

TOWNSVILLE CITY COUNCIL SUBMISSION TO THE LOCAL GOVERNMENT REFORM COMMISSION

>> MAY 2007



MAGNETIC ISLAND SHELLEY BEACH PALLARENDA BOHLE MT. ST JOHN ROWES BAY BELGIAN GARDENS NORTH WARD CASTLE HILL
 SOUTH TOWNSVILLE GARBUTT WEST END MOUNT LOUISA VINCENT CURRAJONG HYDE PARK HERMIT PARK RAILWAY ESTATE GULLIVER
 HEATLEY MYSTERTON PIMLICO OONOONBA MUNDINGBURRA AITKENVALE CRANBROOK ROSSLEA IDALIA ANNANDALE CLUDEN STUART
 DOUGLAS MURRAY WULGURU ROSENEATH NOME MT STUART OAK VALLEY JULAGO BROOKHILL ALLIGATOR CREEK CAPE CLEVELAND
 ROSS RIVER TOONPAN BARRINGHA MT ELLIOT CROMARTY CUNGULLA MAJORS CREEK
 CALCIUM WOODSTOCK REID RIVER RAILWAY ESTATE GULLIVER
 CASTLE HILL NOME ANNANDALE

TOWNSVILLE CITY COUNCIL >>



Executive Summary

The Local Government Reform Commission (the Commission) has been established to examine the system and structure of local governments in Queensland, with a focus on achieving stronger and more financially viable Councils for Queensland.

While Townsville supports the work of the Commission in principle, it does have significant concerns with the timelines and level of consultation involved in the process.

Townsville City Council has reviewed large amounts of evidence from the experiences of other local government amalgamations around Australia and overseas, conducted detailed community consultation and undertaken a cost benefit analysis of the various options and has reached the conclusion that the City of Townsville and its residents do not stand to benefit from amalgamation with any other major councils in the region. This conclusion is supported by:

- Townsville City Council and Thuringowa City Council have already been reviewed for amalgamation by the previous Electoral and Administrative Review Committee (EARC) process. It concluded that the significant risks, substantial costs and dislocation associated with amalgamation could not be justified in light of the benefits of joint arrangements and the potential for emerging diseconomies of scale;
- Townsville City Council is already extensively involved in numerous regional arrangements that achieve the aims of amalgamation, without the costs or service disruptions. Directions for further improvement of these arrangements is jointly supported by Townsville, Thuringowa and other NQROC members;
- While at a superficial level Townsville and Thuringowa may appear to be similar, they have developed significantly different communities of interest. This is supported by the results of community consultation that revealed 78% of residents believed that the current six councils reflect distinct communities of interest;
- An extensive review of regional planning priorities indicates that there are few areas that are likely to achieve any benefit from an amalgamation of Townsville City with another sizable local government, and those areas where benefits may be found can be equally or better achieved through joint arrangements;
- Natural Resource Management areas in the region are too large for consolidation through local government merger, and will have to be managed through collaborative arrangements;
- All of the councils in North Queensland Regional Organisation of Council achieved good financial assessments from QTC, with both Townsville and Thuringowa strongest with ratings of *Moderate with a neutral outlook*. Evidence from other local government amalgamations involving councils of Townsville's size clearly shows that there is no financial benefit to a proposed amalgamation of Townsville with another major council;
- Townsville City Council is rated highly by the community for its quality of community representation and responsiveness. Councils that are much larger than Townsville tend to become less representative of the people, with special interest groups developing more influence. By virtue of its size, Townsville would dominate representation over any other council with which it may be amalgamated, resulting in much poorer representation for those merged communities;
- Current service and facility provision in Townsville is excellent under current local government arrangements, and rated highly by the community. Further improvements will be better achieved through regional partnerships and resource sharing; and
- Forced amalgamations that are unsuccessful result in huge costs and disturbances for the community's involved. It is imperative that the Local Government Reform Commission fully considers the results of the recommendations that it may deliver, for the consequences and costs of de-amalgamation are great.

Lessons Learnt from Past EARC Amalgamations

There is clear evidence that very large councils formed from amalgamations provide very little benefit, and indeed may even result in negative outcomes for their communities. The outcomes from the previous EARC process (amalgamations of Cairns/Mulgrave, Ipswich/Moreton and Gold Coast/Albert) revealed only minor savings were achieved in these cases, predominantly in administration (1.1% - 3.1% of Outlays). Evidence from United States local government reform indicates that diseconomies of scale begin to develop for local governments between 71,000 and 274,000 people.

So whilst there may be some cost savings in administration achieved in the long term from an amalgamation of councils these are substantially outweighed by the:

- Loss of revenue in Financial Assistance Grants;
- High transition and implementation costs;
- Increased costs from the equalisation of services, facilities and infrastructure across merged boundaries;
- Direct costs associated with service disruptions lasting up to 5 years; and
- Indirect costs to the community and business sector associated with service disruptions lasting up to 5 years.

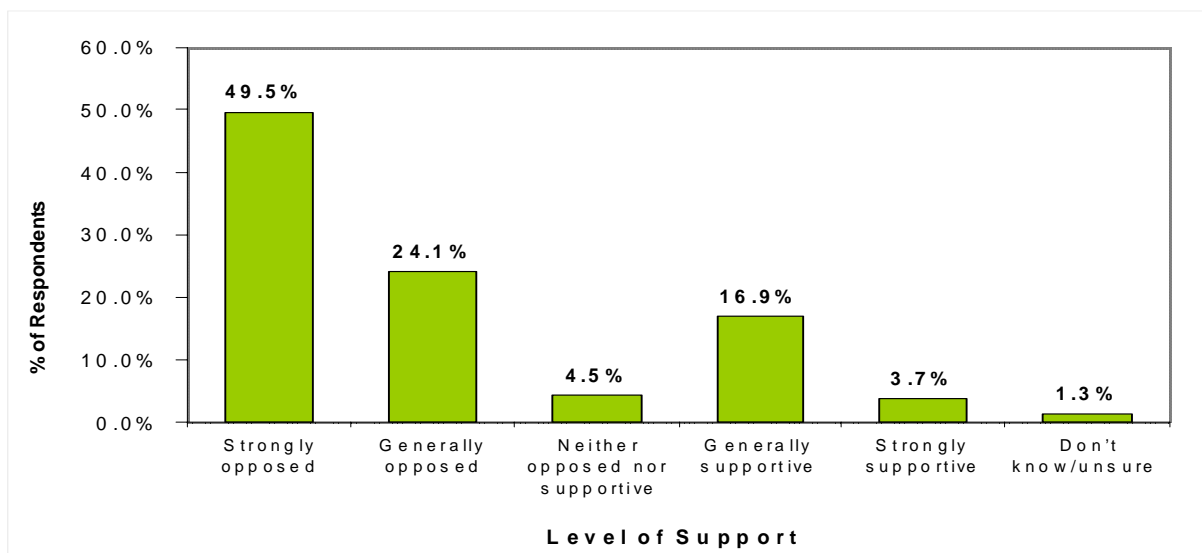
It also cannot be argued that amalgamation will lead to stronger growth in a merged region. The evidence from the amalgamations of the previous EARC process demonstrate that growth in Townsville and Thuringowa is generally equal to or above that which was achieved by the merged councils.

The Community's Views

There are significant differences in the standard and range of services and facilities provided to ratepayers between Townsville and Thuringowa. Equalising these services and facilities will involve substantial additional expense that will result in an increase in rates for all residents, in particular Townsville ratepayers who will cross subsidise Thuringowa ratepayers by up to 60%. It needs to be recognised that there is superficial community support for amalgamation of Townsville and Thuringowa, but that this amalgamation will be expensive to achieve both in terms of direct merger costs, service disruptions and service equalisation. It is impossible to achieve an amalgamation between Townsville and Thuringowa without incurring this increase in expenditure.

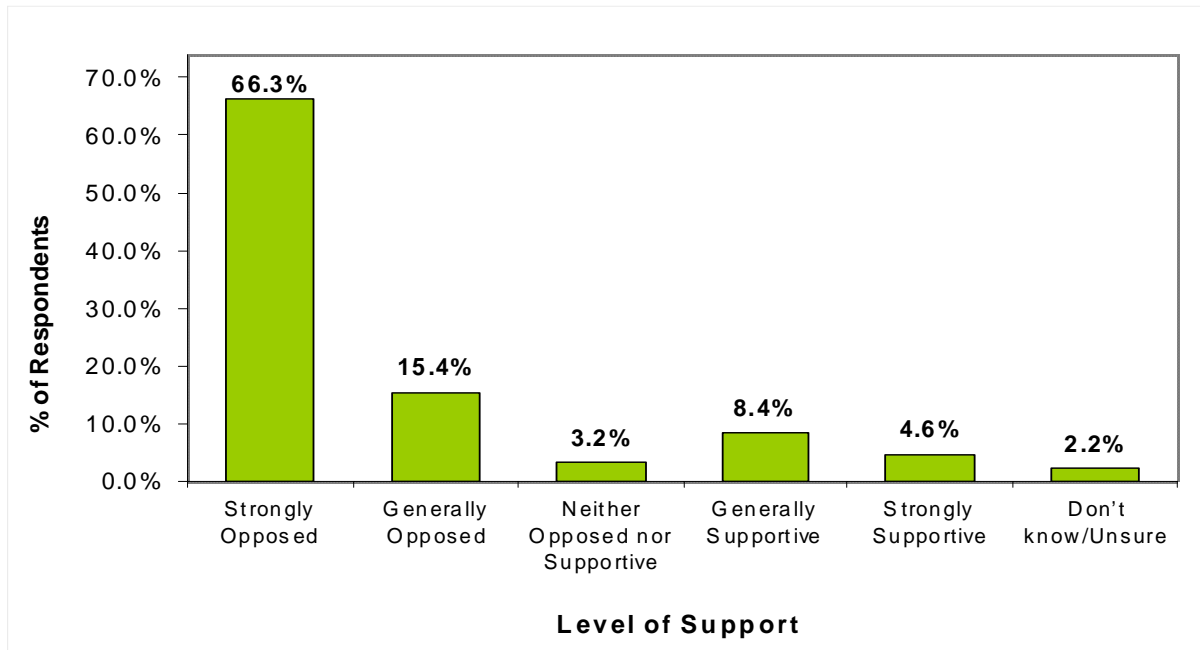
When residents of Townsville and Thuringowa were asked "Whether they supported amalgamation if it meant higher rates for Townsville and Thuringowa residents to help raise service levels in Thuringowa" 73.6% of the community stated that they were Strongly or Generally Opposed to amalgamation whilst only 20.6% of residents supported amalgamation.

Figure E.1 Support for Amalgamation with Higher Rates for both Townsville and Thuringowa Residents to Equalise Service Levels



The community of North Queensland is strongly opposed to the formation of a Regional 'Super Council'. 81.7% of residents described themselves as Strongly or Generally Opposed to the 'Forced amalgamation of all six North Queensland councils into one regional super council'. Only 13% of North Queensland residents are Strongly or Generally Supportive of the Super Council concept.

Figure E.2 Support for Amalgamation of all Six North Queensland Councils into One Regional Super Council



Townsville City Council's Proposal

Townsville's residents do not stand to benefit, and indeed may be disadvantaged by a major amalgamation. Measures for the Commission to consider that Council does support are:

- **Joint Arrangements Committee:** Townsville and Thuringowa jointly propose, in line with directions raised through the SSS process, a number of improvements to our existing Joint Arrangements Committee to increase its effectiveness;
- **Strategic Planning:** Townsville proposes to establish a Regional Planning Advisory Committee responsible for the development of a North Queensland Regional Plan that will supersede the now outdated Townsville Thuringowa Strategy Plan;
- **Amalgamation:** Townsville accepts that Palm Island Council could be amalgamated with Townsville City Council. If Palm Island was to be amalgamated into Townsville, then this community must participate in the Council on an equal electoral basis of one vote one value. Council would also require the Queensland Government to provide agreed additional operational and infrastructure support to ensure that neither existing Townsville nor Palm Island residents are disadvantaged by any merger;
- **Regulation:** It is proposed that the Joint Arrangements Committee take responsibility for the development of a uniform approach to regulation;
- **Water:** Townsville and Thuringowa will develop an integrated regional water strategy and Townsville is committed to transfer at value, wastewater treatment assets to NQ Water subject to a benefits analysis; and
- **Regional Strategic Alliance:** Implement a strategic alliance that makes arrangements for the management and delivery of shared services amongst NQROC member Councils based on the New England Strategic Alliance of Councils model. The aim of the New England Alliance is to meet and exceed the level of efficiency gains achievable through amalgamation, but without the loss of local autonomy and effective representation.

Proposals Opposed by Council

Townsville City Council does not support any major amalgamations. Specifically Townsville City Council and the community are opposed to:

- **Amalgamation to form a Regional Super Council:** A potential super council formed from six North Queensland local governments would be far too large and diverse and rob smaller regions of effective representation. Should these councils be forced to amalgamate into a Townsville based “super council” the Commission needs to consider the additional difficulties that would exist from a community that would be unwilling to accept the new entity. We draw the Commission’s attention to the precedence of Delatite Shire in Victoria that was de-amalgamated in 2002 due to strong and sustained ongoing resident resistance to the forced amalgamations of the Kennett Government; and,
- **Amalgamation with Thuringowa:** Thuringowa and Townsville are too large to amalgamate and achieve economies of scale. The residents of these two cities clearly see themselves as distinct communities. Townsville City Council believes that if amalgamation of the North Queensland local governments is an inevitable outcome of the review process then the less destructive and divisive outcome for the community would be the amalgamation of Townsville and Thuringowa City’s as opposed to the creation of a Townsville based “super council” that forcibly amalgamates all six North Queensland local governments.

In summary, there is strong evidence to suggest that Townsville City Council is too large to benefit from amalgamation with other sizable local governments in the region. Those remaining functions where economies of scale may yet exist can be better consolidated through extensions to collaborative arrangements with other local governments in the region. Townsville and Thuringowa have already achieved significant improvements to this effect following the recommendations of the 1991 EARC Review. It is recognised from the SSS process that additional gains can be achieved by strengthening the Joint Arrangements Committee process. Integral to this strengthening process is the proposal that the JAC be independently reviewed in 2011. If the outcome of this review determines that the JAC process has not been successful in delivering improved outcomes for residents, Townsville City Council will support an amalgamation with Thuringowa City Council for the March 2012 local government elections.

In this submission, Townsville puts forward the most logical, sensible and beneficial outcomes for the residents of Townsville and the region. Townsville City Council asks that the Local Government Reform Commission consider in detail the evidence in this submission. According to its own Terms of Reference, Townsville City is not a suitable candidate for amalgamation with a sizable other local government in the North Queensland Region.

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1. Introduction

The Local Government Reform Commission has been established to review and make recommendations on the most appropriate system and structure of local government in Queensland. The main objective of the Commission's work is to build stronger and more financially viable councils for Queensland.

With qualification, Townsville supports the work of the Commission as it did the Size, Shape and Sustainability (SSS) review and welcomes the opportunity to make this submission.

However Townsville does have concerns regarding the review which are also reflected in the LGAQ submission to the Commission. These concerns are:

- The timescales that the Commission must work to are extremely short if a full analysis of each council and the potential reform options is to be undertaken. From the Council's own experience, there is a large body of information that must be taken into consideration, such as the relationship between the Council and its community, much of which is not systematically documented. The decisions the Commission is being asked to make, are fundamental to the long-term future of local government and their communities, and should not be rushed;
- Council is adamantly opposed to forced amalgamations. Local Government should be a matter to be determined by local communities, and Council is concerned that the views and interests of the community is being ignored by this process;
- There have been several indications regarding the optimum number of councils that should exist at the end of the reform process. It is hoped that each case would be treated on its merits and not influenced by an arbitrary target; and,
- The Council is disappointed and dismayed to see that there is no right of appeal in this exercise. Whilst recognising that there are costs associated with providing an appeals process, as a Fundamental Legislative Principle the Council feels it should have been included. The effect of the decision not to allow any right of appeal is to further alienate local government.

Given these concerns Townsville City Council requests:

1. Extension of the Local Government Reform Commission's Terms of Reference to include alternative strategies to amalgamation i.e. mandated shared services, mandated multi-purpose joint local governments, shared CEOs etc;
2. That the Commission's deadline for reporting be extended to 8-15 December;
3. That a referendum take place on 15 March 2008 (along with normal local government elections) on all proposed boundary changes or amalgamations. (to be conducted not by councils but the independent ECQ);
4. Based on the outcomes of the referendum, local government will begin implementation of transition plans from March 2010; and
5. That elections for local government, based on the referendum outcomes, be held in March 2012.

1.1 Townsville City Council Position

Council rejects any forced amalgamation of the six North Queensland local governments on the basis that the resulting "Super Council" would be too large to provide efficiency gains, either from an economic or social perspective.

1.1.1 A history of reform and review

1.1.1.1 Settlement

First sighted by Cook in 1770, the settlement of Townsville was gazetted a town in 1865, became a municipality in 1866 and a city in 1903. Thuringowa was established as a Divisional Board in 1879, became a shire in 1902 and a city in 1986.

Boundary changes occurred in 1882, 1918, 1936, 1958 and 1964. These changes were in response to urban growth and a desire to keep urban and rural administrations separate. By 1986, with no adjustment since 1964, the population of Thuringowa had grown to 27,000 and the now predominately urban shire of Thuringowa was declared a city.

1.1.1.2 EARC

In 1991 the Electoral and Administrative Review Commission (EARC) in its "*Report On Local Authorities External Boundaries Review (1991)*" recommended, amongst other things, that Townsville and Thuringowa be abolished and a new LGA, to be known as Townsville, be created.

In 1992 the Parliamentary Committee for Electoral and Administrative Review endorsed the EARC's recommendations and in March 1993, the then Minister for Housing, Local Government and Planning the Hon Terry Mackenroth MLA referred the matter to the Local Government Commissioner for examination.

1.1.1.3 Local Government Commissioner

Under the terms of the Regulations governing the conduct of an external boundary review, the Local Government Commissioner was required to have regard to the establishment of joint arrangements. This mandated the need to examine the joint arrangements against the EARC recommendation to merge the cities.

After 10 months of detailed examination and consultation, the Local Government Commissioner found against the recommendations of EARC and concluded that the Boundaries of Townsville should be expanded and joint arrangements between the cities established. In making these findings the Commissioner noted that:

"It was clear after careful assessment that planning and development issues could be as easily addressed by Joint Arrangement as by merger with the introduction of common policies on strategic and town planning, water supply, sewage and refuse disposal.

Further, merger was assessed as not necessarily leading to savings given the emerging diseconomies of scale of what would be the third largest Local Government in Queensland in budgetary terms. As has been stated, the Commissioner does not necessarily believe "bigger is better". Local government structures should be relevant to the needs of the communities they serve. This may mean a review could suggest larger units, smaller units or new units altogether. Review is on a case by case basis and comparisons with decisions made in areas like Mackay/Pioneer are not relevant. Townsville/Thuringowa has a potential population of approximately 200,000 people within 25 years, a point where consideration has to be given to the question: "How local is local government?"

In summary, the Commissioner concluded that the significant risks, substantial costs and dislocation associated with amalgamation could not be justified in light of the benefits of joint arrangements and the potential for emerging diseconomies of scale.

The basis for the Commissioner's decision was founded on a strong commitment to cooperation from the Councils, and extensive investigation and negotiation to identify and agree on major contentious issues such as regional strategic planning, infrastructure provision, development of joint facilities, the development of a regional waste management strategy, and cross border use of services and facilities. The Commissioner noted however, that if these measures proved ineffective, then the findings should be repealed and the cities merged. Significantly, to date this has not occurred.

1.1.1.4 Joint Arrangements

Since the Local Government Commissioner concluded its examination in November 1993, Townsville and Thuringowa Councils have jointly:

- o Established the Townsville and Thuringowa Joint Arrangements Committee (1996);
- o Developed the Townsville Thuringowa Strategy Plan (2000);
- o Developed the North Queensland Regional Waste Management Strategy (2000);
- o Established the Townsville Thuringowa Integrated Regional Transport Plan (2001); and,
- o Set the platform for the on-going development of cooperative arrangements between councils.

1.1.1.5 NQROC

In 2004, in partnership with Thuringowa, Charters Towers, Burdekin, Hinchinbrook and Dalrymple Councils, Townsville City Council established the North Queensland Regional Organisation of Councils (NQROC). A major aim of the NQROC is to further develop cooperative and joint planning arrangements in order to improve integration, service delivery levels and efficiency.

1.1.1.6 Regional Strategic Alliance

In May 2005, in response to the discussion on Local Government sustainability being promoted by the Local Government Association of Queensland (LGAQ), the NQROC approached the then Minister for Local Government and Planning the Hon Desley Boyle MP and the LGAQ with a proposal that the NQROC establish a pilot regional alliance strategy based on the New England Strategic Alliance of Councils model (see attached). The Minister's reply was to the effect that the councils should first participate in the yet to be finalised SSS process.

1.1.1.7 RPAC

In March 2006, NQROC resolved to approach the Hon. Desley Boyle MP with a request to form the North Queensland Regional Planning Advisory Committee (NQRPAAC). In addition to the NQRPAAC's planning advisory functions, it was proposed that this group would oversee and evaluate the preparation, implementation and review of a North Queensland Regional Plan. This plan would expand and supersede the Townsville Thuringowa Strategy Plan to cover the area of NQROC. In February of 2007, the current Minister for Local Government, Planning, Sport and Recreation the Hon. Andrew Fraser MP approved the Terms of Reference for the NQRPAAC.

1.1.1.8 SSS

As demonstrated by its proactive proposal to pilot a regional alliance strategy, the NQROC Councils willingly sought improvement and freely embraced the opportunity offered by the Size Shape and Sustainability (SSS) initiative. Under the banner of NQROC, all member councils agreed to commit to the scrutiny of the SSS review.

During the Initial Review Phase of the SSS project, NQROC identified instances where cross border coordination issues existed and where challenges in service delivery might be assisted by opportunities for shared services and joint arrangements. NQROC also agreed, in the spirit and commitment of the SSS program, to examine the effect of structural change on these areas.

The analysis of the Sustainability Indicators, whilst identifying areas in some councils where vulnerabilities existed, did not indicate any threats that would suggest a need for amalgamation. Indeed the identified vulnerabilities were in areas of council operations that could be addressed by administrative rather than structural reforms and by augmentation of resourcing through shared services and joint arrangements.

The Queensland Treasury Corporation (QTC) financial sustainability assessments ranked all councils within the moderate range and offered few critical comments with all capable of satisfactory redress through adjustment of financial policy.

The demise of the SSS process stopped progression to the detailed investigation stage. Terms of Reference, that would have provided an empirical assessment of the value of reform options, were finalised, with the key areas identified being:

1. Labour Resourcing;
2. Infrastructure Planning and Provision;
3. Financial Sustainability and Rating Policy;
4. Economic Development;
5. Accountability and Risk Management; and,
6. Regional Planning and Growth Management.

The NQROC agreed Comprehensive Review Phase Terms of Reference was provided to the Department of Local Government Planning Sport and Recreation and is commended to the Commission for further reference. Under the plan developed by the NQROC, and submitted to the Department, the SSS Comprehensive Review Phase would be complete by September 2007, leaving sufficient time to implement reform before the March 2008 local government elections.

1.1.1.9 Local Government Reform Commission

On the 17th of April 2007, Premier Peter Beattie and Local Government Minister Andrew Fraser announced that the SSS review had failed and that local government reform would be taken up by the seven member Local Government Reform Commission. Under its terms of reference the Commission has three months to consider new boundaries for more than 150 local governments across the State.

1.1.2 Consideration for Change

The Townsville City Council is committed to the best interests of Townsville and has based this submission on this principle.

Council believes that democratic processes are central to the protection of the community's interests. It therefore opposes forced amalgamations of communities, and the local government structures that support and service them.

Notwithstanding this, Council acknowledges and accepts the need for local government reform. It seems both sensible and fair, given the potential impact on services, community development, finance, identity, employment and local representation, that this reform be given careful consideration and that the communities affected be consulted. The confinement of this decision process, to a committee of seven and a timeline of three months, to consider the future of more than 150 Councils and their communities, appears imprudent and unfair. Given this, the Townsville City Council can not support the process, or adopt a position through the process, that may have lasting detrimental consequences for the community.

