLS: I certainly endorse it in relation to the Illawarra.

Mr DAVID SHOEBRIDGE: That is where you have gained your experience.

Mr WELLS: That is right.

Mr DAVID SHOEBRIDGE: From a Canterbury perspective, do you feel frustrated that you were not able to present a joint organisation model in the Fit for the Future reforms?

Mr MONTAGUE: We do have a joint organisation model in a way—that is the regional organisation of councils. What the regional organisation of councils lacks though, and has since it was set up, is the legislative structure that is required so that councils cannot opt in and opt out.

Mr DAVID SHOEBRIDGE: But is that not something the Government should be putting squarely on the table as a positive reform?

Mr MONTAGUE: Yes.

Mr DAVID SHOEBRIDGE: Do you know why it has rejected that for the metro areas?

Mr MONTAGUE: No, I do not. Originally it was talked about. Our regional organisation of councils has been in existence since 1986. I think it is an exemplar. But there was no credence given to that. I think there is some cynicism about regional organisations of councils—that they pay a lot of lip service but it is unclear whether they actually work and whether savings are made? In our case we can demonstrate that they have. But there would be a lot more—

Mr DAVID SHOEBRIDGE: If we gave it statutory backing.

Mr MONTAGUE: Yes.

Mr DAVID SHOEBRIDGE: Councillor Russell, your proposal to the Independent Pricing and Regulatory Tribunal [IPART] was to take parts of the Parramatta local government area from Parramatta—Epping, Eastwood and Carlingford—is that right?

Mr RUSSELL: Some of those suburbs are divided in two by the boundaries. The Epping town centre is divided between Hornsby Shire Council and Parramatta City Council. The independent panel's recommendation was that everything south of the M2 go to Parramatta. We think that if amalgamation is to take place then it is important for an upper North Shore council to be strong—we do not want it to be a dormitory suburb. We believe that we are in a position to better look after the Epping town centre. We have done our share

in cooperating with the Department of Planning for the urban activation precinct on our side of the railway line—and Parramatta was dragged kicking and screaming—so that is the reason for that.

The other submission we made about the other suburbs was about ensuring that an upper North Shore council is a strong, viable council with a strong rate base. At the moment Hornsby does not have a large business centre. Hornsby town centre is still a centre where people live, and they go elsewhere to work. That is why we put it in there that we think Macquarie Park would be better located in an upper North Shore council.

Mr DAVID SHOEBRIDGE: Well, that is something you want from Ryde not from Parramatta. You want to take Macquarie Park off Ryde.

Mr RUSSELL: No, we do not—but an upper North Shore council should have Macquarie Park.

Mr DAVID SHOEBRIDGE: The resolution was that it should be transferred to the Hornsby Shire local government.

Mr RUSSELL: Yes, but it is an upper North Shore council. I do not like the talk of us taking over anything because it is up to the Government—

The Hon. ROBERT BORSAK: Parramatta does.

Mr RUSSELL: No, Parramatta does not like it either.

Mr DAVID SHOEBRIDGE: So you have done your analysis and you think that getting part of Carlingford, part of Eastwood and part of Epping from Parramatta would be good for Hornsby; and getting part of Eastwood, part of Marsfield and part of Macquarie Park from Ryde would be good for Hornsby.

Mr RUSSELL: It would be good for the ratepayers of that new council.

Mr DAVID SHOEBRIDGE: Have you done any analysis on the other side of what impact that would have on Ryde and on Parramatta?

Mr RUSSELL: Obviously if Ryde is going to continue to exist then all of that is off the table. It really depends on what the Government decides. If the Government decides in favour of the independent panel's recommendations then Ryde is going to be split up and part of it is going to go to a lower North Shore council and part of it is going to go to Parramatta. Part of Hornsby was also going to go to Parramatta.

Mr DAVID SHOEBRIDGE: My question was: have you done any analysis of what the impact will be on Ryde and Parramatta? Is this your long way of saying no?

Mr RUSSELL: No, we have not done any analysis of what it would do to Parramatta and Ryde.

Mr DAVID SHOEBRIDGE: Isn't that essential before you start making propositions to take bite-size chunks out of your neighbouring council areas?

Mr RUSSELL: No, it is just our recommendation. That is the way we feel an upper North Shore council can be viable. It is not about Hornsby; it is about an upper North Shore council being viable.

Mr DAVID SHOEBRIDGE: You said that you did not get any cooperation from Ku-ring-gai Council, is that right?

Mr RUSSELL: Yes.

Mr DAVID SHOEBRIDGE: But they did cooperate with you in joining together to get Morrison Low to be your joint consultant to look at amalgamations?

Mr RUSSELL: They did, but that was as far as it went. They did not cooperate with us on the PricewaterhouseCoopers issue or on the KPMG investigation.

Mr DAVID SHOEBRIDGE: They cooperated with you for months with Morrison Low and then they formed a different opinion to you on mergers, didn't they? They had 23 reasons not to merge. Do you think those 23 reasons are valid or not?

Mr RUSSELL: It is not up to me to decide—that was the opinion of Ku-ring-gai Council.

Mr DAVID SHOEBRIDGE: And they rejected it wholeheartedly, didn't they.

Mr RUSSELL: They did.

The Hon. BEN FRANKLIN: Point of order: Has the member's time expired? I think I heard the alarm.

CHAIR: Yes, I invite the witness to complete his answer and then we will move to questions from Government members.

Mr RUSSELL: I said that they did.

The Hon. BEN FRANKLIN: I thank all the witnesses for attending. We appreciate your time. We heard before from both Canterbury City Council and Shoalhaven City Council about the process around Fit for the Future but I do not think we heard from Hornsby Shire Council. So I am wondering what the view of Hornsby Shire Council is about the Fit for the Future process. We have had a number of submissions about some of the problems and disadvantages for councils of the process. But what benefits have there been, if any, of the Fit for the Future process?

Mr RUSSELL: I think it has focussed all the metro councils. I have to differentiate here between us and the country councils. Our country cousins do have significant issues. One of the reasons I am strongly in favour of reducing the number of councils in the Sydney metropolitan area is that, given the obvious pressures on the financial assistance grants and everything else, there are councils in Sydney that have the wherewithal to provide some of those answers. I think it has been great that we have actually focused on our finances for the first time in a long time. It has highlighted the fact that in some cases, as we heard earlier in the session this morning, councils have differing opinions on how they should depreciate. I noticed early in the process that our neighbours The Hills Shire Council have about \$70 million or \$80 million more in assets but \$6 million less depreciation in the figures for the year I was looking at. I questioned their general manager Mr Dave Walker about that. Has he appeared before the Committee already in this inquiry?

CHAIR: No.

Mr RUSSELL: Anyone who questions Mr Walker will know that we are treading on shaky ground here. That is another issue—councils are not all singing from the same hymn sheets. So for us to be able to look at it we need to at least get that sorted out. We heard earlier today about depreciation and the various issues with roads and everything else. I think it is good the Government has got us to focus on those things and to get a template that we can work on. Now councillors when they are elected can compare the financial situation.

The Hon. BEN FRANKLIN: Obviously a great deal of the focus of this Committee and a number of the submissions we have received have been on amalgamations. You have clearly done a lot of work on that issue, and you referred before to some of the research you have done. Could you describe for us in a little more detail your understanding of community views about mergers in your area according to your research?

Mr RUSSELL: We found in our Crosby Textor polling that few people knew much about it. I think only about 50 per cent of the population knew anything about local government reform at that stage—and this was done a couple of years ago so there are probably a few more people aware of it now. As I said, when we questioned them people were not concerned. Issues around "our council" was where they felt a bit more strongly than they did about shared services. They wanted better value from the council—there was an overwhelmingly positive response about getting better value for their rates from the council. But there was a difference in whether they thought shared services or amalgamation was the answer. It was a very interesting exercise.

The Hon. BEN FRANKLIN: But there was an understanding that there needed to be substantial reform?

Mr RUSSELL: Yes.

The Hon. BEN FRANKLIN: You mentioned before, and again I am paraphrasing so if you disagree with me then please let me know, that a large council run well can deliver significant benefits.

Mr RUSSELL: Yes.

The Hon. BEN FRANKLIN: Can you identify what those would be?

Mr RUSSELL: My hobbyhorse is town planning. I would like to see better architecture, better town planning and better public space in our town centres. Sydney is a growing city and we are going to find that transport is increasingly more difficult to negotiate and that the roads are even more clogged. So we have to make our town centres more pleasant places for people to visit and to shop.

The Hon. BEN FRANKLIN: How will having a larger council actually help that?

Mr RUSSELL: A larger council will hopefully have more planning powers. They have to demonstrate that they are responsible and capable of making the responsible decisions. In the past some of our neighbouring councils have lost their planning powers because they were not capable of making planning decisions. It is imperative that councils make good planning decisions and get the right architecture in their town centres.

If they are not responsible we should not have that responsibility. That is one of the reasons. Then of course there are economies of scale that will be significant if well managed, and that will mean that you can provide a lot more facilities. We heard earlier about the idea of open space. Trying to buy open space now with the prices of houses in Sydney is going to be even harder going into the future, so again a larger council will have those economies of scale that allow you to finance things. We are in the process of trying to deal with Sydney Water about a large tract of land in our area at the moment. And, of course, with the prices going up so much, I think the price of that land has probably doubled.

The Hon. BEN FRANKLIN: You talk about the potential to provide new facilities. In your submission you talked about the messages coming out of the PricewaterhouseCoopers [PwC] research in which they said that under a larger council there would be:

access to a larger pool of financial and non-financial resources [that] would enable a merged Hornsby/The Hills Council to undertake new functions and deliver new services.

What sorts of new functions or services might you be able to deliver under a larger council?

Mr RUSSELL: I really have not put my mind to that at the moment. At this stage, town planning is one—trying to get better public domain. It is very important to be able to provide a better public domain in your town centres—that is just one. But there are also better library services, more decentralised services, better community centres—because in this day and age the community expects to be able to use community centres for a lot more functions, so they are multimillion dollar facilities that you are now building rather than the old facilities that were put up by the local committee many years ago. All those sorts of things come into effect. Doing master plans like we are doing in Brooklyn is another issue.

The Hon. BEN FRANKLIN: Thank you very much.

The Hon. CATHERINE CUSACK: Mr Montague, regarding some of the figures that you have given the Committee, did you say that Bankstown has a resident population of 190,000 and Canterbury has 150,000?

Mr MONTAGUE: That might have been light on with Bankstown. I think it is somewhere around 190,000. It could be 195,000; it is no more than that. Canterbury could be 148,000, but it is around that number—yes.

