



COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON ECONOMICS, FINANCE AND
PUBLIC ADMINISTRATION

Reference: Local government and cost shifting

TUESDAY, 11 MARCH 2003

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON ECONOMICS, FINANCE AND PUBLIC ADMINISTRATION
Tuesday, 11 March 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, Mr Hawker, Mr Nairn and Mr Somlyay

Terms of reference for the inquiry:

To inquire into and report on:

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

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

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Committee met at 9.04 a.m.

ABBOT, Councillor Robert John, Mayor, Noosa Council

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TULLY, Councillor Paul, Councillor, Ipswich City Council

WOOD, Councillor Peter, Deputy Mayor, Toowoomba City Council

CHAIR—I officially declare open today's hearing of the House of Representatives Standing Committee on Economics, Finance and Public Administration inquiry on local government and cost shifting. I welcome everyone, both participants and observers. I am sure this will be a very useful day. I would like to thank the Noosa Shire Council for hosting the hearing today. This is the committee's first hearing on local government and cost shifting in Queensland. We will be in Longreach tomorrow and then in Townsville on Thursday.

In February the committee released a discussion paper intended to stimulate debate and fresh thinking on effective solutions to cost shifting onto local government. I am sure you all have a copy and I know that you will have some comments on that. Today we would like to discuss many of the issues and options in that discussion paper. We would like the roundtable session to be a free-flowing discussion involving committee and all panel members. I would certainly encourage you to be full and frank during our sessions. That is part of the reason we have spread the committee members amongst everyone so that it is a more user-friendly operation. The session this afternoon will be for all interested people to make a statement to the committee on local government and cost shifting. If there is anyone in the audience who would like to address the committee this afternoon, just give your name to Katie or Susan.

I would like to advise everyone 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 the proceedings of the House. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. To begin today I think we will look at the rationalisation, roles and responsibility of local government. We might start with you giving us your ideas on what you see as the roles and responsibilities and what you would like to see as the optimum for those roles.

Councillor Abbot—Maybe we could think about the differences between what local government provides in Queensland and elsewhere in the country. Some of the discussion we had last night after dinner noted some realities about what Queensland local government does do, its relationship with the state and how it operates very differently from the rest of the country. There is some concern with regard to where this particular program is leading us and, indeed, what sort of effect that can have on Queensland as against what sort of effect it can have on local government in the rest of the country. So there are some comparisons we may well need to make during the discussion, or indeed during the writing of the paper, to provide Queensland with a little different treatment because of the way we do business here already.

Mr Hallam—It is a permissive model that we operate. The Local Government Act gives us a general confidence power, which is quite different from any other jurisdiction in Australia. The effect is that local government can take any action or make any law as long as it is not inconsistent with the law of the Commonwealth or the state. So there are no limits on the powers local government can exercise.

CHAIR—Do you feel that that system would work in other states as well?

Mr Hallam—It is a function of the historic development of local government in Queensland. The other states have been capital city centric and there has been conflict in the politics between local and state governments. Historically in Queensland—and we can go back to the parliaments of the 1890s—they faced up to the fact that they could not go to Cooktown or Mount Isa or the far-flung places of the state through George Street. So the general confidence power grew through all that time, and it is a model that Queenslanders have been happy with. They are happy that councils have a relatively large responsibility. It is best reflected in the fact that if you looked at the balance sheet for the state of Queensland as at 30 June last year, the net debt position was \$57 billion. If you looked at the same balance sheet consolidated for local government, the net debt position was \$53 billion. The total outlays in Queensland local government are between a quarter and a fifth of the total of the state's outlays. So we are talking about a significant level of government.

If you looked at, for instance, the ABS classification structure of employment, we have people employed in a full range of areas across the whole spectrum, from economists and nurses to environmental scientists and librarians. So there are something like 33,000 employees. The system in Queensland is fundamentally different because, historically, the states have developed differently. Because of Queensland's geography and history, we have not had the capital city centrism that affects political relations in the other states.

Ms BURKE—So, in effect, what does that mean councils are actually doing that would be different from other states?

Councillor Wood—In Toowoomba, for instance, we do water and sewerage.

Ms BURKE—But they do water and sewerage in Tassie.

Councillor Playford—Yes, and in country New South Wales.

Mr Hallam—We run hospitals, picture theatres and all sorts of commercial activities—

Mr Currie—Shopping centres—

Mr Hallam—Hotels and undertakers—

Councillor McDonald—And private schools and supermarkets.

CHAIR—How many of those are what you would call a cost to the council as opposed to self-sufficient? You mentioned things like picture theatres and so on.

Mr Hallam—It is always a case of market value. Where the market has not provided something originally in remote parts of states or subsequently—if, for instance, for whatever reason the operator has left the community—councils seem to come in and fill the bill. It is very true at the moment in the medical field. Councils are employing doctors to live in the community—paying school fees, providing homes, buying surgeries and all of those sorts of things—to make sure that there is a medical service in those communities.

CHAIR—Roughly how many cases would there be of councils providing doctors in Queensland?

Mr Hallam—Probably a dozen.

Councillor Playford—And they provide some nurses as well. Where they do not have a doctor in a town, they can get a nurse.

Ms GAMBARO—Greg, I just wanted to ask about the Charters Towers example in your submission. You say that a school had to be acquired by the local council because there would not be a school in the area otherwise. Probably no-one has been in a situation like that around this table. Would that be a rare exception?

Mr Hallam—It is. But it is not only schools. For instance, when the Kingaroy private hospital closed, the facility for the performance of even simple operations was lost to the community. Using the enterprise powers under the Local Government Act, the council bought and now operates that facility. So, whether it is a hospital or a school, councils are becoming far more interventionist where other levels of government and/or the private sector are not meeting the needs of communities.

Councillor Wood—Can I make a comment there. My council effectively runs a school with community support and some government grants. We call it a flexi-school. It is in response to social problems which arose where young people who were either unemployed or not attending school when they should have been were creating some sort of social problem in the city. Our

response, with community groups, was to provide a flexi-school. It is not a formal system of schooling, but it is very flexible. They are not compelled to attend, but many do.

CHAIR—Does the state support you in that?

Councillor Wood—Yes, I think we get some state funding.

Mr Hasted—It is limited.

Councillor Wood—And we have volunteer support from retired teachers as well as service club support. But it has mitigated social problems in our city. There are other programs attached to this. The council's capital investment was in the order of \$600,000.

Councillor Playford—Can I just go back to the Charters Towers example, to make sure that we have the record right. I think it was Dalrymple Shire Council. But the issue was not that there would not be a school in the town. Charters Towers has had a number of boarding schools for a long time. The issue was the economic effect on the economy of the town and the district of that school collapsing with nothing to replace it. Now a second school has gone the same way and the mayor and CEO of the council are in there trying to sort that one out as well. They may have an amalgamation on their hands yet. But that is the sort of thing that is happening, I guess, in a lot of communities when those sorts of undertakings fail.

CHAIR—I do not want to dwell on this for too long, but is that a problem with declining numbers of students in the region?

Mr Hallam—I think in the case of one of those schools—and it has been through the appropriate authorities—there was financial mismanagement.

Councillor Playford—I think you are right; a lot of things are that way. We could spend our time talking about a litany of different things that councils are doing, but it seems to me that, whatever we say today, in five years time or 10 years time councils will be undertaking a lot of different functions that we have not even thought of. It seems to me that we can talk about these issues or we can talk about putting in place processes that allow us to address the issues as they arise and as communities change and as communities need change. That might not be on some people's agenda, but it is certainly on the agenda of councils, because they are just so much a part of their local communities.

If I can just throw out something on that issue, we are in a situation where councils talk to state governments and councils talk to the Commonwealth government—and we are talking about community things and we are talking about roles and responsibilities—and it seems to me that there is a far greater need for the three spheres of government to sit down and address these issues and maybe come up with some mechanisms or some models of how these issues might be able to be addressed, because the issues in Noosa will be quite different from those in Longreach, Thargomindah or Cairns. I think we need to develop some service delivery models with some principles attached whereby, as circumstances change, communities change and community needs change, we can sit down around a table in a mature way and work out who is going to address the issues and where the resources are going to come from. We can do that—it is as simple as that—if we develop that type of process.

CHAIR—My opening question was about roles and responsibilities. It seems that you have got instances where people, for very good and valid reasons, are assuming responsibilities which in other states would probably be a state government responsibility. I am wondering why there seems to be this breakdown.

Mr Hallam—It is literally the community's expectation of their local government. They see it as the level of government that they can most influence and that is most responsive to their needs. I suspect that we can act far more quickly, particularly more than the federal government but even more than the state government, in responding to a specific circumstance in a very local way—whether it is an issue of law and order, night patrols, street lighting, health or education.

CHAIR—But the community is always going to want more than any level of government can deliver. How are you handling that challenge?

Mr Hallam—Can I clarify it in these terms: in rural communities it is a function of survival. So if they do not have these facilities, in large part—

Ms BURKE—Chair—

CHAIR—I was waiting for you.

Ms BURKE—you stole my question!

CHAIR—I was waiting and kept looking at you.

Ms BURKE—That is my question that I get to ask everybody: 'How do you manage community expectations?' We had a local school, a Catholic college, close in my area—big, huge.

CHAIR—This is in Melbourne.

Ms BURKE—Yes, in the Melbourne metropolitan area. The downside is we have lost the only Catholic boys school in the area, so everybody now has to truck out—and in metro Melbourne that is fine, because you can get on transport; it is very different, and I am not going to draw an analogy. We are about to lose a massive open space. Funnily enough, for three years we have had a huge hoo-ha about whether council should buy that block of land. Council cannot afford to buy that block of land at metropolitan Melbourne prices. Becton Corporation has bought that block of land. If you know Becton Corporation at all, you are not going to go and compete with their prices. How do you manage community expectations? I would love to give my electorate that bit of land. I would love to turn around and say, 'Here's the dough; buy it,' but I cannot.

Councillor Wood—I go to the example of the flexi-school we opened in Toowoomba. That arose from a social problem, not an educational problem, where young people were running riot in the CBD and creating considerable disturbance, as they do in many other communities; we are not unique in that. The council was under very strong community pressure to manage those

social issues. Its approach was to utilise its own resources in terms of land which it had available.

Ms BURKE—Have you registered this school?

Councillor Wood—No. I doubt that it is registered.

Mr Hasted—Correspondence.

Councillor Wood—Yes.

Ms BURKE—You have said \$600,000, so—

Councillor Wood—That is capital.

Ms BURKE—That is capital on top of your running costs. Where have you diverted those funds from?

Councillor Wood—We have utilised scarce resources and we have utilised community support. That school could not operate without very strong community support. I guess you get strong community spirit in the suburbs of the metropolitan areas, but a community like ours is fortunate to have a strong measure of community activism.

CHAIR—That is commendable.

Ms BURKE—I go back to the issue of how you manage that community expectation. The bucket of money is never going to be big enough, let us be honest.

Councillor Playford—It is not, and that is always a judgment that we, as elected members acting together as a council or a government, have to make. You have to draw the line somewhere. There is no doubt in my mind that in some cases councils probably are their own worst enemies in terms of taking over something and letting the state off the hook. There is no doubt that at times we do that too much. But there are other times when we know nothing is going to be done until hell freezes over and it then becomes a judgment call as to whether we step in. If the community is saying very strongly, 'Yes, we want you to,' then we are going to, because that is our job.

Ms BURKE—You are also letting private enterprise off the hook, in some respects.

Mr Hallam—True. For a lot of the states there are not true markets. I make the differentiation again that urban issues play out in a different way than rural and regional issues do.

Ms BURKE—As I say, I am not going to draw a comparison, but my local communities are not going to buy that block of land, because we ain't got the dough and the council ain't got the dough.

Councillor McDonald—I think it is also fair to comment that quite often you talk about managing expectations but very often, especially in rural and regional Queensland, it is not about a want or an expectation but a maintenance of quality of life. A lot of the examples that we were talking about before are quality of life issues in those communities and in those towns that are going to fall away unless somebody does step in. It is not about raising the bar of expectations; it is about maintenance of services.

CHAIR—I do not think we are arguing that. We are trying to work this through and say: ‘Where’s the breakdown? Why is it that local government has felt the need to step in to areas which traditionally in other parts of Australia have been a state or a Commonwealth responsibility?’

Councillor McDonald—I think it is the responsiveness and connectivity in the community. We have got the finger on the pulse, and we certainly do balance those expectations. But, again, I come back to the maintenance of a quality of life in many of our communities.

Mr Hallam—I expect that the governments have sponsored that in some ways. You may be familiar with the current federal government program—the Regional Solutions Program—and some of the initiatives that were undertaken before that. There has been a lot more emphasis on self-sufficiency, a lot more emphasis on dealing with issues locally in a global context. I think a lot of communities have taken up that challenge in terms of economic development and social cohesion and are acting locally and independently of other levels of government. As I say, in part that has been sponsored by successive state and federal governments. There has been a cultural shift. Whereas once it was a question of waiting until someone tapped us on the shoulder or we got told something was going to happen, councils are now far more active as interventionists in the context of the world and the communities in which they are operating.

Councillor Tully—Greg, that is facilitated by what you said earlier about the wide-ranging powers of local government in Queensland. Basically, anything we do is legally able to be done—and the community perceives that—unless it is specifically prohibited. So there are expectations in the community that we should step in and do those things that are not being done by the state or federal governments, particularly when there is a crisis.

Mr Hallam—That is true. There is a long history, right back to the thirties, of very significant intervention in municipal enterprises and all those sorts of things. So there is a tradition; it is not a foreign concept to councils or communities here.

