



Shire of Dalwallinu

"the Wheat Shire"

Office Address: JOHNSTON STREET, DALWALLINU
Postal Address: P.O. BOX 141, DALWALLINU, W.A. 6609

TELEPHONE: (08) 9661 1001 FAX: (08) 9661 1097
EMAIL: dallyshire@bigpond.com.au

In Reply Please Quote Our Ref:

Our Ref:

Your Ref:

31 March 2003

The Secretary
House Economics Committee
Parliament House
CANBERRA ACT 2600

House of representatives Standing Committee on Economics, Finance and Public Administration	
Submission No:	359
Date Received:	4/4/03
Secretary:	

Dear Sir / Madam

LOCAL GOVERNMENT COST SHIFTING INQUIRY

Please find attached submission from Council on the Cost Shifting Inquiry as it relates to Local Government. Council welcomes the opportunity to make this submission as cost shifting, particularly from the Western Australian State Government to Local Government in this State is severely impacting on the ability of local authorities to adequately provide a number of services and facilities in their respective communities.

Council looks forward to being informed of the outcomes of the Inquiry.

Yours faithfully

W.T. ATKINSON
CHIEF EXECUTIVE OFFICE

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SHIRE OF DALWALLINU

SUBMISSION – INQUIRY INTO LOCAL GOVERNMENT AND COST SHIFTING

Reduction of State Road Funds to Local Government because of Commonwealth “Roads to Recovery” Funding.

There are strong indications that the Western Australian State Government intends to slash its funding to Local Government Road Project Grants from \$45,513,000 to \$18,306,000 over the next two financial years. (See Appendix 1).

It is on *public record*, (See Appendix 2), by State Labor MLC, the Hon Graham Giffard, that because local authorities in WA are the recipients of some \$45 million per annum from the Commonwealth Roads To Recovery Program, the road funding relationship in Western Australia, has changed, because the State Government has had funding from the Commonwealth reduced during that time.

This is a blatant example of cost shifting by the State Government to the Commonwealth Governments and to Local Governments. Notwithstanding significantly increased State revenues over the past two years because of growth, development and new housing construction in Western Australia, the State Government appears to be standing aside from its responsibilities with respect to road project grants for Local Government.

Effect of Deregulation In The Transport Sector.

The deregulation of the transport industry has seen a significant shift from using rail to transport bulk commodities, (such as grain, fertiliser and industrial gypsum), to using road transport. The reduction in rail operating functions, has directly translated into huge costs for Local Government due to the urgent requirements to upgrade its collective road network. The size and volume of heavy haulage traffic, (i.e. road trains), has rapidly escalated.

Whilst the Commonwealth Government has assisted by way of the Roads to Recovery funding program, the State Government, the main architect and beneficiary of deregulation in the transport sector, has cost shifted responsibility for the preservation and enhancement of the States local road network, to Local Government.

Weed and Vermin Control

The State Government has emasculated the operational effectiveness of the Agricultural Protection Board. This organization, for many years, took operational responsibility for the control and eradication of noxious weeds, (eg. Paterson’s Curse and Skeleton Weed), and vermin such as rabbits and dingoes.

Those employed by the Agricultural Protection Board now have only an “advisory role” and it is left to private landholders and Local Government to carry out eradication measures. Wild dogs are reaching large proportions and the Agricultural Protection Board has neither the will nor capacity to deal with this problem. Infestation of Skeleton Weed is rife in the Perth metropolitan area, and nothing but token assistance is now made by the APB, to curb its spread in agricultural areas.

Rural Health

As it has become more difficult in the last decade to attract doctors to country areas, Local Government has often found itself in the position of having to heavily subsidise the cost of attracting and retaining doctors, (and sometimes nurses), in their respective communities.