The Hon. CATHERINE CUSACK: Bankstown's website says they have over 200,000.

Mr MONTAGUE: No, I do not believe that is correct.

The Hon. CATHERINE CUSACK: So you think their website is wrong?

Mr MONTAGUE: Yes, it must be, because the figure is under 200,000.

The Hon. CATHERINE CUSACK: Your website says 144,000. Is that incorrect as well?

Mr MONTAGUE: It possibly is. The population has risen. We obviously have not updated that figure, but I believe it is somewhere between 145,000 and 150,000.

The Hon. CATHERINE CUSACK: Right. In terms of staffing, did you say you now have 550 staff?

Mr MONTAGUE: We have around about 540 equivalent full time.

The Hon. CATHERINE CUSACK: You will be familiar with this document, which is a document distributed to your ratepayers in Canterbury and Bankstown concerning what you have put to them as the proposed amalgamation.

Mr MONTAGUE: Yes.

The Hon. CATHERINE CUSACK: It talks about 346,800 residents. I assume that is the combined figure of the two local council areas.

Mr MONTAGUE: Yes.

The Hon. CATHERINE CUSACK: I want to ask you about where you say fewer people speak a language other than English—33.5 per cent versus 43.5 per cent. Are you saying that in Canterbury fewer people speak English or in Bankstown fewer people speak English?

Mr MONTAGUE: Well, I cannot comment in relation to Bankstown, but certainly in relation to Canterbury roughly 40 per cent of our population do not speak English as a first language and 70 per cent are from a non-English speaking background. That is rough, but they are the figures from the latest census.

The Hon. CATHERINE CUSACK: That was my understanding as well. I just do not understand the point of that in the—

Mr MONTAGUE: Well, I am not sure how you are looking at it or in what context, but I think Bankstown is pretty similar.

The Hon. CATHERINE CUSACK: You are saying what the differences are between these areas and you talk about people speaking a language other than English. It sounds like a little dog whistle, actually.

Mr MONTAGUE: What we are trying to say there—maybe we did not do it very well—is that that very cultural diversity of Canterbury in particular creates special challenges for the council, and that is throughout our organisation in every respect. It creates a challenge for us that some other councils perhaps do not experience—I guess that is all we are trying to say.

The Hon. CATHERINE CUSACK: But you all manage to support the same footy club, do you not?

Mr MONTAGUE: Of course—the mighty Bulldogs—absolutely.

The Hon. CATHERINE CUSACK: But they cannot support the same council.

Mr MONTAGUE: It is interesting that you say that, because I made a comment the other day to somebody that I cannot foresee a situation where you would have St George and Canterbury in the one area. You would have the St George Dragons and Canterbury Bulldogs—

CHAIR: Illawarra Dragons.

Mr MONTAGUE: And everybody knows it is the Canterbury-Bankstown region and it is the Canterbury-Bankstown Bulldogs. So of course I support the Bulldogs.

The Hon. CATHERINE CUSACK: The document refers to what would change. According to the document, it says, "Rates: The average rate would increase to \$1,374." Can you please take the Committee through the mathematics of that figure?

Mr MONTAGUE: I am not sure what figure you are quoting there. I do not have a copy of that document.

CHAIR: Can we give the witness a copy and he can have a quick glance at it. You can lead him through that document now.

The Hon. CATHERINE CUSACK: Yes, sure.

Mr MONTAGUE: Sorry, what was the question again? I beg your pardon.

The Hon. CATHERINE CUSACK: The average rates. It says, "If we merged, what would change? Representation: Residents per Councillor would increase from 14,960 to 23,100. Rates: Average rate would increase to \$1,374."

Mr MONTAGUE: Yes.

The Hon. CATHERINE CUSACK: Can you tell us about your average rates at the moment and how you calculated that number?

Mr MONTAGUE: I assume that \$1,374 includes the waste removal levy [WRL], which is about \$400 of that total. It could be a bit less than that or maybe a fraction more—I do not have the exact figures. What we are saying there is that that \$1,374 is all inclusive and includes the waste management charge as well as the land based rates—add the WRL rate.

The Hon. CATHERINE CUSACK: Is that for residents or for business?

Mr MONTAGUE: I think that is for residents—that would be a residential rate.

The Hon. CATHERINE CUSACK: So the average residential rate for Canterbury is \$908 per annum—is that correct?

Mr MONTAGUE: Yes, but I do not think that includes the waste charge.

The Hon. CATHERINE CUSACK: And the average rate for Bankstown City Council is \$945 per annum—is that correct?

Mr MONTAGUE: I do not know that, I am afraid.

The Hon. CATHERINE CUSACK: Well, it is very important, because you have told all of your residents that average fees will increase to \$1,374. So it is really important that we understand the mathematics of how you have calculated that figure, otherwise you would be accused of deliberately misleading your ratepayers, and I am sure that it is either a mistake or there is some other explanation for these numbers.

Mr MONTAGUE: No, I think—

CHAIR: How about you take that on notice?

The Hon. ROBERT BORSAK: Point of order: We are not playing gotcha here. Why do we not ask the witness to take it on notice?

CHAIR: Order! We will try to resolve this so we can move on. Mr Montague, would you like to take that on notice and supply the breakdown for the honourable member?

Mr MONTAGUE: Absolutely.

CHAIR: Then we can move on with further questioning.

Mr MONTAGUE: This was a flyer that was done internally. To be honest, I cannot vouch for its preciseness.

CHAIR: That is fine. Take it on notice. We will give you some breathing room to get the right information to the member.

The Hon. CATHERINE CUSACK: On council's website in a media release in the name of the mayor it suggests more than 240 local services may be put at risk if the City of Canterbury is forced to merge with neighbouring councils. Can you explain that to us?

Mr MONTAGUE: Again that was something we put out there to our community. We are making a statement that all of the services the council provides—all sorts of services—and we estimate those to be around 240, could be put at risk if amalgamations happen. If there is a forced amalgamation and the numbers do not stack up, it is possible some of those services could be put at risk. I said earlier that somebody has to pay. I think somebody mentioned the community expectation there. That is an often used word. The expectation is there, but my issue is: How do you fund it? The problem facing local councils is how they fund the services people expect to receive these days. So we are saying—

The Hon. CATHERINE CUSACK: Do you genuinely believe that 240 services could just disappear overnight?

Mr MONTAGUE: No, I am not saying they would disappear. I am saying that they may be affected in some way or other. They may be reduced in frequency, for example. It could be sideline mowing; it could be broadacre park mowing. There are all sorts of things that could be affected by amalgamation.

The Hon. CATHERINE CUSACK: Is that the best hope you can offer them—that 240 would be placed at risk—in terms of your leadership through this process, because Canterbury council is incapable of managing a process like that that safeguards those services?

Mr MONTAGUE: No, I reject that entirely. What we are saying is—

The Hon. CATHERINE CUSACK: It is your responsibility, so that is why I am—

Mr MONTAGUE: It is, and I accept that responsibility. The point is there are 240 services we have identified that may be put at risk if amalgamations proceed and they are not done properly. Of course we are mindful of the importance of some of these services and it is not council's intention to reduce them. But as I said before, at the risk of repeating myself, if we cannot afford to provide those services, who else pays for them? It is as simple as that.

The Hon. CATHERINE CUSACK: Apart from trying to stop reform, what are you doing to protect those services?

Mr MONTAGUE: We are not trying to stop reform. We said at the outset and in our submission that we favour local government reform. We do not think that the emphasis on amalgamations is appropriate. There is more to the reform of local government than amalgamations. We have told our community what we are doing in terms of our financial position. Our financial position is strong; it is sustainable. We achieved that through introducing a special rate variation two years ago, which will have its final year, I think, next year. It will increase rates in the City of Canterbury over that three-year period by 23 per cent. We discussed that with our community. They supported it, provided the money went into service provision. That is exactly what we intend to do.

You have to look at the range of services that a council like Canterbury provides before you can make sweeping statements—I will use the term, you did not—about scaring the ratepayers and trying to promote some sort of negative outcome from amalgamations. We have said that we want local government reform. We are happy to amalgamate with Bankstown but not with St George County Council. We did not have a stand-alone option. We had no choice but to submit one because the other councils did not want to know us. That is where the whole process is flawed.

The Hon. CATHERINE CUSACK: You have indicated that you are coming up to 30 years.

Mr MONTAGUE: It has been 33 years this year.

The Hon. CATHERINE CUSACK: Is that as general manager of Canterbury Council?

Mr MONTAGUE: Yes.

The Hon. CATHERINE CUSACK: And you have acknowledged that councils need to modernise and reform.

Mr MONTAGUE: Yes.

The Hon. CATHERINE CUSACK: Would you accept that it would be challenging for a person who had been holding the same position for 33 years—

The Hon. ROBERT BORSAK: Point of order—

Mr MONTAGUE: I will answer the question. No, I do not.

CHAIR: What is your point of order, Mr Borsak?

The Hon. ROBERT BORSAK: It is a personal attack. It is completely unnecessary. It is not dignified and it should not be done.

The Hon. CATHERINE CUSACK: It is a fair question and I am not attacking. I am giving the witness the opportunity.

Mr MONTAGUE: I am saying no.

The Hon. CATHERINE CUSACK: You do not expect there to be any problem?

CHAIR: On the point of order—

The Hon. CATHERINE CUSACK: I wish I was not constantly interrupted.

CHAIR: A question was asked that caused some agitation and a point of order was raised. I have to rule on the point of order. I do not uphold the point of order, because Mr Montague chose to answer your question. We will move on with the questioning.

The Hon. CATHERINE CUSACK: Some pretty awful things have been said about the Minister and the Government.

CHAIR: I did not ask you to contest my ruling. I asked you to progress with questioning, please.

The Hon. CATHERINE CUSACK: I understand that some local government areas look at cost per transaction under \$100. Does your council have a similar analysis of its costs?

Mr RUSSELL: Not that I know of. I think that we do but I am not aware of it. I know that right through the organisation these days we are very aware of the cost to the ratepayer of nearly everything we do. One of my pet projects is to look at it. I have a spreadsheet that I carry around in my pocket with the TCorp results of a few years ago, showing the number of ratepayers per council employee. I am always trying to ensure that we up at the top of the list with respect to that. We are; I think we are second or third. We might be even higher. I think our ratepayers are getting pretty good value for their ratepayer dollar in Hornsby Shire. Having said that, I should also note that we have a big shoreline fronting the Hawkesbury River. We have jetties and launching ramps.

