



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

**HOUSE OF
REPRESENTATIVES**

STANDING COMMITTEE ON ECONOMICS, FINANCE AND
PUBLIC ADMINISTRATION

Reference: Local government and cost shifting

TUESDAY, 29 APRIL 2003

BARRABA

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HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON ECONOMICS, FINANCE AND PUBLIC ADMINISTRATION

Tuesday, 29 April 2003

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

Members in attendance: Ms Burke, Ms Gambaro, Mr Hawker and Mr King

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.

Committee met at 11.50 a.m.

ABER, Mr David John, General Manager, Moree Plains Shire Council

BURNS, Mr Shane, General Manager, Armidale Dumaresq Council

CHETWYND, Mr Brian, Mayor, Armidale Dumaresq Council

CLOSE, Mrs Shirley, Mayor, Barraba Shire Council

INGLIS, Mr Glenn, General Manager, Parry Shire Council

JOHNSON, Mr Andrew Keith, Director, Finance and Administration, Guyra Shire Council

JOHNSTON, Mr Barry Campbell, Mayor, Inverell Shire Council

RANDALL, Councillor Cheryl, Mayor, Manilla Shire Council

SMITH, Mr Toby John, Councillor, Tenterfield Shire Council

STEAD, Miss Joanne, Project Officer, New England North West Area Consultative Committee

SULLIVAN, Ms Lucy Mary, Mayor, Tenterfield Shire Council

TRELOAR, Mr James Morrison, Mayor, Tamworth City Council

WILTON, Mr Stephen, General Manager, Barraba Shire Council

CHAIR—I welcome everyone—participants and observers.

Mrs Close—We sincerely appreciate the opportunity for this region to make representations to you.

CHAIR—Thank you very much. On behalf of the committee, I sincerely apologise for us being so late. It is not from lack of trying. The pilot made several attempts to land but, unfortunately, for some reason, cloud over Tamworth precluded it. We had to go back to Armidale, hence the delay. I am very sorry about that but, while there are some things that we can have a say in, there are some things that a higher authority takes charge of.

I declare open this hearing on local government and cost shifting. I particularly thank the Mayor of Barraba and Barraba Shire Council for hosting today. This is the second hearing we have had in New South Wales this week. We were in Sydney yesterday, and we will be in Newcastle this afternoon and Moruya tomorrow. We want to discuss many of the issues and options in our discussion paper. As we said, the paper is intended to stimulate debate, fresh thinking on effective solutions to cost shifting and looking at ways of trying to assist local government. We hope that this roundtable will be free flowing, and I encourage everyone to be full and frank in their comments.

As a matter of course, I advise you 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 contempt of the parliament.

We have received your submissions, and I would certainly like to commend you on the amount of work that you have put in on them. Perhaps we will start off by discussing the roles and responsibilities that local government has in this region. Clearly, the councils vary in size, which we noticed from the submissions. Nonetheless, perhaps someone could start the discussion by saying what they would ideally like to be the roles and responsibilities assumed by local government.

Mrs Close—I think the roles and responsibilities of local government in New South Wales in the rural areas have changed over the years. A lot of the responsibilities are for the infrastructure and for maintaining the roads and all the other assets, but there are also the social responsibilities. While they are not being forced on local government, they are having an impact, because someone has to take that responsibility, and that is really having a greater effect. The wellbeing of the communities is the reason why local government is there to work with the community, and that social responsibility does not have dollar value attached to it.

CHAIR—That is a good point. Would anyone else like to raise some issues on that?

Mr Chetwynd—I would like to look at the issue of community expectations. One of the changes that has occurred—and I think this is particularly the case in rural and regional Australia, and certainly in the northern part of New South Wales—is in the level of community expectation about what local government should be providing in service deliveries. That is not only an issue of infrastructure. It seems to be of wider aspect—that is, local government is expected by its communities to become involved in areas like education, policing, community safety and health. These are not areas that local government has traditionally been involved in, and they are certainly not areas in which local government has any financial responsibility, but there is a high level of community expectation that local government, being on the coalface, so to speak, will involve itself in those areas in some way.

Mr Johnson—One of the problems with local government is that the state and federal governments have withdrawn most of their services from regional Australia. So, if people are looking for additional services or for someone to step in and improve policing, hospitals et cetera, the only port of call that they have are local councils. We are picking up virtually what the state and federal governments left behind when they centralised most of their services.

CHAIR—Could you expand on that. You talk about education, policing and health. What specifically are we talking about here?

Mr Chetwynd—Take the issue of community safety. If I may draw a small parallel between metropolitan and regional Australia—I do not want to draw this in a huge way—one of the issues in policing, police numbers and the effectiveness of community safety is that, in metropolitan areas, there is a wide arrangement between community safety agencies and police in respect of reaction times and what they are able to do in emergencies. In regional Australia that is not necessarily the case. We find that if there are, in particular, funding cuts or there is restructuring in these areas, as has been the case in New South Wales specifically, smaller

communities may find that their own levels of what they say is an expectation of community safety are dropping. There is no area to fill the gap.

One of the initiatives—and I have to commend the New South Wales state government on this particular initiative—is called the police and community action teams, which many people around this forum would be aware of. That has allowed local government to share some of the information on community safety issues with police for the first time. However, it has also highlighted a lot of perhaps not inefficiencies in funding but dislocation of funding—that is to say, where funding is directed. Local government is suddenly becoming involved through this process and becoming aware. The minute that happens, community expectations rise, but local government does not have the funding or the resources to be able to continue through in that area. We are certainly finding that in Armidale Dumaresq.

Ms BURKE—How do you manage those community expectations? You are never going to have enough money to give your communities everything they want, so how do you manage those community expectations?

Mr Chetwynd—There is probably a level there that local government has not been involved in, and I think it would be fair to say that the enforcement agencies have not had that level of communication. It seems to me that many government agencies are able to pick that slack up in the metropolitan areas, but that has not been the case with the reduction of services in regional Australia. Agencies are dispensing and centralising and there is that reduction, so there is a slack there. I do not quite know how you deal with the community expectation. The only thing you can really do is try to act on the moment.

Ms BURKE—I will throw open that question as to how you manage community expectation across the board. We are finding everywhere that local government seems to be the panacea of everything nowadays. The community expects you to fill the void, which you attempt to do, but you cannot do it.

Mrs Close—We are supported by community involvement and volunteering. That in itself saves the state and Commonwealth millions of dollars.

Mr KING—Following up Councillor Chetwynd's point, I notice that only the Guyra submission dealt with the policing cost shift, which I think you have estimated at \$10,000 per annum. By the way, thanks for that submission. It is very good. But it seems you have raised two points. One is: should local government, through its various representative organisations, be lobbying to expressly embrace a responsibility in relation to community policing? If you say that there are community expectations arising from a greater knowledge of the inefficiencies that occur in policing in rural New South Wales, then perhaps that greater knowledge is forcing a responsibility upon you which requires a complete rethinking about how policing occurs. For example, in the United States and the UK it is done locally and not through the provincial or state governments. But we have not noticed any submissions from anybody around the country who has wanted to take up that suggestion. Yours might even be the first. What do you say about that?

Mr Chetwynd—There probably are examples. As a result of community expectation in relation to safety issues—which is at a very high level, and I think that there are a number of social issues which I will not go into in great detail—Armidale Dumaresq has had to look at

what we need as a local government to be able to provide a higher level of community safety. One of the things that we have identified is the necessity for police to be on the ground. I could loosely say 'on the beat'. We all know that is a very effective form of policing. What we are doing as a council or local government in that area is providing the infrastructure, as has been done in several Queensland cities. In fact, there are a number—some 30 or 40—of police presences or police shopfronts which are aligned with security cameras. All of this is funded locally at the present time. Of course, that has to be then linked very strongly with a whole community safety program, because it is not just a matter of policing; it is a matter of the social issues. That is some of the reaction that we have been looking at and putting out to our community, and we have had a very high level of response. But the cost is being met by the ratepayers. It is being met locally. So I call this issue of shifting or resourcing a dislocation of resources.