As illustrated, the Townsville City Council has extensive experience with considering appropriate local government structures for Townsville. Most recently, the 1991 EARC process resulted in the recommendation that Townsville and Thuringowa merge. Townsville was not necessarily opposed to amalgamation, and welcomed the opportunity that came with the Local Government Commissioner subsequent review of boundaries.

As part of its review the Local Government Commissioner was required to consider the ability of joint arrangements to achieve the objects sought through boundary change. To achieve this, the Local Government Commissioner spent 10 months developing and examining options for reform. After conducting extensive empirical research, assessment and community consultation, the Local Government Commissioner concluded that amalgamation was not the best option for Townsville and Thuringowa.

Council submits, that in the absence of any evidence to the contrary, that the circumstance relating to Townsville and Thuringowa remain largely unchanged, and there is no new or otherwise compelling reason to implement highly disruptive merger plans.

Far from there being reason for radical change, the Townsville City Council submits that the 1993 initiatives, instigated by the Local Government Commissioner, have substantially addressed issues of planning integration and cross border service utilisation, and that the dismantling of these measures, through the merging of two or more major councils, would be counterproductive, particularly in the short to medium term. Some of the initiatives continuing to deliver improved outcomes for both communities include:

- Joint local government strategic planning processes;
- An integrated regional approach to waste management;
- An integrated approach to regional transport requirements;
- The creation of Joint Enterprise to deliver services across Council boundaries;
- The establishment of joint development and cost-sharing arrangements for regional facilities; and,
- Mechanisms to develop shared services and cooperative arrangements across councils.

An examination of both Council's SSS sustainability indicator scores (Table 3.3) confirms that there is no threat to the structural or financial integrity of either organisation, and no compelling reason to merge the councils. The respective councils have a large and growing resource base, and have enjoyed exceptional growth over the last five years.

On the basis of the aforementioned points, the Townsville City Council opposes amalgamation between major Councils and presents the following alternative option for the Local Government Reform Commission's consideration.

1.1.3 Preferred Option

Whilst Council opposes major amalgamation, it acknowledges the need for reform.

Council has demonstrated a willingness to seek new opportunities and partner with other councils in the pursuit of improved planning, service delivery and efficiency.

The preferred reforms outlined represent a continuance of existing and previously proposed strategies with added elements aimed at the reform goals of:

- o Providing better services to all Queenslanders;
- o Delivering more efficient and financially viable Councils;
- o Service and infrastructure delivery which considers a regional approach;
- o Reducing red tape and duplication and allowing councils to focus on servicing Queenslanders;
- o Better planning outcomes, particularly in relation to more consistent regional land uses and infrastructure planning; and
- o Bringing 'communities of interest' together to achieve greater social cohesion.

The reform proposed by Townsville City Council has five elements:

- o Strengthened Joint Arrangements;
- o Regional Strategic Alliance;
- o Regional Integrated Planning and Service Delivery;
- o Water and waste; and,
- o Service integration – Palm Island.

1.1.3.1 Strengthened Joint Arrangements

Townsville and Thuringowa have relatively successfully operated a Joint Arrangements Committee (JAC) since 1996.

The JAC was an initiative of the Local Government Commissioner, and is regulated by the Government (Burdekin, Dalrymple, Hinchinbrook, Thuringowa and Townsville) Regulation 1993 and the sanctioned joint arrangements.

Townsville and Thuringowa City Council recently undertook a review of these arrangements with the intent of improving the operation of the JAC. This review resulted in the following agreed reforms:

- o Removal of the requirement for prior agreement before submission to the JAC;
- o Amending the definition of regional to mean "having a catchment exceeding 130,000";
- o Cost sharing arrangements to consider, inter alia, operational, capital and depreciation costs;
- o Membership to be based on population (i.e 3/2), with an agreed independent chair;
- o That the default cost sharing methodology be the average split of population and rateable valuation (currently 64.5/35.5), be reviewed annually, and that alternative methods be available for the consideration of the Committee where circumstances warrant an exception to the default;
- o To hold regular and systematic meetings (e.g. quarterly);
- o Save and except for matters considered below, that new facilities be submitted during the planning/feasibility stage; and,
- o That the JAC undertake a review of facilities and/or services to be administered.

Both Townsville and Thuringowa believe that these reforms will strengthen the JAC and reduce the potential for uncertainty and disagreement. Townsville and Thuringowa have agreed to review matters currently being administered with the intention of incorporating into the JAC significant regional facilities such as The Strand, Riverway and Jezzine Barracks.

It is recognised from the SSS process that additional gains can be achieved by strengthening the JAC process. Integral to this strengthening process is the proposal that the JAC be independently reviewed in 2011. If the outcome of this review determines that the JAC process has not been successful in delivering improved outcomes for residents, Townsville City Council will support an amalgamation with Thuringowa City Council for the March 2012 local government elections.

1.1.3.2 Regional Strategic Alliance

As was proposed to the then Local Government Minister Desley Boyle, the Townsville City Council, in partnership with its fellow NQROC members, intends to implement a strategic alliance that makes arrangements for the management and delivery of shared services amongst NQROC member councils.

It is proposed to utilise the New England Strategic Alliance of Councils model which was developed out of the recent local government reforms implemented by the New South Wales State Government.

The aim of the New England Alliance is to meet and exceed efficiency gains achievable through amalgamation, but without the loss of local autonomy and effective representation that result from forced amalgamation. In short, it's designed to achieve the benefits of amalgamation, without the cost and damage caused by disruption and loss of representation and community association.

The member councils of NQROC believe that a model based on the New England Alliance would address the service delivery issues identified within the SSS assessment and provide an outcome similar to amalgamation.

Additionally, the Townsville City Council is currently exploring becoming one of three regional service centres to deliver local government services across the state. In November of 2006, Council signed a memorandum of understanding with the LGAQ and United Customer Management Solutions, a company delivering shared service arrangements within the U.K, to examine the feasibility of the proposal. Under the model, the shared service centre would be run from a centralised location providing subscribing local governments with customer service, payroll and human resources services, and administrative support.

1.1.3.3 Regional Integrated Planning

In response to the 1993 recommendations of the Local Government Commissioner, Townsville and Thuringowa, in partnership with the State Government, have developed the Townsville Thuringowa Strategy Plan (TTSP).

Launched in 2000, the TTSP has subsequently become part of the State Government's Regional Planning Program for significant growth areas in Queensland. The strategy is under review with proposed amendments reflecting the rapid growth being experienced within Townsville and Thuringowa.

In recognition of the need for integrated regional based strategic planning, the NQROC has approached the Local Government Minister with a proposal to establish the North Queensland Regional Planning Advisory Committee (NQRPAAC) and prepare and implement a North Queensland Regional Plan. This plan would expand and supersede the Townsville Thuringowa Strategy Plan to cover the entire area of NQROC.

Both Townsville and Thuringowa City Councils want the North Queensland Regional Plan to be statutory in the style and effect of the SEQ Plan. These Councils will jointly promote the mandating of the North Queensland Regional Plan.

In February of 2007, the current Minister for Local Government, Planning, Sport and Recreation, the Hon. Andrew Fraser MP approved the Terms of Reference for the NQRPA. It is expected that once membership is finalised the NQRPA will meet and commence the process of developing a North Queensland Regional Plan.

Other integrated regional planning exercises currently being developed include the North Queensland Regional Water Supply Strategy and a revision of the North Queensland Regional Waste Management Strategy.

1.1.3.4 NQ Water

NQ Water is the trading name of the Townsville Thuringowa Water Supply Joint Board, which was formed in 1987. The role of NQ Water is to obtain, conserve and supply bulk water to Townsville and Thuringowa. The Townsville Thuringowa Water Supply Joint Board is a Joint Board operating under the Local Government Act 1993, with Townsville City Council and Thuringowa City Council being shareholders. Since its foundation, NQ Water has proven to be effective and efficient in the delivery of bulk water to Townsville and Thuringowa.

As a part of the broader water study currently being undertaken for the North Queensland Regional Water Supply Strategy, both Townsville and Thuringowa are considering the viability of transferring wastewater treatment facilities into the operations of NQ Water.

Townsville City Council has committed, subject to the conduct of due diligence and the provision of appropriate consideration, to integrate its waste treatment facilities into the broader operations of NQ Water. Once implemented, this will greatly enhance the integration of water treatment in the two cities.

1.1.3.5 Palm Island

Townsville City Council believes that Palm Island Council will be a strong contender for amalgamation under the Local Government Reform Commission's terms of reference. Given the role as a service centre for Palm Island, the Townsville city Council acknowledges the likelihood that Palm Island will be amalgamated with Townsville.

An amalgamation of Palm Island with Townsville would add the CCD 3041502 with approximately 1,086 voters (estimates of the number of voters and even residents of Palm Island are uncertain) to the Townsville LGA.

If Palm Island was to be amalgamated into Townsville, then this community must participate in the Council on an equal electoral basis of one vote one value.

However Townsville City Council recognises the special needs of the Palm Island community from both a representation and operational perspective. The Townsville City Council would therefore require that a community advisory board be formed to guide the Council in its administration of services on the island. A Senior Manager would be based on the island and be responsible for the daily delivery of services to the community.

The Townsville City Council also notes that the ability to raise local government revenue from the community of Palm Island is not possible. The community of Townsville would not support the cross subsidisation of services to the community of Palm Island as this would be a huge impost on ratepayers. The Townsville City Council would require that the Queensland Government provide agreed additional operational and infrastructure support to a potential amalgamated local government that includes Palm Island. Such an arrangement is necessary to ensure that neither existing Townsville nor Palm Island residents are disadvantaged by any potential merger.

2. Reform Commission Terms of Reference

2.1 Local Government Reform Commission Terms of Reference

The following Terms of Reference below are taken directly from the *Local Government Reform Commission – A new chapter for local government in Queensland*.

2.1.1 Objectives

The objectives of the reform initiative are to establish local governments that:

- o facilitate optimum service delivery to Queensland communities;
- o effectively contribute and participate in Queensland's regional economies;
- o better manage economic, environmental and social planning consistent with regional communities of interest; and,
- o effectively partner with other levels of government to ensure sustainable and viable communities.

2.1.2 Terms of Reference

The Commission will be guided by the following terms of reference in preparing its recommendation on new local government arrangements:

- o The grouping of like communities of interest to maintain the social fabric and character of communities and areas of the State, and in particular, must consider:
 - a. review areas established under Size, Shape and Sustainability (SSS) review processes; and
 - b. boundaries of areas covered by the regions for which regional planning advisory committees have been established under the *Integrated Planning Act 1997*.
- o Consolidating, to the extent practicable, regional natural resource management areas, including for example water catchment areas, and environmental areas, including for example, coastal wetlands;
- o Creating local governments with improved financial sustainability;
- o The identification of options for community representation that reflect the diversity of the State's regions and that promote representation of discrete communities;
- o The identification of any issues requiring further consideration for successfully establishing the new arrangements;
- o When making a recommendation for creating a new local government area from 2 or more existing local government areas, the Commission must give preference, to the extent practicable, to including all of the existing local government areas in the new area rather than parts of the existing areas;
- o In making its recommendations for new arrangements, the Commission must identify any issues requiring further consideration for successfully establishing the new arrangements;
- o The Commission should have regard to the document prepared by the Local Government Association of Queensland, which includes an analysis

- of possible structural reform that was being contemplated under the voluntary reform process known as Size, Shape and Sustainability (SSS);
- o The Commission is to have regard to the reports Household Projections, Queensland Local Government Areas 2007 and Queensland's Future Population – 2006 Edition prepared by the Population Information and Forecasting Unit;
 - o The Commission should also have regard to the following reports of the Auditor-General:
 - a. Report No. 1 for 2007 Results of Local Government Audits for 2005-06 Tabled 19/04/07
 - b. Report No. 3 for 2006 Results of 2004-05 Aboriginal Council and Island Council audits Tabled 25/07/06
 - c. Report No.1 for 2006 Results of Local Government Audits for 2004-05 Tabled: 5/05/06
 - o The Commission is to have regard to the findings of the Parliamentary Committee for Electoral and Administrative Review of the External Boundaries of Local Authorities in 1992. In having regard to the EARC Report, the Commission should recognise the instances where amalgamations and boundary changes have already resulted from that process. In particular, given the context of the South-East Queensland Regional Plan, the Commission should provide for a continuing Gold Coast City Council and Ipswich City Council, with recommendations for adjustments to the external boundaries of these authorities a matter for the Commission to consider independently;
 - o With regard to local government in the Torres Strait, the Commission should have regard to the policy document, Local Government in the Torres Strait – The Way Forward. This proposal may be taken as a formal submission by the Commission for independent assessment; and
 - o With regard to the legislated term of reference in s 159U (5) of the *Local Government Act*, the Commission should have regard to the ability introduced in s473A for the provision of Community Boards and structures such as community companies and corporations, and in particular to the ability of these structures to deliver services and preserve and enhance community and cultural identity.

3. Response to Terms of Reference

The reform commission must consider the grouping of like communities of interest to maintain the social fabric and character of communities and areas of the State, and in particular, must consider:

- a. review areas established under SSS review processes; and
- b. boundaries of areas covered by the regions for which regional planning advisory committees have been established under the Integrated Planning Act 1997.

3.1.1 Like Communities of Interest

According to the SSS guidelines, a community of interest exists where external boundaries reflect local communities and their linkages, do not divide local neighbourhoods or adjacent rural and urban areas with common interest, follow natural and non-natural features which separate different communities, provide a centre of administration and service easily accessible to its population and allow effective elected representation.

Dimensions of community of interest can also be represented as:

- o Perceptual: a sense of belonging to an area or locality which can be clearly defined;
- o Functional: the ability to meet with reasonable economy the community's requirements for comprehensive physical and human services;
- o Political: the ability of the elected body to represent the interests and reconcile the conflicts of all its members.

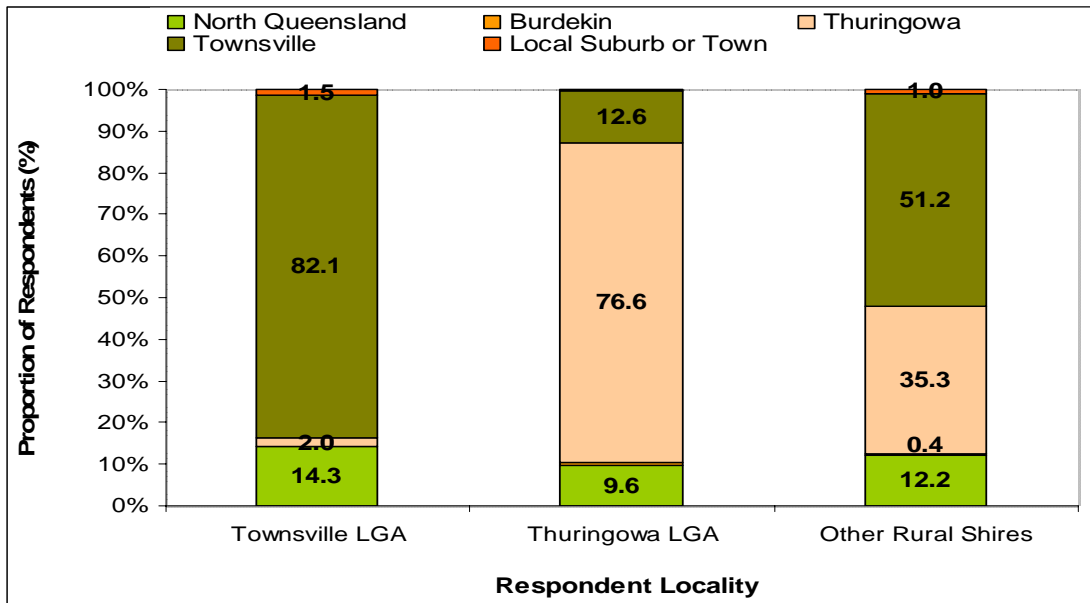
Townsville and Thuringowa share some community of interest however also differ in a number of significant respects. The LGA's of Burdekin, Charters Towers, Dalrymple and Hinchinbrook share little in community of interest with Townsville.

On a perceptual dimension:

- o Both cities are predominantly urban, however Thuringowa is relatively new urban (with a different demographic profile) and also contains a much larger rural community. The rest of the Northern Statistic District (NSD) shires are predominately rural focussed;
- o Townsville has a more diversified services based economy than Thuringowa or the rest of the NSD shires;
- o Townsville is positioned firmly in the coastal 'dry tropics' belt whereas Thuringowa encompasses the start of the 'wet tropics' area. Hinchinbrook is 'wet tropics, Charters Towers and Dalrymple inland 'dry tropics' and Burdekin coastal 'dry tropics' delta and irrigation;
- o Townsville is 60% plainlands while Thuringowa is 80% rolling, hilly or mountainous;
- o Population density is much higher in Townsville with 54 persons/sqkm compared to 32 persons/sqkm for Thuringowa. Burdekin and Hinchinbrook have population densities of about 4 persons/sqkm, Dalrymple of 0.1 persons/sqkm, while Charters Towers has the highest density of 210 persons/sqkm due to the LGA containing no rural areas;
- o Thuringowa is forecast to grow at double the rate of Townsville to 2026 (2.1% p.a. and 1.1% p.a. respectively) while the rest of the NSD is forecast to decline by 0.2% p.a. to 2026.

To the casual observer a sense of identification with distinct communities of interest in North Queensland may not seem strong. However the residents of North Queensland, when asked 'Which community do you primarily identify with' did not all suggest 'Townsville' or 'North Queensland'. 82% of Townsville's residents primarily identify with the community of Townsville, while 77% of Thuringowa's residents primarily identify with Thuringowa (only 13% of Thuringowa's residents primarily identify with Townsville). Interestingly a substantial proportion of residents in other shires identified with Townsville or Thuringowa, in a pattern broadly inline with the relative populations of the cities.

Figure 3.1 Response to 'which region do you primarily identify with'



Source: NQ Amalgamation Survey, May 2007

The results of the survey above indicate that the residents of Thuringowa do not identify as being a part of Townsville. A forced amalgamation of the 'twin cities' would result in large sections of the current Thuringowa community feeling dominated by a different community of interest.

On a functional dimension:

- o Townsville City Council is focussed on the Townsville City area and Magnetic Island whereas Thuringowa encompasses the urban growth areas of Thuringowa as well as a number of small towns (eg. the towns on the Northern Beaches, Rollingstone, Paluma);
- o Townsville and Thuringowa currently conduct many services with joint bodies achieving cost efficiencies and continuity of service supply;
- o Townsville City Council is of a size where it is unlikely to gain any further economies of scale or scope from amalgamation;
- o Townsville City Council currently rates highly with the community for services and facilities provided, with satisfaction ratings continually improving over the past 7 years.

One of the key benefits of local council amalgamation is purported to be a reduction in the costs of service delivery per person as the population serviced increases - that there are economies of scale in the provision of these services. It is argued that larger councils can derive economies of scale through higher utilisation of fixed assets, greater opportunities to exploit the benefits of specialisation and receiving discounts on bulk-purchases of inputs (Dollery & Fleming 2005). However, economies of scale might not be able to be captured through amalgamation, if they exist in local council service delivery at all.

On a political dimension:

- Townsville is divided into single member wards, whereas Thuringowa is divided into two divisions electing 7 and 3 members;
- Townsville has an optional preferential voting system whilst Thuringowa utilises a first past the post system; and
- Current council representation is highly successful in representing the community, as rated by both the Townsville and Thuringowa communities.

3.1.1.1 Demographic Profile

As the administrative centre of the Northern Statistical Division (NSD), Townsville provides over half the job opportunities available in the region. Townsville is a service based economy (including the largest concentration of white collar workers outside of the South East corner of the State) that provides a range of community, professional and industry services to outlying areas, including Thuringowa. Townsville offers significantly different opportunities and lifestyle than that of other areas of the NSD, which is reflected in its demographic profile.

Table 3.1 Population growth rates for North Queensland Local Government Areas

Local Government Area	Population Growth Rate (2001-06) - %	Population Growth (2005-06) - Number
Burdekin	0.4	104
Charters Towers	0.2	- 10
Dalrymple	- 0.01	8
Hinchinbrook	- 0.2	84
Palm Island	N/a	N/a
Thuringowa	3.2	2,231
Townsville	2.3	2,301

Source: ABS 3218.0 (2007)

Regarding Townsville's demographic profile the following key points can be noted:

- As the major urban centre of the NSD, Townsville attracts a significantly higher proportion of young urban professionals than Thuringowa and other Shires. The average household size is also smaller in Townsville than in Thuringowa or the rest of the NSD, reflective of a higher proportion of couple families without children and one-person households. This results in a greater need for entertainment and services particular to the young adult age bracket and couples without children, such as restaurants, cafés, bars and clubs;
- By comparison, Thuringowa is more family-oriented, placing greater emphasis on community infrastructure and services targeting children and their parents;
- Townsville is a more culturally diverse area than Thuringowa with a higher proportion of residents born overseas;
- As the administrative centre of the NSD, Townsville's industry base is considerably more diverse than that of Thuringowa and the rest of the NSD, with a higher share of persons employed in service industries and a more highly skilled workforce. In line with this, Townsville has a significantly higher proportion of its workforce employed as professionals and associate professionals than other areas of the NSD, reflecting the greater opportunities in the area for people with tertiary qualifications;
- By comparison, Thuringowa's industry base is more skewed towards industries such as retail and wholesale trade, with clerical, sales and service worker occupations dominant. This is reflective of the more pronounced retail and family service needs of the Thuringowa area;

- Employment in the remainder of the NSD is considerably more concentrated on industries in the agricultural and goods based sectors;
- Townsville has a significantly higher proportion of dwellings that are flat / unit / townhouse or apartment type accommodation, reflecting the higher population density of Townsville and built-up nature of the area;
- Individual incomes are higher on average in Townsville, although household incomes are lower on average when compared to Thuringowa, reflecting a greater proportion of two-income households in Thuringowa; and,
- Townsville has a significantly higher proportion of persons renting dwellings than other areas in the NSD, which is likely a factor of the higher costs of purchasing a home in the area and the high proportion of young adults residing in Townsville.

