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Official Committee Hansard

HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON ECONOMICS, FINANCE AND
PUBLIC ADMINISTRATION

Reference: Local government and cost shifting

WEDNESDAY, 12 MARCH 2003

LONGREACH

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HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON ECONOMICS, FINANCE AND PUBLIC ADMINISTRATION

Wednesday, 12 March 2003

Members: Mr Hawker (*Chair*), Ms Burke (*Deputy Chair*), Mr Albanese, Mr Cox, Ms Gambaro, Mr Griffin, Mr P. E. King, Mr Nairn, Mr Somlyay and Dr Southcott

Members in attendance: Ms Burke, Ms Gambaro, Mr Hawker, Mr Nairn, Mr Somlyay

Terms of reference for the inquiry:

To inquire into and report on:

Cost shifting onto local government by state governments and the financial position of local government. This will include an examination of:

1. Local government's current roles and responsibilities.
2. Current funding arrangements for local government, including allocation of funding from other levels of government and utilisation of alternative funding sources by local government.
3. The capacity of local government to meet existing obligations and to take on an enhanced role in developing opportunities at a regional level including opportunities for councils to work with other councils and pool funding to achieve regional outcomes.
4. Local government expenditure and the impact on local government's financial capacity as a result of changes in the powers, functions and responsibilities between state and local governments.
5. The scope for achieving a rationalisation of roles and responsibilities between the levels of government, better use of resources and better quality services to local communities.
6. The findings of the Commonwealth Grants Commission <http://www.cgc.gov.au>/Review of the Local Government (Financial Assistance) Act 1995 of June 2001, taking into account the views of interested parties as sought by the Committee. The inquiry is to be conducted on the basis that the outcomes will be budget neutral for the Commonwealth.

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Committee met at 10.20 a.m.

BECKER, Mr Vaughn, Chief Executive Officer, Ilfracombe Shire Council

CRAWLEY, Mr Mark Phillip, Chief Executive Officer, Barcaldine Shire Council

DAVIDSON, Councillor Dougal, Mayor, Tambo Shire Council

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OWENS, Mr Ray Lynn, Mayor, Isisford Shire Council

PEOPLES, Mr Gary Martin, Mayor, Aramac Shire Council

PERRY, Mr John Edwin, Chief Executive Officer, Diamantina Shire Council

SCARCE, Mr Rodney John, Chief Executive Officer, Richmond Shire Council

TIMMS, Mr Kenneth Leigh, Chief Executive Officer, Tambo Shire Council

CHAIR—Welcome. Before I officially open the hearing today, Councillor Moloney, the Mayor of Longreach, would like to say a few words. Thank you for the opportunity to be here.

Mrs Moloney—I welcome our visitors who have come from down south and also the people of Western Queensland who have travelled to be here today. It is a great pleasure to have this opportunity to air the views of local people and to hear from you, David, and Mr Alex Somlyay about the bigger picture that you are looking at for local government in Australia. I was speaking to someone this morning about the fact that nothing is constant. Society itself is changing, and we have to look at changes if we are to best serve the people that we represent. We welcome this opportunity and we welcome you to Western Queensland. It is a very large area, and the people who have travelled here today to share information have come very long distances, so we look forward to the experience.

CHAIR—Thank you very much. We know we always receive a very warm welcome when we come to the country. We count ourselves fortunate indeed to see a rather green welcome. I know it has not been green for quite a while, so it is terrific to fly in and see that change. I officially declare open our hearing on local government and cost shifting and welcome everyone here today, including the observers. We appreciate that many of you have travelled very long distances—I believe up to 700 kilometres; is that right, Councillor Perry?

Mr Perry—Yes.

CHAIR—I also thank Longreach very much for hosting the hearing today. This is the committee's second hearing on local government cost shifting in Queensland. Yesterday we were at Noosa, and tomorrow we will be in Townsville. In February, the committee released a discussion paper intended to stimulate debate and fresh thinking on effective solutions to cost shifting onto local government, and today we would like to discuss many of the issues and options in that discussion paper. We would like this round table session to be free flowing, and I certainly encourage members of the committee and panel participants to make full and frank comments in order to make the most of this hearing. This has been a very valuable exercise so far, and I am sure today will contribute to that.

I advise all participants that, although the committee does not require you to give evidence under oath, the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Thank you for coming so far. We get an appreciation of the distances just flying over, but you have to live with it all the time. We appreciate that. To start off the discussion I thought we might look at the question of rationalising the roles and responsibilities of local government. We can have a bit of a whip around and have you give us a bit of an idea as to what you see are the roles and responsibilities of local government and how you would like to try and optimise those. Who would like to start?

Mr Hoogland—I do not think you can tie down the roles and responsibilities of local government and put them in a neat little pigeonhole like that. We are each responsive to our communities. Each community has different needs and we respond to those. Each community can be quite different. In our western communities our roles and responsibilities are significantly different from those in larger coastal shires. In Winton's case, for example, we do not really have much of a government presence, so council then takes on and sponsors a number of state government roles. In each case, our councils assume the responsibilities that are not being met by other sources. Local government can be significantly different in different areas. Local government has to be flexible to respond to the needs of the community that are not being met from other sources.

CHAIR—Thank you. I noticed in your submission that you talked about how you deal with some of the issues there. Maybe we will come back to those in more detail. Would someone else like to make any comments on roles and responsibilities?

Mr Scarce—Further on that, local government in western Queensland also takes on private enterprise responsibilities as well. As a case example, in Richmond Shire we have a caravan park that does not operate at a humungous profit. We cannot meet capital return on that. But without that caravan park there we would lose 85 per cent of the tourism driven market that comes through and pulls up there and spends money at every other business we have in town. So we also take on those roles. As well as state and federal roles, we take on what private enterprise would normally deliver in other centres.

CHAIR—It gives us a good contrast to what some of the bigger population areas have.

Mr Perry—I would like to support that as well. We tend to take on anything the community wants us to take on so that the requirement is fulfilled for the community. That is quite different from larger centres, where the population tends to dictate that someone else has to come in and take those roles. We tend to take on those roles. If we ask the government for some particular

service and they say no and our residents still want it then we take on the role and provide that service, regardless of the fact that no-one else is going to assist us.

CHAIR—Can you elaborate with a few examples of that?

Mr Perry—We are at the moment planning to build a new medical centre in Birdsville. We have not received a reply back from Queensland Health. We wrote a letter about three or four months ago. Queensland Health has never had a presence in the Diamantina Shire. The health centre in Bedourie used to be in the council chambers. ATSIIC built a health centre there in 1996. To this date, no-one has ever paid any rent on that particular building.

In Birdsville, Frontier Services have a building that is 55- or 60-years old. It was built in the postwar years. It is made of corrugated iron. It is in a rather dilapidated condition. There is no privacy for any patients. Frontier Services do not have the funds to build a new clinic; no-one has ever paid them any money for rent or anything like that. We have asked for a new clinic; Frontier Services have said they cannot afford to build one. We have asked Queensland Health; we have not received a reply back from them. Council has taken on the role to try and source some funds to build a new health centre.

CHAIR—Including the races.

Mr Perry—The races situation is quite interesting. Queensland Health puts in \$160,000 to Frontier Services to pay for the services of two nurses. The community puts in about \$100,000 towards the health services each year. The Birdsville races is a fairly significant contributor to that which means that the race club actually has no funds. They give half their gate takings to the flying doctors and the other half of the gate goes to Frontier Services. If you have a look at the facilities there, people say ‘Why don’t they do this and why don’t they do that?’ All the money goes to these other organisations.

CHAIR—That is very commendable.

Mr NAIRN—Could you clarify what Frontier Services is?

Mr Perry—Frontier Services is part of the Uniting Church. John Flynn originally set it up as part of the inland missions and the Uniting Church and then they changed their name some years ago to Frontier Services.

Mr Peoples—I would just like to endorse what the other three speakers have said. We in the Aramac Shire feel that we also fill the gap in support with private enterprise and government departments. In our own case we supply a surgery for the doctor in Aramac. It is a council owned surgery; it is rent free for a doctor when we have a doctor. We have just lost our doctor recently. We also supply accommodation for nurses so that it is not dormitory style accommodation. We supply housing and homes so there is the opportunity for a nurse to bring a family. From a private enterprise side, we run our own bakery—the shire council runs the bakery in town so we supply bread for our own people. So we are similar to the other three speakers in that we fill the gap wherever we see that we might be needed.

Mr Becker—This is very similar to what happens at Ilfracombe. We run the post office there. Australia Post wanted to walk away from it. If we had not taken that over, we would have been

without a postal service there. We also run the railway. Again, that was to maintain that service, and that is fairly unusual. We run the general store and cafe. Again, I believe those three things would not be in the town if the council were not running them. The disappointing part is of course how quickly the government or Australia Post walk away from these things or how easily they can do it and leave us with the burden of then trying to maintain those services in a town with a population of 180 and a shire population of 360.

Ms BURKE—When someone like Australia Post left, what did they have to offer if council had not picked up the facility?

Mr Becker—I am not sure that they were offering anything at all. Probably they would suggest that we use Longreach, which is just up the road.

CHAIR—How far up the road is it?

Mr Becker—Twenty-seven kilometres in our instance, which is not a huge distance, but I am sure there are many other communities in the same boat.

CHAIR—Would you please expand on the railway too?

Mr Becker—Yes, that is an interesting one. They were having trouble staffing the railway and trying to downsize the staff. The last stationmaster there took voluntary retirement and the whole railway operation, which is geared towards wool, was very much up in the air as to where they were going to go. They did approach the council and said, ‘Look, if this thing is to remain open, would council be interested in running it?’ So in effect we run it now as a part of normal council day-to-day operations, which is a fairly unusual arrangement.

CHAIR—So Queensland Rail still maintains the track?

Mr Becker—They maintain the rail corridor but we maintain all the buildings, do all the loading, supply the staff and that sort of thing.

CHAIR—Do you have a train every week?

Mr Becker—There are more than that. We do not handle passenger rail. It is basically handled through Longreach. But the passenger train will stop in Ilfracombe if prior arrangements are made. It really is geared towards wool going to the selling centres: shipping out and some freight coming in. So we organise that.

Mr McNamara—I guess the roles and responsibility are continuing to increase in terms of what local governments do. A lot of local governments in this area provide housing for their communities and the state government recently had a scheme of houses from the Amberley Air Force base. Quite a few councils around here took the opportunity to get those houses into their town. Whether we keep them for ourselves or on sell them, we certainly will not make any money out of them and probably will make a loss, I guess. But it is something that local government is doing to provide suitable housing for the towns. I guess aged care is another area where most councils probably provide some form of independent living units for their citizens. A number of councils are probably looking at some sort of intermediate care so that, when they

get past the independent living, they can still live in their communities without having to go to bigger centres and go to aged care facilities there. I know Flinders Shire is looking at trying to get some intermediate care facilities into the town, and that is certainly another area that local government gets involved in that in the bigger cities they probably would not have to.

Ms BURKE—Yes, they do. Both my councils run aged care facilities. It is a very different system in Victoria.

Mr O'Brien—In contrast to that, being a regional centre you would probably say that our issues are different again. I will just go through the issues that we would look at and what the impacts are. We have a community development officer who we are significantly sponsoring, but it also gets state funding. Other issues include youth development, the health services support and aged care, which at the moment we subsidise with rate rebates of about \$78,000. We have a childcare centre which travels to Aramac, Muttaborra, Isisford and Ilfracombe one day a week—so that is four days a week that it goes around and the staff have their planning days on the Friday, and the other Friday is their RDO. We cover a significant area in rural in-home care. We go right to Belyando shire and we are going right to the border in that area, and that is a significant part of the state we cover in childcare services. That service at the moment is not quite breaking even, especially in this rural in-home care area. There were promises and whatnot made to get it up and running and now we are left with the basket a little bit.

Information technology delivery is a huge burden on most councils around here. Keeping up with technology change and having the people to support those changes as well is the interesting thing—getting people out in this area to support the technology. That goes for Telstra and everything that has anything with technology attached to it. It is an endless struggle on that side of things. Another big issue for councils, with the advent of accrual accounting, is looking at all the cross-subsidisation issues. Before the advent of computers in councils, probably in 1990, it was seen as the big pot and councils operated out of one big pot and that was it. Now we are forced to identify each different internal business centre and the issue is surfacing now of who pays for what. Some councils have some good earners and they have some dogs in their basket as well. But as one of the bigger centres, we find it more and more difficult to support our ongoing services to the region and to our local ratepayers.

CHAIR—When you say ‘to the region’ how far outside of Longreach are you talking about? What do you mean by the term ‘region’?

Mr O'Brien—With child care, we go to Aramac, Barcoo, Winton, Diamantina, Belyando and Jericho. I do not know whether we have anyone from Blackall. That is a significant part of the state where we have people in in-home rural care, which is somebody in a property situation who looks after preschool children while maybe the mother is working or while the mother is teaching the distance ed children. We have had an application for 100 places—that is what we are asking for at the moment, and that is still in the pipeline. The take-up has just been extraordinary. I do not know how many places we are operating at the moment but I think we have about 75 or something.

Mr SOMLYAY—So you are doing this in other shires?

Mr O'Brien—Yes, certainly.

Mr SOMLYAY—What role do the other shires play in that? Do they cross-subsidise that in any way?

Mr O'Brien—A limited support role I would have to say. The support is there but the financial support is mostly in kind, as in supplying the facilities such as a town hall or something like that. It all helps; we are not paying rent on buildings or anything like that. It is a state government initiative, but it was kicked off originally by a couple of people in town who asked for it, and there were originally some promises to really get it going and support it. When we did get it up and running, we got initial up-front funding but the ongoing funding is the problem.

