



COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

**HOUSE OF
REPRESENTATIVES**

STANDING COMMITTEE ON ECONOMICS, FINANCE AND
PUBLIC ADMINISTRATION

Reference: Local government and cost shifting

WEDNESDAY, 30 APRIL 2003

MORUYA

CONDITIONS OF DISTRIBUTION

This is an uncorrected proof of evidence taken before the committee. It is made available under the condition that it is recognised as such.

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

[PROOF COPY]

INTERNET

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to: **<http://search.aph.gov.au>**

HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON ECONOMICS, FINANCE AND PUBLIC ADMINISTRATION

Wednesday, 30 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 Nairn

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 9.09 a.m.

GREEN, Mrs Pamela, Mayor, Eurobodalla Shire Council

HEDE, Mr David, Mayor, Bega Valley Shire Council

JESSON, Mr David George, General Manager, Bega Valley Shire Council

LEVY, Mr James, General Manager, Eurobodalla Shire Council

MORGAN, Mr Robert John, General Manager, Yarrowlumla Shire Council

MOWLE, Mr Robert, General Manager, Mulwaree Shire Council

PIGG, Mr Russ, General Manager, Shoalhaven City Council

PRITCHARD, Councillor Geoff, Mayor, Tumut Shire Council

RAWLINGS, Mr David, General Manager, Bombala Council

STEPHENSON, Mr Paul, Mayor, Mulwaree Shire Council

CHAIR—Thank you everyone for coming here today, and thanks particularly to Eurobodalla and everyone here in Moruya for organising this. I believe that the mayor, Councillor Green, would like to say a few words before we start.

Mrs Green—Good morning everybody. I would like to welcome you to our beautiful shire. As you will have seen, it lives up to its name as the Nature Coast, and we hope that, having seen how lovely it is, you might come back here for a holiday in the future.

One of the things I wanted to say, especially to the federal government, is that we are very grateful to you for holding this inquiry in Moruya. I think this is the first time we have had something like this in our shire. We feel that it is a bit like coming of age: suddenly someone realises where we are and who we are. But also I think it gives a signal from the federal government that they recognise the importance of local government in delivering services on the ground. I think that that is an extremely important step in the relationship. There are certainly many areas in the cost shifting arena that we need to iron out and this is a wonderful opportunity. Thank you very much.

CHAIR—Thank you very much, Councillor Green. I will state that this is actually a federal parliamentary committee. It comprises members of the government and a member of the opposition—who is coming back any second, when she gets off the phone. I declare open today's local government and cost shifting hearing. I welcome everyone and again thank our hosts very much. This is the final hearing in New South Wales. Over the last two days we have also had hearings in Sydney, Barraba and Newcastle. Today we want to discuss the issues and options in our discussion paper, which I trust you all have. The idea of this paper was to stimulate discussion and debate and, hopefully, some fresh thinking on effective solutions to the cost shifting problem that local government has been facing. We would like to think that this

roundtable is a free-flowing discussion involving committee members and panel members. As I say, we want to see some full and frank discussions.

The formalities are that I have to advise all participants that, although the committee does not require you to give evidence under oath, the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House. The giving of false or misleading evidence is a serious matter and may be regarded as contempt of the parliament. I will introduce the committee. I am the chair. I come from western Victoria. Anna Burke, the deputy chair, comes from the seat of Chisholm in the eastern part of Melbourne. Also present is Gary Nairn, who I trust everyone around here knows well. It was certainly at Gary's instigation that the committee came down here, so we thank Gary for helping with that. Also present is Teresa Gambaro, who comes from the seat of Petrie in Brisbane. Susan Cardell is the inquiry secretary. There are a number of other people here as well who work very hard behind the scenes. I would like to keep this a free-flowing discussion, but we will kick off with some of the roles and responsibilities which you believe that local government either has or should have. I know that Eurobodalla has highlighted a few, but I am sure others have comments. Who would like to be first?

Councillor Pritchard—I have been Mayor of Tumut Shire Council for about eight years. My background is in health. That is really how I got involved in local government, because you cannot build communities without having proper health services and education services. I think local government should really be renamed 'community government' because we represent the whole community and the community looks to us for help. Whether we like it or not we are involved, and will be increasingly involved, in the areas of health, education and local security. It is simple as that. As far as constitutional recognition is concerned, I do not think we need it. It is like a bill of rights: they never get it quite right and it locks you into something that may not be suitable in the future. We have made enormous progress in our shire by working with adjacent councils and regional organisations of one sort or another informally, and with goodwill, for a common purpose.

We have found, over the years, that these associations have varied a little bit depending on our common interests. We might have association with one group of shires—one for the timber industry, another group for tourism and so forth. Basically, I do not see any place for wholesale amalgamation of councils, but there is certainly a place for some rationalisation of councils in order to enhance their communities. Anyway, I will not open too many topics at this stage.

CHAIR—You have mentioned a couple there. You said, 'We will get more involved in health and education.' Would you like to say where and why?

Councillor Pritchard—We have periodic breakfast meetings in our town, and we call on different people to come and sit around the table and discuss things. We had one recently about youth matters. It was quite interesting to see that the police were there in significant numbers. They are very concerned that a lot of kids leave school early and start getting into problems and whatever, and they end up being delinquents and in trouble. So the police are anxious for us to get involved where they feel they cannot quite connect with the community the way we do. At the same time, we had health people from the hospital there. They are concerned that the kids are appearing at the hospital with drug overdoses or as suicides or coming up for these fit packs, which are from the needle exchange programs. I can see that we have to get into these young people to prevent health problems occurring in future.

The education people were there in some numbers, too—not only from the public school but also from the Catholic school, which surprised us a little bit. They were concerned about the young people who were leaving school at year 9 and falling out of the system. They are getting part-time jobs and then finding in a year's time that they do not have that part-time job and they are not in a situation to pursue their education. They have not got the school certificate. Those kids are out of the reach of the educational system, so the young people, who really are one of the major concerns for any community, are outside the major bodies or operational organisations.

So that really means that local council has to get involved somehow or other with the health issues. It is different in the country area than it is in the cities in that in the country areas it is hard to get doctors. I think there is a case for smaller communities to have local government involved in having health clinics of some sort so that, if a doctor leaves or whatever, communities can get something on a short-time basis. It is very difficult to get somebody to set up a medical practice in a country area, because of the costs involved and the commitment.

CHAIR—Would somebody else like to comment?

Mr Stephenson—What Geoff is saying I can understand, but I think we have had cost-shifting put onto us in relation to all sorts of things from the EPA and God knows what else, and I cannot see local government wanting to take on the role of education and health with all the rest of the stuff that we have to deal with now. I think the state government, whose role it is, is just abdicating its responsibilities. They cannot fix it; why would we would get ourselves involved in that when we have already had all these other things thrown at us with no funding? Geoff, I would avoid that like the plague.

Councillor Pritchard—We would like to have some funding, along whichever lines you suggest, into our community to employ youth workers—not to pick up the pieces after kids have hit a brick wall but to plan the development of the youth in our region. You have to define your community. Little shires cannot do that, but on the other hand ROCs and the bigger shires are too remote from the community. We are pushing very hard to try to get some youth people there to get the kids back onto the straight and narrow, to help entertain them, to give them a future and to give them a role. We have put money aside for small scholarships in our town. In fact, tomorrow I have to go to the University of Canberra to present scholarships to these two young kids. They are only small amounts, but the pride that these kids show in having a Tumut Shire scholarship is remarkable. We have to empower young people to stay on in education. We have to empower them to work, come back to their communities and further our communities. Without them, we have no future.

Mr Stephenson—I do not disagree with that. We have put a fair bit of money into scholarships as well, but that is about as far as I would like us to get involved. If we get involved any deeper than that then I think the state government will just hand it over to us with no money—like they have done with the rest of it.

Councillor Pritchard—It would not cost terribly much if we used our present agencies. We have our health services. I would like to see the people in our health services apply for positions on our council as councillors and I would like to see some of our councillors get into the health services. I would like to see more integration. I would like to see more harmonisation of the boundaries between the health and educational services and local government. We are one

community and we cannot separate, any more than we can separate a family into different sections. The future of our communities depends on re-establishing the extended family. I think that many of the problems occurring with young people today are because of the loss of the extended family—the cousins, grandparents and whatever. Somehow or other we have to reinvent the extended family in our communities. This, I think, can be done fairly cheaply.

CHAIR—You have brought in this question of cost shifting. Maybe we could just explore that a bit, too. Do you want to talk about that?

Mr Stephenson—I am saying that the cost shifting has been going on for a while. I have been mayor for 10 years at Mulwreee. I have seen things like the POEO act coming in, which we now have to handle. That was the state's—

CHAIR—Which act was that?

Mr Stephenson—The POEO act—it is about pollution, from the EPA. So we are now responsible for noise, dust, smoke and everything else that we have never had to cover before, yet no funding at all has been given to us to cover these things. We have had to put officers on 24 hours a day now, basically. If there is a barking dog or a smoke or dust problem, all of a sudden it is ours. There was no consultation between the state and local government. They did not say, 'We would like you to take this on' or 'We are going to give this to you—how much money do you need to administer it?' There was nothing—with a stroke of a pen, it was ours. More and more of those things are being handed over to local government, which has no ability to fund them. We are into a few businesses which create a fair bit of money, but if you relied on the amount of money that you get from rate pegging, you are not even coming up to square one.

CHAIR—Does anyone else want to comment on those points?

Mr Hede—Coming back to the situation with a couple of these community type programs that Geoff was mentioning, the other problems with some of these—and these are both state and federal programs—are that, firstly, there seems to be a bit of duplication within the relative state and federal agencies. It has finished up that we have two or three people doing bits and pieces of various programs. The other problem is that they create the need for this program and they give the funding to council or to another agency for a couple of years. The need is then created and the funding stops. We are then left with a vacuum and an expectation that council will pick up and continue to run with this. It is easy to say that you can just walk away from it. But, with respect to our federal members, in the level of government that we are at, we are there hands-on every day with these people. You just cannot walk away from these programs and say, 'Sorry, the funding has stopped; we no longer support that.' That is one of the difficulties that I believe we encounter on a day-to-day basis.