Table 3.2 Summary Demographic Table

Category	Townsville	Thuringowa	Rest of the NSD	Comments
Population				
Current Level	103,404	61,655	43,506	<p>The estimated population in Townsville was 103,404 persons in 2006, accounting for approximately half the Northern Statistical Division's (NSD) total population. Growth in Townsville has been relatively steady over the past 5 years, with over 10,000 additional people now residing in the area. Thuringowa has been the other growth centre of the NSD, also recording over 10,000 new residents moving to the area in the past 5 years, contrasting with other areas of the NSD that have recorded a decline in population.</p> <p>Thuringowa is forecast to continue to be the major growth centre in the NSD over the next 20 years, with approximately 32,500 additional people projected to reside in the area by 2026. By comparison, Townsville is projected to continue to record steady growth over the period, while the rest of the NSD is projected to record negative population growth.</p>
Level 5 Years Ago	92,701	50,964	45,002	
Growth in Persons from 5 Years Ago	10,703	10,691	-1,496	
Current Year's Growth in Population	2.3%	3.8%	0.3%	
Average Annual Growth in Population Last 5 Years	2.2%	3.9%	-0.7%	
Projected Population Level 2026	127,485	94,118	41,661	
Projected Average Annual Growth in Population to 2026	1.1%	2.1%	-0.2%	
Age Profile				
0-14 years	19.2%	27.6%	22.9%	<p>Townsville has a significantly different age profile to Thuringowa, with a higher proportion of persons in the 15-24 and fewer people aged 0-14. This is likely a reflection of Townsville's relative attractiveness as the major urban centre in the NSD, providing greater job and lifestyle opportunities for young working aged people. Townsville also has a considerably higher proportion of persons aged over 55 years than Thuringowa, reflecting the attractiveness of Townsville as a sea-change destination.</p> <p>Thuringowa, by comparison, has significantly higher proportions of persons aged 0-14 and 35-44, reflective of Thuringowa's predominantly family-oriented demographics and lifestyle. The age profile of the rest of the NSD is also significantly different to that of Townsville, with fewer young adults and a greater proportion of persons aged over 55 years.</p>
15-24 years	17.4%	14.5%	12.4%	
25-34 years	16.0%	16.0%	12.8%	
35-44 years	14.6%	15.9%	14.0%	
45-54 years	12.7%	12.8%	12.9%	
55-64 years	8.9%	7.4%	10.8%	
65+ years	11.2%	5.8%	14.3%	
Average Age	35.1	30.7	36.7	
Family Type				
Couple Family With Children	42.9%	52.5%	47.0%	<p>Townsville has a significantly lower proportion of couple families with children than both Thuringowa and the rest of the NSD, but a higher proportion of couple families without children (compared to Thuringowa), one parent families and other family types. This is in keeping with the higher share of persons aged 15 to 34 residing in the area.</p>
Couple Family Without Children	37.9%	30.8%	38.7%	
One Parent Family	16.9%	15.6%	13.0%	
Other Family	2.3%	1.1%	1.4%	

Category	Townsville	Thuringowa	Rest of the NSD	Comments
Ethnicity				
Born in Australia	86.5%	89.8%	91.5%	Townsville is a more multicultural community than other areas of the NSD, with 13.5% of the population born overseas compared to 10.2% in Thuringowa and 8.5% for the rest of the NSD.
Born Overseas	13.5%	10.2%	8.5%	
English Only Spoken at Home	94.5%	96.7%	93.0%	
Other Language Spoken at Home	5.5%	3.3%	7.0%	
Employment (date of data)				
Labour Force Level	59,074	32,592	25,173	Townsville accounts for over half of the NSD's total labour force, reflecting its standing as the administrative and services centre of the region.
Current Year's Growth in Labour Force	4.4%	4.4%	4.4%	
Employed Persons Level	55,728	31,027	23,783	
Current Year's Growth in Employed Persons	4.2%	4.1%	4.1%	
Persons Employed Full-Time (% of labour force)	60.1%	59.6%	63.4%	
Persons Employed Part-Time (% of labour force)	28.5%	29.7%	26.7%	
Unemployment Rate (2006)	5.9%	5.0%	5.8%	
Participation Rate (2001)	62.9%	67.7%	57.5%	
Industry of the Workforce				
Retail Trade	14.7%	17.6%	14.2%	As the administrative centre of the NSD, Townsville's industry base is considerably more diverse than that of Thuringowa and the rest of the NSD, with a higher share of persons employed in the service industries of education, health & community services, property & business services, accommodation, cafes & restaurants and cultural & recreational services than either Thuringowa or the rest of the NSD. There is also a considerable share of persons employed in government, administration & defence, reflecting the location of a military base in the area. By comparison, Thuringowa's industry base is more skewed towards retail trade, wholesale trade, and manufacturing than that of Townsville, while the NSD is considerably more concentrated on industries in the primary and goods based sectors.
Government Admin & Defence	12.7%	9.9%	4.1%	
Health & Community Services	11.0%	10.0%	8.1%	
Property & Business Services	8.7%	7.7%	4.4%	
Education	8.7%	7.8%	8.5%	
Manufacturing	7.9%	9.6%	12.3%	
Construction	6.9%	8.8%	5.4%	
Accommodation, Cafes, Restaurants	6.0%	4.1%	3.4%	
Transport & Storage	5.3%	5.6%	3.5%	
Wholesale Trade	4.4%	5.4%	3.2%	
Personal & Other Services	3.8%	4.2%	2.7%	
Cultural & Recreational Services	2.9%	2.1%	1.0%	
Finance & Insurance	2.0%	1.9%	1.2%	
Communication Services	1.5%	1.7%	0.6%	
Agriculture, Forestry, & Fishing	1.3%	1.4%	22.7%	
Mining	1.2%	1.3%	3.6%	
Electricity, Gas, Water Supply	0.9%	1.0%	1.0%	

Category	Townsville	Thuringowa	Rest of the NSD	Comments
Occupation of the Workforce				
Professionals	18.4%	11.7%	10.7%	In line with its position as the administrative and services centre of the NSD, Townsville has a significantly higher proportion of its workforce employed as professionals and associate professionals than other areas of the NSD. Thuringowa, on the other hand, has a higher proportion of its workforce employed in clerical, sales and service worker occupations, in line with the retail and service needs of the more family-oriented area. Meanwhile, the rest of the NSD's workforce is more skewed towards occupations such as managers & administrators, labourers & related workers, and intermediate production & transport workers, in line with the more agricultural and primary production based nature of industry in these regions.
Intermediate Clerical, Sales & Service Workers	17.7%	19.5%	12.3%	
Tradespersons & Related Workers	16.1%	17.4%	12.9%	
Associate Professionals	12.6%	12.1%	9.2%	
Elementary Clerical, Sales & Service Workers	9.7%	11.1%	7.9%	
Intermediate Production & Transport Workers	8.4%	10.9%	14.3%	
Labourers & Related Workers	7.7%	8.9%	14.4%	
Managers & Administrators	6.6%	5.4%	15.4%	
Advanced Clerical & Service Workers	2.8%	2.9%	2.8%	
Qualifications of the Workforce				
% of persons with non-school qualification	34.0%	30.5%	24.0%	Townsville has a more highly skilled population than Thuringowa or other areas of the NSD. Townsville has approximately double the proportion of residents with a bachelors degree or higher, as well as a higher share of persons with an advanced diploma or diploma, indicative of the greater job opportunities for these types of qualifications in the area relative to Thuringowa and the rest of the NSD.
% of persons with Bachelor or higher	12.5%	7.3%	5.9%	
% of persons with Advanced Diploma or Diploma	5.3%	4.7%	3.1%	
% of persons with Certificate	16.2%	18.5%	15.0%	
Dwelling Type				
Average Persons per Household	2.9	3.1	3.0	Townsville has a smaller average household size and significantly more townhouse, flat, unit and apartment style residences, reflective of a higher population density and greater number of young urban professionals residing in the area.
Number of Dwellings	37,759	18,081	18,672	
Separate House	70.6%	92.2%	86.7%	
Townhouse/Flat/Unit	25.2%	5.3%	6.5%	
Other dwelling	3.4%	2.2%	6.3%	
Not Stated	0.7%	0.4%	0.5%	
Household Finances				
Average Household Income	\$916.88	\$993.72	\$800.57	Average individual income is higher in Townsville than Thuringowa and the rest of the NSD, although average household income is higher in Thuringowa, indicative of a higher proportion of two-income families in the area. Housing repayments are also higher in Townsville.
Average Individual Income	\$494.09	\$473.96	\$420.73	
Average Monthly Mortgage Repayment	\$937.77	\$914.55	\$788.54	
Average Weekly Rent	\$156.49	\$153.92	\$109.63	
Dwelling Tenure				
Fully Owned	31.2%	26.6%	49.3%	Townsville has a significantly higher proportion of persons renting compared to Thuringowa and other areas of the NSD. Thuringowa, on the other hand, has a considerable proportion of persons purchasing a home, while nearly half the dwellings in other areas of the NSD are fully owned by the occupants.
Being Purchased	23.3%	40.2%	15.9%	
Rented	38.0%	28.3%	25.2%	
Other	2.7%	2.0%	5.3%	
Not Stated	4.9%	2.9%	4.3%	

Category	Townsville	Thuringowa	Rest of the NSD	Comments
Motor Vehicle Ownership				
No vehicles	10.1%	4.2%	9.4%	Households in Townsville have considerably fewer vehicles on average than in Thuringowa or other areas of the NSD, with over half the households having just one vehicle or less.
One vehicle	40.7%	36.8%	36.5%	
Two vehicles	31.6%	40.4%	34.2%	
Three or more vehicles	10.4%	14.5%	14.8%	
Not stated	7.2%	4.0%	5.0%	

3.1.2 Size, Shape and Sustainability

Townsville and Thuringowa are members of the North Queensland Regional Organisation of Councils (NQROC), along with the shires of Burdekin, Charters Towers, Dalrymple and Hinchinbrook. NQROC is currently working towards greater regional cooperation, coordination and advocacy.

As part of their commitment to increasing local government efficiency, NQROC announced in August 2006 that they would participate in the SSS review, appointing an Independent Review Facilitator to assess each NQROC member Council's performance against a number of key indicators. At the end of this review process, NQROC intended to investigate options for increased efficiency including additional shared service arrangements, joint enterprises or boundary changes.

At the time of the cancellation of the SSS review, the NQROC had drafted its Comprehensive Review Phase Terms of Reference. The scenarios to be investigated in the Comprehensive Review Phase were:

1. Creation of improved arrangements for Resource Sharing among the councils of the region. The Review Group has identified a number of options for examination;
2. Formation of arrangements to create Joint Enterprises for the conduct of cross border services. The Review Group has identified a number of options for examination;
3. Reconfiguration of the boundaries of the City of Townsville and the City of Thuringowa to effect improvements in community of interest, cost effectiveness or service planning and provision;
4. Reconfiguration of the boundaries of the City of Charters Towers and the Shire of Dalrymple to effect improvements in community of interest, cost effectiveness or service planning and provision;
5. Reconfiguration of the boundaries of the local governments of the Review Group to create by merger or amalgamation fewer local governments. The reconfiguring six into three, six into two and six into one are to be tested; and,
6. Excision of part of the area of Cardwell Shire for inclusion in Hinchinbrook Shire.

As a result of findings in relation to the above it was possible that consequences might arise for electoral representation. Accordingly provision was made for evaluating and consulting on possible options for change in that context also.

3.1.3 Planning

Townsville and Thuringowa currently coordinate planning in a multitude of areas. Regional Planning Arrangements in place include:

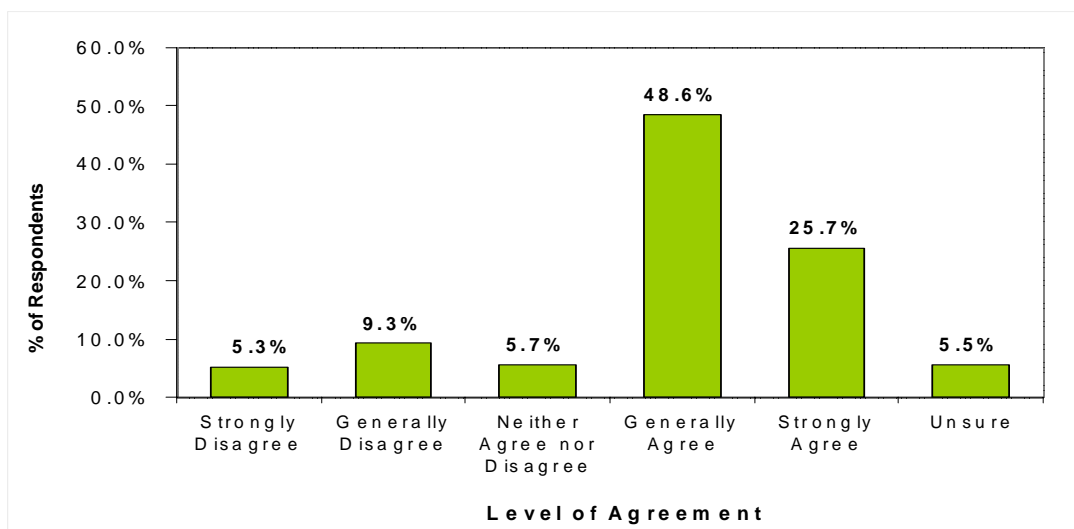
- o Townsville Thuringowa Strategy Plan (TTSP);
- o Townsville Thuringowa Integrated Regional Transport Plan (TTIRTP);
- o Local Government Joint Disaster Management Committee;
- o Regional Sports Strategy Group;
- o Townsville Thuringowa Regional Sport Planning Study 2004;
- o Regional Roads Alliance;
- o Water Strategic Planning (NQ Water);
- o Strategic Planning Consultative Committee; and,
- o Industrial Land Study.

Notwithstanding the fact that potential improvements exist to regional planning (and suggestions to do so are contained in this submission), Townsville and Thuringowa have demonstrated a strong commitment to joint planning. Townsville City Council believes that potential amalgamation will not improve planning outcomes in the region beyond what will be achieved through improvements to current arrangements.

The Townsville City Council does note however, that the same seriousness is not being applied by the State to North Queensland regional planning as is the case in South East Queensland. This is evident in the fact that the SEQ Plan is mandated, with specific funding applied, whereas planning in other regions provides no commitment to achieving objectives.

The community of North Queensland recognises the achievements that have been made in North Queensland through collaborative planning arrangements. In response to the statement *‘Collaborative arrangements, such as the TTSP, have meant that the area (North Queensland) has been able to progress strongly over the past 14 years’* 74% of residents Strongly or Generally Agreed. This indicates that from a community perspective, the current system of local government has met their needs well in terms of strategic planning and other collaborative arrangements.

Figure 3.2 Collaborative arrangements, such as the TTSP, have meant that the area has been able to progress strongly over the past 14 years



Source: NQ Amalgamation Survey, May 2007

The following section examines a range of considerations for regional planning and considers how a potential merger would impact on outcomes.

3.1.3.1 Land Use and Development

Agricultural Development: Agriculture is important, though not a primary consideration, for Townsville. A potential merger would not advance agricultural development considerations.

Business Centre: Townsville City Council is strongly supportive of the Townsville CBD's role as a business centre. Under a potential amalgamation, there would be conflict in supporting other LGA's business centres to the detriment of the Townsville CBD.

Coastal Zone: Planning for coastal zones are based on a combination of highly specific localised issues and large environmental areas (eg. GBRMPA) that are beyond consolidation through local government amalgamation.

Conservation Areas: Conservation areas in the region are much larger than could be consolidated through local government amalgamation.

Downstream Impacts: Townsville does not pass downstream impacts to any further LGA's other than through water supply, which is already planned for by a regional body (NQ Water).

Flood Prone Areas: Flood planning in Townsville does not impact directly on other LGA's. Coordinated regional planning is already in place to minimise regional disruptions through flood.

Industrial Development: Planning for industrial development in the area is already co-ordinated at a level above local government.

Industrial Land: Townsville and Thuringowa both support a regional approach with an industrial lands study having been conducted.

Intensive Agriculture: Intensive agriculture is not affected by current planning arrangements between Townsville and Thuringowa and would not be advanced by a potential amalgamation.

Land and Water Resources: There already exists a number of strategies and bodies to coordinate land and water resources between Townsville and Thuringowa, negating any potential benefits in these areas through amalgamation.

Major Industrial Development: Both Townsville and Thuringowa have received major developments in recent years, highlighting that amalgamation is not needed to improve the equity of planning for these developments.

Mining & Quarrying: The region is large enough for both Townsville and Thuringowa to support a number of mining and quarrying developments, negating the need for co-ordinated planning for these activities in the region.

Native Title Matters: Townsville is not aware of significant native title issue that stand to be addressed through a potential amalgamation.

Residential Development: Planning for residential development is already successfully co-ordinated between Townsville and Thuringowa.

Riparian Vegetation / Zone: Townsville and Thuringowa share parts of the Ross River (as a boundary) however have a co-ordinated approach to riparian management.

State Land: State land shared across the Townsville – Thuringowa boundary is in catchment areas that are barred from future development, eliminating potential conflicts.

State Planning Policies: Townsville believes that State planning policies in the region are not hindered by the current arrangement of local governments.

Tourism: The region currently cooperates on tourism through Townsville Enterprise Limited, which is financially supported by both Townsville and Thuringowa Councils.

Vegetation Management: Thuringowa has significantly different vegetation types than Townsville (other than for a small area close to the boundary).

Villages: Planning to maintain the character and amenity of villages in the region is not hindered by the current joint planning arrangements.

Wetland Areas: The only wetlands shared by Townsville and Thuringowa are in the Ross River Dam and catchment, which is managed by the regional body, NQ Water.

3.1.3.2 Infrastructure

Community Purposes: The boundary between Townsville and Thuringowa is well connected and community purposes are not disadvantaged by the current arrangements.

Port Facilities: Access by Thuringowa users to Townsville's port will not be enhanced by amalgamation.

Transport Infrastructure: Transport infrastructure is already co-ordinated between Townsville and Thuringowa.

Transport Network: The transport network in the region is already co-ordinated between Townsville and Thuringowa with no issues at the boundaries.

Waste Management: A regional waste management strategy is already in place, ensuring any potential cost savings in this area have already been achieved.

Waste Water: It is proposed that wastewater planning and operation for Townsville and Thuringowa be transferred to NQ Water (subject to a benefits study), ensuring any potential efficiencies in this area are achieved without requiring amalgamation.

Water supply: Water supply to Townsville and Thuringowa is currently managed by NQ Water, resulting in the efficiencies in planning for water supply in the region having already been achieved.

3.1.3.3 Valuable Features

Air Quality: The siting of major industry and prevailing wind conditions ensure that there is little potential for major air quality issues to impact one city from the other.

Business: Planning for business types where oversupply is an issue (eg. retail) is currently conducted on a regional level.

Coastal Zone: The coastal zones of Townsville and Thuringowa are currently neatly divided by the Bohle River, ensuring there are no conflicts with planning in this area.

Community Heritage: Townsville and Thuringowa both have significant programs for community heritage that are not likely to achieve efficiencies from a closer working relationship.

Conservation Areas: Conservation areas in the region are larger than can be consolidated through local government reform.

Extractive Deposits: There are no known extractive deposits on a developable site on the boundary of Townsville and Thuringowa.

Fish Habitat Reserves: Reserves of this type in the area are created by the Great Barrier Marine Park Authority and would not be affected by local government reform.

Good Quality Agricultural Land / Agriculture: Agricultural zones in the two LGAs are separate from the other (no bordering areas).

Matters of National Environmental Significance. These matters are worked on at a cooperative level that is beyond consolidation through local government reform.

National Parks: There are no national parks that are split by Townsville and Thuringowa.

Natural attractions: Natural attractions in the region are not split by local government borders and their management does not stand to benefit from amalgamation.

Queensland Marine Park: This is managed at a level larger than can be consolidated through local government reform.

Regional Coastal Management Plan: Regional coastal management is already co-ordinated between Townsville and Thuringowa.

Water Quality: Townsville and Thuringowa have co-operative arrangements in place for the management of water quality.

The reform commission's recommendations must be directed at:

- a. **Consolidating, to the extent practicable, regional natural resource management areas, including for example water catchment areas, and environmental areas, including for example, coastal wetlands; and,**
- b. **Creating local governments with improved financial sustainability.**

3.1.4 Natural Resource Management Areas

Townsville and Thuringowa currently co-operate on areas of natural resource management of significance to both Local Government Areas (LGAs):

- o NQ Water;
- o Creek to Coral;
- o Community Environment Fund;
- o Ross River Recreation Management Group;
- o Community Re-vegetation Co-ordination Project;
- o Visy Recycling Contract;
- o Waste & Litter Education Strategy; and
- o Burdekin Water.

Of the North Queensland region LGAs or Burdekin, Charters Towers, Dalrymple, Thuringowa and Townsville are currently grouped in the Burdekin Dry Tropics Natural Resource Management area along with Belyando and Jericho. Hinchinbrook is part of the Far North Queensland Natural Resource Management area.

The Burdekin Dry Tropics Natural Resource Management area is clearly too large and too diverse to be considered for management by one local government. Further, there are significant differences to the natural resource management needs of the current LGAs in the North Queensland region to be resolved by amalgamation. Dominant natural resources features of the current LGAs are:

- o Burdekin: Primarily an area of delta swamps and irrigation crops from the Burdekin River;
- o Charters Towers and Dalrymple: Primarily low rainfall, inland cattle area with some mining, Burdekin River catchment;
- o Hinchinbrook: High rainfall (wet tropics) catchment of the Herbert River, primarily cane growing on natural rainfall;
- o Palm Island: Island system of intermediate wet tropics / dry tropics characteristics;
- o Thuringowa: Coastal strip with large areas of hilly and mountainous terrain, beach towns, and rainfall that rapidly increases from south to north; and,
- o Townsville: Dry tropics coastal area with several standalone granite hills or mountains and several highly significant coastal wetlands.

3.1.5 Financial Sustainability

Townsville City Council works closely with Thuringowa City Council, and NQROC to identify areas in which efficiencies could be achieved through resource-sharing arrangements or joint agreements, and then implements these agreements to enable more efficient delivery of council services. Areas of formal joint arrangements include water supply, strategic planning, and arrangements in respect to the use of facilities such as cultural and recreational facilities. Townsville, Thuringowa, and to a lesser extent NQROC, already have a multitude of joint structures in place for those services where positive economies of scale are to be gained. Further improvements are possible, and both Townsville and Thuringowa support further reform to joint arrangements where a benefit to the community is apparent.

In addition to bodies managing the natural resources listed above, joint funding arrangements are in place for:

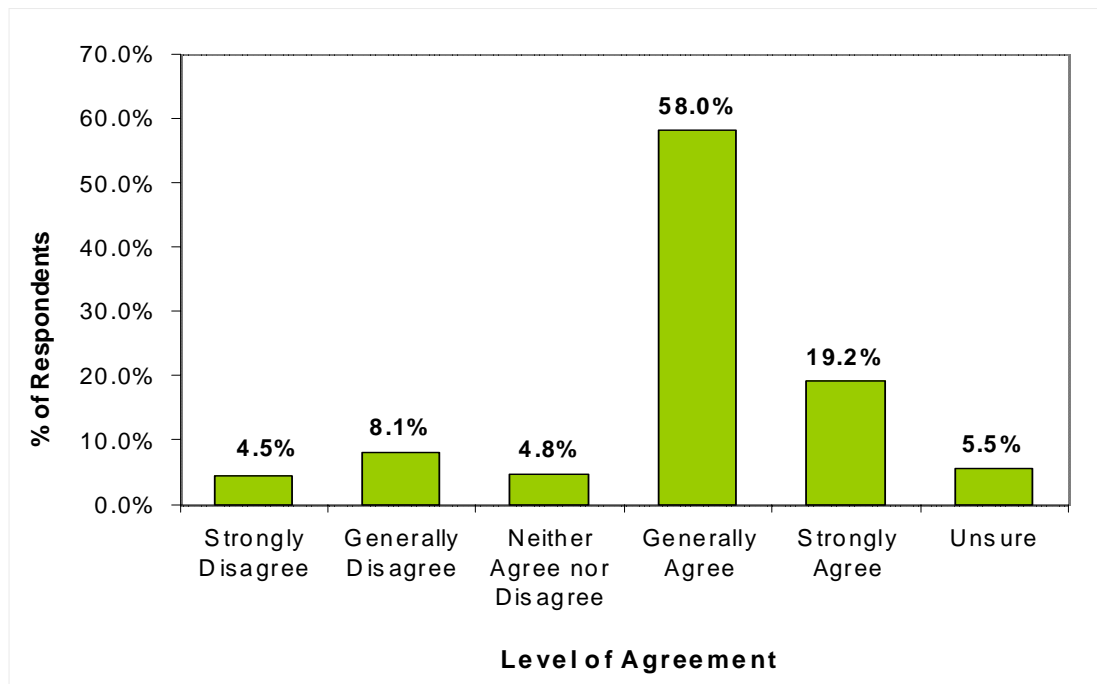
- o Townsville Enterprise Ltd;
- o NQ Sports Foundation;
- o Community Information Centre;
- o Townsville Show Society (includes subsidies);
- o Townsville Community Music Centre;
- o Townsville and District Life Education Committee;
- o La Luna;
- o Museum Of Tropical Queensland;
- o Australian Festival of Chamber Music; and,
- o Paraplegic and Quadriplegic Association.

Other joint general arrangements are in place for:

- o Civic Theatre;
- o Perc Tucker Gallery;
- o Entertainment Centre;
- o HAC Services;
- o Cemetery Trust;
- o SES;
- o UFO (Urban Fun Object);
- o Refuse Facilities;
- o Library Facilities;
- o RSPCA Animal Pound facilities;
- o Thuringowa City Council Stock Pound;
- o Local Authority Waste Management Advisory Committee (LAWMAC);
- o Health and Environment Regional Organisation of Councils (HESROC);
- o North Queensland Region of Councils (NQROC);
- o Regional Arts Development Fund;
- o Aboriginal and Torres Strait Islander Library Grants;
- o Weir Federation Footbridge;
- o Thuringowa Alert Stations;
- o Mt St John Sewerage Treatment; and,
- o Townsville Thuringowa and District Cycle Committee.

The community recognises, and supports, the measures that have been undertaken by Townsville and Thuringowa City Councils to develop joint service providers, and achieve economies of scale. 77% of residents Strongly or Generally Agree with the statement 'Shared services such as NQ Water, which is jointly owned by the two Councils, and provides bulk water to the region, are an effective model for delivering services'.