Ms BURKE—So you are not receiving ongoing funding now?

Mr O'Brien—No, and the main thing we come across—and I think most councils come across this—is that there is plenty of money up front to start something off and then after 12 months it is a case of fending for yourself.

CHAIR—How much cost recovery can you get out of it?

Mr O'Brien—Limited. I would have to look at the figures. I could probably come back to you on that.

Mr Hoogland—In Winton we have a couple of similar services—home and community care and rural family support—in which we have a worker based in Winton who supports a much wider area outside the shire. The state government funds the activity as such, but the administrative side of it is provided by council. As you know, with the oncosts and so on, that can be up to 20 per cent of the cost or more for supporting that service if it is funded by council. We do not mind that. We went in with our eyes open with those sorts of things, so that is not a problem. A lot of the issues arise from the cost shifting that occurs without being fully aware of the amount of support that is going to be coming from council. But it is certainly the sort of thing that is quite different from other places. You can have a couple of workers who are on council's payroll looking after an area of Queensland that can be up to a quarter of the size of the state.

Mr O'Brien—I suppose, just on a general costing, we can probably recover about 50 per cent to 60 per cent. The actual care on the ground is probably recoverable. The issues that we have to deal with are the travelling expenses, the overheads and the administration.

Councillor Davidson—From the smaller council's point of view, if local government were not there, they most likely would not exist because we have to provide a lot of the services that people in the city just expect to be there or, if we want new businesses to start up in our communities, if council does not assist, it just will not happen. For instance, in Tambo, we supported a sawmill opening up in quite a substantial way, which has been quite a boon as far as employment in the community is concerned. We also took advantage of the state government's offer for housing. In our case it did not come from Amberley, it came from Blackwater. The council had to relocate all those houses, set them up, and in some cases we have on-sold them, but in a lot of cases we are renting because we cannot get anyone—people will not come into these smaller communities and build new houses, and so it is up to local government to provide

them. If they come to town and they have somewhere to live and they like it, maybe they will buy it and stay. We have to support so many places.

In another role, I represent 12 councils out here on the executive of the Local Government Association in Brisbane, and Brendan is another representative there too for another area. In those 12 councils there are about four towns that actually have one of the major banks, and if it were not for the role that local government has played we would not have any banking services. Councils in general have assisted in many varied roles. In our case, when the National Bank gave us about a month's warning that they were going to shut down after 100 years of operation, we got busy and luckily we interested Pioneer Permanent Building Society. But council had to purchase the old bank building. We had to rent it to them at a subsidised rent to attract them—and it has worked out a very good venture and they are on a commercial basis now. But without that council assistance it just does not happen. I know various other councils have building societies or what have you in their communities and they would not be there without council support. So we have a completely different role, I guess, from local government in a lot of the bigger towns. Our role in local government is completely different in a lot of respects—a lot of things are the same of course—from what they are in Longreach because it is the biggest centre. In the smaller ones, the council is the major employer; we have to get out there and attract the people to come and support what we have.

Mr SOMLYAY—Are the rural transaction centres working?

Councillor Davidson—We do not have a rural transaction centre. Gary would be a better person to ask; he has one.

Mr Peoples—Yes, we have a rural transaction centre; ours was the first in Queensland. Ours is working very well. We do not return a huge profit; we probably break about square at this stage. It has taken us nearly four years to get to that stage.

Mr SOMLYAY—Did it cost you money in the meantime?

Mr Peoples—It cost us money in those initial three years—mainly for wages—until we built up to the business we now have. So it has cost us money but it is great to have banking facilities and all the other services that we can provide for the people back in our community. So even though it did cost us something, filling that gap is another of the roles of council that we probably all feel we have to do these days.

Councillor Davidson—Perhaps I can comment further on that. In our situation, because we already have Pioneer Permanent there and are doing a couple of the other things via council, we are not eligible to get a rural transaction centre. That is a bit of a problem for our post office, which would like to take on some of those roles. It would certainly help keep our post office more viable, because most of those post offices are licensees. This applies in most cases out here in the west. As Vaughn said, Ilfracombe took theirs over. In our case we have a great big post office building with a residence and everything. It is a lovely old building. It costs a fortune to maintain. Now there is no shortfall backup in monetary terms. When they first went private there was some backup for the current postmaster or postmistress. When that person went, that backup went with them. There is no more. So if you look at the books of a post offices out here, it is a miracle we have any left. A new lady has just taken over our post office in Tambo and she is certainly looking for various forms of support from council so that the post office can remain

open, because we do not have this backup from Australia Post or the government—or whoever originally handled that part of the it.

CHAIR—I just have a general question: are the populations growing in all these areas? Or are they stable?

Mr Becker—We think we can prove that Ilfracombe is growing. In a couple of weeks I will have been there for four years. There have been 21 new houses built in or relocated to Ilfracombe in that time. That is from a base of only about 80 homes, so it is still not a huge town, but it is a good percentage growth. There is no rental accommodation or anything available in the town now; that is all taken up. The numbers at the school are probably as high as they have been for a number of years. So we certainly never push this dying town thing. We would like to put that to bed well and truly. We had a problem in terms of housing when the rural properties divorced themselves of help on places where traditionally you had a married couple and a ringer working. Those positions are things of the past now and the stations access casual labour as they require it. We found we were losing people not only out of the shire but out of the towns, because we had no accommodation for them. So we have moved four houses from Blackwater and eight from Amberley—that makes 12 houses. We find now that we are getting our labour pool back—which is a huge benefit to the town and the rural properties—but it has been a heck of a cost to council to do that sort of thing. Please, nobody here use the term ‘dying town’ syndrome; we do not like that at all.

Mr Perry—For the 10 years during the 1990s, the Diamantina Shire grew at six per cent per annum. We have now stabilised, and the reason we have stabilised is, once again, housing. We have a dozen or so houses from Amberley and Blackwater, and we are trying to get some more. But we would also like to have some new buildings built rather than just have 40-year-old homes brought in. We recently went out to tender for a two-bedroom brick home of about 82 square metres and it came in at \$215,000. But the cost of building it out in our area is about double what it is in the capital cities. Obviously there is no money whatsoever coming from government now to do any of that, and it is a council role to provide that service. Only 20 per cent of the people in our shire own their own homes. It is the second lowest number in Queensland, with Mornington Island being 100 per cent owned by the Aboriginal corporation up there.

We are trying desperately to get people to buy homes, but you cannot get bank loans. So council is now financing first home buyers to buy a house, with the incentive that we get the house back if they default on their lease payments. But there has been a substantial drop in the amount of money available to build houses in this new area, and the only option we seem to have is to bring 40-year-old homes in from the coast. One of the disadvantages of that is that it is very dry in these areas and, if you bring in a wooden house that has been on the coast all its life with all the moisture, it just cracks apart. The life expectancy is certainly not going to be as long as would be if it were built here in brick and was something that was decent and going to last for 50 years.

Mr Becker—Enlarging on the housing issue, at Ilfracombe we found that the banks certainly will not look at loaning people, say, \$120,000 to build a new home when in reality that home, if it is sold, may only fetch \$60,000 to \$70,000. We can understand that. That is the reason the council has got behind bringing in these houses that have become available to us. But we are finding that these houses are costing the council at least \$70,000 by the time we set them up

properly. We have a chance to sell them at perhaps \$60,000 if we are very fortunate. So all the houses that we are getting involved with are a straight out loss to the council. But, if we do not do it, there is very little chance that any housing will come into the town because, as I say, new houses are an impossibility. Most people are looking for some bank support, and they will not get it away from a town like, say, Longreach. So we felt the council had no option but to bear that loss and get housing in.

CHAIR—Does the state government give any assistance on any of these?

Mr Perry—We would have to check the figures, but I think we received \$48 million in 1998 for public housing and \$13 million last year.

Mr Hoogland—The houses are being provided at no cost. The charges that are there are for relocation. They have made the arrangements to provide the houses at no charge, although I think the Amberley ones were federal housing. They were owned by the RAAF.

Mr Peoples—Yes.

CHAIR—What sort of money are we talking about to relocate them?

Mr Perry—In our case, we bought the house for \$3,000 or \$3,300 and I think it cost \$75,000 to relocate it.

Ms BURKE—And then there is the cost of getting it up to living standard?

Mr Perry—That is right. It does not have an airconditioner. It needs painting. We are probably looking at over \$110,000, which is starting to get into the ballpark of where we could build a timber house. That would probably cost \$130,000 or \$140,000. Then we have to weigh it up. What should we do? Should we build a timber house, which will employ someone in the town and have some other benefits, or should we save ourselves \$20,000 or \$30,000 and build one of these other homes? One of the keys with the Amberleys is that we are trying to onsell them, so we are trying to make it as cheap as possible, because we are only going to be able to sell the houses for \$60,000 or \$70,000 and we do not want to make too much of a loss.

Mr SOMLYAY—Housing Commission homes are regularly built on the Sunshine Coast in my electorate. Are you saying that no new houses are being built here for Housing Commission purposes?

Councillor Davidson—No. We have had some new houses built under the community housing scheme. But by the same token we have also been offered Housing Commission houses from your area to relocate out to here because they want to get rid of them and build new ones down there.

Mr O'Brien—But as a contrast, when you look at Longreach, our rural sector has gone down in population significantly. Obviously there is rationalisation of properties and things like that. There are a lot of houses being moved out and country houses are being moved into town. The population of Longreach is increasing in the building statistics quite extraordinarily for Longreach. We are not looking at outside houses for any council support; we are in the process

of doing a 31-allotment subdivision right at this moment. The average bank manager who is living in a four-bedroom brick or timber house is paying about \$300 a week. The rental market is extraordinary in that that is flowing on to places like Ilfracombe, Barcoo and Blackall where the rural contractors are looking for a house without paying top price. If you come to Longreach you can get a basic two- or three-bedroom house for \$200 a week, where you can go into other towns and do it for less. I heard the other day that a bloke bought a house in one of the other towns around this region under the first home buyers scheme and was charged \$14,000. He has a house and he can do his business from that town. But you could not do that in Longreach. The average cost of a house in Longreach is probably starting at about \$140,000 for a basic three-bedroom house.

Mr Peoples—I think that we have all endeavoured to increase the population in our towns to get some security in our towns for the essential services that are probably taken for granted in other areas. We have looked at increasing our population and our labour pool in our small communities so that security is there for our school and our hospital in the face of that ever-present threat of downgrade or closure. I would say that a lot of small communities are looking at increasing their population by bringing homes in so that we do not live with that constant worry of losing our hospital or having a downgrade to our school. I think that has played a big role in a lot of our local councils.

Councillor Davidson—One of the things we also have to look at is the fact that most of our towns out here are at least 100 kilometres apart. Ilfracombe is probably an exception there. Of course when you go out John's way it is as much as 400 kilometres. It is not as if we are talking about towns that are basically next door to one another. We are pretty spread out as it is. I think that is something that needs to be remembered.

Mr Perry—A great example there is that, for my wife to get a haircut, I have to take her 500 kilometres to Mount Isa and then drive back. So she now has longer hair than she used to have. That is a significant issue for ladies when trying to get people to live in these areas. We are a little bit closer than Birdsville. Birdsville is 700 kilometres from anywhere—for people to go to a dentist, a hairdresser or a supermarket. It is a long way for anything.

Mr Becker—I think we should keep in mind too that we are talking about the towns in those distances. Then there are the rural properties that are further out again. We can say, okay, it is 27 kilometres from Ilfracombe to Longreach, but there are properties that we are serving that are 100 kilometres from Ilfracombe. So if those services are not available at Ilfracombe it is not 27 kilometres that is involved, it is 100 or more.

Mr Scarce—A lot of these things that have been spoken about do not particularly need money for them to happen. A point in question for local government—Bob mentioned it before—concerns subdivisions. I presume Longreach Shire is doing the 31-block subdivision; Richmond Shire does subdivisions. Recently—if you call three years recent—we have been endeavouring to get an industrial subdivision, just 40 acres on the outskirts of town. It has been near impossible. That has not been because of the native title process, as dealing with the traditional owners has been fine. In the three years we have had no acknowledgment from the state government whatsoever. It is the town common. It is state land. They have not even come to the party in three years for us. The local Aboriginal groups have been ready virtually to sign for 12 months. They have been held up by their solicitors because of the state not being involved or something else like that. Then, in contrast, you get the turnaround that the state

government waves their magic wand and develops 2,000 acres of industrial land on the outskirts of Townsville at Stuart, yet we have been struggling. I know Hughenden has been struggling for close on the same amount of time. They are a little bit closer than we are and we are crossing our fingers that they will be successful on their due dates that are coming up. But it is just simple things like that.

Businesses could come to our town and employ people, which would overcome some of the reliance on grants. Another point in question—something that both Flinders and Richmond have been proponents of for 10 years or so—is developing a water storage and agricultural industry. We have an area just outside Richmond, O’Connell Creek, which would be perfect for storing 192,000 megalitres of water. It would irrigate 10,000 hectares of country and generate \$100 million worth of income from that every single year ad infinitum, just by building this structure. Four million megalitres of water goes into the gulf. Every single year 800,000 megalitres of water goes past Richmond. The O’Connell Creek storage would take about 100,000 megalitres out of that. We are talking about three per cent of the total water allocation of the Flinders River. You could develop a big scheme along the whole Flinders River, including Flinders and Richmond and going right through, on 20 per cent of the water allocation—800,000 megalitres of water. When you look at the water allocation the southern states use and the money they reap from that, you will see that we are talking about a significant industry up here. Richmond has 750 people and we plan for it to have 2½ thousand people in 10 to 15 years time if this comes off.