We spend \$6 million on the environment every year. We spend \$3 million of that monitoring the water quality of the Hawkesbury River and the Berowra Creek catchment area. We are spending money on catchment remediation and that sort of stuff. I am very mindful of that because I live down on the Hawkesbury River. I go home by boat; I live at a little place called Milsons Passage. If I lose the council election next year—with or

without amalgamation—I can go fishing, and I want the water quality to be much nicer so that there is more fish in the Hawkesbury. Sorry, I was getting away from the question. I am not aware of the cost but I am very mindful of making sure that the council's costs are reduced at all times.

The Hon. LOU AMATO: I have a couple of questions about the Shoalhaven, which is a beautiful part of the world. Can you describe the different communities of the Shoalhaven? What are some of the key towns, and how are they different?

Mr WELLS: The City of Shoalhaven was an amalgamation of a number of rural and regional councils, including Cambewarra and Numbaa Council and Berry Council, which took place in the 1940s. It was consolidated in the early 1970s into the City of Shoalhaven. The city comprises 49 towns and villages, the main town being Nowra-Bomaderry, which has a population in excess of 30,000. The second largest conurbation would be in the bay and basin area, comprising Basin View, Sanctuary Point, Huskisson and Woollamia. Further south we have the Milton-Ulladulla district, which comprises about 15,000 people.

The rest of the communities, in the main, vary from villages of 500 people to villages of up to about 2,500 people, including the townships of Berry and Shoalhaven Heads, Culburra and Callala—we call them the eastern suburbs. The towns differ quite significantly, in their heritage, economy and history. Ulladulla was the heart of our fishing fleet, whereas Milton and Berry were pillars of the South Coast dairy industry. There were very large economies based around dairy.

Timber-getting was one of the reasons Alexander Berry headed south in the first place. He wanted to recover cedar from the hills. Over the years, the economy has transitioned to the point where now our major economic drivers are government administration—health and education—and the defence industry. We have the headquarters of the Australian Fleet Air Arm based at HMAS *Albatross*, which is currently undergoing a multi-hundred million dollar expansion, with two new helicopter squadrons. HMAS *Creswell* services the fleet offshore, through Jervis Bay. For the balance, the coastal villages are primarily tourism orientated. Tourism is the fourth biggest industry in our city, worth about \$700 million a year to the economy, and employing up to 7,000 people. That is a seasonal industry.

In terms of the demography, we have a disproportionally high number of people over the age of 65—over 30 per cent. We have diminishing numbers of people under 25, as they come to the metro areas for education and employment opportunities. In between, we have a very high dependence on welfare dollars. About one in every two adults in the City of Shoalhaven is on some sort of welfare support. Therefore things like rate increases, taxes, efficiency of administration and delivery of services are very sensitive issues for our communities. The biggest single handicap is inter-urban transport, for people in the village communities, to the major service towns of Ulladulla, Milton and Nowra-Bomaderry, where the hospitals, the big clinics, the big educational institutions and the like are situated.

Mr PIGG: The 49 towns and villages are a real challenge to the organisation, simply because every community wants its public hall and swimming pool. I will draw some comparisons between our area and Tweed Heads, which is another group 5 council. Their population is just over 90,000 and ours is just under 100,000 so they are fairly comparable. Shoalhaven has 27 public halls; Tweed Heads has 19. Shoalhaven City has 12 aquatic centres and pools; Tweed Heads has three. The asset base, length of roads is 1,770 kilometres compared to 1,230.

The Hon. LOU AMATO: There is a vast difference.

Mr PIGG: There is a big difference. They are very similar in nature and in overall expenditure but there is a big difference in average residential rates across the two. Shoalhaven City has significantly lower residential rates but it has a much higher asset base. This is why I said that efficiency measures are more complicated than just expenditure per population. There is a whole bunch of other factors that have to be examined to get a proper picture of how things work.

Mr WELLS: I have one final comment. Our city's population trebles in peak holiday seasons. As a council we have to provide the underlying infrastructure for 350,000, not 100,000 people, in each of our towns and villages. We have 14 separate sewer schemes and water schemes and so forth. That is an ongoing burden that the resident population have to carry for the balance of the year. As a council, I think we do it pretty well.

CHAIR: I am surprised that you forgot the 109 beaches, the beautiful oysters and the wine industry, but it was a pretty good plug for the Shoalhaven.

Mr WELLS: I thought I would leave that for you.

CHAIR: Our time for questioning is all but finished. I would like to put a couple of questions on notice. I note that one of the issues is cost-shifting. Do you have a solution for that, particularly focusing on the section 94 issue? Do you have a solution for addressing the definition of "depreciation" and getting that a bit more stable in relation to local government so that the State Government method is consistent with the State application? If you could present your debt service ratio figures, that would be handy too.

The Hon. LOU AMATO: Since Shoalhaven was amalgamated in 1948—and you are quite right, you are pretty close to it. Would you be able to find out? Obviously some councils have suggested that council mergers would mean that they cannot represent different communities. Would you be able to find out how it worked for Shoalhaven once it came together in 1948 or since then, and then get back to us?

Mr WELLS: In a nutshell we have established a framework of what we call community consultative bodies. There are 23 of those. They meet monthly. The executives are drawn from the local community.

The Hon. LOU AMATO: So it has been successful.

Mr WELLS: We as councillors go out to those meetings every month across the city to gather feedback on our proposals, our initiatives, our spending priorities, and it is working very successfully.

CHAIR: Thank you. I appreciate the Shoalhaven representatives travelling to Sydney for this session. I note the invitation from Councillor Steve Russell for everyone to join him to go fishing if he does not get elected. I know Mr Pigg might be interested in that offer. You have taken some questions on notice. You have 21 days to answer them. The secretariat will be more than happy to assist you with that. Members may have further questions that they will put together within 24 hours. Thank you for the diversity of the different councils and your experience and your love for the communities. No doubt at the end of the day our communities are much better off for the bit you are playing and the bit your councils are playing to ensure that our grassroots community is looked after.

(The witnesses withdrew)

(Short adjournment)

LUKE AITKEN, Senior Manager, Policy and Advocacy, NSW Business Chamber, and

PATRICIA FORSYTHE, Executive Director, Sydney Business Chamber, sworn and examined:

CHAIR: Do either of you have an opening statement that you would like to make?

Ms FORSYTHE: We each have a brief opening statement. When I joined the Sydney Business Chamber nine years ago the issue of the reduction of local councils in Sydney was presented to me by members as the number one issue for policy reform, and it remains that today. Sydney Business Chamber members are large corporations from across the greater Sydney region and from many industry sectors, as well as from the not-for-profit sector, and include diverse organisations from the arts, education, tourism, banking and finance, business services and infrastructure sectors, to name but some. They all have an interest and an investment in the success of the Sydney economy. Many of these organisations carry out business across a number of sites in Sydney in multiple council areas. The goal of the chamber through its Sydney First Program is to see policies in place that enhance Sydney as a competitive global city, and hence our view that amalgamation is well overdue.

The fact that Sydney has a highly fragmented local council structure matters to our members for a number of reasons; some in terms of efficiency and then broadly speaking for good planning. Local councils each have development control plans. In other words, council by council standards may vary and business needs capacity to understand the varying standards when they are looking to lodge a development application. Having the capacity to understand the various standards costs business in time and money, and ultimately that cost is borne by customers and is one factor amongst many to explain why doing business in Sydney is expensive. We note that boundaries were developed ahead of many current Sydney institutions. For example, Westmead Hospital is in the city of Parramatta yet some of the Westmead health precinct and much of the suburb is in Holroyd council. Creating world-class precincts requires holistic planning and that is not easily achieved with the current boundaries.

Sydney airport, which is one of Australia's most significant pieces of economic infrastructure, in its submission to the IPART Fit for the Future notes that the airport is currently divided between three local government areas, Marrickville, City of Botany Bay and Rockdale. The boundary follows the original course of the Cooks River prior to its diversion in the 1950s to allow the airport's main north-south runway to be constructed. For a local government boundary to follow the course of a river that was moved several decades ago is clearly anomalous. It also creates administrative complexities for the airport. For example, there are three sets of off-airport local planning rules and for metropolitan planning purposes different parts of the airport are subject to different subregional strategic planning priorities. Sydney Airport's lease with the Commonwealth requires it to make ex gratia payments in lieu of rates to each of the three airport councils. Each council has a very different view on what that payment should be. Ten local councils along the Parramatta Road corridor explain why it lacks the cohesive vision and hardly represents best practice as a major transport and urban renewal corridor.

Subregional planning is a key to developing Sydney and managing our growth, and yet under the fragmented system no-one has responsibility for a subregion. One council for each subregion would give Sydney the best chance to manage its growth. Each subregion should have a major centre with a strong local brand that drives the subregion and shapes the local economy. Strategic economic centres are at the heart of what we need, not more of the same tyranny of small decisions. In the New South Wales Government plan for growing Sydney it notes the role of the Greater Sydney Commission will be to monitor local environment plans and the delivery of housing and jobs. Logic says fewer than 41 separate local councils will make the task of the Greater Sydney Commission managing Sydney's growth far more efficient.

Mr AITKEN: The NSW Business Chamber represents more than 18,000 businesses right across the State. The NSW Business Chamber works with thousands of businesses ranging in size from owner-operators to large corporations and spanning all industry sectors from product-based manufacturers to service provider enterprises. The chamber has been a consistent and vocal advocate of the need for local government reform across New South Wales and particularly within Sydney. The chamber's red-tapes survey consistently identifies local government as a complex and difficult regulator to deal with. Our most recent published results indicate that 41 per cent of businesses in New South Wales rated local government as very or extremely complex when acting as a regulator. Member businesses consistently raise concerns on inconsistency of regulation between councils, the capacity of councils to plan strategically and the lack of professionalism from elected council officials.

While it is recognised that reform of the local government sector requires more than changes to council boundaries, structural reform of the sector is absolutely necessary. Due to their key differences, however, we accept that structural reform should be different in terms of metropolitan and regional councils. However, change should and must occur. The current local government structure of 41 local councils is simply failing to support the needs and aspirations of a modern and growing city. Council numbers must be reduced to ensure that the quality of services and delivery of infrastructure to the community is maintained. In regional New South Wales councils' role as a key generator of employment and economic activity countered by financial capacity constraints and skill shortages means that a different approach to structural reform is justified.

The Hon. ERNEST WONG: In your submission you mentioned the red-tape survey that identified local government as a complex and difficult regulator to deal with. Is that because of bureaucracy or because of the political representative in the council?

