



EYRE PENINSULA

Local Government Association

The Secretary
Standing Committee on Economics,
Finance & Public Administration Committee
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Sir/Madam,

EPLGA Submission to the Commonwealth Inquiry into Local Government and Cost Shifting

At the invitation last week of Mervyn Carter of Department of Transport and Regional Services, and subsequently confirmed by Vanessa Crimmins of the Committee Secretariat, the Eyre Peninsula Local Government Association wishes to make a late submission to the above inquiry.

With regard to the general terms of reference relating cost shifting and the financial position of local government, this Association is in broad accord with the key issues raised by the August 2002 submission of the Local Government Association of South Australia and those Member Councils who have submitted individually.

The general thrust of this submission addresses Term of Reference No. 6; namely the findings of the Commonwealth Grants Commission of the Local Government (Financial Assistance) Act, with a strong focus on road grant funding.

RECENT HISTORY

Eyre Peninsula Local Government Association and the Eyre Regional Development Board were invited to present at Commonwealth Regional Forum (RFAP) in Whyalla in December 1999.

The central theme of our presentation was equity. Equity in regional infrastructure. Equity in regional services. Equity in regional funding. A copy of the notes of the EPLGA presentation is attached. (*Attachment 2*).

However it was the opening remarks to that Forum of Minister for Regional Services, Territories & Local Government Hon Ian McDonald that galvanised our Association into action, namely:

"I do acknowledge and have said this before, that South Australia has had a bad deal with both general purpose grants and road grants under the current system. The review will look at the whole funding process. This is your opportunity to make your views heard."

Current Federal Local Government Minister Hon Wilson Tuckey expressed similar sentiments at a recent Conference

It should be noted that one of the principal architects of our earlier submission was Dr Andrew Beer of Flinders University. Andrew was subsequently awarded a scholarship to Ulster University in Northern Ireland; therefore the task of completing this project quickly and efficiently became a challenge in both communication and logistics.

Aware of the Commonwealth Grants Commission's timeframe, the Association attended your Review Committee Public Hearings in Adelaide on 29 August 2000 to put their case. Eyre Peninsula was encouraged to make comment on the basis of its unique rural profile - vast size, remote location, sparse population and economic diversity.

Copies of the EPLGA Submission on the Review of the Local Government (Financial Assistance) Act 1995 were distributed to key stakeholders across the three tiers of government.

Generally speaking, response to the rationale and recommendations Eyre Peninsula submission was very encouraging. A sample of the responses received is attached. (Attachment 3).

That is with the exception of the Commonwealth Grants Commission itself. We received a brief five-line letter stating that our submission was not received in time and that the final Report had been completed and presented to the Minister.

So much for the several hundred hours and thousands of kilometres invested by EPLGA Working Party on Financial Assistance Grants, since its inception meeting on this issue in November 1999.

It was our position that the Commonwealth Review did not take a holistic approach to the review process. In fact it was made patently clear at the Adelaide Forum in August 2000 that neither the quantum of funds nor the distribution to the States would be included as part of the Review Committee's deliberations.

How often have we heard "*if it ain't broke – don't fix it.*" The EPLGA contends that the reverse also applies, namely, the flow of financial assistance to local government in South Australia is in serious need of fixing.

We would also contend that the basic principles of equity and equality do not alter with the passage of time, political expediency or the convenience of longstanding protocols.

Although some of the data needs freshening up, we contend that the EPLGA/Beer entreaty withstands the test of time. In simple terms, we see a wrong and are trying to right it.

Therefore we re-submit the Eyre Peninsula Local Government submission on the Review of Local Government (Financial Assistance) Act for further consideration by this Inquiry. (Attachment 1).

RATIONALE BEHIND THIS SUBMISSION:

The Eyre Peninsula Local Government Association wishes to make it perfectly clear that on the issue of financial assistance grants, it has always been its intention to fight for a better deal for South Australia first, and our State's disadvantaged rural councils second.

Eyre Peninsula's huge area, sparse population, infrastructure challenges and vast local road network would automatically make it a significant beneficiary of any improvement of grant funding allocations to the State of South Australia.

We believe that current allocation of Commonwealth financial assistance to local government in SA both reinforce and formalise pre-existing inequalities.

Furthermore, per capita distribution of Financial Assistance Grants need to be replaced with more realistic, flexible measures based on a combination of needs basis and service delivery costs.

A STATE PERSPECTIVE

Final assistance from the Commonwealth (FAGs) are South Australian Councils largest source of revenue after rates.

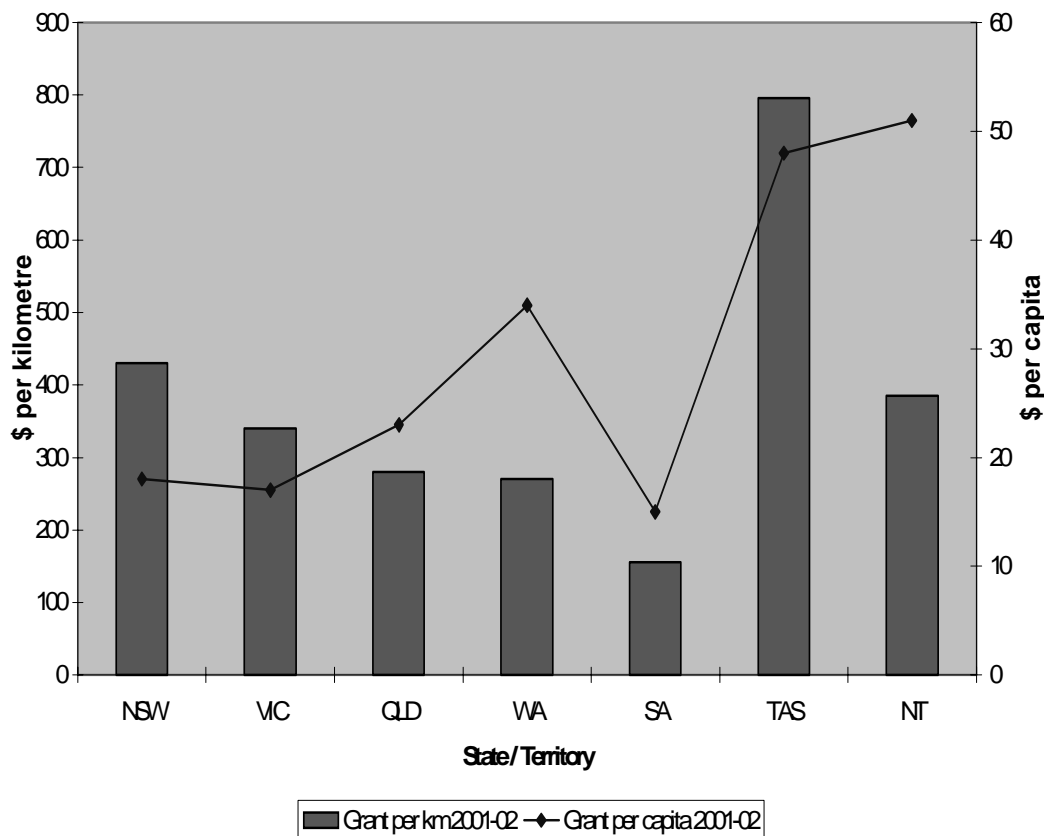
In real terms, the value of financial assistance from the Commonwealth as a proportion of outlays has declined since the eighties.

The total quantum of General Purpose Grant funding is inadequate in the quest to achieve fiscal equalisation between councils.

Although the injection of funding through the Roads to Recovery initiative has been welcome, nowhere are these inequities more evident than in the funding anomalies relative to general road grant funding.

In comparison to other States, South Australia is greatly disadvantaged on both a per capita and per kilometre formula.

Commonwealth Road Funding by State & Territory – 2001-02 Identified Road Grants



On a per capita basis, South Australian Councils receive the lowest share of any state or territory in the country at \$16.11 per person.

Based on a distance formula, the equity gap between South Australia and its sister states and territories widens even further.

