

REPORT OF PROCEEDINGS BEFORE

GENERAL PURPOSE STANDING COMMITTEE NO. 5

**INQUIRY INTO LOCAL GOVERNMENT AMALGAMATIONS
IN NEW SOUTH WALES**

At Tamworth on Tuesday 4 November 2003

The Committee met at 9.45 a.m.

PRESENT

Mr I. Cohen (Chair)

The Hon. R. H. Colless

The Hon. K. F. Griffin

Ms S. Hale

The Hon. C. J. S. Lynn

The Hon. H. S. Tsang

The Hon. I. W. West

CHAIR: I welcome everyone to today's hearing, the fourth hearing of General Purpose Standing Committee No. 5 for its inquiry into local government amalgamations. We have held this hearing in Tamworth to try to give the people in the northern and Hunter regions an opportunity to hear from a range of councils and other witnesses on an issue about which I know many of you feel very strongly.

Tomorrow the Committee will be holding its fifth hearing at Wagga Wagga. Then on 14 November the Committee is holding a public hearing at Parliament House. Transcripts, when published by the Committee, will be placed on the Committee's web site for public and media access, so anyone who misses something that is said today will be able to read the transcript on the web site. It may take a week or longer before the transcript is available.

I should mention that today's hearing is being held on the first Tuesday in November. On more than one occasion the Committee staff, when making arrangements for this hearing, were reminded of the significance of this date and politely advised that this was horse country. Therefore, on behalf of the Committee I thank everyone for being here today, and acknowledge that in so doing you may have chosen to forego a social engagement. The hearing will be taking a break from 2.45 until 3.30 p.m. so that those who wish to observe all of today's hearing will have time to watch the race, hopefully pick up their winnings and return for the resumption of the afternoon session.

Before starting I thank all those individuals and organisations around the State who sent submissions to this inquiry. There is a great deal of interest in this issue, and to date we have received well over 200 submissions.

As with all hearings, I need to remind any members of the media present that the usual broadcasting guidelines apply. Copies of this are available at the table at the door, as are copies of the terms of reference for this inquiry. It is important that you have regard to the provision of not filming the audience during the hearing. You may see an officer of the Committee taking some photographs for official Committee records. However, for the rest of the audience, excluding the media, I need to let you know that you are not permitted to take photographs during the hearing.

JAMES MORISON TRELOAR, Mayor, Tamworth City Council, PO Box 555, Tamworth,

PHILIP LAURENCE LYON, General Manager, Tamworth City Council, PO Box 555, Tamworth,
and

STEPHEN MATTHEW BARTLETT, Community and Corporate Services Director, Tamworth
City Council, PO Box 555, Tamworth, sworn and examined:

CHAIR: In what capacity are you appearing before the Committee?

Mr TRELOAR: I am appearing as the mayor of the city of Tamworth.

Mr LYON: As the general manager of the city of Tamworth.

Mr BARTLETT: As an employee of Tamworth City Council.

CHAIR: Are you conversant with the terms of reference for this inquiry?

Mr TRELOAR: I have received a copy of the terms of reference.

Mr LYON: I am.

Mr BARTLETT: Yes, I am.

CHAIR: If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be seen or heard only by the Committee, the Committee will consider your request. Before we proceed with questions, if any of you would like to make a short statement, please feel free to go ahead at this point.

Mr TRELOAR: I would like to make a statement. First, I would like to confirm that you received an email copy of the submission that we placed with the secretary. That submission clearly outlines the brief of our merging of four councils within this region. That has been a voluntary merging of four councils. I am of the belief that there will probably not be an amalgamation of councils. It will be a boundary adjustment to facilitate the speed with which the Minister would wish to undertake the merging of those four councils to avoid having to go to the Boundaries Commission because in the Act the Minister has the authority to make a boundary adjustment without going to the Boundaries Commission.

Because today you will probably hear a great deal of information in relation to the amalgamation, I wonder whether I could make an opening statement in relation to the funding of local government as opposed to going to the amalgamations of local government. One of the difficulties that local government faces today is that we have not been given an opportunity to share in the nation's wealth. Our opportunity to raise revenue has been governed by rate pegging through legislation. If you choose to have a look through treasury you will see inequity growth in terms of land tax revenue to the State as opposed to local government revenue. If you look at the last 10 years you will see an abnormally large figure of growth in land tax revenue to the State and as a comparison you will see very, very minor growth in rates to councils through rate pegging.

So on that basis I suggest that if this inquiry wishes to look at the opportunities of future funding of local government, there should be the opportunity for us to be given a percentage so it grows with the nation's wealth of tax, whether it be through the GST or through whatever taxation system allows us to share in the growth of the nation's wealth. We are also faced with the increasing responsibility of areas which are outside local government's traditional domain and I would particularly instance aged care. It is not a responsibility of local government but we are now funding 45 per cent of pensioner rebates. That costs our council \$600,000 a year. I will not make any further statements.

CHAIR: Currently, 39 councillors service four local government areas. The maximum allowance under the Act is 15 councillors. Page 48 of the proposal notes that the bottom number for a

governing body is between three and seven. The proposal for the new Tamworth regional council is to have 12 councillors. Can you indicate to the Committee how you have come to that number and how you see that as effectively servicing this greater community?

Mr TRELOAR: I do not think there is any magic formula on how many people it requires to adequately represent a community. We felt that it was a workable number to get some understanding in the decision process. We looked at the possibility of perhaps having wards and ridings but it gave no greater opportunity to the outer lying areas of the Tamworth region to get representation. It was felt that 12 seemed to be a workable number to handle the governance of the new local government area.

CHAIR: Do you think there is reasonable concern in outlying areas that they will lose representation?

Mr TRELOAR: We have tried to address that through local improvement groups and committees that would potentially have input to the budgetary distribution of the council, and also identified particular community interests that may be overlooked. As a consequence, we think that is a better way of trying to get a better understanding of the community's needs as opposed to increasing representation.

CHAIR: We have had other areas where there has been some trouble with small councils feeling they will lose representation. On the surface, it appears there is a community of interest here, that people see it as moving ahead. How much of that is shared interest and how much of it is small councils facing the inevitable?

Mr TRELOAR: I think a great deal of it is bringing yourselves up to reality. As you would be aware, with the changes in the Act, in numerous areas—and the report identifies it—just the changes in the Act about the reporting of the environment, some councils do not have the expertise to address those parts of the Act. They are already outsourcing those parts of the requirements of the Act, for a larger council to do all that for them. There is no loss of representation or anything. It is simply that they have to face reality, and financially it is not viable for some of these councils to go down the requirements of the local government legislation.

Mr LYON: I think you just touched on the issue, and that is that there is a community of interest in this whole area where the four councils are proposed to join forces. Nundle, Parry, Tamworth and Manilla cover the whole of the Peel Valley and the headwaters of the Namoi catchment. For that reason there is a great deal of interest between the councils. We work together as it is. There are some advantages environmentally. There are such things as section 94 contributions that do not cross local government boundaries, which is an anomaly that exists, and development in one small council area such as Tamworth City's area, which is only 183 square kilometres, can affect what happens in neighbouring council areas, yet there is no way of giving them financial compensation for that. So, there are some real advantages in joining forces, and we have that community of interest throughout the valley.

The Hon. CHARLIE LYNN: Could you give us an idea of the process you used for community consultation to arrive at this nomination? Was it a decision by the councillors or did you go to the community by advertising, and so forth?

Mr TRELOAR: The process took place by the four councils in different fashions. Tamworth City Council held a public meeting. Parry shire held four public meetings throughout the shire. Manilla held a public meeting and Nundle held a public meeting to gauge the level of support. From those public meetings councils then determined that they would merge the four councils.

Mr BARTLETT: Could I also mention too, just to support what the mayor is saying, community consultation, certainly in Tamworth and Parry, has been happening for the past 10 years, so the community of Tamworth and, I believe, the residents of Parry have been fully acquainted with the proposal because there have been numerous proposals over the years and numerous opportunities where both councils have discussed the options for the future. So, I think both communities are fully aware. That is not to say that sections of the community might not be absolutely happy with the

outcome but community consultation and advice on the proposal relative to structural reform of those four councils has been meaningful for at least the past 10 years, but particularly the past six years.

The Hon. CHARLIE LYNN: We heard evidence during our hearings in Orange that there is a marked difference in expectation of rural ratepayers and those city or urban ratepayers. In a number of places your proposal refers to the growing number of rural residential residents who have higher demands than the traditional rural ratepayers. Can you elaborate on that phenomenon?

Mr TRELOAR: They have expectations of being able to play cricket on turf wickets. They have expectations of some form of celebration for Australia Day. They have expectations of services such as garbage collection. Some are now looking at the provision of water services. So there are far greater expectations, but the bulk of them are expectations from the major regional centres to provide those services.

The Hon. RICK COLLESS: Councillor Treloar, in your submission you stated that the shires of Manilla, Nundle and Parry and the City of Tamworth have a strong social, economic, cultural and recreational community of interest. Yet, only this morning as I was driving here, I heard on the radio that a Manilla councillor claims to have signed up 50 per cent of the ratepayers in the Manilla shire for a petition opposing the proposed amalgamation. What research have you done to justify your statement in your submission?

Mr TRELOAR: The other 50 per cent. He claims to have done that, but can I safely guarantee that many of those people are not aware as to what petition they signed. A great many of those people actually signed at a celebration function at Manilla. But the fact of the matter is that in 1920 Tamworth and Manilla were two cities of a similar size. The train line finished at Manilla and it was expected that Manilla would outgrow Tamworth in years to come. That did not eventuate, and Manilla has now become a dormitory suburb of Tamworth with many people working in Tamworth and living in Manilla, and travelling vice versa. It is 44 kilometres to travel, so it is about 88 kilometres round trip. It is not a difficult trip for people to make. I see people here from the city who would travel further than that to get to work. Many medical services are provided through the base hospital at Tamworth, much of the secondary and tertiary education undertaken by people in Manilla would be done in Tamworth. There is a great social, cultural and economic community of interest between the like areas. I do not dispute their belief and concern that they may lose some of their identity in Manilla by being a merged council with a larger area, but I refuse to believe that they do not have cultural, social and economic similarities.

The Hon. RICK COLLESS: I want to refer to a statement you made in your opening address when you said that the proposal should have gone forward as a boundary adjustment rather than an amalgamation. Can you expand on the difference between amalgamation, boundary adjustment and reform in the bigger sense of the word?

Mr TRELOAR: Under the Act, if you merged or amalgamate two councils there is a requirement that the amalgamation be forwarded to the Boundaries Commission, which has a requirement of community consultation for a period of 40 days. They have to go out and seek understanding from the community as to the views, not just accept what is put in the submission of councils, whereas under the Act if it is a boundary adjustment the Minister has the authority not to refer that to the Boundaries Commission. He does not have to go through the 40-day consultation. It is a reasonably clinical process of simply changing the boundaries.

Mr LYON: I wish to make it clear that our submission to the Minister was for the amalgamation of the four councils. Mr Chris Vardon, under the Minister's direction, conducted a regional review and the report is due any time. The boundary change situation has been suggested as an alternative to the amalgamation because if you look at the four councils, the catchment areas and the environmental areas involved there is a quite feasible answer to farm off Werris Creek to Quirindi and a part of Nundle in the timber country to Walcha, a part above Bendemeer and so forth to Uralla. There is an avenue of doing boundary changes and, therefore, not amalgamations.

The Hon. RICK COLLESS: It is an interesting concept to think that you can get around this problem by either amalgamation or boundary adjustments. But what about the reform of local government? The Minister has said that this is a process of reform, but the way it seems to have been

implemented is that it is more a process of amalgamation and boundary adjustments. I am more interested in the reform of local government. One of the previous witnesses to the inquiry stated that it was pointless putting two smaller inefficient councils—this is not a reflection on your council—together to make one bigger inefficient council. That is not reforming the process. What reforms do you see need to happen in local government, apart from boundary adjustments or amalgamations?

Mr TRELOAR: I do not disagree with the statement: you do not solve any of the issues of local government by putting two inefficient councils together. When you look at the proposal submitted by the four councils in this region you see the expertise of a council being able to be spread right across the community. There is expertise in hydrology, waste management, environmental protection, understanding the Act and information technology. That expertise is now shared by the broader community rather than being restricted to the local government area of Tamworth. In the case of Parry there is expertise in rural road building, and we now get the benefit of sharing that expertise.

CHAIR: Did the suggestion for boundary alteration rather than amalgamation come from the department, the Minister or the councils?

Mr TRELOAR: It has not come from the councils.

CHAIR: Can you tell the Committee where it has emanated from?

Mr TRELOAR: I would suggest it has emanated from the department, the Minister or the regional review process.

CHAIR: Do you have anything in writing or anything submitted to your organisation on that matter?

Mr TRELOAR: Not yet, but it will come in a report, I dare say.

The Hon. RICK COLLESS: One of the issues that has been raised with us from city councils, principally, was the maximum size from a population perspective. Obviously, from a rural and provincial council's point of view geographic size is more of a constraint than population size. Do you see that there should be a limit on the geographical size of the local government body? What are your views on that?

Mr TRELOAR: It would be difficult to put a geographical size on it because you have to look at the areas of community of interest. In some areas, when you have two major regional cities in close proximity, obviously the area of regional influence will be lessened by another major city. I do not believe that population or geographical size should be a prerequisite of any of the decisions that are made. They should be made merely on community of interest and potentially environmental issues of like interest.

The Hon. RICK COLLESS: Catchment management?

Mr TRELOAR: Yes.

The Hon. RICK COLLESS: The "local" in local government is driven more by community of interest than geography?

Mr TRELOAR: I would like to think so. I would hate to think that we go down traditional avenues. We do not know, and I do not think anyone knows, how the traditional boundaries of local government were ever drawn up. The Premier made the statement that perhaps it was how far a person could ride on horseback in a day. If that is how the boundaries were decided years ago then it is time to change.

Mr BARTLETT: In addition to the community of interest, you will notice that our position picks up the size of the new local government area that is proposed—all of the Peel Valley catchment and a substantial portion of the Namoi catchment. Our submission really draws on those environmental factors, as well as the community of interest.

Ms SYLVIA HALE: Leaving aside the virtues or otherwise of the merging of the councils, would you agree that a process whereby a Minister can make a decision and thus avoid community consultation by a body independent of the councils involved is an inherently undemocratic way to proceed?

Mr TRELOAR: The Minister could probably correctly argue that he has sent a facilitator in to be his eyes and ears for the process and, as such, the facilitator has held numerous meetings throughout those local government areas to say that we have had community consultation and the opportunity for the community to express their views. Whether that is appropriate, I cannot really answer.

Ms SYLVIA HALE: On page 65 of your submission you listed the varying councils that have held forums during July and August this year. About a dozen meetings were held. But at no stage do you indicate the feeling of those meetings. Can you give me any indication whether there was unanimous support for amalgamation? It certainly gives us the relevant council resolutions, but you do not give us an indication of what the community thought about any of the meetings.

Mr TRELOAR: I will comment on the meeting that was held at Tamworth because that is the meeting we conducted. As Mr Bartlett rightly said earlier, the process of amalgamation—merging—of Tamworth and Parry has been ongoing for many years. It probably goes back 10 years. Three years ago our elections were deferred for one year because we were having serious discussions about the merging of those two councils. There was a feeling from the community of Parry that it would not be in the best interests at that time to merge.

Ms SYLVIA HALE: What has brought about a change in that view?

Mr TRELOAR: The reason Parry did not want to merge in the first instance was purely a financial consideration. It is one of the lowest rated shires in New South Wales and once they merge their farmland would have to be considered in terms of the rating throughout the district and it was purely a financial consideration. They have come to the realisation that they have 46 significant timber bridges in the shire that are underfunded. If there is a flood tomorrow and three of the bridges are washed out I dare say that they will bring up Treasury to ask for financial assistance to rectify the bridges.

Ms SYLVIA HALE: Would it have been impossible or inadvisable for the councils involved to have co-operated, for example in rate collection procedures, use of equipment and sharing of information technology? Would it have been possible for some sort of co-operative venture between the relevant councils that would have resulted in savings, yet at the same time retained the council structure and the wider democratic representation?

Mr TRELOAR: Prior to our entering into discussions we were part way through discussions with Parry to establish a water authority for the valley that would have dealt with supply and disposal of water. Parry withdrew from that discussion. The opportunity was there, but for whatever reason they chose not to do it. We share numerous resources within the city and the shire. We provide most of the local government law enforcement, such as noise control and dogs, to most of the areas. We provide professional expertise in building and planning from the city to those areas. But at the end of the day community representation is the only concern. As for councils merging, we have to address that as best we can through community committees that ensure that individual districts are well represented.

The Hon. HENRY TSANG: Your submission states that amalgamation with two neighbouring shires has been the subject of discussion for some time. Why are you taking action now? Has anything changed, other than the Minister's call for a structural reform process?

Mr TRELOAR: On 29 May this year the Mayor of Parry rang me after the local government shires conference and said he felt it was time for Parry and Tamworth to sit down and further develop our previous discussions. It was very much at their instigation that discussions were recommenced.

Mr LYON: From Tamworth's point of view a change of our boundary, not necessarily an amalgamation, has always been our preferred position, and that was to expand our city limits. At the

present time we work fairly well with Parry, but it does not give us the control we would like to have for certain things. Between Tamworth and Parry we have a joint planning scheme for the Hills Pine Residential Development, which is right on our boundary. It is partly in Tamworth and partly in Parry. We both have development control plan around the airport, which is in Tamworth city's area, but because of the airport area of influence we had to get Parry to agree to a control plan in Parry. When Tamworth does certain things it imposes larger issues on our neighbouring councils, such as if we approve, for example, a chicken abattoir, and we have one in the city. That chicken abattoir will require substantial chicken farms to be established to service that abattoir. Those farms must be developed in Parry. They cannot be developed in the city because we do not have the area.

So the area of influence is substantial. While you can work together on exchange of resources and things like that, when it comes to determining certain developments for the growth and development of your city, you make those decisions having in mind some of those influences that occur but at the same time you cannot control what occurs because that is Parry's problem. Tamworth City Council, for instance, is probably the largest ratepayer in Parry shire. We have gone out and bought some substantial properties within Parry shire to get rid of our sewage effluent by on-land disposal. We had to do a DA with Parry and then we had to do a development situation with Tamworth. So we had to do two lots of applications and environmental impact statements because it is in both areas. There are all those sorts of issues that you cannot overcome by working together but when you are one organisation you can.

The Hon. HENRY TSANG: So by having an amalgamation or boundary changes you can then attract investment and therefore job creation in the region.

Mr LYON: It makes it a lot easier because you have control of where development can occur and how it can occur within a larger area than what you currently have. You do not have to step over the boundaries and go and see somebody else to get their assistance to make it occur. You can make that decision yourself.

Mr BARTLETT: The new council becomes a much more influential body. For instance, it will have 54,000 residents, just under 37,000 electors, and an area of 8,800 square kilometres, and we will have a combined budget probably in the first year of about \$110 million. That is big business in a local government sense. Also I would like to add that what the four councils have done in recent months is about local leadership. It is shaping our future, guiding our future and thinking for the future and what is best for our community. In Tamworth we believe that that leadership has been lacking from the State Government in relation to structural reform of local government. We have shown the leadership but it has not always been a partnership in terms of structural reform. It has been more dictation, what shall happen in accordance with the policy of the government of the day.

In Tamworth we believe that we are proceeding reasonably quickly and efficiently with structural reform of local government at our level, but we believe that at the end of the day we will receive no financial assistance from the State Government for that purpose. Our submission, as you have probably read, applies for a \$1.3 million one-off grant to assist with the start-up costs associated with amalgamation, which are considerable.

The Hon. KAYEE GRIFFIN: In the submission you talk about the new area being undivided, with X number of councillors. How would you see the committees that you are talking about in terms of the new local government precinct having relevance in terms of the committee feeling about certain issues that might occur?

Mr TRELOAR: Many of those smaller communities, even now, appear to be somewhat unrepresented in their local government areas. When I say "unrepresented" they have a community of interest in terms of their village status but they do not have an elected representative from that village on their council. We are talking about small areas that might just have the village hall or something that needs painting and upgrading and they would be looking for some form of consideration in ongoing budgetary situations that would allow them to have an input into that hall but also for their funding to be matched that would allow the hall to be repainted or whatever it is. The plan is not for any of those areas to be restricted. You do not have to be a certain population size before you can have a community development committee. It would be merely an opportunity to have a group of people

who feel they represent an area and allow them to proceed with the community representation to the council through that committee.

The Hon. KAYEE GRIFFIN: You spoke previously about rural residents who have greater expectations now of what needs to be provided to them. If a change did not occur, how would you see that affecting the councils as they are now? I suppose part of the discussion relates to things like development applications. Would you see that becoming a huge problem in the future—perhaps it is not as big at the moment--and something that would be very hard to overcome?

Mr TRELOAR: Is this more in the planning process?

The Hon. KAYEE GRIFFIN: I simply use the example of the DAs because you had to go across boundaries and have two lots of everything. In terms of perhaps what rural residents expect in the future, if there was no change to the present boundaries, would you see that as a bigger problem for all the councils?

Mr TRELOAR: When you are in one valley and you are sharing the resources of that one valley, it seems probably inequitable that a person on this side of the road pays \$1.47 in the dollar rates and somebody on this side of the road pays \$3.47 per \$100 in land value for basically the same services. If you look at the difference between the rural rate basis in Manilla and Parry, there is an enormous inequity. One is nearly double the other, yet one could argue that there is no difference in the services that are provided. So in that sense I think there is inequity now in the rating structure but in terms of development applications and development considerations there will be differences between each council. We try to have an understanding as to what the development process is in another council. I suppose from the point of real estate agents, once upon a time in this wonderful State different councils had considerations on what size sign you could put up for sale. The Real Estate Institute actually had to go to the State Government and say, "We need some common guidelines. This is ridiculous. In Tamworth you are allowed a sign this big; in Manilla you are allowed a sign this big."

Unfortunately, we have corporate offices that generate one sign and it is this big. So we need better understanding. They had to go to the State Government to get that type of understanding. I believe we have similar situations within the Peel Valley where we have four councils with different control guidelines. They are not that different but I think under the one structure you would have a better understanding, as Mr Bartlett rightly said. The chicken processing plant in Tamworth will have effects on the rural areas, as do our sale yards and abattoirs have an effect on the rural population. But I think the greatest advantage will definitely be in the planning process. We have residential development to our boundary now and that needs to be developing further. But we are somewhat constrained in terms of providing services such as water and sewage to further residential development outside our boundaries.

(The witnesses withdrew)

PETER REYNOLDS, Executive Member, New South Wales Local Government Association, 215 Clarence Street, Sydney, and

SARA HELEN MURRAY, President, New South Wales Local Government Association, 215 Clarence Street, Sydney, sworn and examined:

CHAIR: In what capacity are you appearing before the Committee today?

Mr REYNOLDS: As a member of the Local Government Association executive supporting the submission.

