

8 May 2019



Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240
via email: ipart@ipart.nsw.gov.au

Dear Tribunal members

Subject: Response to IPART Review: local government election costs

Thank you for the opportunity to provide feedback on the *Review of local government election costs: Issues Paper*.

Lake Macquarie City is the third-largest regional local government area in NSW. Council is committed to ensuring value for money when delivering local government election services.

The *Local Government (General) Amendment (Elections) Regulation 2018* permits councils to resolve to use universal postal voting for elections following the 2020 local government elections. I request that IPART give consideration to the potential cost savings of allowing postal voting and pre-poll voting to be conducted electronically, such as through the use of NSW Electoral Commission's iVote system.

The cost and integrity of electronic voting (i.e. online security, accessibility) requires robust analysis, however its introduction will reduce the overall cost of election services while improving the accessibility of the electoral process to voters.

IPART is in a unique position to provide valuable independent feedback to the NSW Government about the cost of local government elections, to ensure equality across the state, regardless of a council's size, demographics or location.

I enclose responses to several points raised in your Issues Paper, prepared by Council staff.

Should you require further information, please do not hesitate to contact Laura Kendall, Director Organisational Services, on [REDACTED] or [REDACTED]

Yours sincerely

[REDACTED]
Morven Cameron
Chief Executive Officer
[encl]

Lake Macquarie City Council staff responses to select issues on which IPART sought comment

1. *Do you agree with IPART's proposed approach for this review? Are there any alternative approaches that would better meet the terms of reference, or any other issues we should consider?*

Council staff are supportive of the approach proposed by the Independent Pricing and Regulatory Tribunal (IPART).

Regarding Step 2 (Assess Competition), Council staff suggest the Draft Report could provide greater clarity as to whether an assessment of the competition for 'unbundled' services is included (identified in Step 1). Staff believe there may be opportunities for competitive markets for certain services, such as printing and the development of electronic voting software.

2. *When would a council prefer to use a private provider, rather than the NSWEC, to conduct its elections?*

Council used a private provider, the Australian Election Company, to conduct its 2012 and 2016 local government elections.

A significant factor for Council choosing to use a private provider for previous local government elections was certainty of costs. The NSWEC were not willing to provide Council with an adequate estimate of costs prior to Council's requirement to make, under Section 296AA of the *Local Government Act 1993*, a resolution to enter into an agreement with NSWEC to provide election services. Other factors such as local knowledge also influenced Council's decision-making in 2016.

3. *What scope is there for private providers to offer councils:*

- *The full range of election services currently provided by the NSWEC?*
- *A more limited range of election services?*

Through experience, we advise that private providers can provide an extensive range of election services. However, Council staff cannot confirm whether a private provider can, or should, provide a full range of election services.

As an example, does the "full range of election services" include communication campaigns promoting election awareness? If so, Council staff would not support a private provider providing this function as part of a full range of election services.

We are aware private providers have greater flexibility to provide a partial electoral service (i.e. share responsibility for delivering local government elections with councils or other electoral service providers).

5. *What are the barriers to competition in the provision of election services to councils?*

The provision of election services is a complex task requiring a diverse range of skills, knowledge and expertise delivered by all parties (State Government, councils, private providers and the NSWEC).

Barriers to competition include bundling of election services and retention within councils of skills and knowledge that are typically only required once every four years. Additionally, in our experience, the NSWEC typically declines to provide a firm quote for comparison with quotes from competitors.

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Developing smaller markets and competition at the service level

It is the understanding of Council staff that legislation does not currently impede NSWEC from unbundling services. The unbundling of election services, matched with an assessment of costs to provide these services, could create market opportunities. For example, smaller markets could be created to provide specific election services such as printing, electronic voting and project management.

It is possible the creation of smaller markets could encourage the development of consortiums that could bid for the provision of election services, in the same way that a consortium might bid for a complex infrastructure project.

Education and training

The management of elections by councils heavily relies on the knowledge and experience of council staff involved in previous elections. Consideration could be given to the Office of Local Government providing further education and training to councils on the management of local government elections.

It is possible that improved education and training will better enable council employees to manage local government elections, in particular their ability to procure election services and manage contractor performance.

6. What factors might lead to changes in the costs incurred by the NSWEC, and over what time period are these changes likely to occur?

