



Local Government Association of the Northern Territory

LGANT Submission to Senate Economics References Committee Inquiry into the indicators of, and impact of, regional inequality in Australia

Via email to: economics.sen@aph.gov.au

24 April 2018

1. About this Submission

The Local Government Association of the Northern Territory (LGANT) makes this submission in response to the above inquiry.

This submission consists of the following parts:

Part 1 Background

- 1.1 Local Government and LGANT in the Northern Territory
- 1.2 LGANT's policies on economic and regional development

Part 2 LGANT responses to the inquiry's terms of reference

- 2.1 Experiences of individuals and localities of unequal access to opportunities and unequal outcomes in non-metropolitan areas.
- 2.2 Views on the causes of inequality between regions especially between capital cities and other areas.
- 2.3 Analysis of the economics of regional inequality, including wider impacts.
- 2.4 Examples of solutions: what has caused some regions and towns to prosper?
- 2.5 Policy settings which could help address inequality between regions.

Part 3 Recommendations

Part 1 Background

1.1 Local Government and LGANT in the Northern Territory

LGANT:

- Exists as a provider of support services, a coordinator of collective effort and an advocate for its member councils and forms part of the system of local government in Australia which includes:
 - Councils
 - State and Territory local government associations
 - The Australian Local Government Association
- is governed by its constitution and charter
- has an Executive Board of nine members drawn from its membership comprising the 17 local government councils established under the *Local Government Act* (the Act) in the Northern Territory
- has a Chief Executive Officer and staff who manage the operations of the organisation
- adopts policy positions on a range of issues by resolution amongst members at biannual general meetings or monthly Executive meetings

- is a member of the Australian Local Government Association with two elected members being members of the Board.

Local Government

Local government provides services and maintains community infrastructure and facilities for residents and visitors in the Northern Territory within geographical areas where they exercise responsibility as governments under the Act.

The characteristics of councils in the Northern Territory are depicted in Tables 1 and 2 below:

Table 1
Five Northern Territory Municipal Councils by Classification

Urban Capital City	Urban Fringe Small	Urban Rural Small	Rural Agricultural Very Large
City of Darwin	City of Palmerston	Alice Springs Town Council Katherine Town Council	Litchfield Council

The major characteristics of these councils include:

- **servicing the bulk of the Northern Territory population**
- headquarters in their local government areas and operating largely in single, relatively small urban environments
- accommodating staff within these environments, usually through individual home ownership or the private housing rental market
- **large number of rateable properties**
- **receiving a large portion of their revenue from rates and service charges (generally above 60 per cent of total revenue) which are linked to growth and hence these councils are less reliant on government grants**
- providing core local government services, facilities and infrastructure
- **a greater capacity to partner with the private sector in the delivery of services**
- rarely acting as agent of the Territory or Commonwealth governments in the delivery of services
- **having socio-economic indexes for their areas which are a mix of advantaged and disadvantaged**

Table 2
12 Northern Territory Regional and Shire Councils by Classification
and Number of Townships Serviced

Rural Remote Large	Rural Remote Medium	Rural Remote Extra Small
Barkly Regional Council (six towns and one major centre)	Coomalie Community Government Council (Shire – two towns and rural areas)	Belyuen Community Government Council (Shire – one town)
Central Desert Regional Council (nine towns)	Tiwi Islands Regional Council (four towns on two islands)	Wagait Shire (one town)
East Arnhem Regional Council (nine towns, five of them on islands)	Victoria Daly Regional Council (five towns)	
MacDonnell Regional Council (13 towns)	West Daly Regional Council (three towns)	
Roper Gulf Regional Council (nine towns)		
West Arnhem Regional Council (five towns)		

The characteristics of these councils include:

- **servicing a smaller portion of the Northern Territory's population over a large land mass and with all 67 towns serviced having between 200 and 4 000 residents**
- nearly all have their headquarters in a municipal area
- **are the largest employers of Indigenous people in remote areas with between 60% and 80% of total workforces made up of Indigenous people**
- **small numbers of rateable properties with a fair proportion of those (pastoral and mining tenements) subject to conditional rating**
- receiving a large proportion – often in excess of 90% - of revenues from government grants
- providing many services on behalf of, or as an agent of, the Territory and Commonwealth governments
- **having socio-economic indexes for their areas which are amongst the most disadvantaged in Australia 'in terms of people's access to material and social resources, and their ability to participate in society'** (Australian Bureau of Statistics, www.abs.gov.au)

Local government makes a significant contribution to the Northern Territory economy as collectively councils employ 3000 Territorians, manage and control assets valued at over \$900 million and receive and expend over \$400 million in the Northern Territory annually.