Mr KING—Guyra have identified a cost shift of \$10,000 per annum in their municipality. What have you identified? How would you cost it in Armidale?

Mr Burns—You have your direct costs.

Mr Chetwynd—Yes, we have direct costs. That would be a quarter of a million dollars straight up if we proceed with—

Mr KING—Have you written to the state government suggesting to them that this ought to be addressed?

Mr Chetwynd—Yes. We have made representations through our state member. We are looking at issues with the Attorney-General's Department. But bear in mind that this could be some sort of—I do not say precedent, but it is certainly in the embryonic stages in this state. Other states may have been able to address some of the issues over a longer time frame—Queensland certainly has—so we have certainly learned from that experience. However, I cannot say that our representations to the state government have been highly successful, but I guess the state government is listening.

CHAIR—Is this Neighbourhood Watch?

Mr Chetwynd—No, it is more than that. It is a different problem. It is not a high crime level, it is a high level of opportunistic crime. Many regional centres are facing this. The problem includes vandalism and general offensive behaviour. This comes from a high level of unemployment. Six or seven per cent of our population is Indigenous, and youth unemployment levels in the Indigenous community are at perhaps 80 per cent. We are trying to address those issues. There is a whole raft of issues there. That is the nub of what I am saying: it is coming to local government. It is an issue which local government is expected to address, as it is on the coalface. The expectations from the community is: what can you do?

Mr Treloar—Following on from Mr King's suggestion, we have not been able to identify a cost shift in policing because it has not happened. But the potential is there for us to be expected to share the cost of additional policing for our country music festival in Tamworth. As a direct cost, we have identified that our half share of that would be some \$60,000-odd. We have resisted because we have said that is not a role of local government. Unlike a cricket match or a car race, where you have a turnstile and people pay to enter and you can directly relate the cost

to those who are going to attend, we have no capacity to collect revenue from those who are visiting the city for the purpose of a festival of that nature. You can potentially charge for parking and put turnstiles on your beaches and those areas where you are going to be providing a service to gain revenue. But, in terms of policing, we have no capacity to do it. If it came down to that, our question would be: have we got control of what we are paying for? Are we going to be allowed to direct the police to where we want them and at the times we want them? We do not want them on the streets at 10 a.m. We want them on the streets at 2 a.m. so we can identify when the crime is really taking place. But they will resist and say, 'No, we will expect you to pay, but we will direct and control.'

Ms BURKE—Has that been threatened?

Mr Treloar—The opportunity for a user-pays policy for additional policing to any facility is there now. Bathurst now pay it for their car race, and it is paid at cricket grounds when football matches are on. But in those cases you can collect your revenue from those who are attending. We do not have the capacity to collect that revenue.

Mr KING—Mr Johnston and Councillor Chetwynd, would you comment briefly on the suggestion that, in the long term, local government may have a legitimate role in community policing?

Mr Chetwynd—I agree 100 per cent.

Mr KING—I am not suggesting that it is the case. I am asking you.

Mr Chetwynd—My view is absolutely yes. The question of course is resourcing, because that is the community expectation. That is what the community are asking for. I do not think Armidale is any different to many other regional centres. The community are looking at that issue. I believe that that and probably health—I am unsure about education at the moment—are areas where there have been radical restructures. There is quite a deal of angst as to whether that restructuring has provided better health services. One could argue in both directions there. But the real issue is that the community is currently saying, 'We want effective community safety.' The resources are being allocated by or directed from a central agency. The community are looking at it in a different way. Local government has to respond in whatever way it can in order to provide its community with what it believes should be the case, because it is part of the community. The question then comes to resourcing. If the word is participation, control or whatever, it comes down to resourcing.

Mr Aber—The impression at the moment is there are only two areas of comment on this. In Moree Plains we have been involved in the community, particularly in policing aspects, for a number of years now through the Crime Prevention and Safety Committee. It has been a major issue in our community in terms of perceptions of safety, and it has probably been identified in our management plan for a number of years. We have been actively involved, and are working, with the local police on methods of attracting police to be a part of our community. It is a significant thing that we have been working on. Now, through the PACs system, our involvement has a bit more legitimacy. We have been working fairly closely with the police to determine how we get enough police to want to come here so as to meet the level of station command needed to operate police services.

CHAIR—Could you clarify that? Are you saying that the state government is not allocating police to your area?

Mr Aber—They are allocating the numbers, but we cannot physically get people to come.

Councillor Randall—They choose not to.

Mr Aber—That is right. We have even gone to the extent in the recent recruitment drives of writing letters to recruits basically saying ‘welcome’.

Mr KING—It sounds like the days of Tsarist Russia.

Mrs Close—I will expand on that, as it needs a bit of clarification. In the rural areas, it is clear that you have great difficulty in attracting quality people to apply for positions, whether they are in police, health, education or any professional service, such as banking. It is not just in government areas, it is also in private enterprise. It is the professional services. There is great difficulty in attracting those people there. So the responsibility of meeting the community expectation to attract those people there falls back on local government. What happens in the larger centres is what Armidale, for example, has been doing.

Mr KING—And Guyra.

Mrs Close—And Guyra. This impacts on the smaller councils by setting a precedent that is pressed upon other local government areas, and that is that the community expects that the services will be provided. No matter whether those services are in police, health, education or anything else, it comes back to local government providing the incentive. Local government are then forced to spend their rate dollars on providing housing, incentives, rent subsidies or some other form of attraction.

Mr KING—You mean a bribe to get them here.

Mrs Close—Yes, whether it is for a dentist or anything like that.

Ms BURKE—Doesn't the police force direct officers where to go?

Mrs Close—That is what happens in Queensland.

Ms BURKE—That happens in Queensland, and it happens with teachers in Victoria.

Mr Aber—Positions are advertised.

Ms BURKE—Is there nothing saying that you have to do a stint here or there?

Mr Aber—No. In terms of direct costs to the council, we are paying for security services for events in our civic centre and things like that because police are not available to even provide a general low level of security. In terms of the \$10,000 in Guyra, we are probably spending that every year in the operation of our Crime Prevention and Safety Committee, which is a group made up of police and active agencies looking at ways of improving community safety. That has

been going on for some time. It is not something that we have realised as being cost shifting, but it has been happening for some time. To some degree, some of this stuff in terms of cost shifting is a bit like old age: suddenly you wake up to the fact that you cannot do it when you have been doing it.

Ms GAMBARO—Plan for your retirement.

Mr Aber—We would like to. We have provided two units in Moree to provide a facility just to get doctors to move there.

CHAIR—You have provided two units?

Mr Aber—Yes. We have purchased the units and are running a special scheme to provide a subsidy to work there.

CHAIR—Was it your submission that said \$20,000 a year?

Mr Aber—Yes.

Mr Johnston—There is probably an issue that has been creeping on to local government, and it reflects back on whose level of responsibility it is to provide these services. Briefly, in the terms of reference you talk about possibly needing a review of which government provides services so there is not an overlap. If policing is going to return to a local area, as it is in Europe and America, I would have thought it is an issue that needs to be taken up a little outside the guidelines of your inquiry when we talk about cost shifting. But cost shifting has been the effect when those services being provided predominantly by the states do not meet community expectations in rural areas. It goes particularly to health, as has been touched on by other speakers. Where there is no legislative requirement on people to provide a service in a country area after they have been trained, they do not go—and doctors are a classic example.

Ms BURKE—There are various Commonwealth funds for attracting and helping with rural doctors. Do any of you utilise those? Have they been of assistance?

Mr Johnston—I am sure the Mayor of Tamworth can explain that in full, because there was a summit meeting in Tamworth last year and a plethora of ideas came up, but it is a very long, slow process when there is no regulation.

