



26 February 2016

Mr Ian Reynolds  
Delegate  
Council Boundary Review – Newcastle-Port Stephens

**Re: Submission from Tomaree Ratepayers and Residents Association Inc**

**1. INTRODUCTION**

The Tomaree Ratepayers and Residents Association (TRRA) represents the interests of the 26,000 people living on the Tomaree Peninsula on the northeastern extremity of Port Stephens LGA. Its broad objective is to protect and enhance the residential amenity and local environment, both natural and manmade. TRRA also acknowledges the importance of a healthy local economy and as a member of the Nelson Bay and District Business Association, works in collaboration towards this goal. Another objective is to be “a conduit of communication between the community and its elected Councillors of Port Stephens Council, on strategic matters and in decision making, and to assist councillors and Council to better understand community priorities and needs”.

**Most of these residents live 50 kilometres or more from Newcastle City.**

TRRA and many other interest groups in Port Stephens have become disillusioned with the performance of Port Stephens Council in recent years. Concerns relate to:

1. failure to follow proper processes in administration, decision making and the application of planning instruments
2. a lack of transparency and questionable accounting practices applied in managing and reporting Council’s finances
3. inadequate public consultation
4. unacceptable conduct by some Councillors in Council Meetings resulting in a chaotic climate for decision making and



5. The dominance of a voting block of Councillors which supports the current Mayor is a major barrier to community scrutiny and much needed reform.

TRRA was encouraged by the claimed general improvements for local government promised in the Minister's foreword to the proposed merger. It was stated that the merger would "clear the way for a more effective, efficient and democratic local government in our locality".

Having studied the published "MERGER PROPOSAL" document, our Association has formed the opinion that the claims made as to the potential benefits, as well as the justification given for this merger, do not stand up. TRRA expected far more hard evidence to support the claimed benefits and financial savings.

Soon after the release of the proposed mergers, the advice from KPMG consultants, which was relied upon for many of the recommendations in the merger initiative, was seriously challenged by experts in reports in our leading newspapers. One article went so far as to claim the KPMG Report was "awash with errors" (SMH, 26 January, 2016).

The inadequacy of this underpinning data was reinforced by the Newcastle City Council's presentation to the Merger Proposal Inquiry hearing on 4 February 2016. This drew attention to the fact that the proposal document quoted financial performance results from the 2013/14 financial year which led to a statement that "the two Councils forecast markedly different levels of operating performance over the next 20 years" and a forecast that Newcastle City's costs are projected to continually outstrip revenue. Newcastle City pointed out that this projection was based on out of date figures and that in fact Newcastle had generated operating surpluses for the past 2 financial years and has a YTD operating surplus of \$7.2 million.

Port Stephens General Manager reported on 4 January that Council's calculation of financial outcomes from a merger resulted in a LOSS of \$20 million, not a saving of \$65 million.

TRRA has found many of the specific proposals, such as the rationalization proposals and associated benefits, the future rates regime and arrangements for councillor representation, to be lacking in essential detail. Accordingly, the Association has concluded that it is unable to make an informed judgement on the benefit or otherwise of many key proposals.

Not only is there insufficient and unreliable data presented, but in our opinion the analysis and conclusions reached to support the merger, are unsound and in some cases contradictory to the evidence provided and/or the criteria and principles stated to be the basis for the reform initiative. For example, TRRA also queries the apparently arbitrary and conflicting application of the results of the

IPART assessments of all Councils. While IPART declared Port Stephens “Fit for the Future” this status has been ignored in the proposed merger with Newcastle City. The latter was judged “Unfit for the Future”.

Most importantly, the merger as proposed, in our assessment, would in our view have serious negative outcomes for the Residents of the Tomaree Peninsula and the Port Stephens LGA.

**Against this background, TRRA has no option but to seriously question the motives of the State’s merger initiative and the credibility of the merger proposal document. Accordingly, we have resolved to join the overwhelming local call for its rejection.**

## **2. TRRA’S ANALYSIS AND COMMENTS ON THE SPECIFIC CLAIMS AND PROPOSALS**

### **1. The merger will deliver the desired scale and capacity for a sustainable future**

TRRA Comment

The obvious opportunity to strengthen the position of Newcastle City was to merge with Lake Macquarie which would have added 202,676 to Newcastle’s 160,021 population and an additional workforce of 97,505. More importantly there is a clear geographic cohesion between these two localities which have a natural economic and cultural connectivity across the current southern boundary which lies just south of Kotara.