Councillor Wood—We have responded to some urgent demands from our community, but there are many urgent demands we cannot accept. We have urgent demands in my community for the acquisition of more open space—urgent demands with lots of political backing and community support. My council simply have to say: ‘No. We haven’t got the money to spend \$2 million on a beautiful area of natural vegetation and remnant bushland.’ We cannot do it. There are many other examples. So we are very selective in what we respond to.

Mr Dickson—To reinforce Councillor Tully’s point, it is a measure of the success of the Queensland model that councils are involving themselves in issues and that we are here today. It is a perverse sort of outcome in some respects, but it is a measure of that success.

Councillor Abbot—It has only a small amount to do with the legislation; it has a large amount to do with the organisation. The reality is that Queensland is the birthplace of the Labor movement. It is also the birthplace of organised local authorities. If you look at Queensland, in a sense the LGAQ organisation is all-powerful. It is a strong lobby group because the local authorities believe in it. They follow it; they work hard to make it work. The organisations are good, the systems are good and they employ good people. It is not a gentleman's club; it is a hardworking organisation that does the trick. Not only that, if you look at south-east Queensland in particular you will see that with the formation of SEQROC there is already a very significant, powerful regional organisation that is doing some extremely good and tough work. It is aligning itself to a great degree with LGAQ on regional issues here in south-east Queensland. That organisation meets six-weekly. It is not difficult for us to get ministers of any persuasion to come to our meetings—not to our annual general meeting or to a soiree but to our actual meetings.

CHAIR—Do you get them to bring the chequebook as well?

Councillor Abbot—No, we do not worry about the chequebook. That comes later. It is the issues that are important when they turn up. They do not get let off. There is no bowing and scraping. A fair amount of pressure is put on them, because the organisation is there, it has done its work and it is well and truly under way. That regional thing is spreading now across Queensland, with other ROCs being formed. I think in the not too distant future LGAQ will be more an amalgam of regions than of local authorities. I am wondering whether that will be the real interface in the future—not between the federal government, the state government and the local government but between the federal government and the regions. I think that is the interface that we are probably looking for. An organisation that I belong to, SUNROC, which is made up of the Sunshine Coast councils, is continually getting that message from Canberra: 'Don't come and talk to us as a council; come and talk to us as a region.' Maybe the regions need to be a bit more powerful and maybe the interaction needs to be specifically more regional rather than local.

Mr NAIRN—We have had quite diverse evidence on this particular subject. In Tasmania, for instance, there was a very strong push that, yes, a regional organisation is ideal for the federal government to possibly deal with to get a particular program or services throughout an area where there might be half a dozen or so shire councils. But when we went to Victoria they said in no uncertain terms that no way in the world should the federal government deal with a regional organisation—they are unelected, they are unrepresentative; they went on and on. That demonstrates the incredible diversity of views that currently exist. Would you like to comment on those differences?

Mr Hallam—I suspect there are elements of truth in all of those. We have a three-part model which has evolved over probably 10 years. Councils are doing the basic infrastructure planning and providing services such as water, sewerage and garbage. The newer, more recent activities, such as economic development, natural resource management, cultural development and a range of other issues, tend to be done at a regional level.

Then there is a third dimension, which comes back to what Bob said. We as an association have assumed a hell of a lot of roles, so we are a de facto council. We run industrial relations, and we do their workers comp, insurance, IT and legal opinion service. So in effect we provide a bureau service to all those little shires—expertise on GST, NCP or whatever it is—that they

probably could not exist without. So I suspect you have three concentric circles. You have the council doing things and the region doing things, however they are configured. And Bob is right: there are now 11 ROCs in Queensland. Then for those of us who do some other things, they can only be dealt with at a statewide level.

CHAIR—How much overlap is there with the state government on this stuff? It seems to me that there could be duplication—is there?

Councillor Playford—Yes. Bob was talking earlier about regional bodies. Gary said that there is disagreement. I can understand that, because there is no one model that is going to be absolutely 100 per cent perfect for everything we do. When we are talking about engagement, it depends on what the issue is as to where the engagement should be. Some things should definitely be done on a regional basis in a lot of Australia but not necessarily in all of Australia. There are parts of Australia which are not covered by local authorities for a start, and for very good reasons. Maybe some of Queensland should not be covered by local authorities either that—

CHAIR—You invite that question.

Councillor Playford—If you had a blank sheet and you were starting from scratch, significant parts of Queensland probably would not have local governments, but we will not go any further with that for now. It depends on what the issue is as to where the engagement should be, and at times it will depend on where you are talking about within Australia. So the issue goes to geography as well.

In answer to your question about the overlap, people have a bit of difficulty understanding how a particular council can be a member of this regional body for one thing and a different regional body for other things or can be a member of three regional bodies—all of which are different geographically—and then be a member of a state body like LGAQ, but as long as there are enough of those organisations so that the appropriate issues are dealt with in the appropriate forum, it does not really matter. It will be different in different places. Something that is of interest to this council might be dealt with on a Sunshine Coast basis, but if it spills over the boundaries of the Sunshine Coast and it is just as relevant to much more of south-east Queensland it will be dealt with at SEQROC, for example; it will not be dealt with at a local level. The tiering of structures allows us to take the issue to the most appropriate point.

Ms BURKE—Can I throw into the ring a Dick Dastardly question about council amalgamations. There was a difference in the responses from Tassie and Victoria. The councils in Victoria are a hell of a lot bigger than the councils in Tassie, because we have been through council amalgamations. Obviously, LGAQ is providing some of the functions to shire councils because they are too small to have those in house. I do not mean to be rude—

Councillor Wood—That is absolutely correct.

Ms BURKE—It would be way too tiny to support IR and a special person. In some far-flung places you would be hard-pressed to get an expert there to do it anyway, and we accept that.

Mr Hallam—That is true of the provincial areas as well.

Ms BURKE—We have been to the Northern Territory. If you think you have problems, you should go up there. Does there need to be someone biting the bullet in respect of council amalgamations?

Councillor Wood—Yes, indeed there does. It is not the remote areas that need amalgamation. You can go to areas with easy accessibility using the sort of accessibility map the Commonwealth develops. You can go to just about any state—we might except Victoria—and you can see that amalgamations are long overdue. Every state government, except Mr Kennett's, has stepped right away from the issue of amalgamations. They do not want to know about them because the issue is too difficult politically. I wanted to mention the issue of amalgamations more specifically when we turn to FAGs, because the FAGs grant—and I think, Chair, you wanted to discuss FAGs a little later in the session—

CHAIR—Yes.

Councillor Wood—Briefly, the FAGs grants are a positive disincentive to amalgamations. They encourage diversification in small shires. They put the small shires and the small local governments on a drip and they cannot get off. But, yes, I do want to make some comments about amalgamations later.

CHAIR—Before we get on to FAGs, maybe we can talk about the different regional organisations. The question that comes forward, and it is partly related, is: how are you getting best practice from this range of councils? Clearly, there are big ones doing things on a much bigger scale and can therefore get efficiencies. How are you assessing that?

Mr Currie—Before we answer that, I would like to go back to a point Gary made before. The Victorian ones said they were not elected. The ROCs in Queensland, specifically, are elected, because the only people who are on the ROCs as the representatives are the elected councillors, so it is not as if these regional organisations are made up of people who are not elected. That is a difference between the Queensland system and some other systems as well.

Mr NAIRN—They are elected councillors but they are not elected to the position on the ROC.

Mr Currie—They are appointed.

Mr NAIRN—That was the point that the Victorians made. It is acknowledged that they are elected councillors but they are only elected councillors within their particular shire or council area.

Ms BURKE—We are not having a go. We are just reflecting.

Mr Currie—And clarifying the relationship.

Councillor Abbot—It is about what those regions are going to do. If we get them building roads and that sort of thing you get all sorts of trouble. Surely the regions are about strategy. Surely the regions are about the big picture, not about the detail. We really have to lift the game a bit if we are going to start talking. We have to get to what these organisations do. I am a

member of four regional organisations, a sector organisation and the state organisation. I am an executive of LGAQ; I am an executive of the Urban Local Government Association of Queensland; I am the chairman of NORSROC, which is a subregion of SEQROC; I am a member of SEQROC; and I have SUNROC, the local Sunshine Coast Council. All we deal with is strategy. We are not in the business of detail. The regional organisation we will be involved in soon is the LGAQ Road Management and Investment Alliance, which was set up specifically to develop a particular strategy. It is about strategy; not about detail.

CHAIR—I think you have answered part of that question but it still raises the point that you seem to be putting a lot of energy into a range of things. Is there a better way to get the results you want?

Councillor Wood—It is not only a matter of energy; my council spends \$200,000 a year, with difficulty, on supporting its membership of two ROCs, because we sit on a boundary line, and supporting membership of the Local Government Association of Queensland, which is value for money, I add. We have a considerable financial input into it. I take Bob's point. Our ROCs are involved in strategic planning. Our EDROC started off as a land use planning organisation to manage, amongst other things, Toowoomba's suburban overspill into surrounding shires. It was initially successful because the state government at that time was being brave enough to suggest amalgamations. That did not last but it spurred smaller shires to join us in a regional organisation and they have stayed with it.

CHAIR—I think South Australia did go down the path of amalgamations in a slightly different way.

Mr Holmes—Regional organisation and cooperation of councils is one of the issues. It is sometimes difficult to sell because it is only looking at strategies. Unless you have councillors involved in that who have some passion for it, it is very hard to sell back in your councils. It is hard to say, 'Yes, we've worked on this strategy and we've done this and done that,' without the council seeing anything come back for their ratepayers. There still needs to be a strategy but there has to be a little more on cooperative issues. I know the LGAQ does a lot with purchasing and things like that, but there are also opportunities to do things like that on a regional basis so it can be sold more to the councils and the communities—more for that \$200,000 that the councillor from Toowoomba was talking about that they put into these regional organisations.

Ms BURKE—Should some of this be the prerogative of state government as opposed to these regional organisations or councils? Are you filling in a breach where the state government is not doing something?

Councillor Playford—I do not think so. It may appear chaotic and it is still evolving but it is evolving in response to an understanding that there are advantages to having relatively small councils, and that is really what local government is about—close contact with people rather than sitting 200 kilometres away. That exists currently within councils in this state—we have at least one council which is bigger than the state of Tasmania: how much more do you want to amalgamate? There has been an understanding that there are some things that really need to be addressed on a regional basis. If it is water in a particular region, it might be that that is the right region to address water; if it is roads it might be that a different region should address roads. In response to that, we have developed these bodies, which are really just mechanisms for getting together to discuss these issues. While Bob said that the discussion is about strategy, there are

plenty of examples in Queensland where that has turned into cooperative action by councils. There are hundreds of examples all across the state where councils are doing things cooperatively because they have got together to talk about needs on a regional basis.

All the way along the line what we are developing to go with that are protocols, and we do it with state government departments. LGAQ is doing it with regional bodies. Regional bodies are working at it themselves: 'Here's what we will do; here's what you can do.' It is true that it is still evolving, but we are trying to get, in a way, almost an alternative model to the Kennett model, where you just make councils in a region so large that people lose contact with their local councils. That is what we do not want to see in Queensland. These mechanisms are a response to that to keep the 'local' in local government but also to have the benefits of working regionally when we need to.

Councillor Wood—I can give you three examples where Toowoomba has got regional cooperation in programs actively under way. Land use was our first. That was undertaken so that the areas immediately surrounding Toowoomba's boundaries were developed in accordance with the needs of the region, not individually. We are also actively engaged in waste management, in economic development and in recreation needs on a regional basis, and it is working.

CHAIR—The question I am trying to get a bit of a handle on is: how much of this has state government allowed to develop when really it could be a state responsibility?

Mr Holmes—I think we have jumped the gun on the state. The Queensland government are now involved in what can reasonably be called an experiment in public administration around community engagement. They have created a division in the Department of the Premier and Cabinet. They are engaging with us on questions around regional governance. We are currently funding them some PhD scholarship work to look at how these things work. It is a step into the future. It is where the governments meet. It is not about structure. We have not created new statutory bodies; we have not gone down the route taken by the other states. It is about strategy, process and systems. Under those circumstances, structure becomes less important. I would not argue that it is not some sort of impediment but, by and large, we have worked around it. Local government, through its regional manifestation, is tending to drive the agenda. The state is now responding. For instance, the state has formulated groups called regional managers forums where local government, state government and federal government people—if there are federal people in the area—sit down and do this sort of work at a cooperative level. You have a whole new way of delivering government evolving, and it is very much driven by process and strategy rather than structure.

Councillor Playford—Let me give you an example. It was the state government that started the south-east Queensland regional planning process about 12 years ago. We were all called to Parliament House. We had a great time and said, 'Right, we'll do some regional planning.' The state did not know the tiger they were letting loose. That galvanised local government in south-east Queensland to get together. We used to meet once every now and again in City Hall—it was called Moreton Regional Organisation. It was a waste of time, so most of us did not go most of the time. But that all changed because we were going to be determining the future of south-east Queensland, which we were part of, and by God we were not going to miss it. That is why almost all the time it is rare for mayors to miss going to the six-weekly SEQROC

meetings. You do not miss them if you can help it because that is where the future is being shaped.

Mr Hallam—I think that is the difference, David. Relative to the other states, local government has strategic land use planning powers in Queensland, not the state. The state does have an interest; it has the final sign off. In the other jurisdictions, local government tends to have more statutory powers rather than strategic land use planning powers. The model we work with is where the two levels come together and the state and local government talk through the strategic land use planning, whether it is waste, open space, road networks or whatever the issue is. As I say, that is where our model is fundamentally different. In the other jurisdictions, the state has held that power to itself.