Dr MURRAY: As President of the Local Government Association.

CHAIR: Are you conversant with the terms of reference for this inquiry?

Mr REYNOLDS: Yes.

Dr MURRAY: I am.

CHAIR: If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will consider that request. Before we take questions from the Committee would either of you like to make a short statement?

Dr MURRAY: Thank you for the opportunity to attend and address this inquiry. Today is the second last day of hearings around the State, and I know that you have received many submissions from councils. As President of the Local Government Association of New South Wales I am pleased to appear before the inquiry because it provides the opportunity to record the positive stand being taken by the association to achieve major improvements to the viability of local government in New South Wales. The association is committed to structural reform within councils but we remain opposed to forced amalgamations. The Government has spoken of reform mainly in terms of boundary changes and amalgamations, but we believe that reform must be more broadly considered.

The Local Government Association has taken a leadership role in the issue of reform. We have supported our members' positions--and they have been varied--and facilitated good outcomes for our community. In July of this year the association formed the Local Government Reform Task Force consisting of mayors and councillors of all political persuasions from across the State. We produced a discussion paper which examined all aspects of reform but emphasised the need in the short term for local government to become more financially sustainable.

Mr REYNOLDS: I would like to talk specifically about the issue of rate pegging. Rate pegging was introduced 26 years ago, and gradually but surely since then local government has been squeezed financially. We know that for many years the rate pegging limit has done little more than cover wage increases. In real terms, money available for everything else has gone backwards. This has occurred at a time when local government has provided an ever-increasing range and quality of service to its communities.

If you look at cost movements over the five-year period from 1997 to 2002 you can see that in that time average weekly earnings went up by a total of 30 per cent, council expenses went up by over 23 per cent and we were granted a total of only 16.4 per cent in rate increases. The State Government has commented, as part of the reform debate, that local government has not kept up with infrastructure maintenance and renewal. In some cases we have not. Rate pegging has ensured that. Mind you, infrastructure decline is an issue for all governments. Our submission on rate pegging calls for a broader revenue base, a realistic level of financial assistance grants and a realistic growth factor—a rate pegging system based on true economic costs faced by council, and payment of rates by government.

Dr MURRAY: You are aware of the proposal for the amalgamation of Manilla, Nundle, Parry and Tamworth councils and you are also aware that this has been agreed to by all four councils.

We think this proposal demonstrates many of the positive aspects of reform. In their submission, Manilla, Nundle, Parry and Tamworth councils have argued that amalgamation will result in positive outcomes for their communities. Their submission states:

This amalgamation provides an unprecedented opportunity to establish a Local Government authority embracing citizen driven governance structures, inspired by a desire to harness the resources of a strong, influential, competitive and vibrant regional community.

The Local Government Association strongly supports these sorts of outcomes of reform. The four councils in the Tamworth area illustrate a little-known fact about local government. That is, the huge anomalies and inequities in rating across the State. Peter is just handing out a map that I will talk to. I would like to explain my point using this map. I could exemplify my point in any area across New South Wales but because we are in Tamworth today I thought I would take the opportunity to use the local government areas around us. What I have on the map are the average rates that are charged by each of these local government areas. As you know, local government is able to charge a residential rate, a business rate and a farmland are rate.

In Tamworth, the major regional centre, the average residential rate is almost \$572 a year. The neighbouring council, Parry, has an average residential rate of only \$328. Manilla is charging its residents only \$171.53. You see interesting discrepancies and anomalies right through the categories. The farmland rate in Manilla is almost \$1,500 per year per property, while Parry charges only \$687. This anomalous situation is replicated right across the State. It came because rate pegging locked these inequities in. Councils were rating their communities differently, and 26 years ago those inequities and anomalies were locked in.

Any reform of local government must address these anomalies. We have asked the Minister for a change to legislation to allow councils to seek and be granted up to five years of rate variations at once. At the moment, local government must go cap in hand on an annual basis and ask for special variations. We would see that these five years of rate variations, or up to, would need to be linked to a strategic or management plan telling the communities what they would get in return for this, if you like, rolling roster of rate change. This would allow councils to systematically and incrementally change their financial positions.

Mr REYNOLDS: You are all aware of the imposition on local government of all sorts of unfunded mandates. They have been listed in detail in our submission so I will not go over them again. Local government is not opposed to taking on new responsibilities. In fact, we welcome them. We are an efficient and effective sphere of government and the one closest to the people. Recent South Australian research is very enlightening. In South Australia people like local government and they trust local government—far more than they like and trust Federal and State governments. In South Australia people want local government to run just about everything. Possibly people in New South Wales would agree. The issue is one of resources, and that must be resolved through a genuine partnership between local, State and Federal governments. This partnership would seek to define and clarify the function and role of local government and match this to resources. With such an understanding in place local government would welcome any new challenge.

Dr MURRAY: In closing I would like to say again that the Local Government Association sees genuine local government reform as not being about boundaries. We emphasise the goals of financial reform in the immediate term and broader, more fundamental reform in the longer term. If I can just finish with a few words about amalgamation, though. There is often a lot of emotion about amalgamation and this can mask many of its real benefits. It is easy to fill community halls with people who are quite rightly upset about the alleged prospect of a loss of community or perhaps even increased rates. We need to make sure that people are fairly and fully informed about amalgamations. When properly carried out they should strengthen communities, improve their infrastructure and services and increase participation in the democratic processes—the very thing that the submission by Manilla, Nundle, Parry and Tamworth councils seeks to achieve. Thank you again that this opportunity to present our case.

CHAIR: Thank you your additional contribution. In terms of the rate differences, as you clearly indicate in this map, how does your organisation propose to reverse the imbalance—for example, a resident in Manilla currently paying \$171-odd in rates—without slugging these people

who are often in difficult circumstances or in areas where there are no great opportunities for employment?

Dr MURRAY: I do not think we would propose to slug them. The mayor of Tamworth has pointed out—and I think it is a good point—that we are not comparing apples with apples. Even though people in Manilla, Parry and Nundle can access, and do access, the services of Tamworth, they are probably not receiving the level of services that the people of Tamworth are in the main. So, in some sense their rates reflect that. They are paying less but they are getting less. We would propose that if a council—it is by no means compulsory and we are not arguing that it should be—wished to gradually change the ratios, if you like, they could do that over five years or an even longer period of time and say to the Minister this is how gradually we can change the way the rates are struck across our new council boundaries. That would give people fairly, and ahead of time, a roster of what was to happen.

It is not as dire as you might think. In Wingecarribee we have an average rate of \$520 a year. This year we went to the Minister to ask for a 9 per cent rate increase. That was a whopping great increase over the rate pegging limit of 3.6 per cent. The Minister very kindly granted that and we have said to our community that we will be doing that four more times. In other words, every year we will be asking for another 9 per cent rate increase. We have done that because we simply cannot keep up with infrastructure demands. It is an area of high growth. It is the Mittagong, Moss Vale, Bowral area, a beautiful area of New South Wales, where people want to see environmental integrity maintained, but that comes at a cost. We have had very little argument with our community. They are sick of hearing council has no money. They are sick of that bleat. They want us to get on and do some stuff. Because of rate pegging—and you heard the figures from Peter about earnings going up way more than rate pegging—the contribution of rates to an average family's budget has gone down and down in real terms. So, we do not think that a gradual and well-justified increase in rates is a slug. We feel that is a realistic thing that local government has to do to reposition itself financially.

CHAIR: You mentioned it is easy enough to fill community halls. As a statewide organisation do you think there is a chance you might be missing the nuances of people's relationships with their local councils particularly in country communities?

Dr MURRAY: No, I do not think I am. I think there is genuine emotion and very real senses of community. I think some amalgamations will be better than others. What I am trying to say is that they are not all bad and that people need to be fully informed about the benefits and disadvantages of amalgamations. Sometimes the disadvantages will outweigh the benefits. Sometimes there are political motivations for people not wanting boundary changes and amalgamations. It is nothing more than political self-interest, and I do not think that is a good motivation to stop anything. Sometimes there are very real reasons why you would want to keep the local government area as it is. We are just saying, put all the facts on the table. You can scaremonger, if you like, but that is not the genuine way forward.

Mr REYNOLDS: One of the things we are trying to get across, particularly to the Government, is that rate pegging has created the circumstances in New South Wales—which is the only State in which it operates—where councils really are in a terrible position financially. You can see the figures shown there, and the argument comes up about capacity to pay. As Dr Murray has indicated, in real terms rates have gone down considerably as portion of the household budget. One would have to say, in relation to capacity to pay, if the people of Tamworth, as residents, can afford to pay \$570, it is a bit of an argument to say that people in the other areas cannot afford to pay that much as well. The Local Government Association is not suggesting that anybody could change just because we have said so. We are saying that the opportunity should be there to give councils a chance to talk to their communities. If the communities want increases to reflect their services, they should be able to do it. If local government does not do something, or if the State Government does not do something about local government finances, we will have a disaster on our hands.

CHAIR: Does your organisation have a position about the efficient running of councils if they come together as amalgamated bodies in terms of payment of wages to councillors, do you see any way that that can be achieved and does it have advantages?

Dr MURRAY: You mean our remuneration, should that be reviewed?

CHAIR: Yes.

Dr MURRAY: Yes, I think that is a very strong point. I think the Tamworth submission was 39 councillors down to 12. One would think bigger area, bigger responsibility and could our remuneration be matched to that. I think it is a faint hope but we would like to see that happen. One of the problems for the democratic representation of people on local government is the amount we pay. If you are a normal person, trying to have a job, you find it very difficult to participate in local government. Wingecarribee shire councillors are paid \$12,000. That is really not enough to live on.

The Hon. HENRY TSANG: During the process of consultation and public hearings, can you assess that the community is expecting more services from the council and, indeed, express that they are prepared to pay provided they know they are getting the services? Did you see and hear that sign?

Dr MURRAY: We did in Wingecarribee but I cannot speak intimately about other council areas. What they wanted was almost a form of hypothecation: We are prepared to pay more but you guarantee us this is what we are going to get for our extra rates. We think that is fair enough. We do think there is that nexus that people make. They are happy to pay more as long as they are getting more. By the way, Wingecarribee has a lower than State average income. It is known as a blueblood area but it is not. Our community was happy to pay a little bit more. I think across New South Wales there is a feeling that local government should get involved in the provision of more services, particularly community services. I do not think that people necessarily make distinctions between the spheres of government. Because local government is the level closest to the people, they say what can you do about my mother with Alzheimer's? Why does the library service not come out to us? They do not necessarily know who is doing what. Mind you, sometimes local government does not know either. I think there is an expectation that local government takes on more and more. As Peter said, we welcome that; we just want the resources to match it.

The Hon. HENRY TSANG: Is there any understanding that councils could be more efficient if there are some changes, if there is a workable size in the number of residents or the area is bigger so the services can be shared?

Dr MURRAY: Yes, I think there is that understanding. But I think, like all local government issues, it is horses for courses. I think Central Darling shire takes up half the State. Whether you would want to amalgamate it with a bigger regional centre is arguable. Some relatively small areas probably have reasonable populations and can sustain themselves. I think it is whatever works in that particular region. That is why we picked on this, because it seems to be an amicable thing that is probably going to produce a really good result for the region.

The Hon. KAYEE GRIFFIN: You spoke about the expectation that the community has of the services local government provides. Obviously, that needs to be addressed in the funding that local government has available. Do you see a problem at the moment with the artificial boundaries in relation to State and Federal governments, with councils trying to provide some of those services, and do you see that as a bigger problem with councils getting larger or changing their boundaries?

Dr MURRAY: You mean the division of responsibilities?

The Hon. KAYEE GRIFFIN: The State and Federal government boundaries are artificial, as are some other boundaries, I suppose. Do you see that as an issue now with councils trying to provide some of those services you are talking about?

Dr MURRAY: Yes.

The Hon. KAYEE GRIFFIN: Would you see that as a bigger problem with a change of boundaries?

Dr MURRAY: No, I do not think it would get worse. It might even get better if the boundary changes made it even more rational with the State and Federal boundaries. It is certainly a problem now. Most local government areas sit within many State and Federal precincts for health and

employment services and all sorts of things. We are used to that, and I do not think it would get worse, but there might be an opportunity for it to get better.

The Hon. KAYEE GRIFFIN: Do you think that would fit in with some of the discussions at the moment with the reform agenda for local government, such as changing some of the invisible boundaries in relation to communities of interest?

Dr MURRAY: Yes, I think that would be great. I suppose that would relate mostly to community service provisions, but another model we are very supportive of is the catchment model, which the Tamworth one has tried to promote. James Treloar is a great advocate for ridge lines as boundaries rather than rivers. I think there is a sense to that, too.

Ms SYLVIA HALE: Picking up on your last comment that it is possible to use ridge lines rather than rivers as appropriate boundary areas, do you think the process might have been better facilitated if there had been a greater investigation of the appropriate parameters for local government areas rather than requirements by the Government that councils adhere to a structural reform agenda?

Dr MURRAY: Yes, I do. Two things would have made it better, the point you make there, that we have some criteria upon which to operate, that would have been very helpful. We kept looking for them, but they did not come so we have ended up doing it ourselves. I have lost my train of thought. What would the second point be? I will leave it at that.

Ms SYLVIA HALE: The evidence that has been given to the inquiry, particularly by smaller rural communities, is that they fear the devastating impact of the loss of jobs on those communities and the flow-on effect to schools, hospitals and those sorts of services. It also suggests that within those smaller communities there is a greater reliance upon volunteers to provide services that in larger urban areas councils would pay for. How do you think those sorts of issues should be tackled?

Dr MURRAY: They are very real fears and it depends on how the new council area would come together. It seems that in this model there will be a very real attempt to keep communities with that community of interest. In that case there would be a loss of benefits because the new council area could pass on a loss of the economy of scale benefits to the smaller community so that they might start to get more facilities in the small town and it might flourish under the influence of the more powerful regional centre. To some extent that has happened in Wingecarribee. Some 21 years ago three councils emerged. Initially, there was a flurry of parochialism when everyone was quite upset and kept saying, "Things were better in my day" and that sort of thing. But now our little outlying villages, like Hilltop, Yerrinbool and so on, are expecting and getting the same services as the bigger towns like Mittagong and Moss Vale. They have a very strong argument. In fact, their interests are over represented for their population size. They have a very strong voice. It is really healthy. I just thought of the second point that would make the reform process better, and that would have been if it had been more about reform rather than about boundary changes because that is all we seem to be getting back from the State Government at the moment.

Ms SYLVIA HALE: The submission from Orange referred to community interest groups. Obviously, it plays a part in the submission of Tamworth also. There has been some suggestion that these look good on paper but in practice they soon fall into disuse or they can be ignored. They have no real standing with council. Do you think there is any structure that should be put in place to enshrine these community groups to ensure that local input and representation will continue?

Dr MURRAY: I do not know. It is difficult. The obvious thing would be a ward system, but I do not think that is a good system. I think it enshrines the maximum that an area can ever hope to have as its representation, which leads to the lowest common denominator. I do not think wards are the answer. If you are fair dinkum about precinct committees and so on, they usually flourish and keep on going. But if they do not that is a reflection on the will of the people to some extent—there is not enough interest to keep it happening.

Ms SYLVIA HALE: But it may also reflect the failure of councils to fund precinct committees and that there should be some sort of funding mechanism accompanying the establishment of such committees.

Dr MURRAY: Yes, ideally there would be.

The Hon. RICK COLLESS: I would like you to explore the differences between boundary adjustments, amalgamations and reform. It is an issue that really gets to the heart of the inquiry about what the Government is trying to do. Is it simply trying to amalgamate councils or is it attempting to reform local government? What do you see as some of the longer-term reforms you spoke of earlier that should be initiated?

Dr MURRAY: The Local Government Association commissioned a study into rate pegging. The first part of it said that if we are to have rate pegging imposed on us, how do we reasonably calculate the way it is increased year by year. We have come up with our own model, a bit like a CPI for local government. We have been lobbying strongly for that to be introduced because they are on an annual basis that local government keeps up. We have also lobbied the Government to give us the capacity to change this inequitable situation so that in the end people are paying fairly across the State, not just locked into these differences that occurred. We think they can do that with a fairly small change to the legislation. They are the financial aspects of reform. In the longer term it is a partnership issue that Mr Reynolds spoke about. Obviously, we would like constitutional recognition. At the moment we are an arm of State Government and we said that. But it makes our position quite difficult to say the least. Failing that we would like a very strong partnership with other spheres of government so that we come to the table as an equal partner, we both understand who is doing what and resources are properly matched to that. At the moment we have a cost-shifting thing. I have been saying, "Let's not see everything as a threat." Local government would like to take on some of these things, but we are not in a position to do it.

The Hon. RICK COLLESS: With respect to constitutional recognition, have the associations initiated any activity to try to achieve that?

Dr MURRAY: Yes, and we got very close. What was the year we got very close?

Mr REYNOLDS: I cannot remember the actual year, but it was a referendum many years ago when, unfortunately, one side said they would support it and then they said they would not so everyone opposed it. Therefore it got thrown out. Local government has lobbied hard for constitutional recognition and it is a very odd situation in this country. Out of the 16 Federal countries in the world we are the only one that does not have recognition in the country's Constitution as part of a sphere of government. We are at the whim of State governments. The submission and everything we talk about clearly shows that. All sorts of things are done to us from time to time. We are not financed properly. Things are thrust upon us that we do not have the whole finance for. We would say that local government is extremely efficient now because of the way it has been treated financially. It has had to find the best way to do everything and it has had little money to do it. If we were recognised in the Constitution we would have some form of residual powers that would give us a base upon which we could properly fund our operation. I would even go so far as to say that if local government were funded properly a lot of these reforms would fall into place, a lot of things that local government wants to do and should do.

The Hon. RICK COLLESS: Earlier you stated that councils are in a terrible financial position. I put it to you that that it is largely because depreciation schedules have been thrust upon them since the new accounting standards were implemented. Do you believe that that truly reflects the financial position of some of these councils, given that a lot of the depreciation schedules, or the assets they depreciate, have a much longer life than the depreciation schedules imposed on councils?

Mr REYNOLDS: I was not talking about it from the point of view of the books of account. Depreciation schedules are a non-cash charge. What I am talking about, and what local government talks about, is the monetary side, the actual cash. Local government does not have the money to do what it wants to do and needs to do. It is so clear. All the way through the submission, all the way through what you have obviously been hearing, local government is not financed properly, particularly in New South Wales. It is not financed properly in other States, either, but because of rate pegging in New South Wales we have been forced into a position where we cannot keep up with what is required, particularly in infrastructure. We do more and more things that we have to pay for, so something drops off the end and it is the infrastructure maintenance and renewal that has dropped off.

We understand in Parry there are something like 120 bridges, 46 of which are shot to pieces and need total replacement at cost of over \$50 million.

If you look at the finances of these councils you will see that there is no way they could provide that sort of money to rebuild those bridges. Therefore we need the cash to do that. The only way to do it, presumably, is through rates, if Government gives us a greater share of the Federal Assistance Grants or some form of GST or some growth factor applied to it. We have asked for that, but that has not occurred, of course. Hopefully, it will occur sometime in the future. You have referred to other books of account, which reflect depreciation, which came in about 1993 or something like that. It gives a figure for depreciation, but it is a non-cash charge so it really means nothing.

The Hon. RICK COLLESS: But a lot of the justification for the famous list of local government showing councils in dire financial straits were on the basis of the depreciation.

Mr REYNOLDS: Yes, it may come out that way from the local government department, but if you look at it realistically the money is not there and it has not been there for some time.

The Hon. RICK COLLESS: The geographical size of council areas is important for country councils. The city councils have a size limit by population rather than geography, but out here it is the geographical size of the council area that may become a constraint. It takes the "local" out of local government. How do you think that should be resolved? Should a limit be placed on it?

Dr MURRAY: Once again, I agree with the Mayor of Tamworth—probably not. It is horses for courses. We could probably work it out through people's daily transport movements or where they naturally head because people head to one or other centre. Daily life revolves around one town or another. You could probably link it in some way to that, something that makes sense to local people. I notice the Albury submission asks to take that part of Hume that is a comfortable half hour drive from Albury. In a way it is an old-fashioned notion, a bit like the distance a horse can travel in a day. That may be one way to look at it, but people's gravitational pulls might give you a reasonable boundary.

The Hon. CHARLIE LYNN: Do you think the current arrangements allow the State Government off the hook? It allows them to play the blame game and say, "That is not our responsibility. That is local government's responsibility." Therefore they do not have to provide the answers in the annual budget.

Mr REYNOLDS: I guess they could look at it that way. The State Government has its own problems with infrastructure, just like we have. Obviously, they are not providing sufficient funds to maintain the infrastructure and provide new infrastructure. I do not know, from what you said, that they are putting it to us so that it is out of their patch. I do not think the public sees it that way. I do not think the people see it that way. I think they see infrastructure declining and expect it to be fixed and probably, in general, blame local government, which is unfair, but that is generally what happens.

The Hon. CHARLIE LYNN: It is your belief that this system of rate pegging has led to the decline in infrastructure repair?

Mr REYNOLDS: It is so obvious. We quoted a five-year period but rate pegging has been in for 26 years. In that five-year period average weekly earnings went up 30 per cent and expenses went up 23 per cent, but rates went up only 16 per cent. If you apply that over 26 years the reduction in real terms of funds to local government is astronomical. I am surprised that local government has been able to do what it has been able to do because of lack of funds over that time. It seems a pity that this is not recognised by the State Government, although we are very hopeful, as Dr Murray said, that the model we have produced through National Economics—they produced the model—will give us a correct increase in relation to the expenses that we incur. In the past few years if we had received the increase in the model we would have received something like \$200 million a year extra over the past four years, which would have given us an extra \$800 million, which would have been a huge boost to local government. If that were to be put in place it would put local government on a footing so that it would get at least what it should get to cover its future expenses.

To catch up there is another proposal to allow, as Dr Murray said, councils to apply for an increase over a period of time to soften the blow, but to be permitted to have that increase from year

one so that you do not have to go back each year. We have done that. As Dr Murray said, we did not get a bad response from the public. In fact, they were very encouraging because they realised that something must be done if they are to get the services they want.

The Hon. CHARLIE LYNN: Have councils done an infrastructure audit in their areas to find out what the total bill is, so to speak?

Dr MURRAY: Many have, and it is so terrifying that many have not. Many have and that is another sort of list, those sorts of endless engineering lists. Some of you are from local government so you know.

The Hon. IAN WEST: Road after road after road.

Dr MURRAY: Yes.

The Hon. HENRY TSANG: Safety audits.

Dr MURRAY: Yes, we have done those sorts of things. Interestingly, the State Government has calculated that it thought the infrastructure maintenance and renewal gap was \$200 million a year for local government. The Minister was quite intrigued that our model would have predicted that we needed that much more each year and his eyes lit up. I thought that was a positive sign.