The other thing about rural Australia is that a lot of our infrastructure—our water, sewerage and everything—has not been developed for 750 people. We could put another 700 people there without the intensive cost of developing a lot of infrastructure. We have the ability to grow without needing those extra funds. We can go into specifics and say where we need money, but one of the biggest things we need in rural Australia is to get the red tape cut and to be heard about what we are doing and what we are able to achieve in pushing our economic development opportunities—instead of things taking 10 years or seven years, or three years just trying to get some 40 acres of industrial land. If you look out the window or walk outside you will see that we have vast amounts of land out here. It is 150 kilometres to Julia Creek on one side and 115 kilometres to Hughenden on the other side, and in between there are probably 30 properties, max, dotted along the way. You cannot even see your neighbour. We have the land. That is our opportunity. We have the land, we have the ability; we have everything we need. We just need to be able to tap into it.

Mr SOMLYAY—How many state members of parliament do you have in the western shires?

Mr O’Brien—Two?

Mr Scarce—Three.

Mr SOMLYAY—Two or three out of 89.

Mr Scarce—Yes.

Mr Perry—I think there are one or two federal government members.

CHAIR—We will move on to funding in a minute. I just want to get the roles and responsibilities clear. You mentioned the case of the doctor at Aramac. Can you expand on why you have had to do this and why there is no other way of attracting a doctor?

Mr Peoples—We are a small community. The doctor crisis that we see right across Australia at the moment is a problem for a lot of communities. There is a shortage all over. But, to try to make it more possible for our small community, we make a doctor's surgery available rent free and provide a fair bit of furniture. We endeavour to offer any incentive that we can to encourage a doctor to come to our small community. In our deliberations with the health department in trying to source a doctor over the past six months—our doctor left in about October or November last year—we volunteered to get on the telephone and ring all the locum agencies around Australia to try to find resumes of doctors from overseas or in Australia who might be suitable for the health department to investigate to fill the gap at Aramac. So, instead of leaving the search for a doctor solely to the health department, we as a shire jumped on the phone and found doctors who could be investigated by the health department to try to fill that role. We understand that two doctors were interviewed last week to fill that role. We have not heard at this stage whether we have one, but we are hopeful.

CHAIR—You help the health department find the doctor. What support does the health department give to someone coming to a place like Aramac?

Mr Peoples—They offer him a package of a home and a salary in our hospital. We offer the right to private practice in our surgery. It is probably the normal package that is offered to doctors throughout the state.

CHAIR—What do you provide other than a surgery?

Mr Peoples—We provide any other incentive that we think might help to attract a doctor. We are happy to sit down and—

CHAIR—Do you have a dollar value on the annual cost of this?

Mr Peoples—It is a bit hard to put a dollar term on it, but a surgery such as we provide in Aramac would probably cost a couple of hundred thousand of dollars for the building alone anywhere else. We provide it rent free, which would save the doctor, say, \$200 or \$300 a week.

Ms BURKE—Are other people sourcing federal or state funding to assist with rural doctors? There is a federal program out there. Is anybody utilising that? I am surprised. We have been around the country and nobody has said that they have utilised or dealt with the federal funding available for rural health.

Mr Peoples—I think we have all tried to progress MPHS, because it is going to be beneficial to a lot of our small communities. But we spent about two years on our MPHS plan, and we thought we were getting close to it being signed off. We have not been signed off. I know there are other communities in a similar situation to us. We were told mid last year that we would revisit our MPHS plan early this year. We are still waiting for someone from the state to come and facilitate and go through our MPHS plan. We all want to do it, but we are not getting the support from the state at the moment to progress it.

Ms BURKE—What about federal funds?

Mr Peoples—I am not too sure about federal funds. I do not think we have—

CHAIR—There are a number of programs.

Ms BURKE—There are a number of rural health programs.

Mr O'Brien—Does it all go through the state first? It is all administered by Queensland health?

Mr Hoogland—Yes, it has to be negotiated through Queensland Health. So we know the goalposts are shifting on us; we just never know who is shifting them and where the delays are.

Mr Crawley—We have just signed our MPHS down in Barcaldine. We have eight low-care places and six high-care places. The six high-care places are within the hospital, but there is no eight low-care facility. The council have pensioner units that we rent out to low-income pensioners in the community. We had to identify two of those units as being available under the MPHS program. We are losing the rental on those. There are no occupants in those two units and there have been none for a number of months, so we are losing income on those two residences. We have three people on a waiting list, but the units have been identified as being required under that MPHS, so we are just holding them vacant.

Ms BURKE—Until the funding comes through and you can set up a low-care bed.

Mr Crawley—Yes. The funding has started to come through. It came through in January, but Queensland Health have not come back to us and negotiated a price on the units, so we are losing income.

Mr Scarce—Richmond Shire was party to the North Queensland Division of General Practitioners, who brought an allied health service throughout Cloncurry, Normanton, Julia Creek, Richmond and Flinders. It is a \$4½ million project running over three years, and it is coming up for review. It has been extremely successful and we are hoping, once the review is done, that there will be some way of extending that process.

Also, just recently—six months ago—Richmond was successful in getting two two-bedroom units through the federal government for medical student accommodation. We get John Flynn scholarship students and a few other scholarship students coming through to work with our doctor in our hospital, which we were successful in funding through the federal government as well.

Mr Perry—We are also applying to be a body to look after the funding for Allied and Rural Health Services in our area. A lady by the name of Christine Battye did a report on the central west health services. Out of that came a number of recommendations. It identified that the services offered in the central west are far superior to what is being offered in the outer central west—the Barcoo Shire, the Diamantina Shire and the Boulia Shire. I think out of 20 services that are offered we might get two or three. What we are looking to do is for council to take over

the role of getting that funding and then going out and finding those health services ourselves to ensure that our residents get health services.

We went for over three years without a dentist coming to visit either of our communities. The schools advised us that they had a program where a dentist comes and visits each year. That did not happen for three years. Queensland Health were trying to refuse to have a dentist bring down a health van because of the cost of it, because the roads in our shire—and I will talk about them shortly—were not suitable.

Ms BURKE—We have not done roads yet.

Mr Perry—I bring it up because I will talk about it shortly. We finally encouraged them to bring it down. They had 90 visits in four days from people who had not been to a dentist in three years. We have since taken that van to Birdsville. Once again, they would not take it over so we arranged for one of our trucks to take a float over. We floated it over to Birdsville in the truck.

Ms BURKE—Did you let them take the van back or have you held it hostage?

Mr O'Brien—They use it for the Birdsville races!

Mr Becker—There is another area that does cost us a fair bit of money in a year and that is public transport. Obviously, in small communities we have no taxis and we have no bus services or anything like that. We have to supply a minibus. With the current department of transport rules regarding licensing and that sort of thing, if you want to try and recoup a few of your costs you have to have accredited drivers, so that does not work. You end up forgoing your cost recovery and you let the ordinary mum and dad drive it. Our costs in that service are growing and it is a burden on us that we could well do without.

CHAIR—We might move on a little bit and talk about funding arrangements. In particular—and we will come back to these other issues—as you are all aware, we have the financial assistance grants and they are something that have been there a couple of decades. We are very interested in the way these are allocated, particularly through the state grants commission. I am wondering whether you feel from your perspective you get a fair arrangement or whether if we were to look at other arrangements—for example, something along the lines of the Roads to Recovery funding—you would feel you would be better served from the perspective of the money that is coming from the Commonwealth.

Mr Perry—I will say something before we go on to that—this will lead into that. The basic infrastructure that we have is below par. Because of that, our allocation in the FAGS grant is low because you rely on having certain types of things for you to actually get funding. It is the same with Roads to Recovery: it follows the FAGS grants thing. I have already mentioned our medical centres and housing but the first one I should have mentioned is roads. Only five per cent of the roads in our shire have bitumen on them. We do not have any public transport. We invest all our FAGS money for roads in state government roads. Last financial year on state government roads we matched the state government 50 to 50 in what we put in compared to what they put in.

We spend a lot of our own money on trying to get services up to some sort of a standard so that people will travel on them. Of course the main roads theory is that they cannot spend any money on them because no-one travels on them, but then most people do not like to put their life in their hands too often by travelling on those roads. It is sort of a catch-22 situation. Regardless of that, there are something like 60,000 people a year coming to visit Birdsville, so an increasing number of people are starting to come out onto these roads—and we cannot get assistance from the government.

With a few other things, we only established an information centre in 1997; before that, we never had any information centres. Council has taken on that role. These are things that other communities have had for many years, and we have just moved into them. We built our first swimming pool in 2000. We built an indoor sports centre in 2002, and we are building a sports oval in Birdsville at the moment. That will be the first sports oval with grass on it that Birdsville has ever had. If you like playing rugby league on a gibber field, which is what used to be there—

Mr O'Brien—Toughens you up.

Mr Perry—It toughens people up, admittedly, but that is what they used to have. We have only recently completed a sewerage system in our towns; before that we never had a sewerage system. We have only recently completed a water system in the town. We do not actually have a treatment plant, but we have now a suitable water system. A lot of those things were provided by funding from the government. I am just pointing out that we have only just started to get many of the facilities that many other people have had for many years. We have got limited opportunities for the private sector to come and invest in any of those things, because there are not enough people for them to make money. We are finding it difficult that all of these things come into effect, like the FAGs and how much money you get, but we are just trying to get the basic services in place, like a hospital and a road. It is very difficult with the funding that we have been getting at the moment.

CHAIR—I am sure the committee is very impressed with what you are saying, and some of them will probably ask whether we can make a special visit to Birdsville.

Mr Perry—You are welcome on 5 and 6 September; it is a great weekend.

Mr NAIRN—Can I just clarify. In your submission it says that there are 700 kilometres of state government controlled roads—how many kilometres of local roads?

Mr Perry—We have 1,100 kilometres of shire roads.

Mr NAIRN—But you are putting all your money into the upgrade of roads which are the state's responsibility.

Mr Perry—That is correct.

CHAIR—The state government have put \$50 million in, but that was back in 1996-97.

Mr Perry—I wish they did.

Mr NAIRN—But they were their roads anyway.

Mr O'Brien—That would have been in the whole central division, obviously. That would have been from Rocky right out to Birdsville.

CHAIR—Or Boulia and Birdsville?

Mr Perry—No, I think they said that they were going to put in the \$50 million to build that road; I think that is what they are saying. But it has not occurred.

Mr O'Brien—It was a promise of the earlier government.

Mr Perry—Talking about the capital outlays, have a look at the state government budget. In 1998-99, this area received \$71,666,500 in capital outlays according to the state government budget. In this year's state government budget we received \$31,269,000, which is nearly a 130 per cent reduction in the capital expenditure of the state government in this area. The next biggest drop was in the north-west: they received \$186 million and have now dropped back to \$121 million.

CHAIR—What is that capital funding for?

Mr Perry—Roads, Arts Queensland, medicine, transport—any outlays by the state government.

Mr O'Brien—Total state government funding.

Mr Perry—Total state government funding: education, health, general public services, law and order, public safety, social welfare, recreation, transport, agriculture, mining and energy, economic services et cetera.

CHAIR—How much would you call that cost shifting in terms of what you have to pick up that was otherwise being provided or that may have been provided?

Mr Perry—I cannot give you a figure on that.

CHAIR—Just an idea of what services, even? I suppose capital spending covers it.

Mr Perry—I think everything we have spoken about today—but it is hard to try to accumulate it into an actual figure. We have a print-out of state government reductions in budgets.

CHAIR—Can we have that as a submission?

Mr Perry—Yes.

CHAIR—It has been moved by Mr Somlyay and seconded by Ms Burke that that submission from Diamantina council be received. Getting back to the financial assistance grants that come via the state grants commission, what is your response to the way the allocations are made?

Mr O'Brien—I suppose the biggest thing for rural councils out here is our existence on grants. My funding break-up in Longreach is 43 per cent rates and charges; 24 per cent private works, including main roads works, state government and any other private works we undertake for any authority or whatever; and 33 per cent grants and subsidies. In next year's budget at the moment, if we go ahead with our \$6 million water treatment plant, about 55 per cent of our total income will be grants.

CHAIR—You say that includes water and sewerage?

Mr O'Brien—Yes, that is the total.

CHAIR—Can you break that up between state and Commonwealth?

Mr O'Brien—Not quickly.

Ms BURKE—The majority of that water and sewerage is the—

Mr O'Brien—It is all via state.

Ms BURKE—That is all the state's—water, sewerage?

Mr O'Brien—That is right, yes.

Ms BURKE—But it would be very different for the other people around the table. You would have to have the highest rating base out of everybody here.

Mr O'Brien—That is right.

Mr Perry—My rates are \$550,000 a year. We get a FAGs grant of \$2.1 million per year, which includes the roads component. Our depreciation is \$2.7 million, so we cannot even pay for our depreciation with just our rates and FAGs grant—let alone employ any staff.

Mr SOMLYAY—How many ratepayers have you got?

Mr Perry—We have about 55 ratepayers. The average ratepayer pays something like 12, 13 or 14 hundred dollars per year whereas the average ratepayer in Queensland pays around \$556 or something like that.

Ms BURKE—Let's meet them. I would like to pay 500 bucks.

Mr McNamara—Do they pay 12 or 14 hundred dollars or 12 or 14 thousand dollars?