### **2. The Proposed merger will generate net savings of around \$65 million over 20 years and the NSW Government will reward the merged Council with an additional \$20 million grant.**

TRRA Comment

- Port Stephens General Manager reported on 4 January that Council’s calculation of financial outcomes from a merger indicated a LOSS of \$20 million not a saving of \$65 million
- The bulk of the Proposal’s projected saving would come from rationalising senior management staff and back office staff
- Recent expert analysis reported in the SMH queries whether this level of saving can be achieved as it fails to take into account the generous payouts due to laid off workers under current contracts.
- A similar 2008 Queensland merger initiative did not result in universal success and in some cases, Councils claimed that promised economic

benefits were never delivered. Following public outcry in a number of merged councils, Queensland initiated referendums which resulted in four demergers in 2013. The Douglas/Cairns and the Noosa/Sunshine Coast cases have much in common with the Newcastle/ Port Stephens proposal. These mergers were proposed where councils had incompatible cultural and geographical differences and were implemented against residents' wishes. (See ABC News item 16 February 2016 "*NSW Council Aamalgamations: Baird Government urged to avoid Queensland's merger mistakes*".

- Other savings (in the Newcastle/ Port Stephens proposal) of \$11 million gross are attributed to increased purchasing power of materials and contracts. Port Stephens and Newcastle are already benefiting from these savings through their membership of Hunter Councils Incorporated, a regional co-operative. For example, we also co-operate in services such as the libraries.
- Significant reduction in staffing is likely to result in lower service levels to ratepayers and sackings will impact on the local economy.
- The estimated \$65 million saving is paltry when considered that it represents only \$14.80 per head per year over the 20 year period.
- The \$20 million State sweetener is one off, and much of it would be needed for direct merger costs such as new logos, office rationalisation and overheads.

### **3. Efficiencies of increased scale of the entity including improved capacity to reduce the \$120 million backlog in infrastructure maintenance and development.**

TRRA comment

- While there may be some scope for economies of scale, there is every possibility that the outlying areas of the LGA, such as the Tomaree Peninsula, will be overlooked and afforded a lower priority for expenditure
- Newcastle is currently responsible for the lion's share (PSC originally reported \$29 million) of the backlog on infrastructure, so Port Stephens will have difficulty securing a fair share of any merger dividend for this purpose.
- Revitalisation of Newcastle City is expected to require a huge capital investment to which Port Stephens would have to contribute

### **4. Reducing the reliance on SRVs [special rate variations) - Newcastle recently was awarded a cumulative 31.7 % increase over a 5 year period) to fund projects and services.**

## TRRA comment

- While there are some question marks over the state of Port Stephens Council's financial position, for some years it has remained under the rate pegging rules with annual rate increases around 2%
- There is a proposed 4-year moratorium on rate increases although there are no clear guidelines in the proposal on how this will apply in our case.
- Presumably, rates would eventually be equalised across the new Council.
- Already many Port Stephens residents fear a significant hike in rates to shore up our prospective Newcastle partner. Newcastle's business rates are much higher than those in Port Stephens and this is a major concern for local businesses, many of which struggle to cope with the problems of the tourist off-season.

**6. Better integrated Strategic Planning and economic development and greater efficiencies for the management of Newcastle Airport.**

## TRRA Comment

- There may be a prospect for enhanced capacity to prepare and implement strategic plans in a larger administration.
- TRRA is concerned whether the outlying areas, such as the Tomaree, will have a strong enough representation to make known local needs and priorities at City Hall or to influence these strategies.
- TRRA is also concerned about the capacity of a centralised administration to adequately consult with the outlying localities on needs and priorities
- Regional promotion to attract industry and commerce could benefit from the merger.
- On the other hand, "Destination Port Stephens," the organisation responsible for marketing Port Stephens as a tourist destination, has in recent times favoured promotion of our area as a stand-alone destination. This has proved more effective than regionally focused initiatives. In recognition of the importance of this industry to the Tomaree, our community endorses Port Stephens Council's allocation of \$400,000 annually to support this programme. Newcastle Council has recently decided not to fund a similar organisation in its LGA and, instead, assigned this function to its council administration. Destination Port Stephens advised that this approach was not effective and that the budget allocation by Newcastle is minimal. They fear that a merger will see them consigned to the same fate with no Council funding.

- Newcastle Airport is effectively managed as an independent business under a Board and yields useful dividends to the joint owners. As a 50% contributor to the capital, Port Stephens would not wish to see this asset stripped by Newcastle for its own City needs.