The Hon. CHARLIE LYNN: If the rate pegging system led to a decline in infrastructure maintenance and development over the years, the State Government has a responsibility to work with you to bring it back up to scratch and then to get a formula right that keeps it there for the future.

Dr MURRAY: Yes, we do.

The Hon. HENRY TSANG: In Victoria there was amalgamation. From that experience did they see any sign of better results of financial management and service delivery? How did that amalgamation affect the rates?

Dr MURRAY: I cannot answer the second part of the question. The early studies on Victoria are mixed. Some say it has been marvellous and some say there have been diseconomies of scale and that there is a move to make the local government areas smaller. I think they said 100,000 people and they sliced up the State like that. I do not think that is the way to go about a reform process. I think the jury is still out on whether it has been good, bad or indifferent, quite frankly, because as I said the studies are mixed. I do not know what has happened to rates.

Mr REYNOLDS: I think initially when Victoria was amalgamated the Kennett Government just said, "Your rates are going down. Put them down." But since then they have come right back up again. I think that was a bit of a folly that was supposed to be a sop to the people, who thought their rates would be reduced because of this great amalgamation. But then they found that they did not have enough money. In Victoria and all the other States they have the right to put their rates up by what they believe is necessary to provide the funds to do the job, and they do, and they are able to do that. We are not.

Dr MURRAY: And you see that their average increases are what our model would have predicted for New South Wales. In other words, the other States do not let it go to their head and start charging ludicrous rate increases. They just stick to what the costs have been for that year.

CHAIR: You have discussed the issue of larger councils and the small nodes being appropriately serviced. There is an ongoing discussion on council committees or precinct committees. Does your organisation have a formula that would work most effectively in terms of those committees' powers and also in terms of being able to represent immediate local concerns in a larger council structure?

Dr MURRAY: No, we do not have a formula, and once again we would leave it to the local area to determine what it thought was appropriate. I know that North Sydney has a very good system of precinct committees. That is an example in the metropolitan area. A lot of people are committed to

wards. They feel that that is a good way to go. Many country areas do not have wards and they feel that in smaller communities that is possibly an overrepresentation, which I think is a healthy. As for the community's basic committees that are not councillors as such, I think once again it is whatever model the community would like to adopt.

(The witnesses withdrew)

ROBERT JAMES SCHOFIELD, Deputy Mayor, Nundle Shire Council, Jenkins Street, Nundle,

RICHARD ARTHUR CHARLES MORRIS, General Manager, Nundle Shire Council, PO Box 21, Nundle, sworn and examined, and

WILLIAM FREDERICK HOAD, Mayor, Nundle Shire Council, PO Box 21, Nundle, affirmed and examined:

CHAIR: In what capacity are you appearing before the Committee?

Mr SCHOFIELD: As the Deputy Mayor of Nundle Shire Council.

Mr HOAD: As the Mayor of Nundle Shire Council.

Mr MORRIS: As the general manager of Nundle Shire Council.

CHAIR: Are you conversant with the terms of reference for this inquiry?

Mr SCHOFIELD: Very close.

Mr HOAD: Yes.

Mr MORRIS: Yes, I am.

CHAIR: If at any stage during your evidence you consider that in the public interest certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will consider your request. Before we take questions from the Committee, if any or all of you would like to make a short statement please feel free to go ahead now.

Mr HOAD: I think the first we heard about this amalgamation structural reform, which was the main issue it was supposed to be about, Nundle shire was targeted fairly early in the piece at the shires conference because we are the smallest shire in the State. We have been operating for close to 100 years ago on the financial footing. We had no worries and still had no worries up to that stage. The moment it was mentioned at the shires conference in Sydney that we were not a doughnut council but one of the smallest shire councils we were targeted straight away for something to happen to us. We were prepared to stand alone, and it was the wish of all the residents that we do that if we could. Well over 90 per cent of the shire went that way.

The Minister invited councils to put in boundary claims, which councils did do, like Tamworth city and other councils, including Quirindi. They put in boundary claims. Tamworth City Council could not put boundary claims on Nundle because we do not have common boundaries. Then to our amazement Quirindi shire put in boundary claims and one of those claims was on Nundle shire. But from the moment that Nundle shire had the boundary claims put on we were involved. We realised that we were drawn straight into it so we had to do something straight away.

To my way of thinking, it was a back-handed way to get amalgamations when there were no forced amalgamations. The way it was done without consultation was not right. It was a rather strange way to work things, to my idea of thinking. Anyway, from then on we had to reject Quirindi's claims. That was our main thing straight away, simply because Quirindi's claims were not for the whole of Nundle shire at that time. It was only part of Nundle shire; it was about 50 per cent of Nundle shire. The claim on Nundle shire would have taken about 50 per cent of our regional and local roads. The moment that happened it would have left Nundle township, which is set in the foothills of the ranges. It is only a small shire of 1,400 people and about 1,400 square kilometres. I think that is about the size of it.

We have many tourist attractions in Nundle shire and it is quite a viable place. For any boundary claims put on Nundle, to take 50 per cent of our roads, Nundle would have been in a position where it could be wiped off the map. The shire depot in Nundle employees about 16 outside staff and about half a dozen inside the shire. It is Nundle shire's biggest employer by far. So the

moment we have about 50 per cent of our roads taken off us there is no way that Nundle shire could be serviced from Quirindi. It would have left us in the position that we would have lost the majority of workmen out of the office and the work force. Then we would have lost pupils at the school. The moment that starts, you lose a teacher. Then a shop or two goes. It would be the end of Nundle.

When we first met the Minister in Tamworth a couple of months ago he assured us that in any boundary claims, changes or amalgamations he would not see the desecration of any towns like Nundle. He assured us of that. Following on from that, on rejecting Quirindi's claims because of all these factors, we decided that we had to amalgamate with someone or else it would be done for us, as we have been told, and it would be something we did not want. So from then on we decided we would have to have talks with Parry and Tamworth city to do something. To go back a little further, we had had talks with Parry a couple of years ago about amalgamating with Parry on a voluntary basis, but halfway through the process it fell over because of the HIH issues which we were involved with and Parry was not. That is where we were up to there.

In all our talks with Tamworth city, Parry and even Manilla, we have been fairly amicable on all the issues we have discussed. We have agreed on most things, including the rates issue, whether they will be changed over a period, two or three years, to bring them on an even basis eventually. I think Parry's rates are by far the lowest and Nundle is about the second lowest, and Manilla's rates are quite a deal higher than ours so there would be an evening out over a period of a few years. That is one of the things we agreed on.

One of our main worries at this stage is representation. We are concerned about the rural areas around Tamworth. We get some representation on the new council we have agreed to, which would have about 12 councillors. Twelve has been suggested and we have virtually agreed on, rightly or wrongly, that that is the best number. I am not quite sure. That is definitely our main worry now, representation. Robert might like to talk a bit about the representation side of it.

Mr SCHOFIELD: When it started off, Nundle had been a shire for the past 90 years, almost 100 years. We were giving up everything. We have six councillors at Nundle but we can see that times have changed and so is the way that council ought to be working. We can see the benefits of moving into a larger council. A larger council, for a little place like Nundle, has a bigger budget. Things like water supply can be shared over all the towns in that area. Sewerage systems, which Nundle does not have, we concede, can be shared with the other four councils that may be coming in. Many advantages can happen: a main street program for Nundle, upgrading of the caravan park, things that Nundle can probably manage but it is going to be very difficult. Times are changing and it is time to move out. We are happy to move out. We had our early meetings and we asked how many councillors do you think we ought to have? Fifteen was mentioned, 12 was mentioned. I said six or seven would be a better number of councillors but these councillors ought to be full-time employees somehow and these councillors should be assigned back to some area.

We talk about wards. We can get wards in at Nundle. Nundle only has a population of 1,400 with 900 voters. For us to have a ward, it is going to have a wedge that will come right back in here to Tamworth. So, we are still going to get those people from where the people are concentrated. That is where the councillors will be coming from. I can see this working, if we can get representation over the complete area—Manilla, Nundle, Parry and Tamworth. If we can get 12 councillors from all that area, not just from the densely populated area, which is Tamworth, it will work well and everything would be great for us. We know we are only a small council and the time is running out for us.

One thing I would like to stress is, being just a very small town, employment in a small town of Nundle, with a population of 250 people—we know we will lose the senior staff but it is very important that we maintain the staff we have at Nundle now. In our discussions with the new council, they have been very sympathetic with us and say yes, we can see the depot at Nundle expanding because we also service the southern end. That is provided, of course, that the old shire of Nundle does not get split into pieces, with Walcha taking some, perhaps Quirindi, and immediately there is not as much need for the men to be up there to work and there is going to be a problem. Representation and keeping Nundle as a whole council are the two things that are very important to the wellbeing of the little village of Nundle and also to Nundle shire.

CHAIR: Thank you for that information. In terms of Nundle's outlying areas and being properly serviced and accessible to those people, what sort of distances are we talking about if the council chambers are at Tamworth?

Mr SCHOFIELD: It is 60 kilometres from Tamworth to Nundle now—that is from the village of Nundle—but the shire boundary, as the crow flies, goes another 30 kilometres or 40 kilometres. So, there is a need to have a depot up there, and this will happen. We are about 60 kilometres from Tamworth, which is a bit over half an hour's drive.

CHAIR: You are indicating that the writing is on the wall, you were forced into these negotiations for the benefit of your existing community.

Mr SCHOFIELD: Yes.

CHAIR: You think there is only one way to go with amalgamations? Do you see any other viable future for your community?

Mr SCHOFIELD: In the early stages we talked about going the other way, to Quirindi, but there was a big swell from the people who live just a few miles from Parry, where a lot of our population lives. They said they did not want to be travelling right back over to Quirindi to pay their rates and things, and it fell over. A campaign was launched against us by the then council and it was overturned. New people came into power after the elections and their idea was to try to speak to Parry. Everything was going along very smoothly until HIH reared its head, which was not our fault, and Parry said it could not take us on.

CHAIR: You mentioned an openness to amalgamate. How important do you think it is to have a small number of councillors in a full-time paid job? Is that going to alleviate problems, and what are the problems at the moment?

Mr SCHOFIELD: I think that being a councillor is almost a full-time job. If we have a council that goes from the top of Crawney to the other side of Manilla, you are going to need people who have the time and energy and also the money to be able to leave their work. Let us face it, a lot of councillors now have a full-time job. They are councillors from five o'clock in the afternoon until 10 at night. After that they are back home. I have been strong about this from the very first day, and it was said it will never work, but we should have full-time people there who are paid accordingly and who can get out to these areas, these precincts, and they will have a secretary with them and they can sit down, listen to the problems of the area and bring them back to the main council meetings. Then a decision is made. So people from these outlying areas will still get input into that the council.

I do not know what model is going to work. I have no idea. I only have these thoughts about it. If people could be guaranteed that they will get representation after the big boogieman comes and takes them over, I think a lot of other councils—the people in them and the councillors themselves—would be a lot happier than they are now. They are all frightened of being taken over by big brother. Big brother has the votes in a certain area and will not be looking after them. That is my view and that of a few other people, I suppose.

Ms SYLVIA HALE: If it had not been for the HIH debacle, do you think it was possible for the councils amongst themselves to work out some sort of appropriate merger or amalgamation?

Mr SCHOFIELD: We practically had everything worked out with Parry. We were moving into Parry. Everything was worked out and going along fine for when the elections would be held. We were happy to move in there. There was still an element there that did not want to be seen. People could see we would be ending up, if we went with Parry, in Tamworth city. There were always a few who were not happy about going to Tamworth city. Hence, there were the people who wanted to go the other way, to Quirindi. If it had not been for HIH we would have been in with Parry.

When we went to the Shires conference a number of years ago, the Minister of the day—Harry Woods in his first year—said that the first thing he wanted to do was get rid of small doughnut councils and small inefficient councils. He seemed to look over at us at the time. We knew we were the smallest council in the State so we had to put our hands up.

CHAIR: Ministers come and go.

Mr SCHOFIELD: That is right, and Nundle shire has been there for 90-odd years, almost 100. I am afraid it is not going to make the hundred.

Ms SYLVIA HALE: Again, if we forget about HIH, do you think a joining together with Parry could be a more acceptable outcome for your residents than the proposal that has been put together at the moment, or do you think there are other factors that make the current proposal a better one?

Mr SCHOFIELD: I think a lot of people would be happy just to go with Parry by itself.

Ms SYLVIA HALE: Can you tell me why, what factors?

Mr SCHOFIELD: Because I think they do not want to be part of Tamworth city. Tamworth city is an area of only a half a dozen mile circle around the town. It is Tamworth City Council. They do not want to be part of Tamworth City Council. Nundle is a rural town, and Parry is on the edge of Tamworth. A lot of rural people make up Parry and a lot of people would like to just stick with Parry and not worry about anything. As for the big picture that we have been told we have to look at, we are happy to go into the big regional council. If it all works properly there will be nothing wrong with the big regional council. Tamworth city will no longer exist, it is finished, but you have to convince a lot of people who are working 20 hours a day that things are going to be better for them.

Ms SYLVIA HALE: You think it is not just the great discrepancy between rates charged? Other factors are a motivating factor?

Mr SCHOFIELD: Rates are pretty big.

The Hon. RICK COLLESS: Gentlemen, getting back to this issue of the management of the depot—and obviously that is a very important consideration for your council and your town—I think you said it employed something like 16 outdoor staff and three indoor—say 20 people in round figures?

Mr MORRIS: Yes. We have a lot of casuals, depending on the projects we are doing.

The Hon. RICK COLLESS: So, we can use the round figure of 20 employees, give or take one or two. There is no reason why that cannot be maintained, is there? That is the undertaking that the new council has given you?

Mr MORRIS: If they start to dismember the council and they take parts and Nundle becomes on the perimeter of the newly formed shire, when it is on the boundary you would not put your depot at the extremity of the organisation. You would pull it back so you would have a more circular approach to your work. The bulk of our employees would be more than 50 years of age and they will be retiring in the next five or 10 years. It is our fear that when they came to replace them and they were interviewed in Tamworth, they would have one or two younger gentlemen from Nundle and 10 or 15 from Tamworth. The chap interviewing them or the interview panel will be from Tamworth and we do not like the chances of the local Nundle people.

The Hon. RICK COLLESS: But from a structural point of view, they are obviously going to need a depot at Nundle and a depot at Manilla. There would not be a depot at Tamworth, and that is it, surely?

Mr MORRIS: There is a depot in Tamworth at the moment because Parry is a doughnut shire, and that services the rural region.

Mr HOAD: One of the main things about the Nundle shire is that we have virtually agreed in talks with the new Parry, Tamworth et cetera, that the Weobonga to Niangala area on the end joining Nundle shire is much closer to Nundle. As a result the areas of Parry shire towards Nundle can be closer serviced from Nundle. So there looks the possibility that we might put on some extra staff to

service those further outlying areas that cannot be serviced from Tamworth. That is why we feel sure we can probably enlarge that outdoor staff, slightly anyway, to service those outlying areas. Geographically, the whole of Nundle is in line in the Peel Valley that comes towards Tamworth. Geographically, this is the only way.

The Hon. RICK COLLESS: Nundle people would go to Tamworth for their major shopping?

Mr HOAD: All of them, 99.9 per cent.

The Hon. RICK COLLESS: You referred to a big regional council as the way to go. Are you really concerned about losing the "local" out of local government, particularly as you were such a small cohesive unit but now you will be very much regional? How will that impact on the community?

Mr HOAD: That is one of our big worries. With a local council, like we have had at Nundle, you know nearly everyone in the shire and you have contact with everyone. All the problems are discussed. We always have a look at things that are brought to council and we will have first-hand knowledge of what we are discussing. We always work the problems out, whereas in the big shires, such as Tamworth, the councillors go to a meeting, one of the staff will tell them things and they vote on that. They have no first-hand knowledge and that worries me at times. I have had experience with those sorts of things and the knowledge of outlying areas of big council's worries me. That is why I think representation that has knowledge of those areas somehow or another is very important.

The Hon. RICK COLLESS: I liked Mr Schofield's proposal about proper resourcing for the councillors with secretarial support so that they could spend the time finding out what the issues are. Do any of you have any thoughts on the difference between amalgamation, boundary adjustments and reform? What sorts of other reforms would like to see if this reform process proceeds?

Mr HOAD: Even the areas over the tops at Hanging Rock down to the Barnard River in Nundle Shire could not be cut off because it is only a four-wheel drive down to Scone and those areas, and at times even a four-wheel drive does not get through those areas. Those outlying areas to the south-east cannot undergo any boundary changes. The Hanging Rock area has all its ties this way. Not too many future boundary changes can be made in the Nundle Shire that can work satisfactorily. Maybe in some of these other areas slight boundary changes later on might be okay, but so far as Nundle is concerned very little changes can be made to boundaries just because of its geographical situation.

Mr MORRIS: Trying to maintain the personality and the charisma of a pretty little village or hamlet like Nundle is to give them their own precinct or their own 355 committees. This newly formed body of the four councils is saying that will happen. I have been in local government for more than 40 years and I have worked from Mornington Island in the gulf to Sale in Victoria. Generally these town committees have not lasted. The main problem is the centralisation of power. They usually hand out a few crumbs but over time they retract that. If Nundle or a small village could be assured of having input into the manner in which the area is developed and how things progress then you would find that the personality and charm in those small towns would remain. Otherwise the centralisation will just make it a bureaucracy. As Mr Hoad said, they go down to Rob's pub and if we are putting up a fence or a table and chair in the local park then everyone has input. But when the new reformed council takes over someone from Tamworth will come out, he will screw it down where he thinks it is good, it will be the colour he thinks it should be and he will put it in the spot that he thinks most favourable. That does not give any ownership to the locals in Nundle.

The Hon. CHARLIE LYNN: The point you made about full-time councillors is shared by a few other people. It is something of merit that should be examined further. If it were centralised do you think you could put mechanisms in place to maintain local contact with the council, for example a requirement for rotational council meetings rather having all the meetings in Tamworth—x number of meetings per year in Nundle, Parry and so forth? How would you suggest that the precinct committee, or whatever, be put in place to really represent the concerns of the locals to ensure that they have positive input into council?

Mr MORRIS: They could certainly be put in, the fear is whether they will stay. The incoming organisation, as with all organisations and the State Government has the overall power to change anything at any time. To give it any longer tenure is a political decision.

The Hon. CHARLIE LYNN: Do you think it would help if a councillor were required to maintain an office in a town like Nundle that could be a drop-in point for people?

Mr MORRIS: He would have to have an affinity with the people and he would have to listen to them, then be a champion for them. A lot of people will sit down and listen, then go back.

Mr SCHOFIELD: But the way it is set up now, that is utterly impossible. That cannot work. If something like that can be put in place, yes, maybe it will work. Maybe it can work. The legislation has to be changed. But at this stage we have our meetings with the four other councils, we come away from them feeling good and that everything will be fine. But we know when the elections happen and the 12 new councillors take up their jobs and we get a new general manager in there, whoever it might be, we will have no guarantee about anything. Now everything is rosy and they guarantee employment at Nundle for the next three years, everything will be great, but if the new council is a regional one it has a better chance of surviving. But if it comes from the congregation of voters it will be very difficult. The most important thing after the elections will be to get to know as many of the new councillors as possible and cry to them about your ideas about what should happen. Full-time employees, like a councillor, could be good. It is almost a full-time job now to do it properly. You can do it after you knock off work at 5 o'clock, from 5 until 10, but it is almost a full-time job.

The Hon. HENRY TSANG: You mentioned that the big local councils might not understand what is happening in the precinct. Therefore a councillor should be given resources. What if the Act were to specify that the committee must have resources, including a full-time secretary to support the precinct committee?

Mr SCHOFIELD: That could be good.

The Hon. HENRY TSANG: Provided it is in some sort of structure in the formation of the new council.

Mr SCHOFIELD: We will not get anything like that in place before the next elections, which are coming up. But maybe down the line somewhere—

The Hon. HENRY TSANG: It could be in the Act.

Mr SCHOFIELD: Everything has changed. It does not matter what it is. Everything is going through change. Local government is probably the last to be getting a lot of change. Change must happen for the country to move forward.

CHAIR: I thank you for what is technically a much-needed geography lesson for the Committee's considerations.

(The witnesses withdrew)

GLENN RONALD INGLIS, General Manager, Parry Shire Council, Post Office Box 441, Tamworth and

PHILLIP ALEXANDER BETTS, Mayor, Parry Shire Council, Post Office Box 441, Tamworth, affirmed and examined:

CHAIR: Are you conversant with the terms of the inquiry?

Mr INGLIS: Yes, I have read them.

Mr BETTS: Yes.

CHAIR: If you consider at any stage during your evidence that, in the public interest, certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will consider your request. Before you are questioned by the Committee, would either or both of you like to make a brief statement as to your position?

Mr INGLIS: Yes, I would like to. I would also like to table a submission for the Committee's attention.

Submission tabled.

I will keep my comments in relation to the submission we tabled as brief as I can. The purported benefits and merits of local government amalgamation as a mechanism to enhance efficiency and effectiveness of local public service delivery remains an intellectual impasse. The motivation for enhanced efficiency in Australian local government has captured the imagination of policymakers for many decades. One fact is clear: it is critical that local government become increasingly relevant, efficient, viable and participatory in the Australian system of government. Its functions, responsibilities and governance dynamics can have a significant impact on the economic and social features of many communities, in particular regional and rural communities. In this inquiry local government must not be visualised or perceived as systems, structures and legal arrangements. Local government is about people and communities. Amalgamation is not a panacea for all the problems and changes impinging on local government. Rather, it must be visualised as a complementary strategy to broader national and State financial, legal and structural reforms. The real issue for local government is governance and how we deal with governance issues at a regional level, local level and State level.

Our submission has a whole swag of stuff about your term of reference No. 1, which is the adequacy of the current financial arrangements for local government. I will quickly reference just one example, and that is rate pegging. Do not get me wrong: Rate pegging is not the be all and end all. In our submission is the example of Parry Shire Council. Last year we had a 3.3 per cent rate increase. That raised \$90,000 in new income for Parry Shire Council. The award increases, which are negotiated by the Local Government Shires Association on behalf of all local governments, the cost from that went up by \$194,000. That left a deficit of \$104,000. The year before we got \$75,000 from new income from rates, with \$147,000 in costs from the award increases. The deficit was \$72,000. There is some other information in the submission on things to do with that.

Another matter relating to financial arrangements is national competition policy payments. Why for the life of me this State will not share that, no-one knows. We are the only state that does not get a share. Victoria, Western Australia and Queensland--I just quote them as examples--9 per cent, 4 per cent and 20 per cent of national competition payments are shared with their local governments. In New South Wales the share is zero. In summary, the evidence provides that the current financial status of local governments is not sustainable in the long run and for many rural and shire councils in the short to medium term.