1.2 LGANT's policies on economic and regional development

LGANT has the following specific policies on economic and regional development:

- (a) *LGANT recognises that soundly based economic and regional development is fundamental to the wellbeing of communities in the NT.*
- (b) *LGANT supports councils fostering economic and regional development through a range of measures such as:*
 - *supporting local business*
 - *providing essential infrastructure and services, including through joint ventures*
 - *identifying investment opportunities*
 - *promoting tourism*
 - *promoting cultural and recreational resources as an incentive for regional investment.*
- (c) *LGANT calls on the Commonwealth and Territory Governments to recognise and support the role of Local Government in regional and economic development.*
- (d) *LGANT recognises that where developments impact on Indigenous cultural heritage, councils must exercise leadership in ensuring that local Aboriginal needs, aspirations and cultural and spiritual values are taken into account.*
- (e) *LGANT supports the maintenance and extension of electronic information networks as a means to facilitate and promote participation in economic and regional development initiatives.*

Part 2 LGANT responses to the inquiry's terms of reference

2.1 Experiences of individuals and localities of unequal access to opportunities and unequal outcomes in non-metropolitan areas

In its submission to the recent Senate Inquiry into the Operation, Regulation and Funding of Air Route Services Delivery in Rural, Regional and Remote Communities LGANT mentioned:

'In one case, (Barkly Regional Council area) the nearest major centre from which the council can access charter aircraft is 500 kilometres away in Alice Springs. Charter aircraft has to fly North to Tennant Creek, pick up passengers and then fly on to a destination in the council area. The council has informed LGANT that chartering aircraft is now unaffordable for it. When chartering aircraft becomes unaffordable for organizations it will never be affordable for most individuals'.

The above example is but one of the many transport disadvantages that people in remote areas endure. Unequal access is evident across a range of areas however, including employment, facts that are borne out by the Australian Bureau of Statistics as mentioned above.

The Victoria Daly Regional Council recently endorsed some actions calling on the Federal Government to make provision for housing for councils in remote areas that:

- are performing services such as aged care, child care, Centrelink, night patrol and sport and recreation which are funded by the Federal Government
- do not have access to social or private housing
- are having to find funds to construct new housing and as well as pay for essential services infrastructure to connect to it to accommodate employees.

The lack of access to housing (government provided social housing or private rental housing) leads to unequal outcomes as mentioned above.

Most Northern Territory councils have gravel roads to maintain and of course during the wet season they can undergo significant adverse changes particularly from severe weather events such as cyclones. Under National Disaster Relief Recovery Arrangement (NDRRA) guidelines councils are restricted from accessing funding should they seek to upgrade such roads (still to that of a gravel road standard!) to make them better able to withstand such events. They are only allowed to do minimum repairs unless they wish to pay the total cost of upgrades themselves, which is often not an option. However, for councils with sealed roads they can and do obtain compensation under NDRRA guidelines for damages to the extent that they can restore them to previous conditions. This issue is again an example of an unequal outcome for regional and remote councils.

There is mention in some literature of reductions in government investments in infrastructure over the past number of decades and how the investments on offer ‘benefit some regions but are of considerable disadvantage to others’ (Beer, A, Maude, A, Pritchard, B, (2003) and in some respects these conditions are still present. The North Australia Infrastructure Facility, for example, is unlikely to be accessed by any of the 17 local councils in the Northern Territory due in part to the scale of the loans (\$50M) on offer and the types of infrastructure that can be funded (rail, telecommunications, ports, etc.).

While Northern Territory councils have been able to access three grants under round one of the *Building Better Regions Fund* for infrastructure <https://www.business.gov.au/Assistance/Building-Better-Regions-Fund/Building-Better-Regions-Fund-Infrastructure-Projects/funding-offers> competition for the grants is strong across Australia (and not just for local government) and if this rate of grant approval for Northern Territory councils is continued it will be many years before township infrastructure (of the type councils are responsible for) is up to standard.

A significant rise in investment in infrastructure in regional and remote towns is needed and has been identified:

‘there are around 1200 remote communities in Australia. Many lack even basic infrastructure such as reasonable road access, clean water supplies and wastewater services...providing remote Indigenous communities with infrastructure services at a level consistent with other communities of a similar size and location is essential to the broader aims of the Council of Australian Governments (COAG) 2008 Closing the Gap in Indigenous Disadvantage initiative.’ Infrastructure Australia, (2015).

In the Northern Territory there is 'under development' and it is a case of 'infrastructure catch up' for the majority of the 67 regional and remote towns mentioned in Table 2 above. In some towns there can be no growth in building development due in part to water infrastructure being at capacity.