Figure 3.3 Shared services such as NQ Water, which is jointly owned by the two Councils, and provides bulk water to the region, are an effective model for delivering services



Source: NQ Amalgamation Survey, May 2007

It is thought that larger councils will be able to achieve and maintain financial viability whereas small local councils will not, principally because a larger council will have a larger revenue base and can potentially take advantage of economies of scale and scope in service delivery. In recent years Victoria, South Australia, New South Wales and Tasmania have undertaken local council amalgamations with the aim of achieving cost savings and increasing the financial viability of councils, but these amalgamations have failed to improve local council financial sustainability (Dollery 2006).

The Queensland Treasury Corporation (QTC) has awarded both Townsville and Thuringowa City Council's with scores of four out of six for sustainability. Both councils were rated "moderate with a neutral outlook", indicating that the councils possess a high capacity to meet financial commitments in the short-to-medium term and manage unforeseen shocks. It also indicates that there are no foreseeable events that could have a direct impact on their financial sustainability.

Townsville was noted by the QTC as having strong fiscal flexibility with a high level of own source revenue, low gearing and high interest cover ratios (indicating a high capacity to borrow), strong positive operating cashflow (excluding capital expenditure) and robust strategic and operational plans (including a ten-year capital works program). Risks highlighted included the significant forecast capital expenditure program, community return payments from the Townsville Thuringowa Water Supply Joint Board and the capacity for increases in rateable properties.

Table 3.3 Sustainability Indicator Scorecard – Regional Summary

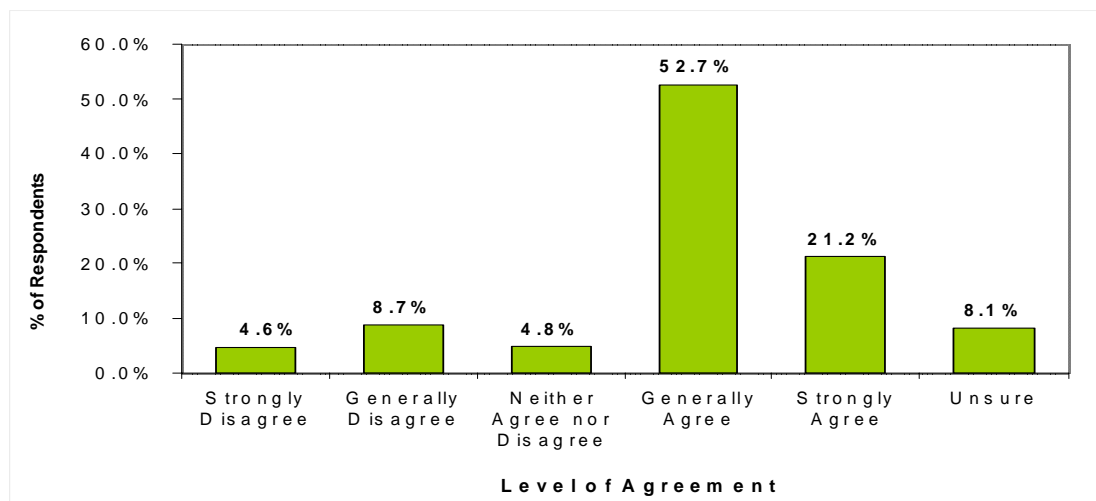
INDICATOR	Charters Towers	Dalrymple	Hinchinbrook	Townsville	Thuringowa	Burdekin
Financial Forecasts	opportunity	opportunity	opportunity	opportunity	opportunity	opportunity
Revenue Base	vulnerable	opportunity	vulnerable	strength	strength	opportunity
Rating Capacity	opportunity	opportunity	opportunity	opportunity	strength	strength
Asset Sustainability	strength	opportunity	opportunity	strength	opportunity	opportunity
Level of Service	strength	opportunity	strength	strength	strength	opportunity
Human Resources	opportunity	vulnerable	strength	opportunity	opportunity	opportunity
Cross Border Issues	opportunity	opportunity	strength	opportunity	strength	strength
Service Centres	strength	Vulnerable	strength	strength	opportunity	strength
Community Engagement	opportunity	strength	strength	strength	strength	opportunity
Service Coordination	strength	opportunity	strength	strength	strength	strength
Growth Management	strength	opportunity	strength	opportunity	strength	strength
Decision Making	strength	opportunity	vulnerable	strength	strength	opportunity
Accountability	strength	vulnerable	vulnerable	strength	strength	opportunity
AVERAGE	3.6	3.0	3.5	4.0	4.0	3.6
QTC Rating	Moderate neutral outlook	Moderate neutral outlook	Moderate developing outlook	Moderate neutral outlook	Moderate neutral outlook	Moderate developing outlook

All councils in the Region have obtained good financial assessments from QTC, indicating that financial sustainability is not a driver of the need for amalgamation in North Queensland.

Council is continuing to investigate opportunities for cost savings through joint arrangements. However the majority of cost savings through scale have already been achieved.

The ratepayers of Townsville and Thuringowa reject the notion that amalgamation is required to ensure financial stability. An overwhelming 74% of residents Strongly or Generally Agree with the statement *'The two councils are both financially sustainable and viable in their own right'*.

Figure 3.4 The two councils are both financially sustainable and viable in their own right



Source: NQ Amalgamation Survey, May 2007

In late 2006, QTC assessed Councils financial sustainability. Townsville achieved the rating of "moderate with a neutral outlook", indicating that it has a high capacity to meet financial commitments in the short-to-medium term and manage unforeseen shocks. It also indicates that there are no foreseeable events that could have a direct impact on their financial sustainability. Given Townsville City Council has maintained financial sustainability during a period of high population growth, there does not seem to be an argument for amalgamation based on improving financial sustainability.

The reform commission must identify options for community representation that reflect the diversity of the State's regions and that promote representation of discrete communities.

3.1.6 Community Representation

Amalgamation of local councils can rob communities of effective representation, with smaller communities often suffering from lower levels of service provision relative to centres with larger populations within the amalgamated council area.

Residents must be able to make their wishes heard for councils to be responsive and efficient. Residents can do this through a variety of channels, including public meetings, hearings, elections and direct contact with council officials and elected members. While these channels are effective in small councils, as the size of the council grows, the established research offers a number of reasons why this may not occur as the size of the council grows (Bish 2001):

1. Large councils provide increased incentive for special interest groups to form and dominate public hearings and meetings. Consequently, unorganised groups will participate less in local council decisions.
2. Council attitudes towards policy decisions are more closely aligned with those of the constituents the smaller the council. As the size of the constituency rises, the constituents can become more diverse, and attitudes to policy decisions can vary more widely.
3. Constituents of smaller councils tend to be more politically active. Studies for the United States of America and Canada show that the larger the local council, the lower the voter turnout. It was also shown that there is a decrease in voter turnout following an amalgamation.
4. It is more expensive to campaign for office in large councils than small councils. Given these higher costs, campaign donations become more important in larger councils, including those from special interest groups.

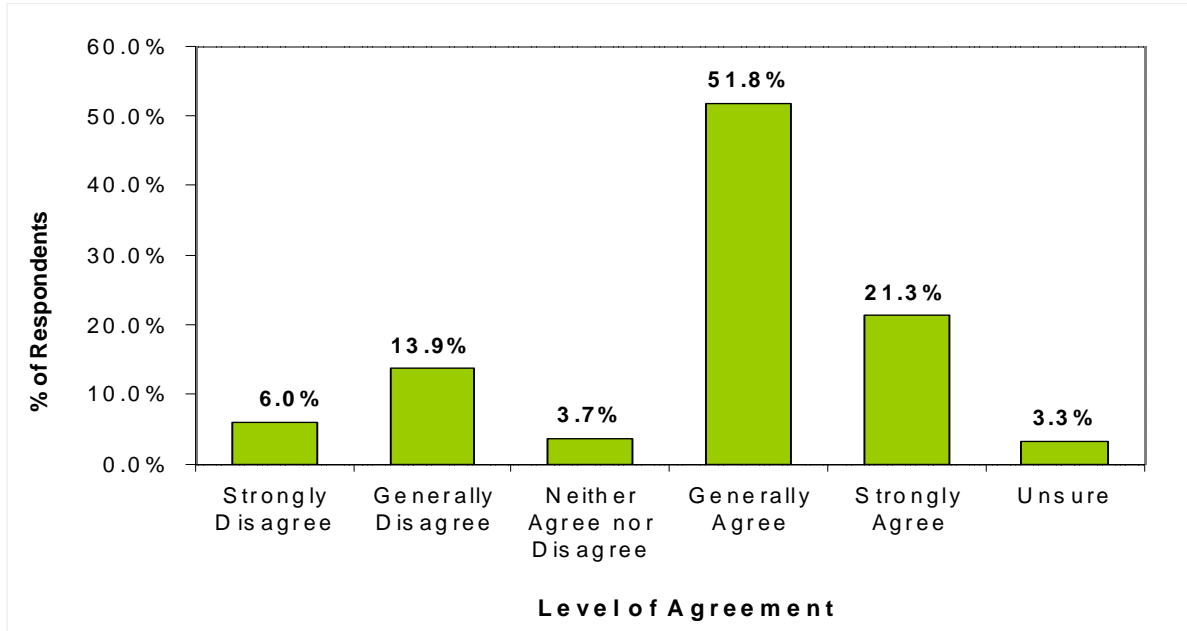
In each of these cases, larger councils become less representative of the people, and deliver services and undertake activities based on the wishes of vocal minorities.

When local councils amalgamate, the larger pre-amalgamation council often dominates the amalgamated council, depriving the smaller pre-amalgamation councils of effective representation. A recent survey of the residents of Thuringowa on alternative electoral arrangements showed that those in rural areas were concerned that the urban areas were getting disproportional representation, and that the issues affecting the urban/suburban Division 2 were not the same issues affecting the rural Division 1. This situation would be exacerbated following an amalgamation of Townsville and Thuringowa, as Division 1 residents would become an even smaller proportion of the population.

There are greater difficulties in monitoring the activities of large councils than small councils. Ratepayers of large councils cannot easily acquire the information necessary to assess whether the services provided and the activities undertaken represent good value for money. Small councils are typically less complex, offering ratepayers a greater degree of transparency and hence are more able to be scrutinised. If taxpayers take up this opportunity, then it would be expected that small councils would experience greater public pressures to deliver local council services more efficiently (Dollery & Crase 2004).

73% of Townsville and Thuringowa residents Agree with the statement 'Residents in both cities get a high level of representation under present arrangements'. It is clear that the quality of representation would not be improved by amalgamation, and the community of both Townsville and Thuringowa understands this.

Figure 3.5 Residents in both cities get a high level of representation under present arrangements



Source: NQ Amalgamation Survey, May 2007

Townsville residents currently rate their Council well in terms of responsiveness to concerns and issues. Over 40% of those surveyed in 2006 rated Council as *Very* or *Somewhat* responsive to the concerns and issues of the community. Only 14.4% of the community considered Townsville City Council to have a rating of *Low* or *Not at All* responsiveness to the concerns and issues of the community.

Table 3.4 Rate Responsiveness of Council to Concerns & Issues

Rating	Prop. (%)
1 ~ Very	11.4
2 ~ Somewhat	31.1
3 ~ Average	34.1
4 ~ Low	12.2
5 ~ Not at All	2.2
Don't Know	9.0
Total	100.0%
Weighted Average	2.59

Source AEC Group TCC Community Attitude Survey 2006

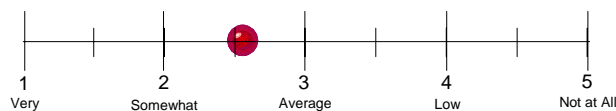
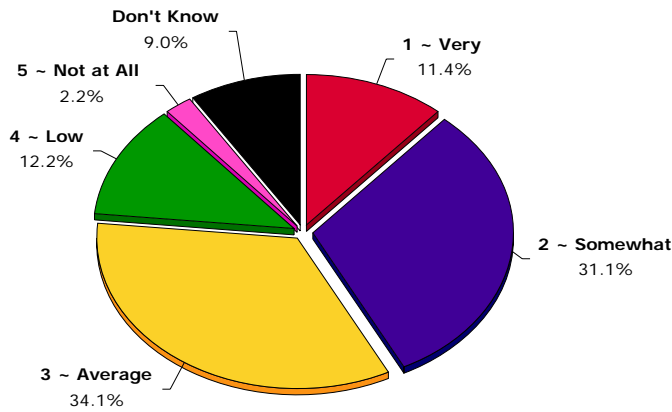


Figure 3.6 Rate Responsiveness of Council to Concerns & Issues



Source AEC Group TCC Community Attitude Survey 2006

The high ratings achieved by Townsville City Council for community responsiveness are due to Council being able to manage an excellent level of community consultation. This assessment is supported by the results of the most recent community attitude survey, which found that a third of respondents rated council's level of community consultation as *Excellent* or *Good* and only 10% rated council's level of community consultation as *Poor* or *Very Poor*.

Table 3.5 Rate Level of Council's Community Consultation

Rating	Prop. (%)
1 ~ Excellent	7.2
2 ~ Good	26.4
3 ~ Average	32.6
4 ~ Poor	7.5
5 ~ Very Poor	2.5
Don't Know	23.9
Total	100.0%
Weighted Average	2.63

Source AEC Group TCC Community Attitude Survey 2006

The average calculated score relative to the level of community consultation was 2.63 *w/a*, between *Good* level of consultation and *Average* level of consultation.

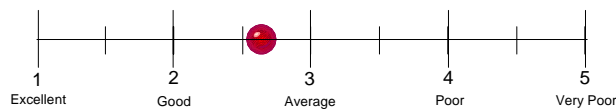
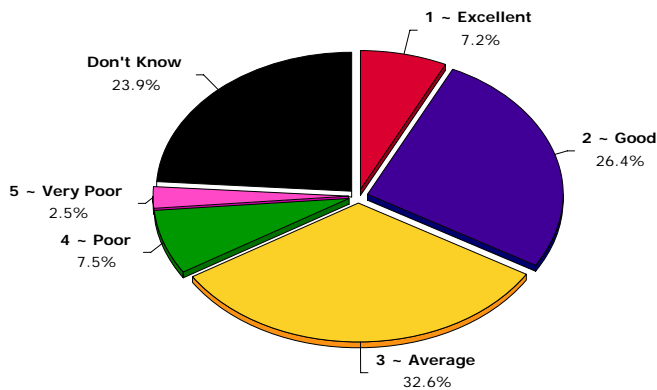


Figure 3.7 Rate Level of Council's Community Consultation



Source AEC Group TCC Community Attitude Survey 2006

4. Current Quality of Service Delivery in Townsville

In making its recommendations for new arrangements, the reform commission must identify any issues requiring further consideration for successfully establishing the new arrangements.

Townsville City Council currently achieves an excellent level of service for the community. In a survey conducted in 2006 of over 400 residents, Townsville City Council was rated by two thirds of respondents as providing an *Excellent* or *Good* level of service. Only 4.2% of those surveyed considered Townsville City Council to provide a *Poor* level of service, and no respondents considered Townsville City Council to provide a *Very Poor* level of service. The service score has continuously improved from previous surveys in 2003 and 1999. These results are presented in the table and figures below:

Table 4.1 Overall Rating of Townsville City Council Service

	2006	2003	1999
1 ~ Excellent	12.4	11.1	9.0
2 ~ Good	54.0	55.2	53.9
3 ~ Average	28.1	30.4	33.2
4 ~ Poor	4.2	2.2	3.2
5 ~ Very Poor	0.0	0.5	0.8
Don't Know	1.2	0.5	0.0
Total	100.0%	100.0%	100.0%
Weighted Average	2.2	2.3	2.3

Source AEC Group TCC Community Attitude Survey 2006

In the graph below the 2006 result is represented as the red dot, and 2003 result as the green square.

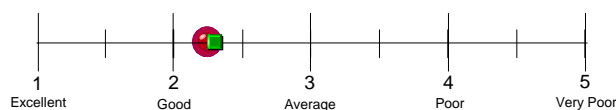
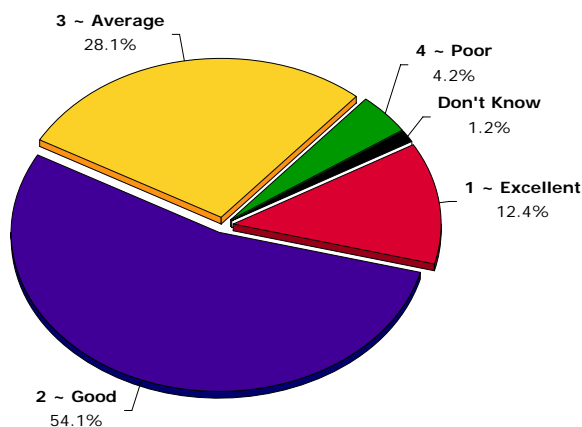
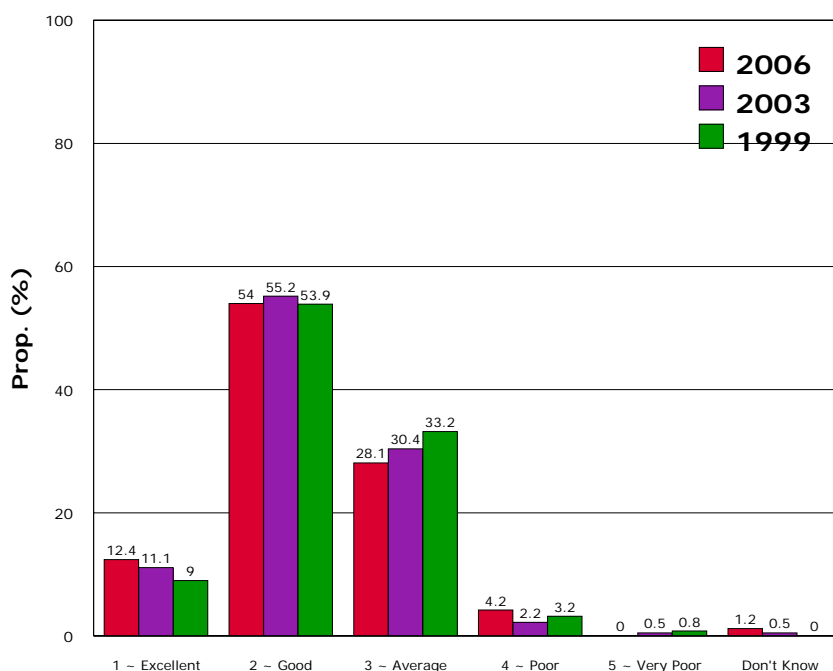


Figure 4.1 Overall Rating of Townsville City Council Service



Source AEC Group TCC Community Attitude Survey 2006

Figure 4.2 Overall Rating of Townsville City Council Service



Source AEC Group TCC Community Attitude Survey 2006

Townsville City Council presently rates strongly with the community for its provision of services. The results presented below display the community's rating of Townsville City Council's Administration and Activities in 2006, 2003 and 1999.

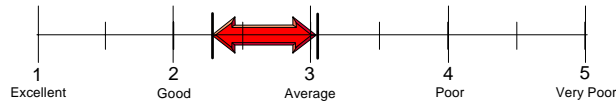
Table 4.2 Ratings of Council Administration and Activities

Response	1 ~	2 ~	3 ~	4 ~	5 ~	Don't Know	Total	W/a 2006	W/a 2003	W/a 1999
Ease of conducting Business with the City Council	9.2	42.5	18.9	3.7	3.0	22.6	100.0%	2.3	2.3	2.4
Handling of Enquiries by City Council Staff	10.4	45.5	17.4	3.5	3.0	20.1	100.0%	2.2	2.4	2.4
Handling of Building and Planning Applications	6.7	18.7	13.4	6.5	3.2	51.5	100.0%	2.6	2.5	2.5
Attention given by City Council Staff to Complaints by Residents	7.0	22.9	21.4	9.7	5.7	33.3	100.0%	2.7	2.5	2.7
Availability of Information about Services provided	9.2	43.5	25.9	6.0	1.7	13.7	100.0%	2.4	2.4	2.6
Overall Level of Rates and Charges levied by Townsville City Council	4.5	17.2	36.3	12.9	8.7	20.4	100.0%	3.0	2.8	3.1
Value for Money given to Ratepayers by Townsville City Council	4.2	25.6	35.8	10.7	4.2	19.4	100.0%	2.8	2.5	2.8
Value for Money in comparison to Other Queensland Regional Councils	5.0	20.6	17.4	4.7	3.0	49.3	100.0%	2.6	-	-
Efficiency of the TCC as an Administrative Organisation	7.2	32.8	28.1	9.0	3.0	19.9	100.0%	2.6	2.3	2.6
Efforts by the Council to Promote and Market Townsville City	10.7	48.5	26.6	4.0	1.5	8.7	100.0%	2.3	2.5	2.2
Ease and Efficiency of Telephone Enquiries	5.7	46.0	17.2	7.0	2.7	21.4	100.0%	2.4	2.4	2.5
Ease, Efficiency and Responsiveness of Email Enquiries	3.0	11.2	9.7	2.7	1.0	72.4	100.0%	2.5	-	-
After Hours Service	3.0	8.2	7.7	5.5	2.5	73.1	100.0%	2.8	-	-

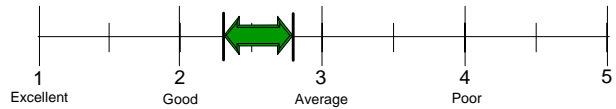
Rating Scale: 1 = Excellent / 2 = Good / 3 = Average / 4 = Poor / 5 = Very Poor
 Note: The Weighted Average provides an Overall Average based on the ratings made by respondents answering each individual element / question. The closer the weighted average to the highest ranking, in this case '1 - Excellent', the better the rating. The number of the Weighted Average corresponds to the rating. For example, a weighted average of 1.5 would be equally between the ratings of 'Excellent' and 'Good'.
 Source AEC Group TCC Community Attitude Survey 2006

In 2006, the weighted scores ranged between 2.2 w/a and 3.0 w/a which is a slightly broader range of community satisfaction than in 2003.

2006:

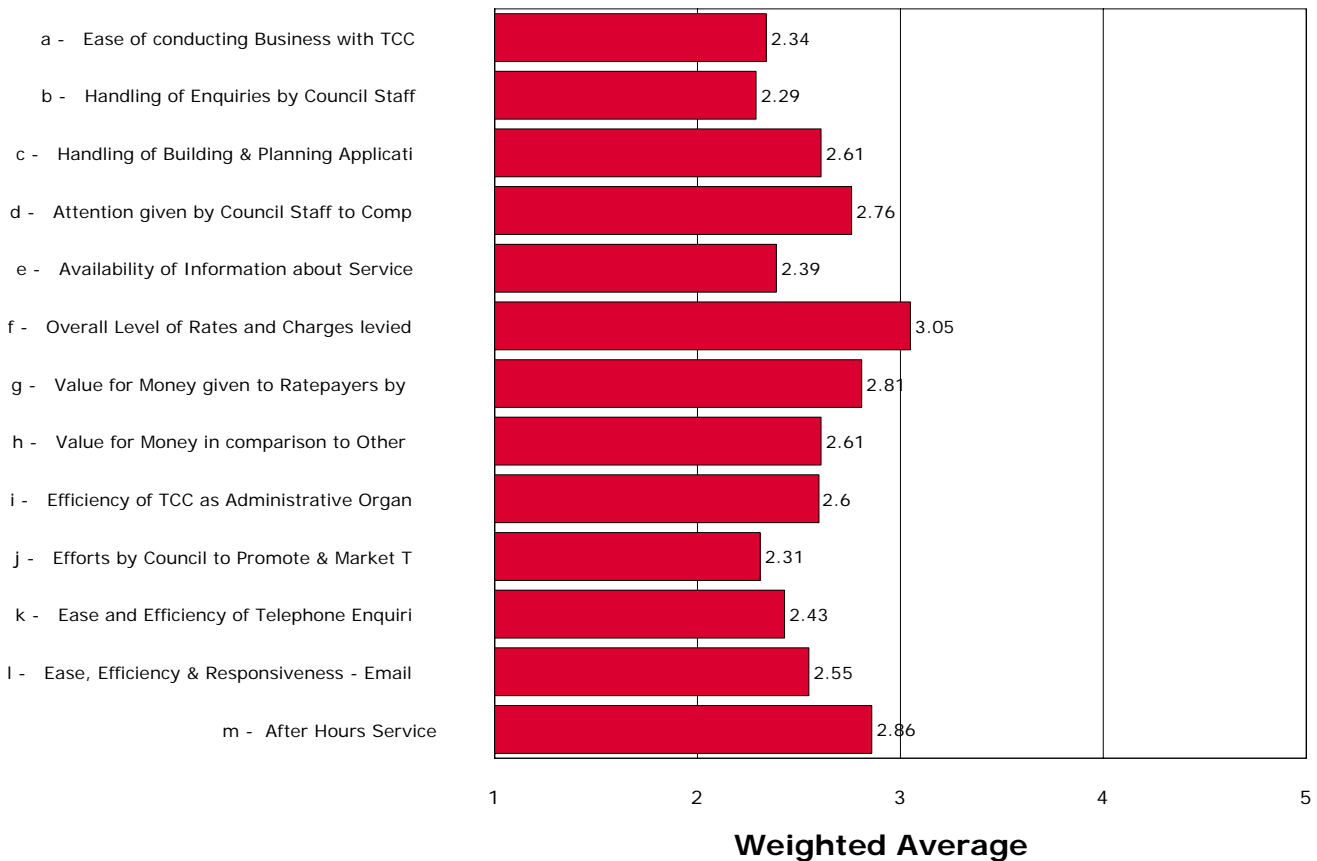


2003:



In the scoring of Townsville City Council's Administration and Activities, only the *Overall Level of Rates and Charges Levied* was considered to be average, however this was an improvement on the 1999 rating. This result is in line with the average result for the major urban local councils in Queensland.