While the situation is one that needs to be urgently addressed by all spheres of government, certain immediate action is required by State and Federal governments. Not to act risks serious failures in services and infrastructure maintenance and provision. Of even greater significance is the fact that failure to act will permit the continued fading fortunes of many rural communities. Local

government must be guaranteed a fixed share of GST revenues. The effect of unfunded mandates, which is your term of reference No. 2, we have put a whole lot of stuff in our submission about that. I am sure you have already had brought to you a lot of information about unfunded mandates and where they come from.

We have a chart in there specifically to show you the effects of that on Parry Shire Council--fairly big numbers in it. If there was any doubt about that, the cost-shifting inquiry that the Federal Government has just finalised--its report is due at the end of the month--has a heap of stuff on unfunded mandates right across the thing. In terms of your term of reference No. 2, the community's expectations of service provision by local government, when developing public sector service delivery community expectations do not generally differentiate between tiers of government. They simply expect the required service to be provided and increasingly look to their local council to undertake some role in ensuring that those needs are met. That is evidenced when you look at some of the things that local governments get involved in. For example, a number of rural councils have put their hand very deeply in their pocket to get general practitioners into their communities, hundreds of thousands of dollars to put up accommodation for cheap rental, motor vehicle provision, and a whole range of things.

Community safety is another good example of local government putting its hand in its pocket for something that traditionally has not been its thing. In term of the optimum organisational structure to efficiently deliver better local government, your term of reference No. 3, we have some stuff in our submission on that. The jury is out on that. I have noted here, "Rational theoretical criteria cannot be developed to determine optimum size and number of local government jurisdictions." We have referenced a number of reports and research that has been done which comes to that conclusion. In relation to the criteria by which amalgamations, boundary changes and major reorganisation of council areas should be decided, your term of reference No. 5, section 263 of the Local Government Act enumerates all the factors that the Boundaries Commission is required to take account of in its deliberations when examining an amalgamation or reorganisation proposal. These factors, while quite comprehensive and appropriate, exhibit one glaring omission--relationships to economic and social catchments and the natural landscape.

There is a need to additionally determine local government boundaries on a rationale of combined economic, social and ecological factors, that is, boundaries that provide for the best geographical fit of communities of economic interest, shared social interest with the ecological landscapes. These newly formed areas will maximise the capture of natural and fundamental areas of interest to most citizens. Therefore, it is likely to be politically palatable in terms of any reform agenda. In terms of the amalgamation proposal, we have commented on one of the things we have found by personal experience. When you look at other ones, the formal proposals that councils put together when they want to amalgamate, that is a document that must undertake assessments of impacts in accordance with the Local Government Act. Our comment is that this document must also be visualised as a future manifesto that documents and projects the vision and aspirations of the councils as to how on behalf of their communities they would like to see certain aspects of the newly elected council established and governed.

We believe that that will hold the process to some form of accountability because they do not measure these things after they are done. Another comment we have made in the report is the issue of where a council is thinking about boundary changes and then it goes through a whole range of hassles when it wants to. We have put an idea forward and I have called it "future local government boundary declarations". Any local government authority contemplating a future boundary change should be required to develop and document such a need at a very early stage by lodging with the Minister, for example, a future local government boundary declaration. In other words, it formally declares its hand well ahead of the time it wants to. This declaration would be a strategic planning mechanism that local government authorities could use to identify potential future boundary extensions.

This declaration would act as a strategic guide for probable planned expansion of a local government area. It would have no legal status at that stage. This declared area would enable the authority to plan, in co-operation with local and State agencies, for all necessary government services, which in turn would facilitate an orderly development pattern for growing authorities. The role the State Government should play in any changes: when an amalgamation of councils is proposed, the State Government needs to undertake a partnership role with local government. This would involve

joint identification by teams of State agency and council representatives of the key issues and then by formal agreement amongst other parties on the action to be taken to address those priority issues. The stated purpose of these could take the form of an amalgamation partnership agreement, which would facilitate the shared identification of the amalgamation objectives and outcomes to assure effective and efficient results. In the report I have listed some principles that could underpin those agreements.

The current Act has a range of provisions relating to the views of residents and ratepayers. It is my view that those current provisions are adequate as long as the actions taken are not ultra vires. The financial implications for amalgamations by way of financial assistance grants is interesting. Each State is different. In New South Wales we have a complete failure in our FAGs distribution formula to recognise amalgamations in any way. By way of example, Parry, Tamworth, Nundle and Manilla have put in a submission for amalgamation. We have estimated that our combined FAG grant will reduce by \$250,000 per annum after we are amalgamated. How is that for an incentive to amalgamate? There must be changes, and I have included a methodology by which we could fix that problem.

All you would need to do is change the Grants Commission rules to incorporate these three matters. For the first three years after amalgamation the New South Wales Grants Commission will consider submissions prepared by the newly combined council and where appropriate adjust the basic grant allocation to take account of amalgamation-related costs by applying a specific disability allowance. In the first year after amalgamation, when comparable data for the combined council is not available, if the grant pool increases the commission will determine a basic grant at least equivalent to the sum of the grants that they used to receive before the amalgamation, and a couple of other suggestions about how to overcome that problem.

That is already done in South Australia. Often you will hear from the State Government, "You cannot do it." South Australia has not had a problem doing it, and they can do it. In conclusion, local government deserves greater attention and credit. It is responsible for the provision of a wide range of critical services and infrastructure essential to the welfare and economic, social and environmental advancement of Australia. If local government is to fulfil its potential and meet the growing needs of community it is absolutely essential that it have access to other required services. Local government's current capacity to maintain existing services and infrastructure is clearly compromised. In many instances, particularly in rural and regional areas, local authorities are being forced to cut services and defer critical infrastructure development. Deficiency of power, status and resources continues to choke local government.

CHAIR: You have certainly covered quite a few of the financial issues that have been brought before the Committee. In terms of the regional review of the Peel region being conducted by Mr Chris Vardon, do you have any comment on the review process to date?

Mr INGLIS: I will make a brief comment, and I am sure the mayor would like to add one. The review process has finished here now in the sense that public submissions closed on 28 October. I think as we speak today all the regional meetings, the community consultation, are finished. We met with Mr Chris Vardon and his offsider from the department last week. He had a one on one with each council if they wanted. We were able to table a submission and so on. As to a comment about the review process, I have a conspiracy theory about that. My view is that the regional review process is simply a mechanism to shortcut the requirements of the Local Government Act in the sense of what you must go through under section 263 because they are still very keen to meet the deadline of the 27 March election. If you follow the Local Government Act for amalgamation procedures, that is impossible. There is insufficient time.

The way around it is to have a regional review, have a recommendation to the Boundaries Commission that, in the case of Parry, Tamworth and Nundle, we amalgamate, do some little boundary changes on the side, may need to do community consultation because the regional review has already done that and by the wave of the pen he can have that all processed in less than one month.

Mr BETTS: I reaffirm the views of the general manager. We discussed them at length. The regional reviews have just been too short in time frame and too limited with other input in the process. We are losing an opportunity to reform local government. It will end up a knee-jerk reaction and if we end up down that path we will suffer for many, many years to come. We need to bite the bullet now

and ensure that this process is as fully and as extensive as time permits but to allow full input to the entire community. I visited a number of the review meetings, including some in remote locations, and the input is just not what I feel is needed for proper structural reform of local government. In Parry we have taken the front foot. We have recognised that there had to be change, that we were backed into a corner, that we had nowhere to move so we have been proactive throughout that process and ended up with a proclamation of four councils to merge. But even that was a little bit knee-jerk. The review will put another factor on it. We need to get it right because this is an opportunity we should not miss.

CHAIR: You have mentioned the amalgamation partnership agreement concept. Is that a reality? Have you been able to have representations and discussions amongst your neighbouring councils to nut out some of the issues?

Mr INGLIS: Not really. The idea of this agreement I put forward in this document for the first time. I was a co-author of the submission of the four councils; my co-author friend handled the financial side of it and I wrote the remainder of the document. The amalgamation partnership agreement that I referred to in this document as an idea goes much further than just the submission that the council makes to the State Government. That was more my other point about it being a manifesto. It needs to think more about the future. When you look at the web site and look at all the submissions that have come from councils over the past years to amalgamate, they just address the sections in the Act and they just go through the steps. There is no real vision setting in the document. There is no talk about where they are trying to take this newly amalgamated council, why they are doing it, the real benefits for the community. There is none of that sort of stuff. It seems an opportunity missed because if you are serious about amalgamation you should be saying to yourself, "You have made the decision that it is the correct thing to do by the community." In other words, you are going to improve things locally.

The partnership agreement is more that the State Government should have, if not more interest, as much interest as the councils that are combining to make sure it works. Therefore, the amalgamation should be a partnership arrangement not just between the councils but between the councils and the State. The State should want to make sure it works. There are a lot of good examples around Australia, particularly in Tasmania and South Australia, of strategic partnerships between State and local government. Unfortunately, this does not happen in New South Wales. I understand they are looking at it. This is where you identify specific things that need to be done in a specific community. We are all different. There is great diversity of local government. Nundle council was sitting here before. It is a council of 1,200 people, a staff of 20, and we all operate under the same rules as Blacktown council or Sutherland council, with 300,000 people and a staff of 1200. That makes it impossible. That is why strategic partnerships are important, because we are different. Where you can identify a difference and it does not fit within the common set of rules, you should be able to enter into relationships with the State specifically to meet that diversity, that difference. That is the way I see the amalgamation agreements, that when you sit down you work out those things, your requirements, to make sure the amalgamated council works, and enter into a formal partnership agreement with your State to make sure it works.

The Hon. CHARLIE LYNN: You heard the previous submission from Nundle council. Do you see the need for this process to have some sort of review process attached to it, some sort of sunset clause, to say in three years time let us have a look at it? In accordance with your proposal, it could be an interim step to the strategic partnership you are talking about.

Mr INGLIS: Yes, you could have a sunset clause in those strategic partnerships but I would want to give more thought to that before I gave a definitive answer, because I am thinking of the community. An amalgamation can be an upheaval for a rural community—and I preface my remarks by saying there is a difference between rural and urban. In my experience, rural people take local government far more seriously than urban people. That is not said as a criticism of urban people. It seems to me that people in rural areas take more interest in their local government authorities. I would like to see that same interest in urban environments but it just does not seem to be there. That has been evidenced by our community meetings for these amalgamations. We had a public meeting at a community of 1,000 people and we had 200 people turn up to talk about amalgamation. Again, this is not a criticism of Tamworth city folk. Tamworth city had their community meeting on amalgamation and had 20 people turn up out of 36,000. So, they are not particularly interested in it. That is fine, that is their choice.

There is a bit of an upheaval when you amalgamate. To have an opportunity where you could quickly reverse that and go back to what you had before, I would be cautious. I would want to give more thought to whether the duplication of the upheaval would be worth it. I would prefer to think of some other mechanisms, I think, to make it work. You should have already made that decision before you did it—that this is the way to go. You should have evidence of why you have gone that way. I would prefer to have mechanisms to make it work. With a sunset clause—oh well, if this does not work we can go back to what we had—that has a demotivating effect on the process. I would exercise some caution about that.

The Hon. RICK COLLESS: Gentlemen, if you were asked by the Government to sit down and put your heads together and come up with a series of reforms that you would see would improve the operation and functional efficiency of local government, what sort of things would you come up with? What I am getting at is that this process is about amalgamation more than reform and I am disappointed there is not more focus on reform rather than the amalgamation issue.

Mr BETTS: You are pushing it towards reform rather than amalgamation?

The Hon. RICK COLLESS: Yes.

Mr BETTS: In one sense, no. As far as reform in local government goes—and it is not only in local government, it needs to be right across government entities, State Government entities—these 13 regional bodies that have been envisaged are a start towards that. They can be expanded to encompass all spheres of government. Let us rub some boundaries out, some preconceived ideas, and start afresh. Let us deliver what New South Wales and Australia need, get back to some broad principles. We are too much focused on pussyfooting around the edges. We need to get on a macro basis and start true structural reform. I will go down many other levels if there are concerns.

Ms SYLVIA HALE: I believe it will cost you approximately \$1.3 million for re-establishment and co-ordination, if this proposal goes ahead. What will be the impact if you do not receive that \$1.3 million?

Mr INGLIS: That is a political consideration, and I will leave that to the mayor.

Mr BETTS: The services to the community are reduced, pure and simple. It is a household budget. If you do not have the funds you cannot provide the services you would otherwise expect and deserve. The Grants Commission funding is a classic example. We are losing left, right and centre. Just in a nutshell, services will be reduced.

Ms SYLVIA HALE: So you would get the amalgamation but not the benefits, possibly?

Mr BETTS: The benefits will be longer term and there is very little incentive to move towards these amalgamations and true structural reform.

The Hon. IAN WEST: Mayor Betts, can I just take up the issue you raised before about macro reform and the strategic partnership of the State Government. In looking at that strategic partnership, would you see that it is also appropriate that we look at councillors' roles in trying to delineate between the more local focus and looking at representation from the local community, as opposed to getting bogged down and councillors becoming less involved in the financial and administrative side of local government? So, in that strategic partnership with the State Government there is more formal involvement from the State Government?

Mr BETTS: In any review I feel you should rub out the existing boundaries and look at the issues. As far as I am concerned, local government is the sphere of government that delivers to the people. That is what people see, that is the face, and you must protect that representation to those people. As far as councillors having the financial responsibility, you should not get down to driving the grader, you should be policymaking, but you should be policymaking for the needs of the community. The Local Government Act has changed but it needs to be looked at again to actually focus on the needs of the community and democratic principles. Does that answer it?

The Hon. IAN WEST: Well, a supplementary question to that is, I am focusing more along the lines that in that strategic partnership the State Government needs to take more of an upfront role, maybe, say, at a regional level, in the administration and financial construction of the council?

Mr BETTS: I have a view on that one but you guys sitting around at State level will not like it. I do not think we should have State Government. We should have two spheres of government, local and Federal. If you want efficiency, that is what we should have.

The Hon. KAYEE GRIFFIN: Mr Inglis, I would be interested in your expanding on your comment about community safety and the cost to council in relation to funding those sorts of issues. Can you give just a couple of examples of what you are talking about in Parry?

Mr INGLIS: Yes. There are a number of councils around the State—we even have a local one, Armidale council—that are about to invest quite substantial sums of money into their mall areas. I think you have Armidale council this afternoon, so you may wish to ask Armidale this question, because I know they are just embarking on some security measures in their mall—CCTV cameras and additional facilities like that—all because there has been an outbreak of social problems in the mall, and it is introducing these cameras and the range of mechanisms to make the mall a safer place for people to mingle, mix and shop and all the rest of it. Council is putting its hand in its pocket. We are talking about public safety, community safety. Is that a function of local government? I think any reasonable analysis of the statutory provisions will find that is more of a State Government responsibility.

My experience over the past 20 years in local government—when I think back 20 years ago compared to today—there is absolutely no doubt that communities are increasingly looking to local government to solve local problems. They are not interested in what tier of government is responsible. If there is a problem, they tend to ask what can you blokes do about this question. We can bring out the Act and say that is not us, but councils do not do that, particularly in regional and rural settings. They tend to say that is not our responsibility, but let us see what we can do about it. If they think it is a problem, like, let us say, with the general practitioners [GPs], and having a GP is more important than building the bridge down the road that needs to be put up, they are starting to put their hands in their pockets and get the GP there and resolve the community safety issue. I do not say they should not have done that because it has nothing to do with local government; I applaud councils that make those decisions.

My point is simply that it is costing them and they cannot afford to do what they have to do in accordance with the Act, let alone drift into these new areas. But if they are meeting an identifiable need in the community, a real problem, you have to give them a pat on the back. They are sticking their hands in their pockets and finding the money. Community safety initiatives and general practitioners in communities are just two good examples whereby some councils are spending a lot of money. I am talking hundreds of thousands of dollars.

The Hon. KAYEE GRIFFIN: Doesn't, say, good design come into councils' prerogative, though, in that way, in planning?

Mr INGLIS: You mean in relation to designing malls and shopping centres so that the physical attributes of the development enhance safety?

The Hon. KAYEE GRIFFIN: Yes. Is that not councils' responsibility?

Mr INGLIS: Yes, they definitely do have a major role in that. The police even have people you can access when you are assessing development applications, and under the requirements of the Environmental Planning and Assessment Act you have to look at safety. That is fine, but it is just one arrow in the quiver. Councils are sticking their hands in their pockets big-time to introduce a range of measures to make things safer.

The Hon. HENRY TSANG: Councillor Betts, what recommendations would you hope this inquiry might have in having some impact on what you call the local government reform agenda?

Mr BETTS: I do hope the outcome you achieve is based on some of those issues I raised earlier, that you look at the big picture and not allow the boundary change or structural reform process to be rushed through and we come up with a knee-jerk reaction. Try to get it right. New South Wales is the leading State, let us keep it that way. I think you have the opportunity to do that and I would like to see that.

(The witnesses withdrew)

(Luncheon adjournment)

BRIAN GLENN CHETWYND, Mayor, Armidale Dumaresq Council, Post Office Box 75A Armidale, and

SHANE DOUGLAS ROY BURNS, General Manager, Armidale to Dumaresq, Post Office Box 79A Armidale, sworn and examined:

CHAIR: Are you conversant with the terms of reference of this inquiry?

Mr CHETWYND: Yes.

Mr BURNS: Yes.

CHAIR: Should you consider at any stage during your evidence that, in the public interest, documents or evidence you wish to present to the Committee should be seen or heard only by the Committee, the Committee will consider your request. Would either or both of you like to address the Committee before we proceed with questions?

Mr CHETWYND: I want to address briefly four points. The first is community expectations and some of the differences that are apparent, if I may suggest, between regional councils and metropolitan councils, and the effect this would have on the prospective amalgamations and the process of amalgamations. One of the issues that has arisen even since the amalgamation of the former Armidale City and Dumaresq Shire, and a number of issues that arose during the process, was the expectation of the community as to what local government does and what is expected of it. Traditionally, of course, this has been in the area of service delivery that one would normally expect from local government. But in the last several years there has been much higher community expectation of issues that are not traditionally in the sphere of local government, and this could involve everything from community safety through to tourism, through to business development and perhaps even bordering on education, transport services and the like.

Those issues affect the community of interest; they are not just issues that affect particular local government areas necessarily. In the amalgamation process one has to consider community expectation. In regional areas many local government areas deal with their own waste disposal, including sewage as well as water. That may not necessarily be the case in metropolitan councils. Looking at the question of expectation, the first thing that would follow on from that would be the actual community of interest and the community desire. In the Armidale Dumaresq experience we found that the amalgamation was definitely in the area of community interest, that is to say the interests of the community in the former shire were in accord with the interests of the former Armidale City. Having said that, I want to be clear: in my view the amalgamation process went ahead with considerable community concern and probably in spite of the Government. I will expand upon that later, if you wish to ask any questions

Funding is another issue, and it would be fair to say, although I cannot quote you specific facts and figures, that a lot of hidden issues need to be resourced in an amalgamation process. An extraordinary amount of time needs to be spent not only by the elected body but also by senior officers on the process by which the amalgamation must take place. That does not simply limit itself to how we deal with depots, head office, administration, finance or financial systems, or the resources of some of the lower-level issues anywhere from the vast number of community services, such as libraries or swimming pools. A whole raft of service delivery issues need to be considered and resources need to be allocated when there is a process of amalgamation. Invariably, local government in New South Wales has been hamstrung by two issues. One is funding through rate pegging and the other is unfunded mandates, which is a very heavy millstone around the neck of local government.

I have already referred to the third issue, which is funding of an amalgamation process. The fourth and last point is Government leadership. In my view, and I have said it is publicly, the Government has not shown a level of leadership and direction in this process. It has not set respectable and reasonable criteria by which local government is able to talk. This has led local government areas pitting themselves one against the other, one to be a predator and one to be the victim, so to speak. In my view that is not a proper process. It is not a good process for the community. It has led to a lot of concern, a lot of disagreement and angst where it is not necessary. What we are finding now is a total

sense of confusion in local government. People in my community say to me, "What are we doing?" I have to say that I am in the hands of the State Government that has not issued a level of criteria on which we in local government can deal with.

CHAIR: Obviously, I am interested in your comments in respect of State Government. Could you enlarge on your experience, having gone through an amalgamation process? It would be very valuable for the Committee to know how people were affected and, in the wash up, who was hurt and who benefited?

Mr CHETWYND: First, I would need to qualify this by saying to you that my election in May 2000 was four months after the actual amalgamation proclamation, which was in February 2000. There was an interim council, composed of councillors of the former Armidale City and the former Dumaresq Council. The election was delayed from the previous September up until May, when I was elected as a councillor. At the first council meeting I was elected as Deputy Mayor, and six months later as Mayor. The reason I have prefaced that is to say to you that in effect I have lived with the results of the amalgamation rather than lived through the process of an amalgamation. However, as a member of the community and then later having to consider the effect of the amalgamation, it would be fair to say that there was a desire by the State Government at that time to encourage some form of amalgamation. That encouragement was probably a political encouragement rather than, in my view, a practical encouragement.

Therefore, the sorts of things that happened through the process, for instance community consultation from a community member viewpoint not as a councillor or a mayor, seemed to be a process that really lacked any direction. What it did was make many of the residents of the former shire very suspicious as to what their service delivery may be. In other words, was no specific guideline emerged. On the other hand, it would be fair to say that there was a generally reasonable level of acceptance amongst the then councillors that the amalgamation would, at the end of the day, be a good thing for the region, given the fact that it geographically sat in a level of community interest. It was not going down the range, up the hill or something of that nature. It was not encompassing localities that had no community of interest within that boundary.

I am not suggesting there were some monopolies in that. There are monopolies. I recall that at one stage something was printed incorrectly on the questionnaire, sent out and then withdrawn. As I understand—and I stand corrected; I cannot verify this in giving this piece of evidence—that that was either encouraged or printed by the Government as part of the amalgamation process. Or the guidelines may have come from some direction from the Minister or from the department so I cannot verify that but I know that a lot of people had a high level of concern about the process.

CHAIR: I can appreciate that and I think the Committee has a lot of concerns about the process. But given that it did occur, rather than looking back over the process, were there big losers, for example, in your various communities as a result of this process? There are always faults and one can level accusations at the Government. However, in terms of the actual result of your experience of amalgamation do you see parts of the community that have lost out in terms of services, attention from the new council, funding rights?

Mr CHETWYND: No, and the reason I say no is because of the statement I made earlier that the amalgamation process was in fact in spite of the Government. The former councils, during the process, and certainly the interim council and then certainly the council for the past 3½ years—that is the amalgamated council—have made a specific effort through local area committees, which are still continuing and are very active in the area, to ensure that no sections of the community were disadvantaged. But I have to say that that was the initiative of the local communities, not necessarily initiatives by the government of the day.

CHAIR: So when you say "in spite of the Government", the Government still wanted to see a process of amalgamation develop in that particular area of councils. While you may have criticism of the Government's way of going about it, it is not that they held back the overall process, which we can now look at with the wisdom of hindsight. You are saying that it was a successful process.