Mr Perry—They pay 12 or 14 hundred dollars, on average, per ratepayer, but it is dominated by the properties that are paying. I think \$45,000 is the most a ratepayer pays.

Ms BURKE—Do you have any other user service charges or any other cost recovery?

Mr Perry—Yes, we do. They are included in that \$550,000. That includes all your rates and charges and other items.

Ms BURKE—Are there any activities in your neck of the woods, besides the land holdings?

Mr Perry—No. We are really there to provide the service to the 14 properties. It is second largest shire in Queensland. It is 95,000 square kilometres—Tasmania is 68,000 square kilometres, so it is a little bit bigger than that state—but there are only 14 properties, the majority of which are owned by large companies. The town has predominantly serviced those properties, although in recent times the tourism industry has increased substantially, probably by around 10 per cent per annum.

Ms BURKE—Does anybody else have mining issues or other things—where people are utilising your roads and towns and you are getting cost recovery from the actual private services?

Mr Perry—We have an exploration mine going on, but, once again, you cannot get any rates out of those people until they have actually got—

Ms BURKE—Can you get any cost recovery for ruddy great trucks coming through and destroying the roads?

Mr O'Brien—It is a topical question with us.

Mr Becker—It is extremely difficult. Some shires levy rates over the mining lease area to try and recover that. In one particular shire there was a minimum rate of \$50,000 per year, just on the lease area.

Mr O'Brien—That is only when you have a lease area but not if you just have an authority to prospect. I think the people in the north-west, the Cloncurrys and the Mount Isas, and in the south-west, Thargomindah and what-not, have real problems with the road usages and what-not of authority to prospectors. They do a lot of damage and there is no way of recovering any costs.

Mr Hoogland—In Winton we have gypsum and opal. Neither of them are particularly productive. Gypsum in particular is heavy in transport but not worth particularly much. We are trying to encourage it as a developing industry, so it is very hard to recover much money back from them. It is another cost we are wearing.

Ms BURKE—I am just comparing. We were over in Perth and we had some of the fairly large places from far flung WA. The mines are making massive amounts of money but there does not seem to be any flowing back into the local communities that are supporting them.

Mr O'Brien—Not until the mine is up and running or there is a lease put in place.

Councillor Davidson—In a lot of those cases the only flow is on the aeroplane they fly in and fly out as well. The community cannot benefit.

Ms BURKE—The communities do not benefit but they pay for it. Do you know what I mean? They are bearing the brunt of it to the infrastructure of their community but the community is not getting anything out of it.

Councillor Davidson—That is right.

Mr O'Brien—There would be a special rate or something placed on the mining leases we seal to recover most costs.

Councillor Davidson—In our case, it was the sawmill. They predominantly use one of our roads, which is a dirt road. But that was part and parcel of what we had to offer—that we would maintain a road for them to haul the timber on—for them to come there. Without that sort of assurance we would not have had it.

Ms BURKE—And you would not have had the flow-on jobs.

Councillor Davidson—That is right.

Mr Perry—On your FAGs grants, most councils around here did receive a reduction in their FAGs grants. Ours was reduced by \$57,000, which is a 2.6 per cent reduction. That is a 10 per cent increase in rates that we would have to impose on our ratepayers to make them pay for that reduction in FAGs grants.

Ms BURKE—Were you given a reason for the reduction?

Mr Perry—It is in there. The review of the methodology—

Ms BURKE—I know it is not you. I am trying to get down to what the rationale was for what you are going to tell the ratepayers—that they are going to now have to fork out 10 per cent extra for it.

Mr Perry—I do not think anyone can really understand how you came up with the figure. You have changed all these figures—

Ms BURKE—We did not come up with it.

CHAIR—You have your panel.

Mr NAIRN—The state changed the figures.

Mr Perry—The state changed those. It is a complicated process and that is fair enough. But the money is not going to areas that really need it. We cannot go to our ratepayers and say, 'You are going to have to pay 10 per cent more because of what they say in this book.'

Mr NAIRN—Because you are better off.

Mr Perry—Yes, that is right. We provide money to the state government roads. We are doing all these things. The funds are not being apportioned out to what we actually need. Brisbane

gets \$23 million. In their billion dollar budget it would probably create a little bit of a hole if you took a million dollars out but it is only a small percentage. To our shires \$57,000—and some shires have lost significantly more than that, and Vaughn will tell you that—

Ms BURKE—Can we go around the table and get everybody to tell us so we can get an idea of how you all fared out of the new rounds?

Mr Owens—We fared very badly. We have lost in excess of \$300,000.

CHAIR—Out of how much? What percentage?

Mr Owens—About 1.2 million. Our rate base is about \$350,000. If Diamantina need a 10 per cent increase to cover their FAG's grant loss, we would have to double our rate base, which is impossible. It is a new methodology that has caused it. The reasoning we got was, 'You must have been getting too much before.' Okay. We may have been, but they will not or cannot tell us where we were getting too much beforehand. All they are saying now is, 'This is the new methodology. Under the new one, this will be your grant.'

There are arguments along the line, too, of the phasing-in period of these grants. If they come in over five years, the dollar figure that we get, when you put the CPI index and everything on it, is going to remain much the same. I think we are losing \$60,000 in actual dollar figures, but the buying power is down \$300,000. That is very significant with everything else that we have.

Mr Becker—That is very similar to the situation with us. Our loss is about \$243,000 on a rate base of \$360,000. You can round it off to a few figures and we are losing our rate base. To increase our rates to cover that loss, you certainly would not do it in an election year. Again, I think the point should be laboured that Councillor Owens brought up—the fact that Wilson Tuckey is saying that the methodology had to be changed and Nita Cunningham is saying other things and this sort of thing. But at the end of the day we did not make the mistake. If some councils were overpaid and some were underpaid, it is not the fault of those councils. That problem arose through the way the methodology was devised and obviously agreed to by both governments back whenever, and now we are paying for that mistake. It is unfair to us to lose our rate base simply because of a mistake—and it is not as if this mistake happened yesterday and so they are going to fix it straight away; it happened years ago.

CHAIR—You are saying that it was a mistake?

Mr Becker—Why are they changing it? The present federal government minister is saying that he does not like the methodology that Queensland is using, and the feds have not liked it for years. This is not the first time. This has not just come out today or yesterday to be fixed today. This has been an ongoing argument for some time between these two governments. But again we are the meat in the sandwich and all we cop is the cost.

CHAIR—But you have a panel set up by the Queensland government that has representatives from the Local Government Association, which works on this formula, don't you?

Mr Perry—We did. But it is interesting if you read the urban Local Government Association, they had nine recommendations in their submission and six said that FAGs grants really should

be rural subsidy scheme. That is what their view on the FAGs grants was, that the big councils get nothing and the little councils get everything. That is hardly the case. The big councils have got sufficient funds and resources that, as I said, if Brisbane got \$22 million instead of \$23 million it will not make a huge difference to them. But for all these small councils it does make a difference. We all believed the idea of the FAGs grants was to provide an equitable base so that communities out here could continue to operate, not to fund large councils to prop up bloody tunnels under Townsville or whatever they want to do.

Mr O'Brien—Bridges over water.

Mr McNamara—The Queensland Grants Commission really has only part-time commissioners, hasn't it; there is no full-time staff crunching the numbers or anything.

Mr O'Brien—In the state commission? Yes, there is.

Councillor Davidson—They do not have any full-time employees. There is not a full-time grants commission officer.

Mr O'Brien—Who is the executive officer of it, then? The newly appointed—what Lisa Niven was and what Bill Hastie was; who are they?

Councillor Davidson—He is not there anymore, is he?

Mr O'Brien—Yes, but that executive officer's position is still there.

Councillor Davidson—Brendan and I were both told last week at the executive meeting that one of the problems with the current grants commission is that they do not have full-time staff that are concentrating on this job all the time. They pull them in and out.

Mr O'Brien—I beg to differ; but anyway.

Councillor Davidson—That is what we were told at our executive meeting. Whether that is right or not, I do not know.

CHAIR—One of the other issues that the committee has been looking at is whether there would be a fairer system of allocating the financial assistance grants. We have seen the Roads to Recovery program, which is obviously modelled to specifically target roads. That seems to have been pretty well received; as we have travelled around most people seem to be positive about it. One area that we could look at is what is called the SES model, which is a socioeconomic status model that has been developed by the Commonwealth for the funding of non-government schools. It basically looks at postcodes and their relative income and earning ability and then allocates accordingly. Has anyone had an opportunity to have a look at that and see whether you would favour that type of model?

Mr O'Brien—That obviously comes down to specific needs on certain areas and what-not.

CHAIR—It looks at the relative ability to pay.

Mr O'Brien—When we get down to the grants commission, my view is that we should start afresh with the old methodology that was used. You could probably say that the Queensland one was fair to a certain extent but there were a dozen or so anomalies. To have a system that is perfect against 127 shires, or whatever it is, is a very difficult formula to work out. Obviously they are tampering with it and whatnot and we are getting anomalies coming through. When you look at a couple of shires that are going to lose their whole rate base and you still have a minimum grant situation put in place for the bigger populated areas then, yes, the anomalies are going to get worse. What happens with the Isisfords and the Ilfracombes if they lose the equivalent to their rate base over three years? I can tell you what is going to happen.

Councils and state and federal governments have all made decisions in good faith over the years and thought that, based on the information they had at the time, they were good decisions. In local government we now know what our true asset value is and what our depreciation rates are and everything like that. If the state makes noises that they are going to cut out some of our specific grants—such as in water or sewerage—in the next three or four years, we are going to have big difficulties in trying to keep that asset base there. I do not know what the answer is but I can tell you that it needs to come down to having a look at all the councils on a specific needs basis and their capacity to pay. That is the only way you can do it.

Mr McNamara—I have not had a chance to look at the formula you are talking about but I think we probably still need a state grants commission. I think your state grants commission has the opportunity to know what the individual concerns in your states are, particularly when you look at Queensland, which is probably one of the few states that supplies water and sewerage; most other states do not, although they do in some respects in rural areas, as in Tasmania and rural New South Wales. I think they do.

Ms BURKE—Tassie provides water use.

Mr NAIRN—Country New South Wales.

Mr McNamara—So we have some differences in Queensland that probably do need a states grants commission. In relation to this methodology review at the moment, I think it has basically been all over the place in the grants changes. I know rural councils that have gone up; some have gone down. With urban councils, some have gone up and some have gone down. It has really been a bit of a dog's breakfast all over the state. To try and understand why your council has gone one way or another is fairly difficult when trying to compare it with the old methodology.

Just to be the Devil's advocate, on the councils that went down a lot, your indicative grant has gone down. I think there are only a few councils, though, that next year will get less than they did the previous year. Isisford might be one of them. A couple of others might have gone down. The indicative grant might have gone down \$300,000 but the actual grant you are going to receive will not go down next year anywhere near like that.

Mr Owens—No, it won't.

Mr McNamara—Some of the gulf shires have gone down in their indicative grant by up to \$500,000 but next year their grant does not go down by \$500,000 from what it was last year; it is similar to what it was last year.

Mr O'Brien—But in real terms you are going to be—

Councillor Davidson—That will depend upon the phase-in period.

Mr McNamara—That is right. That can alter it.

Councillor Davidson—Queensland are trying for a five-year phase-in period whereas Wilson Tuckey, I believe, wants a three-year phase-in period. I do not know how many councils have done their sums, because what we have seen in the past and which has been presented to us and which we have worked out ourselves is that on a five-year phase-in period I think the majority of councils will not actually get any more money because the pool goes up every year by CPI. We are not actually going to lose money over that five-year period but we are not going to gain. In real terms we are going to go backwards.

Mr SOMLYAY—You will not get your growth funding.

Mr Becker—That is right.

Councillor Davidson—But if it comes in boom, chop, tomorrow in the next grant, we are certainly all going to be behind the line.

Mr McNamara—I know that we are a council that have gone up in our grant but our grant for next year is not going up by what our indicative grant has gone up by; it is going up by a lot less than that, obviously to balance out the ones that have gone down. I guess with our situation we probably cannot identify why we went up, but I guess we were probably under half the per capita rate of what our neighbours were, so we probably thought we should go up a bit.

CHAIR—Just as an indication: how many will be disadvantaged and how many will either be better off or at least as well off as now?

Councillor Davidson—Of the 12 councils that I represent, three will go up and nine will go down. I do not know what Brendan's situation is.

Mr McNamara—I think out of 10 councils it is six down and four up.

Ms BURKE—Someone mentioned minimum grants. There was again a notion of abolishing minimum grants and taking that away.

Mr O'Brien—Under the formula, if they are not entitled to it but they are given it and yet there are other councils that are entitled to it that are not getting it, is that fair? It is all the bigger councils that are on the minimum grant. We are only talking about 0.1 per cent or less of impact on their rates. Out here, you are talking about 100 per cent impact on their rates.

Mr McNamara—I sat here about two years ago in one of the grants commission's hearings, and I think we all agreed then that we probably did need a minimum grant. It does not really matter how big your town or city is, you still have to provide services. A minimum grant in Queensland at the moment is probably \$16 per head. Once you have gone down, it is easy to say you then want minimum grants, but I really believe that everybody in every shire and city in

Queensland—and probably Australia-wide as well—is entitled to a minimum grant. If we get away from those, I think we will start to get real infighting amongst our councils in Queensland—and that is something we probably do not want.

Mr Hoogland—On an equity basis, if we believe that local government is a third tier of government and if we are getting a share of tax revenue that is our due, then every council should participate in some of that, at least in some form. Maybe there could be reductions or whatever, but I agree with Brendan: some sort of share should go to every council. To have no minimum indicates that some councils are valid and some are not. It does not seem fair.