Figure 4.3 Council Administration & Activities – Weighted Averages



Source AEC Group TCC Community Attitude Survey 2006

Similarly, Townsville City Council rates highly with the community for its provision of Services and Facilities, with all scores being above average.

Table 4.3 Community Survey Rating of Services and Facilities Provided by Council

Response	1 ~	2 ~	3 ~	4 ~	5 ~	Don't Know	Total	W/a 2006	W/a 2003	W/a 1999
Availability of Parks, Playgrounds and Recreation Areas	35.6	47.8	11.4	3.2	0.0	2.0	100.0%	1.8	1.9	2.2
Facilities Available in nearby Parks or Playgrounds	16.2	48.5	22.1	5.2	3.5	4.5	100.0%	2.2	2.1	2.5
Ease of Physical Access to nearby Parks or Playgrounds	21.6	53.2	18.4	3.0	0.0	3.7	100.0%	2.0	-	-
Control over Dogs in the Area	8.2	52.7	22.1	8.7	5.2	3.0	100.0%	2.4	2.6	2.8
General Area Upkeep and Maintenance	15.4	51.7	19.7	9.2	3.2	0.7	100.0%	2.3	2.3	2.5
Condition of the Road Surface	5.0	39.1	34.6	16.2	4.2	1.0	100.0%	2.7	2.6	2.7
Standard of Kerb and Channelling	6.0	42.5	31.8	12.7	5.0	2.0	100.0%	2.6	2.5	2.6
Amount of Street Lighting	2.7	38.3	37.1	16.2	4.0	1.7	100.0%	2.8	2.6	2.8
Standard of Footpaths	6.2	29.9	30.3	23.4	8.7	1.5	100.0%	2.9	2.5	2.7
Standard of Bikeways	13.4	40.0	10.7	11.7	9.7	14.4	100.0%	2.5	2.1	2.8
Weed and Grass Control in Local Streets and Drains	6.7	43.5	31.3	10.0	6.0	2.5	100.0%	2.6	2.5	2.6
Noise Level of your Local Neighbourhood	15.4	45.5	28.6	6.7	3.5	0.2	100.0%	2.3	1.8	2.5
Wheelie Bin System of garbage collection	25.1	64.2	8.0	1.5	0.0	1.2	100.0%	1.8	1.9	2.1
Present Recycling System	13.7	61.4	18.4	1.7	1.2	3.5	100.0%	2.1	2.5	1.9
Water Pressure	15.4	61.7	17.9	2.2	1.5	1.2	100.0%	2.1	2.5	2.4
Local Area Drainage	10.0	48.3	27.4	6.7	4.2	3.5	100.0%	2.4	1.9	2.6

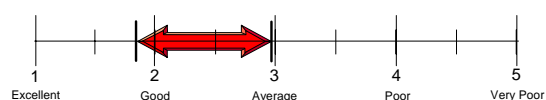
Rating Scale: 1 = Excellent / 2 = Good / 3 = Average / 4 = Poor / 5 = Very Poor

Note: The Weighted Average provides an Overall Average based on the ratings made by respondents answering each individual element / question. The closer the weighted average to the highest ranking, in this case '1 – Excellent', the better the rating. The number of the Weighted Average corresponds to the rating. For example, a weighted average of 1.5 would be equally between the ratings of 'Excellent' and 'Good'.

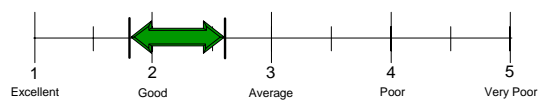
Source AEC Group TCC Community Attitude Survey 2006

On average, the overall range of weighted scores in 2003 were more closely grouped between 1.8 and 2.6 as opposed to 2006 scores ranging between 1.8 and 2.9. This is displayed graphically in the two weighted average graphs below.

2006 :



2003 :



Through regional partnerships and resource sharing, Townsville City Council has already achieved economies of scale in the majority of those functions where economies are available. This has resulted in the excellent current financial position of the Council and the high satisfaction of its services and facilities with the community.

None-the-less, Townsville City Council is interested in improving its regional cooperation models through the Local Government Reform process to achieve further efficiencies and benefits for the community where possible.

5. Proposals Opposed by Townsville

Townsville City Council understands that there are three permutations of potential local government reform involving the City. These are:

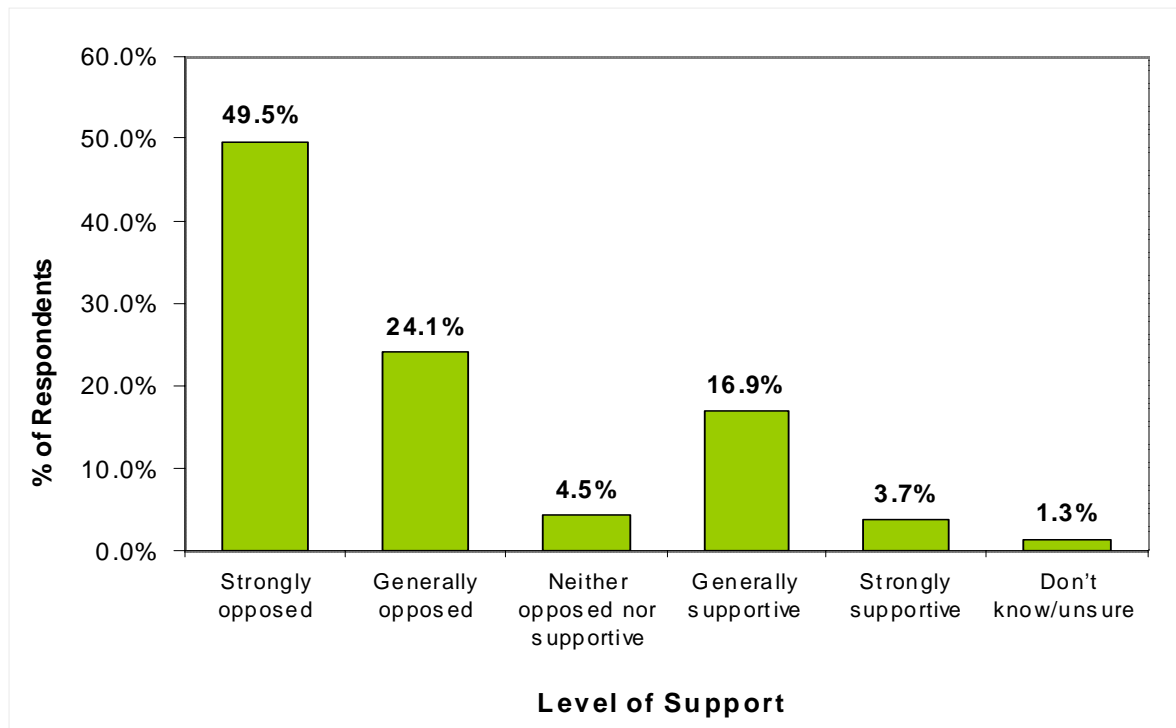
1. Townsville City amalgamates with Palm Island Council and continues to develop regional partnerships with adjoining councils through a Joint Arrangements Committee to share resources and minimise costs;
2. Townsville City is amalgamated with Thuringowa City;
3. A large regional "Super-Council" is formed from the current LGAs of Townsville, Thuringowa, Burdekin, Dalrymple, Charters Towers and Hinchinbrook.

In this section Council outlines why options 2 and 3 are not a suitable outcome for Townsville City Council and its residents.

5.1.1 Amalgamation with Thuringowa

There are significant differences in the standard and range of services and facilities provided to ratepayers between Townsville and Thuringowa. Equalising these services and facilities will involve substantial additional expense that will result in an increase in rates for all residents, in particular Townsville ratepayers who will cross subsidise Thuringowa ratepayers by up to 60%. It needs to be recognised that there is superficial community support for amalgamation of Townsville and Thuringowa, but that this amalgamation will be expensive to achieve both in terms of direct merger costs, service disruptions and service equalisation. It is impossible to achieve an amalgamation between Townsville and Thuringowa without incurring this increase in expenditure. When residents of Townsville and Thuringowa were asked "Whether they supported amalgamation if it meant higher rates for Townsville and Thuringowa residents to help raise service levels in Thuringowa" 73.6% of the community stated that they were Strongly or Generally Opposed to amalgamation.

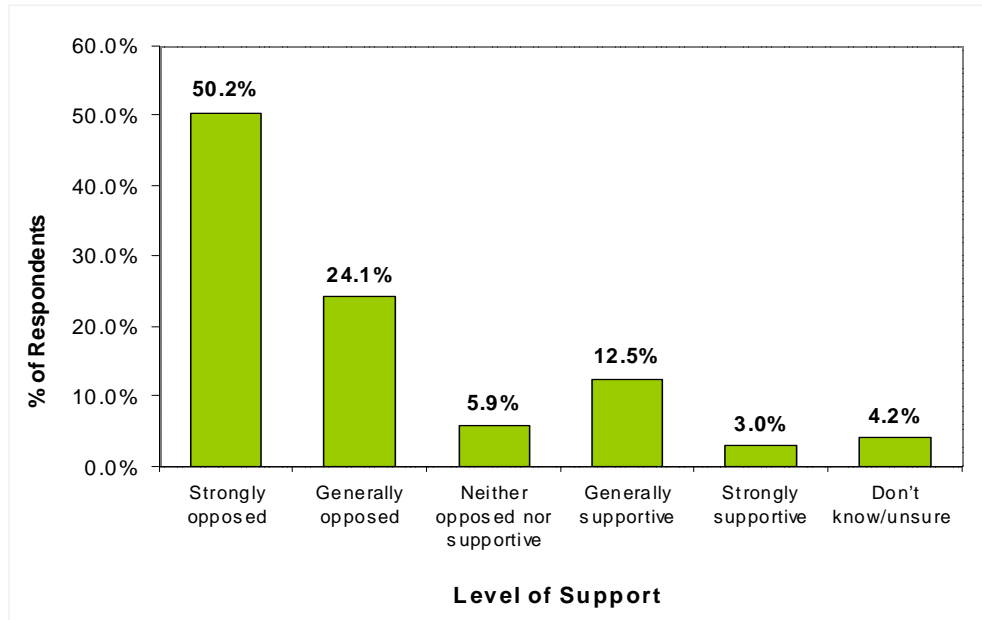
Figure 5.1 Amalgamation support – under higher rates for both Townsville and Thuringowa residents to equalise service levels



Source: NQ Amalgamation Survey, May 2007

Residents of Townsville are highly concerned about experiencing significant disruption to services from a possible amalgamation. 74% of residents were Strongly or Generally Opposed to amalgamation if 'Significant disruption to services provided to residents lasting up to 5 years' were involved. Experiences from other local government amalgamations around the world suggest that this is a valid concern by the community and that service disruption can and does last this long.

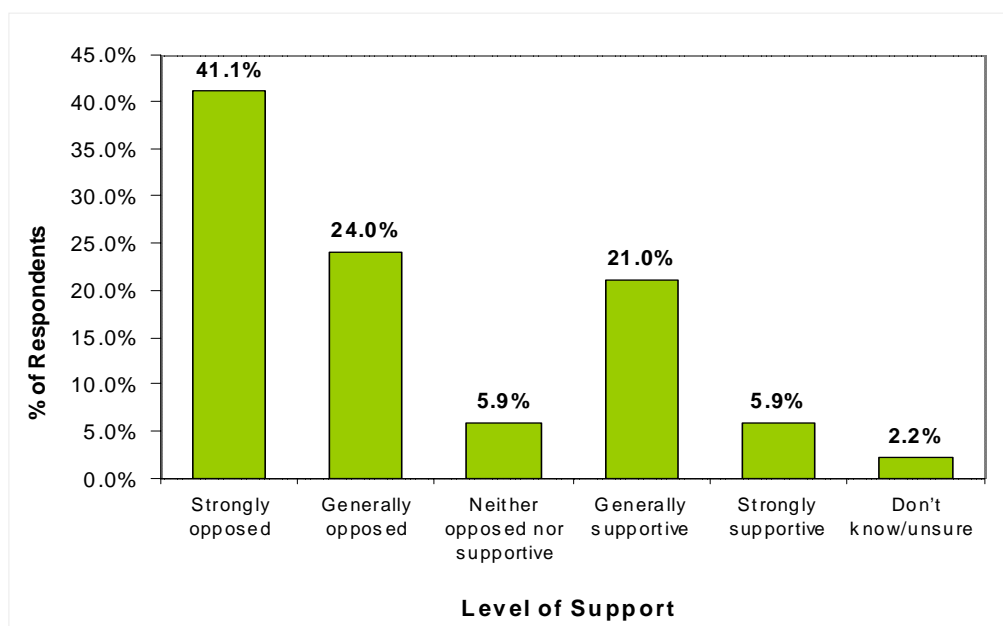
Figure 5.2 Amalgamation support – Significant Disruption to Services Provided to Residents lasting up to 5 Years



Source: NQ Amalgamation Survey, May 2007

Evidence from other amalgamations has found that there are significant costs involved to achieve integration of systems between merged councils. 64% of the Townsville community is Strongly or Generally Opposed to amalgamation if there are 'Significant costs to ratepayers to integrate the systems of the two councils'.

Figure 5.3 Amalgamation support – Significant Costs to Ratepayers to Integrate the Systems of the Two Councils



Source: NQ Amalgamation Survey, May 2007

The community of Townsville (and indeed Thuringowa) is highly concerned about the potential costs of any amalgamation of the two councils. Evidence from other local government mergers indicates that service disruptions and higher debts born out of the transition costs of amalgamation are not unusual. Given the overwhelming position of the community, Townsville City Council has no option but to convey in the strongest terms the community's opposition to any proposed amalgamation of Townsville and Thuringowa. Townsville City Council shares the community's concern that amalgamation of councils of this size will not improve outcomes and will impose unnecessary disruption and costs on the community.

5.1.2 Amalgamation to Form a Super Council

Townsville City Council and its residents are particularly opposed to the creation of a "super council", based on the LGAs of Burdekin, Charters Towers, Dalrymple, Hinchinbrook, Palm Island, Thuringowa and Townsville. There is clear evidence that very large councils formed from amalgamations provide very little benefit, and indeed may even result in negative outcomes for their communities. In addition to the examples provided in Section 6, the following table displays the results of previous large amalgamations in Queensland.

The examples in Table 5.1 outline that only minor savings were achieved in these cases. Furthermore, these figures only examine changes in administration, where the greatest savings tend to be achieved, without looking at the holistic situation, where the change may have increased costs due to service/facility equalisation. The figures also do not take into account transition costs, which can easily account for many years of potential savings.

Table 5.1 Administrative savings relative to overall Council budgets

Councils Amalgamated	Estimated Administrative Saving	Total Outlays 1992/93	% Savings
Cairns/Mulgrave	\$1.8 million	\$87.3 million	2.1%
Ipswich/Moreton	\$2.5 million	\$81.3 million	3.1%
Gold Coast/Albert	\$3.0 million	\$264 million	1.1%

Source: Final Reports of Reviews by Office of Local government Commissioner

It must also be considered that amalgamation also negatively impacts the level of Financial Assistance Grants (FAGs) provided to councils by the Queensland Government. The FAGs are assessed and distributed each year by the Queensland Local Government Grants Commission, using its horizontal fiscal equalisation methodology. Under this approach the notional income and expenditure of a council is assessed and funding allocated on the basis of any deficiency. Data used in the determination of this equation is significantly derived from council's annual consolidated data collection, ABS social and economic statistics and Department of Natural Resources unimproved land valuations.

Table 5.2 Financial Assistance Grants Queensland -Schedule of total cash allocations for 2006/07

Local Government Area	General Purpose Cash Grant (\$)	Identified Road Cash Grant (\$)	Total Cash Grant (\$)
Cairns	2,492,424	1,646,803	4,139,227
Townsville	2,653,491	1,285,307	3,938,798
Thuringowa	1,420,727	762,301	2,183,028
Townsville + Thuringowa	4,074,218	2,047,608	6,121,826

Under an amalgamated scenario, a combined Townsville and Thuringowa stand to receive less funding through FAGs than as separate local government areas. As can be seen in Table 5.2, Cairns receives 61% of the funding that Townsville and Thuringowa receive. This is despite Cairns population being 80% of the population of Townsville and Thuringowa.

So whilst there may be some cost savings in administration achieved in the long term from an amalgamation of councils these are substantially outweighed by the:

- Loss of revenue in FAG's;
- High transition and implementation costs;
- Equalisation of services, facilities and infrastructure across merged boundaries;
- Direct costs associated with service disruptions lasting up to 5 years; and
- Indirect costs to the community and business sector associated with service disruptions lasting up to 5 years.

It cannot be argued that amalgamation will lead to stronger growth in a merged region. The evidence from the amalgamations of the previous EARC process demonstrate that growth in Townsville and Thuringowa is generally equal to or above that which was achieved by the merged councils.

Table 5.3 Population growth in Queensland amalgamated councils and Townsville/Thuringowa

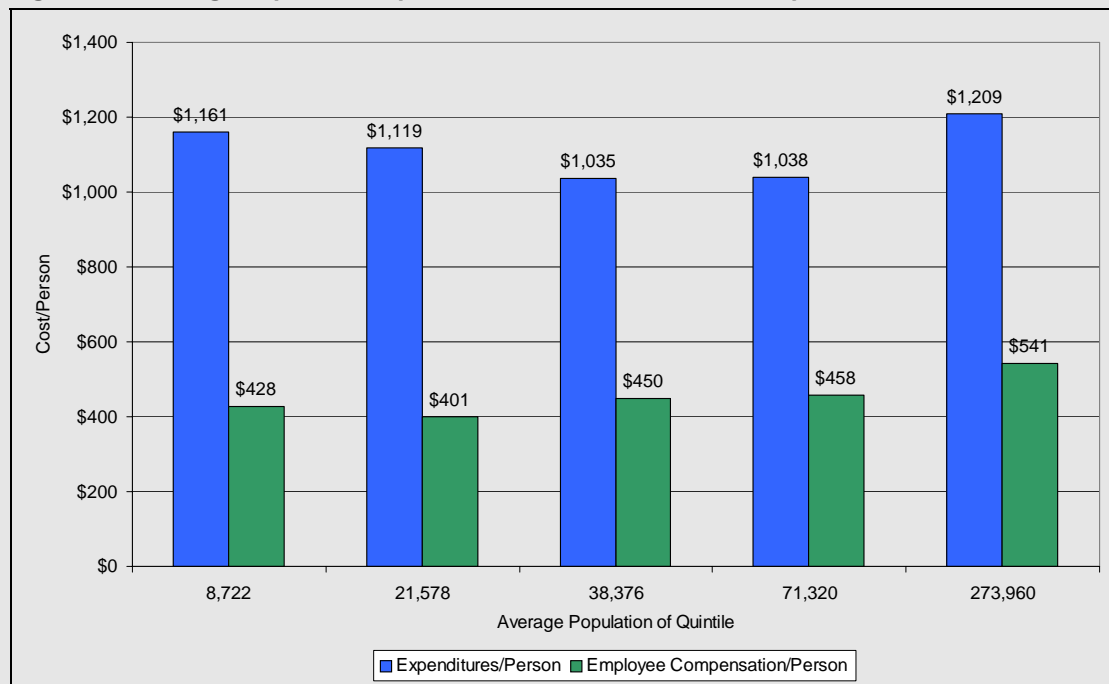
Councils Amalgamated	% Population Growth Rate 2001-06	% Population Growth Rate 2005-06	Number Population Growth 2005-06
Cairns/Mulgrave	3.2	2.5	4,099
Ipswich/Moreton	3.0	2.8	4,240
Gold Coast/Albert	2.8	3.3	13,563
Townsville/Thuringowa	2.8	3.0	5,056

Source: ABS 3218.0 (2007)

It is therefore clear that under a comprehensive Cost – Benefit framework, amalgamation is not viable to either council or the community.

An analysis of the average costs of local council service delivery in a sample of 762 United States local municipalities showed that the lowest average expenditure per capita was achieved in municipalities with mean populations of 38,000 and 71,000, and the highest expenditure per capita was recorded in the largest municipalities (Dollery & Fleming 2005).

Figure 5.4 Average Expenditure per Person, United States Municipalities, 2000



Source: Cox, Wendell, *Reassessing Local Government Amalgamation*

These results support a familiar economic observation, that for many organisations there are both economies and diseconomies of scale. The results also provide direct evidence that a merger between Townsville and Thuringowa, or the creation of a regional 'super council' risks creating a local government where the cost of governance per person will actually be higher than it currently is.

Local councils do not need to amalgamate (and assume the higher costs of providing services with diseconomies of scale) to achieve savings on the provision of those services with economies of scale and scope. For these services, local councils can enter into joint arrangements or agreements with adjacent councils to share resources such that the minimum scale of production is reached. For those services with diseconomies of scale or scope, each council can continue to

provide these services to their populations at a lower cost than if the councils were amalgamated. These agreements would deliver the benefits of economies of scale or scope without incurring the costs associated with either diseconomies of scale or amalgamation.

Through extensive use of joint agreements and coordination of planning activities, Townsville and Thuringowa have been able to capture the benefits typically associated with amalgamation without incurring the significant costs or surrendering autonomy and decentralisation.

Evidence also suggests that the quality of political representation and service to the community is endangered when councils are amalgamated to form too large an entity. With very strong population growth in Townsville and Thuringowa, the dangers of creating an inefficient local government through an amalgamation are very real.

The key message is that the drive for increased efficiency does not necessarily involve a choice between leaving existing councils as they are or amalgamating local councils. Dollery and Byrnes (2005) identify seven different organisational models for local councils, ranked in order of autonomy and decentralisation:

1. Existing small councils
2. Voluntary arrangements: ad hoc resource sharing between adjacent councils
3. Regional organisations of councils (ROCs): formalised resource sharing between adjacent councils
4. Joint board (or area integration): the retention of autonomous existing councils and their current boundaries, but with shared administration and operations overseen by a joint board of elected councillors
5. Virtual local government model: common administrative organisation or "shared service centre" that provides the necessary administrative capacity to undertake policies decided upon by individual councils
6. Agency model: all services run by state government agencies, with elected councils acting as an advisory body, determining the mix of services for specific jurisdictions
7. Large amalgamated councils: most centralised model, the consolidation of several small councils into a single large council

The current profile of elected representation across the region is described in the Table 5.3.

Table 5.3 Profile of Elected Representatives

Council	No Councillors excl Mayor	No of Divisions	Councillors per Division	Electors per Division
Townsville	10	10	1	5,000
Thuringowa	10	2	Division 1 – 3 Division 2 - 7	11,601 27,272
Hinchinbrook	8	Undivided	N/a	8,200
Burdekin	10	Undivided	N/a	12,185
Charters Towers	6	Undivided	N/a	3,200
Dalrymple	8	4	Division 1 – 4 Division 2 – 2 Division 3 – 1 Division 4 - 1	1,234 699 221 237
Total	52		Total Electors	114,849

Under an amalgamated area the maximum number of Councillors presently provided for under the Local Government Act is 13 including the Mayor. Assuming a system of one vote one value, divisional representation comprising single member wards, the dilution of representation is presented in Table 5.4.

