



Port Stephens Greens

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28 February 2016

GPO Box 5341

Sydney NSW 2001

For attention of Ian Reynolds – Inquiry Delegate

Proposed amalgamation of Port Stephens and Newcastle Councils – Submission

This is a strong objection from Port Stephens Greens to the proposal to merge Port Stephens and Newcastle Councils. The delegate already has a copy of the presentation given by our Secretary to the Delegate at the Inquiry hearing held at Salamander Bay on 4 February. This submission updates and supercedes (but does not in any way contradict) the points made in that presentation.

Overall, we submit that the State government has failed to make the case for this particular amalgamation. While we have no confidence in the integrity of the entire process to date, including the iPart Fit for the Future assessments and the still largely opaque KPMG advice, the government has not *even* followed the findings and recommendations of that process, which found Port Stephens ‘fit for the future’ and recommended to stand alone, while Newcastle was only found ‘not-fit’ on the very opaque ‘scale and capacity’ criterion, but then recommended for amalgamation with Lake Macquarie.

The 18 page merger proposal published by the Government in January 2016 provides no credible justification for a merger. It largely consists of generic assertions about savings and benefits to be derived from any amalgamation, which are themselves highly contested including by many experts and on the basis of experience in other jurisdictions. In many cases the names of Port Stephens and Newcastle appear to have just been ‘pasted in’ to a standard template which has clearly been used for most if not all of the merger proposals. A few random and bizarre references to particular geographical locations/projects have also been inserted in a failed attempt to make the proposal appear customized.

We detail our objections below in relation to each of factors required to be considered under section 263(3) of the Act.

- *the financial advantages or disadvantages of the proposal to the residents and ratepayers of the areas concerned;*

The proposal predicts an overall financial benefit to the combined Councils of \$85 million over 20 years. This figure is highly questionable for a number of reasons.

Most of the predicted savings would come from reduced staff costs (\$7million from streamlining senior management roles and \$54 million from redeployment of back office and administrative functions). While some savings could no doubt be



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realized, cuts of this magnitude would inevitably adversely effect service levels. Experts have also questioned whether sufficient allowance has been made for redundancy payments to senior officers already on contract rather than local government awards – any underestimate of these payments would either reduce staff savings or increase the costs of the amalgamation (see below)

\$11 million is predicted to be saved through increased purchasing power. The proposal fails to recognize either that regional arrangements are already in place to deliver some of these efficiencies or that further co-operation could realise the same savings without an amalgamation.

The government is offering a grant of \$20 million which it claims will cover the amalgamation costs. This is of course money raised from NSW taxpayers, and is not therefore a ‘magical’ net source of funding. There is also good reason to believe that the amalgamation costs have been significantly underestimated – we understand that this is the experience from forced amalgamations in other jurisdictions.

The proposal attempts to argue that a merged Council will be able to better address weaknesses in the financial position of Newcastle Council. As Newcastle Council has made clear in evidence to the Inquiry, such assertions are incorrect and based either on out of date figures or erroneous interpretations. Conversely, the financial position of Port Stephens Council has been overstated – largely because of unquestioning acceptance by iPART of Council’s own self-interested assertions. The backlog of infrastructure works in Port Stephens has been significantly understated and a number of sources of future revenue are far from certain.

Unfortunately, the Port Stephens Mayor and majority of Councillors have run a highly irresponsible and misleading campaign portraying the merger as a ‘grab’ by Newcastle for Port Stephens funds, and as a way of funding continued overspending in Newcastle by ‘raiding’ the prudently managed funds of Port Stephens. Neither perception is founded in hard evidence, and the result of the misinformation has been to generate an ‘us vs them’ attitude which, if a merger was to take place, would poison relations, and take years to overcome.

By questioning the financial position of Port Stephens Council, we do not mean to suggest the converse of Council’s assertions; i.e. that a merger would result in Newcastle ratepayers supporting those in Port Stephens. Rather, we believe that the ratepayers of Port Stephens should be left to sort out any financial problems through the ballot box along with existing audit and accountability processes.

The proposal fails to provide the community with any explanation of the likely long term effect on rates. The proposed freeze on major rate increases for the first few years would soon expire and it is not clear how a merged Council would approach the setting of rates in the longer term, especially in light of the approved SRV of 31.7% over 5 years for Newcastle, which would result in a very significant discrepancy in rates at the end of the freeze period.