CHAIR—It is more a question of whether you just get your straight allocation or whether you have a minimum.

Mr Perry—I wonder what the amount provided as a minimum grant is.

Mr Becker—It is a very bitter pill to swallow when, in the first part of the meeting here today, we went through all the things that we are now taking over and funding that were not so long ago roles of government. We are now meeting those costs on a day-to-day basis. Governments decide to change the methodology of grants and the money available to deal with that takes a big dive. It is hardly fair.

CHAIR—The point that you are making very clearly is that the opportunities to raise funds from other sources out here are very limited, whereas in the bigger centres there are often other ways.

Proceedings suspended from 11.42 a.m. to 12.04 p.m.

CHAIR—Before the break we were talking about funding models from the Commonwealth perspective. You have certainly made it clear that you are not all that happy with the rearrangement of the formula by the state Grants Commission, which has not helped some. We probably have a view on the minimum grant, unless anyone want to add anything.

Mr SOMLYAY—This committee was here in, I think, 1995—

CHAIR—It was here in the eighties too.

Mr SOMLYAY—when David Simmons was the chairman. That was the time of the implementation of national competition policy. This area and many of the councils in the western region of Queensland had real problems with, and real concerns about, the national competition policy. The mayor of Longreach, Joan, mentioned this to me. I asked, ‘Are there any cost-shifting implications with regard to national competition policy?’ and Joan said, ‘No, but it is revenue shifting.’ Does anyone want to comment on how that has affected councils?

Mr O’Brien—At Longreach it has hindered our ability to do what we do best. A significant part of our revenue—a quarter of it—comes from private works on behalf of Main Roads. We have a national highway right through the middle of our shire, and I think most councils in this western area—except for Diamantina, Boulia and Aramac—have part of the national highway through their shires. The competition is very slight out in this part of the country. A few companies have come and had a look, got their fingers burnt and gone home, leaving a problem for Main Roads or whatever to pick up later on. We would like to get into serious contracts on

the national highway but we are restricted by national competition policy. It is an opportunity for us to resource share—as in councils getting together and doing jobs on the national highway—but it is a process to go through to get a job that we can partake in.

CHAIR—Are you saying that you cannot get in because the jobs are too big?

Mr O'Brien—They are too big in most cases, yes, but to get an exemption or whatever is a drawn-out problem, and that has impacts on our revenue raising ability.

Mayor Davidson—We would like to get into the same situation with the national highway as we are in with our state controlled roads, where we have sole invitee status—provided we are doing the right thing and not ripping the system off—to do all the capital works. There might be the odd extremely major job that we do not get, but when it comes to the national highway anything over about \$200,000 dollars, I think, has to go up for private competition. We seem to be having trouble getting qualified to do these jobs. Private enterprise does not have quite the same problem. There was a \$1.2 million job east of Tambo not long ago. We had been lucky enough to get a \$600,000 exemption and built the same sort of road, and we wished to do it again. But it went to a private company that somehow or other got qualified. They did not even own a grader and they had never built a road before in their lives. They undercut everyone by a couple of hundred thousand dollars and, needless to say, went broke, leaving people in our communities out here owed a lot of money. If local government could get those sorts of jobs—the sort of position we have with the state controlled roads—it would certainly be a big boost to those councils that are on Commonwealth controlled roads, on national highways. We would have a bit of extra work and some of the jobs might have to be put out in slightly smaller slices, but I do not think that would create huge problems in the long run. The bridge over the Thompson here, for example, might be a different situation.

CHAIR—We were shown that. I do not know whether that was meant to indicate what can be done out here.

Councillor Davidson—It would be a great boost to local government, because we need to have an up-to-date plant fleet if we are going to be able to do our roadworks.

CHAIR—What percentage of works is being done by people outside of the area?

Councillor Davidson—Only these big capital work jobs on the national highway.

Mr O'Brien—We are also competing with the state Roadtec, or RTCS—it is a branch of Main Roads. That is a construction company.

CHAIR—They have their own contracting works?

Mr O'Brien—You could say that they are given jobs to keep them going. I cannot see the reason why we have two more or less state authorities competing against each other.

Councillor Davidson—In the situation down our way, we put in a joint tender with RTCS. We were to do the preliminary work; they were going to do the finishing work. As I say, this

other crew came in and undercut us by \$150,000 to \$200,000, and they got the job. They got pre-qualification somehow or other.

CHAIR—What recourse do you have to in this case the state government? In terms of this and other things, what is your avenue of recourse?

Councillor Davidson—The problem is not with the state governments; it is with Canberra.

CHAIR—That is what I want to hear.

Councillor Davidson—The problem is that they will not give us the exemptions that exist in the state sphere. In this situation, our Main Roads fellows told us: ‘We don’t want to give these fellows a job but, under the federal guidelines, there is nothing we can do to wipe them out.’

Mr O’Brien—We would have difficulty, really and truly, competing with somebody who is buying a job—we cannot buy a job. We had a job outside of Blackall and we wanted to keep core staff going, and they bought that job and got it. We cannot do that.

Councillor Davidson—We are dealing with the Watpacs, and the like, of the world that say: ‘We have a gang who have no work to do for a few months, so we’ll get this job out there to keep them busy.’

Mr SOMLYAY—The Commonwealth government pays for the national highways, but the state government owns them. The state government, because they own them, puts out the contracts. There is no reason why they cannot write into the conditions for the tenders, or whatever, out here on the same basis as the state governments.

Councillor Davidson—It is under federal guidelines. They put out the tenders, but they are put out under federal guidelines, not state guidelines.

Ms BURKE—People have talked about roads and Roads to Recovery. I am throwing it open because these people really want to get things on the record about roads and Roads to Recovery and different issues. Can we go on from there if people have issues of road funding, the Roads to Recovery model and other issues. Obviously roads are a big issue.

Mr O’Brien—I think roads are the biggest issue. Here is our transport infrastructure network, and now that accrual accounting is on us, we know what we have to do and we know what we have to do to keep that asset going ahead. The maintenance of some of these roads, especially the gravel roads, is extraordinary. They only have a life of 10 years before you have to do a full resheet. It is a merry-go-round for most councils in this area as to who gets the good road for five or 10 years, then they have 10 years of nothing until something else comes along as a bonus.

Mr Crawley—Then you have the quality of gravel. Some of those 10-year roads might only last five years.

Mr O’Brien—Then in Vaughn’s case, he has not even got any gravel in his shire, so he is left with black soil roads.

Mr Perry—Plus you have EPA and native title issues with trying to win gravel.

Ms BURKE—Do you want to expand on the EPA and native title issues?

Mr Perry—You have to have all your quarries licensed now. With regard to the native title side of things, you have to get them to go and have a look at the quarries. That is part of the integrated process.

Mr McNamara—Cultural heritage is a big problem.

Mr Perry—Cultural heritage is a big problem. We do not have a big problem with that, because we are not interested in wrecking anything. All we are interested in is trying to preserve what we have, and also trying to maintain the roads we have to some sort of standard.

CHAIR—You have raised a problem, and we would all be sympathetic to the fact that, as you say, it is pretty hard to get a serious competitive market out here. You say it is either a contractor who has someone with little to do for a few months who will come out and grab the job at a lower rate or, worse than that, someone who does not have the ability to handle it. Have you put forward in the past, or have you given some thought to how you might put forward, a proposal saying, ‘Because this is a fairly remote area’—if you do not mind my using that word—‘there should be a different way of handling this’?

Mr McNamara—We live north-west of here on the Flinders highway, which is a state controlled road. We are lucky because, on state controlled roads west of the Great Dividing Range in Queensland, local governments basically have sole invitee status to work on those roads. As Dougal said, it is not open slather; they are done on agreed price performance contracts. The price we put in is assessed by Main Roads. If we go over it, it is our cost; if we go under it, it is our profit. So it is not as though they are going to subsidise us if we do not run to schedule on the job. It is our cost if we go over that price performance contract. It works very well on the state controlled roads, and the councils on the national highways are asking why they cannot be in a similar situation to work on the national highway.

Mayor Davidson—The state is cut up into three regions with regard to this work on the state controlled roads. There is the open slather area over on the coast, there is an in-between lot and then there is us out here with the agreed price performance contract. We do the maintenance work on the highway. It is the capital works we do not get a go at.

CHAIR—I know you have huge distances here, but is there scope for you to share equipment?

Mr Becker—We do already. Sharing is something that is pushed to local government all the time, but the resources that we share are many and varied and it is something we have been doing for years.

Mr Perry—Just about all of the shires here—I am not sure about Flinders or Richmond, but most shires in the central west—use George Bourne and Associates, a consulting engineering company, to provide engineering services. So we have a very common focus on road building from that perspective.

CHAIR—I commend you on that but I am talking about equipment. Obviously if you have bigger jobs you might be able to get better equipment.

Mr O'Brien—Yes. We all have the core fleet we need to do our shire roads. If the conditions are right you have all your graders, trucks, labourers and whatever else out and going. Some of us do have specialised equipment. We are getting the larger scrapers and we have a stabilising machine that goes through a lot of the other shires. Council took a conscious decision three or four years ago to buy it from a private contractor that was having difficulties. The main competitive duplication, I suppose, is with Roadtec—the state government body—whose plant hire services arm doubles up the plant fleet in the area. Obviously when we have things like flood damage and so on we do go to plant hire services and say, ‘Can we have a grader for six weeks,’ or something like that. That works out very well. But, talking about rationalisation of plant and everything in the area, the major double-up is with the state government plant hire services.

Mr Perry—Another thing about plant hire, though—and I am not sure whether it is the same for everyone—is that I totally rely on it to bring revenue into my budget. If we do not get plant hire we run at a deficit. We will be running at a deficit this year because the money was not sufficient to cover our depreciation plus our other expenses. We totally rely on plant hire, and that comes from flood damage and main road works. When you have a bit of a drought and your flood damage money is finished, you run at a deficit. We do not have any other source of income.

Mr NAIRN—You are hiring the plant to—

Mr Perry—Ourselves, Main Roads and other people.

Mr O'Brien—We have internal plant hire. If you were to take plant hire out of councils and put that into private enterprise, you would wipe out all of these councils overnight—no worries at all.

Mr SOMLYAY—Just explain how the plant hire works.

Mr O'Brien—We own five graders, for example, and they are worth \$300,000 each. They earn back in internal—it does not matter whether it is working on council roads or they are working on main roads, they do \$86 in the hour. In some cases, if they are out at Diamantina, they might be \$120 an hour because of fuel and other issues. That obviously generates a lot of money and that is the cost that we put down to maintain our roads and what it costs for maintaining main roads. It is like a business. If a private enterprise were to come out and own five graders out in this area, they would be probably hiring them out for the same amount of money and making a good little profit out of it.

Mr Perry—And we have to ensure that we abide by national competition policy with how we price, so we cannot price cheaper to cut out private contractors. But we all totally rely on our plant hire and hiring that plant out to various people to give us revenue and then we try to run that part of the business as profitably as we can.

Mr O'Brien—And that flows on right through council, as it is our mainstay of keeping employment and everything.

Mr Crawley—With the maintenance of roads, we were asked last year to put in a price for maintenance of the state roads. We went out and did a full estimate, submitted it to Main Roads and they said, ‘There’s no more money this year; you will have to do it for what you did it last year.’ I have a letter going to the council meeting next week where the Main Roads have asked us if we can reduce it down to 90 per cent of what it was last year and continue to maintain their roads.

Mr Perry—But effectively that plant cost money pays for all our infrastructure.

Mr McNamara—That issue that Mark raised about the funding for maintenance of the roads: we have been on the same dollar figure for five years for our shire road maintenance, and John, who is in our area, would probably be on the same. We are maintaining similar road networks for a figure that is not increasing with inflation at the moment. You either get more cost-effective or the job does not always get done.

Mr SOMLYAY—Have you seen any of the national competition policy payments to Queensland?

Mr McNamara—Yes.

Mr Crawley—It has been paid through.

Mr O’Brien—We have seen basic ones.

Mr SOMLYAY—How much?

Mr Perry—I think we received \$110,000 and we have \$40,000 left to claim.

Mr Becker—We have received something similar.

Mr O’Brien—I have received about \$24,000 and I have about \$250,000 outstanding.

Mr Timms—We have a consultant doing a lot of NCP work for a lot of shires around this area. My understanding is that our NCP payments have dried up and those people who have done work in the last year—there will be no more funds to cover the work that was undertaken. So if they have undertaken it in the last year, although they were promised funds it is not going to be forthcoming.

Mr O’Brien—That is what I have been told too.

CHAIR—As I said, you will have to talk to the state government because they would have got the money.

Mr O’Brien—Yes, they have the pool and the pool has been raided.

CHAIR—It is something that the committee should not get into.

Mr Timms—It is not going to be forthcoming.

Mr Becker—The other issue was that for those payments to come through—our consultant asked me had we got our money. I said, ‘No, we haven’t,’ and he said, ‘I don’t know why you don’t because the feds have signed off on it, the minister has signed, it has been paid to the state government and it was paid there very early in this calendar year.’ It appears that the best expectation we can have is that it may be paid in late May or June. How come the state government is going to hang on to that money for five or six months?

CHAIR—Can we flick-pass that to your local state members?

Ms BURKE—The only thing we can tell you is that you are doing better than the rest of the states who have not seen any of it.

CHAIR—They do not get any.

Mr NAIRN—Except for Victoria.