Table 5.4 Representation under the Super Council Proposal

Council	Number of Councillors	Electors	Elector quota
Townsville	5.23	50,000	
Thuringowa	4.06	38,873	
Hinchinbrook	0.86	8,200	
Burdekin	1.27	12,185	
Charters Towers	0.33	3,200	
Dalrymple	0.25	2,391	
Total	12		9,571

This result has substantial detrimental outcomes for local communities in terms of their access to, and ability to effectively utilise, democratic representation to seek good governance of their area.

As can be seen the combined areas of Charters Towers and Dalrymple would not reach the quota for a single member. The area of the current Hinchinbrook Shire also does not reach the quota for a single member. Consequently, based on current electoral legislation the representation of these three rural local governments would be reduced from the existing 22 Councillors to one. The area of the current Burdekin Shire would be reduced from ten Councillors to one. Clearly the communities in those areas could not be adequately represented under such a system.

5.1.2.1 Access to Councillors by Individuals

In the non-metropolitan and rural areas, the dilution of representation will mean that the electors in Dalrymple, Burdekin and Hinchinbrook in particular will be significantly disadvantaged in their ability to access their elected members. Where currently elected members are sufficiently numerous to reside in localities where they are reasonably close to their constituents, the reduction in numbers means that constituents who wish to contact representatives personally may need to travel significant distances.

5.1.2.2 Workload of Councillors

The increase in constituent numbers required to be served by each Councillor together with the wider scope of issues to be addressed will significantly increase the Councillor's workload resulting in less attention being given to individual issues and the needs of individual constituents. Consequently there is a risk that the current satisfactory level of governance will be prejudiced.

5.1.2.3 Geographic Disadvantage

With each Councillor being required to concern themselves with a much wider geographic area, those seeking to represent constituents in the more rural areas will need to travel substantial distances to maintain familiarity with the issues to be attended to. If the area were to be undivided for electoral purposes the situation would be even worse. In such a case every Councillor would be expected to travel widely in order to understand the issues of the different parts of the region, resulting in significantly increased cost and further workload for individual Councillors.

The distances between communities in the region by road are illustrated in **Table 5.5**.

Table 5.5 Travel Distances

From	To	Kilometres
Ayr	Charters Towers	164.79
	Ingham	198.05
	Townsville	90.28
Charters Towers	Ingham	244.19
	Townsville	136.42
Ingham	Townsville	111.21

5.1.2.4 Additional Cost to Support Councillor's Roles

Given the dilution of representation and the larger geographic area, each Councillor will require more support than currently provided at present. Accordingly any cost saving from the reduction in elected member remuneration (which should be small in any event given the modest remuneration applicable to the majority of existing Councillors) will be more than offset by the cost of additional administrative support required to enable adequate attention to constituency matters.

5.1.2.5 *Inequitable Voice in Chamber*

The dilution of representation will mean that those rural areas currently served by several Councillors will have a significantly reduced voice in the new Council, raising the prospect of inequitable distribution of resources and services to the more remote and rural communities.

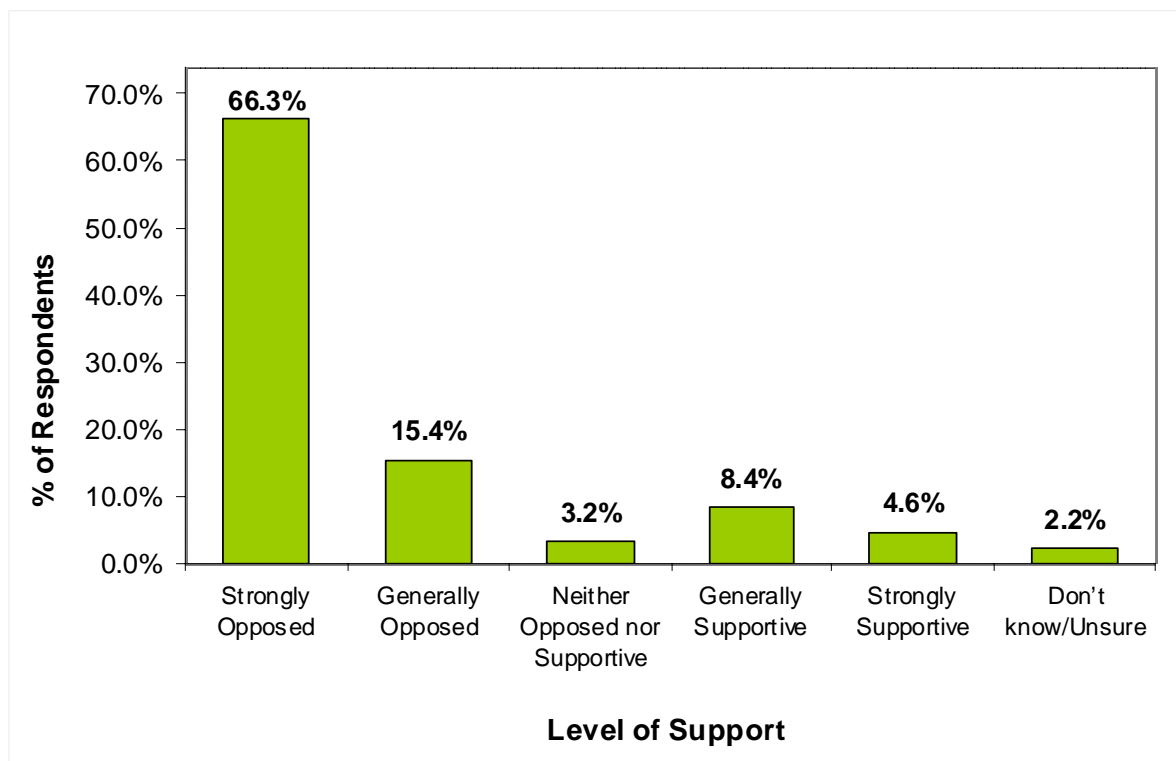
5.1.2.6 *Requirement for Excessive Delegation*

As a result of the increased workload of individual Councillors there will be a natural progression toward extensive delegations of authority to administrative personnel with a consequential loss of electoral accountability and responsiveness.

5.1.2.7 *Community Views*

The community of North Queensland is strongly opposed to the formation of a potential 'super council'. 81% of residents described themselves as Strongly or Generally Opposed to the 'Forced amalgamation of all six North Queensland councils into one regional super council'. Only 13% of North Queensland residents are Strongly or Generally Supportive of the super council concept.

Figure 5.5 Amalgamation Support - Forced amalgamations of all six North Queensland councils into one regional super council



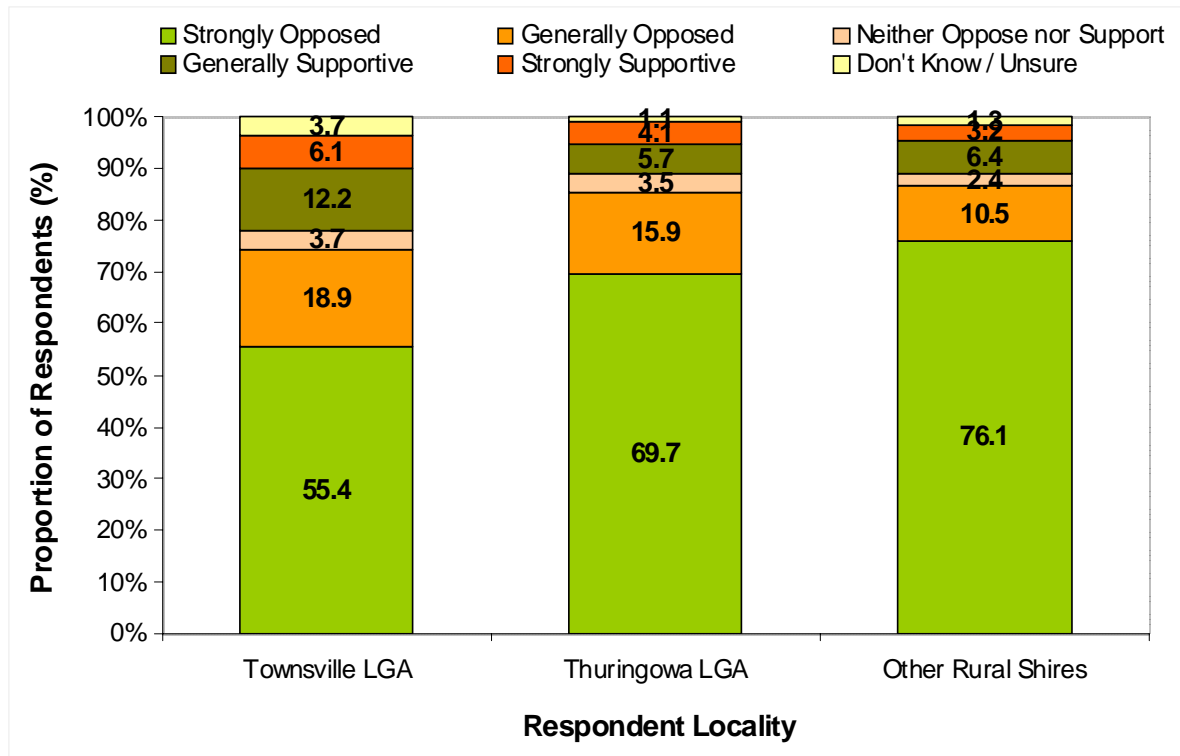
Source: NQ Amalgamation Survey, May 2007

As may be expected, residents become more opposed to the notion of a super council the smaller the local government they are currently part of. Townsville City Council recognises that the smaller shires will be very poorly represented and have the most to lose in the creation of a super council.

While 74% of Townsville residents are Strongly or Generally Opposed to the 'Forced amalgamation of all six North Queensland councils into one regional super council', 86% of Thuringowa's residents are opposed and 87% of the other North Queensland shire's residents are opposed (with a higher percentage Strongly Opposed). Only 10% of either Thuringowa's or the other North Queensland shire's residents are supportive of the super council concept. Should these Councils be forced to amalgamate into a Townsville based "super council" the Commission needs to consider the additional difficulties that would exist from a community that would be unwilling to accept the new entity. We draw the Commissions attention to the precedence of Delatite Shire in Victoria that was de-amalgamated in 2002 due to strong and sustained ongoing resident resistance to the forced amalgamations of the Kennett Government.

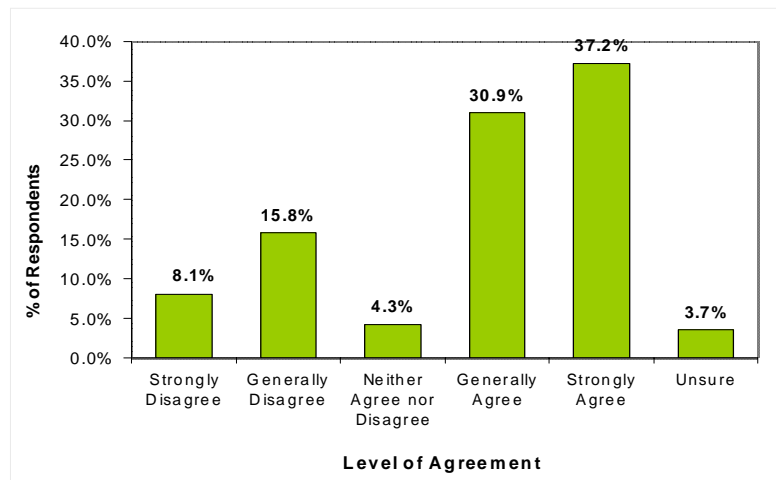
Figure 5.6 Amalgamation Support - Forced amalgamations of all six North Queensland councils into one regional super council

Source: NQ Amalgamation Survey, May 2007

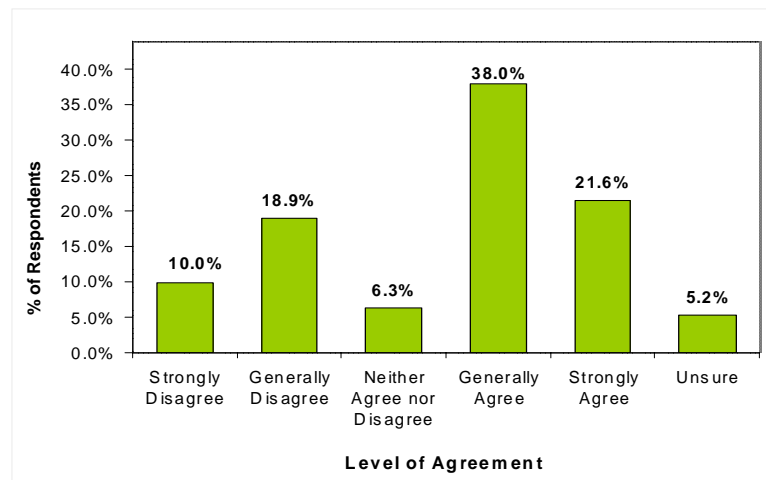


Residents of North Queensland overwhelmingly believe that the idea of amalgamation is a poor one and that the current system of local government has continually benefited them. In response to the statement 'Having six councils has served the region well and no reason to change it' those that Strongly or Generally Agreed outnumbered those that Strongly or Generally Disagreed two to one. 96% of North Queensland residents Strongly or Generally Agree with the statement 'Cooperation already exists and has delivered good outcomes in regional planning'.

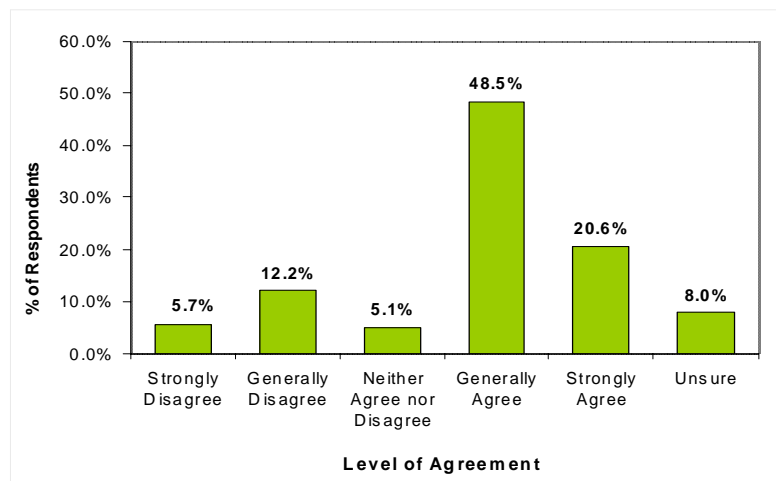
Having six councils has served the region well & no reason to change it



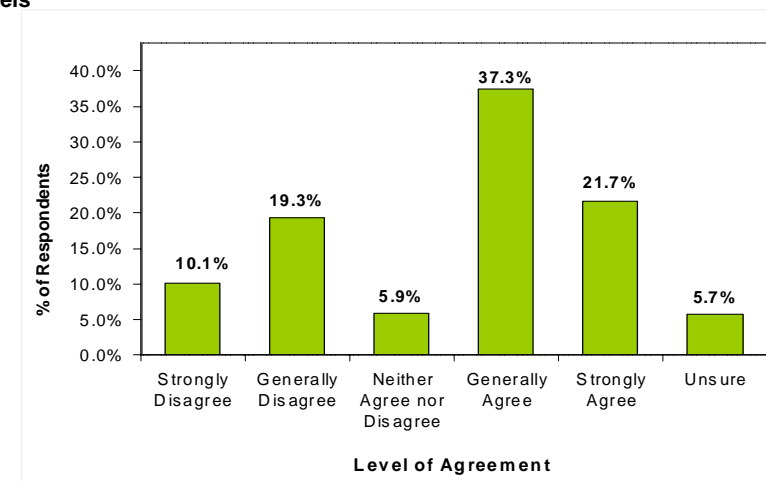
Healthy competition between the various Councils that leads to better services for all residents



Cooperation already exists & has delivered good outcomes in regional planning

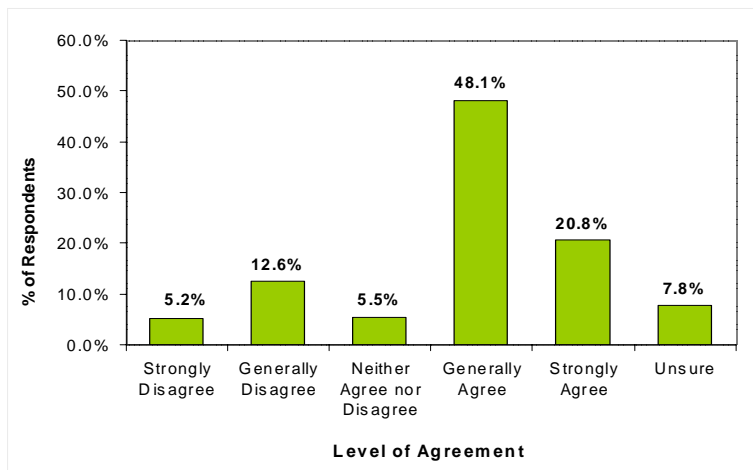


Local residents benefit from six councils as it offers people choice in service levels

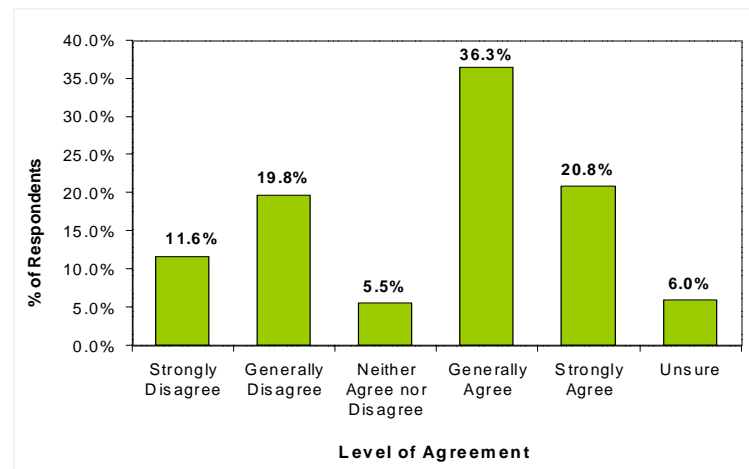


57% of North Queensland residents Strongly or Generally Agree with the statement 'Local residents benefit from six councils as it offers people choice in rates'. Only 27% of residents agree with the statement 'Regional land use and infrastructure planning have been hampered (by the current arrangement of local government)'. Again, the residents of North Queensland have made it clear that they see advantages to the current system of local government and do not believe that the current system has significantly hindered development or planning in the region.

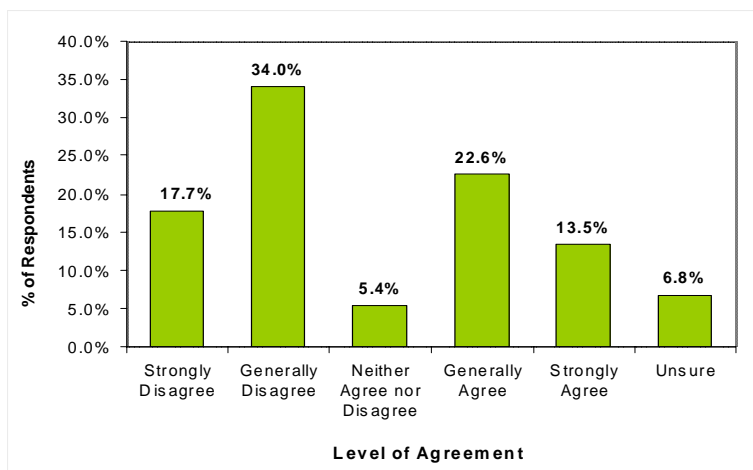
Cooperation already exists & has delivered good outcomes service delivery



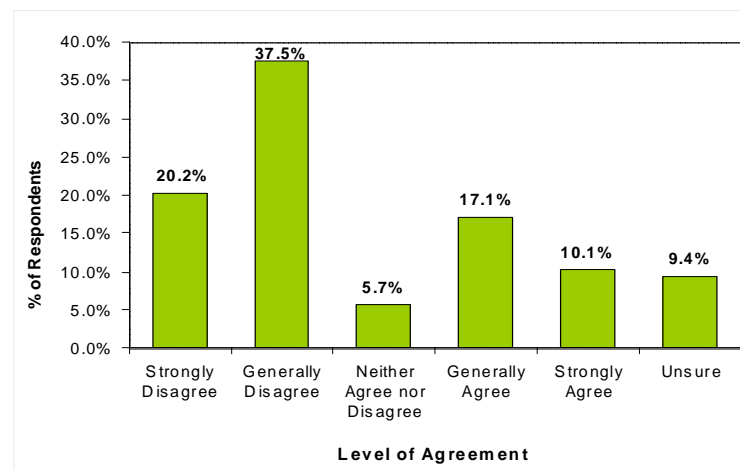
Local residents benefit from six councils as it offers people choice in rates



Six councils has resulted in too much red tape & duplication

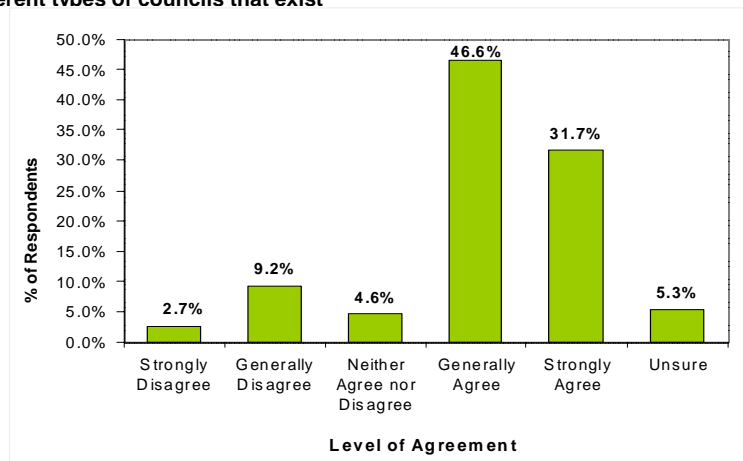


Regional land use & infrastructure planning have been hampered

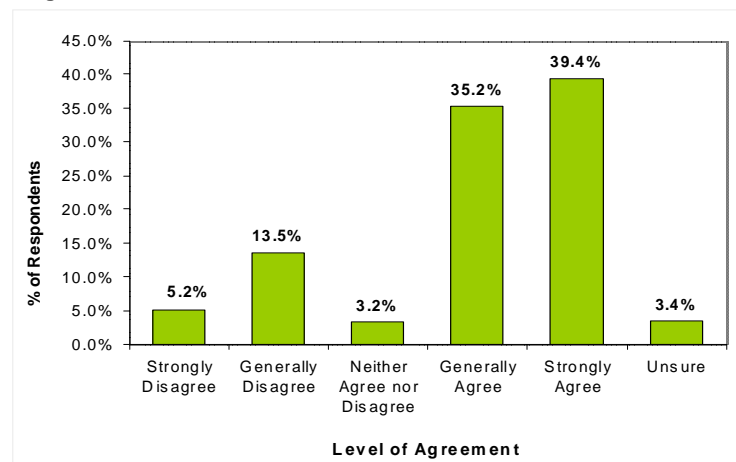


From a superficial perspective it may appear that different local government areas in North Queensland share significant communities of interest. The residents of North Queensland reject this assessment. When asked whether 'Six council areas (in North Queensland) have distinct 'communities of interest' and these are reflected in different types of councils that exist', 78% of residents Strongly or Generally Agreed, with only 12% of residents Disagreeing. 70% of North Queensland residents Agree with the statement 'Interests of rural areas are not compatible with interests of urban areas such as Thuringowa and Townsville', and only 13% of residents Disagree with the statement 'Residents get high level of representation under present arrangements'.