EPLGA believes the current inequities in road grant funding could be addressed in one of two ways:

- Fairer State by State allocation of existing funds
- Increase in road funding allocation from fuel excise

In summary, EPLGA's earlier submission on Financial Assistance Grants recommended the following:

- Retention and enhancement of horizontal equalisation principles in the distribution of financial grants as a measure of the Commonwealth government's commitment to fair access to local government services for rural and remote residents;
- Development of a set of indicators measuring need within local government areas and the presentation and publication of these indicators for all local government bodies across Australia on an annual basis;
- Development of a single Local Roads pool, with a distribution that takes account of the local tax base but does not include other sources of grant revenue;
- Establishment of a *Supplementary Funding Assistance Grant* to be awarded to local governments with the greatest needs. The criteria to be used in assessing eligibility for this financial assistance would include the needs criteria already used in State Government Grants Commission processes, the size – numerically and as a percentage of the indigenous population and level of General Purpose assistance already received;
- A new National Principle be adopted that ensures that within any category of local government (Rural Remote Small, Rural Agricultural Very Large, Urban Regional Small etc) no council should receive greater than 20 per cent more of general grant funding than the least well funded local government in that category, as measured on a per capita basis. Funds would be shifted between States if required;
- Immediate redistribution of Local Roads funding between the States on a road length basis, and investigation of a methodology to allocate Local Roads funds on the basis of needs. That new methodology to be implemented within two years.

SNAPSHOT ON EYRE PENINSULA

Eyre Peninsula Local Government Association is a regional organisation of councils committed to responsive and innovative local government on behalf of its 12 Constituent Councils. Its members comprise the nine District Councils of Ceduna, Cleve, Elliston, Franklin Harbour, Kimba, Le Hunte, Lower Eyre Peninsula, Streaky Bay, Tumby Bay and the three Cities of Port Augusta, Port Lincoln and Whyalla.

Collectively, these councils have responsibility for close to 30% of the State's incorporated land area yet comprise just 4% of South Australia's population.

On a per capita basis, Eyre Peninsula is a vibrant and productive region, generating in an average year:

- A third of South Australia's grain harvest
- Two thirds of the State's catch of seafood
- Home to one in every six of the SA's sheep
- Process all of its steel and a fair bit of its gas
- Second most visited country tourist region in the State (closely behind SE)
- Sitting on a bountiful source of minerals ranging from gypsum to gold
- One of Australia's most aggressive and successful exporters, particularly grain & seafood.
- One of the world's best locations for the generation of wind power.

In no way could Eyre Peninsula be described as a basket case.

However this vast peninsula region is huge in size, remote in location, diverse in activity, but sparse in population:

- EPLGA's sphere of influence covers a patch the size of Tasmania, populated by just 70,180 resourceful and resilient souls (including Whyalla and Port Augusta). Eyre Peninsula's population is 33,201.
- The region faces some huge infrastructure challenges particularly in areas of water, power, telecommunications, transport, health, education and natural resource management.
- EPLGA's patch is criss-crossed by a local road network of 13,725 kilometres, 93% unsealed.
- Total area administered by Eyre Peninsula's three cities and nine district councils is 45,215km², however this does not include the vast unincorporated areas to the north and west of the region.
- The average size of one of our councils is 3,768km², compared with State average of 2,170km².
- The average population of one of our councils is 5,848, compared with State average of 20,721.
- The average total revenue received by an Eyre Peninsula Council equates to \$4.56 million per annum, compared with a State average of \$12.4 million.

Growth Prospects

Over the past several decades, Eyre Peninsula has observed a contraction in the number of people employed in agriculture, as economic necessity has witnessed the trend towards larger and larger farms, combined with significant advances in farming methods and equipment technology. At the same time the level of productivity in Eyre Peninsula's biggest industry has increased considerably.

Eyre Peninsula has been richly blessed inasmuch as that contraction in rural jobs has been taken up by sustainable growth in other areas, particularly aquaculture and tourism:

Aquaculture:

Tuna farming (Base zero in 1991 to an industry worth \$250 million pa and generating 800 jobs)

Land based abalone mariculture

Oysters

Prawns

Mussels

Finfish aquaculture

Tourism:

Nature based or ecotourism
Development of tour packaged product
Country conventions market
Marine based tourism activity
Backpackers, farmstay and special events
Overseas visitation (especially second time around variety)

Mining:

Iron ore/Steelmaking industries of Whyalla and environs
World class deposits of granite, marble and porphyry
Black and green jade (world's largest deposits)
Gypsum (75% of Australia's production)
Graphite
Diamonds
Mining potential - gold, uranium, copper, tungsten & other rare minerals in Gawler Craton

Horticulture/Alternative Cash Crops:

Specialised grain varieties (malting barley/noodle wheat)
Canola
Premium wine grape growing
Olives
Pulses
Floriculture
Bush tucker

Alternative Energy:

Wind power generation
Solar energy

That is not to say that Eyre Peninsula does it easy!

The physical, economic, infrastructure and social constraints imposed by the vast size and remoteness of Eyre Peninsula are considerable.

The distance from Port Lincoln to Border Village equates to travelling from Melbourne to Sydney via the Hume Highway.

Location and size affects everything from travel costs, communication charges, reaction times to emergencies, to the cost of imported/exported goods and services.

Some of the challenges facing Eyre Peninsula in the decade ahead include the following:

Telecommunications:

Until very recently, there were many parts of Eyre region forced to do business with 2 jam tins & a bit of string! Up until 2000, 80% of the Peninsula was still under the shadow of a mobile black cloud

Likewise, there were parts of the region that lacked (or pay a high surcharge for) access to the Internet and other high tech information technology. Eg video conferencing and telemedicine.

Due to some outstanding IT project work by ERDB (with back up support from this Association), that situation has improved dramatically, as more and more remote parts of the region are receiving mobile telephone coverage and Internet access at local call rates, funded by the Networking the Nation initiative. Every major centre can now access telecentre and video conferencing services. In addition to the regional centres of Whyalla, Port Augusta, Port Lincoln and Ceduna, CDMA mobile telephone networks have been installed in Elliston, Coffin Bay, Yalata, Streaky Bay, Cleve, Port Neill, Kimba, Poochera, Wudinna, Wirulla, Cummins, Mount Hope, Lock, Tumbly Bay and strategic highway locations. Video conferencing facilities were recently installed in council offices and telecentres in key centres across the region.

Eyre Peninsula Rail Network:

- The rail network on Eyre Peninsula provides a vital link for delivery of region's harvest to export ports in Port Lincoln/Ceduna. Rail infrastructure in poor state of repair due to former owner's maintenance policy.
- Similarly, the rail network of western Eyre Peninsula plays an integral part in the economic viability in the salt and gypsum industries.
- Rail will also play a will also play a strategic role in the development of the mineral potential of the Gawler Craton and the granite industry of central Eyre Peninsula.

Eyre Peninsula Waste Management

Recently EPLGA was successful in securing funding for a LGA Country Waste Management initiative from the Local Government Research & Development Scheme.

The core element of this project will be to develop an Eyre Peninsula Waste Management Strategy addressing regional waste, such as rationalisation of landfill sites, waste/recyclable collection, sorting facilities, distribution and processing recyclables, transport issues, landfill operations and the likely impact of future environmental legislation on rural councils.

Power:

The region's power is generated from the Playford B and Northern Power Stations at Port Augusta.

Port Augusta and Whyalla are connected by a double-circuit 275kV line, presently operated as a single-circuit arrangement only.

Electricity is transmitted from Whyalla to the rest of Eyre Peninsula via a 132kV radial line through Yadnarie near Cleve.

There are radial 132kV lines west to Wudinna and south to Port Lincoln, with an ETSA 66kV line supplies Ceduna, supporting the section of 132kV line between Cleve (Yadnarie) and Wudinna.

The region's remoteness will lead to high losses and voltage drop, thereby restricting power flows.

Eyre Peninsula is in an extremely vulnerable position with regard to its regional power supply, being totally dependent on a single transmission line from Whyalla to Port Lincoln. That transmission line traverses close to 250km of remote Eyre Peninsula countryside, much of it difficult to access for purposes of maintenance or breakdown. The power line is 35 years old and considered by many to being close to the end of its effective (and reliable) life

In the late nineties, Eyre Peninsula (and Port Lincoln) had the worst response time for power restoration of any region in SA. (5.5 outages per annum/Average response time - 85 minutes)

The installation of cost of commercial power infrastructure is prohibitive, particularly for those ventures located in isolated areas (Land based abalone, fin fish farming, oyster growing, nature based tourism, mining, stone processing etc).