Mr Pigg—I support the previous comments. It is very difficult for a local council to walk away from the sorts of programs that are started with seed funding. It happens time and time again. In the discussion paper, the committee is saying, 'Is it time for councils to simply say no?' I think that simply saying no is easier said than done. But, taking that on board, what we are doing in our council now is that any reports that are going to council where the catalyst is a request for funding or support for a different program, we are highlighting that this is another cost shifting area that is the responsibility of state or federal agencies, if that is relevant. We are really highlighting that, so that council is making more of a conscious decision either to reject it

and make representations to where it should rightfully be funded from or make a conscious decision to actually put their own dollars into it.

Mr Morgan—Can I just extend on that a bit. Yarrawlunla is a small to medium sized council in the ACT. We have made a conscious decision not to accept any of those types of grants because of the implications that have already been suggested—the funding stops and we have a continued community demand for it, which impacts on our overall budget. There is also a stick involved with some of the government agencies. I will give you the example of the New South Wales RTA and the provision of road safety officers. The funding starts and then over a three-year period it tapers down to a figure. We have not been in it yet, but we are getting hellish pressure put on us, with the end result that they are telling us that if we do not join in the program it is going to affect our grant funding for road maintenance—because we do not have a traffic safety program in place.

CHAIR—Could you elaborate on that last point?

Mr Morgan—I have been advised by my staff that, because we are in negotiation to put a safety officer on, we now think that because of this issue we are going to have to. The staff have advised me that there is a suggestion, via the RTA officers that we have been talking to, that if we do not accept the funding program to put on a traffic safety officer—which apparently most councils in the state have—it may have a significant impact on the grant funds that we get from the New South Wales RTA for our road maintenance works, because they are going to argue that we should have a traffic safety program as well.

Mr Stephenson—I think I could elaborate on that a bit. At the shires conference two years ago, Carl Scully told everybody there that if they do not have a road safety officer—he did not say he was going to cut the funding back—do not come and ask for any extra, because you will not get it unless you have got one. Those were his exact words.

Mr Hede—In Bega we are getting a similar situation. I have just confirmed with our general manager that we had one and did not continue it, and we are getting pressure in exactly the same way that Robert is suggesting.

Ms BURKE—The role of the road safety officer is to—

Mr Stephenson—Plagiarise anybody else's. Apart from that, I cannot find any use for them at all!

Mr NAIRN—The name sounds good.

Mr Stephenson—Yes, that's right.

Mrs Green—Another example of the very direct cost shifting would be the Black Spots program. I do not know whether anybody else has had experience with this. It is where we have areas in our community that do not receive sufficient signals for television et cetera. The federal government had a black spots funding program, so we went out to our community and asked for people to submit where they had problems, and we formed that into an application and sent it in. We were granted a certain amount of funding, but not for maintenance. So over a period of time the ratepayers would have had to pick up \$20,000 plus per year in maintenance for this

infrastructure. In the end, the council decided that we just could not afford to do that. So we had to decline the grant. To provide infrastructure on one hand and then not provide any funding for maintenance is direct cost shifting onto local government. I do not know if anyone has had any experience with that.

CHAIR—I can see your point about the cost shifting. That was one where everyone had their eyes open when they looked at the grant. Is it the same in all cases or are there some where it starts and then later on it is cut back?

Mrs Green—No, there is no funding for maintenance.

CHAIR—There never was, though.

Ms BURKE—Going back to the road safety officer, is the reason you do not want to do it that, while you get start-up funding, you are then left funding the position ad nauseam, or is there a three-year time span after which it falls out? How does it actually work?

Mr Stephenson—That is how it started out. I think they funded 60 per cent and we had to put in 40 per cent. We were in it for a year and then we pulled out because it was not achieving anything that we thought it was going to do. Eventually, after three years, you have to wear just about the whole lot.

Ms BURKE—But you knew that up front?

Mr Stephenson—You knew that up front, yes.

Ms BURKE—With Black Spot you made a pragmatic decision up front, because you knew that the maintenance would not be funded. You have made a fairly hard pragmatic decision that I am sure the community—

Mrs Green—Were not happy with.

Ms BURKE—were not happy about. Has anybody had the situation where you thought the funding would be ongoing and it is stopped and you are left making the decision whether to cut back the service or not? Has anybody been in that boat where you have always had half a notion that you are going to half-fund it and then it is going to cut out?

Mr NAIRN—I would like to make a comment in order to stimulate the debate a little further. I suspect it is often the case that nobody is really sure of where a particular program might go, whether it is something that might only need to be in place for a period of time, and, inevitably, once the community gets used to something they want it forever. Is that a fair summation of how those sorts of things occur?

Mr Stephenson—As I think Robert may have said, people are very wary about getting into these things because, once you are in, you cannot get out.

Mr Rawlings—We have another one where the New South Wales Attorney General funds a youth officer for us. It is only part time but we have done it for 12 months, and we have spent the last two months looking for continuation grants. We have finally found one that we are

going to apply for, but that has built up the expectation in the community that the youth officer will be there forever and a day. We are not even sure that that person is achieving what they are supposed to. They are out there meeting people, but it is only a part-time job. When you balance the community expectation that the council has a youth officer and that they can always go to them to sort things out as opposed to the outcome of the program and the continued benefit that will be there, there is always that element of doubt in your mind as to what you are doing. That is why I said that, as a smaller council, those are the questions we ask every time any of these programs come up. We only got caught up in this youth one because, unfortunately, we tend to run a lot of our affairs jointly with Queanbeyan City on these types of things. They lost their youth development officer, who was basically going to sponsor this one in our shire, so we had to pick it up holus bolus, otherwise it would have been built into a different program.

Mr NAIRN—Isn't rate pegging part of the problem in New South Wales? Thinking simply about these sorts of programs, if after 12 months or two years there is a demonstrated need within the community, it would be a lot easier to go back to the community and say, 'We got funded for this for a couple of years. There is a need and we want to continue it but somebody has to pay for it. Therefore, we are going to build that cost into our rates for next year.' The difficulty you have in New South Wales is the aspect of rate pegging, which I do not think any other state has. You do not have the ability to sell it to the community along the lines of, 'The rates are going to go up a little more this year because you as a community have said you need these particular services.' Is that too simplistic?

Mr Hede—I think the fact is that it is all right when we get the grant and we start the program. We tell everybody, the state or federal member comes along and launches the new program and it is perceived that it is funded by the particular agency. The following day, the community has forgotten that it is a council program, that the council now have it and that it is their baby. The community does not really care where the funds come from and does not want to know; therefore, we are still left with the perception that it is a council program that council have now dumped. That is the general feeling that comes from the community.

Ms GAMBARO—I would like to continue with the rate-pegging question. I know you are very limited, as Gary has said, but we have had councils talk to us about introducing levies. I noticed in the Bega submission that you requested an environmental levy. Is it politically difficult if there are special projects—all the things that Gary was talking about—to go to the ratepayers? I will use the example of a toll bridge because that comes to mind. Is it difficult to go to the ratepayers and say, 'If you want a toll bridge, you will have to pay for it; we will have to put on some sort of levy,' or is there no scope for you to do that? In New South Wales I think it is different in that you have to go to the local government minister. Mr Hede, would you explain how Bega went about this environmental levy, and is it just a one-off thing?

Mr Hede—Yes. We decided as a council that we needed some additional funds to perform certain environmental projects. We perceived that a levy in the region of three per cent would be reasonable to go to the minister with. We put it out in our management plan, which we put on display, that we were proposing a three per cent levy. The community came back and obviously there was a bit of negativity, but overall we had support. We then went to the minister and he said, 'You can have 1.5 per cent.' That was last year. But we basically had to go cap in hand and specifically identify these programs. So we do have that ability, but it is only with the blessing—albeit in our case only 50 per cent of what we wanted—of the minister.

Ms GAMBARO—Some of you spoke about the difficulty with grants. We have had mixed opinions about matching grants. If you get \$50,000 from a state or a federal authority and you have to match it with your own money, how do you view that? What would be an alternative way of funding some of these things? We have had all sorts of reactions on matching funds.

Mr Hede—We went down this line as late as the last couple of days, when we were in the process of framing a budget for next year. We basically said as a council, ‘It is fine to get the funding for some new infrastructure—a new toilet block or a new boardwalk or whatever—being matched fifty-fifty, but do we really need that or are we better using that \$100,000 or \$200,000, or whatever the matching figure is, to do something that the community really needs, like fixing the roads or upgrading some old timber bridges?’ We made a conscious decision to reduce the matching grant funding and use it for only stuff we really need rather than stuff that looks nice and maybe has a nice community feel. The second part of that is that again it comes back to the ongoing maintenance of that particular asset. Once we have spent the money from our matching grant exercise, we still have to maintain the new asset. As far as Bega Valley is concerned, we have basically made a conscious decision in this year’s budget to step back a little bit in that direction.

Mr Morgan—I have some comments about both the issues that were just raised. Yarrowlunla has done rate pegging twice in the last 15 years. The first time, we got an eight or nine per cent increase because we had a fight with the New South Wales farmers. They engaged a consultant to do an economic survey on us and prove that we were well behind in our rating capacity because of local political decisions not to accept rate pegging when it first started, when it was very high increases per annum. I was not there at the time, but there was basically a farmer council and they did not want to increase their farm rates. They said when there was an eight per cent increase they took zero.

Access Economics did it on behalf of the New South Wales farmers and they presented us with the report. It showed we were something like \$1.2 million behind in what our rate revenue should have been. Had the council done it and increased the rates as they should have when rate pegging was available, our rate base would be quite considerable. We had to do the services. We put in an application to the minister based on this Access Economics report and we did get about eight or nine per cent, I think, to do it. That was just a straight-out application. It started a long time ago, and I think they were a little bit more liberal in their signing off on it.

Four years ago we went for the specific purpose of the Rural Fire Service. We identified a severe deficiency in our fleet of trucks. All our trucks were in excess of 15 years old and we needed a new control centre and a whole range of things. We had 13 public meetings throughout the whole shire. We did surveys at every one of those meetings. We went out and did the whole thing the right way according to what the government said we should do. We engaged the community and got community feedback and we had about 95 per cent acceptance of it because we set out what we were going to do. We put the application up and got knocked back, even though we had engaged the community. We immediately appealed and they decided, ‘Yes, we’ll give it to you.’ They gave us about 4.2 per cent, which was enough for what we wanted to do. It is not a straightforward thing: you have to fight for it all the time and, where you have community support for a program, they still knock you back. That is the hard part of doing it.