'The shortage of housing in regional areas has a detrimental effect on the ability of businesses to attract employees and on regional and state economic growth. A number of regions reported that business growth is being retarded because prospective employees will not move to regional areas because of the lack of housing.' Beer, A, Maude, A, Pritchard, B, (2003).

Private investment is unlikely to take place in many of the above towns until the infrastructure is adequate and government has to invest to make it so.

2.2 Views on the causes of inequality between regions especially between capital cities and other areas

Research of literature provides many examples of unequal access to opportunities in regions:

'...the NBN roll out where the 'satellite' solution that will provide broadband to 7% of Australians remote from urban areas will provide:

- (a) download speeds at a tenth of the speed of their city cousins*
- (b) upload speeds at 100th of the city fibre-based solution.*

This will work against real engagement in industry and commerce and limit the opportunity for the remote parts of Australia to actively contribute into the economy and provide services to distant markets. This limitation has the potential to significantly impede new opportunities for services and new industry in remote Australia and presumes at the outset that remote Australia has nothing to offer at an affordable cost.' Walker, BW, Porter DJ and Marsh I, (2012).

'Infrastructure deficiencies make it difficult for low productivity/high unemployment regions to increase productivity. National Institute of Economic and Industry Research and the Australian Local Government Association, 2017.

'The private sector is unlikely to become a major provider of infrastructure outside of the major capitals, and in all likelihood, outside of Sydney, Melbourne and Brisbane. Regions, especially the smaller regions, will continually rely upon government providers for the infrastructure they need.

Governments and policy makers must, once again, accept responsibility for the provision of infrastructure in many of Australia's regions'. Beer, A, Maude, A, Pritchard, B, (2003).

2.3 Analysis of the economics of regional inequality, including wider impacts

The Regional Australia Institute, in referencing the social infrastructure in small towns of Australia mentions:

'[But] Australia has not been able to nurture and develop the people who live in small towns. These people continue to experience poorer health outcomes than their fellow Australians. Those living in rural and remote small towns have lower life expectancy, higher rates of disease or diabetes and the rate of death by suicide is four times that of cities. The rate of hospitalization from mental health conditions, intentional self-harm and from drug or alcohol use is higher in rural and remote communities as well.' Bourne, K, Nash, A, (2017).

The economics of this regional inequality can be found in the costs to society. With alcohol misuse, the following quote is noteworthy in a recent Northern Territory Government issues paper on the matter:

'in 2004/5 the total social cost of alcohol in the Northern Territory was estimated to be \$642 million or \$4197 per adult compared with a national cost estimate of \$943 per adult.' Whetton S, Hancock J, Chandler N, Stephens N, Karmel C, (2009).

2.4 Examples of solutions: what has caused some regions and towns to prosper?

Regions and towns prosper from having the right levels of investment in economic and social infrastructure that supports communities to grow.

'The presence of service delivery professionals is one key way that social outcomes in a community can be improved. In turn, there is clear evidence that improved social outcomes help to sustain rises in the income and living standards of people in a community.' Bourne K, Nash A, Houghton K, (2017).

The remote town of Jabiru, East of Darwin, was built in the early 1980's as a 'town of high amenity' as recommended by the Federal Fox Inquiry which included, amongst other things, quality social and economic infrastructure that was financed from private (mining company) and government sources. Since then the town has prospered from private investments in the tourism industry including those from Indigenous organisations. Although the town will downsize after 2021 due to the closure of the uranium mine it is well placed to accommodate future investments because of its economic and social infrastructure.

2.5 Policy settings which could help address inequality between regions

One policy setting that will not address inequality between regions is to leave 'everything to the market'. Government investment in regions is crucial for overcoming inequalities particularly because they are the main funders of infrastructure.

'Since market mechanisms will not reduce inequality of economic performance between regions, public policy has a key role in reducing inequality of economic performance between regions and by so doing maximizing overall economic growth of the nation' National Institute of Economic and Industry Research and the Australian Local Government Association, 2017.

'Government is larger today, has more powers, spends more, has greater responsibilities and ambitions. Its policy ambit has considerably widened and appears to

be in no danger of being reduced in the future' John Wanna, John Butcher & Benoit Freyens, (2010) *Policy in Action, the Challenge of Service Delivery*, 2010, University of NSW Press Ltd, Sydney, NSW.

The provision of infrastructure does address inequality between regions if implemented effectively:

'Improvement in an area's physical and social infrastructure acts as an important signal to the private sector since it demonstrates government's commitment to reviving depressed areas and acts as a confidence booster for private sector investors. It also helps the depressed areas to retain and attract highly skilled workers who place a premium on their living conditions.' Harvey Armstrong and Jim Taylor, 1993.