In the medium to longer term, the region has a very large question mark over the likely scenario for the electricity needs of Eyre Peninsula/Spencer Gulf, as a result of the privatisation of ETSA and the State's entry into the National Power Market, with particular reference to:

Capacity and continuity of supply
Quality/reliability of service delivery
Ongoing policy for replacement/maintenance of infrastructure
Provision of power at cost competitive rates

Currently several major developers are investigating the potential of wind power generation on Eyre Peninsula. In terms of a constant and reliable source of energy, Eyre Peninsula is recognised as one of the top six locations in the world for generation of power by wind.

Current infrastructure constituting Eyre Peninsula's power network is not suitable for large-scale generation of power by wind or any other means. (Particularly investment costs in transmission).

Water Resources:

Eyre Peninsula is one of the driest regions in the driest State on the driest Continent.

Preliminary data released by the State Government as part of their Eyre Peninsula Water Supply Master Plan, recorded a dramatic reduction in the recommended extraction rates from Eyre Peninsula's underground water basins over the period 1998/99 to 2000/01.

Water levels in the Tod Reservoir are currently at a very low ebb, with rising salinity (3,000ppm) in the Tod system further complicating the issue.

SA Water has reduced its draw on four main basins from 10,040 megalitres in 1998/99 to 7,730 megalitres in 2000/01 (30% reduction in extraction rates). Consumption rates for the latter period was 9,552 megalitres – an equation causing considerable concern to the people of Eyre Peninsula.

Historically, Eyre Peninsula has relied on water supplies drawn from its underground basins, supplemented by limited reserves sourced from the Tod River system. There is mounting evidence to suggest that the commercial and domestic pressure on region's reserves of water exceed the system's capacity to recharge itself, with rising salinity levels a major factor. This alarming scenario does not accommodate the possibility of extended drought or greenhouse effects.

On Friday 5 April 2002, Eyre Peninsula Local Government Association staged an Eyre Peninsula Water Summit at Wudinna, designed both to inform and gauge regional sentiment on water related issues. 152 persons attended the Summit.

The program was broken down into three key elements, namely:

- a. Definition of the seriousness of the problem or *"Plumbing the Depths of the Well"*
- b. Economic/community impact of the problem or *"Growth for Eyre region – Just add Water"*
- c. Solutions to the problem or *"Building a Watertight Case for Eyre Peninsula"*

Key messages to emerge from the Summit:

- Eyre Peninsula has a serious water problem that needs early intervention - the solution does not lie in further exploitation of our underground basins.

- Lack of adequate water is now & will continue to stunt our region's growth – new and expanded business & industry, community development and environmental management.
- Large-scale desalination appears to hold the most efficient & cost effective solution.
- Urgent need to put a much higher value on our fragile water supplies, including a “re-think” of the financial value we pay for the resource.
- Similarly, Eyre Peninsula urgently needs to implement practical water conservation and education programs at both the local and regional level.
- Water quality was also a significant concern, particularly salt levels, hardness and turbidity.

Preferred option : Desalination of seawater. (*Lower Eyre region/adjacent pipeline infrastructure*)

Fallback option: Desalination of brackish water of Tod Reservoir (*with optional pipeline to access ocean waters if future demand exceeds supply*)

Costings sought: Capital costs and unit price of water (*Capacity of regional business & industry to remain competitive must be a key ingredient in the commercial equation*)

Type: Reverse Osmosis

Capacity: 10 –15 M/l per day to supply foreseeable future economic/community growth

The State Government recently announced a pilot proposal to desalinate brackish water at Tod Reservoir, in addition to water re-use and community conservation strategies. The desalination facility is expected to be operational by 2004.

Roads & Transport

If water is Eyre Peninsula's greatest and most immediate infrastructure challenge, maintenance and development of our regional road network must surely come in a close second.

Eyre Peninsula's local road network is 13,039 kilometres, 96% unsealed. That represents 18.8% of South Australia's roads being maintained by less than 4% of the State's population.

Put another way, Eyre Peninsula's 12 councils maintain a network of local roads that exceeds the distance covered by Highway One around Australia, with a long bumpy road left over.

National Highway 1 (Eyre Highway) is the major east-west road corridor across Australia, traversing the region from Port Augusta to the WA/SA border.

Along the eastern coast of Eyre Peninsula is a sealed dual lane highway (Lincoln Highway) servicing the Spencer Gulf towns between Whyalla and Port Lincoln.

A sealed dual lane highway (Flinders Highway) connects Port Lincoln with Ceduna, servicing the coastal townships on the West Coast of Eyre Peninsula.

Running north-south between Port Lincoln and the Eyre Highway at Kyancutta is the Tod Highway, servicing the centres of central Eyre Peninsula.

These three highways are maintained by Transport SA, the latter including the section from Lock/Cummins/Flinders Highway.

Under Highways Act Section 26, the state transport agency maintains several key internal roads, including Kimba/Arno Bay, Streaky Bay/Eyre Highway, Cummins/Tumby Bay & Elliston/Cowell.

Excluding the region's three cities, our remaining nine district councils are responsible for maintaining a total of 12,885km of roads (17.6% of State total – 97% unsealed), with a total population of 19,575 (1.3% of State total) and an average annual revenue of less than \$2.5 million.

The following table clearly illustrates the huge infrastructure challenge faced by the local government authorities of this vast peninsula region:

COUNCIL	POPULATION	AREA (KM2)	ROADS (KM)	SEALED ROADS (KM)	INCOME (MILLION)	EXPENSE (MILLION)	STAFF
DC of Ceduna	3,556	5,445	1,671	50	\$3.60	\$3.56	26
DC of Cleve	1,910	4,493	1,476	56	\$1.86	\$2.07	22
DC of Elliston	1,241	6,693	1,148	30	\$2.12	\$1.97	23
DC of Franklin Hbr.	1,227	3,283	940	29	\$1.13	\$1.11	13
DC of Kimba	1,238	3,974	1,697	28	\$1.61	\$1.58	12
DC of Le Hunte	1,552	5,381	1,805	76	\$2.02	\$2.35	16
DC of Lower Eyre	4,692	4,763	1,335	65	\$3.44	\$3.55	28
DC of Streaky Bay	1,958	6,251	1,725	38	\$2.65	\$2.38	19
DC of Tumby Bay	2,725	2,674	1,088	37	\$2.24	\$2.40	16
Sub-Total	20,099	42,957	12,885	409	\$20.67	\$20.97	175
Average Rural EP	2,233	4,773	1,432	45	\$2.30	\$2.33	19.44
City of Port Lincoln	13,102	32	154	139	\$7.00	\$7.18	56
City of Whyalla	23,650	1,033	272	206	\$12.60	\$12.19	144
City of Pt. Augusta	13,853	1,193	413	165	\$14.43	\$13.89	135
TOTAL EPLGA	70,704	45,215	13,724	919	\$54.70	\$54.23	510
Average	5,892	3,768	1,144	77	\$4.56	\$4.52	42.5

(Data sourced from South Australian Local Government Grants Commission 1999/2000)

Eyre Peninsula Local Government Association is in the process of developing a practical and pragmatic regional road strategy for Eyre Peninsula, providing a safe, efficient, systematic and cost effective network of roads for community, commercial and visitor traffic over the next two decades.

Key elements:

- Assess existing road networks and transport within, through and adjacent to the region.
- Provide recommendations and actions with regard to priorities, costs, practicability, access to funding, opportunities, impediments and other impacting elements
- Undertake a needs analysis of future economic development within & adjacent to Eyre region
- Foster an integrated approach to the future management of Eyre Peninsula's road/transport at each level of the three tiers of government.
- Integrate the effort of organisations and agencies of like object at both the State and Federal level, in the development of a strategy for the region's road network
- Investigate the impact on employment/community opportunities at the regional & state level.
- Incorporate inter-regional road/transport strategies.
- Provide a practical set of guidelines and criteria for future road funding applications.