## **5. Building on the shared communities of interest and strong local identity across the area.**

### TRRA Comment

- A criterion for merger is the presence of a “community of interest and geographic cohesion”.
- TRRA acknowledges that Port Stephens forms part of Hunter Region, but its identity is with the Port Stephens locality and individual towns and villages. Newcastle City is relied upon for specialist services and some employment, but day to day sporting and social interactions, as well as trade and commerce, are largely confined to towns and villages within Port Stephens LGA. The main centres of population are just too remote from Newcastle (50+ kilometres in the case of the Tomaree) to result in strong personal affinities or loyalties.
- At all the recent public meetings on the merger many speakers drew attention to the very different cultural and community identities between Newcastle and Port Stephens. Port Stephens’ identity includes significant rural areas and on the Tomaree retirement and tourism are dominant. Mention was also made of the major community partnership with Port Stephens Council commitment to assisting with provision of services and asset maintenance through voluntary groups such as the 70 odd Section 355 c Committees. It is understood that Newcastle does not have anything like this level of citizen participation.
- The Tomaree Peninsula has far fewer traditional and geographical links with Newcastle City than have communities such as Charlestown, Cardiff, Warners Bay, Belmont and Toronto, which have been (in our view arbitrarily) left in a stand-alone Lake Macquarie LGA despite the IPART recommendation to merge those areas with Newcastle.

## **6.The Hunter City Proposal**

In November 2015 the NSW Department of Planning and Environment released a “Draft Plan for Growing HUNTER CITY” with a foreword by Scot McDonald, Parliamentary Secretary for the Hunter.

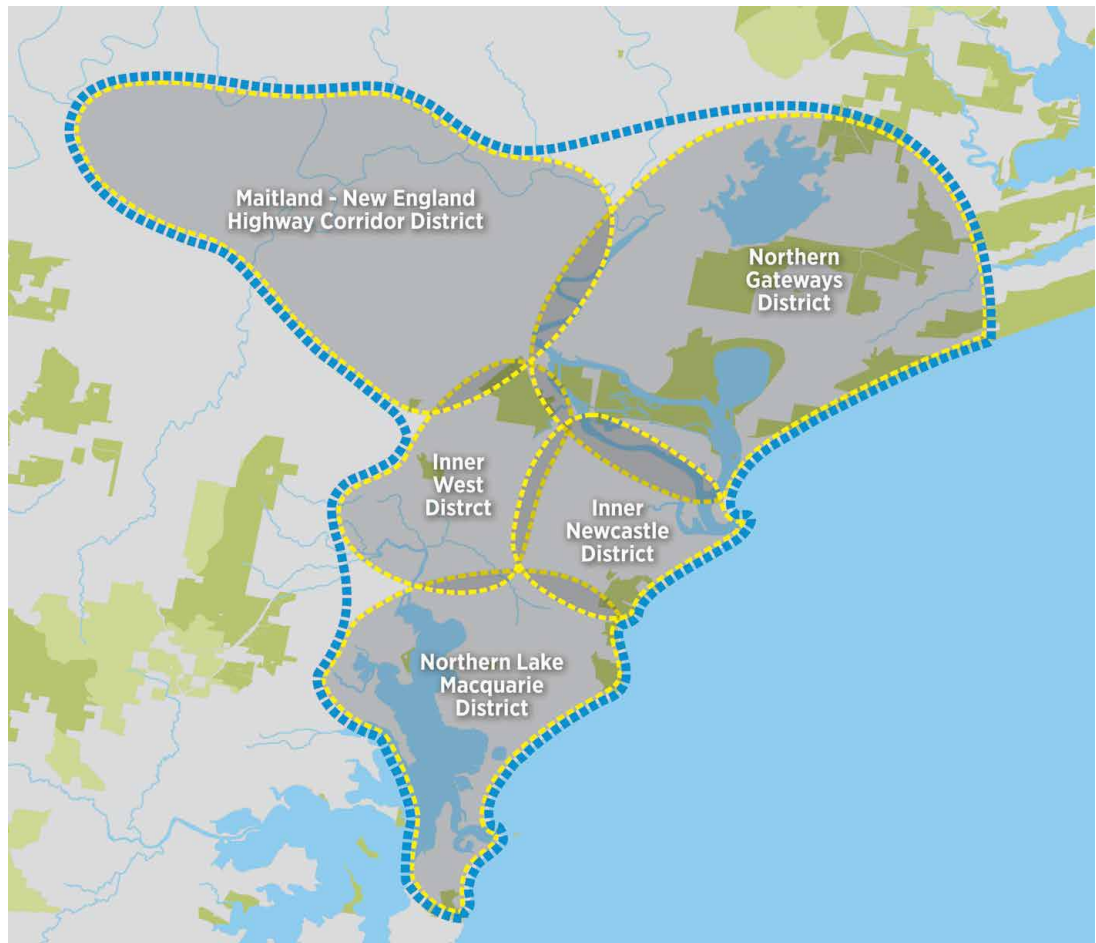
The following paragraph sums up the plan’s intentions:

“This *Draft Plan for Growing Hunter City* has been developed as a companion to the *Draft Hunter Regional Plan* to reflect the City’s importance to the Hunter and the State. Hunter City is the urban gateway



to the Hunter region, the largest regional economy in NSW. For the first time the City is defined as the metropolitan area extending from Toronto and Swansea in the south to Raymond Terrace in the north and from Newcastle harbour in the east to Lochinvar in the west". (See map below)

### HUNTER CITY (proposed)



### TRRA Comment

- The boundary of this unit shown in the above map bears no relationship to that of the proposed merger of Port Stephens and Newcastle City LGAs. Should this plan be implemented, TRRA suggests that there will ultimately be an initiative to bring the proposed Hunter City metropolitan area under one Local government (conflicting with the merger proposal).
- We query why the Proposal for Merger of Port Stephens and Newcastle City has no reference to this Hunter City Plan.
- While the plan frequently refers to the need for integration and consistency in policies across the Councils involved, no reference is made to any Hunter City governance strategy. The boundaries do

reflect an area of the Lower Hunter which has established physical connectivity (unlike those in the merger proposal) and scope for establishing a unified functional metropolitan unit. TRRA believes that it was a major oversight to release this plan without reference to the issue of governance.

**7. Providing effective representation. The proposal is for the new Council to have the same number of councillors as Newcastle has now (12 + a Mayor). Port Stephens has (9 + a Mayor). The future of the ward system (Pt Stephens currently has three Councillors for each of three wards) is also uncertain.**

TRRA Comment

- At present the East Ward has 3 elected representatives with Port Stephens having a ratio of 6973 residents per Councillor. A merged Council would have ratio of 17,673 per councillor. TRRA's best guess is that we might get 3 councillors for all of Port Stephens to represent us in a council of 13, or as many as 15.
- TRRA considers that this proposal results in a much reduced and unacceptable level of representation and that our access to elected representatives will become more difficult and expensive.
- TRRA predicts that councillors will be subject to excessive workloads and travel across our dispersed populations with a consequent demand for full time status or at very least increased remuneration and allowances to enable them to do justice to their work load.
- Even now Tomaree residents have a significant journey to Raymond Terrace to attend Council meetings and to conduct business with the Council. The journey to Newcastle City Hall will be longer and more costly when parking costs are added. These factors together with the reduced number of Councillors adds up to a far less representative local democracy
- A decision to abandon Wards could see the outlying areas such as the Tomaree denied representation altogether.

**8. Being a More effective advocate for the area's interests at State and National levels.**

TRRA Comment

- Port Stephens has its own elected representatives in State and Federal governments who are both accessible and directly knowledgeable of the area's needs and priorities. To merge with Newcastle City would dilute this relationship.



### 3. CONCLUSIONS AND RECOMMENDATIONS

1. TRRA, like many other resident and ratepayer groups across NSW, having studied the January 2016 Merger Proposal document, has concluded that the entire reform process is seriously flawed both in terms of:
  - a) the financial and other factual evidence presented to support the proposed merger of Port Stephens and Newcastle City Councils
  - b) the lack of transparency such as the failure to release the full KPMG report.
  - c) the arguments adduced based on this data to support the merger.
2. With so many illogical and unworkable proposed mergers across NSW, residents and ratepayers have come to the conclusion that the whole process must have been based on purely political rather than rational considerations.
3. TRRA's recommendation to the Inquiry (and to the NSW Government) is that the proposed mergers as promulgated should be revisited with the objective of bringing back a more rational and soundly based proposal.
4. The strength of the public opposition to the proposed mergers should not be ignored. We believe that all the financial and statistical data needs to be tested by an independent audit and that all conclusions and proposals for implementation, such as the effectiveness of representation and the ward system, be clearly specified and justified with discussion of negative and positive outcomes and financial implications.
5. Any proposed merger for the Lower Hunter Region should include a joining of Newcastle City and Lake Macquarie Councils which demonstrate indisputable geographic and cultural cohesion. To merge the second city in the state with a rural and tourist area makes no sense.
6. To adopt existing Council boundaries as the building blocks for this reform is an unacceptable constraint which may be partly responsible for the failure of the merger scheme in our Region. More locally finessed reallocation of communities on the edges of the LGAs may deliver greater public acceptability. For example, some have suggested that merger of Port Stephens Council with the part of the Great Lakes LGA adjacent to Port Stephens could be a possibility.

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