Mr AITKEN: The red-tape survey is an annual survey that the NSW Business Chamber undertakes. We have run it for at least the last eight years. The 41 per cent refers to when councils are carrying out their regulatory function, but for many businesses it is not dealing with one council but dealing with multiple councils. It is usually not the elected officials; it is the professionals within the local government sector and sometimes the regulation itself. Within Sydney, often it is the duplication of regulations, where you have to get a licence in multiple jurisdictions.

The Hon. ERNEST WONG: In your submission you also mention that we do not need so many councillors. We have 1,475 councillors and you looked at cutting that number by half because there is no justification to have so many councillors. However, many community members see councillors or political representatives as their voice. Why do you think there are far more representatives of the council than you think is adequate?

Mr AITKEN: Most members think having 1,400 councillors across the State is too many. It is around 280 more than Queensland and Victoria combined. It is a shocking statistic. Our members generally feel that there are far too many councillors. There is not a consistent number of councillors per council. Councils can have up to 12 councillors or as few as seven. The bare number is not really at issue; it is the capacity of the individuals representing the community to engage with issues. We hear a lot of concerns from members about the professional standards of councillors. We accept that there are significant demands on people's time to participate in local government and reducing the number of councils would allow councillors to become full-time. The current structure of local government actually stops people from participating, so we see a preponderance of older councillors who are retired and have more capacity to participate in local government meetings, whereas offering a full-time paid position would allow more people to participate in council business, particularly young people and women.

Ms FORSYTHE: Our view is that local government reform is more than just changing lines on a map. There should be some cultural reform as well. We have talked about more professional structure for councillors and we are also very interested in models in other places, where while the councils may be large, if you get the right structure in place you do not lose the capacity for good local engagement. We have engaged with Professor Ed Blakely from the University of Sydney to do some of our early research. We talked to him about how this has been addressed in, for example, parts of the United States. They have very regular—virtually weekly—local community meetings with councillors and representatives. The size of the council does not matter; it is the structure you put in place to deal with issues. At different times we have heard from the newDemocracy Foundation about some ideas they have on engaging with communities. The last thing we want is, whether it is a local community or a local government, not having a good dialogue with and an understanding of the needs of the broader local community. When we talk about changes at local government level, it is more than changing lines on a map. We are looking at something that is stronger than that and we want to see local community participation.

The Hon. ERNEST WONG: Are you saying that we should be looking at changing the functions of councillors rather than the structure of the councils? Do you think that making a bigger council through amalgamation would be able to achieve that aim?

Ms FORSYTHE: Yes, we do.

Mr AITKEN: Yes, certainly.

The Hon. ERNEST WONG: Please elaborate on why. We will have fewer councillors representing the different community groups. If that is the case, how could we have better communications between the council and the community via the councillors? The councillors play a very important role in communications.

Mr AITKEN: A lot of community representation through the current structure of councils relies on historical anomaly, depending on when the council was established. Obviously we have Blacktown Council running at about 300,000 representatives down to Hunters Hill Council with about 17,000 community members. To say it is up to the councillors to engage with the community misses the point of the last 50, 20 or even 10 years and the ways people engage with political leaders online or by speaking to councillors at different levels. As Ms Forsythe suggested, this skill is an appropriate place within local government, even if we look towards amalgamation for place-based solutions and having smaller community groups that are appropriately tasked to deal with local community issues—main street events and things like that. What we are trying to achieve with our proposal is to get councils really focused on those higher level strategic issues that have really been slowing Sydney down for many, many years.

The Hon. ERNEST WONG: I am right to say that you are not suggesting that amalgamation will be the only focus of the reform; other elements should actually be incorporated into this local government reform?

Mr AITKEN: Definitely, and the Government has undertaken a review of the Local Government Act and we definitely would support implementing a new local government Act to tie in with the new councils. We would expect different responsibilities for the councils. Similarly with the discussion that is happening around the Greater Sydney Planning Commission there will be a different role for councils and different expectations on how they engage with infrastructure planning and general planning across the city.

The Hon. ERNEST WONG: In this particular amalgamation procedure, Fit for the Future, there is an argument where the Government's focus is just basically on the financial sustainability of amalgamation—bigger means better. What are your thoughts on that?

Mr AITKEN: Our view, as has been pointed out in the Independent Local Government Review Panel report, was that strategic capacity is the key driver behind all of this. With that said, we do believe that moving towards amalgamated councils would lead to substantial benefits for the community in terms of the financial capacity of councils to deliver back to the community. In 2009 we conducted a report that identified opportunities for streamlining back-office administration functions, reducing the governance and administration costs, reducing charges for businesses and consumers, improving the regulatory practice of councils and giving greater capacity for councils to attract and retain skilled staff. I hear a lot from our members about variance in the quality of council staff, the level of training they receive—who you speak to means you get a different answer. Looking towards those things would have significant benefits, not just on bare costs for the council but for the wider community and would have a definite economic generator behind it.

The Hon. ERNEST WONG: You have suggested in your submission that six to 10 councils would be the optimum figure for those councils. Where do you get those figures?

Ms FORSYTHE: Ideally it would relate to the subregions, which goes closer to the six, but we understand that is a big jump from the current 41. We looked at how you might, if you like, get that interim step and in the longer term our view is that the council boundaries would best align to the subregions devised and worked through from the Department of Planning's document on "A Plan for Growing Sydney". We do have to manage Sydney's growth over the next generation; we do have to put in place a system where local government works with the State Government to manage that growth and to manage the extraordinary challenges that that will bring, whether it is in the number of dwellings that we have to create or whether it is in the shifts and the growth in the economy. That will best be achieved, in our view, through giving a prominence to the subregions that have been defined in the document that was released by the Government late last year.

The Hon. ERNEST WONG: You probably think that the development of the joint regional organisation model will be good for regional New South Wales but not for the Sydney metropolitan area. What is the justification for that?

Ms FORSYTHE: I can only talk about Sydney because my members are Sydney-based. That is my responsibility.

Mr AITKEN: As I indicated in my opening statement, councils in regional areas play a far different role than councils within urban areas. Definitely councils play an important role as an employment generator for local communities. We believe the financial constraints on councils in regional areas are more apparent but we do believe that councils in regional areas working more collaboratively together is probably a bigger focus and would result in bigger benefits than within Sydney, or looking towards that approach. Ideally what we hear from councils is that there are ROC models at the moment where councils are meant to be collaborating more closely together. At the moment there is not a strong way for those councils to bind together. You often see personality changes within councils and councils then moving away from the ROC model and who loses out in the end? It is just the community—less service provision, less quality of services and less sharing across council boundaries.

The Hon. ERNEST WONG: I ask you to take this question on notice. I can see you are very passionate about this local government reform. The Independent Pricing and Regulatory Tribunal has been given a time frame and instructed to release its report in less than 12 weeks for the Minister to decide what to do about amalgamation. I want your thoughts on that.

The Hon. ROBERT BORSAK: You state in your submission that amalgamation far from removing democracy actually enhance it. Can you please explain how this would work?

Mr AITKEN: As I touched on in one of my responses, where we talk about community representation, it is often generated from historical anomaly about where boundaries were drawn up for councils across Sydney many years ago. The opportunity with amalgamation would be to ensure that there would be a relatively equal level of representation for all people in New South Wales, similar to what we have in the lower House in the New South Wales Parliament where we have 93 parliamentarians but we adjust boundaries as populations shift and move. Having a point in time and just saying, "That's the boundary; that's the level of representation this community gets but this newer community further out from there gets a lower level of representation" to my mind seems unfair and I think manifestly most people across New South Wales would probably deem quite unfair if they do not get the same level of representation regardless of where you live.

Mr DAVID SHOEBRIDGE: It is a race to the lowest common denominator.

The Hon. ROBERT BORSAK: Yes. I was going to say I do not see people breaking the doors down complaining about it.

Mr AITKEN: No, not really, but I do not see that justifying the current system because there is a certain level of representation in one area as opposed to another should not be addressed. I think it is up to elected officials to begin to look at that and see whether or not—

The Hon. ROBERT BORSAK: In fact, you do take your proposal a little bit further, and I actually find it interesting but worrying. You talk about amalgamations could justify higher levels of councillor remuneration. Are you actually talking about and advocating for a professional politics at the local government area?

Ms FORSYTHE: Yes.

Mr AITKEN: Yes.

The Hon. ROBERT BORSAK: You are.

Ms FORSYTHE: Yes.

The Hon. ROBERT BORSAK: So how is that going to be better for local communities?

Mr AITKEN: Like I indicated, it will attract the ability—

The Hon. ROBERT BORSAK: Are you going to attract a political class, which is going to make it cheaper to run local government?

Mr AITKEN: I believe there would be many members here who have come from working in local government so it is quite natural that community representatives aspire to support their local community. In terms of a political class though, at the moment the way in which local government is structured, it stops young

people from engaging in the system; it stops women engaging in the system. It is usually left towards people who are older, have a greater capacity to go and sit on council meetings so the opportunity by professionalising it would attract people with a level of experience and skillset that is appropriate towards managing local.

Ms FORSYTHE: As I have said, we have always had a position about amalgamations but allied with that has been stronger local government. We are in fact strong advocates for strong local government and we see that best achieved through fewer councillors but well remunerated so they have a capacity to treat this as a full-time role and to be able to put the time in to meet the challenges that we see ahead across the Sydney Basin.

The Hon. ROBERT BORSAK: I do not think you have made the argument for why that would be better. How is that more efficient? How does that deliver more services? How is that more cost effective? Yes, it may give a certain demographic an opportunity to get into politics earlier and get paid for it but how does it make the argument that services are going to be delivered cheaper, services are going to be more efficient, democracy will be enhanced and contact with local government representatives will be enhanced?

Ms FORSYTHE: I do not think we have started from the position necessarily of being cheaper but we have certainly started from the position of efficiency and I use the example of many of my businesses that operate across many council areas and the current system where each council can have their own development control plan; it makes it extraordinarily expensive for business to do business across the Sydney Basin.

Mr DAVID SHOEBRIDGE: But it protects local value.

The Hon. ROBERT BORSAK: Is that more about local communities?

Mr AITKEN: As we pointed out in our 2009 report if the number of councils in Sydney were to be reduced to just 200, which would be put Sydney in line with council numbers in Melbourne, this would lead to a \$3.5 million per annum saving for local government to be sensibly reinvested back into the community.