Council staff note and support the escalation factors used by the NSWEC to estimate their cost mark-ups for the local government elections in 2012. Staff observe these mark-ups would be consistent with mark-ups applicable in both the private and public sector.

In addition to the mark-ups identified by NSWEC, Council staff suggests trends towards pre-polling and electronic voting will have a significant impact on the cost of election services post-2020 local government elections.

Pre-polling

Council staff analysis of available data suggests pre-polling is becoming more popular in our City.

During the 2016 local government election, approximately 16.3 per cent of votes were via pre-poll. This is about a 7.1 per cent increase on the number of pre-poll votes for the 2012 local government election.

Additionally, analysis suggests pre-polling was popular during the recent NSW State election. Data for the seats of Charlestown, Swansea, Lake Macquarie and Wallsend (seats covering the Lake Macquarie Local Government Area) suggest approximately 18.5 per cent of votes were via pre-poll.

It is possible that pre-polling will continue to grow in popularity, particularly if Council resolves to allow universal postal voting for the 2024 local government election.

iVote

Council staff support continued investigation into the use of electronic voting systems. We have seen a growing trend of government services (State Government and councils) moving online. This has been popular with communities and has improved the accessibility of democratic participation.

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Council staff support this and suggest that electronic voting be considered to improve the accessibility of local government elections. Analysis of data for the NSW State election indicates that the popularity of iVote was on par with that of postal voting. Consideration should be given to permitting the use of iVote (or similar) in local government elections. Further consideration should be given to permitting the use of universal electronic voting (similarly to universal postal voting) for the 2024 local government elections.

7. Is a base level of service provision to all councils appropriate? For what types of election services offered by the NSWEC might councils opt for a different level of service?

Through the unbundling of election services, councils should be able to determine their basic service needs. This will be unique to each council. Additionally, councils should be able to determine what additional services may be favourable for their local government area. Again, this will be unique to each council.

Councils could be given permission to conduct a request for tenders procurement process whereby it is compulsory for the NSWEC to provide a bid. Their bid, like bids from private providers, could include different add-on options for each tender reviewer/panel to consider.

10. Do you agree that NSWEC's direct costs should be allocated between the State Government and councils using the impactor pays principle (ie, those that create the need for the cost to be incurred should pay the cost)?

Council supports the use of the impactor-pays principle and the allocation of direct costs, provided councils receive cost estimates well in advance of entering into an agreement with NSWEC to provide election services.

11. Should NSWEC's indirect costs be allocated:

- *Using the impactor pays principle*
- *With a focus on putting NSWEC on an even footing with private providers (ie, ensuring its indirect costs are allocated to councils where they would be incurred by an efficient competitor to the NSWEC), or*
- *On some other basis (and if so, what)?*

Council staff support the use of the impactor-pays principle for indirect costs. This ensures councils are liable for their costs and the management of an efficient election service. This will also reduce the possibility of councils receiving accidental subsidies through the dispersion of indirect costs across all councils.

As noted earlier in this submission, we encourage the consideration of a tender process whereby councils are responsible for identifying their basic needs and where the NSWEC prepares a tender submission against those needs.

13. How should indirect costs (eg, centralised locations for collating ballots ready for data entry and councils' share of the costs that are common to State and local government elections) be shared between councils? For example, should they be allocated on a 'per elector', or some other basis?

Council staff support the application of the impactor-pays approach when distributing costs across councils. This approach is equitable and places greater responsibility on councils to manage their costs efficiently.

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14. Are the costs involved in conducting elections substantially different for metropolitan, regional and rural councils? If yes, what are the drivers for those differences?

In our experience, geography and population density have a direct impact on the cost of providing election services. These costs are largely associated with the need for additional polling locations, and therefore additional staff, training, logistics, and overheads.

As an example, Lake Macquarie's West Ward, which is four to five times larger in geographic size than other wards in the Lake Macquarie Local Government Area, required an additional five polling locations even though the number of eligible voters was only 1500 greater than the next-most populous ward.

15. Do you agree with our proposed approach for assessing the impact of our recommendations on stakeholders? Are there any other issues we should consider?

Council staff support IPART's intentions to assess the potential impact of its recommended costing methodology on council budgets and ratepayers in those councils.