Ms BURKE—Except for Victoria, sorry. Has Roads to Recovery helped or hindered you? Has it been a good program and do you want to see it continue?

Councillor Davidson—Roads to Recovery has been one of the best things we have had for a lot of years. Keep it coming.

Mr Becker—With reservations; Roads to Recovery is seen by some as playing a more important role than it did. When I first heard about it I thought, ‘This is great. This is going to allow us to lift our road infrastructure,’ and I think that is what Diamantina was saying before. We were starting from a very low base and it was going to bring us up. When we got our grant, to say that we were disappointed would probably be an understatement. I worked out my fuel costs at the beginning of that budget year, which was 1 July; I worked out what I knew I was paying for fuel when Roads to Recovery grants were announced, and this was a time when fuel prices were going through the roof. The difference that the fuel was going to cost me over what I had budgeted for, if I took that off my yearly allocation of Roads to Recovery, the gross divided by three, it left us with \$57,000 to spend out of Roads to Recovery. We only got \$300,000-odd.

We were hit particularly badly by the formula when it came back to road length. Given that we are a shire with no gravel deposits and all black soil roads, it is a disappointment, as I say. Perhaps this is one area where, if ever this thing were looked at again, there needs to be a minimum level where you come in. I do not know whether my neighbours would be very neighbourly, but if all the neighbouring shires had received \$20,000 less per year and we had got that, we would have received the region’s average instead of receiving about a third of the region’s average.

Mr Perry—But I think it is just highlighting that we already have low levels of infrastructure, low quality roads, and this formula was paying out on the quality of roads you have. So you are not going to improve any of your roads.

CHAIR—There is a review of Roads to Recovery under way now. I hope you will be making that point to the review.

Mr Perry—Sure.

CHAIR—Just getting back to your competition type payments. Have you budgeted for that payment that has not come through?

Mr Becker—Yes.

CHAIR—So how are you covering it?

Mr Becker—Quietly panicking. What else can you do? We are expecting to get it prior to 30 June, so if we do that it will not be a problem.

Mr Peoples—To answer Anna's question about Roads to Recovery, I think it was a great initiative. I think we would all like to see the Roads to Recovery mark 2 come through. Speaking from our own experience, we have been trying to push a road through from Aramac to Torrens Creek, which we see as an inland highway which will decrease a trip from Townsville through to Melbourne by about 1,124 kilometres. It is a major inland highway and the Roads to Recovery funding that came through allowed us to progress that road. I think we have about an extra 40 or 50 kilometres down which we would not have got down. The shorter we can make that gap, the more chance we will have of getting that road through. A few other mayors and I have had meetings about this road in the past with the Deputy Prime Minister and Steve Bredhauer. We felt at the time that we had the Deputy Prime Minister fairly interested in a road of national importance under the old RONI scheme, and we could not get our own state minister interested. As far as our road is concerned, the Roads to Recovery funding was very beneficial to us.

Mr O'Brien—When you get down to all the issues of the NCP and all the things that we have to do, I suppose it all comes out of the general funds bucket, as we say—the FAGs grants and our general rate base. It is obviously mounting up and mounting up. If we do all this work with consultants, and they do all our NCP work and it does not come to fruition, it just comes out of the bucket and we are left with it.

CHAIR—Just moving on to this method of delivery of Commonwealth funding, obviously Roads to Recovery was a new, additional program, but it was on the basis that it was direct from the Commonwealth to local government, albeit targeted at a specific set of work. What is your reaction to FAGs funding being allocated direct from the Commonwealth—or similar money—rather than going through a state operated grants commission?

Mr Perry—That has pluses and minuses.

CHAIR—That is what I want to hear; good.

Mr Perry—Pluses, we are happy to receive it that way. It certainly saves a little bit on administration costs, I would guess, and things like that. On the minuses, I do not think the state government is that happy that it happens, and I think we probably felt a little bit of that with the Roads to Recovery money, in that they were not happy that it came through directly to the local governments.

CHAIR—Can you be a bit more precise?

Mr Perry—Some areas of the state certainly received some bad vibes from Main Roads that they might lose some funding, and I do not know whether that did or did not happen.

Mr NAIRN—I would like the evidence of that.

Mr O'Brien—It is ironic that we a Main Roads-local government alliance happened just after the announcement that Roads to Recovery money was going straight into local government coffers, and now we are getting in bed with Main Roads to see if we can find a better way of delivering funds to all the different regions. There are some quite good models in some areas, but it is going to be interesting for this area to see how it works. My feeling was that it was just a way for Main Roads to see whether they could get some advantage or use a backdoor to put the Roads to Recovery money into the state system again.

CHAIR—Does anyone else have a comment on the question of Commonwealth funding coming direct by that type of system?

Mr McNamara—I guess it will depend on what methodology you use—whether you are using the current state methodology or whether the federal level will implement its own methodology. I know a lot of rural councils have gone down but, in reality, rural councils in Queensland do a lot better out of the state methodology at the moment than they would if you applied a federal methodology.

Mr Perry—It should be something based on what people need.

CHAIR—That is what I raised earlier—the SES model.

Mr Perry—Yes. As I pointed out, we do not have a lot of infrastructure. We are coming from a low level, yet we only get an allocation based on the services or the level of infrastructure that we have, not what we should have.

Mr O'Brien—But how do you justify that in the state or federal parliament or wherever on a needs basis if you are servicing and you want to put, say, \$40 million into the roads in Diamantina Shire? Is that realistically going to get through all levels of parliament—state and federal—at the expense of, say, the 17 big councils in Queensland?

CHAIR—What we are doing here is exploring options. Rather than us trying to answer your question, we want to give you the opportunity to say what the best delivery system would be.

Councillor Davidson—Our current system of Queensland distributing our FAGs grants is probably the best way for us. We may not be one hundred per cent happy with the methodology, but at least if it is a state based thing we hopefully have a far better chance of one day ending up with a methodology that will be fairest to all—and us in particular. If it were distributed along the lines of Roads to Recovery, which is more of a specific thing for roads, I would have a few reservations. I really do not know enough about the SES to comment on how that would fit. But the current system is probably the best. Maybe it could be fixed up a bit so that the states get

their share based more on horizontal equalisation than a per capita basis, because I think Queensland misses out rather badly in that situation.

Ms BURKE—At the expense of whom? Be careful!

Mr Perry—It is interesting when you have a look at the Grants Commission. It refers to how the funding is apportioned and things like that on a state-by-state level. You cannot really make any comparison between Queensland, New South Wales and Victoria. The closest you can get is a comparison between Queensland and Western Australia because comparatively there are the ties between the states and because of the diverse nature of the population. I think that is where Dougal is coming from, regarding how the funds are handed out. You cannot compare state by state. We are all different.

Ms BURKE—But you also cannot compare local government state by state, because you all said at the outset that you all do different things. You cannot even compare local governments around this table in that respect, because you probably all do different things again. That is one of the problems when you look at service delivery. Going on pure populace, there are two treasurers—one in New South Wales and one in Victoria—who keep screaming blue bloody murder that they keep getting done over by everybody else. I suppose it depends on where you are sitting at the time. We are trying to see through some of that fog. Everybody in every submission we have has said that they have a problem there. We are trying to look for an answer to fix it.

Mr Perry—I get annoyed with this population issue, because if you have one person living in a house or 10 people living in the house you still require the house, water, sewerage and a road to go past it. It does not make any difference. With our areas, which have a small population base, it looks as if we should get less money but it still takes the same as if we had 10 people living in the house; it does not make any difference in terms of population.

CHAIR—There is another way of bouncing this idea around. How would you feel about the idea of the Prime Minister and the premiers—through the COAG arrangement—getting together in state by state agreements on how the funding might be allocated within the states? Given that local government is present at the COAG, that would mean that the LGAQ would be party to the agreement. What would be your response to that?

Mr Hoogland—Do you think realistically that you will get a state by state agreement on cutting the states out of the funding model?

CHAIR—To put it in perspective, when the SES model was brought in for funding non-government schools, the way of doing it which was considered fairest was to say that nobody would get less but some would end up getting more, because the formula was different to the old system.

Mr O'Brien—Is the SES model in practice now?

Ms BURKE—Yes.

Mr O'Brien—What is the result?

CHAIR—The result is that some schools are now getting more funding and some are getting the same amount. The reason for the change was that it was felt it was a fairer system because it was based on the ability of people to pay rather than the so-called status of the school.

Ms BURKE—I have to put one political caveat on it. Not everybody was happy with the model—let me add that. You asked a question and unfortunately this is a bit loaded, so I have to be honest with you.

Mr O'Brien—After all the feathers settled, did they settle down and forget about it, or are they still all out there kicking and screaming and saying that they will not do it?

Mr NAIRN—It depends on the time of the year and what is happening at the time.

Ms BURKE—It was a bigger political question than that. It comes down to another issue as opposed to the schools receiving the money. The methodology is a needs-based analysis. Let us not get bogged down in SES and how it is working there. Look at it as a needs-based analysis—as a model for modelling needs. Put that in your head and answer the question. Do not look at the practicality, otherwise I will have to give you a two-hour lesson on this and you do not want to go there.

CHAIR—No.

Ms BURKE—So think about it as a needs-based analysis.

Mr NAIRN—I was going to say that where the formula indicated that a school should get less, it would be similar to what has happened to you with the new methodology. Where a school would get less, it will be maintained at its current level and will stay there until such time as it catches up. So if a school was supposed to get \$1 million but under the new formula it is going to get \$900,000, it will stay at the \$1 million level until—in time, with inflation and other things—the \$900,000 catches up to the \$1 million. And then it carries on from there. That is how it is working in practical terms.

Councillor Davidson—Maybe it is something that we could borrow to go with our new methodology: none of us would get any less than we were getting until we catch up again. That is what we had under our previous methodology. No-one was to get less and it was to be phased in over a period of years. I guess five years smooths the bump out a bit. A lot of us, who used to be on the increase and are now on the decrease, gave up some of our increases to keep people up there. So it would be helpful for that to come in again: that no council receives less FAGs money than they had in the previous year until such time as it catches up.

CHAIR—Can I just explain a bit more about the SES funding? It is socioeconomic status of the community. The experience—without opening up the debate on schools—is that rural and regional areas have probably benefited from it. So that is why we are throwing it around.

Mr Perry—One thing with solutions to this problem I had down was with the increased private sector involvement and the AusLink report made a specific mention of increased private sector involvement. For example, with the sales of Telstra we did see some financial benefits being passed out to the rural and remote communities through different programs. In recent times there have been airport sales, railway sales and things like that. There has probably been

less influence to actually pass on some of those savings. Indeed, with toll roads and things like that, there could be an opportunity to redirect funding. What I am saying is that there are opportunities for more private sector involvement in infrastructure assets on the coastal fringe and it would be good if there were some way to have direct funding back to rural and remote areas from that.

CHAIR—If we could find a model like the SES model that meant that you could have a system in place that would allow the Commonwealth FAGs money and so on to come direct to councils, what is your response to that?

Mr O'Brien—It would be good if you had a mechanism that had direct payments to local government but it was still in a state government loop as an agreement on how that should be delivered. States could sign off on a methodology that they are comfortable with and then the payments come straight from the federal government to local government.

CHAIR—But it would also include LGAQ.

Mr O'Brien—Yes, it would have to be negotiated between LGAQ and the state department of local government and the federal government.

Mr Hoogland—It is this needs based or socioeconomic status issue. The reason Telstra has been working for us is because there is a community service obligation built into that whole system. With the needs base, there needs to be some sort of minimum standard of infrastructure that could be incorporated into it that meant there was some equalisation, not just on socioeconomic status or ability of people to pay but also a consideration of the level of existing infrastructure. There has to be some way that we could try to catch up with places that have more established infrastructure and ways of achieving those levels of infrastructure.

CHAIR—Is that going back to the grants commission type funding?

Mr Hoogland—Possibly with a floor level sort of thing on it.

Mr Becker—From my point of view, it worries me when things get driven from Canberra and how long it takes to change them when they are wrong or it is not suiting us. It is bad enough dealing with George Street, but Canberra is that much more remote from us. There would be a reluctance for us to go away from the payments coming through the state unless there was a very clear understanding that this thing would not be bogged down in the political mire in Canberra. I cannot speak for my colleagues here, but I would suggest that there may be just that little bit more mistrust of Canberra than of Brisbane. We have all dealt with both and we know just how long and how difficult it is to get anything changed from Brisbane, let alone going that extra mile and getting it changed from Canberra when it is not suiting us.

Mr SOMLYAY—We have the same problem.

Mr Becker—No doubt you do have the same problem. That would be my concern, that if it is not quite right and does not suit us, what sort of a can of worms are we opening by doing it that way?

CHAIR—That is a view we seem to hear more in Queensland than in other states, but then there are some quite strong reasons for it too.

Mr Perry—I do not know how many people here get to Canberra too often, but we at least try to get to Brisbane a couple of times a year.

CHAIR—That is why we bring the committee out to the regions.

Ms BURKE—We have not gone there today but we have talked around it—the horrible word amalgamations. Economy of scale is an issue you have touched on. You have all touched on it by the fact that Longreach is providing services out to other councils and that you are sharing equipment. I would be interested in views about it. Obviously in these areas distance is the killer, so I put that to one side. Is there an ability or a desire to amalgamate; is it something we do not touch, do not talk about? We got some pretty amazing views about it yesterday, so it would be interesting to see what people around this table thought about that.