CHAIR—But, taking up the deputy chair's point, do you have a rural work force agency? In my area in Victoria, there is someone who has been subsidised by the Commonwealth specifically to help doctors to locate into regional areas.

Mr Johnston—That is probably being done by local government, but it is not particularly working.

CHAIR—This is Commonwealth funded.

Ms BURKE—There are various Commonwealth initiatives.

Ms GAMBARO—Touching on what the chair said, there are work force shortages, and those programs have been put in place for a long period. We announced some changes in the last couple of days. We are bonding 234 medical students to country areas, and the medical profession, as usual, has declared that it is a terrible thing that we are doing. Regarding some of these medical issues, I represent an outer metropolitan area and we have difficulty getting doctors, so I really do share your concerns there. We have probably done more for rural areas than we have done for outer metropolitan areas such as I represent. That is now the emerging area, but there are plenty of incentives out there. I know that country areas have problems getting doctors to come to their regions and that you have to offer all sorts of inducements.

Mr Johnston—Added to that of course, with respect to the outer metropolitan areas, is that, with transport being as it is, it is not easy to pick up the service nearby, because nearby is no closer than Armidale, Tamworth or Newcastle.

Ms BURKE—We found that out this morning.

Mr Johnston—I am sure you did. It was probably a good lesson in appreciation.

Mr Treloar—In relation to health and outer metropolitan areas, you have to be aware that the budget this year actually acknowledged that, where a differential Medicare rebate was provided for outer metropolitan areas.

CHAIR—Yesterday's announcement put it up another \$6.

Mr Treloar—That differential has further exacerbated the problem of attracting doctors to regional areas of New South Wales, or anywhere within Australia for that matter, because suddenly doctors are attracted to outer metropolitan areas, as they get a greater rebate out of the Medicare levy. But it takes away further from the opportunity of—

Ms BURKE—We are not going there. I am sorry. We are here to hear from you today, so we are not going to do that.

Mr Treloar—I will go back to some of the things where there has been significant cost shifting where local government has picked up the burden. I do not know whether you have noticed in your experiences so far but, without a doubt, pensioner rebates are the biggest community service obligation that local government makes on behalf of another government. We fund 45 per cent of it. In Tamworth City Council alone, it is worth \$700,000 of our income of \$13 million. It is a very significant community service obligation we are forced to accept by the government.

Mr KING—Did you say \$700,000? Your submission says \$570,000.

Mr Treloar—I have our most recent figures here. The difference is probably because our pensioner rebate scheme is growing rapidly, and it may have excluded water and sewerage, where there is also an obligation that we must commit to. It is actually \$707,000 in this financial year.

Mr KING—Haven't you complained about this to the state government?

Mr Johnston—Every year ad nauseam.

Ms GAMBARO—Do they keep reducing your rebate or has this been a gradual thing?

Mr Treloar—It has actually increased recently. It used to be a 50-50 split. It is now a 55-45 per cent split.

CHAIR—When did this first come in?

Mr Treloar—Twenty-five years ago.

Mr Inglis—The other important point is that the number of people who have access to it has increased.

Mr Treloar—It is growing.

Mr KING—I am glad to see that Mr Inglis is here. I thought your submission was very good.

Mr Inglis—Thank you. The number of people who have access to the scheme has grown. That is great from a social justice perspective but, as Councillor Treloar said, it really should not be local government footing the bill. For Sydney councils like Blacktown that number is in the millions.

Ms BURKE—Yes, we heard from them yesterday.

CHAIR—We are going to have to try and truncate our discussions a bit, but was there anything else that people wanted to bring up about roles and responsibilities that have been assumed by local government in the last few years or so?

Mr Johnston—Obviously, a lot of it relates back to the economic rationalism movement in Australia that has been alive and well. It means that one of the things that has happened out in the country is that higher levels of income positions have been moved to the cities under the economic changes that have been going on. For example, the electricity industry has changed dramatically. That means that less of the disposable income is going to be left in an area for disposal. It cuts down our education numbers, it cuts down our teacher work force and it cuts down on policing—the issues that we talked about before. It leaves local government as the only target for community expectations. While ever we have a city-country split in this nation, which we do have, country people are going to be saying, ‘Why can’t we have the same standards?’ City people might think that country people have a lot better lifestyle—

Mr KING—Are you now talking about the effects of the national competition policy or about something different?

Mr Johnston—It relates to the national competition policy. The Hilmer report did not do the country any good at all.

Mr Inglis—On top of that, New South Wales is one of only two states in Australia that does not get one penny from the distribution of national competition policies back to the states. The New South Wales state government cannot even bring itself to share one iota of one cent of that

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money. It is an absolute disgrace. The federal government should be doing something about that.

Mr KING—I agree with that.

Mr Johnston—I think that relates to the last of your terms of reference, which says that this has to be revenue neutral. Basically, that means that if there is going to be any change to local government, it has to be at the expense of state government. To be honest, we would not be too worried about that. You have probably detected that all around the nation.

CHAIR—We can move on to the next part of this discussion if you want.

Mr Johnston—I think that it really means that those federal schemes that are in place need to be maintained. In my view, the FAGs grant needs to be maintained as an untied grant, but it needs to be tied to a growing source of revenue so that it becomes a more determinable level of funding to local government. At the moment it is at the whim of the government and, unless we get a change in the constitutional recognition which will give access to state-federal-local government funding arrangements rather than the current state-federal arrangements, with local government being forgotten, we need to get the FAGs grant related to a growing source of funding. I believe that the Roads to Recovery formula is very acceptable to rural councils. I have not heard too many complaints about that. But R to R funding should remain and should be directed at rural and local roads, rather than this creeping requirement of taking on local roads of regional significance. All that does is allow the state government to get off the hook again.

Mr KING—Are you suggesting that a model for amended funding arrangements would be the regional roads program and that sort of thing?

Mr Johnston—It is the best one in our funding program so far.

CHAIR—You have opened up a whole part of the discussion I want to get on to, but one of the things we heard quite a lot about yesterday was the distorting effect of rate pegging over the last, I think, 27 years. Has that been the experience out here as well? It certainly was in Sydney.

Mr Johnston—Yes. I touched on transport earlier. In every council with a rural base, the biggest section of the productive community relies on transport. Rate pegging has meant that, with all the other impositions on local government, which you have no doubt been talking about and which the Mayor of Tamworth related to you, you just cut it off your works program, so your transport network deteriorates. That is the greatest level of infrastructure that is funded from rates rather than revenue—being water, sewerage and other charges—and that is the one you chop off.

CHAIR—We just mentioned Roads to Recovery; but I want to go to rate pegging. Does anyone else have a comment on rate pegging?

Mr Smith—This is not necessarily rate pegging, but Tenterfield Shire Council has suffered with the unfunded mandates. A possible example is that a lot of our shire now is becoming national park. We are losing a rate base there. Councillor Johnston mentioned before the constitutional recognition of local government. Some years ago, federal government funded

local government with a percentage of taxation raised. Why can't the federal government now directly fund local government with untied grants to the GST revenue?

CHAIR—We have an open mind on that. But I will clarify one point which some of these submissions tend to not necessarily pick up. There is quite a distinction between the level of increase of funding coming through from the Commonwealth government vis-a-vis the states. If you look at the Grants Commission reports over the last 25 years, Commonwealth funding has been going up on average about 4.3 per cent in real terms, whereas the state increase is about a tenth of that—0.4 per cent. Some of the submissions do not pick that up. The Commonwealth has been steadily increasing its allocations through the FAGs system. I would say that you can clearly identify how it has been done, at least over the last 25 years.

Mr Inglis—Another point of clarity on that which might need to come out is the fact that, when it was introduced, that started off as two per cent of the total income tax collection in Australia.