- *the community of interest and geographic cohesion in the existing areas and in any proposed new area;*

We totally reject the assertion in the proposal that ‘the new council will ...oversee an economy that shares many similar residential, workforce and industry characteristics’ (Proposal, p3). Even a cursory analysis of ABS and other statistics demonstrates major differences in demographic profile, housing mix, employment and industry profile, and, very significantly, the relative importance of the natural environment. The statistics presented in the Proposal to support the ‘similarity’ argument are highly selective, and many of them would also apply to a wide range of other ‘pairings’.



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Port Stephens is a predominantly rural/regional area with many small dispersed settlements. It has a very high proportion of retirees and a marked demographic ‘hole’ in the 30-50 age range. Its economy is highly reliant on tourism, with a significant sector servicing the rural economy. It has very large areas of protected environmental land and sea (National and Marine Parks, reserves, state forests, etc) and of farmland. To the extent that it has an industrial sector this is increasingly based on the excellent position of the Raymond Terrace/Heatherbrae area at the intersection of the Hunter valley and the Pacific Highway, with growth potential for light industry, warehousing and service industries both there and around Newcastle airport at Williamstown. Port Stephens faces major challenges in the provision of services, including road and bridge maintenance, in rural areas and in the availability of adequate public transport (buses) for its dispersed population.

Newcastle, in marked contrast, is a major metropolitan city with relatively dense and compact suburbs and little rural or protected environmental land. It is in rapid transition from a heavy industry economy based on coal and heavy engineering to a high tech knowledge based economy, and faces significant challenges in this transition. Newcastle’s transport challenges relate to traffic congestion, parking, and provision of high capacity public transport along major corridors.

While some adults travel to and from work between the two Council areas, this is not as significant as many people think, and there are many residents of Port Stephens whose day to day links with Newcastle are minimal. We are aware that many residents have actively chosen Port Stephens over a Newcastle suburb precisely because of very significant perceived differences in the character of the two areas.

The Proposal gives several examples of regional services and facilities and organisations, but we point out that most of these cover a wider ‘Lower Hunter’ region, and do not therefore provide any more support for this particular merger proposal than they would for any amalgamation of Lower Hunter Council areas. The fact that they already exist and operate successfully also suggests that an amalgamation is not necessary to effect the level of co-operation.

- *the existing historical and traditional values in the existing areas and the impact of change on them;*

This is an amorphous and subjective criterion. We note that the two areas are the traditional homes of two separate Aboriginal peoples – the Worimi in Port Stephens and areas to the north, and the Awabagal in Newcastle and its southern environs. Whilst the entire Lower Hunter has some shared post-colonial history, the historical experience of Port Stephens – based largely around timber harvesting, fisheries and agriculture, has been quite distinct from that of industrial Newcastle.

- *the attitude of the residents and ratepayers of the areas concerned;*

Popular reaction since the announcement of the government’s merger proposal has been overwhelmingly opposed. The delegate cannot fail to register the strength of the opposition in Port Stephens in particular, as evidenced by the attendance at the first Inquiry hearing in Salamander Bay on 4 February, at rallies organized by Port Stephens Council, by thousands of signatories to a petition, and by the range of submissions, including from individuals and organisations (including ours) who are highly critical of Council on other matters. We find it difficult to envisage that there is any significant support for the merger in Port Stephens, except from a small number of businesses associated with the development industry which would likely benefit.



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The relative lack of vocal community opposition in Newcastle is not surprising – most Newcastle residents would see little change from a merger. Their silence cannot however be read as agreement – merely as indifference.

We strongly submit that mergers/amalgamations should only proceed if approved by a majority of those from affected areas voting in a plebiscite, and that if the State government wishes to proceed with an amalgamation of Newcastle and Port Stephens, it be put to a separate vote in each existing Council area.

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

We see this as one of the strongest arguments against a merger. Grassroots democracy is a founding principle of The Greens NSW, and we believe that democracy is most effective at the local level – we naturally favour smaller Councils closer to the people they serve.

The proposed merger would result in a significant reduction in local democratic representation, evident in the lower ratio of elected representation per capita. The number of residents per elected councillor would likely more than double from current 7,000 in Pt Stephens to over 17,000 in a merged Council, with the current Port Stephens area having no more than 3 of 13-15 elected Councillors.