Councillor Davidson—Quite a few of us have already been through the fights and battles a few years back with the Sherman report, and then we had Greg Hoffman taking over. There was a proposal out here for six councils to be made into three. One of the big problems, particularly for the smaller councils—one of which I represent—is that similar towns and communities in neighbouring shires that are encompassed by a bigger centre are just so far behind us in the facilities and services they can get. That is mainly because, under the one vote one value system which we all have in local government now, the council's make-up is dominated by that larger centre, which means that the others do not have as much say. You can really see the effect that this has had.

It sounds very good in theory and, yes, we might be able to cut down a bit on our administration costs or something like that. But, as I think has been pointed out, we are doing quite a bit of that, particularly in the engineering field. Those 12 councils that I represent all use the one engineering firm. Basically they have an engineer who services one or two or three, depending on the size of the shire they are handling. So we are sharing there, we are sharing some of our machinery and we are certainly sharing our knowledge. But, if you take the council out of the community, that community really suffers and so does the quality of life for the people who live in it, and they will then move either to the south-east corner in Queensland's case—which is the most used area—or into that larger centre. So the problem moves from one place and is created in another.

One of the big problems with any of this amalgamation talk is the fact that sometimes a little bit of a boundary realignment would be far preferable and do a far better job. We have had one down our way and it benefited us. We won some areas there, and you have to take the good with the bad; that is fine. Amalgamation is something that will probably never go away but it is probably best left away.

Mr Hoogland—Didn't we have a study done a couple of years ago, Dougal?

Councillor Davidson—Yes, we did. We had a study done.

Mr Hoogland—In general terms the cost-benefit does not work out because the tyranny of distance outweighs the economies of scale. When you added the social cost and the impact of

that on communities, it was just thrown out the window here in general terms as being not particularly viable.

Mr O'Brien—Any shire out here that is a single town—the Tambos, Barcaldines, Blackalls and Longreaches—is quite a solid council. With the shires that have two in them, and two towns that are fighting against each other, it is difficult. It is a financial imposition, I suppose—one town gets this and the other one wants it correspondingly with their size or what have you. You have divisions built into councils then, and you have this town versus that versus rural. If you were to amalgamate and a larger town were to take on two or three other towns around the place, they would die overnight. That would be it. We are about keeping the population at least at the status quo or increasing it, not obliterating it—and that is what would happen.

Mr Scarce—Pose that question tomorrow to Townsville and Thuringowa.

Ms BURKE—We have been asking it all over the place.

Councillor Davidson—Another point is that when you get a greater number of councillors in one centre and just a few in the more outflung areas, one of the problems we have in western Queensland is getting good people to stand for local government. It is a community service, not a paying proposition; it is anything but. I have seen people that have been good councillors and good solid sound businessmen. They get sick of belting their head up against a brick wall and they pull out, so those communities are further disadvantaged. It does not matter how you want to look at dividing up the shire or whatever with the bigger ones—and there have been some pretty erratic sorts of ideas passed to me over the years—there is nothing you can do about it if it is dominated from that central point, or sometimes a point on the edge. It is a very difficult situation. But, as Bob said, councils that have one town in them are just so far in front, in terms of being able to run the place, of ones with two or three towns, particularly when there is one big one and two or three little ones.

CHAIR—Just coming back to your point where you said the boundaries could be drawn in a better way, I would like to follow up Anna's question. Obviously it is a very difficult thing for neighbouring councils to find agreement on that. Do you see the need to take the South Australian example, where the state government said, 'We're going to do it if you don't,' and they did? Victoria imposed it. We talk about some of the benefits and presumably you can see some there, but it is in the too-hard basket. What if someone were to say, 'Look, let's have another look at it from the outside'?

Councillor Davidson—I do not think it is in the too-hard basket. It is the distance business again. That is the big problem. John was saying before that they have 14 properties. If you take Bedourie and Birdsville out of the Diamantina shire, the rest of it is made up of 14 ratepayers. You have more than Tasmania there. The next one there is just about as big as Tasmania. You put those together and you still have not got many more people. You have huge distances that you have to cover and then you have to try and get someone who wants to represent them. That is a fairly difficult situation.

Mr Peoples—Just to add to that, our shire is 23,000 square kilometres. But to go north of us, we go up about 160 kilometres and we join Flinders, Brendan's shire. But you are looking at probably 500 kilometres to Hughenden, your next reasonable centre, and about 540 kilometres through to Charters Towers. It is all right to say that we will put the distance factor aside a little

but the distance factor is a major issue for the people that need road services and everything between those two communities.

Mr Perry—From our point of view, we actually border on South Australia and the Northern Territory and there is no local government in those areas. Twelve kilometres from Birdsville you go into South Australia but there is no-one to talk to. The communities over there have their own little progress association type things to try to get facilities in their towns. If you have a look at your Innaminckas and Marrees and Oodnadattas and places like that, they are struggling to go ahead because they do not have a shire council.

Mr McNamara—It certainly is a tyranny of distance. The 10 shires that I represent—you take out Torres Strait to come to the 10—vary from basically 28,000 square kilometres through to 117,000 square kilometres. In our case our nearest town is Richmond, 115 kilometres away, and then we get the nearest towns in the vicinity of 220 kilometres away. If you go up in the Gulf area it gets worse than that again. So getting people to cover that area would be very difficult.

CHAIR—We might move on to a couple of things. Does someone want to have a go at stock routes?

Councillor Davidson—You mentioned that Canberra wanted to take something over; maybe this is their chance.

CHAIR—This has been listed as cost shifting from the state, I presume. I was just wondering whether you might expand on that.

Mr Becker—We had a meeting with the state minister, Stephen Robertson, a couple of weeks ago basically with the shires from Winton through to Tambo and Isisford and Aramac. I received some costings over the previous financial year from most of those shires. The shires that I received the costings from had spent \$675,000 on day-to-day operational costs, maintenance and that sort of thing, on stock routes, not including capital works. The fees recovered for the same shires were \$10,800, all of which was sent to Brisbane. There is a bit of a problem in that the old act was written back in the forties and it is not really relevant today. A new act is sitting there waiting until the state work out what they are going to do with rabbits. The regs have not yet been proclaimed, so we are in a bit of a limbo there.

The new act is very deficient in any enforcement. I am not sure if this committee is into that. Maybe you want to hear more about costs. Some of the shires that were represented there were spending close to 17 per cent or 18 per cent of their rate base on stock routes to maintain them for travelling stock that may come from anywhere for no revenue return whatsoever. We saw that as a big impost, especially when we could be overruled in Brisbane on how we actually manage them.

CHAIR—I take it from this that up until sometime recently the state government ran them, did they?

Mr Becker—No.

CHAIR—Where is the cost shifting?

Councillor Davidson—The cost shifting is that we pay the costs and they get the revenue. It is a great system.

CHAIR—You said that they get very little revenue.

Councillor Davidson—They do not get a lot of revenue, but it is better than none.

Mr O'Brien—It all adds up.

Mr Hoogland—We put it in as cost shifting not because it has changed. The closest analogy to a stock route is a road—where it is a method of transporting cattle. A state road network is funded for its maintenance and construction by the state. A federal or state road network is not funded by local government. Here we have a situation where there is a benefit to the state and the nation in this transport system which is being required to be funded by local government. So it is not cost shifting in that it has happened recently, but it is inequity in costs in that there is a mismatch between the benefit and the funding of it.

Mr Crawley—A big stick came out when we tried to hand it back.

Mr O'Brien—Over time it has been gradually developing. I will get to a real dog in the cupboard that has been dealt to most rural shires, and that is airports, and that has come out of the federal government. In the situation in Longreach, I have a \$12 million asset that has been donated to council.

Councillor Davidson—And you cannot fly it.

Mr O'Brien—It is written down currently to about \$7½ million. In the next two years, I have got to put an overlay on the main strip of about \$2 million. There is subsidy out of the state via the federal, or wherever it comes from, for the regional services of Qantas to service the plane you came in this morning. I do not know where I am going to find \$2 million. Operationally, I get \$265,000 out of that airport. That is with landing fees, head taxes and everything up there as much as we can go. It probably can go a little higher, but we are not talking huge amounts of money. We have a few businesses out there that are developing as in service type of industry. We have the museum and whatnot. But that is still insignificant compared to what we have to put out there. The depreciation figure is about \$250,000 a year at the minimum—that is what we can get it down to. I am supposed to be putting away \$250,000 year, so that in 10 years time I have \$2 million to put a reseal out there.

I have Buckleys of putting \$2 million together. It is going to come back to the federal government. There is a \$2.5 million subsidy that goes into the airlines at the moment. You have an airport that is viable in Brisbane at one end of it. At the other end, there is no viable airport. When Qantas comes and says, 'Your strip is a bit rough' or 'The fence is falling down' and 'There are a few potholes in there', what do we say? All we need is the money. That is the biggest dog in our cupboard at the moment.

Mr NAIRN—What was the fee to land the jumbo?

Mr O'Brien—About \$2,500; it was gifted.

Mr SOMLYAY—Without passengers.

Mr O'Brien—Once we got there we were happy. It actually enhances our ability to fund some more because, if it makes money, we can charge a lease that is appropriate.

Mr Perry—Airports are becoming an increasingly important aspect for all councils. We would like to see our airports extended to allow more people to come out through that means. People tend to want to come out for a short period rather than take the five or six days to drive out. The airport is certainly seen as an option for that. Most people do not have a decent airport terminal; there is no way of funding that. In a way, we are in the same position as Bob. We have two airports that we need to do a reseal on and that is going to cost us \$500,000.

Mr Peoples—I want to get back to Vaughn's comment before you asked about cost shifting with stock routes. I think the cost shifting is probably a little hidden in that there are probably about 70 acts that local government have to work with these days. The cost shifting in the state act with regard to stock routes is that, as a local government, we have to manage and administer the stock routes. Because of these acts, I think a lot of the cost shifting is going to local governments with the work of administering the acts and in employing the staff to manage and deal with these different acts.

Mr Perry—I have a list of acts that have come in, in recent times: the Local Government Act 1993; the Integrated Planning Act 1997; the Native Title Act 1993; Competition Policy Reform Act; Workplace Health and Safety Act; the Anti-Discrimination Act; the Building Act 2000; the Childcare Act; the Crime and Misconduct Act; the Housing Act, which is currently being reviewed; the Industrial Relations Act; the Whistleblowers Act; the Environmental Protection Act; the Lake Eyre Basin Act; the Vegetation Management Act; the Water Act; and the Stock Routes Act.

Mr Peoples—You missed a few.

Mr Perry—I missed a few—the Housing Act. We will want to put in some comments in our review of those acts. All of those acts have come in during the last 10 years. We would have to face possible fines out of just about every one of those acts if we do not actually do something. We also have to administer those acts, know that they are there and have people around to do things.

In recent times, just with different changes in government and legislation, we have probably spent \$10,000 on AusLink on preparing submissions, going to meetings et cetera, we have probably spent \$10,000 on cost shifting, we have probably spend \$15,000 on the Grants Commission stuff and we have probably spent \$5,000 on Queensland country racing submissions because of the damage it is going to do to our industry. Those four things in the last 12 months have amounted to \$40,000, which is a fair percentage of our rate base.

On the other hand, I will put in some positive things. We had to do disaster mitigation planning. It was great that we actually got paid for it. Some of us got paid for the work we did on competition policy. There are a lot of administration costs that we now need to come up with that we never had to pay for previously.

CHAIR—Have you quantified what complying with these acts is costing you in percentage terms of your budget?

Mr Perry—I am new to local government. In 1990, we had three people in our office. We now employ about 12.

Mr O'Brien—Another issue that was brought to my attention yesterday—we have our town planner in town at the moment—is that we are putting together our town plans to be IPA, Integrated Planning Act, compatible. It all has state interest tests and whatnot. Our planner has put all the state interests on the table and sent it to all the agencies.

We have maps of good quality agricultural land and everything like that. The DNR—the department of natural resources—want to charge us to get information out of them so that they can put their state interests into our town plans. They want us to do it and then they want to charge us for it. How stupid does it get? We are having big problems in getting the state agencies just to cooperate with us in things that they are putting on the table, as in the Integrated Planning Act. I have no problem with the Integrated Planning Act; I think in theory it is very good. But the rubbish that we have to go through is costing us money. By the time our town planner is finished, we will be up to about the \$70,000 mark over three years to rework our town plan. The minister will come along and give us a bit of a bomb because we have not done it, and it is all because of the state agencies who want to charge but who have not got off their butts to do it.

Mr NAIRN—Local government and the private sector can apply a bit of pressure for the release of a lot of the data at an affordable cost. The states are still having to cost recover in that sense. The federal government in the last 12 months made a decision that federal data that is held can be provided simply at the cost of the provision of that data—the cost of writing a CD or whatever. The states are not earning huge dollars out of it.

Mr O'Brien—No, but it is in all our interests to work together.

Mr NAIRN—There is an incentive for development and investment as well. It is something that you could apply a bit of pressure on, because there is pressure coming from some of the various professional organisations, town planning organisations and those sorts of people to change that.

Mr Scarce—Yesterday the Richmond stock route supervisor came and saw me. He had an approach at a local level from the fellow in charge of DNR over in Hughenden, who said, 'Ask your council and see if they'd be interested in spending \$2,500 so you can get your diploma in land protection or whatever.' When the stock route supervisor came and saw me, I said, 'Yes, it's council's policy. We like our staff to better themselves and everything like that. How would it help you?' He said, 'We'll be able to administer more of the act for the state.' That was his way of putting it. So council pays \$2,500 to get a stock route supervisor educated, so that the state do not have to come out at all.