CHAIR—No. It was raised to two per cent afterwards.

Mr Inglis—It reached a peak of two per cent.

CHAIR—Yes.

Mr Inglis—That figure is currently about 0.76 of one per cent, so it has dropped the pool of money dramatically. Whilst what you say may be technically correct, in relation to funding in full quantum terms for local government, it has nosedived dramatically. That point needs to be made.

Mr KING—The pool has increased but the percentage has decreased.

Mr Johnston—It should be linked to a source of funds that grow so that the growth is automatic.

Mr Treloar—Can I clarify that? If you look at rate pegging in this state, over the last four years we have been able to achieve growth of about nine per cent. The state government's revenue from land tax has escalated about 25 per cent. Because that revenue base is attached to something that is sharing in the nation's wealth, as the nation develops greater wealth, so too does the opportunity for those to pay distribute across the community.

Mr KING—You are not advocating that local government impose a land tax, are you?

Mr Treloar—I am saying that, in Peel Street in Tamworth, the land tax for the shops is greater than the council's rates. Businesses are paying greater land taxes than rates. That is our only source of revenue at a local government level.

CHAIR—For those of us who come from other states, we are looking at this with some amazement.

Mr KING—It is an iniquitous and inefficient tax.

Mr Treloar—It is. It is quite absurd when you look at it and say, ‘That is a bonus source of revenue for the state.’ It is growing at such a fast rate because, as property values grow, so does it. Our property values grow, but our total rate revenue collection is pegged at, this year, 3.6 per cent—and then we get hit with some absurd charges from the state that are over and above that 3.6 per cent.

CHAIR—We have certainly picked up those points. I want to get a feel for what the rate pegging is doing here, but I do not want to make it the major discussion.

Mr Treloar—It is not going to be abolished, so we have to live with it. No government of either persuasion is going to abolish rate pegging. We accept that and have to live with it, but we have to work out how we can overcome it in some way.

CHAIR—You have hit on a very important point. Clearly, a point that could be considered is the committee choosing to make a recommendation along these lines of Commonwealth allocations that may or may not be conditional.

Ms BURKE—On another point, one of the difficulties we have found while going around the country is local government’s willingness to put in its bit. I do not mean that in a negative way, but a lot of councils outside New South Wales—because not everyone is capped—are not rating to their capacity and are not actually doing it. Local governments have had political reasons for doing that over the years. They make those choices. I was stunned by some of the Sydney submissions that said that people had not even chosen to take their full rate capping amount. They have paid for it and have had to go cap in hand and beg to get it back. But local councils make those political decisions, like federal and state governments make decisions about tax. One of the things that we are looking at is putting an impost on local councils by saying, ‘You have to be able to raise your revenue base as well.’ So we have to go back to the New South Wales government and say, ‘You have to allow councils to have the ability to do that.’ They can ignore us, but one of the things that we have to come back with is to say, ‘Everybody has to play their part.’ I am not saying that you are not, but there are inequities here.

Mr Smith—Councils in Sydney do not have to provide water, sewerage and stuff like that. Most city based councils do not, whereas out here we have to do that. To say that they are not using a cap says to me that there is an anomaly there. That is why I would prefer local government had some sort of direct funding which bypassed the state government.

Ms BURKE—I am talking Australia wide, and the great difficulty is that it is not apples and apples. Every council in Tassie does water and sewerage. When we go to the Northern Territory and when we come here, the issue is airfields. That is not an issue that we are ever going to worry about in metropolitan Melbourne. That is one of the other great difficulties. It comes back to that grassroots question about the level of service for things. My community is not going to worry about the Tamworth festival, whereas David has the Port Fairy festival. So there are similar issues, but it is not apples and apples.

Mr Inglis—There is a huge diversity.

Mr Johnston—It comes back to community expectations again.

Mr Treloar—Another issue is the litigiousness of society at the moment and the amount that councils, and I dare say governments of all persuasions, are now starting to spend on legal fees to justify decisions. We are seeing a frightening escalation in the community suing councils for injuries that may happen to them on footpaths or elsewhere.

CHAIR—Such as on the beach.

Mr Treloar—Such as on the beach, heaven forbid. With that, we are seeing an enormous escalation in our insurance costs. On top of that, we are now seeing an enormous increase in the legal costs that are in the council budget each year.

Mr KING—Are you more concerned about the rising legal costs or the rising insurance premiums?

Mr Treloar—Both, because one is leading to the other.

Mr KING—I want to ask you about the insurance premiums. One of the submissions—I cannot remember which one—spoke about the rising cost of insurance premiums, and some people have suggested that insurance is a form of cost shifting through the commercial community, not through a reallocation of government expenditures of the type we are looking at here. Is there any suggestion by you or anybody else that the rising cost of insurance has had an impact upon cost shifting in local government, forcing you to pay higher premiums and perhaps pay for the sins of others?

Mr Aber—Our risk management budget, which encompasses a lot of our expenditure on insurance when managing our operation risks, has now reached 10 per cent of our rate revenue.

Mr KING—Ten per cent?

Mr Aber—Yes. For us, that is \$1 million. That has doubled in, probably, the last five years.

Mr Johnston—Add to that compliance costs like risk management preparation. The first thing that has to be done on every work site now is a risk assessment. This has to be done by staff before anyone does anything. The cost of that is spreading right across all the operations.

Mr Smith—Our productivity, especially on roadworks and things like that, has dropped because of the ever-changing work and safety regulations, which may be related to metropolitan type safety issues rather than safety issues in remote areas, like the area Tenterfield council covers. Yet, once again, there has been no direct funding for the extra costs that are involved for us. In fact, with the way we grade our roads now we cannot get the productivity we had before.

CHAIR—Would you expand on that?

Mr Smith—Say you are grading a road. At one stage you were able to put a windrow of gravel down the centre of the road. People would come along and say, 'Yes, there's a sign up to say there's a road plant, or whatever, ahead. Be careful.' The regulations now state that you cannot do that because somebody might run into the windrow, there might be a rock in there and they might turn their car over—or whatever the reason is. That means that, instead of doing

seven kilometres a day, they can only do three or four kilometres with the grader. That is what we are finding, and that has added extra cost to our road maintenance programs.

Mr KING—Nobody in the past found it too difficult to negotiate the rows down the middle of the road—the windrows, as you call them.

Mr Johnston—They have since courts have made certain decisions.

Mr KING—Do you think that some people are deliberately driving into these windrows?

Mr Johnston—It has affected the ability of drivers to manage their own risk.

Ms BURKE—It is the lawyers, Peter.

Mr Johnston—I am not aware of your occupation.

Mr Treloar—Santa Claus and the tooth fairy have taken over and made their own reality.

Mr Burns—I will make one point in relation to the effects of rate pegging. I think most councils would have to agree about the reduction in services and the degradation of our assets. That would be reflected in the submissions. One of the things that I think is going to become fairly critical for local government in the future is the issue of infrastructure. This might be a little outside of your committee's terms of reference, but I think that one of the levels of government, or all levels of government, have to come to grips with this issue at some stage in the future, mainly because of the intergenerational responsibility we have.

One of the figures put by Bob Walker from the University of New South Wales at the sustainable development conference in Sydney was that, in 1996-97, the estimate of the cost of bringing local government assets up to scratch was \$6 billion. The maintenance commitments of local government in that year were \$552 million. If you spent the \$6 billion on upgrading your assets, keeping them in a satisfactory condition would take \$800 million per year. One solution, which I think all levels of government have to come to grips with in order to meet this intergenerational responsibility, is that all levels of government should come up with the \$6 billion to upgrade the assets, and then government should look at increasing the recurrent allocations to local government to \$800 million to keep the assets at a standard. That is one of the critical issues that local government has to come to grips with, and hopefully you may be able to take that on board as part of your review.