Councillor Abbot—And SEQROC is a consensus organisation; it is not a volume driven organisation. You have the City of Brisbane on one end of the scale and it has one vote and the Shire of Kilcoy at the other end of the scale and it has one vote too. Obviously, Brisbane city has a lot more influence, but it has the same voting powers if we ever vote. The reality is that if we cannot get reasonable consensus on the floor then we will go back another round and fix it, because it is about strategy and trying to work the best way through these things for our communities to advance. We have talked about whether or not the things we are doing are state government responsibilities. The reality is that, if they are, they are not happening. So what do need to do to make them happen? Local government is organised and is forcing those issues.

Mr Holmes—That is the point I was about to make: local government is actually managing upwards. The issues become apparent at the local level first and are managed up regionally.

Councillor Wood—The chair raised an issue earlier which may not have been responded to amidst the many responses made. As I move around Australia looking at local government, I see that Queensland local government has a far greater degree of autonomy than local government in any other state. We value that very much because it allows us to respond to community needs and to use our judgment. I think our autonomy is very jealously regarded by other local governments—Noel, you would know more about that than I would. My council were obliged, when looked at our 10-year financial plan recently, to put in a 6.2 per cent rate increase. I think in some other states—for example, in New South Wales—you could only do that if you have the permission of the local government minister. Our financial modelling for 10 years showed us that we needed to do that. It was not easy; it was not comfortable; I may not be here next year as a result of it, but that was our autonomous decision. All councils in Queensland can also set their own remuneration, which I find some other local governments are also jealous about, and we are judged by our electorate.

Mr NAIRN—Planning is clearly the most powerful aspect because no matter what local government does planning issues rule how any community works. Can I just clarify exactly how the process which in New South Wales is called a LEP—which is virtually imposed upon areas in New South Wales by the state government—works in Queensland?

Mr Hallam—The models are not like that model in the sense that under the Integrated Planning Act local government has the responsibility to develop town plans and amongst that local area plans. It is a system by which councils work out how they want their community to develop. The state has an interest in the matter and has to sign off on the plan; but the process is not driven from the top down, it is driven from the bottom up. The state expresses its views at

two points: firstly, at the time that the plan is developed and all the concurrent agencies—whether it be the department of natural resources, main roads or the department of education—have input into the planning process and, secondly, through another mechanism called state planning policies, where the state has a view about things like acid sulfate soils, prime agricultural land, coastal management or a range of other matters. Those policies have a bearing on the plans as well. As I say, essentially it is driven from the bottom up, but the state does have a way to deal with state interests. It is a very different model from the one which imposes it from the top down.

Ms BURKE—How is that funded?

Mr Hallam—Local government.

Councillor Playford—We are the planning authority.

Councillor Wood—My council will tonight—at a meeting which I may miss—sign off on its planning scheme. It has been through the Department of Local Government and Planning and all of the concurrence agencies that have to sign off on it, all those which I mentioned. We have developed that at our own cost.

Mr Hallam—It has probably cost to \$2 million to \$3 million.

Ms BURKE—So it is rate based?

Councillor Wood—Rate based, yes.

Mr NAIRN—You also set the charges individually?

Councillor Wood—Yes.

Mr NAIRN—That is one of the big issues elsewhere in Australia. State governments impose all sorts of restrictions through various legislation—land and water acts, environment protection acts, and all sorts of things. They have set the fees that people pay to make applications or contributions et cetera. What government has to do to give an approval has become greater and greater, but they have no control over what the fees are. You have that total control.

Councillor Wood—I am not aware of any fee that is set by state government. Generally speaking, we set all our own fees. In my council, we can only seek to get a cost recovery, because our community would not support any add-ons to cost recovery.

Mr Hallam—The integrated planning legislation prescribes the range of activities for which you can take a headworks contribution. So, the actual breadth of the matters you can take a contribution for is prescribed, but the quantum is a matter for determination by local government.

Mr NAIRN—Did that become a competitive issue between councils?

Mr Hallam—No.

Councillor Wood—Yes! It definitely does.

Councillor Playford—Yes, to the cost to some councils—

Councillor Wood—Indeed.

Councillor Playford—which have subsidised development and then ended up paying for it.

Councillor Wood—My adjoining councils—I do not think Gatton is one of these—

Councillor McDonald—I will correct you if it is, Peter!

Mr Hallam—What was the number for the *Toowoomba Chronicle*!

Councillor Wood—Because our residential suburbs are spilling over the boundary, and the shires are anxious to encourage that residential development, our adjoining councils' headworks charges for water and sewerage—and in some cases they did not apply stormwater headworks—were less than ours. So, we had to maintain a level of building activity within our boundaries. We were obliged to reduce our headworks. We evolved a mathematical formula which said it was a pure way to do it, but I doubt that it was. We do not really want to be subsidising development out of general rates, but I am not sure that we are not.

Mr Dickson—The point also needs to be made that the cost of arriving at infrastructure charges is quite significant. The Gold Coast City Council has quite literally spent millions of dollars on direct and indirect costs in simply arriving at draft infrastructure charges. That is a cost that did not exist 10 years ago—it is quite significant.

Councillor McDonald—Mr Chair, I think it is important not to lose the point that was made earlier when it was suggested that there is one train of thought about amalgamation of different councils. With a council that is one of the largest in south-east Queensland I suggest that we need to deal with the issues. Bob made the point earlier that smaller councils can deliver detail into communities very well. It has been a responsive shift to see these regional organisations form to be able to cooperate. The strength of those regional organisations is the reason they are so successful. The reason to amalgamate some councils cannot be that some of the issues are better delivered on a regional basis at the expense of the commercial activity into the communities.

Councillor Tully—I want to make a comment about those planning issues. Under the integrated planning legislation there has been a more subtle change to the abolition of the rezoning concept in Queensland. There are no uses prohibited on any land in Queensland anymore. Even though land usage is ultimately the decision of the council, there are no prohibited uses, which was the former concept. That leaves a very wide-ranging discretion vested in councils. With that responsibility comes some difficulty because, in the past, it was easier to say that something was prohibited and there was a major rezoning process required involving the state government. I think it is symptomatic of the devolution of the responsibility of planning powers to local government although, since the act came in, I think there has been one slight change with the separate legislation that effectively prohibits prostitution in certain areas within proximity of schools and so on. However, generally it is true to say that there are no prohibited uses on any land in Queensland.

Councillor McDonald—Mr Chair, regarding the question you ask before about the best practice across the state, I think it would be fair to say that both the regional organisations and also the LGAQ perpetuate best practice as it evolves in the different areas. They are able to facilitate the exchange of that information across the state, and that is how we learn about best practice. It is certainly not a situation where people are trying to keep things in-house; it is a very cooperative arrangement across the state.

CHAIR—Is that measurable?

Mr Hallam—Yes, it is. For instance, I actually look at these figures in signing off on our operational plans internally. There have been about 14 seminars this year on best practice in things like waste management, animal management, rating and road delivery. In a month's time we have two days where engineers and other people come in and talk about efficiencies, performance courses, spray rates and costing. That is constant.

CHAIR—Does each council put those figures in its annual report?

Mr Hallam—Yes.

CHAIR—Does the local government association measure that? I will not ask whether they produce a league table; I know they do that in Victoria and it annoys some people.

Mr Hallam—They do it in Europe as well. No, we do not have a league table as such, but we certainly believe that the government has a view about the bottom quartile and where we need to do the most work.

Councillor McDonald—I think it is also measurable through the community surveys that the LGAQ runs each year. Greg might be able to comment on that.

Mr Hallam—Yes. We have spent \$70,000 on community attitude profiling. Some years ago we developed a very robust instrument so that we can tell exactly what the community wants in an area and whether councils are actually doing that well. The focus is on importance and delivery. That is a tool that councils use to do their strategic planning.

Councillor McDonald—It is a fantastic model.

CHAIR—That is a great to get community attitudes, but I was talking about the performance of councils per se in hard data.

Mr Hallam—We use the Grants Commission data. For instance, we know that Toowoomba is a leader in this area. The Institute of Engineering produces a relevant range of costs for, say, a kilometre of sealed road in black soil country, so you know that your cost structure has to fall within those ranges. That sort of material is available to people.

CHAIR—And what about the people who do not fall within that?

Mr Hallam—There is no penalty.

CHAIR—But are you aware of who they are?

Mr Hallam—Yes. But we are member-driven body; we are not government.

CHAIR—I suppose this is a better way of putting it: does the state government have that list?

Mr Hallam—The state government does. The bulk of the work we do on the expenditure side across the whole state is on roads. That is 30 per cent of the work. In rural shires it is up to 40 or 50 per cent. But, since the mid-1990s, councils have been on productivity contracts. For construction and/or maintenance, there are yearly targets, so you have to improve by one or two per cent every year in your delivery of those services. So they are measurable. We are now going through a process, driven by the LGAQ, of having asset management in every council in Queensland so that, in response to the Roads to Recovery, we can absolutely show whether the money was spent wisely in terms of improving the condition of the asset.

CHAIR—I guess my reason for pursuing this a bit is that one of the dividends, if you like, from amalgamations in Victoria and South Australia, for example, is that there is an estimated three to five per cent saving in the costs. That is why other levels of government, whether they be state or federal—in this case, the money is coming from federal government—obviously want to ask questions about whether those savings are achievable, whether they are being achieved and what would help to achieve them.

Mr Hallam—A parliamentary inquiry of the Queensland parliament showed that, in road reform, we delivered a 20 per cent real improvement. So I suspect that there are far more efficiencies to be had through processes, joint resource sharing and purchasing than there are through structural change. It may well be true for Victoria. We are not arguing that there could not be further amalgamations in Queensland. Indeed, someone at some stage will. But there are diseconomies of scale when you look at some of the rural communities, hence Noel's comment about whether, if you started from scratch, you would even incorporate some of those areas.

CHAIR—I do not disagree with that. I remember that, some years ago, a committee chaired by Peter Morris came to that same conclusion. That was based purely on the system of funding.

Councillor McDonald—I think it is also fair to comment that local government responds to those needs and efficiencies. We have situations where three shires will buy a grader between them and use that grader accordingly. If we are to talk about structural change, we lose that connectivity with those communities, just for the sake of having one shire who can afford to buy a grader. They are already responsively attending to those issues.

Councillor Playford—And the sharing of staff happens all over Queensland.

Mr Hallam—This is an interesting proposition to put—it is an argument against us in some ways, and this is true of all sorts of things—but lack of funding has meant that we have embarked upon road reform and now we are doing a 'dealliance process'. If there is no more money in the kitty, you have to find ways of (1) spending it more wisely in terms of allocative efficiency and (2) sharing plant and equipment with your neighbouring shire, sharing depots with Main Roads. We are going through that process right now.

Councillor Playford—Purchasing smarter.

Mr Hallam—Purchasing smarter is a way of trying to drive the—

CHAIR—What was that word—‘dealliance’?

Mr Hallam—There is the Main Roads-LGAQ roads alliance.

Ms BURKE—Is there also an issue about rate raising? You have talked about rate raising and looking at other ways of actually finding the moneys.

Mr Hallam—I have those figures available, and I am happy to provide them to the committee. We have actually done this work. If you look at the whole state of Queensland, there has actually been a per capita real terms decline in general rating over the last six years. In other words, if you are talking about absolute aggregate, the answer is obviously that it has gone up, but if you adjust for real terms, if you adjust for CPI, we are not driving ratings through the roof. Where the money has come from is the news and service charges, and there have been fundamental changes for the larger councils because of the national competition policy and having full cost price water and sewerage. So what has happened is that there has been a switch in the incidence of taxation. You will see a marked change between general rating and user charges, and that has been quite significant. It has been a trend for probably 10 years, but it has certainly been pushed along by the NCP reforms.

CHAIR—If there is nothing further on that, we might move on to some of the funding issues. Is there anything else that we need to bring out on cost shifting? Do you see it as a growing problem?

Mr Holmes—The thing is that, as it came out in the Crossroads discussion paper, there seems to be a greater emphasis on the capacity of local governments as opposed to cost shifting and what cost shifting has gone on. A lot of the discussion this morning has been about the capacity of local governments, not why they might not be quite up to scratch with that capacity. It is because of all these other things coming onto local governments. All we have spoken about is local governments and how they are working together, trying to meet the mark but not looking at the problem—cost shifting.

CHAIR—Okay. Well, away you go.

Mr Holmes—A lot of what was mentioned very briefly earlier on was about state governments trying to meet community expectations that none of us really can. Local governments, because they are closest to the people, react much more quickly and will react more to community feeling than state and federal governments. Therefore, either through a formal devolution of responsibility or through the back door, local governments pick up these things. There is a prime example in Queensland these days: there is probably not an urban local government in Queensland that is not looking at community safety. There is a significant cost in that. I know that in our example at Redcliffe we have tried to work with the police, but it is largely one way. That has come onto the local government. I know Ipswich has spent considerable sums of money on community safety over probably the last five or six years, and there are a lot of other local governments in South-East Queensland, including Toowoomba and Logan and us, looking at enhancing community safety. That is a state government responsibility but the local governments are left carrying the can because of community expectations.

CHAIR—Is it something that you feel the police have pulled out of, or is it something that just was not there?

Mr Holmes—It is very difficult to say. I think the police try, but they do not have the resources. The state sees the local governments and says, ‘These mugs come along. They’re going to support our activities, so let’s let them do it.’ I think that is one of the issues. Because local governments have been very keen to support their communities and do these things, the state sits back and says, ‘Well, thank you very much.’

Councillor Wood—My council is currently very involved in public safety issues. In our surveys of what our community expects of the council, public safety came across I think nearly at the top of the list as something that the local governments should do. So we put considerable effort into public safety issues. We actually have a good relationship with the local police force. We do things that I accept the state government does not have funding for. We provide a vehicle for community policing to the police service. The council provides that, otherwise they would be out running around town on a bicycle or something.