The other one was matching grants. In a small council—and I will use ours as an example—we do not have a lot of discretionary funds when you start looking at the normal recurrent

expenditure programs. This year the wage rates are going up 3.25 per cent as an award increase and the government has given us 3.6 per cent. Our wages are roughly equivalent to our rate income. It just happens to be that way in our council. The wage increase that we have to pay our employees, which has been granted through an Industrial Relations Commission ruling—sure, it does not start until November, but let us use it as the benchmark—is equivalent to our rate increase. So all other costs have to be absorbed into our existing programs. Therefore, to maintain our existing infrastructure and normal recurrent expenditure, our discretionary funds that we sit out to the side, and that we use for the one-off grants we have to match, are shrinking all the time. This council have to decide what to do all the time, because of decisions external to us that we cannot compete with other than by cutting back programs.

Mr Rawlings—We are in exactly the same situation. Because of that, and because the increase in our insurance premium this year is going to equate to our rate-pegging increase, we have to pay for wages out of nowhere, basically, which makes it increasingly difficult to match those grants. For smaller communities, often the relative size of what you need to match a 50 per cent grant is bigger than in the larger communities and councils, so that makes it difficult as well to get a lot of the grants for larger projects.

Ms BURKE—I want to ask about economies of scale. That is something that we have talked about, particularly in New South Wales: is there an issue of economies of scale if you are too small and if you need to go to other places? Does it come down to the nasty words ‘amalgamation’ or ‘rationalisation’? There are issues that need to be addressed at that level as well.

Ms GAMBARO—Such as distance, for example.

Mr Rawlings—Take the example of a swimming pool in a town like Bombala: if you amalgamated Bombala Council with another, you would still need the same swimming pool facility, which is, say, a \$4 million facility. Whether there is a council in Bombala looking after the local area or whether there is one large body looking over the whole area, the real cost of that facility is still going to be the same. My view is that if you have a larger council it tends to be masked by subsidisation from the more dense populations.

Mr Hede—Geographically, it is slightly different from city or suburban councils, which cover a small area. Bega Valley Shire Council covers an area of 7,000 square kilometres already. For us to look at expanding that is a major problem because the areas expect to have services provided. We run four offices in our shire. Whereas in the city you can run one office and everybody is well serviced, in the larger areas like ours the cost of running four offices is part of that consideration. I think that adds to David’s comment about Bombala.

CHAIR—You mentioned the difficulties in getting increases over and above the agreed amount. Those of us from other states are looking at this with some interest. I know in Victoria, for example, when there was an amalgamation the state government took the decision that rates would be cut by 20 per cent, but apart from that most states do not have rate pegging. A lot of distortions seem to have built up because it has been going on for so long. I want to get people’s views on that. Is it a major problem?

Mrs Green—It is for Eurobodalla. When the first level of rating was set, which was quite a long time ago, our area was a very undeveloped fishing village. Before the rate pegging took

off, everyone was given a starting point and that starting point was very low in the scheme of things. Although we have taken every rate-pegging increase as it has come along, we are still more than \$1 million behind our neighbouring councils because of that low starting point. We have made many representations to the state government on that issue, but at the moment we are not getting assistance to move that forward. It is a great disadvantage.

The other thing that we are finding is that, because we are a very popular retirement area and have a much larger percentage of people here who are on pensions, our pension rebate amount is chewing into our funds in a major way, and that is increasing every year. We do not get any of that returned; that just stays with state government.

CHAIR—Don't you get a 45 per cent rebate?

Mrs Green—Can I call on my general manager to clarify that?

Mr NAIRN—It is 45 per cent.

CHAIR—You used to get 100 per cent but now you get 45 per cent. Is that right?

Mrs Green—Yes.

Councillor Pritchard—As far as rate pegging is concerned, I think it keeps a discipline on you. You know that you have rate pegging and you really have to look at other areas. In fact, we dropped below the rate pegging one year by mistake and we had to resume that. We have made sure that we have looked at our charges for other things, like development applications, garbage services or whatever, to make sure that they are cost effective. We are a large forestry area, so the state forests and the big national parks buy up land, which becomes outside our jurisdiction and those areas are not rated. So we miss out on those rates. Our approach has been to boost economic activity in the town to try to get the town going so there are more subdivisions and therefore more rates available. If we did not have rate pegging, we would probably embark on things that maybe we should not. I think that rate pegging unfairly comes up and affects the farmers who are battling, and they would be very resistant and upset with us if we went beyond it.

CHAIR—Do you have differential rates in New South Wales?

Councillor Pritchard—We do, yes. The farm rates—I cannot quote what they are—are below the average rate and the commercial rates are higher. I cannot remember the percentage, but I think farm rates are about three-quarters of those of the commercial rates, but I may be wrong. We can vary that, but we do try to help the farmers.

Mr Pigg—I will just add another issue that is starting to raise its head, predominately in New South Wales. It is the voluntary conservation agreements. By way of explanation, a landowner has the opportunity to allocate a certain part of his property, in an agreement with the state government, for conservation methods. That portion of their property is then no longer rated. We are suggesting that it is heading towards an impact in Bega of \$30,000 per year on our rateable income—a total rate income of \$11 million. So in 10 years that is \$300,000 that is going to disappear out of the coffers. We are, most probably, affected as much as if not more in

that area, but that in addition to the pensioner situation—and we are in the same boat as Eurobodalla—just makes it that little more difficult.

Mr Morgan—That is an issue for government authorities. State Forests are an interesting one. They are a moneymaking concern, as alleged by the state government, yet they pay no rates. Often you cannot get a contribution towards the maintenance of roads as part of your development application, but if a person who has a private forest applies for you he pays rates on that land and pays section 94 funds that the council may impose on that developer to offset the increased damage to the road or the required needs to improve the road. There is not even that even balance between two like industries. You have a state government authority doing the same thing as a private one. The state government authority basically says, ‘We don’t have to pay because we are the government,’ and the local ratepayers then have to wear the cost. We have big logging trucks driving along dirt roads that are the only primary access for residential properties. Sure, we have been able to negotiate to get a small amount of money to do some spot sealing in front of houses for dust purposes.

CHAIR—Wouldn’t you get some money from the RTA?

Mr Morgan—No, because they are all local roads.

Mr NAIRN—Isn’t it worse than that, though, Robert? State Forests would also have to adhere to international competition policy in the way they operate.

Mr Morgan—I presume so.

Mr NAIRN—So, effectively, they would have to allow for rates within their accounting practices, because they would not be allowed to compete unfairly with private forestry. They would, in fact, be having to allow for costs like rates, so that would be in their accounts, but it does not actually get passed on to council. Is that true?

Mr Morgan—I imagine it would be if they are applying that correctly.

Mr Hede—We are talking in Bega Valley about 60 per cent plus of national parks.

CHAIR—And that has been increasing?

Mrs Green—Yes, we are 72 per cent.

CHAIR—Has that area been increased?

Mrs Green—Yes, recently we have had more wilderness declarations and more national parks.

CHAIR—What is the cost effect of that?

Mrs Green—It is probably not direct, because those areas were already in the state forests, but the issue of the maintenance of those areas is of great concern to the council in this region.

CHAIR—When you say maintenance, what do you mean?

Mrs Green—Where the interface occurs with council or residential rural lands, then the costs to council of trying to enforce things like weed control, feral animal control and all those sorts of issues at the interface are greater because, particularly with national parks, we have had some problems where they are not sufficiently funded, in our opinion, to take care of their properties. It lays burdens on local governments because the weeds and the feral animals and the other problems translate into the surrounding land.

CHAIR—Have bushfires been a problem here?

Mrs Green—Yes. We have major issues. The new regulations for bushfire and risk management add I think \$117,000 to our budget this year.

Mr Pigg—Talking about Crown land, councils have vast areas of different types of reserves which, by legislation, is now under council's care, control and management, even if it is not under a trusteeship, so there is a fair bit of council's ratepayer dollars going into the management of Crown land. In our case, last financial year that was half a million dollars that we have identified of council's funds going into management of facilities and noxious weeds and general cleaning and maintenance.

Can I return to the rate pegging issue. I have a couple of comments. I agree with the comments that were made. Rate pegging has a positive side also, but it does drive council to ensure it is operating efficiently. Having experienced a couple of occasions of going to the minister and presenting the case to get an increase above rate pegging, several years ago when I was GM at Cobar and that council's finances were severely 'not good', what we had to demonstrate to the department and the minister were all the changes within the organisation to improve efficiencies—whether it was with staffing levels, the plant levels, the programs, the services or anything else. But the council virtually had to be almost in the red and use all of its own resources before the government would look at an increase.

At Shoalhaven, last year we went to the minister seeking a special increase for special purposes. That was for the construction of the new emergency management centre—about a \$3 million program. We were looking to raise \$2 million from a special rate over four years, and that was successful. But, given the environment coming after the Christmas 2001 fires, there was a lot of community support—a majority well and truly of support—and we could clearly demonstrate that. I think there are both positives and negatives coming out of rate pegging. Our council does not agree with that, but it does drive looking at those efficiencies a bit harder.

The other comment I would like to make is about economy of scale. Over the last 10 years or a little longer I have been GM of three different councils with annual budgets from \$7 million to a bit short of \$20 million, to over \$150 million, so I have first-hand experience in looking at the problems from fairly small to fairly large. While a smaller council might only have one swimming pool to look after, Shoalhaven has 12 pools, including leisure centres. While it does not necessarily get any great advantage, I would comment that a larger council has more flexibility in being able to manoeuvre its way around problems and drop off something and pick up something. Certainly it has more flexibility in doing that than a smaller council.

The other area that is probably an advantage is in specialisation. Shoalhaven has a position of threatened species officer, which was created in response to the government's threatened species legislation and what councils have to do in administering that. The size and scale of operations at Shoalhaven, and the population and everything else, meant that we really needed a full-time person doing it. So a larger council can get that specialist skill in to deal with those issues. We put that in our original submission as well, as another example of costs being pushed onto councils as result of government legislation. But the issue with a smaller council is that it probably is not able to have the same specialist skills on tap, and that is where resource sharing comes into play.

Mr Rawlings—I tend to think that rate pegging is not making us more efficient. Instead, what local government is doing in a lot of cases is moving money out of asset replenishment and replacement and into maintenance. So while we may think in the short-term that we are doing okay, because we are still spending the amount of money we are being given, realistically, in a lot of cases I think we are pushing our problems into the future, when we come to try and replace these assets. We are not doing proper maintenance and things like that in a lot of cases, and that helps us spend only as much money as we are given. But that is not necessarily the most effective asset management that we should be doing for our local communities—for their long-term viability, which is the important issue.