A grant of \$90,000 secured from Roads to Recovery to implement this key infrastructure project and our region very much appreciates this support from the Commonwealth.

SUMMARY:

In his President's Report to Eyre Peninsula Local Government Association Annual General Meeting in June 2002, Mayor John Smith raised the issue of inequitable general purpose and road grant funding from the Commonwealth, suggesting that the Association consider seeking specialist opinion as to whether opportunity exists for a formal challenge to current funding allocations.

The Financial Assistance Grants issue was further debated at the Association's Executive Meeting on 6 September 2002, resolving: *"That Eyre Peninsula Local Government Association correspond with the Minister for Local Government and SA Local Government Grants Commission, encouraging both organisations to continue phasing in the current methodology for the distribution of State Grants Commission Funds, and further, to continue pursuing a more equitable distribution of Commonwealth Financial Assistance Grants (General Purpose & Local Road Funding) for SA."*

The proposal was also debated at the recent Roads Conference at Victor Harbour and received informal support from delegates attending that conference.

Eyre Peninsula Local Government Association has also enlisted the support (both moral and financial) of the five Regional Local Government Associations, representing 49 rural councils across the State of South Australia.

As stated earlier in this document, we are fighting for the principles of equity and equality. We believe the current system is wrong and we wish to correct it.

We would ask that your Review Committee give careful consideration to the contents of this submission as the Eyre Peninsula Local Government Association is serious about travelling down the above path if this second submission is dealt with in a similar manner to the first.

Yours sincerely

Vance Thomas
Executive Officer
25 October 2002

on behalf of

District Council of Ceduna
District Council of Cleve
District Council of Elliston
District Council of Franklin Harbour
District Council of Kimba
District Council of Le Hunte
District Council of Lower Eyre Peninsula
City of Port Augusta
City of Port Lincoln
District Council of Streaky Bay
District Council of Tumby Bay
City of Whyalla

Submission

Review of the
Local Government (Financial Assistance) Act 1995,

by the

Commonwealth Grants Commission

submitted by

Eyre Peninsula Local Government Association

June 2001

1. EXECUTIVE SUMMARY

This submission considers the Draft Report produced by the Commonwealth Grants Commission's review of the *Local Government (Financial Assistance) Act 1995*. It finds that from the perspective of the smaller states, such as South Australia, and from the position of rural and regional local governments, the Draft Report offers little real change. The EPLGA believes that the Draft Report recommends several technical changes that may facilitate greater efficiency in the financial assistance granting process, but shies away from addressing the structural disadvantage imposed on rural and regional local governments by current funding systems. The Draft Report appears to be completely blind to the way current arrangements discriminate against rural councils in South Australia.

The Grants Commission appears to have missed, or chosen to ignore, the opportunity to create a better and fairer system of public sector revenue sharing.

Any review of the *Local Government (Financial Assistance) Act 1995* must begin with a commitment to correcting the unfair treatment of rural local governments in South Australia. The present system of Financial Assistance Grants results in a less productive economy, a less equal society and contributes to the concentration of population in the capitals.

The EPLGA believes the following principles and strategies should be incorporated in the Commonwealth Grants Commission's *Final Report of the Review of the Operation of the Local Government (Financial Assistance) Act 1995*:

- Immediate abandonment of the principle of minimum grants – or its alternative, the per capita grant - as part of the general-purpose pool of funding. The change in funding principles to be implemented gradually through a five year phase in;
- Retention and enhancement of horizontal equalisation principles in the distribution of financial grants as a measure of the Commonwealth government's commitment to fair access to local government services for rural and remote residents;
- Development of a set of indicators measuring need within local government areas and the presentation and publication of these indicators for all local government bodies across Australia on an annual basis;
- Development of a single Local Roads pool, with a distribution that takes account of the local tax base but does not include other sources of grant revenue;
- Establishment of a *Supplementary Funding Assistance Grant* to be awarded to local governments with the greatest needs. The criteria to be used in assessing eligibility for this financial assistance would include the needs criteria already used in State Government Grants Commission processes, the size – numerically and as a percentage of the indigenous population and level of General Purpose assistance already received;
- A new National Principle be adopted that ensures that within any category of local government (Rural Remote Small, Rural Agricultural Very Large, Urban Regional Small etc) no council should receive greater than 20 per cent more of general grant funding than the least well funded local government in that category, as measured on a per capita basis. Funds would be shifted between States if required;
- Immediate redistribution of Local Roads funding between the States on a road length basis, and investigation of a methodology to allocate Local Roads funds on the basis of needs. That new methodology to be implemented within two years.

2. PRINCIPLES AND STRATEGIES TO BE ADOPTED IN FUNDING LOCAL GOVERNMENT IN AUSTRALIA

The review of financial assistance to local government must recognise and accept that South Australia has been badly treated under existing arrangements. This disadvantage has been recognised in South Australia for some considerable time, and has been acknowledged by impartial observers, as well as those who might be inclined to favour other States. Indeed in his Formal Response to the Regional Futures report of the Spencer Gulf Area Regional Forum the Commonwealth Minister for Regional Services, Senator the Hon Ian Macdonald, said

"There will be a review of the existing Local Government Act by July 2001. I will shortly be issuing the Terms of Reference for the Review. I will be consulting the Local Government Association of South Australia as well as other State LGAs to make sure the review is widespread and far reaching. I do acknowledge and I have said this before that South Australia has had a bad deal with both general purpose grants and road grants under the current system. The review will look at the whole funding process. This is your opportunity to make your views heard."

(26 November 1999)

The disadvantage experienced by the State of South Australia is further compounded in country areas because of the compulsory application of national funding principles, especially the minimum grant. The Minister's comments make it clear that at the political level there is a willingness to redress the imbalances of the past. The Draft Report into the review of financial assistance produced by the Commonwealth Grants Commission does not apparently share this commitment.

EPLGA is concerned that the recommendations set out in the Draft Report reinforce and formalise existing inequalities and make no attempt to meet the needs of rural and regional communities such as those on the Eyre Peninsula.

We believe that true horizontal equalisation is the only reasonable basis for the funding of local governments across Australia. Any other principles or system reinforces and compounds existing inequalities, blighting the lives and opportunities of the residents in the least well off areas. In his 1991 book *The Work of Nations: Preparing Ourselves for 21st Century Capitalism*, Robert Reich argued

The growing segregation of Americans by income, when coupled with the shift of financing public services from the federal government to the states and localities has resulted in growing inequalities of service. Increasingly, where you live determines the quality of public service you receive (original emphasis).

Reich's (1991) comments on America are equally valid for Australia and firm action is needed to redress these imbalances.

In his review of *The Public Sector in Jeopardy: Australian Fiscal Federalism From Whitlam to Keating* by Russell Mathews and Gharajan Grewal, Frank Stilwell noted that

... the most pertinent aspect concerns the management of Federal-State relationships. This focuses on how Federal Governments have taken advantage of vertical fiscal imbalance ...to redress horizontal fiscal imbalance...This aspect of public policy has been a great success story. It has helped create more economic equality between the States than in most other Federal systems. The major inequalities, of course, are those within each State.

Stilwell is justified in pointing to the success of national transfers in maintaining equality between the States through the application of horizontal equalisation principles. It is therefore especially curious and disappointing that the Commonwealth Government - and the Commonwealth Grants

Commission as its agent in ensuring fairness in the distribution of monies - has abandoned this principal when it comes to the distribution of financial assistance to local government.

DISTRIBUTION BETWEEN STATES

The Final Report will be severely deficient if it did not pay greater attention to questions of interstate distribution and the total quantum of funds available to local governments. While we accept that these points were beyond the formal terms of reference provided to the Commission, they are not beyond their comment. The Draft Report provides a misleading picture of the state of local government financial assistance throughout Australia because it ignores these important issues.

The Draft Report is silent on what constitutes an appropriate level of funding for local governments. The EPLGA notes that in real terms FAGs for local governments across Australia have fallen from just over \$45 per capita in 1984-85 to approximately \$36 per capita in 1998-99. Local government general purpose FAGs have also fallen as a share of Commonwealth taxation revenue, falling from just under one per cent in 1984-85 to 0.6 per cent in 1998-99. These are alarming trends, especially given that your report notes that local governments have maintained or enhanced their revenue raising efforts and that local governments have expanded the services they offer their populations.