CHAIR—You said the state government does not have funding for it. Why?

Councillor Wood—Every level of government, yours included, is strapped for money. There is no spare cash around. We do not have any. I accept that the state government has limited funds and I accept that the Commonwealth government has limited funds. When our community say to me that public safety is very important to them and they think the councillors should be doing something about it, I take notice.

Mr NAIRN—You can quite clearly say that law and order is a state responsibility.

Councillor Wood—My community says otherwise. My community demands that we councillors do something about it. I will provide to the committee, if you wish, the documentation we have and the surveys we have done in our city which say that very bluntly.

Mr NAIRN—So they believe that you can look after that law and order issue better than the Queensland police?

Councillor Wood—I am talking about public safety, safe cities and what we can do in community education and in other areas of social demand that we have. We are not a police force; we have not established a police force and we would not seek to do so. But our community expect that we will be proactive in ensuring their safety, whether that is by better street lighting, better design of subdivisions or citysafe cameras that we put up in our CBD. We do not have police officers and we do not fill a policing function, but there are things that a council can properly do that the state government will not do.

Councillor Playford—We know that the state government will not do it. That is quite clear.

Mr Hoffmann—Yes.

Mr Stevenson—I am from the Rockhampton City Council. I apologise for being late; we can thank the airlines for that.

CHAIR—You had a fair way to come.

Mr Stevenson—Last night at our council table we had a debate about this very issue. There is a call from the business community saying to council, ‘We want you to do more.’ We have been doing community patrols and security patrols for some time, which are partly funded by the business community—the nightclubs and the like. But they are saying that there is clearly a gap and a need to do more, such as have another patrol down in the CBD. The CBD of Rockhampton, for those who are not aware, has a police station right in the middle of it. But the gap is still there; the police on the ground are simply not sufficient. That issue is there, driven by the community saying, ‘We want you to do something about it.’ That is a real cost we are picking up, and it is not only the cost of providing a security patrol but also the risk associated with that. We are putting people, who are not necessarily the police, into positions that might be perceived as dangerous. There is also the fact that local government is picking up a coordinating role, if you like, between various agencies that have a responsibility for the social side of things, the law and order side of things. We are picking up that role, and that is taking time and effort.

Councillor Wood—I will give you another example from Toowoomba. My council funds something called a Murri Watch where we have a cooperative relationship with elders from the Aboriginal community, and we fund them so that they can move around the CBD on Friday and Saturday nights—it is not a 24-hour a day operation—and counsel and assist young Aboriginal people who might otherwise be a social problem to us. We fund them; state government will not. It is not a council activity. We delegate that responsibility to elders of the Aboriginal community, who happily accept it.

CHAIR—Does ATSIC give any funding for that?

Councillor Wood—No. City council funds it.

Mr SOMLYAY—You have all heard that Wilson Tuckey, as Minister for Regional Services, Territories and Local Government, has flagged the possibility of withholding money from the states and giving it directly to local government for specific purposes. In this instance, if there are inadequate police, which is a state government function, the Commonwealth could withhold funding from the states and give it directly to local authorities to do community policing. I am not saying this should follow the American model, but what would be the view of local government in Queensland?

Councillor Wood—I do not know that a Murri Watch is a police activity, because these people go out and counsel Aboriginal youths. They have no coercive powers at all. They can only offer support, encouragement and advice. I do not see that that is something that the police could do. The police response to a social situation in which young people are being unruly would be quite different to counselling, advice and saying, ‘Come on, hop in the car and I’ll take you home.’ To answer your specific question, there may be avenues where we could pick up funding that would otherwise go to police, but I would like to think about it very carefully.

Councillor Playford—Can I answer the question generally, because there are a whole range of possible areas—because of the diversity—where this might apply. That is in a way the big stick model, which I do not think will work, but I think there is a way around it. There are plenty of precedents for the Commonwealth putting conditions on money to state or local governments, for example; there is nothing wrong with that. Why couldn’t we look at

developing some protocols, some models for service delivery agreements that might be able to be used for some of these functions? There could be service delivery agreements between councils and the state government—not necessarily for every council for everything, but where it is appropriate and where the council and the state think it would be a good idea for the council to deliver some element of a program that they are responsible for.

Whatever we think is the problem with cost shifting now, as I have said before, in five or 10 years time it will be worse and there are going to be other functions that we will have to grapple with, so why not try to develop some sort of structure where we can address the issues as they occur, in a proactive way? Then perhaps the Commonwealth could make their provision of funding contingent upon there being discussion between the council, local government and state government to see whether there are cases where local government can deliver much more cheaply and efficiently than a state agency can.

Ms BURKE—Can I take it back one step. What is the actual data for crime versus community expectations?

Mr Hallam—There is a huge mismatch.

Ms BURKE—Actual data that demonstrates that there is—

Mr Hallam—The fear and the reality are worlds apart.

Ms BURKE—Yes, fear and reality—actual use versus perception. Going back to what you said, why is it the police’s responsibility to patrol licensed premises? If you engage in a business activity that is creating a community problem by having drunks on the street, surely—

Ms GAMBARO—It does not work that way, Anna.

Ms BURKE—Surely—

Ms GAMBARO—I will give you an example.

Ms BURKE—I am just saying, before we all go on, that if we are going to talk about costs and withholding money, where is the evidence that there is actually an issue that needs to be addressed, as opposed to community expectations? I do not disagree. The last two community surveys of my electorate both say that crime and community safety is the biggest issue. We actually have a declining number of crime issues in my electorate. The drug issue, which was a big issue in my seat, has gone, but the perception that there is a drug issue is phenomenal. If we are talking about money—and we are—what is cost shifting based on if the perception that people have does not meet the reality?

Mr Hallam—I come back to Noel’s point. I suspect that it has to be tripartite and it has to be by agreement, because the state has so many ways of squaring up with us if indeed the Commonwealth would—

CHAIR—Explain what you mean by ‘squaring up’!

Mr Hallam—Thank you, Chair!

Councillor Tully—Councillors cannot stand for state parliament in Queensland without resigning from local government.

Mr Hallam—I could run outside and get hit by an ambulance!

Councillor Playford—Put simply, Chair, the state provides far more money to local government in Queensland than the Commonwealth government does.

Mr Hallam—By two to one.

CHAIR—Which is different to other states?

Mr Hallam—Yes.

CHAIR—Did anyone respond to Anna's point?

Councillor McDonald—On the issue of police and crime and the whole ambit of quality of life in the communities, we have to clearly separate the police from the infrastructure and other opportunities for crime prevention in our communities. More police does not mean it is going to be a safer place. By way of a practical example, our council funded a City Safe network of cameras, and it saw wilful damage and crimes in the CBD of our local authority reduced from almost 800 to just over 400 in one 12-month period. That has continued for two years. The police do not have the resources to provide that sort of infrastructure. Local governments do have the capacity to provide the extra lighting and crime prevention, through environmental design or technological advances, to meet that perception. Whilst there is, in a lot of communities, a perception and fear of crime versus actual crime statistics, studies show that that fear is real and it has more impact on people than the actual crime itself in many cases.

Ms GAMBARO—I want to comment on the example given by Bob, the CEO of Redcliffe City Council. I had an information booth a couple of weeks ago down at Scarborough, and it was quite interesting. Twenty to 30 people came to see me about the pub and the associated crime problems such as blood in the streets, smashed windows and the whole gamut. I said, 'Have you contacted the police?' I think the gentlemen from Toowoomba spoke about this too. People said, 'No, we have been in touch with the council.' That absolutely astounded me, because it is a policing issue essentially, but they felt that they could get more action and more cohesive decision making out of the council. I would like to comment on what Redcliffe have been doing, because they are doing a great job there with their City Safe program. But it is an issue of perception. I think you have spoken about it, James, as has Anna. There is a perception about being safe in our communities.

Noel, you said that we should look at funding certain programs. I do not think local government should take over the policing role. They are not equipped. But I think they could cover some aspects of it, such as community safety and standards. We are getting to be an ageing population, and all the surveys that I do and the people that I speak to are terrified about safety in their own homes. One of the things that I have been thinking about for a long time—and I have mentioned it to a few people—is some sort of mentoring scheme. Maybe council could play a role and match up old, lonely people who are living in their homes with local

Rotary clubs or whatever so that if something happens, if they hear a noise, they have someone to go to. Maybe we can look at the state police budget and say, 'We will deliver some sort of service delivery model where there is safety.' It is all about being safe in our communities, and I think that is where the expectation on local councils is enormous. I could not get over the fact that every single person said to me, 'I have spoken to the council.' I said, 'Hang on, how do the police fit in here?' I want to concur that there is that expectation.

Councillor Playford—I do not know if this is right or not, but it is typically said in this community—and there are a quarter of a million people on the Sunshine Coast—that there is one car with two policemen in it late at night for the whole of the Sunshine Coast. They are down at Caloundra. If you ring the police here—I do not know where you get to—you are lucky if you see the car that night.

Ms GAMBARO—It is a matter of perception. I have two policemen living in my street. That might lure me into a false sense of security, but the other day every second house was robbed—except mine, thank goodness—so we still get robbed.

Councillor Playford—I guess I am agreeing with you that the cost of providing 24/7 service for anything, let alone law and order, is horrific. Communities have to do much of the sort of thing that you were talking about if we are going to feel safer.

Mr SOMLYAY—How is that funded, Noel?

Councillor Abbot—Bob's community goes one step further than ours. When you ask that question here, the first thing they say is, 'What is the use of doing that?' Then they say, 'We will go to the council.' They make a negative comment about the police's capability to respond before they make a comment to us. They do keep coming to us continually.

Mr Dickson—On Councillor Playford's point, if we look to the future and appreciate that circumstances are going to change over the next 10 years, who is to say what is going to happen to community expectations about personal safety concerns in the next week? I think there is information around that confirms that demographics drives that expectation, with an ageing population. But coming back to Councillor Playford's point, circumstances are changing. History shows that they will change again. Who is to say in the next week that they will not escalate again? What do we do about it?

Ms BURKE—The difficulty with the ageing population is that they are the ones least likely to be targeted by crime—the stats demonstrate that people who going to be targeted by crime are 25-year-old males, because they are out in the environments where that might happen—but our biggest fear and perception is with our elderly community in their home. The likelihood of their home being knocked off is zip, because they have not got any movable goods to sell on the market. They do not have a hi-fi or a computer. But going out and telling that to our elderly is almost impossible. We have a seniors register in my electorate that is run by the cops. They ring those people every six weeks just to say, 'How are you going?' They have a direct relationship with the local policeman—who, sadly, has just retired. Those are the sorts of issues, and the council has done it jointly. It is just going back to managing community expectations.

Councillor Playford—Isn't it interesting: here are talking about one issue, law and order, and we could have the same sort of conversation, maybe with not as much emotion, on medical

services, health, young people at risk—all of these issues we are dealing with. Alex asked: ‘If we want to go into those sorts of areas that Teresa was talking about who was going to pay for it?’ That is the issue. There are all these new things that we need to do, that the communities are expecting and demanding of us as circumstances change, and we do not have a mechanism for governments to sit down and say: ‘Okay, here is what has changed; here is what now needs to be done. Who should do it? Who can do it most efficiently and effectively and who should pay for it?’ We have no mechanism. It is just happening by default.

CHAIR—Accreditation is one issue that has been talked about in other states.

Mr Stevenson—I just want to pick up the question of the local government’s role. Noel mentioned before that there could be a situation where state and local governments join in a service delivery arrangement. I think the terms of reference in this inquiry open up a much deeper question—the role of government as opposed to local government just being the deliverer of a service. It is about whether the local government has a role in deciding what the priorities are and whether they should be addressed and what resources are required. It goes much deeper than just service delivery. The question in our council is about the safety of the CBD and the social issues that relate to the health of people that are unfortunately caught up in the wrong type of lifestyle. The mechanism is not there to demarcate where the roles stop and start and there is no funding there to allow that to happen, let alone the service delivery.

CHAIR—That comes back to some sort of agreement.

Councillor Tully—I would like to make a comment about where we are heading. All I am hearing today is just a few little cosmetic changes, a few things here and there propping up existing sorts of structures. I know my colleagues from the LGA represent 125 councils, and they are not going to come here today and suggest that councils should be amalgamated. But it is often said, truly, that local government is closest to the people, and I think it is about time we start looking at some of those fundamental issues.

Why can’t the Ipswich City Council or the bigger councils or amalgamated councils be involved in decisions regarding local education issues, local health issues, local environment issues? Let us put local government back to the people. This is a unique opportunity in the just over 100 years of the Australian Constitution to redefine the responsibilities, to look at where local government can be positioned, to look at the funding arrangements—and I will have some more issues to raise today in relation to that. If we are just going to look at some of the tack-ons and whether the police can do this or that or who is going to buy a police car or a motorbike for the police, nothing is going to change for the next 50 years. I would see this a golden opportunity to do something about it.

When inquiries like this are set up, I guess one of the problems is that, whichever government is in place, a whole stack of other people will say that it is just the Liberals or the Labor Party that has put that up. I remember Jim Killen saying once that all the best bowlers are not on the same team. I think it is time for everyone in Australia to look at this opportunity to see whether there is a fundamental opportunity here to reassess how the three spheres of government can operate and whether local government in particular can play a much more fundamental role.

CHAIR—Thank you for that. That is very good. Accreditation has been one thing that we have put in other parts of Australia. The response has been mixed. But if councils get accredited

to deliver a particular service is council best able to deliver that service on behalf of either the Commonwealth government or the state government?