Mr CHETWYND: No. I am saying that the amalgamation was successful. I am not really sure that the process was. I am certainly quite happy with the amalgamation. I think it has been an

excellent outcome for the region but that has been as a result of the community. That is the point I was making earlier about community input, community of interest and community expectations.

Mr BURNS: Potentially I could see, for amalgamations of other councils, the differences in the rating structures being an issue, a disadvantage for people. It is an issue that council still has to address with our council in that you have rural residential areas that were in the old Dumaresq council and you have rural residential areas that were in the city council. The differences between those rating structures are substantial. Our council has not yet addressed the issue of bringing them into equilibrium so that they are equal in the rates that they are paying for their land values, taking them into consideration, and for the levels of services they have. That is an issue that will confront many councils that have a city area and a rural area as part of the new boundary.

CHAIR: So you are saying that at the moment you have left it in a state of imbalance, just acknowledging that you cannot put that extra load on those people who have been amalgamated.

Mr BURNS: That is an issue.

CHAIR: Are people in outlying areas getting significant additional benefits from the amalgamation?

Mr BURNS: I think they are getting the same level of service as they were previously, and they are still accessing many of those services from the old city boundaries. I do not think they have gone backwards in the level of service that is provided.

The Hon. HENRY TSANG: One concern expressed by other local councils is about representation. We heard from the mayor that you have precinct committees. Are they funded? Do you give them money? Some other councils suggest that there should be full-time councillors and have support to go to the committees. Which formula do you think might be viable for amalgamated councils eventually?

Mr CHETWYND: We have not called them precinct committees but that would be another name for them. We have called them local area committees. They are very successful. Of those that were formed—and I am just working from close memory here—there may have been nine originally and there are probably at least six or seven quite active still. Each one of them, there is a councillor who volunteers—

The Hon. HENRY TSANG: A duty councillor.

Mr CHETWYND: Yes, a duty councillor, and the councillors have remained through the three years since the amalgamation as duty councillors for their respective area committees. A small amount of funding has been allocated in council's overall budget for minor improvements or maintenance or works. That amount across all the area committees was \$15,000 in the last budget. That has enabled the local area committees—and bear in mind that some do not have any particular precinct other than perhaps a property name, and it may be just a collection of the community in that area. In our Armidale area we have a small village, Hillgrove, which has one. We have another small village called Wollomombi for which I am the duty councillor.

Recently Wollomombi had its hall painted. They have had their toilets upgraded and there are a number of issues which we have been very careful to promote in the area committee. They worked very well indeed. Probably the singularly most important thing for a shire area to have is possibly amalgamation with a city or a larger town. As to representation, you were referring to the ward system. I see no benefit whatsoever in the ward system. In terms of representation, Armidale Dumaresq has 10 councillors I think six are city based and four have been elected from the former shire or residents of the former shire, including myself.

The Hon. HENRY TSANG: What is the difference in numbers of councillors for the former shire and city councils and for the amalgamated council?

Mr CHETWYND: There were 12 councillors from Armidale city former and six from Dumaresq shire. That does not seem right. I am sorry, I cannot answer.

The Hon. HENRY TSANG: Approximately.

Mr CHETWYND: Eighteen councillors in total is the figure that comes to mind. It may be 10 and eight. Now it is 10 and, of those 10, six are city residents and four are shire residents. And there is no ward system.

The Hon. KAYEE GRIFFIN: You mentioned the issue of the rate differential. Is there any feeling within the community that that is an issue? Although you have an amalgamated council some residents are perhaps getting more bang for their buck, for want of a better word, and others are not paying as much into what is now a centralised council system? Is there a feeling like that in the community?

Mr CHETWYND: The only people who responded when this was being put to council for a decision and subsequently put into the media, and who jump up and down, are those who will be adversely affected. At this particular stage council has not been willing to take on the need to restructure its rating system to be more commensurate with the levels of services that are provided and have been provided to people in rural residential areas. I think that pretty well covers it unless you want some clarification.

The Hon. KAYEE GRIFFIN: Given that you have not been able to address that yet, what is council feeling about when it can address this situation to try to resolve the rating differential?

Mr BURNS: With all respect, probably after the next election would be the appropriate time. It has been an issue. The issue was identified when the amalgamation process was started, the need to look at the rating structure and bring the inadequacies that were in the levels of rating at that time back into equilibrium. Unfortunately it has been put to council on a few occasions and there has been an unwillingness to address that issue, I guess because of the lobbying and the dissatisfaction that would be portrayed through the relevant ratepayers.

Ms SYLVIA HALE: Can you outline what you hope to achieve from the amalgamation, despite the State Government's ineptitude?

Mr CHETWYND: I do not think I used the word "ineptitude". In fact I am sure I did not. I may be somewhat critical about the process but I would not like that to be an implication that I am opposed to an amalgamation process. However, I think one of the most important things that is facing most of regional Australia is growth. Armidale, like many areas in regional New South Wales, suffered a considerable population loss between the 1996 census and the 2001 census. It was 5.5 per cent, which is a considerable drop in population. One of the great advantages we could see in amalgamation is the ability of a region to work cohesively together and to promote itself in a wide variety of areas. Armidale Dumaresq Council has spent considerable resources and allocated funds into the areas of economic development and tourism.

The amalgamation has enabled us as a unit to pursue that quite successfully. We anecdotally believe that we may be in a position now where we have turned around our population decline to either level pegging or increasing. But I think that those advantages for a regional area are very strong. That is one of the differentiations that I wanted to point out between what I see as the regional perspective and perhaps the metropolitan perspective where they may not have those challenges to deal with specifically. Our challenge was in the reverse, that is, the negative aspect of it. In doing that, it is very important that the community of interest is served and that there is a very definable community of commonality so that you cannot look at areas that do not in my view have a common interest, otherwise there is no point in the amalgamation. There is no outcome other than perhaps some loose statement of the saving resources.

Mr BURNS: What you have to recognise is that we were looking at a rural-based council and a city council. I know the expectation when we were looking at amalgamation is that there would be cost savings that we would be able to allocate to priority areas. But when you look at the services they provide, they were quite different so there was not that large gain in economies of scale of services that were provided. I think everyone has to accept that both councils were at very basic service levels anyway so the capacity to be able to release moneys to put into priority areas was not

that significant, although we are currently working on efficiencies in processes and systems. But just generally from the amalgamation to date there has not been that much that has been identified to put priority areas.

Everyone also expected that there would be savings in staffing numbers and because two councils were very much involved in services that were different that capacity to save staffing numbers was not significant. When I took up the general manager's role in 2001 there were 229 staff; we are now looking at 219 and we brought back some economic development and tourism into our organisation in that. The additional responsibilities, and I have included this in my submission, were not factored in when the initial assessment was done of the benefits of the amalgamation that we had to take into account, and probably lessened the capacity to be able to be put money away to priority areas. Again, we feel both councils have suffered in asset management because we do not have the revenue bases to sustain those assets, and I have highlighted that in the submission. I am happy to take comments on that later.

Ms SYLVIA HALE: So you are urging amalgamation or boundary changes that do not necessarily result in greater efficiencies per se, it depends on the individual circumstances?

Mr BURNS: Yes.

Ms SYLVIA HALE: You say in your report that your staff went from 229 down to 219, yet in your submission you say the decision to give employees guaranteed employment and maintenance of conditions for three years is not prudent as it frustrates the ability of the organisation to make the necessary changes. Would you like to elaborate on that remark in the context that many rural councils and communities are really concerned about the potential for loss of employment? Often the council is the major employee, and if that employment goes so do the concomitant jobs.

Mr BURNS: I am quite happy to make a comment on that. I come from a background of smaller councils, so I have an understanding of their constraints and circumstances. As I mentioned before, you are not going to get significant savings and staff reductions in smaller councils, mainly because they are only providing basic services as it is, mainly because of the financial restrictions they have been under for a number of years. The only savings I could see that would come from that are in administration. To offset that in our circumstances, there were a number of capital items and additional expenses we had to incur in moving to a new structure that were not included in the old structure, and I highlighted those in the submission. In particular, in risk management and even the salary systems. They have different salary systems in the two councils. They had to adopt one salary system and it was the one that was higher in nature. It ended up bringing the Dumaresq council over onto the Armidale city salary structure. There was a cost disadvantage there of more than \$300,000. Those sorts of factors probably were not perceived at the time of considering the amalgamation issues. In summary, the real cost savings will only come from the administration, and then start looking at your service levels, which are only basic and very hard to reduce, and then looking at productivity gains from workflow analysis.

Ms SYLVIA HALE: So when we had evidence before that Manilla, Nundle, Parry and Tamworth estimate it will cost them \$1.3 million, you would think that is a very realistic figure for those adjustment costs?

Mr BURNS: I think so, based on our experience. As the mayor indicated, just to get two work forces working from the one depot will cost us \$1.4 million to modify one of the existing premises to accommodate the new workforce. I have already mentioned the salary systems. They are just two components of a number of components that were additional expenses associated with the amalgamation.

Ms SYLVIA HALE: The way in which the process has been undertaken, that demands that you come up with for proposals for structural reform, has not been conducive to a rational consideration of all the elements that needed be taken into account if you are going to merge councils or change boundaries?

Mr BURNS: That is correct. I think our circumstances were better off than the circumstances are going to be in a number of other councils—where you have logistical problems such as being able

to fit the combined work forces into administrative centres, for example. If we had to go through another amalgamation we would not be able to fit the other administrative staff within our existing building. So, that creates problems. It also forces you into leaving the status quo there, as they have to be housed somewhere, which then does not move the organisations into a structure or one organisation to be able to deliver the efficiencies and cost savings that are expected from the amalgamation. It will be a real issue for a number of councils that are considering their amalgamations, how they will keep the organisation going for three years knowing there are some logistical problems there.

Mr CHETWYND: If I may just add to that that our outdoor works depots are still working out of two separate depots three years after the amalgamation. That gives some idea of the resource that has to be spent and allocated, the hidden costs that one does not really look at. Practically and financially and for several other reasons it simply was not possible.

CHAIR: How much of that is relating to be on the ground reality of physically covering those areas and how much relates back to what we heard earlier about amalgamated work depots?

Mr CHETWYND: In the case of Armidale-Dumaresq, for instance, neither work depot was large enough, really. Let us put it this way, land was available in one works depot and the other one was too small. However, the amount of money that would have to have been spent on that depot was quite considerable and council had to look at alternatives—the possible purchase of new facilities altogether and the sale of the old depots. All of those issues had to be worked through, so I think there were a lot of on the ground practical issues that had to be considered, in a sense, almost on an ad hoc basis, because bear in mind this was not a strategy that was set in place five or 10 years earlier. That is what I referred to as the criteria issue, which I will expand on later if I am asked the question.

The Hon. RICK COLLESS: Given that you now have the benefit of three years experience in an amalgamated situation, if you were to re-engineer what Armidale and Dumaresq went through, what would you do differently now, knowing what you know now, if I can use that expression?

Mr CHETWYND: Very early in the piece we would set the criteria. Some sort of criteria has to be set. How big is the council going to be, what sort of geographical area does it cover, what are the community interests? Even despite that amalgamation we still ended up with our council boundary going through the main street of the little village called Ebor, so one side of the street is Guyra shire and the other side there is Armidale-Dumaresq. What a crazy, ludicrous situation, even through an amalgamation process that such adjustment would not be made. Therefore, I think the issue of the criteria how big should a council area be and what area of community interest does it serve. That is something, in my view, that the Government, with its resources, could easily identify.

The second area would be—and I would not say it should be done too much differently—that the community needs to be brought in very early in the process. That is not just necessarily with a series of public meetings but it should allow community groups to voice their views and opinions. There should be a process in which any particular interest group has an opportunity to say we do think we should be part role Armidale -Dumaresq even though we maybe on top of a hill, so to speak. Those issues need to be taken into account.

The third thing, if I may be so bold as to suggest this, is that I believe there is a responsibility on government to look at the prospect of what funding assistance there should be. I put to this Committee right now, just imagine the cost of resources being expended currently on committees, on review panels, on the angst in local government resources across the State because there has been no criteria and no strategy given to local government to allow that process of restructuring to take place.

Mr BURNS: My comments to your question are that in retrospect I probably spent a whole lot more time establishing what both councils do, identifying the service levels as they currently provide to ensure that you can provide those as part of the new structure. Part of doing that is making an assessment of the necessary resources needed to provide those services and look at what other things may be missing and then setting your structure. One of the major issues, and this is very much related to the three-year issue that you raised, it does not allow the organisation to move to the structure that it should be in quick time. We still have pockets of resistance in the organisation that are frustrating us from being able to move to the necessary changes. While you have work forces which, in a lot of cases, will be isolated and not brought together, the difficulties and cost inefficiencies that

will be prevalent in those circumstances will again frustrate the amalgamation benefits. I would very much be recommending that they look at that three-year issue. I think one year is enough to gather the intelligence to make those decisions. I feel for those people who may be displaced out but if we are to move to the efficiencies wanted out of the reform of local government, I think three years is not enabling it to move quick enough.

The Hon. RICK COLLESS: The issue of reform versus amalgamations, boundary adjustments—believing the amalgamation is and boundary adjustments out of it, what sort of reform is do you think need to be Inc in this process at the moment?

Mr CHETWYND: Could I just preface that by saying that Armidale -Dumaresq did not put in a submission to the current Boundary Commission. We effectively put a submission to the Minister suggesting that if there were submissions that affected, in our view, our community of interest we would like the opportunity to be able to make appropriate submissions. Part of the reason, I think, is that the point you have just hit on—the question of reform, the issue of structural change—and I am only dealing with geographical areas at the moment which, in effect, will have the flow on to the financial and economic areas, is that the reform of local government in regional areas has to come down to the commonality of community interest. I think that is the prime area of reform that is necessary. Without that issue you are perpetrating boundaries that was set, in many cases, 150 years ago and you are not dealing with the areas of interest that are now obvious to communities in 2003.

Mr BURNS: My comments are that would be the to areas that they should focus on as far as improving local government hard quality planning and performance management. Everyone has to accept that. The criticism there is that one thing that is sadly lacking in local government is having objective performance data to be able to utilise, not only an individual level but also at a corporate level. I think they are to areas that could be improved and give the tools to management and organisations to be able to perform better and prove to the constituents and the State Government that they are running efficiently.

CHAIR: Thank you for your time, it has been invaluable. Given your experience, if something comes to mind after today that we would be happy to hear from you.

Mr CHETWYND: Thank you for that opportunity. In a hearing of this nature, with limited time, it is difficult to go through the whole raft of issues. We wondered how we would try to crystallise some of the experiences for the benefit of the Committee. In the light of your request, we would be delighted as a council to provide any further information required, specifically on boundaries, amalgamations and the issues that the general manager raised in the reform process. We have tried to implement those in our council and I think we have been reasonably successful and it has been there are very good amalgamation. I hope the Government hears the recommendations that your Committee may make.

The Hon. HENRY TSANG: We would welcome any suggestion on rural reform that you would like to put to us.

CHAIR: We would all be very interested in reading any further written submissions.

Mr BURNS: Before my time as General Manager the combined total of employees when the amalgamation first happened was 252. That might put it back into some perspective as to where we are at 219 full-time equivalent.

(The witnesses withdrew.)

NEIL JOHN BALDWIN, General Manager, Merriwa Shire Council, and

EAN VANCE COTTLE, Mayor, Merriwa Shire Council, sworn and examined:

CHAIR: Are you conversant with the terms of the inquiry?

Mr COTTLE: Yes.

Mr BALDWIN: Yes, I am.

CHAIR: If you consider at any stage during your evidence that, in the public interest, certain evidence or documents that you may wish to present should be heard or seen only by the Committee, the Committee will consider your request. I offer either or both of you the opportunity to make a short statement before the Committee commences asking questions.

Mr COTTLE: I would like to give a quick overview of Merriwa Shire and the reasons we wished to give evidence before this Committee today. I guess we are completely on the other end of the scale from the people you had from Armadale Dumaresq. Merriwa is a small shire. Our total area is 3,500 square kilometres with a population of 2,403 according to the 2001 census. We are growing. At this stage we have no houses for sale in Merriwa, and council is about the task of releasing some more blocks. The Merriwa area is growing. We have main roads a total length of 183 kilometres and shire roads 354 kilometres. Merriwa is a unique area, as it has the Coolah Tops National Park and the Goulburn River National Park to the south with little or no access in either of those directions. The district is a rich pastoral and farming area. The township of Merriwa is located two hours from Newcastle and two hours from Dubbo.

The village of Cassilis is about 30 minutes to the west on the Goulburn Highway, then there is the small area of Turill that is towards Mudgee and Ulan which is in the extreme south of the west corner of Merriwa Shire. You would be familiar with the Ulan coalmine. One of the reasons for being prepared to give evidence today is that we are on the opposite side to the previous people. We have two areas, Mudgee to our south, that has put forward a proposal to the Minister for a regional review, which takes in part of Merriwa Shire. The other is Muswellbrook to our east, and the regional review proposes to look at the formation of an upper Hunter Council, to include five councils. We would like to answer your questions and put our small shire's view of where the council and the people of our shire see themselves and their wishes to maintain their identity.

Mr BALDWIN: Whether it be fortunate or unfortunate, I have been through an amalgamation in the Clarence area in 2000 with Pristine Waters Council so I can see how amalgamations go together from a first-hand basis. Mr Cottle mentioned the two tracts of national park, which are a concern for us. As part of the terms of reference we look on those as an unfunded mandates for which we have to provide services, facilities and roads. It is an area of concern. I want to touch on a couple of other areas in which Merriwa Shire is active in resource sharing. We have a formal arrangement with our neighbouring councils for environmental services. Council is saving in the order of \$60,000 annually by the using resource sharing and applying it to other services within the shire. Council is tendering its GIS services that we can get funding for as well.

We are in a satisfactory financial position, even though we are a small council. The auditors have deemed that we are in a satisfactory situation and we will be debt free within the next five years. For a small local government area that is something we can hang our hat on. Our performance measurement ratios have been increasing positive over the past few years. We have forecast balanced budgets for the next three years. Something that we do fairly well is joint partnerships with neighbouring upper Hunter councils. We are in a project called Crops for Hunter, and Merriwa is the mentoring council for that. The project looks at diverse projects for our farmers and opportunities for them to progress. We are an active member of the Hunter councils and a foundation member of the Hunter Records Repository, which is based at Thornton.

CHAIR: You referred to unfunded mandates and national parks. For a council your size, are there other specific areas of unfunded mandates? I appreciate your finances are in good shape, but are there other areas in your council where the imposition of State legislation is having an impact?

Mr BALDWIN: It is not just the imposition of State legislation. In our submission I touched on unfunded mandates. The tyranny of distance for our council is a problem. Our community has to travel distance to access services. On a fortnightly basis council provides a government access service centre. A lady comes from the courthouse at Scone and provides a service to the community at no cost to the community. We make available the Mayor's office for that day for Internet services. All those types of services are available. But as far as unfunded mandates are concerned, I guess you have heard it all before. There is the process of management planning and the State of the environment report. Thanks to Great Lakes Council we have on-site management processes. There is native vegetation and a myriad processes, such as the Companion Animals Act, that have been placed on council that creates a financial burden. We do not get any financial incentives for those services.

CHAIR: We have heard quite a bit of evidence that, if nothing else, the Minister's reform program has prompted councils to look at the way they conduct activities and their businesses to become more efficient to avoid being a candidate for amalgamation. Has this been the case for your council?

Mr COTTLE: It certainly has. The structural reform note that went out made everyone aware of efficiency and doing things better. If anyone says they are perfect and cannot do things better, they have their heads in the sand. We have certainly been looking at all the ways we provide services to the community and the things we do, and how we can do that better. We have a workplace agreement that will form the nucleus. As this stage it is probably not where council and management would like it, but it is a starting point. We hope it will go down the line of making us more efficient, particularly as Merriwa Council has accreditation of R1 with the Roads and Traffic Authority. We have extremely efficient staff. A workplace agreement will allow us to become even more efficient as we go along in that way. Our community is very mindful of budgetary restrictions. But we have found local meetings and community consultation since this has been coming about extremely pleasing and perhaps a bit surprising. It seems that all of our community is pretty happy with the services provided.

Mr BALDWIN: Even prior to the structural reform process we identified an opportunity for staff, and all our staff and councillors have participated in what was called a "managing change workshop", which identified gaps in skills and competencies, and the way we could do things better. I am really excited to say that all available indoor and outdoor staff who were eligible to enter into the traineeship program—some staff already had qualifications that did not allow them to enter into this program—have signed up for it. We are really pleased and excited that 50 out of 62 full-time equivalent staff have entered into a program to gain more skills and competency. We are really pleased and excited that our people have embraced it.

The Hon. CHARLIE LYNN: This morning we heard about the concept of identifying areas based on bridges and catchment areas. Do you have any comment on that?

Mr COTTLE: Yes, in some instances that could be a useful tool in deciding areas. We are situated in a catchment area of our own, more or less, in the top end of the Goulburn that flows into the Hunter. Part of that area on the southern side is in Mudgee Shire, then it runs into Rylstone Shire. To get to a full Hunter catchment, yes, that could create an area but it has not been proven that bigger is better. Distance can also be a problem. Management was mentioned, but in some instances I do not see that as being the best economic and viable way to create efficiency.

The Hon. CHARLIE LYNN: Earlier you mentioned that you have an active, positive involvement in resource sharing with others and forming partnerships. I suppose it is up to the leadership of each council to make that decision, but you are happy with the way that is working in your council?

Mr BALDWIN: Yes, at this point we are extremely happy that service levels are being maintained. As has been identified, financial savings to council have been able to be applied to other areas.

Mr COTTLE: At this point customer satisfaction is right up there. There have been no complaints. I guess that is how you can gauge whether it has been successful in the delivery of services, too.

The Hon. CHARLIE LYNN: What would be the impact of the esprit de corps of the area, so to speak, if you lost what you have?

Mr BALDWIN: If we lost our identity and were boundary adjusted or amalgamated?

The Hon. CHARLIE LYNN: Yes.

Mr COTTLE: To answer that question briefly, the Uniting Services Union, in a bulletin it brought out, to find some dot points which came out strongly in council discussions and community discussions. The loss of local infrastructure--I have already mentioned the geographical area. Merriwa runs from east to west with those boundaries on the north and south. For instance, the village of Ulan would be two hours away from Muswellbrook. The loss of local infrastructure, the decline in local employment, the adverse effect on local business and the loss of community identity--I guess those dot points sum up that answer as far as council and the community are concerned.

Mr BALDWIN: That has ongoing effects we have identified. Indeed, the health service would be affected. The schools, the school teachers, et cetera, with the loss of employment in the area, people moving away. It will affect all those services.

The Hon. RICK COLLESS: Following on from the question about the formal agreement you have with Scone, do you see that there is a potential to expand that perhaps to incorporate all the corporate services functions of council?