Councils have often been forced to take on additional responsibilities because of the policies and actions of State or Federal Governments: the City of Port Augusta, for example, was 'given' 100 kilometres of roads in the 1980s which it has had to pay to maintain ever since.

The National Office of Local Government (1998; 2000) recognises that horizontal equalisation within States takes place within a system in which each State operates on a significantly different level. The implications for non-metropolitan local governments can be substantial, a point well illustrated when otherwise comparable councils are compared:

- The District Council of Lowe Eyre Peninsula had a 1996 population of 3,878 and a council area of 4,656 square kilometres. In 1999-2000 it received General Purpose assistance of \$387,946 and Local Road Grant Funding of \$199,631 for total FAG assistance of \$587,577.
- Dumaresq Shire in NSW had almost the same population in 1996 (3,880 persons) and an area of 4,169 square kilometres. It received \$375,864 in General Purpose funding in 1999-2000 and \$489,208 in local roads funding (roughly two and a half times the rate for the District Council of the Lower Eyre Peninsula) for total FAG assistance of \$865,072.
- Hay Shire in NSW also had a population of 3,880 in 1996 and received \$953,792 in General Purpose Grants and \$425,528 for Local Roads, though no more isolated or undeveloped than the Lower Eyre Peninsula.

These comparisons taken from the *1999-2000 Report on the Operation of the Local Government (Financial Assistance) Act 1995*, illustrate the inequalities within the current FAG system. The EPLGA notes with approval that more money is coming to rural local governments in South Australia because of changes in the funding allocation methodology applied by this State. However, the quantum of funds coming to South Australia is insufficient for us to receive a level of funding equivalent to that in NSW.

The comparisons we have drawn between the District Council of the Lower Eyre Peninsula and other councils are not unique: looking beyond the Eyre Peninsula, we observe that the Peterborough District Council had a population of 2,261 in 1996 and an area of 2,297 square kilometres. It received \$613,139 in General Purpose Assistance in 1999-2000 and \$147,728 in Local Roads Grant. Total FAG receipts stood at \$760,861 that year. By comparison, the Murrumbidgee Shire had almost exactly the same population and an equivalent area, but received

\$573,080 in General Purpose funding and \$325,364 in Local Road funding. Its total was \$898,444 in 1999-2000. **The proposals set out in the Grant Commission's Draft Report would see these inequities maintained, and this is not acceptable.**

REVENUE RAISING CAPACITY AND COST OF SERVICE DELIVERY

The per capita methodology for the distribution of funds between the states does not account for the fact that on average local governments in some states face higher costs to provide even a basic level of service. South Australia's sparse population results in high costs of service delivery through elevated transportation costs, greater levels of need and limited local resources.

Local governments in South Australia's regions have relatively limited capacity to generate additional income through increased rates and taxes. South Australia's local governments already have the highest level of dependence on taxes, fees and fines, with fully 60 per cent of their income derived from this source (NOLG 1998). This compares unfavourably with 39.4 per cent in Queensland, 47.7 per cent in Tasmania and approximately 50 per cent in Victoria and NSW. The key difference between local governments in South Australia and local governments elsewhere is that those in South Australia have the lowest per capita receipt of total grants. In 1998 they received just \$86.71 per person, compared with \$141.98 per person in West Australia, \$107.20 in NSW, \$133.15 in Victoria, \$166.40 in Queensland and \$128.67 in Tasmania. South Australia's local governments were the only ones to receive less than \$100 per capita in grant funding, and are considerably below the national average of \$120.70.

Poor grant receipts by local governments in South Australia reflect a number of factors – including limited financial assistance from the State Government – but much of the difference can be attributed to unfair treatment under FAGs. In 1999-2000 South Australia had the lowest per capita receipt of FAG assistance at just \$61.14 per person. The Northern Territory received \$94.56, Tasmania \$90.69, the ACT \$87.35, West Australia \$79.09, Queensland \$67.74, NSW \$64.50 and Victoria \$63.92 (NOLG 2000 p.17).

The per capita distribution of Financial Assistance Grants to the States needs to be replaced with a more realistic measure of needs as well as an indicator of the cost of service delivery. We are aware that the Grants Commission has already developed methodologies for the distribution of funds for State Government purposes on the basis of needs, and this methodology **should** be applied to local government funding. Alternatively, funding could be allocated by other measures such as the SEIFA Index. It has been estimated that if the SEIFA Index was applied to the allocation of FAGs to South Australia, the State's funding would rise from a multiplier of 1.0 to 1.8, West Australia would stay at 1.0 and NSW and Victoria would have a weighting of less than 1.0. There are no grounds for not applying either of these methodologies.

SUPPLEMENTARY FINANCIAL ASSISTANCE

EPLGA notes that in its 1990 review the Grants Commission developed a methodology for awarding FAGs on the basis of need, rather than the current per capita methodology. We are aware that the Grants Commission had some reservations about the robustness of that methodology but understand the allocation system could be made more valuable with further work.

EPLGA understands from correspondence between the Minister – Senator the Hon Ian McDonald – and our State Member of Parliament that the objections of the governments of Victoria and NSW are the major impediment to the adoption of a needs based allocation formula. This barrier can be overcome through the introduction of a new form of financial assistance: *Supplementary Financial Assistance Grants*. These grants would be awarded to local governments with the greatest needs. The criteria to be used in assessing eligibility for this financial assistance would include the needs criteria already used in State Government Grants Commission processes, the size – numerically and as a percentage – of the indigenous population, level of General Purpose assistance already received

and other appropriate indicators. EPLGA would be happy to work with the Commonwealth Grants Commission or the National Office of Local Government to develop an appropriate set of measures.

The new Supplementary Financial Assistance Grants could be funded out of 'new' monies from consolidated revenue, or they could be financed out of a separate pool within the existing quantum available for General Assistance. Each State's Local Government Grants Commission would be involved in preparing data for assessment but funding would be indifferent to the state the applicant council is based in.

3. EPLGA'S RESPONSE TO THE DRAFT REPORT OF THE COMMONWEALTH GRANTS COMMISSION

This section reviews the Draft Report of the Review of the Operation of the Local Government (Financial Assistance Act) 1995 by Commonwealth Grants Commission. It sets out the Association's views on the major issues touched upon by the report. The section is divided into several subsections that canvas each of the major themes.

EPLGA is concerned that the Grants Commission has paid insufficient attention to the principles underlying the application of the Financial Assistance Grants. The Draft Report has noted that the Commonwealth has supplied untied financial assistance to local governments in order to compensate that tier of government for the narrowness of its tax base (Vertical Fiscal Equalisation). The Draft Report also comments on the application of horizontal equalisation principles within local government funding. We are concerned that the Commonwealth Grants Commission appears to have paid too much attention to arguments for Vertical Fiscal Equalisation without considering their implications. As the Grants Commission has recognised in the Draft Report, there is greater diversity in local government and some LGBs have substantial rate bases and revenue streams. These bodies do not require Commonwealth Financial Assistance in the same way as poorer councils with higher expenditure requirements. In its Draft Report the Commission appears to have given precedence to Vertical Fiscal Equalisation without giving sufficient attention to why that principle should be applied. The principle is being applied out of context and as if it was an objective in its own right.

OPERATION AND IMPLEMENTATION OF THE NATIONAL PRINCIPLES

EPLGA welcomes the Commonwealth Grants Commission's recognition that current arrangements for the financial assistance of local government have had limited success in achieving the Commonwealth's goals – as specified in the 1995 Act - and that horizontal equalisation 'has not been, and cannot be achieved' with current funding structures and levels. However, EPLGA is concerned that the Grants Commission appears to accept that this inequality in the funding of local government – and in the provision of services to some of the most needy and socially excluded members of Australian society – should be maintained.

In its Draft Report the Commission has clearly recognised that the quantum of funds made available to local governments by the Federal Government, and the distribution of funds between the States are issues of concern. These are very pressing issues for persons living in rural and remote communities, such as those on the Eyre Peninsula. We would also remind the Commission that a previous inquiry – Commonwealth Grants Commission 1991 – concluded that it was possible to determine a distribution between the States of local government financial assistance grants that put into place horizontal fiscal equalisation principles.