Mr Hallam—There are all sorts of examples of where local government does it and where local government does not do it. The question goes to local responsiveness in the planning and in the participation process. The model has to be flexible enough to have either private sector delivery or council delivery.

CHAIR—Are you supporting the idea of accreditation?

Mr Hallam—Yes. We do it now: all the work that local governments do for main roads has to be prequalified to a certain level of competence for the size of the work. It is not something that is new to us.

CHAIR—Councillor Tully, you wanted to return to the discussion of roles and responsibilities, which is really where we started.

Councillor Tully—Later this afternoon I will expand briefly about that. In terms of local communities, I do not think the concept of amalgamation should be dismissed. We have 125 councils in Queensland: 12 have fewer than 1,000 residents and 40 have fewer than 3,000 residents. According to the latest figures I have, Croydon is the smallest shire, with 286 people. No-one—apart from the 286 people in the Croydon shire—is going to convince me that that is an efficient or effective means of delivering local government services. They have voting rights at local government associations. Speaking as someone who has been a public representative for 24 years and who is an Australian citizen, I stress that there is an opportunity for us to look at serious amalgamations. Queensland started the trend with the super cities in the mid-1990s, where in a number of cities—Ipswich City, Moreton Shire, Gold Coast and Albert, Mackay and Pioneer, Cairns and Mulgrave, to name a few—larger councils were established. The other thing is that in Queensland, and this is unique in Australia, there are full-time councillors. For example, in Ipswich all councillors are full-time. We set our own remuneration, about which we have suggested there should be a state tribunal—but that is the system. We have to advertise our proposed salaries. The people expect that.

In our city we have set up a system of divisional electorate offices. As full-time elected representatives, we are paid a percentage of state members' salaries. I would say, without fear of contradiction, that if any future Ipswich council tried to reverse that—in other words, having local electorate offices to serve the people—they would go backwards very quickly, they would not get community support. Of course, you are not going to go to places like Roma or Longreach or some of the even smaller communities in Queensland and have a whole regime of full-time councillors, but I believe that regional government, based on a local government model, is what is needed around Australia. That will require amalgamations. The Commonwealth, through its fiscal power, has the ability to force that, in a way. Unless some of these fundamental issues are addressed today and during the course of these committee inquiries, nothing will change in the future. I will touch on those issues again this afternoon.

CHAIR—On this question of amalgamation, and I can understand where Councillor Playford is coming from—

Councillor Playford—I have not said anything about amalgamation; I would be happy to.

CHAIR—I know but, as I mentioned earlier, there are serious savings available there and I know you have—

Councillor Playford—You would be wrong if you thought that I do not believe there should be some amalgamations in Queensland—I do. I absolutely do. They are some that are crying out for it. The point I was making earlier was about keeping the ‘local’ in local government. If you amalgamate you lose some things; if you do not amalgamate you will not be able to take advantage of certain opportunities. Every situation needs to be looked at; there is no one size that fits all. That is all I would say. I do not know how some circumstances in Queensland continue to exist; I guess it is because it takes political will to change these things. There was a process going on in Queensland that was stopped—and I think it stopped a bit too soon for some.

Councillor Tully—It stopped at Ipswich!

Councillor Wood—Chair, you were discussing amalgamations—

CHAIR—I was saying that there are serious savings there.

Councillor Wood—Absolutely. I fully agree. I looked at Western Australian shires—not Queensland shires, although there are good cases in Queensland. I went to Western Australia because of a comment in a paper from one of the Western Australian shires to which I objected very much about minimum grants. So I looked at some of the Western Australian shires. I am not talking about the remote shires; I am talking about shires that, on the Commonwealth accessibility map, have good or reasonable access. These are some figures of some populations of West Australian shires: 273, 301, 350, 386, 430, 506, 518—that is Broomehill, which is near Manjimup—605.

Go and have a look at your accessibility map provided by the Commonwealth Grants Commission. I have it right here. They are shires that you can drive to Perth from in between three and four hours or even less. I picked those out because of the comment from Manjimup about wealthy and cashed-up councils receiving millions of dollars. I have to include myself in that, because there are no exceptions. There was no evidence provided. I was disappointed to see that comment in the paper, because it is unsubstantiated. There is no evidence at all to support it and it is entirely unfounded. It leads to the question of why there are not amalgamations. Noel makes the point, quite properly, that, as we saw in Queensland, the political will is lacking. I do not know the Western Australian situation, but I suspect it must be lacking in Western Australia to have this range of inefficient populations.

CHAIR—That leads to an obvious question. Since the Commonwealth is providing significant money through FAGs, does the Commonwealth have an obligation to demand efficient use of that money?

Councillor Wood—Yes, indeed. But the current system discourages amalgamations. I sit on the Queensland Local Government Grants Commission as a commissioner, and it has been my unhappy task, in the last 12 months, to review the methodology. I have interviewed numbers of councils through Queensland. To give you the circumstances in Queensland, we have a number of what we call ‘doughnut councils’, where a significant regional town is entirely surrounded by a shire with a smaller population. The question was put to the commissioners—may I say that I

do not speak for the commission; I speak for Toowoomba City Council and I am in no way representing the Queensland Local Government Grants Commission, as the chairman does that—if these two local governments amalgamated, what would be the aggregate grant result? And the aggregate grant would decline. That was a reason for the town and the surrounding shire to say: ‘Forget it.’ The amount of lost FAGs money was not all that significant, but the fact that there would be some decline as a result of amalgamation put an end to a very sensible, logical arrangement that should have occurred in that area of Queensland 20, 30 or 50 years ago. I would argue that the FAGs system should be adjusted to provide some incentive to amalgamate. It could only be a short-term incentive; it would have to be phased out over a period of time—otherwise, the system would become distorted. But at the moment it provides a disincentive and, Mr Chair, I think you raised the issue that there should be an incentive through FAGs to encourage amalgamations.

Councillor Playford—There are costs of amalgamations, so that would help with the costs, wouldn’t it, at the very least?

Councillor Wood—Yes, it would. It would initially offset the cost of amalgamation. I would like to see state governments address the issue of the cost of amalgamation, because Councillor Tully will, I am sure, confirm that there is initially a significant cost in amalgamation if you are linking up IT systems and all the other systems.

Ms BURKE—What about the savings overall? Are they calculated and taken into account as well?

Councillor Tully—In time, yes. There is no doubt there would be savings.

Ms BURKE—Yes, in time.

Councillor Wood—There has to be savings.

Councillor Tully—Otherwise you would not do it.

Councillor Wood—I have small rural shires adjacent to my city with populations of 2,000. We argue to the Grants Commission that we serve a regional role, because these people utilise all our facilities and services and provide very little themselves.

CHAIR—Can I follow up there? You are talking about the Grants Commission as it is set up in Queensland. Given that it should be federal money, should there be another system within the state? You make some comments in your submission about supporting a state organisation, but does it have to be the Grants Commission? Could it be a subset of a federal Grants Commission or something?

Councillor Playford—Yes, it could be.

CHAIR—Would it be more efficient or more acceptable?

Councillor Playford—It seems a little ironic to me to have federal principles for distribution of federal assistance grants to local governments across Australia and to say, ‘This how much

this state is going to get,' and to then have that state work out how it is going to be distributed once it gets to the state, although I think I know how it came about. It seems to make much more sense to me for it to be done on a national basis, with the proviso that local knowledge is important for taking account of the differences that do exist across Australia—or even across Queensland, for example. So, as long as there was some form of advice that could be input into that, I see nothing wrong with that.

CHAIR—Does anyone else want to comment on that point? I think it is a fairly fundamental one.

Ms BURKE—You could even take it a step further and not even have a state body. The notion of a direct relationship between federal and local levels is very similar to the Roads to Recovery model.

Mr Hallam—It is a fundamental question. Historically, for a period in the early part of the program, the Commonwealth did do it themselves. Subsequently in Queensland, for two years in the late eighties, the Commonwealth did the calculation. But the data is the data and the formula would apply equally. Councillor Playford's point is an apt one. Sometimes the data does not make sense and you do need to have localised knowledge. You have to have someone with an understanding of the system and the circumstance who can interpret that data. Having played with the data for many years, I know that you can come up with some absolute aberrations and you need that broad judgment factor to come into it. But there is no reason why you could not come up with a system that was basically borderless, where you applied those national principles consistently across the country. As it is now, the national principles are applied in seven different ways.

CHAIR—Where do you see the role of state governments in that?

Mr Hallam—Obviously, at the end of the day, for constitutional purposes the money has to go via a state—that is in section 96 of the Constitution—particularly given that the state has jurisdiction in a legal sense over local government. I suspect there would be some states that might be happy to be rid of it and there would be others that would run a states' rights argument.

Mr Stevenson—For many councils, the financial assistance grants are not a major part of their revenue base. So, if we are talking about the structure of the financial relationship between federal government and the local governments, you have to be careful that you are not just putting it on the premise of the financial assistance grants system. It is just not a big deal for many councils, although we would probably argue to the death to get every last cent out of the formula. What is more important is that you still have some cases where local governments, because of remoteness or other reasons, will be outside the standard solution for a regional approach to local government. There needs to be some ability to accommodate those. Amalgamations are not the answer for all of them.

CHAIR—What else would you suggest?

Mr Stevenson—Perhaps the policy decision that has to be made by federal government is the level to which it will subsidise those special cases. Outside of the routine grants formula, a conscious decision should be made to subsidise those communities that have an absolute reliance. I would give the example of Rockhampton and its Grants Commission moneys. We

have done badly out of the formula over many years, but it is still not a major part of our revenue. But, if you go out seven hours to the west and look at the councils out there in Central Queensland you will find that the Grants Commission funds are several times more than their rates revenue. They are so remote that the amalgamation answer is not necessarily the obvious one; yet they are very dependent. So, quite clearly, that would be a case of the federal government subsidising that community to help it run local government. I think any system that you put in place has to be cognisant of those special cases.

Councillor Wood—I do not think anybody is arguing for amalgamation of remote shires—they are a separate category—but there are very many local governments that are not classified as remote and that could benefit from amalgamations. Another comment I would make in respect of grants commissions is that one of their great difficulties is getting adequate data—accurate, reliable information—on which to make informed judgments; it is extremely difficult to get. There is scope for the Commonwealth and maybe the states to somehow develop a database of information which could be used by commissions to better assess relative need.

CHAIR—That comes across to your funding formula.

Ms BURKE—Do we get rid of those grants and then go to a relevant needs basis? I suppose that is the sixty-four dollar question.

Mr Hallam—That is the question. We have contemplated that at some length. The fundamental issue is that, notwithstanding that the nature of the grant changed when the Commonwealth went from the PITS arrangements to the FAGs arrangements—from a growth tax where there were significant new funds going into the pool, up to 28 per cent in some years, to the FAGs arrangements—the Commonwealth stuck with equalisation. The fundamental issue is that the three of them—the Self inquiry, Macklin and the Commonwealth Grants Commission—have said that there is not enough money in the pool and that you cannot achieve it. So the question is: do you persevere with an equalisation model or do you revert to an equal distribution model, which is a fundamentally different proposition? Under an equalisation model, you say that by the nature of the formula some councils are advantaged and some are disadvantaged. If you take an equal distribution model, which is a model that worked in Queensland up until 1986, all councils are disadvantaged, just some more than others. They are fundamentally different propositions. That is a threshold question that the inquiry has to address.

CHAIR—Where would you be suggesting we should be looking?

Mr Hallam—It is clear that there will not be enough money in the pool to achieve equalisation, so I suspect you have to look at models other than equalisation ones. It seems to me that there was a slight word change a few years ago from ‘full horizontal equalisation’ to ‘horizontal equalisation’ in the act. But, as I said, it does not bear any resemblance to the reality on the ground. The states spend a lot of money and time, and the primary objective is not achieved—that is, providing the opportunity for councils to reasonably perform at about the same level. That is not going to happen, so the fundamental question is: do you move away from an equalisation approach to an equal distribution approach and do you need to evolve processes if you do that? Probably the answer is no.

Mr SOMLYAY—How much more money would you need in FAGs to achieve that equalisation?

Councillor Playford—There is not enough.

Mr Hallam—The Commonwealth Grants Commission's report says double.

Councillor Abbot—Maybe it is a little bit more philosophical in this sense: is FAGs part of the problem or part of the solution, and what do we actually want it to do? If it is part of the problem, at the moment it seems—and Peter has raised the issue—to be that it actually encourages bad council practices and all those sorts of things. Maybe we need to think about why that is and where that is happening—and I know Greg has probably put thousands and thousands of hours into that. So I am wondering whether the solution might be to look at the real issues first and worry about building the FAGs grants on need rather than on some sort of equalisation process. I understand that is throwing the cat into the water but the reality is that FAGs seems to me to be part of the problem rather than part of the solution.

CHAIR—We come back to that point about funding models.

Mr Hallam—You have a central dilemma. On the one hand, we do not want to be treated differently from states. The states get untied FAGs for their purposes, but it is a fairly different model with a lot more money involved and you have a relative homogeneity among the states. I will give you an example. If you look at Tasmania and New South Wales you will see that the difference in their fiscal capacities is one to eight. That figure becomes one to 40 or 50 in local government. The difficulty is in determining your relevant range.

I gave some consideration during the evening to the proposition about the SES model. The relevant range is far more constrained: it is one to 1.7. The situation we have in Queensland, which my colleague Gary talked about, is that we have the extremes of Brisbane City Council and Seisia Community Council in the Torres Strait, which has 40 people. That range is phenomenal. If you looked at a normal distribution, there is none by varied population. We are trying at times to impose economic models over numbers or circumstances of local governments that do not fit within the science. So there are fundamental problems with the range and with the data, as someone mentioned earlier. It is not conclusive, it is not robust, yet we apply precise models and people are penalised or rewarded accordingly. As I said, a number of other bodies have looked at these matters and have not been able to come up with a more robust approach.