Mr Morgan—That is interesting, because we did that exercise 12 months ago with the federal government's Roads to Recovery program. We looked at what we were getting, and my engineer naturally pushed the line that the road network would be improved, as well as community safety, traffic and all those types of things. Yet my accountant said that if we take this money up this is what the impact is going to be down the track because of the increase in the value of the asset: it increases the amount we have to make provision for depreciation, we are not funding that depreciation and the bottom line is that we are going to be in the negative all the time and it is going to get worse. The more assets we build, even through 100 per cent grants such as the Roads to Recovery program, the more it impacts down at the bottom of our balance sheet.

That is the big stick that the previous minister for local government in New South Wales was jumping up about in parliament—about these councils that are operating deficits. It is a two-edged sword. Even if you are given 100 per cent it still impacts on the financial viability of council, because it then has to make provision for depreciation over time. As David said, we would tend to be spending enough to keep the roads in an acceptable state, but not really maintain them in the state you would want. That flows on. It extends the life of the road and makes the financial impact worse.

CHAIR—On the issue of Roads to Recovery, that is an interesting comment. I have not heard that angle before. Does anyone else have a comment on it?

Mr Stephenson—I thought it was great.

Councillor Pritchard—I had problems with the Roads to Recovery. It was very popular with all the councils but it was spread very uniformly across the nation, and I think it could have been more targeted. In our area, we have massive expansion in the softwood timber industry, with increasing logging and whatever in a wet hilly climate. We have great demands on road

reconstruction whereas some other areas do not have that. So I think there should be some targeting of the Roads to Recovery program into areas of economic growth.

CHAIR—Does anyone else want to comment on Roads to Recovery before we move on?

Mr Hede—As far as Bega is concerned, we are fully supportive of it. It is a bit like Paul said: where is some more. We have an enormous number of gravel roads. We have 700 or 800 kilometres of gravel roads that need to be continually upgraded, and the more money the better.

Mr NAIRN—Equally as important from this committee's point of view, what about the concept of the program, the principle of the program, the administration of the program—that aspect of the direct funding from the federal government for that particular program?

Mr Morgan—Even though I have said what the figures are, we support the program because it is the means of getting that improved infrastructure. I think it is good that the funding is direct to council, because it bypasses where there is some siphoning off of funds. We are just as much accountable for that money as we are back through the state. It is good as far as that is concerned, but it is the quantum that is the issue. If you look at the balance sheet requirements for councils to maintain roads, or just to improve roads, the Roads to Recovery funding is only a very small amount. We do not have the capacity within our financial system to maintain the roads to the extent that we think we should. To maintain the standards of our particular roads and not improve them is about \$1.2 million, and the spending from local funds is about \$400,000. So we are going backwards all the time. Our total rate revenue is about \$2½ million, yet we have a deficiency in roads of about \$1.2 million.

Mr Stephenson—The funding directly to local government has to be a plus. If you go back five years—and I can see the General Manager from Bega Valley nodding his head—we got skimmed of \$59 million in one year by the state government. They gave it back to us after we kicked up a hell of a stink; they said, 'Here is an extra \$58 million this year.' They took it off us one year and gave it back to us the next year.

Ms BURKE—How did they take it off you?

Mr Stephenson—It was just skimmed off through the RTA, through their handling fees and so forth.

Ms BURKE—That was your road funding from the state.

Mr Stephenson—Yes. It was skimmed off by \$59 million for the whole state. That was a lot of money.

CHAIR—Skimmed off from where, though?

Mr Stephenson—Skimmed off from the money that came through from the federal government for roads.

Mr NAIRN—From the roads part of the FAGS?

Mr Stephenson—Yes.

Mr NAIRN—What did that represent in percentage terms?

Mr Stephenson—I cannot remember now. I remember the amount exactly because John Fahey got up the next year and made a great big song and dance about giving us an extra \$59 million. I cannot see the difference. If the federal government is going to give money I cannot see why it has to go through that state government body, or whether there is a specific reason for it. If we have a set of criteria by which we have spend it, if we have to show how and where we have spent it, I cannot see why we need a second Big Brother looking over our shoulders.

CHAIR—Was this skimming just a one-off thing that happened during the Olympics?

Mr Stephenson—No, it happens all the time.

CHAIR—Are there any other examples?

Mr Stephenson—They would take a handling fee out, and that can be anything.

CHAIR—What sums, what percentages, are we talking about?

Mr Stephenson—I cannot pull them off the top of my head.

Ms BURKE—We got quoted three to five per cent yesterday.

Mr Stephenson—I would say that it would be at least five per cent, and that five per cent should be going on the roads. An extra five per cent of the total FAGS grant, or the road component of the FAGS grant, is a lot of money.

Mr NAIRN—It could build a lot of roads.

Mr Stephenson—Yes.

Ms BURKE—So there is a notion of the abolition of the State Grants Commission and you having a direct funding relationship with the Commonwealth.

Mr Stephenson—Yes. I cannot imagine that the federal government would not have the facilities to distribute the money to local government as it does to the state. Why they need to be going cap in hand to the state and saying, 'Look, fellows, you administer this because we can't do it.' I am sure the federal government is quite capable of doing it.

Ms BURKE—You do not think the distance between—it is a bit different around here—most councils and Canberra would be too great?

Mr Stephenson—No, I do not think so. That brings another point to mind: a lot of the things we have been talking about here this morning have been put on us because of the metropolitan councils. Take Sydney, for instance, and the silly companion animal thing that we had to deal with. A lot of these things come out of Sydney, Wollongong and Newcastle, where you have major populations. But they go across the state and we have to comply with them as well. I remember that companion animal thing well. There was a certain clause in there that said—

Ms GAMBARO—The companion animal—

Ms BURKE—It is an act, the Companion Animal Act—don't you like it? I love it.

Ms GAMBARO—I do not know whether we have that in Queensland.

Mr Stephenson—Part of that deal was that we had to say where people could exercise their dogs—in 5,700 square kilometres! I think we had to do it on latitude and longitude or something. So we worked it all out. No-one has woken up yet so I suppose I should not say it, but the area that you can exercise your dogs in Mulwaree is the nature strip between the Hume Highway. We had to put it in there so it is in there. There is an area set aside for it.

When you consider the rate income from a lot of the metropolitan councils, which is great, they have virtually nothing to spend it on. That is when we get dragged into the things that Geoff is talking about. They do not have to supply water or sewerage; they do not have to maintain water or sewerage—it is all done for them. To develop anything you virtually have to knock something down in the first instance. They would not know what a grader looked like. So they have a massive income and then decide that they have got this income and they have to spend it on something. So they start spending it on aged care facilities and preschools and all these sorts of things and we get dragged in on the expectation that something like that will happen here too—and that happened in the last election.

The fellow from Burrinjuck, a Labor candidate, said, 'You blokes have got to do some more preschools.' I said, 'Why do we have to do more preschools?' He said, 'There are a lot in the Sydney metropolitan area.' So we get dragged into what these metropolitan councils have got a lot of money to do, because they cannot spend it anywhere else. Their parks are all there; their footpaths are there; their curbs are there; their roads are there—everything is in place. We still have to maintain something like 30 bushfire units. They have not even thought of that. They just write out a cheque for 12 per cent, not 13½ per cent like we have to to maintain the New South Wales Fire Brigade. So a lot of this gets dragged onto us because of the decisions made for the Sydney metropolitans.

CHAIR—That is the second time that has come up. What is the arrangement here. I am interested to see how you differ from Victoria with your fire brigade, for instance.

Mr Stephenson—I think it has been in a mess for a long while, and I will stand by that—it is still in a mess. There is too much bureaucracy. There is a little empire building going on—

CHAIR—But do you have to actually buy the trucks?

Mr Stephenson—No, we do not anymore. We are responsible for the maintenance of the trucks. We are responsible for funding it up to 13.5 per cent. But now we do not really have any say in firefighting anymore; it is all taken over by Sydney. If a fire starts up, Phil Koperberg is in charge, not us anymore. We are still responsible for maintaining the brigade and coughing up the money all year—the fuel and everything else—and then we get a reimbursement, providing they do not forget to give it back like they did with us last year, costing us 200 grand. We had to find the money. We had not budgeted for it and neither had they. They made the mistake but we had to go and find \$200,000. You could be here for another week hearing about the bushfire stuff if we start talking about that.

Ms BURKE—There is another inquiry in that.

Mr Hede—I would like to go back to roads and the situation between the states and the federal government. An example we have down south here is a bridge on Highway No. 1. It is the responsibility of the state government to maintain the southern part of our Highway No. 1. We are now in the middle of a debate, if you like, between the state and the federal government, between Carl Scully and John Anderson, insofar as who should be funding the replacement of this bridge.

Mr NAIRN—There is no debate.

Mr Hede—We are talking of a bridge but if you talk to the state government—

Mr NAIRN—We are not responsible.

Mr Hede—Exactly. But we are now a community with a problem. Every year or so our shire is going to be split in half. We are on one of the main highways between Sydney and Melbourne and the highway will be cut on average every year and a half. We are talking about a \$10 million bridge. The state government has said, yes, they will put in half of that—and half of that they have already got from the federal government already, but that is another debate. The fact is, we are left there with the potential to have our community cut off again in the not-too-distant future, and with a debate between the state and federal government. This is a perfect example where it is still a state government responsibility—and I have no argument with that—but we are left in the middle of a debate and that is another consideration we should be looking at.

CHAIR—I suggest you take it up with the state government.

Mr Hede—I have been—

CHAIR—I am sure you have many times.

Mr Pigg—Shoalhaven fully supports the continuation of Roads to Recovery. It has returned a great benefit, we believe, to the communities. The direct funding to local government from the federal government has eliminated that in-between administration cost, so in theory and in practice it is returning more dollars where they are really needed. So I guess that same principle would apply when we are looking at other funding streams—that is, the FAGs—but there is potential to return more dollars to the real beneficiaries, being the community and the councils. But the continuation of Roads to Recovery is on the proviso that it is not eroding other transport or road programs and is not taken from the FAGs pool.

CHAIR—So they are giving you support for it on that proviso. I want to talk a little bit about the current FAGs situation and how you find it, then we might look at the point that the deputy chair has raised about direct funding. On the current FAGs arrangement, we have heard some talk about skimming, as I think the word was.