The merger would create a more centralised and remote council bureaucracy, and a large electoral area that would make it very difficult for modestly resourced independents and smaller parties or groups to compete with larger political parties or wealthy interests for council representation. It has been difficult enough in Port Stephens for genuine independents to challenge the secretive coalitions and ‘fake’ independents which have been a feature of recent elections, and this could get worse in a larger merged Council

- *the impact of the proposal on the ability of the council to provide adequate, equitable and appropriate services and facilities;*

We question whether a merged Council could guarantee adequate, equitable and appropriate services and facilities throughout a combined area. There would inevitably be pressures to devote resources to areas of greatest perceived needs and/or to areas with the loudest voice (including through elected Councillors – see above). Many Port Stephens residents understandably fear that there would inevitably be an urban/metropolitan bias in a merged Council, with resultant neglect of the needs of more remote and rural areas. There are already significant tensions about resource allocation even within Port Stephens (and no doubt also within Newcastle) – these tensions would be exacerbated in a larger Council.

- *the impact of the proposal on the employment of the staff by the council;*

We have significant concerns about the impact on Council employment – not just for the staff themselves, but also for the local economy. Port Stephens Council is a major employer, particularly in Raymond Terrace, and any staff cuts or rationalization arising from a merger (and intended by the government to be a consequence)



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- *the impact of the proposal on any rural communities in the resulting area;*

As already noted above, we fear one of the major adverse consequences of a merger to be increased neglect of rural areas of Port Stephens, which already struggle to maintain an adequate level of services and facilities within Port Stephens.

- the desirability (or otherwise) of dividing the resulting area or areas into wards
- the need to ensure that the opinions of each of the diverse communities of the resulting area or areas are effectively represented;

We address these two factors together. We strongly favour the maintenance of a ward structure so that Councillors have a local affinity. It would be unacceptable, given the different interests of the Port Stephens and Newcastle areas, to allow for a situation where the former Port Stephens area could potentially have no local representatives. A merged Council will inevitably weaken local representation (one of our strongest arguments against the merger), but a ward structure would at least guarantee some local knowledge/experience of Port Stephens on Council. There are pros and cons for having smaller single member wards or larger multi-member wards. If the merger was to proceed, we submit that there should be further public consultation on options for a ward structure. There should also be consultation, and preferably a referendum/plebiscite on whether the Mayor should be popularly elected – Newcastle’s is not while Port Stephens’ is (although it has led to some significant problems) so the choice is not obvious.

- *any other factors relevant to the provision of efficient and effective local government in the existing and proposed new areas.*

We have already noted that the government appears to have rejected the findings and recommendations of its own processes, which recommended an amalgamation of Newcastle and Lake Macquarie Councils. We note that the Department of Planning has, concurrently with the merger proposals, been consulting on a new Hunter Regional Plan and proposal for a Hunter City. We are very surprised and disappointed that these two initiatives appear to take little or no account of each other. We would have expected that, logically, decisions on an appropriate strategic planning structure for land use planning, environmental protections and infrastructure would have preceded decisions on governance. At the very least we would have expected some relationship between the definition of a ‘Hunter City’ metropolitan area and local government boundary changes.

Similarly, the government appears to have only considered amalgamations of entire existing Councils (which themselves have historically arbitrary boundaries) and not boundary adjustments to reflect genuine communities of interest, transport and social and economic linkages. We would have welcomed a sensible discussion of options for boundary adjustments, but have been told that this is not an option at this stage of this flawed process.

This proposal is clearly not ‘evidence-based’ but can only be founded on political or ideological objectives, including an unquestioning assumption that ‘bigger is better’. Exceedingly thin arguments have been put forward in the Proposal to justify a political decision.

The proposed merger would almost certainly cost more than the estimates provides, and may yield fewer financial savings. Even if the Government’s rubbery estimates were accepted, they amount to relatively modest net savings spread over a very long timescale. Set against any financial savings are very significant adverse effects, including on the quality of local democracy and on local accountability. There may be many failings of the existing Councils but there are other



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ways of addressing these – including, importantly – the ability for ratepayers and residents to seek improvements through the ballot box.

We call on the Delegate to acknowledge the overwhelming weight of evidence, and of popular opinion, against the merger proposal and to recommend to the Government that both Newcastle and Port Stephens Councils be left to ‘stand alone’.

Please acknowledge receipt of this submission

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Port Stephens Greens

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