CHAIR—What I am trying to draw out is: what is the superior approach?

Mr NAIRN—Is SES any worse than others?

Mr Hallam—The Commonwealth Grants Commission has rejected not the SES model but other, not unrelated, models. The difficulty is that the choice of index has to be linked to the purpose of the indicator—that is fundamental. There has to be a relationship. The Commonwealth has withdrawn from some of these areas. The ABS no longer collects some of this data, for financial reasons. But, in terms of the Commonwealth's investment of some billion-odd dollars, it may well be that some portion of the money has to be spent to develop some basis or means, whether it is the SES model or another model, for a more robust way of

distributing the money based on a nationally consistent set of data. I am fundamentally of the view that, without a substantial injection of new funds, the goal of equalisation is utopian and, indeed, counterproductive. You might need to think about a move to an equal distribution model, which did apply in all but two of the states before the change from the PITS act to the FAGs act.

CHAIR—We might just leave that question hanging, have a quick break and then come back to it.

Proceedings suspended from 10.47 a.m. to 11.07 a.m..

CHAIR—We were just talking about whether there are alternative funding models to the FAGs system—there are, but I mean whether we could find one that is workable. Greg, I think you were halfway through saying something.

Mr Hallam—Thank you, Chair. I make these comments as someone who has practised in the area rather than as the executive director of the LGAQ. If I were in your situation and trying to achieve nationally consistent outcomes and the maximum return for the Commonwealth's investment, I would think about a national distribution via the federal Grants Commission, with state advisory bodies, under the Commonwealth's jurisdiction, and move to an equal distribution rather than an equalisation approach.

CHAIR—Thank you, that is very useful.

Ms GAMBARO—Greg, on equal distribution, we were in Toowoomba the other day. Their population is declining. You said something to me about—

Councillor Wood—Teresa, can you speak up please.

Ms GAMBARO—With respect to the equal distribution model that Greg has been talking about, in terms of how you distribute that to councils—every council says it is disadvantaged. How do we overcome that? We have had arguments against per capita funding, particularly in smaller councils, such as in Tasmania, that are declining—where people are moving away. How might we address that?

Mr Hallam—I will explain it in these terms—there are only two ways in which you can do these sorts of fiscal distributions: one is equalisation and the other is equal distribution. The equal distribution model applied in Queensland until the mid-eighties. No council gets a cut. To equalise, you have to take from one to give to another. The equal distribution model says that everyone is disadvantaged but some are more disadvantaged than others. Hence, if you have declining populations it just limits the basis upon which—or the quantum of money—you redistribute. The circumstances are such that if you had a declining population it would be reflected in the way things are currently assessed—in terms of property values, household incomes and all sorts of measures that are taken into account in the calculation. But it is fair to say that population is a driver, on the expenditure side, of some of the actual assessment.

Interestingly enough, there was—as best as you can have it—relative equanimity within local government about the equal distribution model. The anger and the angst always comes when you are taking from some to give to the others, whereas an equal distribution model much more fairly recognises the question of vertical fiscal imbalance—that everyone relative to the

Commonwealth is worse off and no-one can meet all of their needs. Self certainly laid it out in some detail. The data is dodgy and we are trying to run an exact science over numbers that are not robust. In the model that I outlined a moment ago, you have enough riders and caveats to take care of all those circumstances.

Ms BURKE—If it is not an issue of FAGs and we just put that to one side—quite a few of the councils are on minimum grants anyway and it is a small proportion of your actual revenue base—what is the problem? Is there a problem? You are all saying that you cannot meet community expectations. Is there some other issue that needs to be addressed? Do we go back to the actual title of the thing, about cost shifting, about things being imposed that you cannot meet, or is it about growth taxes or what?

Mr Hallam—It is about growth taxes, clearly. We are absolutely crystal clear about that. There are two ways to look at this: there is our problem and there is your issue. They are not the same.

Ms BURKE—That is the thing. If we are talking at cross-purposes, then if we come along and resolve FAGs and it does not help you we have all wasted our time. What should we be doing?

Councillor Wood—You say it is a small proportion of a council budget—

Ms BURKE—It is a small proportion of some councils' budgets. I am sorry. I know that for other councils it is a huge proportion of their budget.

Councillor Wood—Mine is a relatively large council, with a population of 90,000, but if we did not have the FAGs grant it would mean a 10 per cent increase in rates when we are currently, I believe, rating to our full capacity. We have very little ability to go annually beyond CPI. We always go to CPI. Last year we went well above CPI. It is certainly a smaller proportion of our budget than is the case for most other local governments, but it is a critical portion nonetheless.

Mr Hallam—As you know, PITS, or personal income tax sharing, came in at one or 1½ per cent, Malcolm Fraser increased it to two per cent and then there were substantial increases. It was chronicled by any number of reports that that was the time when local government, particularly in the rural communities, went from bridge building organisations to fully local governing units, so it did fund the expansion of local government into community and environmental programs. That would not have happened otherwise, and that came with the substantial increases that were associated with the PITS-tied formula, the hypothecation. Therein lies the rub. Our fundamental position is for a growth tax. We actually had an arrangement in Queensland, with both sides of government, to give us that until mark 2 of the tax package came along. That is the only way we would ever address Anna's issue.

Councillor Playford—In that period, most of the services of most local governments throughout Australia were more about roads than anything else, and it was easy to say, 'That is a state road and that is a council road and we seem, as councils, to be able to resist taking over the maintenance of state roads and stick to our own.' But, just as governments at all levels have responded to communities, providing more and more people services, and a higher proportion of our expenditure—which has grown anyway in real terms—is being spent on people services

as opposed to hard infrastructure, we are not as able to resist the direct needs of people, and hence the cost shifting is growing because it relates more to people than it does to hard infrastructure. If you ask me what should happen—and I will spin off a bit from what Paul said; I said this long ago, before this inquiry even started—rather than things just happening in a topsy way with no control over what is being dumped and what is being taken on, we should be able to sit around the table and work out what needs to be done and who should do it and who should fund it.

We are not going to solve it sitting around a table like this, because there needs to be some work done. I would put up my hand for local government in Queensland given the reasonably good working relationship that local government in Queensland has and has had with successive state governments for quite some time. If the inquiry wanted to make a recommendation that some work should be done on that in a cooperative way, I would not mind betting that we would get the state government in Queensland to agree to sit around the table and investigate these issues by perhaps setting up models or examples to try to address some of these things. Overall, rather than things just being dumped on us because we seem to be at the bottom of the pecking order, if we all agree that things need to be done, it should be serious enough that we sit down and say how it is going to be done, who is going to do it and who is going to pay for it. That is the sort of thing that Paul was talking about earlier. If we cannot get that done, which is fundamental to the whole issue, and if we are not going to end up with mechanisms like that, we are just playing around the edges. In other words, when this inquiry is finished, if there are not recommendations that will take the matter forward in a practical way, we are wasting our time.

Mr NAIRN—Noel, you are saying that the grey areas are the people service areas, where community expectations change or heighten and the community demands certain things. Are there also problems with hard infrastructure things like roads, or is it clear-cut that there are local roads, there are state roads and there are national roads? I am finding that as a federal member communities are wanting to almost ‘grey’ that as well, because they have a problem with a road which is in one jurisdiction and they do not care who fixes it. They want it fixed so if they cannot get the local government to fix it they will try the state government. If the state government will not do anything, they will say to the federal government, ‘You are the most senior government in Australia, you can probably fix it.’ Trying to convince people that there are jurisdictions is becoming more difficult. Are you copping that at a local government level as well?

Councillor Playford—We always have because most people think that it is the council’s job. Maybe the national highway is a bit different—maybe they do not think that is the council’s job—but generally speaking people think it is the council’s job even if it is not. We have had more success resisting putting our money into state government roads than we have had taking over some of the law and order issues—the people issues. One common thing is that, because the council is closer—they are just around the corner, they live in the same street or whatever—they will get you, unless it is the Brisbane City Council, and that is so big that it is probably worse than the state government. It is probably worse than Tasmania in terms of access.

With regard to the roads, it is changing and AusLink is going to change it as well. In Queensland, we have moved—partly with the alliance model but it has been a long process—to trying to get everybody involved in looking at the network as a whole irrespective of who owns it and working cooperatively on the important roads. The most important roads get the most attention irrespective of who owns them. I suspect that AusLink is going to take that to another

level—to a national level. You are right in saying that communities say, ‘It is our network. Fix it. We don’t care who owns it, we just want it fixed.’

Councillor Wood—I am not sure whether this is along the lines that you were asking about but my council has to spend something like \$30 million on a sewerage upgrade. We discharge our effluent into the Murray-Darling system—we are right at the head of it. That requirement, which we accept because it is an important environmental issue that we put a better standard of treated water into the system, comes to us from the federal and state governments.

It is not our decision that we have to environmentally upgrade discharges into the system; it is at the direction of the federal government, followed by the state government. But it is going to cost us \$30 million, which we are flat out trying to find. It is a very difficult task for us. We want to recycle the water to a variety of agricultural uses but it is proving very difficult to get any of the partnerships that we need with different levels of government to provide the capital for that recycling. Those are federal government requirements placed on us. We accept the responsibility but we have not yet found the money.

Councillor Playford—But the state will give you a 40 per cent subsidy.

Mr NAIRN—That is not a bad partnership.

Mr Hallam—Can I make another ex cathedra suggestion? In terms of Noel’s fundamental point and Paul’s point about fiscal mapping—getting a relationship of correlation between responsibilities and resources—and the whole concept of subsidiarity, you could condition the payment of the grant, not the grant itself, from the Commonwealth to the state and from the Commonwealth to the local government with those sorts of prerequisites. The European Union went through it a decade ago. We have not touched it. We have done it in a sectorial sense—well in some cases, not well in others. One of the levers you do have to condition is not to tie the grant but to tie the payment of the grant and to require certain things to have happened.

CHAIR—It raises another fundamental question. Do you believe that at COAG, for example, the Prime Minister and each of the premiers and/or chief ministers separately ought to be putting together agreements? One of the things we are finding with this is that there is so much variety across Australia. Is the way here to try to work out, between the Commonwealth and each state or territory, this whole question of roles, responsibilities and funding?

Councillor Playford—Yes. But do not forget that, even if you were to have exactly the same roles, responsibilities and functions across local government across Australia, they would be changing every year anyway.

CHAIR—Yes, but I am not saying they would be all the same. I am saying that they might vary from state to state anyway to start with.

Councillor Playford—They will. It is having a process, irrespective of the particular issues you might be dealing with. Even within a state you are going to be dealing with different issues for some geographical areas—because of their isolation, remoteness, smallness or whatever—compared with the bigger, urban, more populated areas. It is having processes and mechanisms in place so that in a way we can deliver to communities something that they see as seamless from government.

CHAIR—To put it another way, would it be a step forward to have a framework in place which is obviously dynamic to take into account the changes?

Councillor Playford—Absolutely.

CHAIR—Do you see that as a way of dealing with it?

Mr Hallam—In reality—notwithstanding that we sit at and have one vote at the COAG table and that COAG has its own dynamics—we now have two bilaterals: Commonwealth to state and state to local government. We do not have a multilateral, and therein lies the problem.

Ms BURKE—Going to the options paper, option No. 8 says:

Ensure that local government is a party to negotiations and a signatory to all SPP agreements covering functional areas in which it has significant responsibilities—

Mr Hallam—We gave that a big tick in the survey.

Ms BURKE—My question is: who actually represents the 700-odd local councillors?

Mr Hallam—We have a national body; we have a process.

Ms BURKE—Would each separate council actually give authority to ALGA to represent them?

Mr Stevenson—From a practical point of view, one of the concerns is that the further away that decision making on any rationalisation occurs the less comfortable councillors—this is the people sitting around a table every Monday night or once a month, whatever the case might be—will feel about it. If you were to ask them if they would be happy to sign that over to the ALGA, they would obviously have some reservations. But if you were to ask them if they would be happy for the COAG forum to determine it, they would probably have more reservations. You really have to work, as Greg said, on the multilateral approach that says that you are doing it to satisfy those local needs. It is as much about satisfying the diversity and making sure it accommodates that diversity anyway.

CHAIR—But, surely if you have a state premier for each state at present, that is not becoming more remote; it is bringing it back to a state-by-state basis.

Mr Hallam—I think it is all achievable. I might keep referring to European models but, if you had a model where broad parameters, legal relationships and the continuity of funding and time periods were determined, you could have cascading and subsidiary agreements that get more into the specifics. If we did not tie it all up at the top level but talked about broad directions and outcomes and how it was to work, then the detail Gary talks about is given flexibility, and dealing with different circumstances could be done at a lower subsidiary level.

Councillor Wood—Could I make a comment on the discussion paper regarding funding?

CHAIR—Are there no other comments on that point?

Councillor Wood—Not specifically on that point, no. I was concerned at extracts published in the discussion paper that referred to cashed-up councils receiving millions of dollars, and that looked at levels of cash reserves. I am sure, as you go around Australia, you will not find any council that says they are cashed-up. Maybe there are some, but I do not know where they are. My council has reserves and we would be crazy if we did not. We have got plant renewal reserves so, if we want a new grader or lawnmower, we go to a reserve fund. We have got a computer replacement reserve and we have an insurance reserve—we do a degree of self-insurance and risk management. The suggestion here that reserves are somehow inherently bad is one I reject totally. Reserves are a fundamental part of good local government management.

CHAIR—This is a discussion paper and it is meant to provoke you.

Mr NAIRN—His visa to Western Australia has just been cancelled!