HORIZONTAL EQUALISATION AND RELATIVE NEEDS

In its Draft Report the Commonwealth Grants Commission discussed the failure of horizontal equalisation principles and proposed the introduction of a new principle referred to as relative needs. **EPLGA is of the view that horizontal equalisation principles must fail within States unless there is a move to horizontal equalisation between States.** The Commission seems to concur with this assessment but then concludes horizontal equalisation for local government is too difficult a concept to be implemented and should therefore be abandoned.

EQUITY - LOCAL GOVERNMENT FINANCE AND SERVICES

We note that the Grants Commission observed that for full horizontal equalisation to be achieved it would require:

- (i) the removal of the minimum grant requirement; and,

- (ii) a substantial increase in the total amount of funding to be made available to the relatively more needy LGBs (p. 14).

EPLGA agrees with the Grant Commission's assessment of what is required but cannot understand why it baulks at making the recommendations necessary to the Commonwealth Government that would create a fair and equitable system of local government finance.

EPLGA believes the replacement of the horizontal equalisation principle with the proposed relative needs principle would signal the acceptance of the failure of Commonwealth financial assistance to local governments in achieving fair access to services for all Australians. However, if this change were to proceed we would argue that the Commonwealth Grants Commission should develop a series of relative need indicators and require all LGGCs to report annually against these indicators for every local government in their jurisdiction. This report could be added to the Commonwealth's existing reporting obligations – i.e. the production of the National Report and the annual provision to the States of information on the basis of escalation for Grant Pools. It is only through these means that transparency and accountability in local government funding will be achieved across the nation.

The Association believes that if the relative needs principle proposed by the Grants Commission is implemented, the Commonwealth Government should – as recommended by the Commission – have the right to 'choose how to allocate the change in financial assistance grants among the three pools' (Vol. 1. P. 32). We believe that in the long term this will operate to the benefit of disadvantaged local governments, especially if linked to the distribution of funds between States.

FUNDING FOR ABORIGINAL & TORRES STRAIGHT ISLAND COMMUNITIES

EPLGA is concerned that the Commission has paid insufficient attention to the needs of Aboriginal and Torres Strait Islander people. The Draft Report has indicated that the current principle relating to the needs of indigenous Australians will be encapsulated in the proposed needs principle and separate mention of the needs of Aboriginal and Torres Strait Islanders would be redundant.

A number of councils on the Eyre Peninsula have substantial indigenous populations and are concerned that indigenous needs would become lost in a general measure of need. Accordingly, EPLGA seeks either:

- The maintenance and strengthening of the current Aboriginal and Torres Strait Islander principle, with the inclusion of identifiable funding to meet indigenous needs, or
- Special weighting for an Aboriginal and Torres Strait Islander population in any general – and nationally applied – measure of relative need.

MINIMUM GRANTS AND PER CAPITA GRANTS

EPLGA cannot accept the Grant Commission's conclusion that the minimum grant be retained. We do not believe that an inequality is justified simply because it is an arrangement of long standing. Nor do we accept that the weight of numbers amongst local governments is sufficient justification to maintain this unfair arrangement as local governments in more populous regions would have a vested interest in maintaining this unjust funding.

Data within the Second Volume of the Draft Report show that the minimum grant provisions have a proportionately greater impact in South Australia than any other State. Just under 30 per cent of local government bodies in South Australia receive the minimum grant at the 30 per cent level and this is significantly greater than the 20 per cent of West Australian LGBs, 13 per cent of NSW LGBs, and 7.7 per cent of Victorian LGBs (Table 8.2 p. 52). Some 57 per cent of the South Australian population lives in LGBs in receipt of the minimum grant and 'by definition, minimum

grant LGBs are overequalised because they receive more than their assessed equalisation outcome' (Vol 2 p. 51). Non-metropolitan councils and non-metropolitan residents are the big losers from the minimum grant requirement.

We note that there is a historical precedent for putting in place a system of local government financial assistance that results in some local governments not receiving Commonwealth monies. This issue is covered in the second volume of the Draft Report where the commission discussed the Grants Commission Act 1973 and observed that :-

Grants were made under this ACT in 1974-75 and 1975-76. Because some LGBs were assessed as being able to finance their own expenditure needs and still provide the average standard of services made available in their region or State, not all LGBs received a grant (p.34).

EPLGA does not believe that the replacement of the Minimum Grant principle with a Per Capita Grant principle will significantly advance the level of service provision in rural and remote areas, such as those on the Eyre Peninsula.

ROADS FUNDING

The Eyre Peninsula Local Government Association noted the Commission's discussion of the funding of the Local Roads pool. We concur with the Commission's assessment that there is a need to maintain a separate roads pool. We are strongly of the opinion that there should be one method for allocating roads funding and that it should incorporate a 'Local Roads' National Principle that would instruct LGGCs to distribute this pool on the basis of relative road needs. The allocation of these funds should **not** incorporate the Other Grant Support principle. Use of the Other Grants Support principle would imply that funds received from other sources are transferable between cost centres or types of expenditures. This is clearly not the case in virtually all instances. Specific Purpose Payment and other grant monies are invariably tied to a defined purpose. The Other Grants Support principle would penalise needy communities who have been successful in finding other assistance. It would also disadvantage local government bodies with substantial road networks.

We are concerned that the Commonwealth Grants Commission has concluded that

The present Horizontal Equalisation and Other Grant Support Principles require inclusion to be used for Local Roads grants (Vol 2 p.70).

We do not agree with this conclusion and feel that it reinforces the current metropolitan bias in the distribution of grants in South Australia.

EPLGA is disappointed that the Draft Report does not address the distribution of Local Roads funds between the States. The funding anomalies – and the disadvantage experienced by South Australia – are so great as to demand urgent attention by the Commission. South Australia is disadvantaged relative to the other states both on a per capita and a per kilometre basis, and this review provides an appropriate opportunity to right this situation.

The level of disadvantage is illustrated by the circumstances of the District Council of Kimba. This local government has a population of 1,238 and an area of 397,486 hectares. Within this area there are 838 rateable properties and 1,697 kilometres of road. Only 28 kilometres are sealed. In 2000-01 the District Council had a budget of \$1.8 million, with general rates (\$660,000), General Purpose grant (\$337,846) and Road Grant (\$176,715) the most important components. The Council's road allocation worked out to be \$104.14 per kilometre, compared with the State average of \$286.95, and averages for NSW of \$796.38, Victoria of \$543.13, Queensland of \$507.34, Western Australia of \$491.68, Tasmania \$1,469.04, the Northern Territory of \$630.6 and the ACT of \$4,806.81. In 2000-2001 the Council's budgeted road related expenditure stands at \$564,683 for maintenance and \$311,300 for road construction. The reality is that all of the

Council's rate revenue and the entire Identified Local Road Grant does not cover the Council's expenditure on roads.

The low level of road funding can make it difficult for local governments on the Eyre Peninsula to make use of other government grant schemes. The District Council of Lower Eyre Peninsula has gained financial support under the Regional Roads Funding Program to commence sealing the Bratten Way. Under the terms of the grant the Council is required to contribute one third of the cost, which in 2000-2001 amounts to \$228,000 or 12 per cent of rate revenue. Even with the injection of these additional funds it will take eight years to complete this project. This instance emphasises how the parsimonious allocation of funding to councils on the Eyre Peninsula has made capital roads works all but impossible.

Clearly, current funding arrangements operate to the disadvantage of local governments such as the District Council of Kimba and there is an urgent need to change funding practices. Data distributed on the Roads to Recovery grant program show that South Australia has 11.6 per cent of Australia's road length, despite having 7.8 per cent of its population. South Australia received 8.3 per cent of Roads to Recovery grant funds, but EPLGA believes that road length, not population – or the spurious claims of administrative history that are used to justify current local grant funding levels to this State – is the only justifiable basis for the allocation of roads related monies.