Mr O'Brien—They think we are dumb.

Mr Scarce—We are an easy touch.

CHAIR—Does anyone else have comments on that?

Councillor Davidson—I think that stock routes are just a great problem for everyone now at this stage. It is something that we, as local government, have got to try and sort out, because we are just getting a real touch.

Mr O'Brien—It is the whole crown land issue—reserves, town commons and even making crown land within towns.

Mr Perry—We have got another one with national parks. We have got 17,000 square kilometres of national parks in our area—or 1.6 million hectares.

Ms BURKE—Lots.

Mr Perry—Lots of national parks. Of that, 11,000 square kilometres has been declared since 1991, which has reduced our council rates revenue by 12 per cent. They have still got roads going to these national parks, but they are no longer paying for rates. And now it is council's role to actually provide the roads, despite the fact that we do not get those rates.

Ms BURKE—Everybody has got an unrateable land problem.

Mr O'Brien—Yes.

CHAIR—It has been suggested that if we were going to get delivery of programs, particularly Commonwealth programs, through local government then one way of doing it would be to get local government to gain accreditation—or the licence to check the stock route—to then be able to deliver it, as a means of ensuring that money is being used effectively. What would be the reaction of councils around here to the idea of gaining accreditation for that delivery?

Councillor Davidson—What sort of accreditation are we talking about?

CHAIR—It depends on what you are going to be delivering—in different parts of Australia it is obviously different programs. But, clearly, if you are going to do that you should be accredited with that skill, whether it is child care or whatever.

Councillor Davidson—These CEOs do not have a lot to do; they get accredited. It is us poor councillors who are the busy ones.

CHAIR—No, it is not for the councillors.

Councillor Davidson—In their defence, one of the problems that we have is the fact that our CEOs have got to be a jack-of-all-trades and they are getting more and more lumbered on them, particularly in the smaller councils. You go to Rockhampton, Townsville and those sorts of places and they have all these departments with department heads, and there is a 2IC and a 3IC and there are mobs of people specialising in the same thing. You come out here and there are probably two people who can do this speciality. If we have them away getting accredited for this, that and every other thing, who is going to be at home to run the show?

CHAIR—But we are talking about the basics: general competency, good financial management track record and that type of thing.

Councillor Davidson—If it is just a matter of getting accredited, that is one thing. However, some of these people dream up weird and wonderful things that people need to have—our accreditation to do road works is one of those. We have been building roads for forever and a day and we can satisfy every criterion except the federal one. We do not have any problem with running these schemes and handling all that sort of stuff, provided we are compensated for it—we do not want another stock route. Obviously, if we are going to handle the things, we need to be able to do it. So the accreditation part is there, but it needs to be something for which we are not going to be out of pocket by a million miles.

CHAIR—It is more about saying: are there other programs that could be delivered at a local level if you had accreditation?

Councillor Davidson—I think there definitely would be.

Mr Hoogland—Organisational accreditation is going to be of more value than individual accreditation, because there is the loss of staff and the inability to retain it.

CHAIR—Do not misunderstand me; I am talking about the organisation here.

Mr Hoogland—I do not think that is a problem.

CHAIR—It is about saying that if you are going to have this funding provided directly then people know it is going to be well managed.

Mr Perry—We are looking to do that with the health. We are looking to try to get funding direct from the federal government to provide the health service. I am not too sure about whether we have got to get accredited or how that works at this stage, but we feel that we can provide that service as good as, if not better than, somebody else.

CHAIR—As you would appreciate, the accountability factor is always there.

Mr Timms—I would like to make a point on accreditation. I have been through accreditation for aged care and child care. Ultimately, you go along and it is at your own cost to get accredited just so that you can continue to get the funds for what you have already been doing in the first place. You still have the same services, because your accreditation should be mirroring what you are doing and just documenting it.

Mr Becker—The other thing with a lot of these things—such as, workplace health and safety, quality assurance and all that—is how the goalposts tend to move once you sign up. There are all these things that come in to us where you have qualified, accredited people one day and they come in the next day to say they are adopting something new, it is all changing, they have gone to a different standard and you go back again. There is just no ending to all of this. One of the problems that we are facing at the moment is that there are so many people away on training courses, workshops and accreditation type things that it creates a real staff shortage, especially when you have an overall staff of, say, 20 inside and out and three inside.

CHAIR—I appreciate your point. However, the basic fact is that community expectations are rising.

Mr Becker—But I do not think some of the people who are approving those things look at the accreditation on a sensible, practical, down-to-earth basis for the area it is being delivered. There is no way in the world you will ever convince me that a person doing an XY job in Brisbane City Council needs the same level of accreditation if I offer them a job in Ilfracombe. You are not delivering the same depth of service. The climate is different right through whatever you are trying to do. One size in these things does not necessarily fit all. I realise that you cannot have 126 different accreditation courses for every local authority, yet there does need to be a greater understanding of local issues.

CHAIR—I am really trying to get the principle rather than the detail.

Mr Becker—Fine. That is a good idea. Why not look at it?

Mr Peoples— I would probably agree with it in principle, but I am a bit wary of accreditation and I will use one simple example to explain—a fellow who has been using a chainsaw for 20 or 30 years now has to get accreditation to use a chainsaw. Accreditation can go too far in some circumstances.

Mr NAIRN—That is not what we are talking about here.

Mr Peoples—What are you talking about then? That brings me onto another whole issue.

Mr Becker—That is what I am saying. Goalposts can change.

CHAIR—I think we have the message there. Are there any other issues?

Councillor Davidson—We have not talked about AusLink. One of the concerns that I have about AusLink is that it could end up too focused on rail and ports and the transport angle of it, and we rely a hell of a lot more on road out here. From this area's perspective, I would not like to see us suffer at the expense of trying to drum up some sort of a transport system.

CHAIR—No doubt you have had some input into the discussion.

Councillor Davidson—We have done an area submission from western Queensland.

CHAIR—I think that is the really important point. Most people agree with the principle of AusLink trying to get an integrated solution to transport, recognising all the factors that are outlined in the discussion paper. I hope that your views are going to be heard.

Councillor Davidson—Yes. I just thought we should raise the subject.

CHAIR—Thank you. Is there anything else that people would like to raise?

Mr McNamara—Just while we are on roads, I guess we are always looking at ways of funding roads, and it has been brought up here today through the FAGs. I know you said that

any proposals would have to be revenue neutral to the Commonwealth, but the thing that irks people out in the west here is the fuel excise. We do pay a high price for our fuel, and a fair component of that is the fuel excise, and only a small component of the fuel excise comes back onto the roads. I guess we are saying—as you probably get told everywhere—that more of our fuel excise needs to go back onto the roads rather than into consolidated revenue for the federal government.

CHAIR—Yes, we do hear that regularly. I would make the point though that I think the situation is better than it was a few years ago—in that the excise on heavy transport has been cut by something like 22c and of course there is no excise on diesel for rail now.

Councillor Davidson—There are very few places out here that are serviced by rail.

CHAIR—I know. I am just saying that there has been quite an improvement in your heavy transport.

Mr Perry—If you look at the federal government budget and you see where they get their income from, we are almost the same in that we are reliant on a certain half a dozen different sources for that income. The federal government are certainly the same, with their taxes and the fuel excise being a substantial portion of their income.

CHAIR—I do not know whether we want to debate the merits, but your point is heard.

Mr Hoogland—Another one is the zone tax. I am not sure how it fits in, but there is an equity issue that we see. Winton, for example, is 200 kilometres from Longreach. Therefore, we are in the same zone allowance as Mackay, with completely different access to services and so on. It seems to me that it has been a long time since that has been reviewed and considered. It certainly makes it very hard for us to attract people.

CHAIR—Sorry, you are talking about the income tax zones?

Mr Hoogland—The income tax zone system, yes.

Mr SOMLYAY—It is really outside our terms of reference.

Mr Hoogland—I thought it might be.

CHAIR—We could spend a lot of time on that, but I do not think we can.

Mr O'Brien—Just on any solutions, I suppose we were led to believe that the states were going to have all of the GST money and then that would flow on through the states. The state has not come up with any huge amount. Has the GST money flowed yet? Our saleyards generated \$7 million in GST at the initial point last year. That was above and beyond any other sales tax or whatever that has been taken away. That is just a bonus. We are not seeing any of that come back. We have not seen hide nor hair of that. We do not know what has happened to it or whether there is any mechanism in the taxation system to look at those issues with local government. If you want answers, we can even look at taking away general rates and look at the GST.

CHAIR—You are getting outside the—

Mr NAIRN—Not really. We are looking at new funding models and we recognise that, prior to the ultimate GST legislation, Queensland local government did a deal with the state government about a percentage. Everywhere else in Australia, local government said, ‘No; we do not trust the state government. We want to stay with the existing situation.’ We were going to basically give it to the states and hope that they would do what Queensland has said it will do: give a percentage of the GST to local government. No other states wanted that and therefore the system stayed the same, so we took that money out.

Ms BURKE—The Democrats moved an amendment in the Senate to change that, so let us get this historically correct.

Mr NAIRN—But there was very strong lobbying from the rest of local government across Australia not to give it all to the states. Those sorts of things are still out there for debate. Queensland was the first state to benefit from the additional flows from the GST, which I think it got in the first year. So there is a very good argument to go back to them.

Mr O’Brien—I have not seen any increases.

Ms BURKE—A lot of the submissions have talked about the fact that you do not have a growth tax and that local government does not have access to it, so your point about there being other things that we can look at is valid. You are not the first one to have raised that.

Mr NAIRN—And that is an opportunity.

Ms BURKE—None of you have mentioned a lack of money today.

Mr SOMLYAY—If you go to Canberra and think about how much GST is collected through the saleyards, you will see that all the GST collected through the saleyards is rebated to business. Because there is no GST on food, you do not actually collect any GST through the saleyards.

Mr O’Brien—But it is initially generated, because there is ten per cent added to the sale of cattle. That is then fed on, whether it goes to a butchers or whatever.

Mr SOMLYAY—No.

Councillor Davidson—No, it is all claimed back. At the end of the day, there is very little GST collected from your side.

Mr O’Brien—Okay.

Mr Scarce—I am not deliberately being critical of the state, but we must be aware that when the federal government gives an amount of money to certain things, it conjures up the idea in the eyes of the states that they do not need to be party to that; whereas, they were before. We have seen it throughout the years that tied grants may come from the federal government to the

hospital system of \$50 million without increasing the state's budget by \$50 million. That reduces their own income, which they put into Lang Park or—

Councillor Davidson—Footbridges.

Mr Scarce—Yes, those sorts of things. There needs to be a mechanism so that if it comes directly to local government there is a way that does not stop the states' responsibilities in all of these things. The same questions were raised with AusLink. If we manage to turn the Flinders Highway into a route of significance that attracts a 50 per cent subsidy, the state keeps on matching the funds and we double the money rather than keeping the same—or something like that.

CHAIR—I do not think you can fireproof these things. I think the accountability question still comes at the ballot box.

Mr NAIRN—Do you want to mention the survey?

CHAIR—Yes. You have all received a copy of that discussion paper. If you have not yet answered the questionnaire, your comments will be greatly appreciated. It is not one of those lengthy ones that some people send around to local governments.

Mr Becker—The other morning on *Sunrise* I was listening to David Koch just after an interview with Joe Hockey in which they were having a go at Joe over the fuel pricing matter again and how things have taken a bit of a hike. One of the things which Koch and another analyst were talking about was that they both agreed that both the federal and state governments were rolling in money. I suppose that is a very easy comment to make, but it raised the point for me that every time we go to the state we are told, 'We have no money. Go to the feds. They don't give us any. They don't give us any for housing, they don't give us any for roads, they don't give us any for medical treatment or anything.' I was always led to believe that the GST would probably be very good for the states. Is that true?

CHAIR—Yes.

Mr Becker—Are the states selling us a furphy or is it simply that not enough of the GST is as yet filtering through for any of those benefits to be tangible?

CHAIR—It is a phase-in process.

Mr SOMLYAY—Can I explain the total amount of GST take and the way that it is given to the states. In the first year, the GST take is less than they used to get.

Mr NAIRN—Except for Queensland.

Mr SOMLYAY—No, Gary, it was not. Queensland reached theirs in two years. But, as the GST is a growth tax, as the economy grows and the GST take goes up, it grows up faster than the financial assistance grants would have gone up. So in Queensland it took two years of GST revenue to reach and surpass the previous level. Queensland is now making money out of the

GST arrangement. They are getting more than they would have got under the old system. Some of the other states are taking longer to reach that point.

Ms BURKE—Victoria doesn't break even until 2008.

Mr SOMLYAY—Yes.

Ms BURKE—That is not making it more—we don't break even—

Mr SOMLYAY—So, when Peter Beattie said, 'I've got nothing out of the GST,' he will actually get all of the GST but at that point it had not reached what he would have got under the previous system.

CHAIR—Is that clear? It is growing, but it just takes a bit of time. As there are no other issues, we will close the hearing. I thank everyone for coming along today. It has been very valuable. I know that some of you have come a long way, and that again emphasises how different the challenges are that you face out here from what we hear about in other parts of the country—especially the city. Thank you very much.

Mr Perry—Thank you for coming out here. It has been a great benefit to us to have our say to you face to face. Hopefully, some of our views will be heard.

Resolved (on motion by **Ms Burke**, seconded by **Mr Somlyay**):

That this committee authorises publication, including publication on the parliamentary database, of the proof transcript of the evidence given before the committee at the public hearing this day.

Committee adjourned at 1.28 p.m.