CHAIR—Certainly. One of the points that has been made to us many times is that, with the additional expectations that we have been talking about today and have in other places, infrastructure spending has suffered. There is no question about that. In fact, I think the Local Government Association estimated underspending of about \$1 billion a year nationally. We have certainly had that point made very clearly many times.

Mr KING—Mr Burns, on page 5 of your report you give as an example the cost imposed on the Armidale Dumaresq Council regarding approvals under the heritage act. Do you have any indication of the cost to the council of really undertaking what the Heritage Council used to do, and have you had any compensating moneys from the state government in that regard?

Mr Burns—No. It is not only in the heritage area, it is also in the bushfire area. A good example is that they passed some legislation which made councils responsible for collecting the funds associated with major developments over a certain amount, which the state government collected considerable amounts of money for. The only fee that they paid local government was \$5. It cost us thousands of dollars to administer that—it will be thousands of dollars over the year. That is an example of the types of decisions that have been made by bureaucrats and reinforced through legislation by the state government, which is cost shifting at its best.

Mr KING—Are the infrastructure issues you mentioned of the same order? Is that the same experience writ large?

Mr Burns—I think that both the federal and the state government have been reducing their allocation costs towards, in particular, roads.

CHAIR—I am sorry, but I have to take exception to that last point.

Mr Burns—These are the Hon. Wilson Tuckey's figures that he expounded at the Asia-Pacific regional congress. You said that you are increasing your financial assistance grants this year, and I accept that that is correct, but look at the impact on local government. Since 1968, the grants have been reduced from 25 per cent of local government's total revenue to 19 per cent. I think that reinforces that local government is doing a hell of a lot more than it used to.

CHAIR—The total pay is rising.

Mr Burns—Yes, but I am saying that the total expenditure by local government and the number of things that we are being expected to do is increasing significantly, and that is reflected in the figures given by the Hon. Wilson Tuckey.

CHAIR—The only point I made about roads was that I thought Roads to Recovery had addressed some of the problems.

Mr Chetwynd—It absolutely has.

Mr Burns—It has addressed some of them, but it goes nowhere near looking after the assets that we have. There is still a major shortfall.

CHAIR—Can I clarify that: I have councils in my area where the engineers have done their sums pretty carefully and they say, 'We can now see progress. Our roads are improving.'

Mr Burns—We can see progress as well but, as far as receiving the amount of money required to sustainably look after our road infrastructure goes, it still has a long way to go.

Mr Johnson—Also, the Roads to Recovery money that Guyra receives is about \$391,000 a year, which is, coincidentally, pretty close to the cost shifting per our submission. In effect, the Commonwealth is funding the state's liability to local government via Roads to Recovery, because that money would have been spent on roads instead of being spent on funding the state government.

Ms GAMBARO—I was about to raise that. I am glad you did, because a number of submissions have said that state responsibility for some of the roads has been shifted.

Mr Johnson—It is our responsibility. As local government, our costs in picking up the state's responsibility across the board are almost equivalent to what we receive in Roads to Recovery money. So you are really funding the state's responsibilities by default.

Ms GAMBARO—And does that let them off the hook?

Mr Johnston—The state shift was very noticeable in our area because considerable lengths of road there were declassified from state roads to local roads. We received a three-year support funding package, but that just happened to run out the year that Roads to Recovery started.

Ms BURKE—What about other infrastructure? Roads are one thing, but there are also bridges, drains, airfields and other infrastructure.

Mrs Close—A classic example of the withdrawal of services in the smaller rural areas would be the court houses. The closure of a court house passes the responsibility for maintaining that building back to local government, because part of the beautification of a town is to make sure that everything is clean, neat and tidy and also maintained at a safe standard. So there are rules and regulations in place to ensure that all buildings are of a certain standard. The council is then responsible for taking over the maintenance of that building even though there is no government agency in it. The buildings are then either left to be maintained by the council or to just deteriorate.

CHAIR—In my area, a lot of those buildings are visitor information centres or other things.

Mrs Close—But there is certainly a limit to what you can do with them. Also, some of them have historical relevance to a community.

CHAIR—Most of them would have.

Mrs Close—As they do, but it does take away—

Mr Johnston—With respect, I think the maintenance of other infrastructure is fairly closely related to the resource base of the council.

Mr Chetwynd—On the question the deputy chair asked about other infrastructure generally, I would like to address the issue of waste management. This is a fundamental issue facing the whole of Australia but, in rural Australia, where councils are administering water resources as well as waste management resources—and Armidale Dumaresq specifically has tried to meet a lot of state criteria so that it is not penalised in terms of disposal fees and the like—one of the issues that we are facing is the question of landfill. We are currently looking at a price of anything from \$10 million to \$15 million in overall capital structure on a new landfill site. But the level of community expectation comes in again, as we are of the opinion as a local community that we cannot simply dump 16,000 tonnes of waste, which we are doing as a 26,000 person community, into a hole in the ground. But the renewal of that infrastructure, which is completely different to the previous philosophy of digging a hole in the ground, is another huge area that is going to face smaller populations. When we start to look at other

methods of waste disposal and at issues of recycling, the resource that is required to renew that whole area of infrastructure is really quite enormous.

CHAIR—How much can you get in cost recovery on that?

Mr Chetwynd—If you dig a hole in the ground in our region at the moment, the cost factor is probably something under \$30 a tonne when you take into account, say, the infrastructure cost versus the life of a landfill site. If we were to shift to a much higher level of recycling, which requires a level of resource to induce a community to do so, and if we were to look at composting systems and other forms of recovery, we could be looking at a cost as high as \$90 a tonne. It may even be higher because the level of infrastructure required at the moment is somewhat indeterminate, because the question of landfill relates to whether we are putting putrescibles in or whether we are using an inert operation. We want to move to an inert landfill operation which reduces landfill by about 60 per cent. At that level, we are looking at perhaps \$90 to \$100 a tonne. That would be based on an infrastructure investment of perhaps \$15 million or maybe more.

Ms GAMBARO—On the waste disposal issue, I think there are innovative funding mechanisms that the Commonwealth provides with new technologies. Have you explored all of those? I know that Redcliffe City Council, which I represent, has.

Mr Chetwynd—We are currently proceeding down quite a firm track in terms of the direction we had to go, because there has been a change in the way in which the community expects its waste to be disposed of. I do not think you face this problem if your landfill, or hole in the ground so to speak, has a 10- or 15-year life. Regional communities are probably going to take the less expensive option and continue to put waste into a landfill. We are now looking at whatever funding initiatives we can get. I am not sure whether we have investigated the Commonwealth options.

Ms GAMBARO—You are exploring those at the moment. I think that, if you come up with new technological means of doing it, there are funds available.

Mr Chetwynd—Yes.

Ms GAMBARO—Did you want to talk about waste?

Mr Smith—Maybe just another section: the environmental laws that are being introduced, especially into New South Wales, are a great cost burden on council. We have the situation with our waste management whereby we have these transfer stations. In the little village where I live, a round trip to the transfer station and out to the landfill is 100 kilometres. That is a burden. The other thing that has not been mentioned is water quality in New South Wales now. We are up for these storm drainage plan situations whereby we are given, I think, a 50 per cent subsidy to do the study and whatever, but it is then left to councils to implement these things without extra funding. These are examples of some of these environmental rules that are coming in that are a great cost because of the state water quality rules.

Ms BURKE—There was a piece of legislation put up by one of the independents which did not have the support of either of the major parties in New South Wales. It was that every bit of legislation should have some view about how it was going to impact upon—

Mr Johnston—We referred to that in our submission.

Ms BURKE—Yes, you did as well.

Mr Johnston—We believed that it had a lot of merit, but neither the government nor the opposition did.

Mr Johnson—The US Congress has similar legislation.

Ms BURKE—We have had two perspectives. One is that we consult and come to an agreement with the peak body, but then we seem to get abused by the local councils. The other is that there should be no consultation at all and, somehow, it should be enshrined in legislation that local government picks up the implementation, oversight or management of new legislation that affects it.