Mr BALDWIN: That is a vexing issue and it has been discussed. I know you will be hearing from Murrurundi shortly. I know that Murrurundi and Scone have discussed that. There is a deal of duplication within each council and if there are better ways of doing things we will look at those and identify them. The environmental services area that we have resource shared at the moment is an area that we have been able to identify and deal separately. The administrative side can create some problems with general ledger costing, payroll systems, et cetera, so that could be worked through. That could be an area to be further considered.

The Hon. RICK COLLESS: With the process that has been going on with respect to amalgamations, boundary adjustments and all those things under the heading of reform of local government, are you satisfied that what is happening is reform of local government, or is it merely amalgamations and boundary adjustments? If not, what do you see as the reforms that are required?

Mr COTTLE: To answer the first question as to whether it is meeting the requirements of structural reform, to me it would be two pronged in that it is a wake up call to all areas. But also it is a vehicle to find, isolate or whatever the terminology is councils that perhaps need assistance, such as when you have two with common interests and they are close together and in some instances the works depot or the chambers are only a mile apart. In those instances that will have that effect and probably there will be a flow-on from council areas that are investigating where they are and how they can best improve. Maybe down the track we may even see some more voluntary amalgamations and certainly more interaction of resource sharing. To answer the question briefly, it is a two-pronged thing. It was not only brought up by the Government to look at altering the number of council areas but it is there as a wake up call and people will be better serviced because of it.

Ms SYLVIA HALE: Mr Baldwin, you said that you have gone through the amalgamation process in the case of Pristine Waters. I am not sure whether you heard the testimony of the Armidale Dumaresq councillors. They were talking about hidden costs and the failure to realise anticipated efficiencies or improvements. Would you like to comment on that in terms of your experience?

Mr BALDWIN: While the three-year moratorium for staff is great for those individual staff, it creates problems internally for the new organisation. You end up with three salary systems. You end up with a salary system for the two previous organisations and then the new organisation. It can create major problems. Between Nymboida and Ulmarra councils, we had truck drivers, one truck driver was paid there and one truck driver was paid there. You could not alter those levels for three years unless they accepted a new position within the new organisation and signed away those three years. While the proclamation is great for that time, it creates major problems from an administrative point of view.

Having those employees working side by side and still having the same productivity or increased productivity, that can create problems.

Ms SYLVIA HALE: There was also talk about a failure to match up services, that one council was providing services that the other was not, and therefore you could not necessarily make things uniform. Did you encounter those sorts of problems at all?

Mr BALDWIN: Particularly in waste management, that was an area where Ulmarra had recycling services and its own waste depots. Nymboida used the services of the neighbouring Grafton city. So there were some issues within there. Mr Burns spoke about the ratings issue, which is a vexing issue. Those issues are hard to combine.

The Hon. IAN WEST: Following on from the answer you gave about the variations in employees conditions, do I take it from what you are saying that you would be proposing to cut people's wages from day one?

Mr BALDWIN: No. The proclamation does not allow it. I am not suggesting that at all but there has to be parity.

The Hon. IAN WEST: I was taking it from your answer that the opposite of what you were saying—you said that it was an impediment. I assume you were saying that you would prefer that the impediment was not there.

Mr BALDWIN: By virtue of 172 councils and virtually 172 different salary systems in the State you will encounter that wherever you turn.

The Hon. KAYEE GRIFFIN: You talked about to salary systems from two of the councils and then you talked about a new salary system that was presumably negotiated as soon as the amalgamation took place. To which staff did the new salary system relate? If there were changes, why did all the staff not go on to it?

Mr BALDWIN: That is an interesting question because there are staff who came over from the two organisations. If there are new staff to be appointed, if there are new positions, they have to be appointed on a particular salary system, and that is where the new salary system came into place in our instance. New staff were placed on that salary system. There was an organisation structure established for the new organisation and people could, for three years, not enter into that system but if people wished to apply for a position—I note the employment protection bill is changing that somewhat now. Three or five years ago when this was being looked at people virtually signed away their three-year term of employment to sign up with the new salary system within the new structure.

The Hon. KAYEE GRIFFIN: Was the new salary system possibly somewhere in between the other two systems?

Mr BALDWIN: It was a compromise, I suppose you could say.

Ms SYLVIA HALE: It left no-one happy.

Mr BALDWIN: Most people were happy that there had to be a position taken. At the end of the three years everyone had to be on the new system anyway. In my instance at the end of the three years I was going to go from the salary that I was on to a salary of \$300 a week less within the new system.

The Hon. HENRY TSANG: You mentioned that if there is any amalgamation adjustment the possibility of losing identity and representation is very important for the community. There was some discussion about a reduced number of councillors in an amalgamated council, a duty councillor and precinct committees with their own staff and funds or a combination of both. Should there be amalgamation of some form, which way do you think it should go? Should electorates have duty councillors or funding for the committees?

Mr COTTLE: That is a difficult question because of different physical areas with different populations. I do not think the majority system would allow, with a large number in the larger towns and communities where you might have had 30,000 people with two or three representatives to 500 people with a representative or 1,500 people with two representatives. I guess that is always going to be difficult and probably that will need to be discussed and worked out on individual bases when you get areas that are going to go together. I cannot see that an across-the-board system would work, given the different numbers of people in different geographical areas.

CHAIR: Thank you very much for your contributions today. They have been invaluable. Has Coolah Tops National Park been a problem?

Mr COTTLE: It has and it has not. We have a bit of a problem with an access road to Coolah Tops that was closed in 1979. It is a balance thing. That land is unrateable but we believe that Merriwa and district, with the increased number of people wanting to come there, the increased traffic, tourism buses, we are just starting to gain something from the tourism industry. With some good work along those lines in the next few years it will be a significant benefit.

CHAIR: They will have to open the gates?

Mr BALDWIN: Ean mentioned the road issue, particularly to the Coolah Tops National Park. That has other implications of costing council in the order of \$50,000 to \$100,000 to provide a proper road.

The Hon. CHARLIE LYNN: And there are no rates coming out of there.

Mr BALDWIN: That is right. The structural reform process has had a good side to it. Working in councils you rarely get a pat on the back. The structural reform process for us has brought all the people out to say what a fantastic job you are doing, we do not want anything to happen.

(The witnesses withdrew)

ROSLYN GAE SWAIN, Mayor, Gunnedah Shire Council, 63 Elgin Street, Gunnedah, and

MAXWELL JOHN KERSHAW, General Manager, Gunnedah Shire Council, 71 Lincoln Street, Gunnedah, sworn and examined:

CHAIR: Are you conversant with the terms of reference of this inquiry?

Mrs SWAIN: I am.

Mr KERSHAW: Yes, I am.

CHAIR: If you should consider that any stage during or evidence that in the public interest any documents or evidence you might wish to present should be seen or heard only by the Committee, the Committee will consider your request.

Mrs SWAIN: Yes.

Mr KERSHAW: So noted.

CHAIR: Before the Committee commences questioning, would either or both of you like to make a short statement?

Mrs SWAIN: I would like to make a short comment and then perhaps the general manager might like to add bits that I have left out. I am speaking on behalf of a shire that we would consider about middle range. Just in the time that we have been here you heard from Merriwa, which is a quite small one, and you heard from Armidale-Dumaresq, which would be a large one. We have about 12,000 people in total in a shire of 5,092 square kilometres. We consider ourselves the koala capital of the world and the centre of the universe. We have a very strong community spirit and a love for our area. From Gunnedah's perspective we think there has been a severe lack of vision from the State Government in this whole structural reform process. We consider leadership and direction must be given to communities. We need leadership with courage and we need it coupled with a greater understanding and compassion for the people in the communities involved. There needs to be an outcome from this reform process. Our council has resolved that we would prefer to stand alone but if there needs to be a change we have highlighted the need for models before maps. In one of the discussions over the whole process has any direction come from the State Government. We know there seems to be the opportunity for council to be pitted against neighbouring council where there have been genuine partnerships before. We consider that reprehensible.

We acknowledge that there is a need for local government reform but it has to be based on genuine reform, based on issues such as revenue sharing and genuine partnerships with other levels of government. We would like to highlight the issue of models before maps. We have looked realistically at our community, at where we fit in the map of New South Wales, and we say the Government needs to base its agenda on something realistic. What we are looking at the moment is more lines being drawn on a map. That means we end up with more lines along with education and police and whatever lines are drawn on the map of New South Wales. If we are going to look at reform and a new way of doing things, the opportunity is to look at the lines that will not move, the catchment lines. We say some real leadership is needed from the State Government in setting the agenda, in setting the direction for local government to consider where it fits within that process. In our submission, which you obviously would have received, we highlight the catchment boundaries.

We are also looking at equity. In smaller communities such as Gunnedah and communities our size equity needs to be considered. In a lot of cases we know we are left out because of our size. No account is taken of the impact a lot of decisions have on communities, and we lose an enormous amount of our community capacity. As I have said, we have a strong sense of community. We feel we have been pitted one against the other. We are going to end up with communities that feel disenfranchised and we will then end up with the social issues we perceive at the moment. We need long-term sustainability for social and environmental benefits for our communities. We are talking about people, human beings in our area who are being pulled to pieces by this whole structural reform process. No-one knows, there are no rules and it is a free for all across the whole State, and it is just not fair.

The current process was spearheaded at the 2003 Shires conference by the Premier and the Minister. They did not indicate what outcome was required and it has become very divisive. It should be a constructive debate that we have, not ending up with neighbour council versus neighbour council, as was said previously, I think, in the Armidale submission. The amount of resources expended by our small community alone is enormous and we are still no further down the track. It has been astronomical. It has been a complete waste of resources unless there is going to be some sensible decision and outcome from it. It seems to be reform for the sake of reform and it is destructive by nature. It has to be based on good policy directions, and that requires good governance, which seems to be lacking currently. We are going to end up with more lines on maps. We will need lots of rubbers to rub them out and draw in more lines.

We need revenue and fiscal taxation capacity between the three levels of government. It is disproportionate at the moment. We need an understanding of where we all fit in the process. At the moment, for every one dollar of tax raised across Australia, 80¢ goes to the Commonwealth, 16¢ to the States and 4¢ to local government. We are constantly being fed these unfunded mandates, which are highlighting more and more issues we have to be responsible for. We hope this inquiry will highlight this issue and the fact that we are not getting sufficient recompense for the amount of work that is being handed back to us.

My longstanding role in council—I have been on Gunnedah council put 12 years and mayor for four years—has highlighted my belief that there is a widespread abandonment of rural communities with no consideration of social community implications, and the consequent flow on from a loss of jobs. There is no vision for the sustainability of rural areas. Our services are being marginalised. They are being downsized and rationalised and all the other "ise" words you can come up with. There is no consideration of human cost in a lot of these decisions and it is ending up with many rural communities with a sense of a loss of hope. Does no-one out there understand what is going on in rural Australia? When is someone going to come out and say: we are prepared to work with you to help resolve the issues, not: here is another issue that you have to cope with

I would like to bring people into it. People are being lost from the whole debate, this whole agenda. There has been no discussion about what happens to the human beings in our communities. What happens when our young people have to move away because we have lost our sense of community, and our young ones are moving away and we end up with communities of older people and no opportunity to grow our communities. We keep hearing that Sydney is drowning in its own pollution. For heavens sake, we have lots of areas and communities that are prepared to welcome other people. We need some commonsense to come into this whole debate.

We have been told that local government elections will be held next year. I am wondering where that fits into the process. I would be happy to hear someone mention that, if anyone knows any more about that. From our perspective, we are looking at moving from a 12-member council down to nine next time. One councillor has already resigned and moved away for a job. Two other councillors will be leaving at the end of this year. They need to move on with their lives. They have to go away to get jobs. This whole structural reform is having implications for people, their lifestyle and their livelihoods with their families. I am not sure whether that issue has been raised but I would like to raise it as part of my submission.

Mr KERSHAW: Council is starting to re-establish a sound financial base. We have had a few years in the past where we had some economic upheaval but that has been resolved. Significant opportunities confronting our community are now becoming opportunities for advancement. For example, in the economic development area, an ethanol plant is very much on the agenda for Gunnedah and we hope to have resolution of that position in the next two to three months. Shopping complexes are looking at re-establishing in Gunnedah. We are looking at assisting the community in co-ordinating and co-locating our aged care facilities and we have a \$4.5 million project that we hope to get up and running next year as a community. Between \$2 million and \$3 million will be spent in the next two to three years on main street improvements. There will be major industry expansion for the largest wet-blue tannery in the southern hemisphere, so significant opportunities from that will be presented to our community. We hope to have a very positive announcement about natural gas to our area later this month, which again will help to kickstart and revitalise our economic development.

As a practitioner in local government for more than 30 years, I can say that local government has moved away from the traditional three Rs—rates, rubbish and roads. It is now down to the area of being the community voice, being out there representing the community to the best of our ability, creating and taking opportunities, being the catalyst to make things happen. This is where the role of local government is moving. I regret that smaller rural areas may see a loss of their voice. Something needs to be done to address that. I am extremely concerned to hear about the financial challenges confronting local government in New South Wales. Although we were advised recently by the facilitator for the Peel regional review that upwards of 50 councils in the New South Wales experienced some sort of financial stress.

That is a grave concern. We need to resolve why they are under financial stress. Let us not amalgamate one financially disadvantaged council with another because that will not solve the problem. Let us get down to the nitty-gritty and solve the problems. This council has adopted the position of remaining as a stand-alone entity, but if the Government moves to have boundary adjustments, the models before maps policy of this council must be addressed. In that light, I have a copy of a submission to the Minister for Local Government dated 27 August, which I am quite happy to leave with your inquiry. Hopefully, all the members will read it. It looks at council's position on the catchment and sub catchment models.

CHAIR: You said you could see a sensible position to be taken in the whole process. Could you explain your perspective in terms of effective reform that might work for your council or your region?

Mrs SWAIN: That is where we were looking at the catchment base. We were saying our deliberations revolved around the fact that there needed to be some sensible rationale that any discussions could be based on. What is happening at the moment is that every community has a different perspective on what they think structural reform means. We are ending up with 172 councils in New South Wales, each with a different idea. There is no basis for discussion with your neighbour when you are looking at it one way and they are looking at it another, and the next-door neighbour in another direction is looking at it in another way. There is no policy or guidelines for us on which to base our discussions. From our local government perspective, and we are all passionate about our own communities, we are all looking at trying to shore up our communities. Very few communities are prepared to discuss or talk with their neighbours. From our perspective we are looking at something like five or six other councils that would be involved in the catchment basis that we are talking about. We appeal to the Government to put some guidelines on the table so that we can all legitimately come together to discuss the same thing. At the moment everyone is looking at things from a different angle.

CHAIR: Your submission, like many others, calls for local government to receive a guaranteed stream of revenue from the Federal and State governments. Sources cited include the national competition policy payments and GST for maintenance. In your council's case, how much increased funding do you believe you would require? What percentage would you need to increase your current revenue base to achieve that?

Mr KERSHAW: There is no specific answer. We would have to do a bit of financial modelling to work that out. For example, our appreciation for last year's annual report was \$8 million and our rate revenue and general fund was \$7 million. We are slightly going backwards. In funding major community projects, such as bridges, you use an intergenerational cost where you might take a loan out, or what have you, and that might offset appreciation. But underpinning all that we have a lot of water and sewerage mains that are approaching 50, 60 and 70 years old. They need to be replaced. Stormwater drainage needs to be addressed. A lot of the Government legislation, from an environmental point of view, is putting pressure on councils when they are building infrastructure to take into account a multiplicity of how we make things happen. Local government is prepared to get involved in those infrastructure issues or demands by the community, but it must be adequately funded. Please take on board the comments of the Mayor: for every \$1 of tax collected, local government is getting 4¢ out of the cake. We are prepared in genuine partnership at our level of government to deliver services at the coalface. We are best placed to do that, but we are the most financially disadvantaged to achieve that. It must be addressed. At both State and Commonwealth levels you really have to have a good look at how you can make it happen in the broader community. It is not a case of, "Why should we give you money?" The issue should be, "Why should we not do that?"

The Hon. HENRY TSANG: You mentioned that amalgamation is only one aspect of local government reform and that the catchment base is the way to go. Can you foresee that if the Government were to consider the catchment base you would be quite happy to amalgamate, provided there were certain reforms in terms of revenue? Is that how you see it? If there were a catchment of four or five councils, what kind of changes in terms of expectation from your community would satisfy your agreement to amalgamate?

Mrs SWAIN: At the moment it seems that we are at a watershed where we have never been before in the government of Australia. We have the natural resource agenda, which looks at the new way of managing natural resources, which is the water management authorities that will be in place early next year, and we are looking at the structural reform of local government. What happens with the water management authorities will have a large impact on local councils and vice versa. They should overlap in local government's natural resource boundaries. From our community's perspective, we have not approached all our communities. We have four very small villages in our area, but we have not gone down the line of asking where they fit within the process because, at the moment, nothing is coming across from the State Government as to just what they want us to do.

From our angle, local people want to know what the effect is on them. We cannot tell them what the impact will be on them. What we are saying from our perspective, and looking at it from the broader picture that this seems to be an appropriate way to go. It seems to be a good way to start linking in those issues—water and vegetation. There has never been the opportunity for small communities to get involved. It has never happened before in the history of government in Australia. We are saying there needs to be vision to say, "Let's see if we can do it better." At the moment everyone is drawing a line here and someone else is drawing a line there, the same type of lines that have been drawn over the years. In 20 years someone will come along with an eraser and want to erase them again. We need something that will not move, that will not change, that has a foundation to it.

The Hon. HENRY TSANG: Like getting rid of the State Government and having regional councils?

Mrs SWAIN: We have looked at it on behalf of our smaller communities and said that they need an opportunity to have a voice. We are very cognisant of the fact, because we are a smaller council, that they must have a voice and they must have an opportunity of input into larger councils, if that is what we are talking about.

The Hon. HENRY TSANG: Representation?

Mrs SWAIN: Representation. Precinct committees that are funded and look at what they want for their communities. We have not investigated that. It is something we have talked about. It has taken an enormous amount of staff resources and dollars to come up with our submission, that has not gone into the total submission, no, but we have discussed it and it is something we would certainly follow if necessary. But people need representation. They need to know that their voices are being heard. We have a very well run, very well managed Aboriginal community called Walhallow in our council area at the moment. We have very good relationships with them. Obviously, they run their own management process, but that would be the sort of thing we would envisage. Walhallow does very well.

The Hon. HENRY TSANG: Would you submit to the Chair and the Committee what you would like to come out of this inquiry and see in our report?

Mr KERSHAW: It is probably covered in our submission, the suggestion we have made to the Minister for Local Government. I underline that we have suggested it. We need some direction with this. The council, in its resolution about this matter, believes that this could be applied statewide. There are about 20-plus catchments around New South Wales. We suggest not just 20 catchments but sub catchments within each of those catchments. What you are looking at is trying to endeavour to move away from the community of interest to the physical community of interest. Your community interest for education and support for shopping changes from day to day, but your physical community of interest does not change. You cannot move the rivers. You cannot move the mountains. It gives

some sense to the models before maps approach. We are suggesting that you need to step back from the process of just drawing lines and have a good rational think about what you want to move to. What does the State Government want out of this reform process? Hopefully, at the top of the list of the reform process is the betterment of the community. We have a copy of our suggestion to the Minister, dated 27 August. I commend its reading to all members. We would be quite happy to speak to the Committee or address the Committee at a later date to give you additional information and our thoughts on it.

Document tabled.

Mrs SWAIN: We have asked that we be considered as a trial. Obviously, at this stage of the process there would be very little opportunity for the Government to say, "This is what we are going to do across New South Wales." But it might be the opportunity to look at a smaller sub catchment area and use it as a trial to see whether it works. In our area we are looking at Gunnedah and Quirindi, and then a broader link with some of the other councils around area. It is a fairly defined catchment. The Liverpool Plains catchment has been vastly researched. There is an enormous amount of natural resource information about it. We suggest that somewhere or other along the line the Government will have to show some leadership with a bit of vision and say, "We think this is a good idea. We think it is worth a trial."

The Hon. IAN WEST: On the assumption that out of the structural reform process we will get a number of suggestions, such as you are giving us today and they are greatly appreciated, the Government or the Minister will be able to come up with some guidelines, as you suggest. It may well be that if we come up with guidelines people would think they were too restrictive or critical, because we should have had broader guidelines. Leaving that aside for the moment, in trying to come to grips with this structural partnership between the State and perhaps these catchment regional structures you talk about, do you see any possibilities when drawing up these guidelines that you talk about that there be a complete restructure of, perhaps, the role of councils and more of an involvement by the State Government in those regional structures in the financial and accounting role?

Mrs SWAIN: Are you talking about a revaluation of the role that councils play?

The Hon. IAN WEST: I am thinking about just trying to expand on those guidelines that you talk about.

Mrs SWAIN: If we end up with structures such as this it is because, as I have said, there have been no guidelines. We are really trying to nail jelly to the wall. How do we make sure that communities are looked after? As part of our deliberations, we have talked about a council or two, depending on what number of councillors we end up with, would be responsible for each precinct. That was their responsibility. It would be like the Minister for Walhallow, do you understand? I am not talking about wards, but a responsibility. They might have a couple of responsibilities. That will put a bigger load on councillors, and we are aware of that. We talk about going down to nine in our next election, we do not know what the broader scale of expanding the area would cover. That might need to be refined. But that is certainly something that we have considered, that there would need to be a different way of looking at how we handle our responsibilities with our various smaller areas. Is that what you are meaning?

The Hon. IAN WEST: Yes, and I was thinking that maybe it is unfair the responsibilities that councillors have at the moment. You tend to have to do everything from judge, jury, executioner and prosecutor. It is an extremely demanding role. It may be time that we looked at the role of councillors to see whether or not we can lighten the load a bit in terms of ensuring that your local representation is more intense and that the onerous obligations you have in all sorts of other administrative areas may be able to be redirected.

Mrs SWAIN: I understand what you are saying. Where is the vision that there might be a better way of doing things? Do we need councillors to sit at a meeting once a month and talk about roads, rates and rubbish?

Mr KERSHAW: The answer is definitely yes.

Mrs SWAIN: I thought he was going to say no.

Mr KERSHAW: Underpinning the way things happen at a local government level, it is extremely important that local grass roots democracy is never impinged upon. It is extremely vital and should be enhanced.

The Hon. IAN WEST: I am posing this from the point of view that the process we have in place now is an enormous opportunity for councillors to put forward their views. We do not want to be restrictive with guidelines that cause you to be narrow in your thinking.

Mrs SWAIN: I understand what you are saying. I also understand that local representation and the ability for people on the street to talk to their local representative is invaluable. That is one thing that my community tells me they appreciate more than anything, the opportunity to have input into what happens to their community, the opportunity to talk to someone in the supermarket or down the street or whatever. So I do not think we can take that role away. Going further ahead with the further mandates that are coming down to us and the way we have been directed to cover more and more and more issues, it is getting more difficult.