Mr Morgan—It goes back to the New South Wales Local Government Grants Commission and the split-up of it as to how it goes. Because we are surrounding Canberra in the Yarrowlumlumla Shire, we believe we lose out significantly because they attribute the facilities that are available in either Queanbeyan or Canberra as being accessible by our community and

therefore our grant funds reduce accordingly, yet we still have the demands out in our area. You were talking about swimming pools. I have a shire with a population of 10,500—with four villages whose populations range from 1,800 at Bungendore to 50 at Michelago, for example—but I have two fully maintained swimming pools which are costing us an arm and a leg because that is what the community expects in two of the larger towns, Captain's Flat and Bungendore.

Every local community in our area has a community hall and a facility. We have given that to them because it generates the nucleus of a local community group in the area rather than a whole lot of fragmented people. But they are not being recognised for a lot of these facilities like reserves and things, where we should get money to improve our parks and ovals and things like that. They say we are very close to Queanbeyan or Canberra, and therefore it is discounted by that amount. So it gets back to the way the New South Wales grants commission tries to accommodate those. I will give you an example of two towns: Yass and Yarrawlunla. Both are about the same size. Yass has a bit more money in rate revenue because of the way they did their rate pegging, but the grants are significantly different; yet we believe, in the scheme of things, there are basically the same demands on community.

CHAIR—You seem to have a lot of pools and halls and so on. I think the deputy chair has some words on this from time to time.

Ms BURKE—No, my thing would be community expectation. How do you manage it? Is it realistic to maintain two pools? I come from metropolitan Melbourne. We have a situation where, in one of my councils, a council of 140,000, which has some of the biggest road network with some of the largest trucks because of industry in it—

Mr Morgan—How far?

Ms BURKE—The distance is not there, but there is still some demand on metro areas—and there are a lot of people there; that is the other thing. My council will tell you that they have ratepayers and they have businesses that can pay for those things. But it still cannot maintain three pools. You cannot maintain them; you cannot run them. So how do you manage that community demand and expectation? Is it realistic?

Mr Pigg—The community expectations are reasonable, though, because it is entirely different outside the metro area because villages or towns—whether they be of 500 people or 3,000 people—need a community focus. They need their hall; they need their pool—or they have that expectation. As far as youth, pensioners, aged persons or whoever go, they all have needs. There is no public transport system in place outside the main metro area, so they have no means of getting to a major centre where they can enjoy those facilities. So there is an expectation that council duplicate these facilities all over.

Ms BURKE—But can you continue to do it? That is the bottom line. We would all love to do it, but can you continue to do it with the revenue base you have?

Mr Hede—When you have a shire like we have in Bega Valley of 7,000 square kilometres, can you expect somebody to drive for 40 minutes to go to a swimming pool? Is that a reasonable expectation? It is slightly different in a suburban situation where you only need one or at the best two swimming pools because you are only 10 minutes drive away from any of them. Is it reasonable to accept that because we live in a small community we should not be

entitled to the basic services like a hall? We have 14 halls in our shire and six swimming pools and there is a population of 30,000 people. As I said, is it reasonable to expect them to drive for 40 minutes to a pool? I do not think so.

Mr Morgan—That is the difference between the rural and urban areas. For example, Captains Flat, which is 45 minutes out of Queanbeyan, has no public transport and is a low socioeconomic area—or it was; we are improving that and it is coming on pretty well now that the prices are there—but there is a pool, a hall, a tennis court, an oval and a playground. These are basic in that community. We are losing money on the pool, big time. It is only open from the tail end of November to the end of February because it is too damn cold at other times of the year and you do not get anybody there, so is only open part time. But we still have to maintain that, do the repairs and the normal improvements—the OH&S requirements that are always there. If we took that pool away, there would be nothing there for the kids in that community to do.

Mr Hede—I should expand on the concept of the 15 halls in our shire. We contributed a grand sum of \$30,000 this year to all of those halls—in rough figures, about \$2,000 each. The community puts in the rest. They are pretty basic halls, I can assure you, and if we were to put a new toilet into one of those halls they would reckon it was Christmas.

Councillor Pritchard—I really think we are losing the point here. What we should be looking at is economic growth. We will never be able to afford any pools unless we have economic growth and population building. We have to work together as councils across the regions. Forget about state borders, forget about past history; we have to identify where we have potential economic growth. We have achieved this in our part of the world very strongly. Our shire received DOTARS's national award this year and we were the leading rural shire in New South Wales the year before last because we concentrated on economic growth.

The argument about losing rates because of forestry taking over is beside the point. If people are planting trees there, the people who are planting the trees have to live in houses, so we get their rates back from that. We have to make sure that we have plenty of fibre available for our international operations like Visy, Carter Holt Harvey and Weyerhaeuser in our shire. We have moved from an situation where you had CSR not interested in our part of the world and wanting to get out of it to one where we have these major international players. We have been able to build up our TAFE and we hope to build it up further. We have to be positive and we have to move ahead. We cannot do it as individuals shires; we have to do it as regional alliances.

As far as the soft human things are concerned, I think we should try to work out some national recognition of qualifications so that people can move freely around our borders. From where we are sitting now, the closest tertiary hospital is in Canberra, across a state border. We saw these fires that devastated our area recently and we are all in the one area, yet we have different shires and different states.

SARS could erupt anywhere and we are not really in a position to handle it because Canberra has one disaster plan and the Southern Area Health Service, on whose board I sit, has a separate disaster plan. How can we work together when we have these artificial boundaries? We have to consider ourselves to be a nation. The federal government should try to make sure there is a common registration of qualifications across that nation so that regional people can easily move across and get jobs.

One small example of this is that, until recently, I was a medical practitioner and I went to Melbourne for a one-day course on colonoscopies. Once the colonoscope enters a person it is deemed to be an operative procedure, so I had to register in the state of Victoria for one day. I had to send my original medical registration, my present radical registration, my medical indemnity certificates, a passport photograph—all certified by a JP as to who I was. I went down to do this course and they sent me a bill for 300 bucks. I threw that out. They sent me an account rendered for 300 bucks and I threw that out, and I am not going to go back to Victoria in case they lock me up. That is an exaggeration, but what I am trying to say is that in our regional areas people are handicapped, be they plumbers or electricians or health professionals, because we have these artificial barriers between the proper development of our nation.

CHAIR—Is this a plan to get rid of states?

Councillor Pritchard—It is like the British Commonwealth. The British Commonwealth still exists. Years ago it was dominant. The states will become less and less relevant. The states were reasonable governments when they were first set up. They are now less relevant and our region has been realigned. I am not keen on constitutional recognition of local government because I think we should work it together in different ways across the regions for the common purpose. We should get involved in the full range of human services.

CHAIR—Is this a statement that the funding should be coming direct from the Commonwealth, not via the state?

Councillor Pritchard—It certainly is—not completely of course. I am not saying we should replace the health services, for example.

CHAIR—I was just talking about FAGs.

Councillor Pritchard—You mentioned before about health and education. Certain components of that, such as primary health care, could to some extent be administered directly. I would love to get a grant in our council to put a practitioner nurses set-up beside our libraries. I would like to see the direct federal funding of FAGS or Roads to Recovery grants to employ youth workers. We can do it more efficiently because we are closer to the people. That is the end of my speech.

CHAIR—We have a great diversity of views here, which is terrific.

Mrs Green—I would like to comment on FAGs too. The basis of FAGs needs to be reviewed. It should really be based on the belief that every citizen is entitled to the same level of services, no matter where they live. If you take that as the basis and you are not able to have a rail service—and that is just not possible in this area—the community should be advantaged in other ways so that they are able to grow their economies and improve their level of self-funding, if you like. That means by improved national roads, state roads and a high level of grants for the provision of things like social and cultural things. At the moment, FAGs do not recognise the lack of rail, which is a critical matter when you are looking at trying to expand industry in the area. In our council's opinion, there should not be a minimum per capita in the FAGs system.

CHAIR—Are there any other comments on the minimum grant? You have raised a good point, which I was going to come to. That is one against. Does anyone feel desperate to keep it?

Mr Pigg—We thought that it should be retained because the whole system—not only in New South Wales but everywhere else—is based on the current formula and basis. Potentially, if there were major shifts in what individual councils were getting, that could create a different set of problem circumstances. Our view was that, if there were a change, it should be a change that sits on top of the base that is there now or something very similar.

Mr Hede—Before the break, David Jesson, the general manger, may like to speak on the earlier FAGs situation, if that is okay.

Mr Jesson—I might go into a little history of the first of the FAGs grants, which I think were in 1974. The metropolitan Melbourne council that I worked for at the time received in the order of \$65,000. It was money from heaven. It was unexpected and it was put to good use.

The program at that time was sold by many as being untied financial assistance grant packages that could be used by councils in any way they liked. If they wanted to take a rate holiday they could, but many councils used them for a purpose. The growth of that pool of money has had a chequered history over the years since then. What local government are saying, and certainly the New South Wales Local Government Association's view, is that that pool should be tied to a growth pool so that there can be increases in real terms rather than keeping artificially low the amount of money being made available to local government across the nation. There was a classic example of that during the eighties, when the pool was at two per cent of personal income tax and at a point where unemployment rates were about to drop. That is to say that there were to be greater levels of employment in the community and therefore more personal income tax to be paid. The proportion of two per cent was lowered to something like 1.67 or 1.72 per cent. Local government were the losers at that time. I believe that local government are saying today that the pool of funding should come from a growth area. Local government are suggesting five per cent or an amount equal to five per cent of the GST. Whether that is in quantum terms and then linked to total taxation receipts or personal income tax I suppose is arguable, but certainly there needs to be an application from a pool that has growth in it in real terms so that we in this area do not find ourselves being disadvantaged yet again.

CHAIR—Thank you for that. I think that is going to stimulate a bit more discussion.

Proceedings suspended from 10.26 a.m. to 10.42 a.m.

CHAIR—One of the points that the committee has been exploring as we go around is whether we look at direct funding. There was a suggestion about a fixed percentage of GST or something along those lines. One thing obviously is the question of the source; a second is the question of the model of funding—whether we continue with a grants type arrangement or look at something more along the lines of Roads to Recovery. There have been some discussions about looking at an example of what is called SES—socioeconomic status—funding, where an assessment of the financial strength, I suppose, of areas is done based on postcodes. It is a model that has been used by the government for funding of non-government schools. That can be varied, of course, to take in other factors, just as the grants commission has formulas which try and accommodate a range of factors. I want to bounce that idea off this group and see what your reactions are to the few points I have just thrown into the ring.

Mr Morgan—You mentioned funding based on postcodes. That has a major flaw.

CHAIR—No, sorry—

Mr Morgan—But you use that as a determinant?