Mr DAVID SHOEBRIDGE: That is the \$3.5 million statewide question. You are not serious about that, are you? It is a billion dollar industry you are talking about.

Mr AITKEN: That is within Sydney.

Mr DAVID SHOEBRIDGE: That is your stated view?

The Hon. ROBERT BORSAK: If you take the analogy even further, I suppose under that paid political class we would have citizens, panels and local boards. My understanding is that experience of Auckland council reveals that these are not working very well.

Mr AITKEN: Feedback I have seen from Auckland council is that it achieves significant savings and there has been positive engagement.

The Hon. ROBERT BORSAK: Auckland council is also experiencing significant monetary losses.

Mr AITKEN: I am sorry, I do not have any of that information available to me to respond.

The Hon. ROBERT BORSAK: Will you take that on notice?

The Hon. CATHERINE CUSACK: I do not think that is correct.

CHAIR: One of the concerns about a Greater Sydney Commission is that it will be land-use focused. The view around the room seems to be that if it embraced far more stakeholders it may work. What would the business chamber see as being the other stakeholders that would be part of that commission?

Ms FORSYTHE: Would you repeat that?

CHAIR: If a Greater Sydney Commission were to be established with a well-rounded stakeholder representation, not just land use, what would the roles be in your view? Have you thought about who would be around the table in that commission?

Ms FORSYTHE: Not entirely but obviously we would expect a cross-section of local government representation. I guess at this stage we are all looking forward to seeing what that legislation will be. But if you go to what the Government has said in A Plan for Growing Sydney it does refer to its role as monitoring LEPs and then working with, one would presume, local councils on the delivery of housing and job targets. Clearly as well there are numerous stakeholders as part of this. We have not sought to second-guess where the Government might go with the commission.

CHAIR: I do not suggest that we are second-guessing or trying to tell the Government at this point in time what that should be. That is its business. At the conclusion of this inquiry, if the Committee has something that would be helpful in its recommendations relating to the Greater Sydney Commission that was simply land-use focused you would probably forget about it because it would not include all the other areas. We want cross-section portfolios from the State and a cross-section of local government people around that table.

Ms FORSYTHE: I think there has been a suggestion that we would welcome a holistic approach from government. It is more than land use. There is that capacity to look at things from community facilities. So when you think of a whole community—jobs and housing targets, for example—you obviously need to look at what sits there, for example, future development plans for a school or schools and health facilities. The interesting thing is that no single body has done that in the past, which is why we see the role of the commission as something that we are all looking forward to and that we have all welcomed. Having said that, if one of its responsibilities is to monitor LEPs—I mentioned the term "tyranny of small decisions"—and you take each of those LEPs, unless somebody is looking across them you can get LEPs that do not add up to the number of jobs or dwellings you need because each council is looking inwardly.

CHAIR: That is true. An LEP is a contract with the local community which is saying, "This is what we want our community to look like." The minute you amalgamate or force amalgamations, for example, Parramatta takes on Holroyd, the picture that Holroyd has for itself and its future because of consultation with its grassroots would be totally different from the way in which Parramatta sees it. They might want to gobble it up and make it bigger, better and brighter. There are two different scenarios. We have to be mindful of the fact that a Greater Sydney Commission with the right stakeholders around the table will not result in a takeover bid but rather embrace a grassroots participation model that will ensure local communities do not lose their identity and that the greater needs of Sydney are taken care of.

Ms FORSYTHE: Yes, absolutely. On the one hand the commission will have a monitoring role and on the other hand one would assume that it would also provide some coordination across parts of government. That to us would be ideal. Currently, if you have the commission sitting above the existing structure you cannot get away from the fact that you would have 41 separate councils sitting inside that commission's boundaries. The inefficiency, to us, that comes from 41 separate basic LEPs will not lead to us being able to deliver on the vision government has talked about for the commission.

CHAIR: Will you submit to the inquiry a list of stakeholders who you believe would embrace a good concept for that Sydney commission stakeholders list?

Ms FORSYTHE: Yes.

Mr DAVID SHOEBRIDGE: Do you know what role the Greater Sydney Commission would have? I assume that the Government has not told you?

Ms FORSYTHE: We have relied on some of the material we have been provided.

Mr DAVID SHOEBRIDGE: Some kind of oversight role on planning, but you do not really know much more than that?

Ms FORSYTHE: Except that we have been monitoring the initial announcements from the Government. Well, of course, none of us will know until we have seen the legislation.

Mr DAVID SHOEBRIDGE: You are in the dark as much as the Committee. How could you possibly say that we need to have mass amalgamations of councils in order to link up with a commission when you do not even know what it will do? You are giving the Committee an evidence-free submission, are you not?

Mr AITKEN: No.

Mr DAVID SHOEBRIDGE: Tell me the evidence you have relied upon that shows that amalgamating councils, getting down to six local councils in Sydney, will be good to interact with the Greater Sydney Commission when you do not know what it will do?

Ms FORSYTHE: If you rely on the report, one of its roles will be to monitor the LEPs with a responsibility about jobs and dwelling targets. However, I do not think it uses the word "targets". It is our view that this will best be achieved through the subregional plans which has always been the way in which planning has looked at the future development of Sydney and now they have clearly defined those regions. You start to see a strategic underpinning for the direction for Sydney—doing better at matching where jobs are and where people are living. We are looking at better aligning the transport corridors and where you place, for example, future urban renewal. These are all part of the future growth of Sydney.

Mr DAVID SHOEBRIDGE: You do not know whether the Greater Sydney Commission will be doing half of that. You are just guessing.

Ms FORSYTHE: No, I am not. It is in this planning document.

Mr DAVID SHOEBRIDGE: Have you seen the legislation? Have you seen the detailed points?

Ms FORSYTHE: No, but you have not either.

Mr DAVID SHOEBRIDGE: You rely on a few dot points from that planning document?

Ms FORSYTHE: Well, it is a good start.

Mr DAVID SHOEBRIDGE: How many residents will be in each six councils in Sydney? Is it about 800,000 or so? Is that right?

Ms FORSYTHE: Yes.

Mr DAVID SHOEBRIDGE: That is bigger than Tasmania?

Ms FORSYTHE: It is somewhat less than Brisbane.

Mr DAVID SHOEBRIDGE: Bigger than the Australian Capital Territory, bigger than the Northern Territory. That is not a local council; it is a small province or a small State. Would you not agree?

Mr AITKEN: Yes, I would suggest it is quite a large council.

Mr DAVID SHOEBRIDGE: It is not a large council, it is like a small State—800,000 people. That is not a local government anymore; it is a completely different animal, is it not?

The Hon. CATHERINE CUSACK: How does that compare with Brisbane?

Mr AITKEN: Brisbane has a million. I do not know what the issue could be in having councils of that size and scale.

Mr DAVID SHOEBRIDGE: How many councillors do you think there should be on one of these councils?

Mr AITKEN: We have suggested that seven would be suitable.

Mr DAVID SHOEBRIDGE: So one councillor for every 115,000 residents. Is that right? Do you think that is good democratic accountability? It is downright efficient.

Mr AITKEN: It depends though at what level we are expecting these councils to engage. What issues are we looking for them to address?

Mr DAVID SHOEBRIDGE: At what level are you expecting a councillor to engage when he or she has to deal with 115,000 residents?

Mr AITKEN: I would suggest that at present there is no specific obligation on any councillor to engage with their community.

Mr DAVID SHOEBRIDGE: I am asking about your vision of one councillor for every 115,000 residents. What kind of engagement will they have with their local community?

Mr AITKEN: Our expectation would be as we have outlined. They would be focused at the strategic level in terms of planning for the city.

Mr DAVID SHOEBRIDGE: So they would not be bothering themselves with those pesky local residents. They would not be able to if they had 115,000 of them. You would ignore them.

Mr AITKEN: You would have to, and you would be responsible for people who engaged with you in the community. No-one sits in one local government area. When we have spoken to our members, 50 per cent have told us that they businesses that do not operate within the local government area in which they live. Therefore, they do not get a voice in terms of how that community operates.

Mr DAVID SHOEBRIDGE: How will they be helped by having a council with 115,000 residents?

Mr AITKEN: Because they would be able to express themselves at the ballot box as to whether they agree with the direction the council is taking in terms of supporting their business.

Mr DAVID SHOEBRIDGE: They would get one democratic say every four years. That is your idea of local government engagement.

Ms FORSYTHE: That is what they get now.

Mr DAVID SHOEBRIDGE: No, they now have the ability to engage with their local councillors because they share them among 4,000, 5,000 or 6,000 residents. But you are getting rid of that with your plan.

Ms FORSYTHE: Absolutely. If we are going to manage the city into the future—

The Hon. ROBERT BORSAK: We need to get rid of communities. We need the professional class to come in and ensure that they are not heard.

Mr DAVID SHOEBRIDGE: And they could be well funded by business.

The Hon. CATHERINE CUSACK: Point of order: Can we have the question and allow the witness to answer?

Mr DAVID SHOEBRIDGE: Your plan involves a bunch of professional politicians who are well funded by business at elections.

The Hon. BEN FRANKLIN: Point of order: The bell has just rung.

CHAIR: I will let the witness answer this question and we will then move on to Government questions.

Ms FORSYTHE: I do not think we needed that colouring of it.

Mr DAVID SHOEBRIDGE: This is your chance to respond to the colouring.

Ms FORSYTHE: Our view is that the basis for the future of local government in Sydney should be subregions, and that those regions should be built around strong centres with elected full-time councillors who are paid better than councillors are paid. That gives us the best chance to create an economic and sustainable community model that will support the future growth of Sydney.

The Hon. CATHERINE CUSACK: Do you believe that larger councils and fewer councillors would improve or hinder transparency in the community? Would there be better scrutiny if we had fewer councillors?

Mr AITKEN: Realistically, with 152 councils and 70 staff at the Office of Local Government, the peak body in terms of managing councils, we cannot expect that there is an appropriate level of oversight of the standards that councils are expected to meet. Obviously, and as we suggested in our submission, we recognise that we need to monitor the amalgamation transition. We would apply five years of close monitoring to ensure that the benefits we expect to be accrued are achieved.

The Hon. CATHERINE CUSACK: But would you agree that with fewer councillors the media would have much more ability to scrutinise what they are doing? They would be full-time councillors with offices and they would be more accessible. Attendance at meetings would not be voluntary.

Mr AITKEN: Yes.

The Hon. CATHERINE CUSACK: Your submission refers to what has happened in Auckland. I will be very interested when my colleague Mr Borsak provides the evidence for his statements. It is my understanding that that experience was very different. Auckland has a number of local boards that are elected by the local community. Would you like to expand on that or take the question on notice?