Mr KERSHAW: I would like to make one point regarding the partnership arrangement. I think there is an opportunity for local government. We want to provide services at the grass roots level. Give us the appropriate funding. Give us contracts. Put in performance-based measurement contracts arrangements between State and local government. Let us make it happen. We want to make it happen. For example, the RTA contract between that State Government agency and local council works extremely well. I think there should be more of it in the health and education areas. Community transport is a big area in our council operations, and I have no problem seeing it expanded but as long as it is appropriately funded. This is what it comes down to. We will provide the services but we need to have that genuine partnership and equitable distribution of the tax cake to make it happen.

Ms SYLVIA HALE: Councillor Swain, you have made the comment that the process to date has been divisive rather than constructive and a great waste of resources. At one stage you flagged a trial possibly involving Gunnedah and Quirindi. Quirindi has also put in a claim to Nundle. Do you think there would be the co-operation, preparedness to work together, on the part of adjoining shires to produce some worthwhile outputs or results, or have the strains been so great that it would be difficult now for that process to happen?

Mrs SWAIN: The strains have been so great and I think that would be statewide. As I said, committees are representing their community. Who in their right mind would put their hand up and say, "We are prepared to be taken over. We do not care what happens to us." I congratulate the Tamworth area on the way it has stepped forward and said, "Yes, we are prepared to be involved." I understand, though, that Nundle was very small and could see no future, that Manilla was small and could see no future, that Parry knew it had been cut off at the knees and that Tamworth said it was just coming in. So in a sense there had been a catalyst to start that process. The Government had said, "We will not have doughnut councils." So there was a process started, whereas there has been no other process for communities such as Quirindi and us and further neighbours. There has been no foundation for us to build on. We started off with great neighbours. We have had a great working relationship with all our neighbouring councils but we do not have that now. It would be the same for every council in New South Wales in rural areas because we are feeling threatened and our communities are saying, "We do not want to feel threatened. What are you doing for us? Stand up for us."

Ms SYLVIA HALE: What we have witnessed today has set back considerably the process of structural reform.

Mrs SWAIN: Absolutely, and it will take great leadership for someone to step in. As I said earlier, it would take leadership with compassion and understanding to set this straight.

The Hon. RICK COLLESS: When the Director General of the Department of Local Government appeared before the Committee he was asked about unfunded mandates. I will just quote you his answer, "I am not sure what you mean by unfunded mandates. In some cases councils claim

there are unfunded mandates. In other cases councils are just doing what is normally expected of them, so I am not sure I actually understand what you mean by that term." Does that surprise you?

Mrs SWAIN: No, it does not because it is an issue we have been raising on behalf of local government and on the broader perspective from the Local Government Association and the Shires Association. I know that some other councils have already raised some of the issues. We are being required to do more and more and more with less and less and less.

The Hon. RICK COLLESS: It just goes to show though the understanding at that level of government about what they are doing to us. They do not recognise that it is a problem.

Mrs SWAIN: And I guess it is difficult unless someone comes out and sees the loss of our road infrastructure or what our bridges look like. That is why it is so important to local people who live out here and have to travel across the bridge. We know what it is like for our families and our young people. We can raise the issues but in many cases we do not feel as if our voices are being heard.

The Hon. CHARLIE LYNN: The normal process would have been to put out a model maybe based on your catchment, sub catchment area, articulate a vision, formulate objectives, take in the rural feedback to that process and then put models out for discussion. If that had happened do you think you would have had people coming into the debate with their filters open or with a desire for better local government? That expertise exists within government but they have not done that. What do you think has been their motive? Do you think it has been caused by a couple of turf wars that have formulated the word "amalgamation" and that has just spread out and it has become something that maybe they should just do?

Mrs SWAIN: I would not like to debate what I think their motives are. I think what has happened is that we have ended up with communities—the comment we make is that a model before maps process must be put in place because what we are looking at is, as I said, people just drawing lines everywhere. I feel that our council has been very brave in stepping out and saying, "What about a sub catchment?" As I said, we have ended up with neighbours saying, "But you want to take a bit of us" and someone else saying, "You want to take a bit of us." We are saying that we are basing it on a catchment. We are basing it on the model, not the maps. We have not drawn the map. Now they are saying, "It looks like this on a map." There has been nothing that we can base it on, only stepping out and saying that this is what we think should have been the procedure or the process at the beginning. Then people would have had something to build on, even if it meant that we did not take that little area there because of whatever reason, that was a village there or whatever. Then you have something to base your commonsense argument on. As it is, everybody has a different idea about everything.

The Hon. CHARLIE LYNN: This is the first time we have heard the models before maps concept and I think it has a lot of merit.

DAVID ALEXANDER BOAG, Save the Murrurundi Shire Action Group, 30 George Street, Murrurundi,

NEVILLE THOMAS MOXON, Chairman, Save the Murrurundi Shire Action Group, 65 Mayne Street, Murrurundi,

BRIAN MAXWELL HUNT, Save the Murrurundi Shire Action Group, Coogah West, Murrurundi, and

PETER JAMES DUTTON, Future for Manilla Action Group, 52 Barraba Street, Manilla, Sworn and examined:

CHAIR: Gentlemen, I would prevail on all of you or any of you as you wish, in the time that we have, if you wish to make a brief statement to the Committee prior to the commencement of questioning by the Committee?

Mr DUTTON: The action group was formed after our council voted five to three to merge with Tamworth. The residents of Manilla were concerned that the opportunity for them to be briefed or given the options or being informed of the whole process had not been followed. After several ratepayers made contact, the action group was formed. The action group sent out newsletters, had a public meeting that was attended by in excess of 215 people. The outcome of the vote on the night was that we had newsletters going out over a period of time and asked people for their opinions and views and asked for the options to be put up at that meeting. The options put up were to stand alone or to merge with Barraba. When the vote was finally taken after a good hour and a half's discussion, the vote was 98 per cent in favour of merging with Barraba. The people at the meeting realised that Tamworth was a service centre but they did not believe that it had the capacity to retain our rural identity, and the instructions of the people at the meeting were two complete our submission.

We had lodged stage one of our submission with Minister Kelly earlier and then we went ahead and completed our stage two, which was delivered to Minister Kelly on 30 September. From there we set out with a petition. That was our second role. Our third role was to reach a 51 per cent majority of voters in Manilla. That was achieved yesterday. So, at the moment we have a mandate from the ratepayers of Manila stating that they would prefer to merge with Barraba than go to Tamworth. In short, that was the reason the action group was set up, to explore all the options available to us, and I believe it has done that successfully.

Mr MOXON: We represent the Save the Murrurundi Shire committee, which is a community group, not so much associated with the council. The group was formed after a series of meetings that were held throughout the shire by the council when this whole question of amalgamation came to light. The purpose of the meetings was to determine what the people, the ratepayers, wanted Murrurundi shire to do. It was overwhelming, something around 100 per cent of the people were in favour of Murrurundi shire standing alone. That was backed up with a petition with more than 600 names that we provided to the Boundaries Commission and letters of support we got from all the associations and businesses in town, basically saying that they wanted the shire to stay as it was, that amalgamation with any of the surrounding shires was not an option. These submissions have been made to the Boundaries Commission and to Mr Kelly personally.

Murrurundi is an economically viable shire and enjoys incredibly high ratepayer support as determined by the survey that was sent around. Amalgamation would result in significant job losses in Murrurundi, loss of services and, potentially, further down the track, loss of things such as schools, hospitals and emergency services. Mr Kelly said he would guarantee jobs will not be lost. In reality, we do not believe that can be the case. If you amalgamate with a larger shire and a vacancy comes up the job will not be replaced in your centre. If it still exists, it will be replaced in the larger centre and the town will ultimately decline. We are also emerging from the worst drought in 100 years so this is something we did not need at this stage. On a percentage basis, the loss of council employees to the town would be similar to BHP closing twice in Newcastle. So we are talking about a fairly significant economic impact.

Another thing our residents have been concerned about is the whole process by which this amalgamation has been carried out. No firm guidelines have been put forward as far as the people are concerned and it has really pitted town against town and shire against shire. You have ended up basically with a grab for very high rating areas and no interest in lower rating areas or high maintenance areas, such as towns. So, if any of the proposals were to be accepted that involve Murrurundi it would make the township, in economic terms, unviable. Nobody wants it. They want the higher rate paying areas on the west of the range, and which are low maintenance.

The purpose of the formation of our committee was very much to drive through the people's desire that they want their shire to be left alone. They very much want it to stand alone. It is economically viable, provides incredible services and is key to the future of a small rural town.

Mr BOAG: I have a submission I have been asked to present, if I may. It covers things about the additional financial burden on a minimum of 40 per cent of the staff because this is a bit more than a boundary change. Quirindi's proposal talks about taking over 60 per cent of our shire, and the General Manager of Quirindi stated at a public meeting on 17 July 2003 that if they are successful with their proposals, 60 per cent of the staff will have to relocate to Quirindi. It is also expertise lost in the banks. When the banks, Telstra depot and the railway depot closed those people were not involved in only those jobs, they were also involved in committees, such as the VRA and the town Fire Brigade. That is what it is about.

Submission tabled.

The VRA is struggling for numbers at present. The 12-member town Fire Brigade is made up of six council staff. There is also Rotary. The golf club is made up of the expertise of shire workers. If they have to relocate, with the cost of travelling and everything else they could not continue to live in Murrurundi and maintain a job in another centre. The cost of relocation would force them to sell up or move on to another town. All those positions would go.

CHAIR: In that scenario, what sort of distances in time are we talking about?

Mr BOAG: We are talking half an hour travel time to the closest place, which is Quirindi, 42 kilometres distance to and from, so you are talking 80 to 84 kilometres involved in that per day. Multiply that by five days, and add the cost of servicing, fuel, tyres, and wear and tear on your car. Two of our staff do not even own a car because they are not in a financial position to do so. Some 40 per cent of our other staff are not in a position to buy another car. They would have to leave their cars with their wives because they have young families and everything else like that. They would not be able to relocate because of sheer financial reasons.

Mr HUNT: I do not want to bore you with history, but I was on a similar committee 20-odd years ago for the same thing. It was instigated by what was known then as the Barnett report, which recommended that a number of shires, municipalities and cities be amalgamated. It started in about 1978 and finished in about 1981. On the last occasion we were lucky mainly because of the same sort of support we received that we are receiving now. Some 99 to 100 per cent of the ratepayers were behind stand alone. We stood alone. We had deputations to the then Minister for Local Government, Harry Jensen, and the then Premier, Neville Wran, who may have helped us out in the finish. We had a rally at a place called Ulan when they opened the Ulan coalmine and the rail link from Muswellbrook to Ulan. The Premier officially opened it. We went across there and, to quote him, he said, "I will go into bat for you."

In the finish the Boundaries Commission recommended that we stand alone and not be amalgamated. I would like to throw that in. That is 20-odd years down the track. The shire has remained a stand-alone shire ever since and has been very successfully run by a series of shire presidents and councillors, as you could imagine. I live on the end of the gravel road 10 or 20-odd kilometres out of the town and our other business that we run is run from one end of the shire to the other, from the eastern extreme end over on the Hunter to the western extreme end, which is on the Liverpool Plains. We have always enjoyed as good a facility on those roads and the maintenance of those roads as you could ever expect. Back 20-odd years ago we had a saying that I would like to repeat on behalf of the people: quitters never win, but winners never quit. And we are not about to quit.

CHAIR: I would like to hear your views on the current process, specifically amalgamation proposals and how they are being pursued, and your view on the criteria by which amalgamation or boundary changes are determined.

Mr HUNT: It has set shire against shire. We are at one another's throats. I have just had the privilege and opportunity to deal with a man, Harold Doland, who was president of Quirindi shire for a long time. He was the shire president when this was on 20-odd years ago. The other day he brought out a folder concerning it, and he had letters from our then shire president, the late John Kelso, and further down the track John Musgrave who was the shire president. The letters congratulated him on the manner in which the campaign was conducted. I can assure you that there will be no letters from our shire president or any anti amalgamation committee to the Shire President of Quirindi for the way this campaign has been conducted. What they offered us was nil, as in consultation.

Mr MOXON: The whole process by which the amalgamation has been put in place seems to vary from day to day. We started off with a comment that it was a \$2 million budget and 5,000 people. Mr Kelly denied that he ever said that. Then we go to the Boundaries Commission and then we have regional reviews. The whole process by which these amalgamations are happening is very unclear. The one thing that is clear to the people on the ground, the ratepayer, I guess the person most concerned with these amalgamations, I cannot speak for Manila, but certainly in the shires close to us we are the only one where the council has asked the people, and that is why we are confident that the people of the Murrurundi shire do not want anything to do with amalgamation and see it as being devastating to the community.

The proposal put forward by Quirindi, when they held the only public meeting they held in our shire, which was at Willow Tree, did not even tell us what was in the proposal. They would not even provide a copy of the proposal to the Murrurundi shire at that point. You can imagine that was not received very well. The problem was with the amalgamation process so far is that it has been totally non-consultative of the people most affected by it. There are no clear guidelines put forward for the amalgamation, so far as we are concerned. It seems to be that they will pick whichever finding they happen to like, and that terrifies us.

Mr BOAG: That meeting at Willow Tree is the only attempt they had at a public meeting, and it was not to get our opinions or anything else, it was just a straight standover tactic where they said, "This is what we are going to do. This is what will happen. It is already a done deal." Straightaway that put people's hackles up.

CHAIR: Who said that?

Mr BOAG: The Mayor of Quirindi made that statement. Something else Murrurundi shire is well involved in is resource sharing. The General Manager of Quirindi, Mr Robert Hunt, also stated at that meeting that he did not believe in resource sharing because he could not see where there were any savings. Murrurundi makes huge savings in regional sharing with Scone and the upper Hunter group of councils. I really do not know why he would make that statement. They were approached by our shire, but they did not want anything to do with it. The whole point of the meeting that night was: this is what you are going to get and you are not going to have a say in it. I am afraid that we could not wear that.

Mr DUTTON: Exactly the same thing happened with Manila. Our Mayor made statements that she knew best for the ratepayers and that is the way she voted. She organised two public meeting on the same day. The outcome of the public meeting was roughly 80 per cent of the people wanted to stand alone with the information they were given. That had been recorded incorrectly right across the media as being changed to suit their own needs. The other thing they did was put out a list of things that were in the best interests, they did a mailbox dropped which takes into account 1,340 out of I think 1,430. When people complained about not getting it, instead of accepting it was their mistake they wrote a letter to Australia Post and criticised Australia Post for poor service. That typifies the whole action of our shire because at no time have councillors listened to the people of Manila. The information that has been provided has been very scanty. As other speakers have said, it has changed daily. There has been no proper foundation put in place.

I really believe that if the Government were serious about making changes then it should look at the top of the structure and start working their way down. The first thing it should do is change the Shires Association of the local government and make that one entity, then slowly work down. In local government at the moment you have a structure that is becoming what I used to refer to as "white collar". They are all looking after one another. The job structure is exactly the same. If you try to employ somebody it is a little men's club. That is something that needs to be looked at. We would not be sitting here talking this afternoon if they had started from the other end. But the way they have gone about it, the facilitator changed his pattern throughout the meeting. He said that he was not going to participate at all. By the end of it he was giving a little bit of advice, which he should have done from the start of it. I do not believe the mandate he was given was good advice. The way those meetings were run, he let the people run it to a certain extent but he should have supplied information.

CHAIR: You mentioned the positive State of your finances. Could elaborate on that?

Mr DUTTON: I believe that Manila Shire Council in the past couple of years has taken very positive steps. I believe that our finances are in a fairly sound position. If you read the Manila submission and Tamworth, Parry submission you get two different views on three different pages. It is very confusing. But we have changed our engineers. If we resource share with Barraba there are three positions at the moment that are vacant that could be filled between the two councils. We have a reduction in cars and in the first two years you could probably save in excess of \$500,000 to \$1 million. But Manila is a little bit different to Murrurundi because we are in close proximity to Tamworth. You would be silly to cut your nose off to spite your face. We need to be able to resource share with Tamworth at times, too. Tamworth has expertise that we need to call on, but we are very viable in the long term. The steps that both shires have taken in the past two years will extend for another 10 years. Perhaps everyone should have done a couple of 5-year or 10-year business plans so that we could prove where we are. But the way the process has been put together, time has not permitted that.

Mr MOXON: In terms of the actual dollars and cents, you will need to talk to the shire about that. Over a number of years the shire has put in a series of cost-savings initiatives in resource sharing with Scone and others is certainly one of those. On the statistics that I have seen in terms of economic viability and that sort of thing, it is certainly in the upper part. From an economic perspective we believe that the council has not had to go back to the Government for additional money at any stage. It is providing services that are well and truly acknowledged by the community as being adequate to what the community wants—good roads and good facilities—without having to go cap in hand to the State Government. In an economic sense we believe it is meeting the mark.

Mr BOAG: Scone shire supplies health and building and planning. We supply them with the environmental side, such as sanitary waste management. Store purchasing we do through the upper Hunter group of councils. Machinery, plant and equipment exchange, and bridge exchange—at the present moment we are getting a bridge built because Scone has two to do. They are looking after the administration section of that one for us and vice versa because three bridges can be built a lot cheaper than one. We often exchange plant equipment if Scone has a job. A perfect example is that we have a jet pounder; they have only a wand with a shovel, and we share it back and forth. If they have a big job they take ours and we take theirs. We work very well together.

We do stores purchasing through the upper Hunter group of councils. They contract out for the group and we buy through those contracts. It is not only there; there is a whole host of stuff that we get involved with. The point I make is that it is not all one way. We give and we take. Just on the two positions of health and building, and planning, they are fairly affluent positions within the council. For a small shire like Murrurundi to have individual places like that, I imagine you would be paying up around \$160,000, \$170,000 a year. I am not sure of the exact figures but I believe that it costs about \$48,000 a year. So there is \$120,000 a year just in those two positions.

Ms SYLVIA HALE: I believe in August Muswellbrook council floated the idea of an upper Hunter super council of Merriwa, Scone, Singleton, Murrurundi and Muswellbrook. Do you think there would be any virtues in such a super council? What would be the advantages or disadvantages that you would see?

Mr MOXON: We do not see a lot of virtues in a super council of that type. The problem is that when you end up with a large centre and a lot of outlying areas, the outlying areas inevitably miss out on services. We believe that if we were part of a super council, for example, we would still lose the jobs that are there because ultimately any new job created or a replacement would be replaced in Muswellbrook, not in Murrurundi or in any other area. We would lose the jobs and with that would go the facilities and with that would go the town. Being a small part of a large area, to a small country town such as Murrurundi, would be devastating in terms of economics and also population. That is on top of, I guess, a time when Murrurundi is actually growing, believe it or not, when most other rural towns are going backwards. The growth is small but the town is growing.

Certainly, the council is driving a lot of that because it has a lot of initiatives which are helping the town. And it supports a lot of initiatives. For example, we have a Hunter horse event happening in May of next year. Murrurundi council fully supported that, and that will end up with 10,000 people in town. Other surrounding shires turned it down and said they were not interested in helping. That is the type of support that a small town needs. You take that away and you become a very small fish in a very big ocean. You lose the lot. So our roads will go, our services will go and, more importantly, our people will go. We do not see that as an option we are even willing to consider.

Mr BOAG: I am not for one moment knocking the opposing shire. Please do not believe I am. But in 1982 or 1984, whenever the amalgamations took place back then, Denman shire was taken over by Muswellbrook. I have talked to people from Denman about this and they would be quite prepared to give us letters stating that the services are virtually nonexistent. We are very frightened that the same thing will happen to Murrurundi if ever something like Muswellbrook came about.

Ms SYLVIA HALE: Obviously in the case of Manilla, Murrurundi and other areas there is strong local feeling generated in support of the existing councils. What about in instances like Quirindi? Are the residents there equally enthusiastic with the notion of their council expanding? Have they been consulted?

Mr MOXON: They have not been consulted. I have talked to a number of business owners and other people in Quirindi informally about this. They have not been consulted about their expansionist plans and certainly they are not in favour of them. If you look at the regional review meetings that were held, we ended up with more than 150 people at our meeting, and I think Manilla ended up with nearly 200 people at their meeting. Quirindi got 30. The people are not interested because they are not being consulted. The people in Murrurundi are interested because they are being consulted and they see this as a real attack on their representation. We are very well represented by our people. Local government, if you think about it, is the crux of democracy because if I do not like something local government is doing the person I talk to is in the same town as me. I do not have to try to get to a politician who lives in Sydney or Canberra. So it is really the heart of democracy: local government people representing the people feel the heat of it. That is why there is so much enthusiasm in Murrurundi because they know they are on a good thing. They are incredibly well consulted by the council. That is not the case in Quirindi. I think if you asked the people in Quirindi they would certainly support that.

Mr DUTTON: I think you would find the same in Tamworth. Some 35 people attended the review meeting held in Tamworth, and seven of those people were from Manilla. We had in excess of 235 people at our review meeting. Barraba had roughly the same number. It does not bother Tamworth because Tamworth will gain. Tamworth sees the outlying areas as money bags and the money will be spent in the major commercial city which is Tamworth. I think the people of Manilla, Murrurundi and other outlying areas realise that unless we stand up and fight—we are a bit lucky in Manilla because we have five doctors, we have a retirement home, we have a hospital and we service people from Moree, Tamworth, Gunnedah and Narrabri who come to see doctors there. Our roads are probably second to none. At the moment we have good representation but if we were to merge or amalgamate with Tamworth we will not have the numbers to get a person on council because we would have less than six per cent. You need 2,900 voters to get a person on council and we have 2,300. So we have a major problem.

Ms SYLVIA HALE: Mr Dutton, you suggested that if Manilla had to amalgamate with anyone it would prefer to amalgamate with Barraba. Can you explain that?

Mr DUTTON: Barraba and Manilla are both rural communities and most of our rates are gained from our rural residents. We have a lot in common. We share a lot of interests. We all use Tamworth as a service centre or commercial centre. We have nothing physically in common with Tamworth. As I said before, we will share resources, we will do things to ensure that Manilla and Barraba survive but in the long term we would get fair representation between Barraba and Manilla. I think it has sort of been talked about four of each, and the close proximity and the interaction between the rural people would secure our long-term viability.

The Hon. RICK COLLESS: I would like both groups to answer this question which relates to the issue of structural reform in local government as opposed to boundary changes and amalgamations or takeovers. Do you believe that there is a need for some structural reform in local government? If so, what form should it take?

Mr DUTTON: There definitely is. I can speak on Manilla's behalf. I cannot speak on behalf of Murrurundi. We have taken those steps. We got rid of our two senior directors, made those positions redundant. We were going to move them into one until the amalgamation came. Barraba had taken the same steps in that they had a finance officer. I believe the whole structure should be looked at. Your biggest faux pas at the moment is your 1993 Act because it is too restrictive. It does not allow people to run a business. If you were to ask the successful businesses people in rural communities whether they would buy a local government the answer would be no. You could probably ask three of the mayors who have been here today and their answer would be the same. When you are employing someone you want productivity, and I believe the way it is structured at the moment that productivity is on a downward slide. We were taking steps to rectify that and to increase productivity but with this faux pas that has been thrown upon us over the past six months I think productivity at the moment is at a zero level of all time and that will come back and bite us.