'Equitable access to infrastructure, both economic and social, is vital to the rejuvenation of regions. A number of studies both in Australia and overseas in the last two decades demonstrate the link between the increases in infrastructure investment to productivity, output, employment and growth.'

In general, quality infrastructure facilitates economic growth and improves quality of life by:

- *reducing production costs, including by reducing domestic transaction costs and increasing access to market information;*
- *diversifying production into more productive and higher return activities by facilitating growth of alternative employment and consumption possibilities; and*
- *raising the population standard of living and welfare.'* Commonwealth of Australia, (2000).

Disadvantaged regions can leverage off more advantaged regions and in some respects help arrest some of the challenges for the latter regions if there is a regional policy in place to begin with. The infrastructure and finance policies of governments are significant drivers for addressing inequality in regions.

'..it is [also] important to support the diffusion of knowledge into hinterland regions and back from the hinterland regions so that the combination of hinterland and metropolitan know-how generates innovation: telecommunications and transport are again required.' National Institute of Economic and Industry Research and the Australian Local Government Association, (2017).

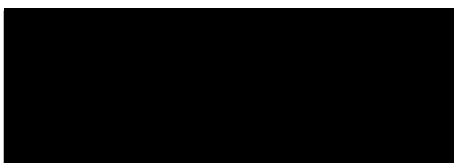
'Public policy [also] has a key role in reducing inequality within regions by appropriate tax and income transfer policies' (Ibid).

'On of the reasons for having a regional policy is to avoid the excessive concentration of the population in particular areas since this often results in high levels of congestion and related problems.' Harvey Armstrong and Jim Taylor, (1993).

Part 3 Recommendations

- 3.1 LGANT recommends that the Commonwealth Government examines ways of 'fast tracking' and increasing the quantum of grants for economic and social infrastructure investments:**
- **with the Northern Territory Government and with local government**
 - **for regional and remote areas**
 - **that ensures a greater number of towns can have infrastructure which is commensurate with other parts of Australia.**
- 3.2 LGANT recommends that the Commonwealth Government considers funding housing for councils in remote and regional areas in circumstances where:**
- **the Commonwealth is funding programs**
 - **councils are carrying out the programs**
 - **employees of councils do not have access to housing.**
- 3.3 LGANT recommends that the Commonwealth Government alters the guidelines to do with National Disaster Recovery Arrangements so that councils can access funding that assists with gravel roads being upgraded to standards that are capable of withstanding severe weather events.**
- 3.4 LGANT recommends that the Commonwealth Government supports policies which nurture people in remote and regional towns and allows for a higher number of service delivery professionals to reside in them.**
- 3.5 LGANT recommends that the Commonwealth Government works with the Northern Territory Government to better refine regional development policy which sees all three spheres of government working better together.**

Yours sincerely



Tony Tapsell
Chief Executive Officer

References

Australian Bureau of Statistics, (2016), *Census of Population and Housing: Socio-Economic Indexes for Areas (SEIFA)* Australia

Beer, A, Maude, A, Pritchard, B, (2003) *Developing Australia's Regions, Theory and Practice*, University of NSW Press Ltd, Sydney, NSW.

Bourne, K, Nash, A, (2017), *Pillars of communities: Service delivery professionals in small Australian towns 1981 – 2011*, The Regional Australia Institute

Commonwealth of Australia, (2000), *Time running out: Shaping Regional Australia's Future*, House of Representatives, Standing Committee on Primary Industries and Regional Services, Canberra Australia.

Harvey Armstrong and Jim Taylor, 1993, *Regional Economics and Policy*, Prentice-Hall/Harvester Wheatsheaf, Great Britain.

Infrastructure Australia, (2015) *Australian Infrastructure Audit, Our Infrastructure Challenges, Report Volume 1*

National Institute of Economic and Industry Research and the Australian Local Government Association, (2017), *State of the Regions Report 2017-18, Pillars of Regional Growth*

Walker, BW, Porter DJ and Marsh I, (2012), *Fixing the Hole in Australia's Heartland: How Government needs to work in remote Australia*, Desert Knowledge Australia, Alice Springs

Wanna, J, Butcher, J, Freyens B, (2010) *Policy in Action, the Challenge of Service Delivery*, 2010, University of NSW Press Ltd, Sydney, NSW.

Whetton S, Hancock J, Chandler N, Stephens N, Karmel C, (2009) *Harms from and Costs of Alcohol Consumption in the Northern Territory*, South Australian Centre for Economic Studies, Adelaide, SA.