The State Government applies double standards in this situation. In the North West of Western Australia, government salaried doctors are appointed. In other areas of the state, no such assistance is rendered. In fact the State Government is not helping the situation by implying that several country hospitals may be down graded and thus make medical practices less viable with resultant added financial pressures on Local Government. With the elimination of country hospital boards and the token (at best) measure of State Government appointed "Regional Health Advisory Committees", local communities have been severely disenfranchised in determining local health priorities.

Depreciating External Services Infrastructure.

With the corporatisation of the Western Australian Water Corporation and Western Power, service delivery has diminished quickly. Electricity supply is unreliable which has prevented new businesses starting and resulted in existing businesses relocating from country areas to the rapidly expanding Perth metropolitan area. This in turn impacts on the economic viability of country communities including schools, police stations and hospitals and results in Local Government having to find more revenue itself, to sustain community amenities.

The great fear of Local Government is the possible diminishment of uniform tariffs across the state and the possible (inevitable?) collapse of power and water infrastructure in some rural areas.

Policing

Cuts in the Police Service budget and ridiculous scenarios of police vehicles either not being available or not being operational because budget constraints dictate the fuel cannot be purchased, as and when required, are of great concern to Local Government. Several local authorities have engaged their own security staff to overcome the problem of stretched police resources and poor response times.

A clear case of cost shifting from State to Local Government.

The Landcare Funding Debacle.

Three years ago the Prime Minister allocated \$157 million to Western Australia over 7 years for landcare initiatives. This was to be matched dollar for dollar by the State Government.

Because of differences of opinion and the fact that the State Government wanted to apportion some funding it had applied to landcare initiatives, retrospectively as part of its matching requirement, the full benefit of the Commonwealth funding offer did not accrue.

This resulted in:

- Several vibrant land care projects ceasing before they had been completed, resulting in disillusioned stakeholders, and talented, committed people, losing their jobs.
- Local Government in several areas, directly funding some or all of these projects, which should have been jointly funded by the Commonwealth and State Governments.

The other issue is the situation where State Government Agency personnel have voting rights on regional bodies responsible for prioritizing and allocating the landcare dollar. What is happening, is that landcare funding in many cases is being allocated to the recurrent costs of employing State Government agency personnel. These costs should of course be met out of annual agency budgets instead of plundering funding initiatives, which were originally intended to fund "on the ground" meaningful landcare works.

Native Title Heritage Issues.

Many local authorities are trying to acquire undedicated crown land for residential, commercial and industrial development. Apart from the extensive bureaucratic obstacles, at a State level, which have to be overcome, the issue of organizing and funding heritage surveys is one of significance.

The Western Australian Department of Land Administration does fund some heritage surveys (which entails meeting the cost of Native Title claimant representatives and anthropologists assessing the land in question, to determine whether or not it has any heritage value), however its budget is pitifully small and if time is of the essence (which it usually is), Local Government often funds the cost of these heritage surveys. *Another case of cost shifting from State Government to Local Government.*

Excessive Compliance Issues with Respect to Sewerage Schemes and Refuse Sites.

Up until about three years ago, Local Governments in most country areas effectively managed their own sewerage schemes and refuse sites. Since that time, the State Government has required the "licensing" of these activities resulting in an inordinate amount of inspections and visits by agency personnel, costly licensing fees (which presumably go towards the cost of employing this army of non productive inspectors), and auditing and reporting requirements, etc. etc.

These examples of regulation again indicate the State Governments fixation on controlling many aspects of the operations of Local Government at great cost to Local Government and the rate-paying community.

This is all done of course on the premise that the community will be protected. The community has always been protected through pre existing legislation and the employment of competent managerial staff within the Local Government.

It should be noted that there has never been any evidence to support the notion that the system was not working effectively beforehand.

Other State Funding Impositions.

The following functions have been devolved to Local Government by the State Government without corresponding funding resources.