CHAIR—No. With the SES funding, socioeconomic status is a way of trying to assess needs.

Mr Morgan—I appreciate that, but you were talking about using the postcode as a basis.

CHAIR—It can be smaller.

Mr Morgan—Yes, because in our case the principal postcode of Queanbeyan covers half the shire as well.

Mr NAIRN—It is actually based on CCDs.

Mr Morgan—If it is CCDs, there is not a problem. That is what I was suggesting it should be.

Mr NAIRN—Postcode is the generic aspect.

Ms BURKE—On Wednesday, when we were in Sydney, we had a presentation from the actual statistician who created the model. He said that you could drill it down to CCD but you can actually come up with an SES score for your local government area. That would be difficult for you. I raised the issue of Stonnington Council, in Melbourne. Stonnington has Toorak in it and the slums of Prahran. It would be like an inner Sydney area with mansions on the harbour and other things. There are those difficulties, but he said that there are a whole lot of factors you can take into account. But it is not just done on the postcodes; it is looking at the whole thing and a whole range of issues.

CHAIR—So, as to the first principle, should it be direct funding without going through the state grants commissions?

Mrs Green—I believe it should be.

Mr Stephenson—Can I just ask a question? How confident would you be of having this happen without a major eruption from the state?

CHAIR—I think the whole point of this inquiry is that, as I said, it is a parliamentary committee—we report to the parliament and then the government has to respond to our report. What we want to do is get the principles in place. The politics of it are a matter for the state, federal and local governments to work through. One of the discussion points in the questionnaire, which I hope you have all had a chance to look at and respond to—and a strong endorsement for this came out of Minister Tuckey's meeting yesterday in Melbourne—is that an agreement be reached with the Commonwealth, state and local governments on these matters. There has been quite a bit of support for that, I think, but we might like to discuss that, too. We are not trying to fix everything. We are trying to come up with what we believe is a good set of recommendations, if you like. The politics is up to others.

Ms BURKE—The short answer is: we cannot give you that promise!

Mr Stephenson—I was not asking for a promise—I was just asking how confident you would be.

CHAIR—But we have an all-party committee here and we are trying to get something we can all agree to. This is a good starting point.

Mr Mowle—I think you would find that all councils would feel quite strongly that there should be more direct funding from the Commonwealth government to the local government. The mayor mentioned the small percentages that the state tends to take off some of the grants when they transfer them. I think the administration of those grants is much more straightforward. With the Roads to Recovery program, we found that the administration of those grants was easy. We were not tied up with mountains of paperwork. We were able to set out our debts and forward the details through to them rather than having reams of paper, as we tend to have with the grants that we get from the state. By having them run that way, we are able to maximise the amount of funds that are actually spent on those projects.

CHAIR—Would anyone else like to make some comments on this?

Mr Jesson—I have tried to look at the work of your committee from the states' perspective. I am quite sure that, if you ask the states why it is that they have cost shifted so many things to local government, I suppose the answer would have two parts. In the first part they would say that local government is best placed to deliver a particular service. The other part of the answer would be that the state has an agenda that it also wants to fulfil for its community as it sees it and wants to put its stamp of priorities on things. Geoff was saying earlier, in essence, that government across the board—state, federal and local government—should be a better partnership and should work better as a partnership towards community servicing across the range of all services and that arrangements should be put in place to make that work better. The fact of the matter is that the opportunity has presented itself to local government, because of the establishment of your committee, to explain as best we are able those areas in which there have been cost shifts to it. I think that the questions of FAG grants and rate pegging are symptoms of cost shifting—they are not central to cost shifting.

However, local government sees an opportunity to put before your committee the notion of increasing FAG grants. Of course we would because local government has its agendas that it wants to achieve for its communities. We say that there has been a decline in real terms of the total pool available to local government and that should be redressed.

In relation to rate pegging, I have not heard this morning any council, with the exception of Geoff, say, 'We don't want to see an end to rate pegging.' It is not because councils and councillors—the elected division of the local system of government—do not want to impose taxes that would eventually see them thrown out of office. They speak about rate pegging in terms of its capacity to be able to service their communities. It is for those reasons that local government is opposed to the notion of rate pegging.

My personal philosophy in relation to rate pegging is that it is, essentially, a fairly offensive policy from the state to local government in that it is saying, 'Local government should not have the responsibility of determining its own level of taxation and subjecting itself to the ordinary tests for taxation increases—that is, the ballot box on a four-yearly cycle.' That should be, in my view—and it is a personal view and not one that I have explored with the council—the test

about the financial responsibility and the taxing capacity of a local government authority and not a policy that is imposed on local government by the state that enjoys bipartisan support. And why wouldn't it enjoy bipartisan support? It is a policy that costs the state very little money to implement and is, on its face, at least, very popular with the electorate.

CHAIR—We still have to talk about the source of funding to fulfil all this. Would someone else like to make a comment?

Mr Levy—I would like to comment on the question you raised before about whether the SES model or some other model would be more satisfactory as far as the distribution of FAG is concerned. In Eurobodalla—it would be similar in Bega—many of our residents are assets rich but income poor. By using one particular formula, such as the SES, you are picking up a certain part of the elements that affect our way of life down here, but you do not pick up some of the basic infrastructure tests—that is, the backlog of works that we have to overcome. They go back perhaps 30 or 40 years when, unfortunately, those that made the decisions about the subdivisions went for central sealed, no storm water, and that is impacting today on the cost of the infrastructure upgrade that we have. We estimate that we are somewhere about \$2 million per annum behind the eight ball in terms of meeting renewal and maintenance costs. We will be seeking a significant rate variation this year to try to address that backlog, and we will be seeking it for a specific period of time, perhaps 15 years.

There is a need to review the format. Certainly I and the council believe that there should be direct funding of local government by the federal government through FAGs and other initiatives, but there needs to be a better understanding of how local government provides services and the extent of infrastructure across the nation. I know the government is looking at something different from Roads of National Importance and is looking at AusLink and other initiatives. It seems that there is the opportunity to dig deeper into the basic needs of local government, particularly in rural and regional Australia. This in itself would address part of the concern that state governments have about the overpopulation of the Sydney metropolitan area and the like. You can lead the way in addressing some of those drains on the infrastructure of those city areas. There are many opportunities to address that—SES is just one of them—but I think there needs to be a much broader view about the real impacts that regional and rural Australia face in providing basic infrastructure services.

Eurobodalla Council has suggested that you might take a route to finding additional finances, given that this is supposed to be budget neutral to the federal government. That might be an additional levy on petrol that is hypothecated straight back to local government across Australia through direct funding of roads of significance. Perhaps that is not a good choice, but roads that would benefit the areas concerned economically and also bring up to date the backlog that we in regional and rural Australia are facing. As I said, in most areas there is probably 30 years of backlog. So we look at additional revenue streams that I feel the population as a whole would support, particularly in terms of the levy. In New South Wales the levy was three by three and is probably now six by three, or something worse, and will never be taken away. The cost of petrol in Australia is generally recognised as not significant when compared to other developing nations, so I might encourage you to explore that as an additional revenue stream.

The other comment I would make in terms of the discussion paper is that there was a question raised as to whether or not FAGs should be tied. Eurobodalla Council would be opposed to any portion of its current FAG grants being tied to any particular service, as it really is a top-up

grant addressing the equalisation factor. Nevertheless, if there were direct funding by the federal government of an expanded level of programs, then they could be tied, and you would likely see a reduction in the duplication of effort that goes through the education system, the community welfare system, the social welfare system and all the rest of it. If local government were funded directly under the federal government programs, I believe you would get a far greater bang for your buck.

CHAIR—Thank you for that very comprehensive statement. You have raised a couple of points there. On the infrastructure funding, as far as roads are concerned, I thought Roads to Recovery was in fact a form of additional money to address that immediate need.

Mr Morgan—It is. But unfortunately it is for a limited period, isn't it?

CHAIR—It is subject to review this year as to what its future is.

Mr Morgan—From council's point of view, we were most grateful for Roads to Recovery. We believe that there would be an even greater return if you concentrated on regional and rural Australia for the Roads to Recovery program.

CHAIR—On rate pegging, one of the things we heard on Monday was that in Hunters Hill, where I don't think houses are very cheap, the typical rates on a house are \$300 a year. I know that, for example, out in my area, in country Victoria, a typical household would be paying more than that for a house that is probably worth a tenth of houses in Hunters Hill, so it seems that there are some quite interesting distortions. That is why I raised that earlier on.

Mr Levy—It is a fair scenario. If you just looked at the Kiama municipal council area, if we had the same average residential rates as Kiama we would have about \$6 billion per annum more in general revenue. We had to take into consideration the ability of our ratepayers to pay. We have almost a third of our population on some form of social security income.

CHAIR—At the end of the day the money has to come from somewhere. If we do not tax one point we tax another point. You mentioned petrol but, representing a country area and again taking into account the huge distances Australian's face, I do not think the comparison with, say, European countries is a good one, because there the distances are much less. Yes, they pay a lot more tax on fuel, but they do not travel as far. So we always have to balance that. My city colleagues would probably have a different view on that.

Ms BURKE—No.

Mr Morgan—It is the case at the moment that the city colleagues pay about 10c per litre less than country people pay. If there were a rationalisation of that particular price parity, I do not think there would be an issue.

CHAIR—There is a fuel tax adjustment but it is not to that extent.

Mr NAIRN—And they have subsidised public transport.

Mr Levy—That is right. But they also have subsidised public infrastructure, which our paper makes comment on as well.

Ms BURKE—And they also pay a lot more for their houses. I do not dispute this stuff, but stop beating up on my people!

CHAIR—That comes back to my point about someone in Hunters Hill paying \$300—or so I was told on Monday.

Ms BURKE—It is ridiculous.

CHAIR—I found that amazing.

Mr Morgan—I think that depends on where it is. In Yarrawluma, for example, we are predominantly rural-residential and we offer that lifestyle choice. It is consumer driven rather than council driven. That is what people want; they want to live on the hobby farms. If you go and have a look around the area—and Mr Nairn can confirm it—the houses out there are not little tin shacks; they are \$600,000, \$700,000 or \$800,000 houses on small acreages, and they too are paying \$300 dollars—in a rural area. We have to maintain the road infrastructure and everything else. It is a difficult situation, trying to get the right balance.

CHAIR—It depends upon your rating base, doesn't it? If you use capital improved value—

Mr Morgan—We do not. It is land value, which is legislative.