Mr Smith—Sometimes that may pertain very much to, say, the Newcastle-Sydney-Wollongong area, but it does not pertain to Bourke, Tenterfield or wherever, yet we have to do it.

Ms BURKE—Would there be a desire to at least have some input to say, ‘Yes, this is now going to be passed to us’?

Mr KING—The Guyra submission had, on page 12, something to say about the desirability of doing a cost-benefit analysis on all legislation. I think it was suggested in one of our hearings in Victoria that something along those lines, maybe to be called a community impact statement, be a procedural requirement in relation to new bills coming through the state and federal parliaments which have impacts upon other levels of government, so that the impact—financial and otherwise, but particularly financial—is measured. Do you want to comment on that?

Mr Johnson—It is imperative for good democracy and accountability that, if you are going to invoke legislation, what it will cost and who is going to pick up the bill must be made clear. I believe that is accountable government. As I said, the US Congress implemented their Unfunded Mandates Reform Act 1995, which is similar to what our local member tried to put through parliament but did not get anywhere with.

Mr KING—Who did that?

Mr Johnson—Richard Torbay, the member for Northern Tablelands in state parliament. But, for true accountability, government must be open and frank about the costs of legislation and who is going to implement it and it must let the community then debate the merits or otherwise of it.

Mr Inglis—The issue here is simply one of relationship. We are talking about putting a system and proper process in place to make you accountable. If you have a good, positive relationship with your state government, an understanding of who does what and you all want to drive forward in a positive way, you should not have to get to some of this technical stuff. If something is going to go on, there should be a desire by government to say, ‘Gee, we’d better make sure that these guys get the commensurate resources, because we are serious about that as a public policy issue and we want it to be implemented properly.’ But that relationship is one of

the big problems, particularly in New South Wales when you compare it to what some other states are doing, particularly with regard to some of these new partnership arrangements—and I draw attention to South Australia and Tasmania in that regard; some very positive things are happening there. The starting point in New South Wales is just such a poor one. We are simply a decentralised agent of the state, and we are seen as that. In my view, we are not seen as a legitimate tier of government, and that is most of the problem. Until that changes, the introduction of a whole lot of structures and such things to solve the problem is just a bandaid solution. I have a pessimistic view about the future of that for local government.

Mr Chetwynd—That is clearly demonstrated by things like the native vegetation act, the endangered species act, the Water Management Act and your bushfire planning acts. If you look at that raft of acts, you will clearly find that no consideration whatever is given to the cost impost on local government, and most of those acts affect rural or regional areas. They are the acts that have come in that affect rural and regional areas in New South Wales. There was no consideration and, quite frankly, even the public consultation methodology that was applied in some of those acts left a lot to be desired in terms of the things that were taken on board when the local issues and the local imposts were raised. Take the bushfire issue, which I think is a very simple one: that relates to a planning issue that bushfire prone zones would be the subject of New South Wales Rural Fire Service agreements prior to the actual plan or development application being approved. Yet, through most of New South Wales, and in Armidale Dumaresq in particular, there were simply no identified bushfire prone zones, so the entire local government area became a bushfire prone zone.

Mr KING—And therefore responsible for costs.

Mr Chetwynd—And therefore responsible. The state government agency was literally clogged to the hilt, to the point where they were not even answering phones, emails or anything else.

Mr KING—Given that so many representatives from local government end up in state parliament, why do you think this has happened?

Mr Johnston—They forget their past very quickly.

CHAIR—You should remind them.

Mr Johnston—We do, but there is nobody more thick-skinned than a local government member recently converted into a state parliament member. We have one still sitting on our council.

Ms GAMBARO—I want to understand some of the things that have been happening. I think Manilla Shire Council mentioned that there was a withdrawal of the 50 per cent subsidy for bridge construction. I understand where you are coming from with new legislation, that you are not consulted, but how does this happen? How does the state government give you a subsidy for a bridge one day and then the next day it does not exist? Maybe I can ask some of the Manilla council people about this. Are you informed or, when you put in an application saying that you are going to build a bridge, do they say, 'I'm sorry, the subsidy is not there any more'? I need to understand whether this is a gradual thing or whether it is like night and day—one minute it is there and the next minute it is not. How has this occurred?

Mr Chetwynd—Put it this way: the press release on the rate pegging amount of 3.6 for New South Wales came through last night. The first we knew about it was from a press release.

Ms BURKE—There is a thing in the paper today about it.

Ms GAMBARO—So you are just told?

Mr Chetwynd—We were not even taken into account.

Ms GAMBARO—How did that happen with Manilla council?

Councillor Randall—That was long before I was on the council, but that was exactly it—a decision was made and the grant was just withdrawn.

Mr Johnston—It was a budgetary decision.

Councillor Randall—That is right.

Ms GAMBARO—What happens to your forward planning and budgeting? How do you know what infrastructure projects to fund?

Councillor Randall—It is thrown out the window. We are in the process of having a bridge tested, but it has had to be withdrawn from service, so we have put in a bypass. This hit the fan politically just before Christmas. We now have a bypass in place, but we do not have the funds to replace the bridge, and we are going to have to look long term at how we are going to handle this situation. A \$6 million poultry development just out of town was accessed by that bridge, so we had to put a bypass in.

Ms GAMBARO—Yesterday, one of the councils told us that they had put a levy on for special infrastructure projects and they wrote to the ratepayers. Would you be able to do that or would there be a one-off levy?

Mr Chetwynd—You cannot do it without adverse rate pegging—

Ms BURKE—They said that they got an exemption from the minister.

Mr Inglis—Rate pegging legislation—

Ms BURKE—I take it that is because the pegging is in, a special levy—

Councillor Randall—One could always do that in local government, but you have to look at the political aspect of doing that. I am probably speaking for all the councils here regarding the environment in New South Wales at the moment with the new government. We have just been informed that our elections, which were supposed to be held in September, have now been carried over until March. We were told that that decision was made with consultation with our associations. I received a letter yesterday from the Shires Association president, Mike Montgomery, saying that he could categorically deny that there was any consultation.

Ms BURKE—What level of representation do you think that you are getting from your associations—the Shires Association and the Local Government Association? In all the other states we have had fairly high-level representations from that body. We have not had it in New South Wales. From your perspective—

Mrs Close—From my perspective, we have been looking for a knight in shining armour for a number of years, at a local, state or federal government level. It is still not there.

Ms BURKE—What about your own association?

Mrs Close—Our own association? Pardon?

Ms BURKE—My state has two. Does anybody have an answer?

Mr Johnston—I think having two in itself is a problem, because we all know about divide and conquer.

Ms BURKE—Yes, it is a joke.

Mr Johnston—The Shires Association is predominantly rural. It may be seen as having a totally different political colour to the Local Government Association, and that may affect the relationship with the state government. We can only be cynical enough to make those assumptions.

Ms BURKE—So you do not believe that you are getting any representation or push—

Mr Johnston—We have a good structure and a good organisation there, but I think its effectiveness is political.

Ms BURKE—Do you have an effective lobby voice at the next level down—the regional representation of ROCs and those sorts of things?

Mr Johnston—The short answer is no.

Mr Chetwynd—The short answer is no, but some have formed themselves into areas where the commonality of interest is strong, and I think there is some effect. I think that, in the case of the New England Local Government Group, of which there are some members here today, some very close working relationships have developed.

Councillor Randall—I can speak on that. I am the chairman of NamoiROC, which is a ROC that was recently formed as a result of that commonality. There was a larger organisation of councils called NAROC that got to the stage where it was deemed to be cumbersome and too geographically isolated between councils, and it went into recess. NamoiROC has been formed from that. NamoiROC is an organisation of 10 councils aligned geographically and in many other areas. We kicked off in the last 12 months. We believe there is a future there, but it will be what we make it. That is, like any lobby organisation, you have to be prepared to make it work for you.