- Public Buildings (previously Health Department of WA)
- Septic Tank Approvals (previously Health Department of WA)
- Expanded Role for Inspection of Hotels (previously Liquor Licensing Court)
- Noise (Department of Environmental Protection)
- Environmental Pollution (Pending)
- Degree Qualified Building Inspectors (Pending)

All of these added compliance requirements have been (or will be) at huge huge expense to already under resourced local authorities. The State Government is employing more and more Inspectors, which have no other function, but to check that oftentimes ridiculous and costly legislation is complied with. Meanwhile, the ordinary citizen is completely oblivious to this costly bureaucratic nightmare sustained by Local Government, apart perhaps from the fact that they might notice that notwithstanding their increasing Local Government rate burden, there is no corresponding increase in services and facilities. That is because Local Governments is spending a large part of its revenue on trying to comply with an overregulated environment.

**STATE ROAD FUNDS TO LOCAL GOVERNMENT
DRAFT SUMMARY 2003/04, 2004/05, LOCAL ROADS PROGRAM**

Calculation	Strategic & Technical Support \$	Direct Grants \$	Road Project Grants \$	Traffic Management & Road Safety \$	Access Roads to Aboriginal Communities \$	Bridge Works \$	CALM, Rottneest & King's Park \$	State Initiatives on LG Roads \$	TOTAL \$
2002/03 Current Allocations	1 300 000	11 867 000	45 513 000	12 515 000	3 496 000	3 292 000	2 257 000	18 560 000	98 800 000
Transform Allocation of \$3M finishes									
2003/04 Proposed Allocations	1 300 000	11 867 000	23 640 000	12 515 000	2 496 000	3 292 000	2 257 000	29 197 000 <i>3,543,666</i>	86 564 000
2004/05 Proposed Allocations	1 300 000	11 867 000	18 306 000	12 515 000	1 496 000	3 292 000	2 257 000	44 116 000	95 149 000

\$8,51866

Australia the department developed the road management information system - ROMIS - which was offered to other States and local governments for a software package price of \$100. The Commissioner for Main Roads in each State realised the value of and the benefits that could be achieved with a road management information system. That system was used to establish the asset base for the roads in every local authority in Western Australia, and it has been very helpful. The department passed out meagre funding to ensure that at least the major local roads were being looked after, with significant contributions from local government. I said at the start that it was a sense of déjà vu, because we are going back into that old cycle again. People criticised the coalition Government for the amount of money that was being spent on roads, but they had only to drive around to see what was done during that period. Lord help us, if that work had not been done during those eight years, I would hate to think what our road system would look like today. I may have a suspicious mind, but what I think is happening is that the Commonwealth Government - when the fuel tax was given back to local governments in each State - is providing funds to local governments in each State on a direct basis.

Some local authority areas have huge road networks which would not be looked after without that money. The State Government has taken the opportunity to cut its funding of those programs, knowing full well that there is another two years of additional commonwealth funding. Large councils may be getting up to \$500 000 under the program, but their costs for road maintenance and reconstruction can be 10 times that amount. The present funding has been a saviour for local government, and this Government has taken advantage of the fact, because road building maintenance is obviously not one of its priorities.

When regional road groups were formed, people criticised them on and off for some time. They have not always been the ant's pants. The groups have meant that local governments have looked at regional road networks rather than what they can do within their own boundaries. This has had a positive effect. Although some local governments may grizzle and say that they would like to have had money for a particular road, they realise that roads in other regions may have greater priority. However, when the cake is cut and a few crumbs are left, it will breed a lot of discontent amongst councils whose representatives sit on those regional road groups.

When the regional road groups were first established, I was suspicious and cautious, but I could see the broader vision for their being developed. I believe they have had some very positive effects. Local governments are saying that they are not happy to be left with an amount of funding which will not enable them to gain any real benefits. They were quite happy with the pot of money that we left as a coalition Government. If local government had that sort of funding, it would cut its cloth accordingly. Local government is not saying that the Government should have put in all the money and that it is not prepared to spend its money. Self-regulation is occurring in local government and councils are carefully studying the Western Australian Local Government Association assessment. The funding from the Grants Commission represents what local governments are spending out of their funds.