Mr AITKEN: I am happy to take it on notice.

Mr DAVID SHOEBRIDGE: Including the cost.

The Hon. CATHERINE CUSACK: Some other criticisms have been made and I would like to give the chamber the opportunity to respond. It has been asserted that amalgamations cost more than they save. Do you have a view on that? Why would businesses be advocating for fewer councils if they thought it would be more expensive?

Mr AITKEN: There is no doubt that the process of amalgamation is costly, and I believe that has been factored into the Fit for the Future package with offerings to councils to support them through the process. We have suggested a long time frame to allow councils to amalgamate and not forcing all functions to come together on day one. We must ensure that we have elected officials at the start and then work gradually through the back office operations. As I walk around the city, I still see hoardings with the "City of South Sydney Council". There are ways in which we can utilise both councils' resources under the single umbrella model. Ultimately, it is not only about costs to councils; it is also about to businesses and the community in terms of having to comply with regulations in different council areas. That needs to be factored into this, and I do not believe that that modelling has ever been done effectively.

The Hon. CATHERINE CUSACK: The State Government has two very important priorities. One is the cost of living and cost of housing in Sydney. It is working hard to find ways to improve supply as one of the measures in its toolbox of solutions. How will local government reform assist in achieving that goal? How will it assist in opening up employment lands in Western Sydney, particularly when those lands are in multiple councils? We heard today about one person trying to develop a lot having to get two council approvals.

Ms FORSYTHE: In terms of the first point about cost of housing, if you speak to companies that develop in multiple council areas they will tell you about the complexity of dealing with different development standards. These cover everything, including the minutiae of where you might measure setbacks for a building. One council will determine it differently from another council. I am told that councils have differences as basic driveway thickness. You can work your way through every part of a construction plan and they will be different for each different council area. If your company is in the business of developing land for housing, shopping centres or factories, you have to know all of those different standards. That means companies employ people full time to work their way through council regulations. As I said about time and cost, you can measure it for many companies simply in working through local development standards.

The Hon. CATHERINE CUSACK: It has been suggested that it is not fair to merge a badly managed council that has run up a large debt with one that has been well managed and prudent with ratepayers' assets. Do you have any thoughts on that scenario?

Ms FORSYTHE: It is hard to talk to hypotheticals because I do not know those examples. The bottom line for councils in the metropolitan area is that there should be no reason that one is not able to operate as well as others, but clearly that could be the situation. In the longer term we need to ensure that there is sufficient income from rates and other sources that allows them to manage their infrastructure and to play the fundamental role of a local council. I take the point about a council that is run inefficiently. However, in the interests of a local community you would want to be part of the efficient council. Why should you be consigned to be part of a council that is not run well?

Mr DAVID SHOEBRIDGE: How do you know the efficient council will win in the amalgamation?

The Hon. CATHERINE CUSACK: I ask Mr Shoebridge to allow me to ask my questions. In terms of local government reform, do you think that the issues in Sydney are different from the issues in the rest of the State?

Ms FORSYTHE: Well, it is not actually for me to comment on that, because we have a very specific set of Sydney policies. It may be a question for the NSW Business Chamber.

Mr AITKEN: Certainly. As I stated at the outset, we do believe that different models are appropriate for regional areas. One thing that we have been suggesting is around reforming the Regional Development Australia [RDA] model for regional New South Wales. We have some concerns that out in the regions we often see regional organisations of councils, Regional Development Australia and councils competing against each other for much-needed economic investment in those regions. We have put forward suggestions around the potential of disbanding RDA and instead using that investment in the new joint regional organisations model. That would be a far more efficient use of resources and ensure that councils were compensated and do have a proper economic development officer operating for the entire region.

The Hon. CATHERINE CUSACK: Do you have a view on rates reform? An issue that has come up in our inquiry is that the way we rate property needs to be reviewed and changed. There has been a big push from many witnesses that that should happen.

Ms FORSYTHE: Do you mean in terms of unimproved land value or a different model of how rating structures are determined?

The Hon. CATHERINE CUSACK: Yes, for example, The Greens feel that it is not fair that strata residents are paying lower rates. They want a system that rates the improved value rather than the unimproved value.

Mr DAVID SHOEBRIDGE: The Hon. Catherine Cusack should speak for herself, not for me.

Ms FORSYTHE: In some of our previous submissions that we have put forward, obviously the rate peg determines councils overall income from rates but councils are free to divide that up in terms of their rating structure to apply it on business rates, residential rates and industrial rates in different ways. We would like to see some better oversight of that to ensure that capacity to pay is not always applied on business owners. For many small business owners it is quite difficult to cover rates costs. We believe the whole funding model does need to be looked at, particularly for regional councils—who definitely need more funding from grants rather than from fees and charges or rates. Their capacity to raise money is limited. So we definitely support looking at the entire funding structure of local councils with a view to allowing more grant funding for regional communities.

The Hon. CATHERINE CUSACK: We heard from some councils on the issue of the term of the mayor. As you know, some mayors are directly elected and get a four-year term. Other councils rotate the position of mayor. For example, Holroyd has had 12 mayors in the last 15 years. Do you have any views on that issue?

Mr AITKEN: To my knowledge there are 37 elected mayors across the State. The mayor plays a very important role on the council with a casting vote in determinations where voting on an issue cannot split the councillors. We believe the community should have a say in terms of who is elected mayor. I know there are differing views on that in terms of how well a council can function if it has an elected mayor who does not have the support of the council. Our view is that we would err on the side of people having the democratic opportunity to put forward their views about who should occupy that position rather than the alternative.

The Hon. BEN FRANKLIN: Point of order: There were 17 minutes allocated to the crossbench for questioning. The Hon. Robert Borsak spoke from 4.24 p.m. to 4.30 p.m., the Chair from 4.30 p.m. to 4.35 p.m. and Mr Shoebridge from 4.35 p.m. to 4.41 p.m. I respectfully contend, therefore, that the Government members should have 17 minutes of questioning as well.

Mr DAVID SHOEBRIDGE: If the Hon. Ben Franklin wants an extension of time then I am happy to support him.

CHAIR: I will take some advice on the timing.

The Hon. BEN FRANKLIN: Could I ask perhaps for an extension of time for five minutes?

The Hon. ERNEST WONG: That is fine with me.

CHAIR: Yes, I am quite happy with that. I am agreeable to that if that is what it takes to finish your questioning.

Mr AITKEN: We have more answers.

Mr DAVID SHOEBRIDGE: It is a match made in heaven.

The Hon. BEN FRANKLIN: It is. I turn now to the concept of democratic representation. Do either or both of you believe that there are Federal members of Parliament who can represent their communities effectively and well and deeply?

Ms FORSYTHE: I am sure this is outside the terms of reference.

The Hon. BEN FRANKLIN: I am happy to take just a yes or a no.

Mr DAVID SHOEBRIDGE: It is a numbers thing.

The Hon. CATHERINE CUSACK: We are talking about 100,000 constituents.

Ms FORSYTHE: It has certainly not been a policy area that my people have ever discussed. I am not here to give a personal opinion.

Mr AITKEN: I would say that yes, they are capable of representing those constituents.

The Hon. BEN FRANKLIN: Federal electorates in New South Wales are of around 110,000 people. Would you agree that the level of representation given by Federal members of Parliament is not therefore based on the size of their electorate but rather their commitment and capacity? As we have heard from a number of witnesses in terms of local councils, there are local councillors who take their responsibilities extremely seriously and who are excellent representatives. There are others who treat them in a more lax way than they otherwise should. But it does not in any way depend on the size of their constituency.

Ms FORSYTHE: Yes, we would agree with your submission that numbers are not the way in which you judge the outcome. Certainly into the future it will be more online participation of people in the community. We have barely scratched the surface on where that is going to take us into the future. It is not about numbers; it is not even about the geography per se—it is about the capacity of people, community interest and being able to work through issues. I suspect online engagement is going to be where all members of Parliament will be engaged with their constituents in a much stronger way that we have seen in the past.

The Hon. BEN FRANKLIN: That is exactly where I was going to head. You said that "getting the right structure ensures good local engagement". You quoted the case of Auckland. Do you have any other ideas about how such structures could be created in larger councils to ensure that there is adequate democratic representation of the people? You might like to take that on notice and provide us with other examples that work from either Australia or around the world?

Ms FORSYTHE: Sure, we can take that on notice.

Mr AITKEN: I do have a couple of responses to that now. One initiative the chamber has been working on, and we now have around 70 councils signed up across the State, is the Small Business Friendly Councils Program. This is an initiative where we introduce chambers of commerce and local business leaders to the local council and establish groups to engage with them in how they develop and how they engage with the local business community. So that is one way. That would continue operating regardless of what happens with council amalgamations.

Similarly Ms Forsythe touched on earlier the New Democracy Foundation. They have done some work with the City of Canada Bay with a citizen's jury. They had a group of paid individuals from the community sit for about six weeks and assist the council in its determinations and give some solid feedback. It is a different approach to the self-selecting model which we normally see in engagement around new developments and issues within the local community.

The Hon. BEN FRANKLIN: I have one final question. I appreciate the almost contradictory examples of the insanity around Parramatta Road, the airport and so on. Could you elaborate on how individual businesses are impacted by having 41 councils in Sydney?

Ms FORSYTHE: I gave you some examples before about the different development standards that apply for each council. It requires a company that is undertaking development to absolutely know each of those standards because they are different council by council. So if you are a company that builds factories, business parks or something in multiple areas, by and large the company will have people specifically dedicated to that task of knowing the standards for each council. So they have additional people employed and it all adds to their costs. Then of course other businesses, just by virtue of the policies of the various councils, actually have to know what a council's policy might be on a whole range of issues.

Mr AITKEN: I did some work a few months ago on this issue. Obviously we accept that local communities are very unique. I looked at the footpath dining policies of about six Sydney councils. First of all, I identified that there were different names for the same thing—footway restaurant approval, outdoor dining permit or outdoor eating area. The documents were three, five, six or eight pages long. There were different setbacks applied to the road: 2½ metres, 2 metres, 1.8 metres, or 0 metres. Advice on the number of toilets was sought by one for a restaurant seeking outdoor dining approval. There were minimum review periods of four or five weeks with no maximum period applied. There were photo brochures of furniture that applicants had to utilise. The statements absolve individual councils of any error. For example, non-receipt of a tax invoice does not constitute a reason for non-payment for your application. Changing of names and documents, specified heights for the display of approvals, non-refundable application fees—

The Hon. BEN FRANKLIN: I think we get the point. In the interests of time we might take any further examples and any other information you have on notice.