CHAIR—Unfortunately, I am pretty conscious of the time. Could we move on to financing and how we might address some of the financial difficulties that have been fairly well spelt out? What steps do you have to suggest as to how we might improve the finances of local government?

Mr Smith—As was said before, direct percentage grants from the GST straight to local government, bypassing the state government, similar to the—

Mr Johnston—Something that is tied to a growth source of income.

Mr Smith—And untied grants as well.

CHAIR—What about efficiencies? For example, South Australia have gone through voluntary amalgamations. They have identified savings of three to five per cent of the total operating costs of local government because of those. I am not saying that it should be done universally, but there are areas where it clearly could be done, and it has been identified in this state as in others. When you say untied, what sort of expectations do you think the Commonwealth should have?

Mr Smith—For example, regarding the environmental things that have been inflicted on us, Tenterfield shire did its own vegetation management plan, which the council refused to accept in the end. As a consequence, we had some consultation with the director-general, and it was to be redone. Now we are having a round of this Wentworth type thing. But, as far as we were concerned, there was no science in what the state government was saying as far as vegetation management in Tenterfield shire went. So we went ahead and spent \$30,000 on a satellite mapping situation. Last week we had the people up to explain it. We will probably be one of the few shires that can map native vegetation and things. That had to come from somewhere. If these unfunded mandates are going to continue, I would like to see a percentage of the GST coming from the Commonwealth government straight back to local government in untied grants, bypassing the state government—similar to the percentage that we had many years ago, before it was changed when, I think, Mr Keating was Treasurer.

CHAIR—Playing devil's advocate for a moment, you just talked about the additional costs that the states have imposed on you, but you are saying that the Commonwealth has to fix it.

Mr Smith—Yes.

CHAIR—That is an unusual comment.

Mr Smith—It used to be that the Commonwealth provided local government with a percentage of income tax revenue, but that was changed. I would like to see that reinstated. Of course, we have the GST now and things are a little different. The federal government gives the state governments a lot of money in GST revenue. One of the conditions of that was that stamp duty would go, and they are benefiting from the extra stamp duty from property sales and goodness knows what in the metropolitan areas and wherever. It would be a big benefit to local government if the federal government were to give us untied grants directly.

Ms BURKE—By abolishing the state grants commissions and giving it direct to you?

Mr Smith—Yes.

Mr Johnston—At the expense of state expenditure, though.

CHAIR—State revenue?

Mr Johnston—If the federal government has no new money, it has to come from somewhere. We believe it has to come from the states, because the states are the ones imposing the costs back to us. Federal government has the purse strings. There is no doubt about that. It is how it allocates the money to the state and local governments that needs a review.

CHAIR—But one of the things that we are hearing in New South Wales is that the state is imposing on you a whole lot of additional burdens—I suppose you could call them burdens—which are not necessarily imposed in other states.

Ms Sullivan—We have a road in Tenterfield called the M622, or the Mount Lindsay Highway, which goes for 140 kilometres. It was a Commonwealth road, it became a state road and now it is a regional road. It was all thrust onto the Tenterfield Shire Council, but no money came with that road for us to maintain it properly.

CHAIR—Is this a dirt road?

Ms Sullivan—It is gravel with some sealed sections, but it is in a very bad state of repair.

CHAIR—How could it ever have been a Commonwealth road?

Ms BURKE—We are not asking that, because we only have 15 minutes left. I am sorry, I do not mean to be rude.

Ms Sullivan—That was a long time ago. Then it became a state road. Then it was given to council.

Ms BURKE—Another savings that David picked up on was that of council amalgamations. Because we have here one of the only councils in New South Wales to have gone through this recently, this is a good opportunity to talk about that. I do not mean to be rude, but we have to be on a plane in 15 minutes so, if we do not ask the question, I am not going to find out about it. I am interested in your perspective, as you went through it, and in what other people around saw the impact as being—was it good or was it bad and you do not want to see it happen? Remember, I come from Victoria.

Mr Chetwynd—That gives me the opportunity to address very quickly the whole issue of restructure—I am not going to use the word ‘amalgamation’—because that is the key issue. The whole point of amalgamation is to just grab two or more local government areas and put them together in the same boundary. That simply does not work, and there is community angst. There is a lot of community concern in the rural area because what will invariably happen in a restructure—or, if you have to use the word, an amalgamation—is that a larger rural area will be amalgamated with some sort of regional centre. So you will certainly have that angst.

This issue of restructuring—and I think, Chair, that you were asking about budgetary implications and were suggesting grants and the like—is an ideal opportunity for the Commonwealth to look at tying grants to areas where local government has financial viability and where it is showing that it has the capacity to restructure in a voluntary arrangement. That does not necessarily mean merging local government areas, but it means voluntary restructuring where cost efficiencies can be identified. The whole issue of going through an amalgamation process has to be, fundamentally, community driven. If it is going to be an issue, which it most likely will be in New South Wales given what is happening as a result of the six-month delay in the state election—I think any cynic has to suggest that that word ‘amalgamation’ is pretty firmly somewhere in the background—then the state government has to come clean, show leadership and direction, and provide incentive for communities to restructure. I think that, somewhere along the line, there is a really strong case for the federal government to look at that area of local government that is prepared to demonstrate financial responsibility and financial viability with restructuring. They are the grants that the community is looking for. That is one area.

I think our amalgamation—I have to use that word because it was one—was successful for only two reasons. One was because it had a very strong commonality area of interest—that is, the regional city of Armidale with its rural area geographically was very closely aligned. It left some crazy anomalies, like the boundary which, as you know, goes down the main street of Ebor, so one half of Ebor is in Armidale Dumaresq and the other half is in Guyra. They probably throw stones across the road at each other, I do not know. But the point is that that is absolutely crazy. Regarding the funding—I have to put that in inverted commas at the moment because there is a whole raft of issues there—the savings that were made in the Armidale Dumaresq situation were very quickly chewed up in the raft of imposts. Do not let anyone suggest that an amalgamation or restructure is free of charge.

Mr KING—On that score, isn’t there an opportunity—and I think this is taken up in the Parry council’s submission—for councils themselves to look at greater cooperation within regional organisations or regional organisational structures on such things as the sharing of facilities and equipment, the purchasing of services and so on? That means you do not lose any independence, but it might mean you gain some economies of scale. I do not know. It seems that there has been sort of a fragmentation of your regional structure here in the North-West Slopes and Plains. With your new NamoiROC set-up and the breaking up of the old one, maybe there is scope for greater regional cooperation, instead of restructuring or amalgamation.

Mr Johnston—It does not seem to happen though. With respect, it is like telling farmers to share their machinery. It is a matter of who wants it next. Certainly the theory is great, but in practice it does not happen. There were a number of amalgamations in the early eighties. Inverell amalgamated in 1979, and that was predominantly a voluntary amalgamation. Without being too biased, because I was involved in it, I believe that it has been extremely successful for the growth of the Inverell community. It relates to the fact that we have a greater resource base and have become more effective as a council. Prior to that, the three councils had some shared responsibilities that made no progress because they were run by a committee that set out to make a camel out of a horse. It just did not happen. Since the amalgamation, the decision making process is around the table, and I believe that Inverell has progressed for that reason. Structural reform should continue to provide improvements in efficiency, economy and, particularly, effectiveness, providing it is not done at the cost of the local community—and I accept what Mayor Chetwynd said about community of interest. The boundaries of a council

should have a community of interest. The people receiving a service should have a say in where they get it from and where they pay for it.

Mr KING—That raises an issue in the Parry submission which I was quite intrigued by—namely, social capital. I think you even went so far as to suggest that we need a whole new concept of citizenship. Mr Inglis, are you suggesting in your detailed submission that one of the solutions to the whole issue of cost shifting in this country is to look again at our fundamental concepts of social organisation such as citizenship and community relationships? What did you mean by that?