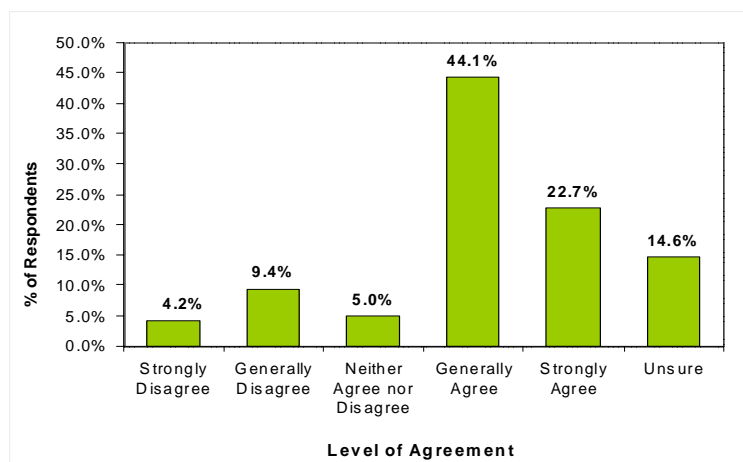
Six council areas have distinct 'communities of interest' & these are reflected in different types of councils that exist



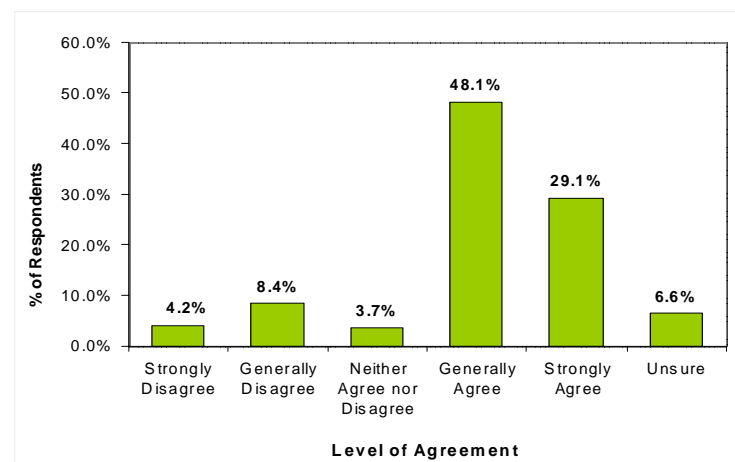
Interests of rural areas are not compatible with interests of urban areas such as Thuringowa and Townsville



Region's various councils are financially sustainable & viable in their own right

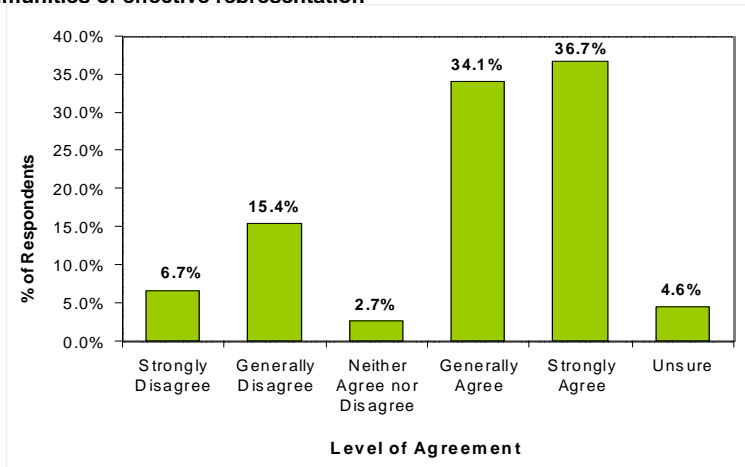


Residents get high level of representation under present arrangements

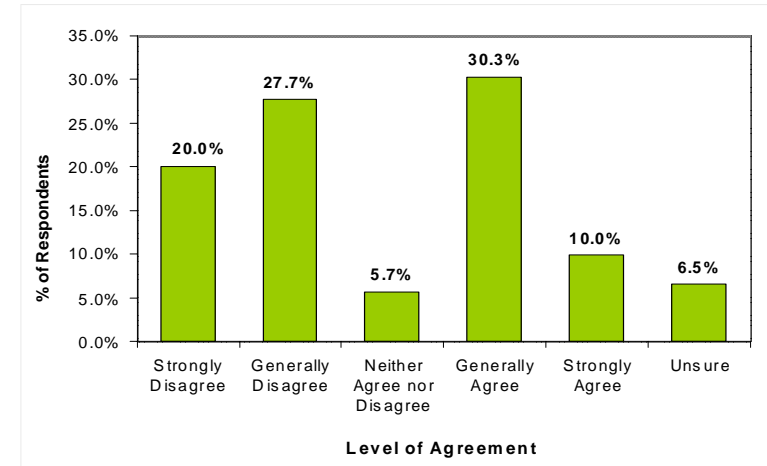


Townsville City Council recognises that its sheer size risks the effective representation of smaller communities in other shires should they be forced to amalgamate to form a "super council". 76% of North Queensland residents Strongly or Generally Agree with the statement 'Small communities suffer in service provision compared to bigger cousins'. 63% of residents Disagree with the statement 'Amalgamating councils will lead to improved services for all residents'.

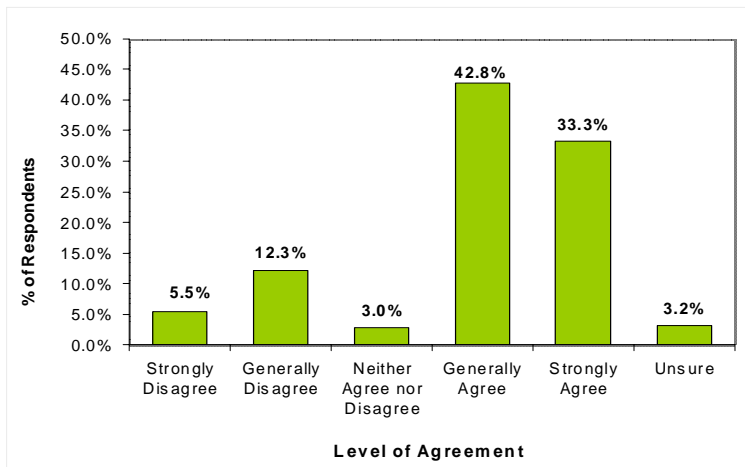
Amalgamation not only expensive to implement, but it may rob small communities of effective representation



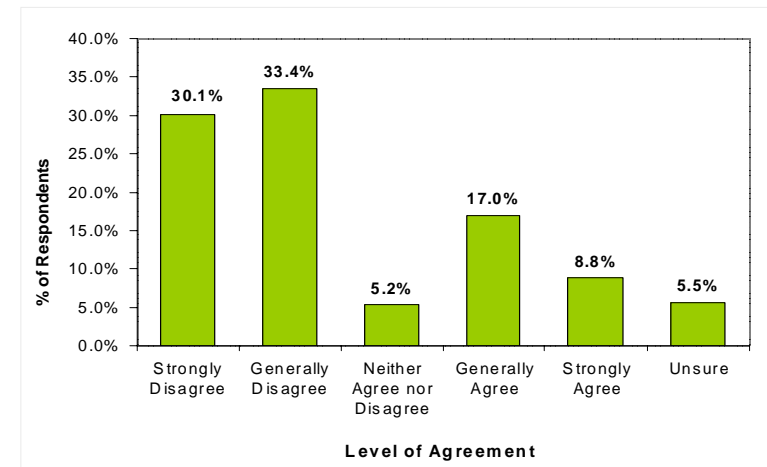
Ensure better planning & a consistent regional approach to land use & infrastructure planning



Small communities suffer in service provision compared to bigger cousins

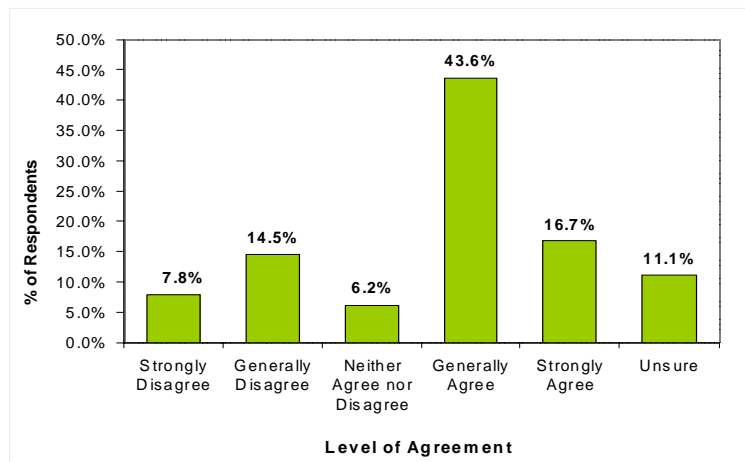


Amalgamating councils will lead to improved services for all residents

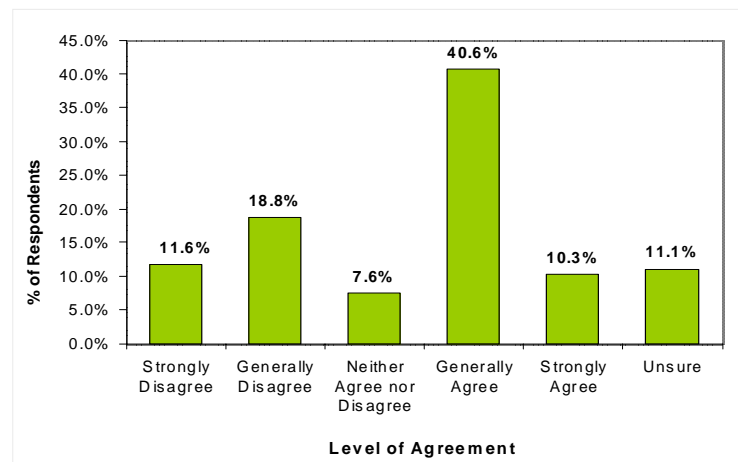


Residents are highly concerned about the equity of spending of their rates under an amalgamated “super council”. It is Agreed by 60% of North Queensland residents that ‘Some councils will subsidise other councils once they are amalgamated’. Residents fear a loss of services, local identity and social decay with 68% of North Queensland residents Strongly or Generally Agreeing with the statement ‘(Amalgamation will) Destroy local identity and lead to social conflict as services deteriorate in smaller areas’.

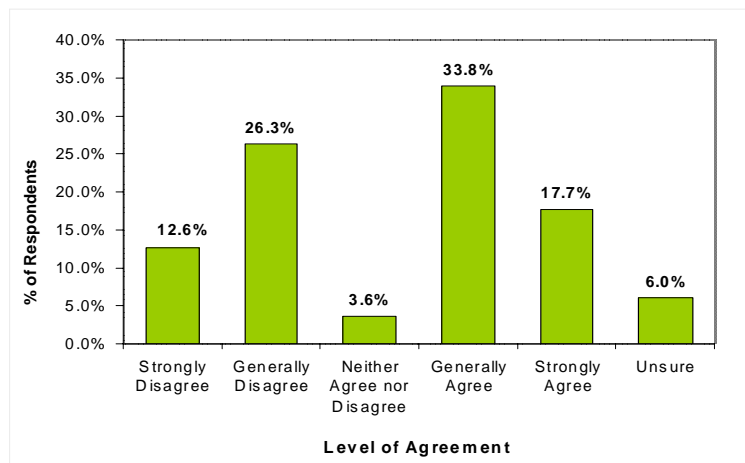
Some councils will subsidise other councils once they are amalgamated



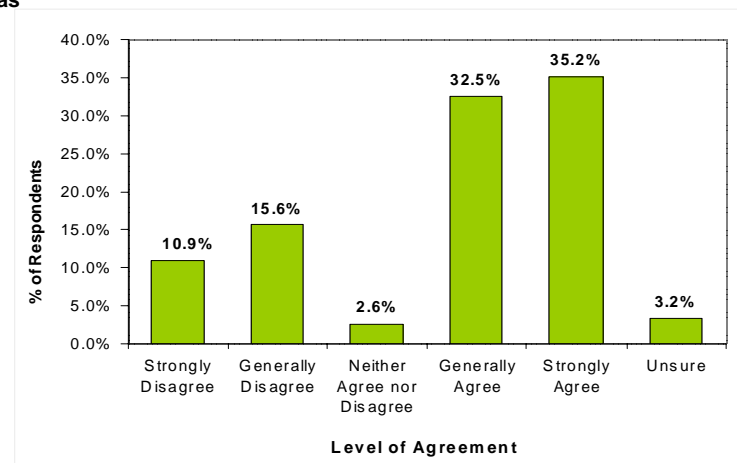
Lead to services & infrastructure being delivered within a regional approach



It will not lead to any substantial reduction in red tape and duplication



Destroy local identity & lead to social conflict as services deteriorate in smaller areas



6. Previous Amalgamation Experiences

Around the world, amalgamations have often been seen as the cure-all for ailing local councils. This is despite numerous examples that they usually do not deliver the desired outcomes. The annual savings are usually overestimated and the annual costs and transition costs are often underestimated, biasing the pre-amalgamation cost-benefit analyses. According to a body of published evidence, the logistical complexities of merging the operations of two (or more) councils, particularly where those councils are large or have major differences in organisational culture, should not be underestimated. Detailed below are examples of local council amalgamations that have failed to deliver the anticipated outcomes.

6.1 Delatite Shire, Victoria

Following the 1992 Victorian state elections, the Victorian Government commenced a compulsory local council amalgamation process, ultimately reducing the number of councils from 210 to 78. The stated intention of the amalgamation process was to increase the efficiency of local councils through the reduction in administration, as well as reduce costs through elimination of duplication, sharing of capital equipment and infrastructure, and economies of scale. Amalgamation was also seen as a way to aggregate demand for compulsory competitive tendering (CCT) implementation.

The Shire of Delatite was formed through the amalgamation of the City of Benalla, the Shire of Mansfield, a significant proportion of the Shire of Benalla and a proportion of the Shire of Violet Town in November 1994. There were sizeable differences between the north and the south of the shire, in terms of employment, education, income and economic base. Mansfield, in the southern region of the newly formed shire, was strongly opposed to the amalgamation, largely because it was believed that amalgamation would result in a loss of services and local government staff from the region to Benalla in the north of the shire. As part of ongoing resistance to the amalgamation, Mansfield residents formed the Mansfield and District Residents' and Ratepayers' Association, with the intention of running pro-de-amalgamation candidates for election in the mid-2000 elections. These candidates won several seats, and were subsequently successful in lobbying the Victorian government for the opportunity to present a case for de-amalgamation. Following community consultation, the shire was given the opportunity to split, with Delatite receiving notice in July 2002 that the shire would be de-amalgamated.

The costs associated with the 8-year amalgamation of Delatite Shire were significant. The de-amalgamation of the shire resulted in an increase of rates of 12% for Benalla and over 16% for Mansfield. There were also the costs associated with two structural changes, the loss of services caused by a rate cap, the degradation of infrastructure caused by reduced maintenance budgets, the reduction in council productivity and the time and money spent by residents to reverse the amalgamation.

Lessons for the Local Government Reform Commission:

- o De-amalgamation does occur when amalgamations are forced on communities; and,
- o The cost of de-amalgamation is very high and extremely disruptive to both councils and the community.

6.2 Halifax, Nova Scotia, Canada

Following a review of Nova Scotia's local governments, the cities of Halifax, Bedford and Dartmouth and the Halifax County Municipality were amalgamated in 1996 to form the Halifax Regional Municipality (HRM), in spite of the objections of the individual municipalities. The Municipal Reform Commissioner recommended the amalgamation because it was thought it would provide financial benefits to tax payers and also produce a more effective and efficient local government. With a combined population of 350,000, the amalgamation created the largest municipal unit from amalgamation in Atlantic Canada, far larger than necessary to achieve economic of scale in local government service provision. The new region covered 6,475 square kilometres, and encompassed an urban core, suburban areas, small communities, villages, farms and wilderness.

The cost of the amalgamation was estimated at \$9.8 million in the HRM implementation study, but the actual cost blew out to \$26 million. When the costs associated with the new labour agreements and new financial management system are also included, the total cost of the amalgamation is estimated to be around \$40 million. Most of these costs were met through borrowing, which smoothed the costs of amalgamation but left a lasting financial burden to the ratepayers.

While the costs of amalgamation were higher than expected, the benefits appear to have been lower. Between 1996 and 2000, average residential property taxes increased by between 10% in the urban areas to 30% in suburban and rural areas. In addition to higher taxes, a survey of HRM residents conducted three years after the amalgamation indicated that many were dissatisfied with the level of service they were receiving from the amalgamated municipality, with 56% not believing they were getting good service value for the property taxes they paid. The same survey also indicated that 66% of residents were opposed to the amalgamation, with 39% strongly opposed, an increase from the pre-amalgamation opposition to amalgamation of 42%.

Lessons for the Local Government Reform Commission:

- The cost of amalgamation can easily be underestimated;
- Councils can be too large, and suffer diseconomies of scale;
- Large scale amalgamations can leave a lasting financial hangover for ratepayers, and lead to reduced satisfaction with council services; and,
- Even if residents are in favour of amalgamation prior to reform, the amalgamation may not turn out to be supported by the community in actuation.

6.3 Toronto, Ontario, Canada

Following years of commissions and task forces on the sustainability of the Toronto region, the Ontario Province legislated the City of Toronto Act 1997 that introduced the new City of Toronto. On 1 January 1998, the municipal governments of East York, Etobicoke, North York, Scarborough, York and Toronto were amalgamated to create the City of Toronto, and the municipality of Metro Toronto was abolished, removing one level of regional government. The goals of the amalgamation were to reduce costs, improve efficiency and improve accountability. The new City of Toronto became the largest city in Canada, with 2.5 million people.

A cost-benefit analysis of the amalgamation was estimated in a study commissioned by the Province of Ontario in 1996 - *Fresh Start: An Estimate of Potential Savings and Costs from the Creation of Single Tier Local Government for Toronto*. The study estimated transition costs at \$150 million to \$220 million - the actual transition costs were \$275 million. These transition costs were met through a combination of reserve funds (\$80 million) and debt (\$195 million). The result to Toronto's residents was an annual bill of approximately \$29 million in debt payments over the next 10 years.

Annual savings from amalgamation were estimated at \$230 million to \$364 million in the *Fresh Start* study, but the actual annual savings from amalgamation were \$153 million.

While actual consolidation savings (\$153 million) exceeded the estimated consolidated savings (\$82-\$112 million), there were no efficiency savings, although these had been estimated at between \$148-\$252 million. The reasons proffered for the failure to achieve the estimated efficiency gains were:

- That the estimated savings were based on the amalgamation savings across all programs and services, but over 70% of the City Of Toronto's programs and services were amalgamated before 1998, and the savings from amalgamation had already been achieved; and,
- That the estimated savings did not recognise the full costs of amalgamation, including the scale of the one-off costs, wage harmonisation costs and service level harmonisation costs.

The estimated annual costs of amalgamation were not estimated in *Fresh Start*, but the actual annual costs of amalgamation were \$46.8 million.

Table 6.1 Costs and Benefits of Toronto Amalgamation

Category of Transition Cost	Actual (\$M)	Estimated (\$M)
Staff Exit Costs	75.0	90.0-150.0
Retraining Costs	5.0	10.0-20.0
Business Information Systems	83.0	0.0
Facility Consolidation/Modification	82.0	0.0
Other Costs	30.0	50.0
TOTAL TRANSITION COSTS	275.0	150.0-220.0

Category of Annual Saving	Actual (\$M)	Estimated (\$M)
Consolidation Savings	153.0	82.0-112.0
Efficiency Savings	0.0	148.0-252.0
TOTAL ANNUAL SAVINGS	153.0	230.0-364.0

Category of Annual Costs	Actual (\$M)	Estimated (\$M)
Service Level Harmonisation	17.8	0.0
Wage Harmonisation	n/a	0.0
Annual Debt Financing	29.0	0.0
TOTAL ANNUAL COSTS	46.8	0.0

Source: www.toronto.ca/city_manager/amalgamationreport.pdf

The differences between the estimated and actual costs and benefits of the amalgamation reduced the net benefit per year to \$106.2 million, but this figure does not take into account the wage harmonisation costs or the cost of additional staff put on after the amalgamation. While the total costs of wage harmonisation remain undisclosed, the City of Toronto's *Building the New City of Toronto: Three Year Status Report on Amalgamation January 1998 – December 2000* conceded that the costs were significant. The harmonisation of the salaries of approximately 3,000 firefighters alone was estimated to cost \$3 million per year.

In addition to the increased costs of existing staff, there has also been an increase in total staff numbers since the amalgamation. Over the period 1998 to 2004, the total number of local council employees increased by 1,646 persons.

Lessons for the Local Government Reform Commission:

- Regional cooperative arrangements between independent councils can achieve the sought cost savings of amalgamation, without the merger costs;
- The cost of amalgamation can easily be underestimated;
- Councils can be too large, and suffer diseconomies of scale; and,
- Large scale amalgamations can leave a lasting financial hangover for ratepayers.

6.4 Montreal, Canada

In January 2002, the 27 municipal governments on the Island of Montreal were merged with the City of Montreal, resulting in jurisdiction over the 1.8 million residents of the island. The ruling political party, Parti Quebecois, pursued amalgamation for three reasons:

1. The reorganisation of public services and economies of scale stemming from the amalgamation should reduce public expenditure per capita;
2. Amalgamation should reduce the fiscal burden on the previous city of Montreal and the fiscal disparities among the 27 municipalities; and,
3. Amalgamation should allow for greater policy coordination across the Island of Montreal.

There was intense opposition to the merger in Montreal, with the English-speaking municipalities on the western island fearing the new amalgamated city would favour the larger French-speaking population on the eastern island, including the City of Montreal. In the provincial elections in April 2003, one of the main election platforms of the opposition party, the Liberal Party of Quebec, was that they would allow amalgamated municipalities to hold referendums to vote on de-amalgamation from the City of Montreal. The Liberal Party of Quebec won the election, and in June 2004 referendums were held in 22 of the 27 previously independent municipalities. Following the referendum, 15 of the previously independent municipalities, most of them English-speaking, were reconstituted, but with reduced powers and responsibilities.

One study of the economic impact of the Montreal amalgamation concluded that it caused a negative effect on economic growth, resulting in a loss of \$2.1 billion in economic activity. The study also noted that it did not appear that the creation of the City of Montreal resulted in economies of scale in local council service provision, and that the harmonization of wages had resulted in higher employee compensation, reducing the potential savings from amalgamation. The study also found that the costs of amalgamation would not be recovered through de-amalgamation, since it was not a return to the decentralized, pre-amalgamation system of local council. It was estimated that 25% of the costs of amalgamation would be saved, but de-amalgamated municipalities would be in a better position to limit increases in employee compensation and tailor service provision to local preferences.

Lessons for the Local Government Reform Commission:

- o Councils can be too large, and suffer diseconomies of scale;
- o The disruption caused by amalgamation can result in flow-on negative impacts to the economy; and,
- o Mistaken amalgamations cannot easily or cheaply be reversed.

6.5 New Zealand

In the late 1980s and early 1990s, New Zealand undertook an extensive program of forced amalgamations of local councils, drastically reducing the number of local governments. In less than 2 years, 705 local authorities were reorganised into 13 regional councils, 73 territorial districts, one unitary authority (both a regional and district council) and 7 special purpose authorities. The primary goal of these amalgamations was to increase administrative efficiencies. This goal appears to have been achieved, with amalgamation resulting in enhanced administrative capability and operational efficiency.

Operational efficiency was increased through the increased utilisation of external service providers, who were able to deliver the economies of scale that local councils could not achieve on their own. In the five years following amalgamation, service delivery exclusively by council departments decreased from 70% to 26%, while service delivery by external providers rose from 22% to 48%.

However, independent local councils could have negotiated similar external service provision agreements, without incurring the costs of attempting to amalgamate those administrative and operational functions that do not display economies of scale.

Amalgamation also did not reduce the overall costs of service provision for local councils, it just altered the allocation of local council spending. Amalgamated councils spent more on reporting, monitoring and consultation activities, as well as more on regulation. In terms of service delivery, amalgamated councils experienced a significant contraction in expenditure on services to property (such as physical infrastructure and waste collection) and a significant increase in expenditure on services to the community. The increase in expenditure on services to the community more than offset the decrease in expenditure on services to property, suggesting that the potential for cost savings in local government through amalgamation was offset by a realignment of functions.