Councillor Wood—I was going to go to Margaret River for a holiday! This came from the Manjimup Council, which by all accounts is a lovely part of Western Australia.

Councillor Playford—I think that is the one that has seven employees and seven councillors between Perth and Albany.

Councillor Wood—They have got a mayor and 15 councillors and a population of 10,000 and yes, they have really big trouble—and I am sympathetic to their problem. Just 15 per cent of their revenue comes from rates; 13 per cent of their area is rateable because they have very large state forests and national parks. A shire with 13 per cent of rateable land has an enormous problem, but their solution—they are like a patient in intensive care on a drip—is to go to the next bed and pull the drip out. That is not the solution. I looked at their neighbouring shires—there are lots of small shires and they put people three to four hours drive from Perth, which is very accessible according to the accessibility map put out by the Commonwealth commission. Their surrounding shires have populations of 4,000; 500; 1,100; and 1,100. I was told as a part of my inquiries that there was a discussion amongst those shires to employ a planner. We had earlier examples of cooperative work in Queensland; I am told that these shires could not agree on a planner to be employed between them. I understand their problem, but their argument is: give us more federal grant money. That is not the solution to their problem.

CHAIR—That is why we come back to the question I have been hinting at a few times about what conditions the Commonwealth might impose in terms of gaining some efficiencies. I know people will say, ‘You have found an exception,’ but you have found some cases of compelling arguments for the Commonwealth asking for more efficiency gains.

Councillor Wood—Yes, it would be nice if commissions could measure efficiency. I would like a system where there was some reward for an efficient operation of local government, but previous commissions of inquiry and investigation seem to show that getting a measure of efficiency across a range of councils is extremely difficult. If it could be done, I would be happy to see that as a part of grants commission methodology, but I do not think it can be done.

CHAIR—They have come up with some measures.

Mr Hallam—In our response to your issues paper, we indicated preparedness to at least examine a proposition from the Commonwealth as to what ‘reasonable rating effort’ means. We

have not signed off on that idea but we would be happy to join a debate, at least on the revenue side, about people making it fair.

Councillor Wood—I can give you press clippings from my regional newspapers which show that, at budget time last year, regional shires boasted they had not had a rate increase in 10 years. Is that a reasonable rating effort? That then poses the question: to what purpose are the FAGs being put? Is it to approach an average level of services or is it to subsidise a rating level?

Councillor Playford—What about New South Wales—

CHAIR—Or fewer services?

Councillor Playford—where there is a cap on rating increases, when a community might actually want to pay more to receive better services?

Mr Stevenson—Taking up the point that Councillor Wood made about Manjimup in Western Australia, I think we could all find examples of genuine efforts by councils around Australia in rural situations where they have found the going just a bit too tough. Post amalgamation in Victoria, I was CEO of Corangamite Shire—the chair knows that electorate well. We were ripping up 30 kilometres of sealed road a year because we could not afford pothole maintenance on them. The debate around the table at that time was about how to review our planning scheme, and we spent an awful lot of money on consultants. We were ripping up roads in front of dairies—and dust and dairies do not go together—and at the same time saying that we needed some basic equipment in the shed to do a job that might have been of the order of \$5,000 or \$10,000. We would debate budgets like that.

There are councils around Australia that are in that situation—practitioners whom I represent through LGMA—and that find the going a little tough. And they see larger councils—it could be a Rockhampton or Brisbane City Council—that enjoy a greater degree of flexibility and a hell of a lot more depth in their financial capacity to make decisions that can actually change the service in the community. A \$10,000 playground in the small town of Cobden, with a population of 1,500, can make a difference in that community, and that got cut, although they see bigger ones down the road. I am just making the point that we can find cases like Manjimup and others that are more genuine. That particular regime was under the control of a rating effort review by the state government at that time—the Kennett government was very clearly looking at the ability of that council to raise rates and its actual effort in raising rates.

Councillor Wood—Were they rating at an average level?

Mr Stevenson—At an above average level. We can find examples all over the place. These are the anomalies that have come up.

CHAIR—We can always find exceptions to everything. Your point is taken.

Ms BURKE—We have heard now from a couple of different places about councils being responsible for themselves, and that has been heartening for others. As opposed to people saying, ‘All of the impost is on us,’ we have had quite a few people saying, ‘The councils actually have to put in their own bit as well.’ It was interesting in Victoria—

CHAIR—In your submission you talk about supporting that. How effective is it in terms of revenue raising by councils? Is there more scope there?

Mr Hallam—No. There are two ways to look at it. In a systemic sense, there is probably not more scope; we are rating fairly close to capacity. Some of the larger councils are rating beyond capacity, while councils of some of the smaller shires are rating below capacity. We are very fortunate that—again, this sounds like a broken record—relative to the other states, we have the greatest flexibility in our revenue raising powers. We have a whole suite of tools available to us, and there has been a substantial move in the last decade towards specific rates or benefited area levies to pay for things such as, in a CBD precinct, security lighting or patrols and economic development—for instance, special rates and levies for the acquisition of significant parcels of vegetation or open space. Rather than the general rating route, people have been quite prepared to put their hand in their pocket to pay for a specific set of outcomes. So we have no constraints on revenue raising, we have all the flexibility in the world, and councils by and large are taking those up. As I say, it is a very clear move in the non-general rates to have a broader range of specific purpose charges for particular activities, services or facilities.

Councillor McDonald—With regard to the discussions we have been having about cost shifting, I would like to make the point that there is a real philosophical issue about cost shifting which is stimulated by the ability of councils and local governments to deliver on the ground. I use the example of the south-east Queensland water strategy. The state government came to SEQROQ and our local governments and said, ‘We want you to deliver this with us.’ They did not come to the table with a bucket of money. Council sat down and worked out that probably a 20 per cent to 80 per cent funding balance was needed. However, the state government, which wanted to do that work, said, ‘No, we’ll split it down the middle or at best shift to 55 per cent to 45 per cent.’ I think we are sometimes victims of our own ability to deliver work on the ground. Other governments approach local governments to deliver and do not bring a can of money with them.

CHAIR—You do have a much bigger state government contribution. I think you said you have a two to one ratio of state versus Commonwealth funding. It is, of course, the other way around in most states.

Mr Hallam—It is \$437 million in state funding this financial year.

CHAIR—In the other states it is the other way around.

Councillor Abbot—That includes water supply and sewerage subsidies.

Mr Hallam—And road subsidies.

CHAIR—You have quite a different perspective from other states where the state government contribution is less and declining in relative terms.

Mr Hallam—Absolutely.

Councillor Abbot—But, as Noel said last night, if you take the water supply and sewerage subsidies out so that we just do the same as councils in other states, we are not quite that well off.

Mr Hallam—No.

Councillor Abbot—We are not in front.

Councillor McDonald—That is a good point. Also, a point needs to be made about small communities. No matter how many amalgamations might be suggested, you are still going to have small communities which, purely by their size, even if their rating capacity were above average or at its fullest, do not have the ability to raise the revenues that the larger councils have. I come back to a simple model and say that it is the community who are going to pay, whether it be through state or federal funding or through rates that the council collects. If council is being responsive to the community—and I would argue strongly that local governments are responsive—then there is pressure for the revenue that it is able to obtain from their community to be spent the best way it possibly can be in that community.

CHAIR—That is not excluding the possibility for amalgamations in a lot of areas.

Ms BURKE—Something was raised earlier about non-rateable land and areas that obviously do not service communities, because they are vast open plains. Is there a need to also address those sorts of issues? I suppose Queensland has a bigger problem than some of the other states in respect of non-rateable land and vastness. WA would be the other place; there are massive tracts there. Do those things also need to be addressed?

Mr Hallam—You cannot look at one without the other. You cannot contemplate the question of amalgamations without looking at the issue of unincorporation. It is all part of the same jigsaw puzzle.

Ms BURKE—Is there an answer to it?

Mr Hallam—If you are a courageous minister.

Ms BURKE—I am in opposition!

CHAIR—We will move on to one of the other issues raised in the discussion paper, the cost of infrastructure funding and the shortfall. The original ALGA figures were somewhat larger than the more recent ones and, taking into account Roads to Recovery, I think the shortfall is now about \$700 million nationally. You have said you would look at the question of a national study into the whole issue. How serious is this infrastructure shortfall from a Queensland perspective, and how much of it is caused by the pressures on councils to divert funds into other areas?

Mr Hallam—That is a good question. We can prove that our efforts have actually not dropped off. The figures, not in per capita terms but in real terms, show that our infrastructure is pretty consistent. It does switch around from time to time. We were successful in arguing for more water and sewerage subsidies in the mid-1990s, so a bit of work came off roads. The honey was there in the form of the 40 per cent subsidy, so people switched more of their money into upgrading sewage treatment to tertiary and whatever.

Local government still spends about a third of all of its outlays on capital works. Our effort on roads is pretty consistent at about \$1.1 billion. That is about the same amount as the state spends. To their credit, successive Queensland governments have not diminished their efforts—in fact, they have increased them, in real terms—on road funding. The difficulty is simply the condition of the asset. Currently, in Queensland—this is all roads, not just our roads—there is a \$5 billion backlog on reseals. The congestion problem in south-east Queensland is horrific. All sorts of studies have been done. We have engaged with the state in what are known as integrated regional transport plans, but there simply isn't the money. Obviously, we would love to have some more of your fuel excise, but we have been waiting for a while.

CHAIR—Where have I heard that before?

Mr Hallam—Having said that, we have tackled it from the supply side. We argue—and I am on the record as saying this—that Queensland government should abolish its fuel subsidy and put that money into roads and transport. That is our stated policy. But, having said all those things, we do not believe that it is a question of being mendicant. As a level of government, we have initiated and embarked upon significant reforms. I have talked about the road reform process in the 1990s with contracting, price performance and productivity agreements. We are now going through the roads alliance model, which the AusLink inquiry has picked up on as the model for the rest of the country. In 12 months or so we are putting in place for the first time ever—and it is probably something to be embarrassed about as well as happy about—the first fully comprehensive picture of every road in terms of its asset condition.

So all the building blocks are there and all the efforts are being made. Despite everyone's efforts on the supply side, the fundamental issue is that there is not enough money to meet need. We are doing it at two levels: we are trying to target, from an allocative efficiency point of view, where the dollars are spent; and we are trying to improve the actual delivery and efficiency of the operation. Another thing is really going to come home to roost. We have had AAS27 for six or seven years in Queensland. Now councils are being required to report on the condition of their infrastructure. Whereas once it was just a snapshot of the value, we are now going to have to describe in our financial reports the long-term situation of our assets. That does raise questions about the viability of some communities. There would be councils in Queensland that would have significant difficulties maintaining their infrastructure in the medium term.

CHAIR—We have at least one in Victoria that is not exactly travelling too well, either.

Mr Dickson—In support of what Greg said, the Gold Coast is a classic case. We have relatively new infrastructure. The population is growing at a rate of something like 13,000 every year and people are looking to live in more condensed housing. That brings with it issues with people living close together and their community amenity et cetera. In the medium to long term, there are going to be real issues with the quality of infrastructure on the Gold Coast. It is a relatively new and growing city now, but that is not going to be the case in future years.

CHAIR—Does anybody else want to comment on that aspect?

Mr Stevenson—Asset management is not just about the current status of the asset or the number of dollars that are available to maintain or upgrade the asset; it is about life cycle. What we are all suffering from is the outcome of a boom in the provision of infrastructure—whether that is underground sewerage, the sealing of roads or the installation of kerb and channel—that

happened 30 or 40 years ago. We are now meeting another bill with the replacement of some of those assets. The picture that we have is that, very clearly, it is going to get a hell of a lot worse before it gets better.

I will give you an example of the sort of backlog we have with our water infrastructure. A few years ago we put a fair bit of effort into asset management at Rockhampton City Council. The average number of breaks per 100 kilometres of main was 83. The average across the state was something like 13; industry best practice would be four or five. So that is the sort of backlog we are facing just for the water mains under the ground, and we are starting to move into an upwards curve in terms of assets that were built 30 or 40 years ago—they are going to start to fall apart. There really is a problem there. My concern with the discussion paper is that if we are looking to try and resolve that at a national level the task is quite enormous.

States have put effort into trying to get data together to get an overall picture of assets and get that uniform across the states. The LGAQ is driving a fair amount of work in this state. But we are talking about quite a bit of effort over a long period of time before we would then get each state with the same basis for their data and the same sort of picture. I think the asset management issue is a local issue and that the effort should be put into making sure we bring everyone up to speed locally. Ultimately, if we got a national picture, that would be all the better. But if you are looking at the asset management for a funding basis, then I think it is a long way away.

Mr Hallam—We agree with your paper, too, that Roads to Recovery should continue.

CHAIR—I have not found anyone who does not!

Councillor McDonald—And continue in real terms.

Mr Hallam—Absolutely.

CHAIR—If no-one else wants to comment on that aspect, we will run through a few other issues. The National Action Plan for Salinity and Water Control: has local government been involved with the state in this whole question of salinity and water quality and how is it working?

Councillor McDonald—We are waiting to get the money. The anniversary date is 16 March for our western catchment group waiting for the bilateral agreements to be finalised and signed. Unless that has happened in the past two days, I am not aware of the money having changed hands at this stage. I understand that a lot of effort is being made there. I go back to the point I made before: local government's ability to deliver on ground, certainly in natural resource management issues, is fantastic, but with the responsibility comes the cost, and at the present time the money has not come forward.

CHAIR—Has anyone else experienced this?

Councillor Playford—It just seems to be slow, as Jim said. The other issue is the capacity building in local government to handle this, which is an argument we have been having with our state government for the best part of two years. That has been resolved and we are now working with the Department of Natural Resources and Mines to develop a sensible program to help

councils. That is critical, simply because the bigger councils tend to have professional officers who can handle things; the smaller guys just do not—they do not have staff who can deal with these things so that they can really be part of the whole program. They need some assistance, and that is why it is so important.