Mr Inglis—Very quickly—because you do not have the time, and I could talk about that for hours—it is very simple. We have a federal system. When was that put in place?

Mr KING—1901.

Mr Inglis—What shifts have there been in society between 1901 and today? I suggest that we would all agree that there has been a dramatic shift in the basis of society—in the demographics, the structure, our thought processes and what we see as being important and unimportant. There has been massive change. Since 1901, what changes have there been in our federal system, the system that governs us, controls our lives, permits our decision making and puts in place the apparatus for the generation of social capital? It is unchanged, isn't it? That is fundamentally the problem. There has been no change in the system of government—the two-party system itself.

Ms BURKE—The only changes have been that women have got the vote and the ability to be in parliament. That is about it, but they have been major changes.

Mr KING—What is your solution? What are you proposing?

Mr Inglis—This is nothing to do with politics, but I am an old Whitlam fan. I believe in regional government and national government. There needs to be a fundamental shift to that.

Mr KING—To regional government?

Mr Inglis—Yes. Get rid of the states. Look at the boundaries. You have asked me, and that is what I believe in—a two-tier system of national and regional government.

Mr KING—Let's get real.

Mr Inglis—You did ask.

Mr KING—It is not going to happen in the short term.

Mr Inglis—So we can get back on track, I will just mention FAGs. I want to make sure that you realise how the state grants commissions are set up. You have Roads to Recovery as a model to show you in real terms how simple it is to distribute money to local government in an extremely efficient and effective way. There are no overheads and no cream is taken off before it gets sent out. Having these individual grants councils means that, for example, if you voluntarily amalgamate in New South Wales, within two years of your merger you lose quite a

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substantial portion of your FAGs grant. Remember that, for some councils, the FAGs grant is up to 35 per cent of their total income, so we are not talking chickenfeed here. Within two years it goes down. You get penalised for amalgamating. In contrast, South Australia has taken a very progressive view on that. The government has said, 'Okay, if councils voluntarily merge for the purpose of efficiencies, that is good for everybody, therefore we should give some benefit—some pat on the back.' You do not lose your FAGs grant and, for the first two years of your merger, you can recoup your merger costs that have been referenced. You are actually reimbursed. Talking about efficiencies and best practice, have a look at the Beacon Council Scheme in the UK, which is run by the Office of the Deputy Prime Minister. It is a fantastic scheme that gives pats on the backs to those councils that show initiative, leadership, efficiencies and all that sort of stuff. It is a federal government program that has gone from the department of regional services to the Office of the Deputy Prime Minister. The Beacon Council Scheme has some great ideas in it for local government.

Mr KING—We have heard about that.

Mr Chetwynd—Indeed, the very point that Mr Inglis makes happened to Armidale Dumaresq. We were penalised \$120,000 on the FAGs grant for the effort that we made in amalgamating voluntarily.

CHAIR—You guys have a real problem with Macquarie Street, haven't you?

Ms BURKE—WA has done the same things to its councils, so you are not alone there.

CHAIR—On that point, and it is a good point, one model that has been proposed is based on the socioeconomic status system which has been used for the federal funding of non-government schools, which looks at average income by postcode, with some modifications obviously. What would be your response if that proposal were to be considered?

Mr Johnston—Yes, absolutely.

Mr Inglis—Strategic partnership arrangements directly with the Commonwealth and the federal would be welcomed by all and sundry, particularly in relation to the feds being able to satisfy themselves that you are achieving your public policy priorities as part of that process.

CHAIR—There is a conditional tie there, isn't there?

Mr Inglis—There has to be by reality, doesn't there?

Mr Johnston—That accountability is there in Roads to Recovery.

Ms GAMBARO—How would you work out the outcomes?

Mr Inglis—Things like the Beacon Council Scheme in the UK would provide a good model for those partnership arrangements.

CHAIR—Miss Stead, you have been sitting there quietly. What is your relationship with local government through the area consultative committee?

Miss Stead—We work a lot with local government, because most of the projects that we fund are within one council area and the local council are usually the best people to know whether it fits into their local plans and whether it is a priority in their area. We rely on them a lot to feed information to the federal government and say, ‘Yes, we think this should be funded,’ or ‘Perhaps we need to work with another area,’ or whatever.

CHAIR—So it is a good, working area consultative committee?

Miss Stead—Yes. I came along more to hear what their issues are. We are trying to drive a whole-of-government approach to the projects we fund, so, for each project, we go to council and ask them for a monetary or in kind contribution—whatever they can afford. But a lot of times they do not have the extra money. There are a few small councils in the area that have been almost incapacitated by HIH and insurance things over the last year and are in a particularly bad position to do any development in their council areas at the moment.

CHAIR—Does anyone else want to comment on the area consultative committee?

Mr Johnston—In support of the concept, I would say that it is a very good forum by which we can assist proposals that might come across the council table for support. To look for support funding from a different level of government, it is a matter of identifying the right program and getting the right guidelines.

Mr KING—I notice that a couple of councils did not put in a written submission and did not give any examples of cost shifting affecting their municipality. I will not mention them by name, but I think three of them are represented here. Is there any point in inviting them to put in a supplementary written submission dealing with some of the issues they specifically are concerned about?

Ms BURKE—Perhaps we could ask them to fill in the questionnaire instead. We are trying to encourage people, with the discussion paper, to fill in that questionnaire.

CHAIR—That would be the best way to do it.

Ms BURKE—That might be the best way to get that sort of feedback. We are keen to get as many questionnaires back as possible.

Mr KING—Councillor Johnston, you referred to a written submission, but I could not see it in the papers.

Mr Johnston—I have a copy here, but it did not address a number of the specific issues; it addressed the philosophy, rather.

CHAIR—Is there any one burning issue that anyone would like to bring up?

Mrs Close—The real burning issue you need to acknowledge is the fact that local government is the closest government to the people, and the Commonwealth government and the state government are both there to serve the people. But local government is the one hand that does the hard yards and works with communities, and we are talking about the continual development and growth of Australia as a nation. To that end, we need to make sure that all

levels of government are working together to forge ahead rather than to negate and knock each other around.

CHAIR—Yes. One of the points in our discussion paper is about the three levels getting together and having an agreement. I guess what you have said is an endorsement; thank you.

Mr Johnston—Mr Chairman, obviously we should thank you for delaying your departure long enough to have what I think has been a pretty free and wide-ranging discussion. With your unfortunate delay, it has been longer than we anticipated and we know that you have a future commitment. We do thank you for taking the time to, I think, almost exhaust all questions and answers.

Ms BURKE—To be honest, we now have been around the country and today we have had one of the most fruitful and honest assessments. It has been really good to get some examples and suggestions. We are getting lots of whingers.

Mr Johnston—You will always get it straight from the northern New South Wales people.

Ms BURKE—It has been very good; thank you.

CHAIR—I certainly endorse that.

Mr Treloar—From local government's point of view, we do have a severe problem with Macquarie Street. I think you have identified it in your trips around the state. We do have an executive that represents us, but it is also pretty hell-bent on representing the world too, I think. That same executive had the hide to write to Iraq and condemn Australia for its invasion policy. That might be right or wrong—and I am not going to enter into that argument—but that is not a local government issue.

Mr Chetwynd—I would advise the chair to continue to form strategic partnerships, like the Roads to Recovery program and continue with that. We would be absolutely delighted to have that kind of relationship with the federal government.

CHAIR—I have not heard anyone say that they do not want that program to continue. Thank you again, and thank Barraba very much for hosting this hearing. As the deputy chairman has said, it has been very valuable and I am just sorry that it has been a bit short.

Resolved (on motion by **Ms Burke**):

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

Committee adjourned at 1.18 p.m.