CHAIR: I thank you both for coming and putting the business side of the story forward to the Committee. It is valuable in terms of us getting the evidence we need to make the correct findings in this inquiry. You undertook to take some questions on notice. You will have 21 days to provide the responses and the secretariat will help you if you need any assistance. Thank you again.

(The witnesses withdrew)

PHIL JENKYN, Member, Save Our Councils Coalition, affirmed and examined:

NELLA GAUGHAN, Member, Save Our Councils Coalition, and

BRIAN HALSTEAD, Member, Save Our Councils Coalition, sworn and examined:

CHAIR: Thank you for appearing before the Committee. Would you like to make an opening statement?

Ms GAUGHAN: Save Our Councils Coalition thanks the Committee for the opportunity to present today. If I could firstly tender a short document relating to this opening statement as well as nine USB flash drives containing some videos.

CHAIR: We will table that. Thank you.

The Hon. CATHERINE CUSACK: Is Mr Primrose coming back?

CHAIR: Mr Primrose has given his apologies to the Chair. I accept those apologies until he is able to make it back to the inquiry. Until that time Mr Wong will represent the Opposition.

Ms GAUGHAN: I would like to give a bit of a background of where Save Our Councils Coalition came from. It consists of over 50 community groups, as well individual residents, professional councillors and council staff. Save Our Councils Coalition, also known as SOCC, was launched on 11 June. The coalition is growing at a fast rate and is supported by metropolitan, regional and rural community groups and councils. SOCC is not politically aligned. So what does SOCC say? We say we want our local councils to stay local. We are calling on the New South Wales State Government to keep its promise of no forced amalgamations. And where a merger is proposed, let local communities decide with a valid referendum of all electors. Lastly, we will fight to keep councils local.

Today we have three local community representatives speaking on behalf of Save Our Councils Coalition. Why? Because up until now you have not heard from us—the people, the community, the residents. We are the ones that will be mostly impacted by the changes to local government because local government delivers many of the services we need and it is a level of government where we get the greatest say and are mostly involved in the decision-making process. If I could add, after the session we have just heard, as a local resident I am exiting Sydney because that 2050 telemovie of skyscrapers 120 storeys high and the zooming of all those electric cars in the air seems to be like a reality. There goes my culture, there goes my individuality, there goes my community, there goes my neighbourhood. That was scary for me. We are now ready for your questions.

The Hon. ERNEST WONG: In the earlier presentation there was an argument that huge councils with fewer councillors or political representatives would be more efficient in doing business or dealing with community concerns. What are your thoughts about that?

Mr JENKYN: That is just not so. The empirical evidence is very clear that bigger is not better. I mean, whether it is Professor Dollery or Professor Percy Allen—numerous reports that you would have before you make it very clear that bigger is not better. Clearly what is needed is to keep local government local. Otherwise what you do is destroy local communities and local councils in order to create big bureaucracies. Can I say from my point of view I have been working in communities for 30 years. I have been involved in all kinds of activities within communities on committees. I have been an alderman as it used to be called back in the 1980s. I started young of course, Mr Chair. I have been involved as a co-convenor of a number of committees. The Save Hunters Hill Municipality Coalition is the one I am involved in in SOCC. I have been citizen of the year and all that kind of nonsense. I was a barrister for about 33 years and retired some time ago and chaired various committees. But I am just as passionate about Sydney. Make no mistake.

I was chair of Defenders of Sydney Harbour Foreshores, which fought the then Commonwealth to save the defence sites around Sydney Harbour. Thank heaven that was successful. I was also involved in the Sydney Harbour and Coast Walk and a lot of other things. I am passionate about community and I think that passion is around this table as well, because there are a lot of councillors here who actually know that representation at the

local level is absolutely important and critical for communities. I have been to so many government conferences in which they start off and say, "We are doing it for communities. Communities are really, really important." Well, can I tell you from my experience they are.

The strategic aspects, all those kinds of aspects, can be readily dealt with through what were regional organisations of councils [ROCs], but could be strengthened, and that is indeed happening in the country, as I understand it. We do not have any particular model from SOCC because in Sydney we were not allowed to get consultation on that. But it is obviously a matter that will be of interest to this Committee.

The Hon. ERNEST WONG: One question asked previous witnesses was: If one Federal member is able to represent hundreds of residents, why can't we do that in local government? You have mentioned local has to stay local. Can you please elaborate on that? What is the significance of local representation in a council?

Ms GAUGHAN: At the moment I can call my local councillor. There are seven councillors in the area that I live in. I can call them on the mobile and rest assured that certainly within 24 hours if not much, much sooner I will get a return phone call—I will even get a visit. And I can be certain that I will not be sent to "You are a number. Press 2 for Councillor So-and-So. Press 3 for Councillor So-and-so." And then, by the way, we get to their secretary, and then we may get to their chief of staff: "Oh, hang on a minute." I sent a number of letters to some of the State members—I am not going to mention any names. From a number of them I have not received a response. For one of them, a chief of staff responded with a letter. How can that be representation? How can I get to a member? I cannot. But with local councils I can, and we as community and residents are very proud of that fact. We are ecstatic when a local member rings us back and says, "Hey, you're not a number. You are my resident and I'm here to represent you."

Mr JENKYN: I say with great respect that there is a difference between State, Federal and local. At the moment, especially in the smaller councils, local councillors really do service their community. They are elected, they go through a campaign and they really do service their local community. And they are known to their local community. It is that kind of relationship that you have with your elected councillors that makes you appreciate all that they do and all that the staff do on councils. All the polling that comes back shows—all this argument about polling—and I think your inquiry polling showed too, the satisfaction of communities with their local councils compared with their appreciation of the State politicians—I know this is totally wrong of the community to do this. Why? Because they know their local community representatives well and the community values that, and it values the work that the staff do, because we know them well too by being on committees and involving the community in committees. That relationship is what local government is about.

When you are a State member, you are dealing with State things. I know it gets blurry around the edges, but you really can say as a State member: "Go and see your councillor on that—it is not within my remit." To put that at risk, when you can deal with strategic matters and the State Government through cooperative arrangements—call them joint organisations, ROCs, a joint regional authority [JRA] or whatever—is a nonsense. That is the way forward to get councils together and then for the State Government to be able to deal with them. There is no doubt about that. And that is not just in the country; it is very much in the city. Yet we were not allowed to look at that: "No, you can't look at joint organisations." They would really apply well in the city. SOCC has no preferred model at this stage because we are a community coalition and we have not had the opportunity—it has been denied us, really, by what the Government has done. We do not have the ability at this stage, but hopefully we will be able to come back at some stage in the future when we have read your report. What you say about joint organisations will be very helpful to the community, frankly, as well as others.

The Hon. ERNEST WONG: Am I right to say that the local community would expect to have access to a person in the flesh rather than just online?

Ms GAUGHAN: That is one of my pet dislikes. My parents are in their sixties. They would not have a clue what a computer is. But I can tell you they know their local councillor's telephone number and they have spoken to councillors in their local area. You just cannot say that email or Facebook is the way to go. There are still elderly people that require a person to talk to at the local level. That is why we are here: for local representation, local residents. That is what local should be about. May I add it should not be about business. Businesses and residents have always been at loggerheads. I am a small business owner—I am not a planner or a developer, but there are not always the same needs that need to be met by both parties. So I do not think we can go there when it comes to business and "local" representation, "local" residents and "local" communities.

Mr JENKYN: Can I just add to that on business. Where I am from we have set up Discover Hunters Hill, which was to be inclusive of community groups and businesses to help each other. Cooperation is a very important aspect, and that is what local councils can do very well. I have to say I was very disappointed at hearing what the chambers of commerce had to say, because having one councillor for a community of, I think, 118,000 is just an outrage. I would be devastated if my small businesses in Hunters Hill would back what that chamber said. They would be appalled by it, because business needs the community. To attack and take on the community like that and to say, "We want to destroy local government," is frankly an outrage. I say that very advisedly. It was very disappointing.

The Hon. ERNEST WONG: With this process of local government reform and the focus on amalgamation and financial stability, what is the response from the community you represent? What do they see as significant regarding local government reform?

Mr HALSTEAD: The interesting thing about the Fit for the Future process is that it ignored what the panel said should be the process. The panel was recommending a process for looking at amalgamations, then from nowhere came the Fit for the Future process, and the community has no say in that process. At least in the boundaries commission the community has some say. I am a resident of Warringah. In my area there was a suggestion that the council would support amalgamations, but the process did not allow me as a person who supports joint organisations to have any say whatsoever. If you are going for amalgamations, as SOCC we recommend that you need to have a referendum or at least the boundary commission process where you get some independent reports.

As a resident of Warringah, I have three reports on amalgamations. I have the Dollery report saying, "No savings;" I have the Warringah report saying, "\$200 million worth of savings over 10 years;" and I have the KPMG report saying, "\$40 million worth of savings over 10 years." I asked my council to reconcile them and find out how you put them all together, and nothing was done. The only thing that was promoted in my area was the \$200 million worth of savings, and so it is no surprise that when the residents of Warringah voted on whether they wanted to amalgamate they said—only 50 per cent of them, I think, or 49 per cent—they wanted to amalgamate. But 60 per cent of them said the reason they wanted to amalgamate was that they thought there would be savings. From history and from the records, in Queensland and in other States, there are no savings from amalgamations.

Mr JENKYN: Pittwater and Manly councils did not want to get into bed with Warringah for very good reason and Pittwater broke away. I was part of that battle back in the 1980s and early 1990s. There was no way that people in Pittwater would ever get back into bed with Warringah, so it is an absolute nonsense. To listen to Parramatta here today saying that they want to gobble up everything around them—the councils don't want it—and "No, we haven't spoken to the community. We have no idea what the community think about it."

The Hon. ROBERT BORSAK: And we don't know where the money is coming from.

Mr JENKYN: And we don't know where the money is going to come from. I think that is an outrage. It is really not right to make such a grab.

CHAIR: We know that you are passionate.

Mr JENKYN: I am really a quiet little fellow.

The Hon. ROBERT BORSAK: I know that Mr Jenkyn and everybody else is very passionate, as I am living in the local government area of Ashfield.

Mr DAVID SHOEBRIDGE: God's country.

The Hon. ROBERT BORSAK: It is God's country; I agree with that—for those of us who believe in God. You talk in your submission about TCorp and the 2013 work they were asked to do—complete a financial assessment of the 152 councils in New South Wales. In the end did they manage to derive a definition of sustainability for councils in this State?