Mr Stephenson—That gets back to my earlier point. Hunters Hill is six square kilometres in size and it has a massive rate income and nothing to spend it on so they can keep themselves in power by having no rates. That brings up another point: there are comparisons of councils, which is completely wrong. We have a village in Marulan which has three massive service centres in it. It is quite a small village but we have one of the highest sewerage rates in New South Wales because each of those is one assessment. There are 30 or 40 toilets in each one of the service centres but they only come up as one assessment so, at the end of the year, local government comes up and says, 'Mulwaree has one of the dearest sewerage rates in New South Wales.'

CHAIR—Don't let us all debate that.

Ms BURKE—We have to look at that realistically though, don't we?

Mr Stephenson—It is all part of it when you look at grants. If you are using unfair comparisons then it is going to throw out the figures that you are trying to work with.

Ms BURKE—One of the difficulties for us is that state by state comparisons of local government is impossible. It is almost impossible around this table to compare local governments because you all provide different services in response to the needs of your community base. We are not dealing with apples and apples; we are dealing with apples and bananas or apples and light bulbs, it is that different. We must also come to the realisation that some councils need to lift their game in what they are doing to provide their part of the funding base. I am not saying that about any rural council, but we did have examples in Queensland where councils next door to each other are providing massively different rating returns and user pays returns, and it seemed obscene. They are literally undercutting each other to get

development in. We need to say that councils should be doing their bit towards to the pie as well.

CHAIR—That comes back to the core question of funding and the Commonwealth's involvement, which is really what I am trying to get some views on.

Mr Rawlings—That statement that all of the councils here are providing different services is another good argument for the need for an element of unrestricted grants that is involved in the FAGs at all times because there is that dissimilarity between the communities in what they need and want. It would be very difficult in a top down situation to meet the various local government community needs if all that money were tied into particular areas.

CHAIR—I was not suggesting it was going to be tied, but the point we raise is: what accountability should there be? I will throw this example in—and I am not trying to say that this should be a condition: if you look at South Australia as an example, they have had council amalgamations and they estimate that it has saved them something in the order of three to five per cent on their annual cost of local government. Should the Commonwealth be demanding efficiencies if we were to extend this direct funding?

Mr Rawlings—Again, councillors are elected at the ballot box every four years. At that stage the communities are expressing their opinions on whether they are willing to pay a price premium for maintaining their own localised local government service or whether they feel that is too high. That probably is a mechanism that is addressing whether the councils are performing.

CHAIR—Yes, but that does not completely address it. What if the Commonwealth were to say, 'This council has not been running reasonably efficiently. Should its grant be curtailed somewhat?' I do not want to say that is a solution; I use it as an example. I do not think the ballot box would pick that up at a local level.

Mrs Green—There has to be a rationalisation of local government in New South Wales. People have spoken about this before. There are doughnut councils and councils which are small and unable to meet their financial commitments. Within the metropolitan area of Sydney we have a duplication of councils that is unbelievable. There are something like 47 in the greater Sydney area. I can see the federal government's point of view. If they are going to be doing direct funding to achieve outcomes on the ground, which is really what we are all about, then having the most streamlined delivery of that is most appropriate. From this council's point of view, we strongly feel that there needs to be retained local democratic representation, but we certainly see that some form of cooperative centralisation of things like payroll, IT, regional planning and a whole swathe of other things would be beneficial, not only to the strategic delivery of funding on the ground by the federal government, but to local government itself, which would have greater funds to input to its works.

Mr Levy—I might add to that. These will be some personal views as well as council views. I could not agree more that there is a lot of money that is sitting in the bureaucracy of local government in New South Wales that could certainly be utilised for extending and expanding the level of services, whether it be renewable infrastructure or simply new community services that there might be an expectation for. Certainly there is a need for rationalisation of local government and the reduction of bureaucracy.

We were talking earlier about pensioner rebates and the issue of costs and funding and the like, and I will just hark back to that for a moment. In Eurobodalla's case, the cost of pensioner rebates over the last three years went from \$1.54 million up to \$1.65 million, and the cost to council went from \$695,000 up to \$743,000. There is an ever-increasing cost to the ratepayers that are left behind, after the pensioner rebates are given out, to pick up that additional cost. In some states, the government accepts the full cost of those rebates, whereas in New South Wales it does not.

One of the good features, seemingly, of what is happening in Eurobodalla is that the announcement of additional beds for retirement villages is having an impact on the number of people that are getting pensioner rebates, strange as that might sound. If you are looking at it having some impact on the financing of that particular aspect of council's operation, the announcement of additional beds in retirement villages does have a positive impact—we expected our costs to ratepayers to go up a lot higher than that over the last three years.

The other thing when you are talking about direct funding—and topical it is at the moment—is that under the Dairy RAP funding the government has funded a significant part of the expansion of a steel rolling plant in the North Moruya Industrial Estate, to the extent of over \$300,000. As a result of that, the owners of the industrial estate have been able to come to an agreement with council to look at the sewerage of the estate over the next year. That will see something like \$2 million additional investment in that estate. There are already 70 jobs that have come out of the federal government grant and, arising from the sewerage of the estate and the new initiatives that are happening up there, we expect several hundred new jobs to come on stream over the next three to five years.

When we talk about direct funding, we should not just talk about FAG funding—we should talk about Dairy RAP funding, the Regional Solutions Program that existed, and those other initiatives that make a big difference to rural and regional Australia. I make the point that FAG is just one source of funds, but there are other funds that come into local government areas that we strive to seek through the businesses of the area that are making a difference.

CHAIR—I do not disagree with you, but that is really outside the scope of what we are talking about. Those regional solutions things are quite separate. But I do not know; have I missed something on that?

Mr Levy—You were talking before about tying grants—if the grants were tied to economic development, if the grants were to expansion of community services. All these things are about employment generation and they are all relevant. As a result of employment generation you get people investing in your residential development, you get more ratepayers and you get a greater rating revenue. It all has an impact. It all goes round in one big circle.

Mr NAIRN—It is also relevant that, from a federal government point of view, most of those other programs tend to go to community bodies rather than business. Dairy RAP was one of those unusual programs where federal money could actually go to individual businesses. Although, Mr Levy has just explained how the flow-on benefit to community services in a sense in that particular example has been very positive. With regional solutions and those other federal programs, local government tends to be involved in some way, so I think it is an aspect that is relevant to across-the-board funding issues.

Mr Morgan—It also depends on your locality. We do not have access to that funding because we do not have a business base in the shire. We have a nil business base. We are a dormitory area for Canberra. Therefore, we do not have access to those types of things. All we have are a few tourist operations in Bungendore and Captains Flat and that is about it. There are a couple of small industries, which are a mechanic running something and a plumber who has a bit of a shed, and that is it. We have tried to encourage business but, because of the infrastructure and the closeness to transport links in Canberra-Queanbeyan, they will not shift out to our area because it is only 35 kilometres away. It is cheaper for them to be there and let people drive into work all the time.

Therefore, we have not got that ability at all. We have even tried to encourage the transport operators that carry the sand from the mines in our area into Canberra—because Canberra is built on our sand—to set up their maintenance bases in the shire at Bungendore, so they are close to the mines. They are not interested because they have access to the larger facilities with everything else in Canberra-Queanbeyan, which is already there. So that has an impact and we become reliant on the FAGs grants, the Roads to Recovery grants and nothing else will flow into our shire.

CHAIR—On this issue, what happened in Tumut? What did you do to get all that business?

Councillor Pritchard—About 10 years ago the community realised that, if we did not do something, we would go backwards like any other country shire. So the council of the day with some support of money from the state government set up a series of future directions workshops. There were a lot of different topics, the workshops were held in different areas and a lot of people came along. Butcher's paper was put up and people were writing and scribbling, 'We should have this and we should have that. We shouldn't have this and we shouldn't have that.' There were outrageous suggestions about what we should do and negative things like, 'We are really traditional farmers and we shouldn't go into the timber industry,' or 'We should set up a yabby farm.' At the end of the meeting, we set up committees to further these suggestions. What happened? Zero—plus it was all too difficult.

Then we got some more money—this time from the Australian capital region—to look at these things again, so we had more committee meetings. Instead of having lots of different meetings, we had one room and about half the number of people turned up. We only had about three lots of butcher's paper and we went through the same process. At the end of it all, nothing much happened again. Then we got some more money and we did it all again. This time I was almost screaming that we had spent so much time doing all this and we had all the ideas in the world. It was a matter of getting on and doing something. The last time we did it, it really came down to something you can keep in your brain—all the negative people and single ideas people had dropped off—that it really boiled down to the fact that, although we had a basic grazing industry, our future lay in the development of a softwood timber plantation and allied industries, outdoor tourism and fresh horticulture. Those were the three things that the meeting agreed to.

Again, the reports were pigeonholed and you wondered whether it was all a waste of time. But then all of a sudden, Visy appeared around the nation wanting to put a paper mill in. They looked here, there and overseas. They came and looked in our area and we certainly had a lot of the attributes that they required: softwood timber; a good water source; a lot of skilled industries following on from the Snowy Mountains Scheme; and a good community. We emphasised the proximity to Canberra, the culture and the education and so forth.

Visy played games for several years and finally they decided to come to our community. When the announcement was made, there was no opposition at all. The community had decided over all these years and had been recruited to the cause that our future lay in the softwood timber industry, despite the fact that many greenies and other people were worried about the environment and traditional farmers were worried about their land being taken over and forests being put in. But we recruited the community to the common cause.

When the announcement was made, there was no opposition at all. The community had decided over all these years—they had been recruited to the cause—that their future lay in the softwood timber industry, despite the fact that there were many greenies and people worried about the environment and traditional farmers were worried about their land being taken over and forest being planted. Visy came and they said quite clearly, ‘We would not have come if the committee had not wanted us.’ They have had problems down at Mogo near here where they did not have a long lead time. It is a matter of bringing communities together to work out the long-term aim. That is the way I approach the planning for health and all the other community things. It does not matter how long it takes us to get there, as long as we recruit the community and they get behind us. They trust the local government. That is how it happened.

When Visy came, was there a big international company? CSR had been involved in the local timber industry for some years and had indicated for two years that they wanted to get out. We were worried that they may close down and we might lose everything. But no: once Visy came, two other multinational companies came and bought out part of Visy. Carter Holt Harvey bought out the panel board industry. Weyerhaeuser, which is a big North American company, bought out the sawn log industry. They marry in together—they use different parts of the timber and, as a consequence, workers need more training. So our TAFE has benefited and we intend to push that further. We now have three multinational timber companies there and we do not have to worry. Our emphasis is turning to provision of the fibre.