4. STRUCTURAL FACTORS AFFECTING NON-METROPOLITAN LOCAL GOVERNMENTS

Local governments on the Eyre Peninsula face substantial difficulties in their finances because of the inadequacies of the current Financial Assistance Grants. Problems that arise out of remoteness, large areas to service, long road lengths to be maintained, a sparse – and in some places declining – population, are made worse by a system of financial grants that:

- sees insufficient general purpose funding come into South Australia because of the application of a per capita formula for the distribution of monies, rather than horizontal equalisation principles;
- witnesses a ludicrously small quantum of funds available for local roads because the Commonwealth Government persists with an unfair funding formula that directs just five per cent of local road funding to this State. As the Grants Commission has itself noted, there is no logical basis for this practice;
- continues to support wealthy local governments in the metropolitan areas through the application of minimum grants.

In this section we will explain why the current funding mechanisms discriminate against councils in rural and remote areas such as Eyre Peninsula. We will show that the current policies – and the changes recommended in the draft report – affect the efficiency of production in this country, put the social sustainability of rural areas at risk, and are grossly unfair.

SNAPSHOT OF LOCAL GOVERNMENT ON EYRE PENINSULA

Twelve councils make up the Eyre Peninsula Local Government Association and these are the District Councils of Ceduna, Cleve, Elliston, Franklin Harbour, Kimba, Le Hunte, Lower Eyre Peninsula, Streaky Bay, Tumby Bay, as well as the three cities of Port Augusta, Port Lincoln and Whyalla. They account for close to 30 per cent of South Australia's incorporated land, but only four per cent of the State's population. Local governments on the Eyre Peninsula have worked co-operatively since at least 1938 when the Eyre Peninsula Local Government Authority was established.

A REMOTE AND SPARSE POPULATION

The people of the Eyre Peninsula and the local governments that serve them suffer from being remote from Adelaide and living in a region with a sparse population. Just 70,800 persons live on the Eyre Peninsula (including Whyalla and Port Augusta), and in many areas the population has declined over the last decade.

Our councils tend to be small (average population of 5,143, compared with the State average of 20,721), however the amalgamation of councils would not provide a solution as the area served by individual councils is already large. The average size of councils on the Eyre Peninsula is 4,000 square kilometres, compared with the South Australian average of 2,170 square kilometres. Amalgamations would result in extra costs in the delivery of services and there would be no economies of scale in administration. The smaller populations and the reliance on agriculture as the mainstay of the economy of the region are reflected in much smaller budgets for councils. Average council revenue is just \$3.5 million, compared with a state average of \$12 million.

Remoteness and a sparse population mean that local governments on the Eyre Peninsula face high costs of service delivery. The small population and the dependence on agriculture mean the asset base for rating purposes is small, and councils cannot gain economies of scale in their operations.

For all residents of Eyre Peninsula, location, size and limited population affects everything from travel costs, communication charges, reaction times to emergencies and the cost of imported/exported goods and services.

NATIONAL AND REGIONAL PRODUCTIVITY

As the South Australian Government's submission to the Commonwealth Grants Commission showed, adequate funding of local government is needed to maintain productive regions and a competitive national economy. Current funding levels are inadequate and much economic infrastructure is either not provided or not maintained at an appropriate standard, simply because of the limited resources available to Councils. This has a significant impact on regional and national income.

Eyre Peninsula exemplifies the problems of productive rural regions inadequately supported in their local infrastructure. Eyre Peninsula is a productive export-oriented economy. It accounts for –

- One third of South Australia's grain harvest
- Two thirds of the State's catch of seafood
- 14 per cent of the South Australian flock of sheep
- Steel making at Whyalla and gas production at Port Bonython
- \$300 million of aquaculture production

It is worth stating that unlike the metropolitan areas where traffic is largely consumption focussed and based on the movement of people, the movement of vehicles in areas such as Eyre Peninsula is directly related to the production of national export income. It is the movement of goods – especially goods destined for export – that is the critical factor in determining road needs on Eyre Peninsula. Inadequate funding adds to the costs of production and sees many economic development opportunities missed.

The region has considerable potential for growth in the further expansion of aquaculture, the development of alternative crops and expansion of the mining and quarrying industries. However, while the region is rich in opportunity for economic development it is poor in the fundamental infrastructure needed to support that growth. Inadequate funding for local government means that councils lack the capacity to take a more active role in addressing infrastructure shortfalls.

Local governments could play a more active role in infrastructure provision if they had additional resources. They could facilitate:

- the construction of groynes and other structures for the tourism and aquaculture industries;
- provision of a more reliable power supply;
- development of a more secure water supply;
- supply of additional social services.

IMPACT OF INADEQUATE ROAD FUNDING

Councils on the Eyre Peninsula are confronted by the need to provide and maintain a vast road network with limited resources. The region has a local road network of 12,700 km in an area approximately the same size as Tasmania. Tasmania has a road length only slightly longer at 14,076 km (Draft Report Vol. 2, p 60), but received \$20.7 million of Federal road funding in 1999-2000, a sum just slightly less than the total for all of South Australia. Only five per cent of the road

network on the Eyre Peninsula is sealed, and this compares very unfavourably with the State average of 20 per cent.

Councils on the Eyre Peninsula, especially District Councils, have very limited budgets to deal with demands of road maintenance and provision. This is amply demonstrated in the table below.

Table 1. Eyre Peninsula Councils, Population, Area, Roads and Total Revenue

COUNCIL	POP.	AREA (KM²)	ROAD S (KM)	SEALE D (KM)	TOTAL REVENUE
District Council of Ceduna	3,556	5,445	1,671	50	\$3.6 m
District Council of Cleve	1,910	4,493	1,476	56	\$1.86 m
District Council of Elliston	1,241	6,693	1,148	30	\$2.12 m
District Council of Franklin Harbour	1,227	3,283	940	29	\$1.13 m
District Council of Kimba	1,238	3,974	1,697	28	\$1.61 m
District Council of Le Hunte	1,552	5,381	1,805	76	\$2.02 m
District Council of Lower Eyre	4,692	4,763	1,335	65	\$3.44 m
District Council of Streaky Bay	1,934	6,251	1,725	38	\$2.65 m
District Council of Tumby Bay	2,725	2,674	1,088	37	\$2.24 m
Sub-Total	19,575	42,957	12,885	409	\$20.67 m
Average (District Councils)	2,175	4,773	1,432	45	\$2.3 m
City of Port Lincoln	13,102	32	154	139	\$7 m
Whyalla City Council	23,650	1,033	272	206	\$12.6 m
City of Port Augusta	13,853	1,193	413	165	\$14.43 m
TOTAL	70,180	45,215	13,724	919	\$54.7 m
AVERAGE (ALL COUNCILS)	5,848	3,768	1,144	77	\$4.56 m

(Data extracted from the South Australian Local Government Grants Commission 1999/2000)

Important roads in the region remain unsealed, and this includes the roads from:

- Cowell to Kimba
- Lock to Elliston
- Cummins to Mount Hope.

If we take one council on the Eyre Peninsula as an example, we find that road expenditure represents a significant proportion of the total budget and that grants from other sources are nowhere near sufficient to cover costs associated with maintaining the road network. For example in the year ending June 2000, the District Council of Elliston spent \$630,000 on roads and communication, representing 27 per cent of the total budget. However, road grant revenue was just \$183,000 in that year, or 9 per cent of the Council's budget. The shortfall in funding from other sources was roughly equal to two-thirds the Council's general rate revenue in that year. The high local revenue raising effort devoted to road funding severely limits Council's ability to direct funds to other areas of need.

MEETING THE NEEDS OF INDIGENOUS AUSTRALIANS

Eyre Peninsula has a substantial Aboriginal and Torres Strait Islander population. Some local governments have very substantial communities, either within their boundaries or adjacent to their council area. The District Council of Ceduna previously raised indigenous issues with the

Commonwealth Grants Commission and we would reiterate and endorse the sentiments endorsed in that submission.