Some councils are very quick to look at their neighbours and say that they are not doing the right thing. They are asking how some councils can demand more money when the greater input of money is from the State or Commonwealth Government and those councils are reducing their input. Those few recalcitrant councils really do not have a leg to stand on, but generally expenditure has escalated, especially when councils must look at the two-for-one principle for local government.

Hon Murray Criddle and any other country members can look at the road system today and remind themselves of what it looked like 15 or 18 years ago, when it was not healthy. Had those injections of funds not occurred during the period 1993 to 2001, we would be living in the stagecoach days, which is where I believe this Labor Government is trying to take us.

HON GRAHAM GIFFARD (North Metropolitan - Parliamentary Secretary) [4.06 pm]: I thank members for the opportunity to debate this issue today. The State Government recognises the importance of regional road groups. We acknowledge that, as previous speakers have indicated,

it is a successful model. The program was formed under the previous Government in 1995-96. We understand the pressures on regional road groups and that a further reduction in funding might affect the viability of those groups. There were reductions in road funding to local governments in last year's state budget when the Government indicated that there would be an annual reduction of \$18 million in grants to local governments for state road funding. That extent of the cuts has been known since prior to May of last year.

Cuts in funding to Main Roads have been generally anticipated for this year. There is general pressure on the state budget overall, particularly because of the strong community priorities that this Government has identified primarily for health, but also for education and police. The health portfolio is an area of particular need that continues to grow and to place pressure on the state budget.

The Minister for Planning and Infrastructure has identified areas of pressure on our road budget. She has said that she wants to quarantine as much as possible the following areas from further cuts: maintenance, because she regards maintenance as obviously necessary; black spot and minor improvements, because she is very keen to ensure that there will be no reductions in that area; and regional road grants to local government, notwithstanding the reduction they have already suffered. This last area continues to be under budgetary pressure and it is true that reductions in grant funding are expected this year. Main Roads is talking to local councils with a view to working out the best way in which to accommodate any reductions that may come through in the next budget.

It is important that the concerns that people have about the funding to local government be placed in the context of the overall funding to regional roads. I understand that about 18 months ago the Commonwealth introduced its roads to recovery program, which I am advised gives local governments in Western Australia funding of \$45 million per annum. That program has changed the road funding relationship in Western Australia, because the State Government has had funding from the Commonwealth reduced during that time.

Hon Murray Criddle: By how much?

Hon GRAHAM GIFFARD: I will go into that in a moment. The Commonwealth has been giving more to local governments and less to State Governments, which means that the State Government's road budget has been correspondingly reduced. I am advised that the State Government puts in an extra \$6 million to top up the national highway program for maintenance requirements. We have been receiving only three per cent of roads of national importance money. Notwithstanding that Western Australia has 25 per cent of the national highways, we have been receiving only eight per cent of national highways funding for the preservation and upgrade of those roads. If we combine the overall state and federal government funding to local councils, the amount that local councils were getting a couple of years ago when this Government came to office and the amount that they are getting now is roughly comparable. There has just been a shift in where that money is coming from.

Hon Murray Criddle: The State Government has pulled the funding. That is what has happened. The federal Government has put in the money but the State Government has ripped it out.

Hon GRAHAM GIFFARD: I am not denying that. I am saying that the overall funding to local councils is roughly comparable, because the federal Government has increased its funding to local councils by a corresponding amount. It is not a question of disputing the figures. Hon Murray Criddle has made the point that the State Government has reduced the amount of road funding. That is true. However, in response to the claim that the level of road funding has decreased under this Government, it is costing this Government about \$28 million or \$29 million a year to pay off the previous Government's Transform WA program. We do not get any credit for that. The previous Government gets the credit for that because it allocated money for that program.

Hon Murray Criddle: I am talking about all the projects that -