I know people have been concerned about losing rates when state forests expand. Our attitude is that it does not matter because the people who work in the state forests have to have houses and we get rates that way. If we can make fibre secure and safe for the mills, we protect our industries. With the extraordinary effort over three or four weeks recently during the bushfires, combining the resources of national parks and state forests to fight fires, we did not lose any houses and we lost only a fraction of our product in the area. Had we not had the backing of those organisations and we lost our timber industry, we would have been in diabolical trouble. That really sums it up.

CHAIR—Thanks, Geoff. I was very interested in that.

Mr NAIRN—As I recall, it was \$40 million from the federal government, was it not?

Councillor Pritchard—It took a lot of lobbying here and there and a lot of work from the local member. We need a railway now.

Ms GAMBARO—You are never happy, Geoff!

Councillor Pritchard—Concerning how the federal moneys would get into local government and what is the definition of local government—Pam talked about amalgamations and so forth—recently, to fix up the road between Tumut and Gundagai, we received \$4 million

from the state government and some from the federal government. The state government gave that money to Tumut Shire and Gundagai Shire together—half to each—for us to work out the priorities. That road is vital for both shires. Rather than giving some money to Tumut and some to Gundagai, the state government has allowed us to work it all out. ROCs is another possibility. We are part of the Riverina East Regional Organisation for Councils and it helps in buying photocopy paper and with contracts for bitumen sealing of roads and all of those things. We do not have the same common purpose that we share, perhaps, with some of the other shires.

There is one other model to look at which I have been thinking about recently and that is the area health boards. They have been broken up into planning divisions. For example, the Southern Area Health Service has six planning divisions and they may be three councils or one council. Basically, they have worked out that this is a pretty reasonable way of breaking up the community—the divisions do match the council borders—and perhaps looking at funding, not necessarily forcing amalgamation but funding moving to councils for certain purposes.

Mr Pigg—The \$40 million is an interesting figure, but we are interested in revenue shifting, not cost shifting. I think that highlights—with the FAGs grant and the points being made—that it needs to be tied to revenue growth. It needs to be reinstated to the level it should be—if we go back to the early eighties when it was two per cent of income taxation—and that is the key to it. Concerning the national competition payments to states, in New South Wales that is an issue because the state does not pass any payments on to local government. I think the committee should look at that from the perspective of whether payments should be made direct to local government some other way, to overcome the problem that New South Wales has.

CHAIR—A COAG agreement on competition policy was drawn up, I think, in 1994. It was to be returned to the states and then the states would make the decision as to how they would distribute things. In some states, you are right: local government were the beneficiary. But in New South Wales clearly it was not.

Mr NAIRN—Chair, could we ask any of the councils here today whether they have done any work on what it might have cost individual councils to comply with national competition policy?

Mr Levy—We undertook a significant examination of our competitiveness. We introduced significant policies back in 1997 and implemented them over 1998, for which we won a DOTARS national award. I would suggest that the cost was somewhere in the vicinity of \$200,000. That probably is conservative when you take into consideration the training of staff in benchmarking our services, the time we spent in participating in studies for cost comparisons and the time we spent in negotiating different work practices to actually achieve a better outcome in efficiency and effectiveness. So \$200,000 as a minimum.

CHAIR—Does anyone else have a figure?

Mr Jesson—We at Bega did some work and I have an idea—it is only my recollection—that our figure was about \$200,000 also, which would make Jim Levy's estimate a very conservative one, I suggest.

Mr NAIRN—Has the local government association in New South Wales done much work with the state government on that? We have been to other states where payments are passed on

in various forms. Victoria has a particular formula and Queensland, as I recall, probably was one of the best as far as passing on those payments to local government goes. What sort of role has the local government association taken in this respect? Have you tried to get the state government to shift on it?

Ms BURKE—We have had some full and frank exchanges of views about the state of the local government association in New South Wales. So do not be scared about coming forward if you feel the need to air that.

Mrs Green—I think that part of the problem with local government peak bodies having any influence in New South Wales is that there are two. You have one that is basically seen as representing the metropolitan area and one that is seen as representing the country area. While ever there are two voices that might sometimes be dissimilar then I think that gives the state government an opportunity to play one off against the other and also they are obviously not speaking with the force they could do as one. So I think one of the real necessities for the future of local government is for it to have one voice.

Mr NAIRN—Would it be true to say that the national competition policy would have had a greater effect on rural and regional councils than municipal councils?

Mrs Green—Yes, I think that would be true.

Mr NAIRN—Therein possibly lies the problem.

Mr Morgan—I think it also depends on the size of the council. The larger councils have a much more significant impact than the smaller councils. Our water and sewerage schemes are not big enough to even be impacted on from that type of thing.

Mr NAIRN—Class 2, was it?

Mr Morgan—I cannot remember what it was. Introducing the water charging regime was about the only thing we have really had to do on the national competition policy.

CHAIR—On an intergovernmental agreement—which touches on one of the questions we put in the questionnaire—if something were to be looked at in relation to the funding mechanisms for local government and there was agreement between federal, state and local government, who is going to actually be representing local government?

Mr Stephenson—At the moment, we have the Local Government Association because they open their traps quicker than our mob. That is basically it: they jump in first. I go back to what you were saying: the two are not working together. They have not worked together for a long time and I think they have been getting further apart as of last week.

Mr Hede—That is a perfect example of—

CHAIR—Sorry?

Mr Hede—Last week the Local Government Association recommended that the terms of local government in New South Wales be extended for a further six months. The LGSA
ECONOMICS, FINANCE AND PUBLIC ADMINISTRATION

basically had not been consulted on it and were advised at about the same time as all the shires were. It is a perfect example of how, if they were a little apart before, they have gone further apart from last week. That is a concern.

Mr Stephenson—At the moment, we do not have a voice. We do not have a unified voice.

Ms BURKE—There are 700 councils Australia wide. Can one voice speak on behalf of 700 different bodies? Is there a body? Is it the ALGA or the state bodies? Obviously there are problems here. When you come to the table, who would represent you?

Mr Hede—I would see state bodies as the initial impetus because, as you addressed, the fact is that we are all in different circumstances. For one body to represent us all would, I believe, be difficult insofar as we are all under different state governments.

Ms GAMBARO—I would like to go on from that to the COAG process and representation. I will give an opposite example of cost-shifting. I represent an outer metropolitan area and at the moment we have a housing development being built for 25,000 people. What happens there is that the demands for health services and other community services then occur after the local council approvals are given et cetera. I know you spoke about the three levels of government working in a cooperative way with community services infrastructure et cetera. But can more be done from a COAG point of view in terms of these huge developments? I know that in two years time they will need more doctors there, but there is no planning process. You talk about cost-shifting. It also happens in a cost-shifting way to the Commonwealth for other levels of government. I would be interested to know if there is more that can be done. I am talking about a constructive mechanism here so that we do not find ourselves down the track with all these sorts of social problems—I am talking about outer metropolitan here—because of development. I guess you have different problems here, where people are moving to the cities, but they are some of the things that I would not mind finding out your thoughts on.

Councillor Pritchard—The New South Wales government is just initiating the Plan First program in different regions. I do not know enough about it to comment sensibly on it, but they are trying to identify regions that have common problems to try to take into consideration the housing and the social things together. They set up a alpine region planning strategy four years ago. This is for the shires inland from here, south of Canberra, to look at not only the economic but the natural environment, the building, the transport, the education and all the social issues together. Whether that has any legs on it, I do not know. I really have reservations about it, but it is something we should be following closely.

Mrs Green—Issues like Ms Gambaro's come about because there is a lack of strategic knowledge. I think there is a large argument that says that you do need to have some sort of regional overview for local government so that the strategic information that affects the other levels of government which have to provide services et cetera is much more informed. I think at the moment things are so different in all the council areas in terms of planning and other issues that it is extremely difficult—particularly for the federal government, which seems way up there—to really have a handle what is necessary on the ground.

There is an argument for creating some sort of regional overview and, as I said before not in this council's view, relieving it of its democratic representation per se as council and also not creating another tier of government. There needs to be some way of getting that strategic

overview and the money on the ground from the federal and state government where it is needed. It is not happening now.

Mr Rawlings—Another advantage of local government, because of their size with those sorts of things, is that we tend to look at a broader base of things, rather than following down a departmental line. One area where local government could be better utilized by the Commonwealth government is involving us in looking sideways for the other implications of development and those sorts of things that are coming through.

Ms GAMBARO—That is something that has not been happening. But we are also stifled—for example, doctor issues are based on a formula which does not take into account structural issues, regional issues or lack of transport. These are the sorts of things that we are finding all the time. That broader perspective is what I am always fighting for whenever I have discussions with my colleagues and ministers. Then, we get into definitions of what outer metropolitan is, what regional is, and it goes on and on. I keep harping about health, because I have done a lot of work on this. The definition of what is an area of need from a state point of view is different from a federal point of view. We have all of these problems and the regional overview is a good idea. It is very hard to put it though in a concrete way and measure it in a way that will look at the whole funding issue across the levels of government. Thanks for that.

Mr Hede—There were comments made in the document which are worth mentioning and comments regarding cost shifting claims being a result of poor management by local governments. There is the idea of being able to increase your revenue from existing sources by borrowing when state and federal governments are heading in the direction of reducing borrowings. It is pretty easy to criticise local government, insofar as our abilities to raise money. But when it comes back to it, it is difficult for us to say ‘no’, as we talked about earlier.

CHAIR—They were very carefully worded—those comments about borrowing—and, I think, prudent and specifically targeted.

Mr Jesson—The disparities in some of the differences in rates with Queensland councils were mentioned. There is an obligation on local government to maintain a rating effort. One of the mechanisms that militates against that in New South Wales is the rating structure. The situation prevails where you can have a strata block of 10 units and next door you can have almost the same number of units—almost identical—with 10 units. With the strata unit development, 10 lots of rates are paid; with the rental block of units, one lot of rates is paid. The valuation and rating system could do with a bit of a tweak and that would guard against councils not maintaining a rating effort.

CHAIR—Thank you for that point. I want to thank you all very much for your input. It has been extremely valuable. Your local member, Gary, insisted that we come down here and it has certainly proved to be more than worthwhile for the committee. So thank you also to Gary for all his work.

Resolved (on motion by **Mr Nairn**, seconded by **Ms Gambaro**):

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

Committee adjourned at 11.35 a.m.