Mr MOXON: On the question of reform, I asked myself whether you want radical reform, which requires radical surgery, or you require steady reform. I think you need to look at the shires involved and say, "Are they carrying out steady reform with their processes and are they reviewing what they are doing on a regular basis?" If you do that with Murrurundi shire you will find that that is true. We have done the resource sharing which you have heard about. But it is also a member of the Hunter group of councils which is, I understand, there to look at ways of reducing costs, increasing services at lower cost and this type of thing.

I do not believe that amalgamation is the answer to reform. In fact, if you look at some of the research that has been done in this area by the University of New England you will see that they are very much against it. They are saying that what happens is you do not get any cost savings from amalgamations; all you get is lost representation. People who study this in detail, such as the people at the University of New England Armidale, have come up with the finding that amalgamation achieves the exact opposite to what you want it to achieve. Reform is important, and certainly everyone must review their practices. If you look at shires such as Murrurundi, which is a small town-based shire, or rural-based shires they must do that regularly, otherwise they just cannot be afforded. So the answer is no radical reform but certainly encourage the continual appraisal of what is happening and involvement in things like the Hunter group of councils in this type of thing. I think that is the way to do it.

Mr DUTTON: I think that is one of the things we were working on before this process started. We had organised with Tamworth to help us with a six-year business plan and we took that expertise from Tamworth. So far we have not seen the finish of that because it has been put on hold. I think those are the things we need to have in place.

Mr BOAG: Murrurundi shire is ongoing with that reform. I have been there nine years now and they are very progressive. They see an area that needs cleaning up, it is done very quickly. If they can see an area where funds can be saved without losing services, it is worked on and something is done about it. As for any continuing reforms, as far as I know there are some things in the pipeline but I am not in a position to say. That should come from management, not from me.

The Hon. HENRY TSANG: You said that your shire is in financially good shape now. Other councils have said that with rate pegging they are unlikely to get an increase in rates, wages are going up and the demand for services such as roads and infrastructure replacement is increasing, to

attract doctors to the area and so on. In the longer term do you perhaps see that perhaps your financial situation might erode and therefore your capacity to raise funds is important?

Mr MOXON: Again, that is a question best asked of council but what I would say on that is that the Murrurundi area is growing. In fact, you cannot buy real estate in Murrurundi or anywhere in the area to save your life. There is potential for a mine to open up in the area. So people are looking at this area as being a desirable place to live and a desirable place to work. The same is being said for Willow Tree. I would say that the growth will hold in that area. I guess the arguments would have been the same 10 years ago. Could you survive? Through cost savings, through looking at what we are doing and this sort of thing, the council has survived. It has not had to increase rates above the average. In fact I think we are below average for shires of our type, and it is surviving. I would say the answer is that it will keep surviving. Certainly I have confidence in that.

Mr DUTTON: I think if best practices are used you would be surprised just how resilient rural communities are. I think the point was made that they are desired places to live at the moment and I think that is working in our favour.

Mr HUNT: That question was asked 20 odd years ago when I was on the same committee. They have gone along with their costs in hand for the past 20 years and are still in front.

(The witnesses withdrew)

SHAUNA MARIE BIFFIN, Deputy Mayor, Murrurundi Shire Council, 24 New England Highway, Willow Tree,

ANTHONY EARL KELAHER, Mayor, Murrurundi Shire Council, Kamarooka, Willow Tree, and

JOHN JOSEPH GRIFFITHS, General Manager, Murrurundi Shire Council, 70 Mount Street, Murrurundi, sworn and examined:

CHAIR: Are you conversant with the terms of reference of the Committee?

Ms BIFFIN: I am.

Mr KELAHER: I am.

Mr GRIFFITHS: I am.

CHAIR: Should you consider at any stage during your evidence that in the public interest any document or evidence should be seen or heard only by the Committee, the Committee will consider your request.

Ms BIFFIN: Thank you.

Mr KELAHER: Yes.

Mr GRIFFITHS: Thank you.

CHAIR: Before the Committee commences questions, if any of you or all of you would like to make a short statement, please feel free.

Mr KELAHER: Maybe I can say a few words. May I first say that I am very proud to be mayor of such a small council with a big heart and a council that is totally united to stand alone. Amalgamation is definitely out of the question as far as we, and the ratepayers, are concerned. Not only the council, the ratepayers have told us when we first got news from Mr Kelly, the first letter, we went around the shire and held six public meetings from one end of the shire to the other, and asked the people what they wanted and told them what would happen if this did happen. They told us in no uncertain terms—by about 97 per cent—that they wanted to stand alone. These were not our thoughts—they certainly are our thoughts—we were being told by the community.

In the process we thought, we went to our neighbouring shires, Scone, Nundle, Merriwa and Quirindi, and spoke to them and put it all together. Also, we went for a meeting with Mr Kelly. We spoke to him, and he said that the 5,000 population and the \$10 million budget was only a figure for them to look at. When I explained to him the loss of jobs and the devastation that would happen to Murrurundi council if any sort of the boundary change or amalgamation was put forward, he said to me that he did not want to pull any small town down. We have three small towns in our shire, Blandford, Murrurundi and Willow Tree. Over the years we have lost banks, post offices and churches, and this we do not want to see go any further.

Over the past three or four years we have started to put the council back together. We have rebuilt. We have federal money for a new RTC and we have put a new RTC in. I feel we have it on the way again. This is just another hurdle and we do not want it. Any one of you who has lived in the country will know what I am talking about. If you have lived in the city you probably do not have any idea whatsoever. I am sorry, but I have cousins in the city and they love coming to the country to see what the country is all about, and we have to help each other. We are in the middle of the biggest drought for 100 years, the worst I have seen in my lifetime, and the cost of what we have gone through so far, not only with the drought but talking about this amalgamation, has cost the community a terrible lot.

The State Government should have another look around and see what is going on. Being bigger is certainly not being better. I would like to see the roads stay as they are. I travel the roads a lot. To go into a bigger council, I know what you will get as far as services if you are right at the end

of the council. It will not be what we are getting now. As I said to start with, I am very proud to be mayor of this council, and I do not want to be mayor of it when it goes down. For us to lose churches, the clergy—which would happen—we would lose 40-odd people in the shire. Some may keep their jobs but they would not drive to Scone or Quirindi or wherever they have to drive—40 kilometres each way each day. They are only on a basic wage. They cannot afford to buy another car and put the petrol in it, let alone the one they have. All they are doing is putting the people down by doing this. If you want to keep services in the country, this is not the way to go about it.

I had a heap of notes here that I scratched down but I have not looked at them. I do not know if you want anything else. No doubt you will ask questions and I believe the general manager or Shauna would like to say something.

Ms BIFFIN: I suppose the first question I have about the process of amalgamation or boundary changes is presumably it is going to create some greater efficiency, but in respect of a small shire such as ours I question at what cost that efficiency might come. To give you an example, a city like Tamworth will build you a BMX track for kids for around \$40,000. We did it for \$2,000 because, one, we have to scratch very hard to get a grant; two, we have a lot of community will; three, we have a community prepared to work together to help our young people, to give them something. That reflects to some extent expectations of council and our community as a whole. That is just one comment.

The other concerns I have are about when you lose jobs. There is no question that the process of amalgamation is to create greater efficiency, and people will lose their jobs in the process. Again, for the smaller shires, you lose jobs. Everyone has covered the ground about the negative flow-on effects of that, but you also lose your social intellect. In any society you need a social structure. You must have people at all levels of the social and employment structure, and the risk for the Murrurundi shire is that we will end up with a township of unemployed and elderly people, and that is not healthy for any society. That will happen in other small towns as well. We are not the only shire facing these predicaments. Any small shire that has either a boundary change or an amalgamation risks these things when there are job losses.

The other thing I want to talk about is that the role of council in small shires is very different from, again, somewhere like Tamworth City Council. We provide all the same services on a smaller scale. The other thing the council provides to our community is to act as a conduit, I suppose, between the community and information about service access. We live in an environment where services are some distance away. We are about the only people in the shire who know where the services are, who can assist ratepayers in accessing services. In a place like Tamworth the services are there for people to go and access personally. Our community needs assistance to do that. All isolated rural communities do. There are people who live 140 kilometres from one end of the shire to the other. The shire is a central focal point for them to access that information, and council's role is much greater in the community for that particular aspect of its activities. We have mentioned in some of our paperwork that we distribute a monthly newsletter. It provides information about all the social, community, health—any sorts of programs that are available for people. We provide that information to the community on a regular basis.

The Mayor has spoken about the rural transaction centre and we also have the community technology centre. We are in the process of attempting to get ourselves a new hospital because ours will be outdated by about 2008—it will not meet fire and aged-care standards. The only other thing I would say is the extent of the feeling within the community. When we embarked upon our discussions with the community, the council agreed that we would not express a view at all, that we really wanted to be led by our community because we realised that this was a very serious issue for us. We were facing a council that wanted boundary adjustments, to slice our council area in half. It has been the heart of the people that is reflected in everything we have done. It is their view and it is council's view that we wish to stand alone, if that is at all possible.

Mr GRIFFITHS: Just on the public meetings that were held, in my position the main people I speak to are those who have a problem and want that problem fixed. During the public meetings it was very humbling to see the level of support and the thanks we got for attempting to provide the services and rectify the problems that most councils are renowned for not fixing. We have people who live in outlying areas. If you get a storm trees blow down. If you get heavy rain crossings wash out.

We attempt to get everyone fixed up within 24 hours, no matter how widespread it is. Our outdoor staff are a credit to us because they work tirelessly, regardless of the fact that everyone thinks they stand around and lean on shovels. We cannot do that, because we have only one shovel.

We have an ongoing program of organisational reform. Our outdoor staff were reformed about three years ago. We eliminated the old system and brought in a new hierarchy to make our section leaders responsible for the operations they were carrying out. Previously, total responsibility rested with the works manager. The section leaders now have to take that responsibility and they have to report back. The engineer and works manager discuss the progress of jobs on a regular basis with them as a whole, and sort out any problems. Part of that procedure is also to identify new areas where we can improve what we are doing. A lot of our staff, regardless of their station, are very inventive in coming up with solutions. We have had a large deal of success by talking with our staff and getting them to be the ones that promote change as well as directing it from the top down.

Similarly, we have just gone through an administration of organisational restructure, which is still to be finalised. Council has adopted it, but it is yet to go before our consultative committee on staffing and discussions with the union on rearranging the indoor staff. Our forward budgets show that we are very viable for three to five years. Who knows what will happen after that? Will Roads to Recovery continue? Will it be doubled? All of the questions that we cannot answer ourselves, but certainly other tiers of government influence the way in which all councils can go about providing services to their communities. We have strong reserves. We look at what it takes to maintain our roads and make sure that we are spending that each year in maintenance, as well as the improvements we are able to carry out in our infrastructure.

Rural communities are about one thing, and that is roads. That is the lifeline. They have to get their product to the cattle sales. They have to get their grain to the silos or to the railhead to get it away. Roads are what it is all about. That is our first, second and third priority. After that we fit in our community services and economic development. We look after our parks. We have a good little swimming pool that is well managed. We believe, more so now that we have talked to the people, that we are starting to get there in terms of meeting expectations. I do not know whether you are aware that the 13 councils of the Hunter that go under the banner of Hunter Councils have joined together and have just completed a records repository for the storage and archiving of council records. But it will also be a financially viable business that will bring funds back to assist us in developing new avenues by which all the 13-member councils can save money.

Some of the things that we do are joint training, occupational health and safety and risk management. Something like 15 groups operate through Hunter councils where the 13 councils get together and the people dedicated to those functions talk about it and come up with ways of doing it. A staff induction program is done under the one manual. We have one manual that goes right across the 13 councils. It does not matter whether you are in Newcastle council or Murrurundi council, you go through the same staff induction and therefore, if you change councils within the Hunter, you do not have to go down that track again. We would be happy to discuss other things.

CHAIR: You talked about social capital being a very high priority for your local council area. Do you necessarily see that as declining if there were an extended council?

Ms BIFFIN: In my view what tends to happen is that larger towns grow stronger and smaller towns grow smaller. The concentration of services, jobs and even the power of the people changes. The consequence is that people in small areas end up with community infrastructure for which they get less funding, so these things become run down and they lose their facilities.

CHAIR: I understand that you were involved in the regional review of the Peel region. Do you have any comment on the review process to date?

Mr KELAHER: The turnout at the RSL hall in Murrurundi that night was overwhelming. About 160 or 170 people were there. It was standing room only, which shows what the people are trying to explain to the State Government. At times I felt embarrassed because usually if you are in the shire you cop flack from one end of the shire to the other, but we certainly have not. We get the odd ones that go crook about something because they disagree with what we do, but we certainly did not get it that night. Chris handled it very well. He listened to the people and did a good job.

Mr GRIFFITHS: Could you comment on the overall way this has been handled?

Mr KELAHER: Back in May we had information that Quirindi Council, because of what had been said on the radio and in the press by the Mayor of Quirindi, was going to put a proposal to take over the western part of a shire. The Mayor and I spoke to the Minister on 21 May. As you can see, we have been at this for six months now. It has just gathered momentum. But all along the way there has been no guidance or expectations. I believe the people have been left in the dark. We as council-elected people and me as a staff person have found that people are asking us questions that we cannot answer for the simple reason that the answers just are not there. When the Quirindi proposal went to the Minister he referred to the Boundaries Commission, which met with us at a preliminary meeting.

Subsequently we put in a formal proposal, which had to be in by 29 August. Some three weeks after that we received a letter that stated that everything had been put on hold until a regional review was conducted. The regional review has been completed and the report is being compiled. We believe it could be as late as mid December before we hear what the fate of the shire will be. I think a six-month period is a pretty poor effort from the State Government to say to us that we are not performing. Yet here we are, nobody knows what the agenda is, nobody knows what the perceived outcomes are. I do not believe that is the way to run the review at all. I believe you have to go in and seek from the people, not from a bureaucrat sitting in Nowra or a politician sitting in Sydney. The people are the ones who have to be the driving force if there is going to be structural reform change.

The Hon. RICK COLLESS: Given that the Great Divide splits your shire in two, and this is an obvious question, are there any management or other issues that create difficulty?

Mr KELAHER: Years ago, when these shires were very first split up, they put these shires together pretty well. If you go around most of the shires you will see that there is some real viable, productive country and some rough country. I get into trouble when I say "rough" country because I live on this side of the range. But that is how they put them together. Here we are now, we have one shire wanting to take the very best of two or three shires and leave the harder or higher country to whoever else is left on the boundary. That is absolutely desperate. It is sheer greed, that is all it is. It would be nice to be able to take the best of everything. It is just like a kid in a lolly shop. Now that you have mentioned it, if it were split on top of the range, the range should not be a barrier. Just because there is a hill there does not mean to say that it is a barrier. The Deputy Mayor and I live on the western side of the range. We both live at Willow Tree. I live closer out towards Merriwa.

If that did happen, representation on that side of the shire, which is 60 per cent of the shire where we have roughly a population of 600 people, if we stood one candidate we would possibly get one representative. If we stood two candidates we would probably get no representative because of the population. It is going to be absolutely desperate if they do something. On the operational side of having the range in between, it was stated at public meetings first of all that really there is not a barrier there any more. Once upon a time the road was pretty poor and you did not travel it. Now people ride over it without too much effort. I would not be able to, but the thing is that the physical barrier is not all that important and it cuts as basically at 45 degrees coming across our shire. On the operational side of it, the black soil is much harder to build roads in. But on the other side of the range you have some fairly steep country as well to try to maintain roads.

The Hon. RICK COLLESS: How do you manage that from an operational point of view? Do you have teams that principally work on the plains and a team of road gangs that work on the mountains?

Mr GRIFFITHS: In some respects we do but all our staff work on both sides of the range. We do not say, "You are east and you are west." We swap the teams around quite a bit and they are very skilful at their job. They also want to do a good job. We give them the opportunity and the result has been that the community believes we do a good job.

Mr KELAHER: Not only that, we are very proud of our roads, especially when you drive into the neighbouring shire.

The Hon. RICK COLLESS: I used to live at Gunnedah so I know that area reasonably well.

Mr KELAHER: There are a couple of things I have missed. The hospital is one thing. I have lived all my life where I am now and we have seen some horrific accidents on the New England Highway, especially on the range. No doubt the road is a lot better than it used to be. But the hospital worries us. With the loss of population in the shire we would stand to lose the chance of a new hospital in Murrurundi which we are working on at the moment. If that happened, we are talking about a chemist. We only have one chemist, one doctor. We would lose both of those. We have an old age people's home. We are just putting another 10 beds onto that so it is expanding. That would be another loss and I cannot see any way out of it if we had any sort of amalgamation or boundary change. I do not care what you call it; it will be a terrible loss to the community. Not only to the community but the travelling people going through. There would be no hospital, no doctor, no chemist.

The Hon. RICK COLLESS: Given the problem with the amalgamation process that is going on at the moment, do you see any need for more fundamental reforms in local government, leaving aside the boundary adjustment aspect for the moment?

Mr KELAHER: I guess as far as reform goes, we are looking at the council day by day. It does not matter what it is. If we can do things better we certainly will. As has been said, resource share--it does not matter what it is. We tried to talk to Quirindi to resource share but they were not interested.

The Hon. RICK COLLESS: You do some resource sharing with Scone, do you not?

Mr KELAHER: Yes.

The Hon. RICK COLLESS: Is that just on an informal basis or do you have a written agreement that is legally binding?

Mr GRIFFITHS: We have contracts with Scone to provide our health and building services and our land use planning services. Conversely, they contract from us to have part of their on-site sewage disposal management looked after by us. We have some other informal things. Presently we have two bridges, one in Scone shire and one in our shire that we went out to joint tender on. Fortunately, the same people got the two bridges and there were significant savings there for us, around about 6 per cent. I cannot speak for Scone council but I looked at our figures and the savings there were about 6 per cent for Murrurundi council. That is one of the areas that could probably be formalised in some respects, the swapping of payroll. If we do their payroll, they do our creditors. That type of thing could be looked at.

The Hon. RICK COLLESS: Those corporate service type functions.

Mr GRIFFITHS: Yes, exactly. That is a possibility, and we have had some talks with them. As a matter of fact I have a proposal on my desk at the moment from Scone for them to look after our information technology services. We will have to renew our system in the next couple of years so we have gone down the track of talking to them first to see whether there is any benefit to them and any benefit to us. It appears as though there will be but it is a long road to hoe just yet. It certainly looks encouraging from my position anyway to look at that and it probably will be provided from Scone and we will just hook in like you do with the Internet through a broadband service.

Ms BIFFIN: You were talking about fundamental reform. As the general manager has said, the Hunter model is a good model and probably is something that should be looked at across the State. Because of the benefits that it brings to small councils in particular, we have access to state-of-the-art information and technology. We are up to date with our practices. When small councils attempt to do these things on their own, of course they are expensive and sometimes things get missed but if you are part of a larger group accessing all of this information you do it on a cost saving basis and you are complying always with the regulations and the things that you should be doing.

Two other things I will mention. You are talking about fundamental reforms—I know this applies to Federal and State Parliament as well—with standards of behaviour within councils. We can

all read the newspaper and see what goes on. I watch television reports about standards of behaviour. I am proud to say that we have never had a problem in my time on council. Everyone is very courteous. But I have seen reports about extreme cases of behaviour. Clearly that needs review and how people behave in a council chamber. You are there for the ratepayers and to improve the society that you are in. Surely there must be a basic standard of behaviour.

CHAIR: Are you talking here about councils that have possibly merged with yours?

Ms BIFFIN: No. I am talking statewide. You are a State Government committee and you are getting my whole philosophy.

The Hon. HENRY TSANG: Are you referring to the local council?

Ms BIFFIN: No, I am talking about shire councils but obviously the same levels of behaviour apply to stay State Government and Federal Government chambers. Another point that I think is in need of some serious consideration is the question of conflict of interest. On local government councils you predominantly have business people and, as well meaning as everyone is, there are instances where conflicts of interest arise. Unfortunately even Tamworth City Council had a situation with the mayor. I understand he even sought advice on that. It seems to me that it is an area that needs further examination and maybe some better guidelines. Most of the people on councils are running businesses and there is always a potential for that.

Ms SYLVIA HALE: I understand that council was on the department's 2001-02 financial watch list. To what do you attribute that, or what role do you believe rate pegging and unfunded mandates have played in placing council on that list and are there other factors that should be taken into consideration when one looks at that?

Mr GRIFFITHS: Yes, we were on the financial watch list. Our information is that should our financial reports be okay we will come off that this year. There were two reasons: First, we sought a 5 per cent additional rate increase to retain our community services co-ordinator and our economic development officer. We conduct two strategic planning sessions a year with the community and they were two of the top priorities. When you sit down to do your budget you start to look at where savings can be made. Council came to the view that an additional—we applied for 6 per cent but we were given 5 per cent via the Minister. That was the main reason we were on the financial watch list. The other one was that there was no attempt being made up until the past two years to look at our road maintenance or infrastructure maintenance and make sure that what is needed to be spent on it was actually being spent. We addressed that two years ago now so that is in hand. As I said, the department was quite happy with our reports last year and said that should they improve again—and it appears this year we have had a positive bottom line on our balance sheets and our reserves are very strong.

Ms SYLVIA HALE: I understand that a lot of councils have applied for rate increases for specific purposes. Why should applying for the additional funds to employ, say, an economic development officer or a community services officer be sufficient to put you on the watch list?

Mr GRIFFITHS: That is a very good question. It is one you would have to ask the department. As I said, that coupled with the fact that the amount we were saying we needed to maintain our assets and it was not being spent. That was the other factor in it. Certainly because we needed additional funding I guess they felt that here is a small council with a fairly low rate base, are they going to be able to maintain themselves in three years if they are looking for additional funds now?

Ms SYLVIA HALE: You talked about the savings that you are making through the co-operation with the Hunter councils. Do you anticipate that there will be more areas in which there will be efficiencies and savings made?

Mr GRIFFITHS: Certainly when we look at it joint purchasing, we went down the track. Thirteen councils were joint purchasing the emulsion that you use for road patching and so on. In fact the big councils do not use nearly as much as the small councils in that area because of the different methods of operation. But the larger councils made significant savings from that and likewise

everyone got the benefit. We are currently joint purchasing road signs. The Hunter spends over \$2.5 million a year on road signs and they estimate that the savings could be up to 20 per cent on that so that is a significant saving across the area.

At the moment a tender specification is being developed for personal protection equipment, things like boots, bright coloured shirts, long trousers for sun protection, hard hats, that sort of thing. There is a significant amount of money spent across the 13 councils. Our share of that might be fairly small but when you start getting savings of between 20 per cent and 25 per cent on your outgoings that is significant in anyone's terms.

(The witnesses withdrew)

(The Committee adjourned at 5.00 p.m.)