Local governments such as the District Council of Ceduna go to considerable efforts and incur greater costs, to meet the needs of indigenous residents. In the case of Ceduna, 22 per cent of the Council's population is Aboriginal or Torres Strait Islander, and when persons living in surrounding Aboriginal lands are included, they account for roughly one quarter of the community. Councils must undertake special programs and extend existing services further, in order to meet the needs of the Aboriginal and Torres Strait Islander community. Councils accept the necessity of these extra activities because the indigenous population is an important part of the broader community and because they recognise that many Aboriginal people experience profound disadvantage. This recognition by councils is not reflected in the Financial Assistance Grants. Current funding arrangements, and those proposed in the Grant Commission's Draft Report, do not adequately recognise the size and nature of the additional costs associated with providing services to indigenous communities. Nor is allowance made for the fact these costs are borne by local governments and communities whose resources are stretched already.

5. CONCLUSION

This submission has considered the Draft Report of the Commonwealth Grants Commission's *Review of the Local Government (Financial Assistance) Act, 1995*. It has found that the Commission has not recommended changes that will make a fairer, more equitable and more efficient system of financial grants for local government.

The introduction of a per capita grant principle instead of the minimum grant principle may result in some technical advantages in the timing and determination of FAG payments, but will go nowhere towards addressing the inequalities within the existing funding arrangements.

EPLGA is disappointed that the Grants Commission wishes to resile from the principle of horizontal equalisation in the funding of local governments across Australia. EPLGA is firmly of the view that the Grants Commission has placed too great an emphasis on the notion of vertical fiscal equalisation and ignored the reason why it was pursued as an objective of national governments in the first instance.

EPLGA is concerned that the Grants Commission is silent both on the quantum of funding made available by the Federal Government, and its distribution between the States. We have provided data showing that in real terms Commonwealth assistance to local governments has declined over the last 15 years, while the unfunded mandates and responsibilities handed to this tier of government has escalated. EPLGA believes that political concerns alone maintain the current distribution of grants between the States and that this does not constitute a logical basis for the distribution of taxpayer's money.

The Grants Commission should, at the very least, provide guidance on a logical basis for the funding of Local Roads, and we believe that road lengths within each State or Territory constitute the only logical basis for the allocation of funds between States.

Finally, we note that there is an opportunity to redress these omissions within the Final Report and we encourage the Commission to do so.

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Speechnotes – REGIONAL FORUM IN WHYALLA (22/23 July 1999)

Let me start by stating the patently bloody obvious!

One of the reasons local government seems to work is that it is a community based organisational structure, for locals, by locals, with the benefit of local knowledge

We communicate

We cooperate

We collaborate

We compete

We conserve

We care

I have been asked to represent local government across a vast tract of Australia called Eyre Peninsula – and to put that into some perspective, the distance from Port Lincoln to Border Village

is equivalent to travelling from Melbourne to Sydney. The former journey you have still to get out of our region, the latter you have crossed two States.

A couple of weeks ago I gave a one word report to the AGM of EPLGA

The word was EQUITY.

In that forum I was probably guilty of preaching to the converted, my message is probably more appropriate for our friends and colleagues from Adelaide and Canberra here today.

We are huge in size, remote in location, diverse in activity, but sparse in population.

Nowhere was that better illustrated than where the State recently decided to divest control of its recreational jetties. On Eyre Peninsula, just 2% of the State's population were being asked to maintain close to a third of its jetties.

At no time do I believe Eyre Peninsula has ever asked for special treatment.

All it has ever asked for is the Aussie equivalent for equity – ***We call it "a fair go"***.

Let us look at the minus side of the ledger for a moment:

- We are a patch the size of Tasmania, populated by just 56,500 resourceful & resilient souls.
- We face huge infrastructure challenges in areas of water, power, telecommunications, transport, health, education and natural resource management.
- We have a local road network of 12,700 km., of which only 5% is sealed. (State average of 20%)...***or put another way - 17.4% of State's local roads with only 3.8% of the population***
- The average size of one of our councils is 4000 sq. km., compared with State average of 2170 sq. km.
- We have an average council population of 5143, compared with State average of 20721.
- Average council revenue of \$3.8 million, compared with a State average of \$11.9 million.
- Our Regional Development Board is under-resourced by comparison to its much smaller counterparts located closer to Adelaide.

On the plus side of the ledger

On a per capita basis, we are one of the most productive regions in Australia, producing in an average year:

- A third of South Australia's grain harvest
- Two thirds of the State's catch of seafood
- One in every six of the State's sheep run on Eyre Peninsula
- We processes all of its steel and natural gas
- We attract more visitors than just about any country tourist region in the State

- On a per capita basis, one of Australia's most aggressive and successful exporters
- EP currently boasts the lowest unemployment of any statistical division in South Australia

In racing parlance, Eyre Peninsula could be described as an honest performer with plenty of heart, but being asked to carry too much weight. Quite simply, we don't want to finish up like Phar Lap – striving to win with a handicap that would stop most competitors in their tracks.

Established in 1938, Eyre Peninsula Local Government Association is probably one of the oldest regional organisations of councils in Australia.

Its membership comprises 3 cities and 9 district councils stretching from the top of Spencer Gulf to the Nullarbor, from the Gawler Ranges to Cape Catastrophe.

We are currently putting the finishing touches on a document that will set our strategic directions to the Year 2010.

Now that document will probably total about 60 pages, but I can summarise our sphere of interest into six key elements:

- Empowered and Enterprising Communities
- Working well with Governments
- Looking after Lifestyles and Livelihoods
- Wealth and Employment Generation
- Infrastructure Development, both Commercial and Community
- Being Resourceful with our Resources
- Regional Marketing and Promotion

In recent times, a great deal of Eyre Peninsula's activity and achievement can be attributed to the dedication and drive of a diverse range of regional organisations committed to economic development, infrastructure, sustainable agriculture, local government, tourism and community services.

Some of the key regional groups who have developed a 'can do' reputation include:-

- ***Eyre Regional Development Board:***
- ***Eyre Peninsula Local Government Association:***
- ***Eyre Peninsula Regional Strategy Committee:***
- ***Eyre Peninsula Tourism Association:***
- ***Eyre Peninsula Regional Communications Initiative:***
- ***Eyre Region Water Resources Planning Committee:***
- ***Eyre Peninsula Division of General Practice:***
- ***Eyre District Office of Education:***
- ***Eyre Peninsula Natural Resource Management Group (Steering Committee set up by 30/7)***

It is these organisations and others like them that constitute the big cogs that keep the engine of Eyre Peninsula ticking over.

Not surprisingly, each is inclined to concentrate on its own particular field of endeavour, invariably leading to a degree of overlap, duplication, and at times, lost opportunities.

One of our key strategies is to build a better mechanism to enable those cogs to mesh more efficiently. That is, to improve the level of integration and cross-pollination between Eyre Peninsula's key regional playmakers.

So if you can help us to put syncromesh in our region's gearbox, this Regional Futures Forum will not be in vain.

I would like to quote a couple of excerpts from Messrs Woodhill and Dore's final report on Sustainable Regional Development. A thought provoking and incisive document, written by a couple of Canberrocrats who strike a few chords with us simple country folk:

"The question must be asked as to why the Commonwealth insisted on the creation of three new organisations (Spencer Regions Development Association, Spencer Area Consultative Committee and the Eyre Peninsula Strategy Committee), rather than utilising, and if necessary enhancing the capacity of regional organisations that already existed?"

"Another challenge of the regional community is altering some of the perceptions in Adelaide and Canberra which may underestimate the present value, importance and potential of the region!"

"Finally, Eyre Peninsula is a graphic example of the problems that can occur when far-removed parts of Commonwealth and State Governments conceive and then drive initiatives without really understanding some of the realities and practicalities of implementation."

Ian Nightingale has identified some of the "big picture" items on our regional shopping list.

I would like to conclude with a couple of practical pig suggestions:

1. Spare us the pain of putting together a 40 page submission and waiting for 3 months only to get knocked out by a technicality, when a one or two page Executive Summary could determine whether a project is in with a chance.
2. Don't write off a major initiative based on perceptions or prejudices. When in doubt, leave that Canberra cocoon and go bush.
3. Get your marketing act together. It is one thing to have a plethora of positive programs and initiatives, it is another skill entirely to develop that product in a user-friendly format and deliver it effectively to regional Australia.

VANCE THOMAS
Executive Officer, EPLGA.
22 July 1999

ERDB/Staff/VT/99/Regional Forum