Lessons for the Local Government Reform Commission:

- Regional cooperative arrangements between independent councils can achieve the sought cost savings of amalgamation, without the costs;
- Reporting, monitoring, consultation and regulation costs can rise (on a per capita basis) in councils that are too large; and,
- The realignment of functions in larger councils can strip away gains in efficiency.

6.6 South Australia, Australia

A process of local council amalgamations commenced in South Australia in 1994. Unlike the process in Victoria, the process in South Australia was voluntary, with local councils asked to consider amalgamating with adjacent councils. The process saw a reduction in local councils from 112 to 68 by its conclusion in 1998.

The stated objective of the amalgamation process was to strengthen the capacity of local government so it could assume a larger role in the operations of the South Australian public sector, with a desirable extension of the reforms being an increase in the efficiency and effectiveness of local government.

A Ministerial Advisors Group (MAG) was established to report on the functions carried out by local governments, benchmark the performance of individual local governments and the means through which local governments could become more efficient and effective. Although the MAG recommended amalgamations, the State Government took a "bottom-up" approach to local government reform by encouraging voluntary amalgamations.

A study by the Centre for Labour Research found that there were a number of benefits to both amalgamations and the voluntary approach. The benefits included:

- o Better planning of council activities
- o Increased services for residents
- o Better use of capital equipment
- o Better use of technology
- o Reduced costs of service provision through economies of scale
- o Increase local government capacity and skills
- o Increased focus on customer service

The study also found that there were costs associated with the amalgamations, including:

- o Actual savings of approximately 2%, compared to the predicted savings of 17%
- o Decrease in capital expenditure, including road construction
- o Decrease in local government capability through staff losses
- o Increase in workloads for remaining staff

While the amalgamations were largely successful, the benefits of amalgamation were achieved by some South Australian local councils without incurring the costs of amalgamation. One such example (Walkerville) is detailed in the following section.

An exhaustive enquiry into the financial sustainability of South Australian councils by the Financial Sustainability Review Board in 2005 concluded that "the size and density of councils also seem to play little role in explaining observed differences in the sustainability of the long-term financial performance and position of councils". The enquiry found that relative growth rates were more significant than the size and density, and collectively these three factors only accounted for a fraction of the differences in the financial sustainability of councils.

Lessons for the Local Government Reform Commission:

- o Regional cooperative arrangements between independent councils can achieve the sought cost savings of amalgamation, without the costs;
- o The efficiencies achieved through amalgamation can easily be overestimated;
- o Increase in bureaucracy in councils that are too large can decrease spending in other areas such as capital works; and,
- o With due process, small local governments can voluntarily amalgamate where efficiencies may be gained.

6.7 Walkerville, Adelaide, South Australia

As part of a South Australian review of the function and performance of local governments, it was recommended that Walkerville, a small local council in Adelaide, be amalgamated with seven neighbouring councils as part of a push to reduce the total number of councils in Adelaide from 29 to 11. Walkerville Council commissioned two reports that found no benefits for residents from amalgamation, and an Australian Electoral Commission survey reported that 96.5% of the 73% of residents that responded were opposed to the merger. Walkerville instead chose to pursue increased efficiency in service delivery by entering into nine Regional Co-operative Agreements (RCAs), sharing resources for services that exhibit economies of scale with other local councils. The RCAs covered the following services:

- Waste collection
- Waste recycling
- Home care for the aged
- Crime prevention
- Library services
- Reduction in plastic bad use
- Inspection services (parking, animal control)
- Health authorities
- Travel services (to promote public transport)

The costs savings of these RCAs were estimated at \$138,180 in 2003-04. Given the population of Walkerville is 7,144 and the rateable income is \$2,652,327, this represents a significant saving (\$19.35 per person or 5.2% of rateable income). The majority of the saving accrued in services with high fixed costs, in particular waste disposal (\$50,600), library services (\$22,140) and health services (\$29,040). This figure is thought to underestimate the full benefits, as it does not account for the improved service quality and mix that flowed from the resource-sharing arrangement, nor the non-economic benefits of retaining political and operational autonomy

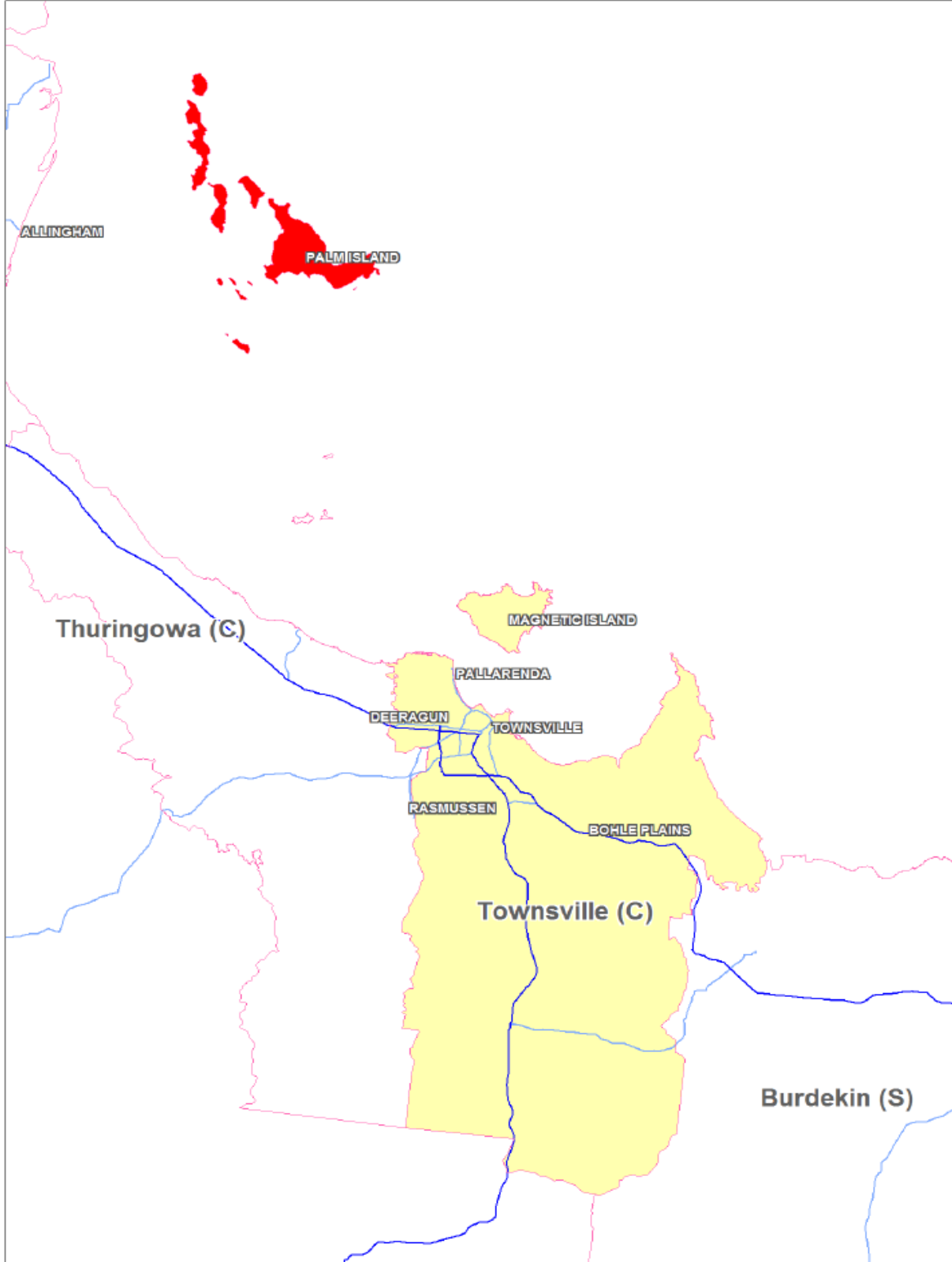
Lessons for the Local Government Reform Commission:

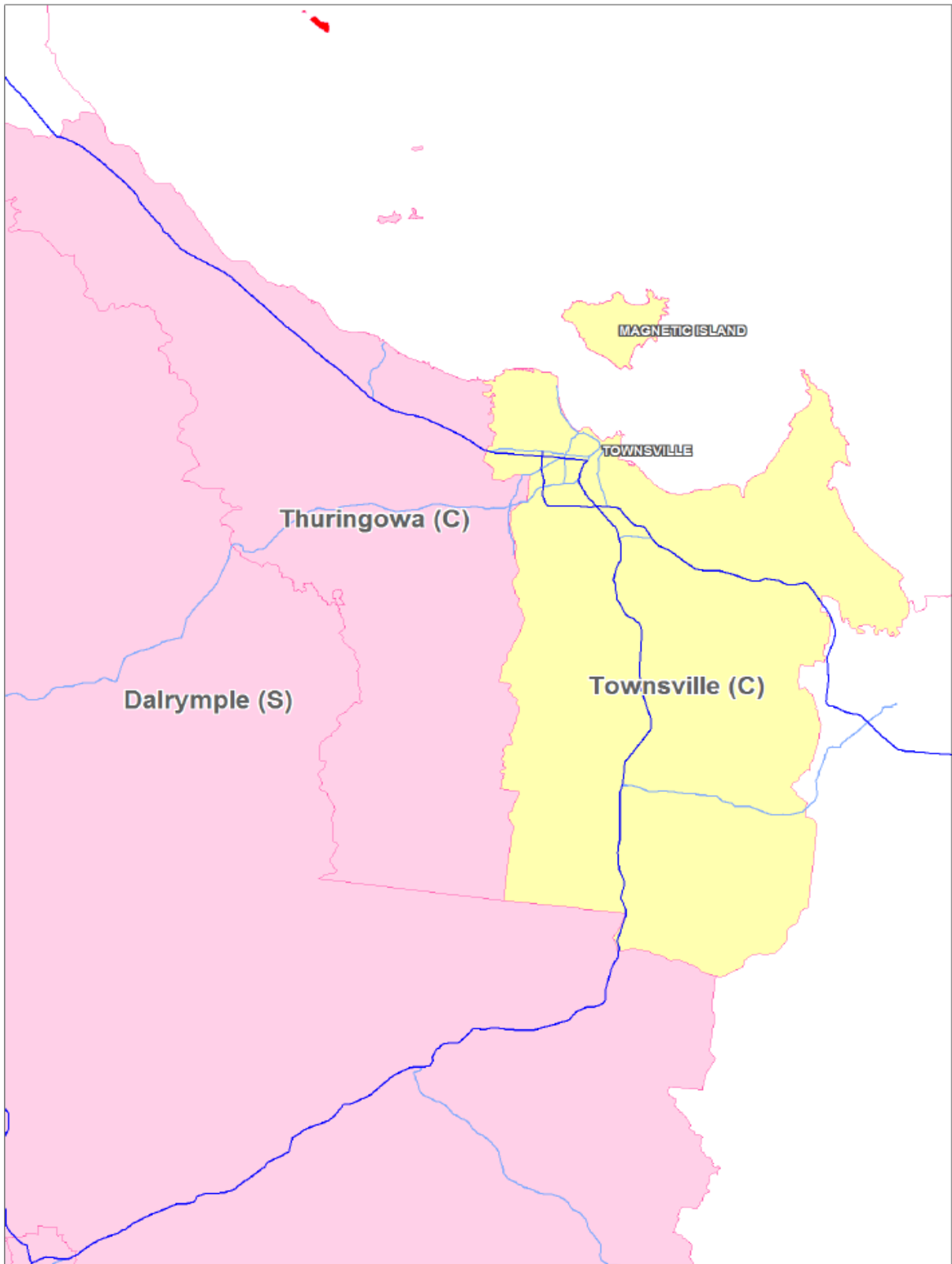
- Regional cooperative arrangements between independent councils can achieve the sought cost savings of amalgamation, without the costs;

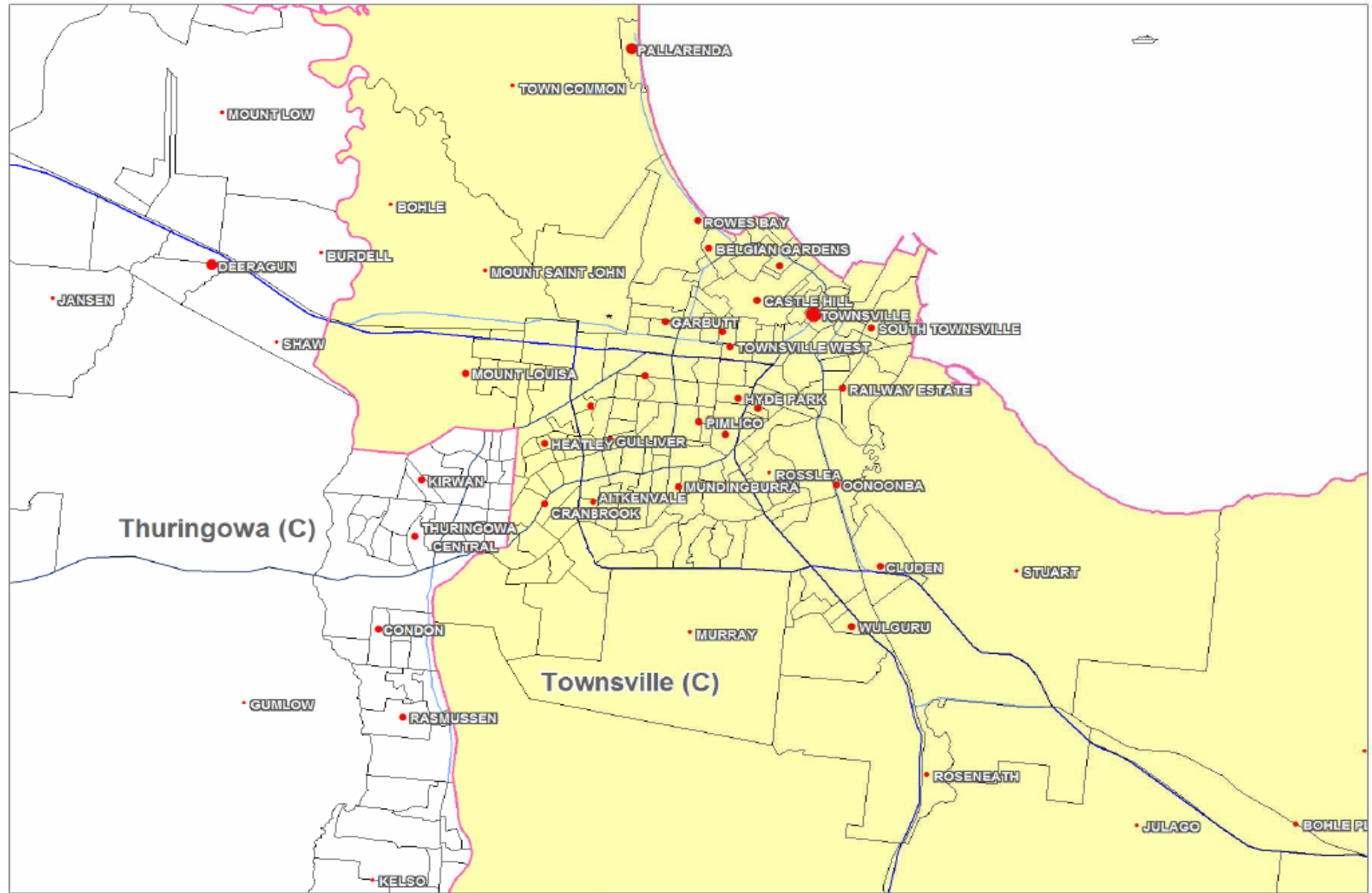
Attachments

Attachment 1: Maps of Preferred Option

Proposed new area to be added to Townsville City from palm Island Council is highlighted in red.







Attachment 2: New England Strategic Alliance

BRIEFING PAPER ON THE NEW ENGLAND STRATEGIC ALLIANCE OF COUNCILS TO THE DEPARTMENT OF LOCAL GOVERNMENT IN RESPONSE TO ITS INVITATION TO PRESENT A RESOURCE SHARING MODEL TO THE STRATEGIC ALLIANCE NETWORK CONFERENCE TO BE HELD ON MONDAY, 1 MAY 2006

1. An overview of the resource sharing arrangement.

The New England Strategic Alliance of Councils is made up of Armidale Dumaresq Council, Guyra Shire Council, Uralla Shire Council, Walcha Council and the New England Weeds Authority. The members have established a Charter which sets out agreed arrangements for the management and delivery of shared services amongst the Councils.

The Alliance is committed to meeting and exceeding the level of efficiency gains claimed to be achievable through amalgamation but without the loss of local autonomy and effective representation. In short, our aim is to achieve all of the smart things that amalgamations can bring without the damaging things.

NESAC does not operate a resource sharing arrangement through ad hoc cooperation. The resource sharing arrangement involves a structure in which each of the four General Managers of the multi-purpose Councils have a portfolio responsibility for the delivery of specific shared services. Those General Managers also have accountability to their own Councils for the delivery of local services. The General Managers are responsible to the Advisory Committee of the New England Strategic Alliance of Councils and to each other for the delivery of shared services.

The Advisory Committee is comprised of the Mayors and Deputy Mayors of each of the four multi-purpose Councils. The Chairperson of the Weeds Authority also attends meetings of the Advisory Committee.

In order to implement this arrangement, the Councils have adopted a shared services organisation structure in which 90 of the total staff of over 500 in the four Councils will fill positions in shared services teams delivering services for all member Councils. The Alliance brings together four Councils with the combined population of about 39,000 people and an annual budget in excess of \$55M.

2. Why this model was chosen.

NESAC wished to move beyond simple resource sharing by ad hoc collaboration. It believed that it was necessary to provide many "back office" services through a formal shared service arrangement, in order to obtain sustainable benefits for the members.

The model of having General Managers with portfolio responsibilities was seen as preferable to that of establishing a separate entity to deliver shared services, as has been the case in some other arrangements in Australia.

The model also includes the establishment of a shared service organisation structure after a detailed business process review, which identified best practice and allowed NESAC to establish a structure which is justifiable in terms of workloads and work practices.

3. How does the arrangement work?

Fourteen functional areas have been identified for delivery through shared services teams. Those functional areas are:

- Community services
- Customer service
- Finance and budgets
- Human resources
- Information technology
- Land information and GIS
- Loans and investments
- Internal audit and risk management
- Plant and fleet operations
- Records
- Regulatory and planning functions
- Review
- Supply and procurement
- Works operations.

Each of the four General Managers has a portfolio responsibility for a number of those functional areas.

The member Councils have prepared detailed business cases for each of the functional areas which identify costs and benefits associated with the proposal. Those business cases also include an adopted shared services organisation structure to see those services provided to the member Councils. That organisation structure effectively establishes shared services teams comprised of staff members from all of the Councils across the Alliance working together to achieve economies of scale, reduced duplication and sharing of expertise. The new organisation structure has allowed the redeployment of some staff to other value adding positions to carry out essential work which was not previously able to be done due to resource limitations.

In order to implement such an arrangement, it was essential to establish a common IT enabling system across the Councils. As a result, the Councils have agreed to operate a common software platform for all of the local government operations. Further, they have acquired wide band telecommunications network between the entire member Councils so that an appropriate virtual environment is established to allow the delivery of the shared services without the need to centralize the computing operations of the organisation.

Where it is efficient and effective to do so, services will continue to be delivered locally.

The member Councils have adopted a new common salary system for operation across all the Councils.

4. How are achievements measured?

Prior to the adoption of the shared service organisation structure, the business cases were prepared for each of the functional areas to clearly account for the costs and benefits of each initiative. Those business cases have indicated that, on a conservative estimate, \$22M worth of benefits will flow to the member Councils over the next eight years. Naturally, those business cases were prepared based on a number of assumptions concerning the makeup of the shared services teams.

Under this proposal, the Councils who provide staff to shared services teams will effectively deliver some services to the other member Councils. The other member Councils will pay the providing Council for the receipt of such services. In other areas, the other member Councils will provide shared services to that first Council. Therefore, Councils will receive both the benefits of obtaining shared services income and the cost of acquiring shared services from the other members. All of these costs and benefits are reflected in the business cases. As the organisation structure is implemented and staff are appointed to the shared services teams, the assumptions made in the business cases will need to be reviewed and the costs and benefits refined and reported back to the member Councils.

The new software which the Alliance has acquired involves the capacity to simply and automatically generate performance measurement reports. In conjunction with the business process review and the research into best practice, the analysis of the performance reports will allow the Alliance to test its effectiveness against its original assumptions and allow continuous improvement into the future.

Some benefits which will be gained from the Alliance are not direct financial benefits. The shared service arrangement does provide the opportunity for Councils to be able to afford to implement better practice. Particular examples are the proposals to implement an electronic records management system across the four Councils, to provide sophisticated GIS capacity across the Councils and the proposal to establish an asset management team to prepare asset management plans based on reliable and accurate data.

When these "intangible" benefits are added to the financial benefits mentioned above, it is estimated that the total benefit of the proposal across the next eight years will be of the order of \$40M.

5. How is accountability assessed?

The benefit of the Alliance is that each Council retains its own autonomy. Each Council will set its own budget, its own schedule of works, its own revenue policy and its own local operating policies. The communities will still have access to strong local representation.

Most field activities will still be delivered locally. It is the management and professional activities which will be delivered through a shared service arrangement, with the aim of achieving productivity, particularly in the works operations area.

The Councillors of the four Councils will still be accountable to their communities. The General Managers will be accountable to their Councillors for the delivery of local services. They will be accountable to the Advisory Committee and to each other for the delivery of shared services across the shared services teams.

Individual General Managers will remain responsible for all the legislative responsibilities of the individual Councils, even though they may acquire the necessary information to comply with those obligations through shared services teams, rather than from staff in their own Councils.

The shared services teams will be accountable to the portfolio General Managers for the delivery of the necessary services.

6. Benefits to the communities and the Councils involved.

Compared with an amalgamation, the communities have retained the benefit of strong local representation. Further, the communities will benefit from the continued presence of the Council offices and depots in each of the towns, which add to the population and local economy.

The communities will still have the opportunity to have direct service from their local offices. The four Councils which make up the Alliance have much in common but they represent four very different communities. This initiative allows those communities to retain their unique identity and set their own policies and procedures for their future development.

However, those communities have the benefit of some services being provided more efficiently and effectively on a shared service basis.

The Alliance's initiatives are not intended to reduce the level of Council expenditure overall. The initiative provides benefits which allow some existing staff to be redeployed on other value adding activities.

All Councils struggle, with limited resources, to provide all the services the communities need. It is expected that works productivity will increase by 2% in the first year of the implementation of the better information technology systems when the operations staff have access to effective works planning and control software and can seamlessly share plant and equipment across the whole of the Alliance's works program.

As the staff become more familiar with the works planning software and more confident in the proposal of scheduling the works programs of the four Councils to the maximum efficiency by treating the planning of the works as one whole project, it is expected that works productivity will increase to 5%. The Councils will benefit from enhanced services, with greater economic efficiency without sacrificing community independence or representation.

The initiative of NESAC is one which will allow participation by other Councils. An alliance of Councils in northern Queensland has expressed interest in acquiring some of the intellectual property of the work done by the Alliance to apply local government software seamlessly across four Councils. Clearly, the NESAC member Councils will benefit from the possibility of obtaining income for the sale of such intellectual property.

The staff of the Councils benefit from the commitment of the Alliance Councils to full compliance with the Government's Employee Security Bill.

7. Lessons learnt.

NESAC undertook a major change process involving the following issues:

- The implementation of a new software system.
- The implementation of a new communications network.
- Change of organisational structure.
- Change of culture.
- Introduction of a new common salary system.
- The undertaking of a detailed business process review.
- Consultation with staff, Councillors and community members.
- The transfer of existing staff to new shared service positions.

The Alliance adopted a very consultative approach with the Councillors and the staff and attempted to provide a high level of communication. It is acknowledged that the communications program could have been more effective.

NESAC engaged an external consultant to assist it with the business process review, the establishment of a justifiable organisational structure, based on best practice performance and the implementation of the enabling IT platform. It allocated a senior employee to a full time position of

Project Manager. It established a small group of team leaders who accepted interim positions to carry the detailed work involved in implementing new systems and procedures. The team leaders worked together as a group of peers. They were composed of employees of all of the member Councils.

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Townsville City Council
103 Walker Street Townsville QLD 4810
Phone >> 07 4727 9000
Email >> enquiries@townsville.qld.gov.au
www.townsville.qld.gov.au