Mr HALSTEAD: I have been through the TCorp report and I have heard in submissions to this inquiry that the indicators used by IPART in judging councils in the Fit for the Future process came from the TCorp report. There were many, many people, including myself, who do not believe that those indicators really give a

view of sustainability. They do not talk about what the council actually does in terms of delivering services. They are a set of financial reports and the question really is: What is sustainable? I do not think they give good indications. We heard from Blacktown this morning that councils are very different and therefore the sustainability of a growth council will be very different from the sustainability of a small council that is just doing renewals.

The Hon. ROBERT BORSAK: Would you like to contribute to that?

Ms GAUGHAN: Brian is our expert on financial issues; we do enough talking.

Mr JENKYN: I am keeping quiet.

The Hon. ROBERT BORSAK: From my reading of the TCorp papers they are obviously looking at financial sustainability, which is one of the key issues around all of this. Is it true to characterise this whole process that we are currently looking at as being a selective reading of the TCorp sustainability assessments?

Mr HALSTEAD: I get that feeling, because I have not done much work in the regional areas but in the Sydney areas most of the councils are sustainable and are capable of becoming sustainable over the next few years. Merging two sustainable councils to a bigger council does not seem to make any sense. You have heard enough debate about depreciation, about valuations of lands and these things, to realise that, as IPART has said on many occasions, those results cannot be used to compare councils because many of the indicators are not audited and many of the indicators are using quite different accounting methodologies for valuation and depreciation.

The Hon. ROBERT BORSAK: The whole question of depreciation is a bit of a furphy really in the end. When you have got fundamental long-term assets whether you are depreciating at 1.00 per cent or 1.5 per cent does not have a great deal of relevance when you have to finance those assets in the long term.

Mr HALSTEAD: I agree wholeheartedly. The critical thing is not a set of accounting measures of whether you would depreciate or whether you set renewal, but are the quality of your roads improving or getting worse? They are the measures that we should be taking into consideration.

The Hon. ROBERT BORSAK: In its analysis TCorp talks about benchmarking of councils and from my background that would be a much more productive way if you are going to work on the sustainability side of things—from a financial point of view developing a set of benchmarks, for example, that would be suitable to rural councils, urban councils and any other number of criteria that you want to try and build—yet we do not see that in the process we are currently looking at. What is your view of TCorp's approach in the sense of how it would relate back to local government for locals?

Ms GAUGHAN: As a community member I would go back to the author, Mr Sansom. He accuses IPART of overlooking his reform objectives and instead relying too heavily on financial ratios to assess the health of councils and whether they should be merged. His report has been somewhat overshadowed by the perceived focus on financial ratios and benchmarks. Mr Sansom warned that the process seemed to be heading towards a temporary fix of simply reducing the number of councils.

The Hon. ROBERT BORSAK: What you are saying is that this is a solution looking for a set of questions to be answered?

Ms GAUGHAN: Yes.

Mr DAVID SHOEBRIDGE: I note that Save Our Councils do not have a specific position on any particular joint organisation, but I am going to put this particular proposition to you. The Fit for Our Future proposition by the City of Ryde, Hunters Hill and Lane Cove councils may well be worth close consideration by this Committee and by Save our Councils. Have you looked at it?

Mr JENKYN: Can I say this? We have not had that opportunity, as I have said before, but clearly the three communities that were consulted—Lane Cove, Ryde and Hunters Hill—on "Do you want to go into six? Do you want to stand by yourself and not cooperate and do anything, just pray, or do you want to stand alone on what is local but join with surrounding councils?"—actually there was more than just the three, it was the northern councils—"Do you want to join with them on an improved model?"

Mr DAVID SHOEBRIDGE: Strategic planning and engagement with State and Federal governments?

Mr JENKYN: Yes. We had a number of meetings to get our head around what was being proposed. More than 80 per cent of the community—and, make no mistake about it, they are very distinct communities—came back and said that they wanted to keep very much their independence but they would become part of a regional grouping. A lot of other councils I think and communities never felt that they had that kind of opportunity because they were being told by the Minister, "You can't consider joint organisations." It was only at the very last minute that IPART said, "We will accept a kind of improvement model, if you have got one." Those three councils had done their homework on it because they genuinely believed that that was the way forward for local government in this State. We, being a coalition, cannot answer that definitively because we represent varying people who have not had a chance yet. Can I say I think you are calling them—if I might be right—on 24 August?

Mr DAVID SHOEBRIDGE: We are.

Mr JENKYN: I have no doubt that they will present a case that they will feel is very compelling.

Mr DAVID SHOEBRIDGE: Can I ask you as Save Our Councils representatives, which is what you are here as, if you believe that the State Government should be considering as one of its very wide potential options that kind of joint organisation model in metropolitan Sydney?

Mr JENKYN: Very much so.

Mr DAVID SHOEBRIDGE: Have you ever had it rationally explained to you why the State Government has been so against that kind of model for metropolitan Sydney?

Mr JENKYN: I think the Government would say that there is a difference between the smaller councils in the rural areas and the city councils. They would say that you need to have special arrangements for the country. I would agree with that but there is a totally separate question as to whether joint organisations should also apply in the city. I have a strong personal view, but it is not the SOCC view, about that. That is in a separate submission.

Mr DAVID SHOEBRIDGE: I will give you 21 days to provide your answers on notice, with particular focus on the kinds of structures and proposals being put forward in the joint submission of those three councils.

Mr JENKYN: We will take that on notice.

The Hon. LOU AMATO: Ms Gaughan in your opening statement you mentioned that your organisation is not politically aligned with anyone.

Ms GAUGHAN: That is correct.

The Hon. LOU AMATO: What proportion of SOCC members are mayors and councillors?

Ms GAUGHAN: I would say that there would be one mayor and a few councillors. The majority of us are from the community. We hosted our last SOCC meeting was held at Strathfield. All seven of our Strathfield councillors, who are from different parties, showed up in support of no forced amalgamations and our stand-alone position. They were in full support of SOCC. In fact, our local council passed a motion unanimously to support SOCC.

The Hon. LOU AMATO: So you do not believe that self-interest or self-preservation would play any part in it, rather than focusing on the best outcome for the community?

Ms GAUGHAN: Not at all.

Mr JENKYN: Can I answer that unequivocally?

The Hon. LOU AMATO: Of course, by all means.

Mr JENKYN: I come from the conservative area of Hunters Hill. If you want to see what the local member, Anthony Roberts, who is a Minister, thinks about small communities and local representation, then I suggest you look at the USB of the Hunters Hill Council meeting. It is only three minutes, so it will not take you long. It will show you why he is so committed and passionate about small communities being properly represented. I have said enough.

Ms GAUGHAN: The answer is no.

The Hon. LOU AMATO: I have a hypothetical question. Let us say that a council was found to be financially unsustainable. What do you believe should be done about it? As a taxpayer, who do you think should pick up the pieces?

Mr JENKYN: What has been done with respect to rate-pegging and cost-shifting by both political parties over many years—I think it is 38 years—has been outrageous. New South Wales is the only State left that has rate-pegging. I am not saying that there is not a case for some involvement of the State in relation to a council running amok; I am saying that that has hamstrung local government. In Sydney the evidence is so overwhelming that a vast majority of the smaller councils are sustainable.

Chris Johnson is from the Urban Taskforce. In his report he says that bigger is not better and that the councils which are struggling most are the big councils in Sydney. Otherwise, all councils in Sydney have that capacity, because they have rates based upon land value in Sydney. Think about that. Some of them have business rates because they have business centres, as well. Those are ever-expanding. They depend on grants and dollar-for-dollar funding, as well. So they all have the capability, but it is what the community expects of its councils—

The Hon. LOU AMATO: Who funds your organisation?

Ms GAUGHAN: We do.

Mr JENKYN: I can tell you unequivocally that the funding for what I have been doing has come out of my pockets. The photocopying that I have done today has come from there. You will see, when you look at the USBs, that the funding of those has come from the volunteers, because volunteers are at the heart of local government.

Ms GAUGHAN: I have to take the previous question on notice because there may be more than two councillors. There may be four or six.

The Hon. BEN FRANKLIN: We would appreciate that. I would like to ask a question, and I am genuinely not trying to be belligerent or offensive here, I promise.

The Hon. ROBERT BORSAK: That means he is.

Ms GAUGHAN: We are ready.

The Hon. BEN FRANKLIN: You have contended that councillors are well known in their communities. Other witnesses throughout the hearings have suggested that that is not the case. Witnesses, including mayors, have said that mayors and councillors are not well known at all. I am asking if you have any evidence and if you have done any polling. Do you know of anything to prove that that is the case? I am not suggesting that it is not the case; I am just interested in your view on that.

Mr JENKYN: There are councillors around this table. They all know that there is a hard-core group of volunteers and people who do an enormous amount of work on council committees. Many of them are on countless groups on a variety of things. Councillors involve themselves, often putting themselves at risk with their families and everything else, because of the time it takes. Committee members would know because they are State parliamentarians and it is the same for them.

Those people are the critical mass and they do an enormous amount. Then there are a lot of people who are trying to earn a quid and bring up a family. They just get through the day. They would love to help. Some of

them come later to help with communities. And some do it anyway, providing things like meals on wheels. It is incredible what people do.

There are those types of things but there is a bit of apathy in every community, as we all know. If you went out to the ordinary person and said, "Name the seven or nine councillors on the council," they may say something like, "I saw Fred in the paper," or "I know the mayor," or something, but they do value what is being done on their behalf. And they elected those councillors.

Anybody who is elected has a responsibility to the public interest and the public good that should dominate his whole being as an elected representative—not the party political dictates. That is what is at the core, and should be at the core, of local government.

The Hon. BEN FRANKLIN: On that I agree with you 100 per cent.

Ms GAUGHAN: I have evidence that I would like to share, especially about boards. I believe that evidence was being sought of the previous people.

CHAIR: In light of the time could you table that answer?

Ms GAUGHAN: Yes.

CHAIR: That concludes this session. It has been very helpful. Thank you to the SOCC group. I wonder what it would be like if the SOCC was on the other foot. The fact that we have an inquiry shows you that the system works. Thank you for your time and your contribution. You have 21 days to answer the questions on notice. You may have some further questions from members in the next 24 hours. The secretariat will be more than happy to help you through the system to ensure that we get your answers.

(The witnesses withdrew)

(Committee adjourned at 5.38 p.m.)