CHAIR—Are you saying they are missing out at the moment?

Councillor Playford—No, they are not missing out. But the whole national action plan for delivery of the catchment plans is going to require a lot of work by councils in terms of their statutory responsibilities, such as the planning issues—they all have to be integrated with the catchment plans that come out of the NAP initiative. The majority of councils simply do not have anybody on staff who can do that work. There needs to be some hand holding, basically, and there is funding for it. As I said, we had trouble with our state government because they were going to use the funding to fund some of their own stuff, the same as a number of our state government agencies did with NHT1.

Councillor Wood—In my region, the issue was led by the regional grouping of councils who initiated the proposals and organised them. They now have funding through what is called the Condamine Alliance, which is the Condamine part of the Murray Darling Basin. Without the initiative of the local regional grouping, we would be nowhere near the point where we are now, where we have a funded operational body in place.

Mr NAIRN—Are you relying on the state government to provide you with the science behind what you—

Councillor Wood—Yes.

Mr NAIRN—That is a worry. With a different hat on I chair the Standing Committee on Science and Innovation. We are going to be looking at the implementation of this plan because we have some real concerns about the differing approaches taken around the states, in many cases applying the wrong science—and a lot of money being spent.

Councillor Wood—We would not have managed without state government assistance.

Councillor Playford—Part of that is data availability, too. It is having the correct data. We tend to want to get in there and fix things, and sometimes we do not know what we are doing because we have not put the resources into collecting the right data so that we can end up making the right decisions. We find that with vegetation management—

CHAIR—And the science is changing, too, I think Gary will tell you.

Councillor Abbot—It is difficult to know, from a layman's perspective, when you have reached that level. The most work that has been done scientifically in Queensland has been through the Moreton Bay Waterways partnership. Millions of dollars were put into all sorts of research and, at the end of the day, we are still being asked for millions more dollars to put into more and more research. When you get the lay people like me who are starting to say, 'Hang on, we need to get something happening on the ground,' the argument has been: 'We don't really know what we are doing yet.'

I argued quite strongly at the last policy council about the \$5 million that we are going to put into the Moreton Bay catchment program this year. Out of that \$5 million, there is \$2.5 million for research, \$1 million for administration, \$1 million for this, \$1 million for that and \$200,000 per project for about four projects, for actual work on the ground. That frustrates people like me because you never actually get anything done. Building on top of the experience that I explained last night, and being for three years the local representative on the regional assessment panel for the Natural Heritage Trust, we saw the amount of money that was siphoned off for core business for the Department of Natural Resources and Mines, the Environmental Protection Agency and the DPI over that three-year period. It was just awesome—to the extent that I was not asked back.

CHAIR—Would you like to expand on that last point—not about not being asked back, but about the previous one?

Concillor Abbot—The department of natural resources was obviously struggling for funds, and it established over the four or five-year period of NHT a fairly significant network of coordinators throughout the state—who basically were being paid by NHT funding—doing projects that would normally have been the core business of most local natural resources departments, environment departments or departments of primary industry. We saw that as being a rip-off of that money: selling the farm at that level, so to speak, which a number of us argued against initially with the Telstra deal, and spending the money on operational matters that were the core business of the state government. We saw it as not a good investment, and there was a significant argument at the time. Obviously we did not hold sway, because in my view there has not been a lot of attention paid to it; but, in the same vein, we need to be really wary that if NHT2 ever becomes a reality, the same processes are not in place.

I understand that the development of the natural resource management plans locally is a good issue and is a great way to start. That has held up a lot of the local authorities and community groups in achieving some work on the ground, much to the frustration of a lot of the community groups who have now just walked away from the process. They are getting on doing business on their own, using their own money and their own individual skills to work through some of their projects. There was an awful amount of frustration that was left behind from an NHT1 and I think we need to be very wary that that is not continued.

Mr Stevenson—The Central Queensland Regional Organisation of Councils has asked me to raise today another aspect which came out of the NAP experience. In April last year, COAG considered the NAP arrangements and identified specific requirements for local government representation on regional bodies and:

Local government involvement in the development of integrated natural resource management regional plans; and

Awareness of regional objectives in local planning.

At a federal level, there was clearly the view that there needs to be integral local government involvement. The bilateral agreement between the Queensland state government and the federal government did not necessarily bring that through as strongly. While some regions have had some success in their own initiatives at local government level through the ROCs, we found ourselves in the situation where we were almost treated as a sectoral group, along with the

various groups that might represent the mines, agriculture or the bottom breathing turtle—and, believe it or not, there is a turtle in Queensland that actually breathes out the other end.

Councillor Abbot—On Rockhampton City Council?

Mr Stevenson—No, not on Rockhampton council. The point is that local government, through the COAG arrangements and the bilateral agreement, was being reduced to a sectoral interest in a NAP program as opposed to the third level of government that should be integrally involved in delivery. Option 6 in the discussion paper is quite relevant here. It talks about using existing organisations and existing bodies, such as the ROCs, where they are credible. I think that is to be applauded because there is the potential for an approach like the NAP to duplicate or set up parallel mechanisms for local government involvement without recognition of its level of government.

CHAIR—Environment Australia had some people on the ground. Was that any benefit?

Mr Stevenson—Not at that time. Effectively, the bilateral agreement established the sorts of composition that might exist, and then it was a matter of local government trying to make sure it had sufficient representation. That is different from Councillor Wood's example where the initiative has obviously come from the ROC.

Councillor Playford—In fact, it was a big fight in Central Queensland for local government to have even reasonable representation on the group.

Mr Stevenson—That is exactly right—and still is.

Councillor Playford—Yes.

Mr Stevenson—Our group has done a number of studies to show we spend more money than the states and the Commonwealth combined, as a sphere of government nationally, on those issues.

Councillor Playford—On national resource management issues.

CHAIR—We want to open this up to general issues. I know, Councillor Tully, that you have some views about things you want to throw into the discussion. Would you like to do that now?

Councillor Tully—My comrades will give them apoplexy before lunch perhaps rather than afterwards.

CHAIR—Did you want a bit of advance warning?

Councillor Tully—No, that is fine. There is probably a series of issues. I have some notes here, and I have touched on some points already. I will run through them and, if people want to stop me, that is fine. I mentioned amalgamations and the Queensland model originally. I mentioned the sizes of councils, and I have a number of copies of those figures. I think it is fairly revealing; even Jim from Gatton has about 50.

CHAIR—Numerical size or geographical size?

Councillor Tully—Numerical size and, of course, that raises the issue of the geographical size that some of these councils are responsible for. But 12 of those 125 councils have a population of fewer than 1,000; 40 have fewer than 3,000; and some of them are extraordinarily small. In fact, some time ago one of the councils in Queensland—and Greg, you might help me on this—had about 60 voters in the shire. So, if you had a falling-out with your family, you were booted out at the next election.

Councillor Playford—I thought they were all from the same family.

Councillor Tully—It is probably an illustrative comment about the opportunities that are there to amalgamate. With 125 councils in this state, I do not think we have gone far enough. Both the government's and the opposition's policies are that, unless there is agreement between the local governments involved, they will not progress to any further amalgamations. It was with a lot of heartburn in the mid-1990s that amalgamations took place. We in Ipswich had been elected in 1994 and then one year later we were forcibly amalgamated with Moreton Shire and put on a five-year term as an interim arrangement. I will leave that issue of sizes there. To some extent it speaks for itself.

Jim from Gatton raised the question of local representation and the representation of towns. This concept of amalgamation into much broader areas does not prevent those towns from being represented by individual councillors; it just means that one council would cover a multiplicity of towns, which happens now already. Some towns have got their own town council; plenty of towns do not have their own town council and the local representative travels some considerable distance to be part of a broader council area. The opportunity obviously exists for amalgamations in the rest of Australia.

Councillor Playford—Some fly to council meetings, too.

Councillor Tully—We do not. I believe that regional councils should receive direct federal government grants and funding. The Roads to Recovery program—

CHAIR—Regional or town councils?

Councillor Tully—Regional, as in terms of much larger councils. If you take the Ipswich situation, we have 135,000 people. I am talking about councils in the generic sense as regional councils rather than as a collection of councils in their own right. On the basis of that sort of philosophy, Australia's 720 or so councils could be reduced by about 80 per cent down to about 150 councils. If you did that, you would be starting to create super councils around Australia, which would be much more efficient and effective in the delivery of their services. You could then move to the Queensland position of full-time councillors, full-time mayors—people who are representing the community on a full-time basis rather than trying to juggle jobs. People have difficulty representing communities. In my view; there is only a small sector of the community, in most states of Australia, who are capable of standing for local government and devoting the time they should be because of the imperatives of their own job and family commitments.

The other issue is in relation to capital city local government. Queensland provides an example, set up under the City of Brisbane Act 1924. It is the largest local government population in Australia, and I think it is regarded worldwide as a very effective and efficient form of local government representation. I believe the federal government should be looking at local government on a state-wide basis of whether or not there should be a large metropolitan government to cover the whole of a capital city surrounded by a number of larger urban local governments and shires. We have that in the case of Brisbane, where you have three surrounding cities: Logan City, Ipswich and Redcliffe. You have got the shires of Pine Rivers and Redlands, which are on the border of Brisbane as well. I think that assists planning.

If you had a similar situation in Sydney or Melbourne, it would assist the planning of the capital city, when you have one local government being responsible rather than myriad councils that are supposedly local in their representation but which do not provide the integration that one council can provide. The implementation of amalgamations and the capital city concept would allow them to be involved in local decision making in key areas, with fundamental changes in responsibilities involving health, education, the environment and possibly including city style policing and law enforcement. At the moment, for example, we as a local government are devolved responsibilities from the state but we need to have the resources and the legal powers to be able to carry out the functions devolved to us.

I will give you a simple example which is not going to change the face of local government: litter control is now controlled under EPA legislation and we are responsible for enforcing that. A police officer can stop a moving vehicle but a local government officer cannot. What a joke that is, just as a very simple example, when we are given the responsibility for enforcement but not the powers of detection or the concurrent powers that we need to be able to effectively enforce the law. That is the same for every council in Queensland.

I think we should be moving to a situation where funding for local government should be directed from Commonwealth revenues directly from the taxation system and from a specified percentage of the GST. In time we should be moving to a situation where councils would no longer be obliged to levy general rates in Australia, where they would charge for the services they provide such as sewerage cleansing and water. Local government, if it wants to be fostered in Australia as the closest level of government to the people, should be funded directly from taxation and GST revenue.

Because of the interaction between the state and the Commonwealth, local government is the creature of a state government. That need not necessarily be so. The Commonwealth under its corporations power, I believe, would have the option of looking at the creation of Commonwealth based local governments and using its fiscal powers of control. If people suggest that might involve acquisition on just terms, I am not talking about the acquisition of the assets—local government could continue in their own form—but the control could be under federal legislation rather than a myriad of state and territory based legislation. If we are going to move this whole debate forward from that point of view though, any of these proposals need to be considered by the national assembly of local government, which meets annually—usually in November—so that councils around Australia have a forum to discuss these issues and to comment and vote on them so that there can be some sorts of collective views.

I intimated earlier in my comments that one of the greatest difficulties in Australia, and probably in most Western democracies when you have government in opposition, is that

whoever puts up a proposal first usually finds torrid opposition from the opposition. I guess that is a fundamental part of our democracy—and I recall Paul Keating suggesting the GST back in 1986. I think it behoves everyone who is elected as a representative, at any level of government and of whatever political persuasion, to look at the opportunity that this inquiry presents and at the issues involved and not necessarily at the personalities. The options are really there to be addressed. Hopefully, we will get something out of this inquiry rather than just another inquiry where it is all packaged and put in folders and put in a bookcase—or nowadays filed in someone's folder on a computer.

CHAIR—Thank you for that. Hopefully, that might stimulate some more thoughts. Just before we go, I need somebody to move that the Queensland local government councils list be received as evidence to the inquiry into local government and cost shifting. It is so moved by Ms Burke and seconded by Mr Nairn. There being no objection, it is so ordered. Is there any response to that?

Councillor Wood—I have been on my council for longer than 20 years and I deal with the practicalities of local government and with the practicalities of state and federal government. If it comes to change, the Australian community and Australian politics will accept incremental change—never radical change. I might find myself in agreement with a lot of what Paul has said, but I want to deal with issues that can be resolved within the current Australian constituency. That will be for small change, not massive change—incremental rather radical. I can go away and on another day have a long debate with you, Paul, about the merits of what you are saying but I do not think it is going to produce any practical results through these hearings.

Councillor Abbot—I have probably been in local government too long too and I am starting to agree with some of the things that Paul is saying—

Councillor Tully—That is a worry, Bob.

Councillor Abbot—Particularly if you know our history. All jokes aside, I do not disagree with the philosophy that Paul is putting forward, but there is a property based tax system—and I can only speak for Queensland—that works successfully for local authorities for property based issues. We should not ignore that. You cannot take that out of the game. It is an important part of the local government process. If there is a fundamental difference that I have with what Paul is saying it is that we should not be removing the one significant income capability which is justifiable to a great degree and is controllable by the individual local governments to suit their own levels of expenditure. We cannot take that out of the game in looking for some other form of independent funding from other areas. Obviously, for the non-property based functions that we are expected to carry out in the future, by all means there need to be very different taxation systems to provide the income for that. But we have a good system for our property based issues now that we should try to hang on to.

Councillor Playford—There are other jurisdictions—for example, in Denmark—where the local government simply determines what percentage of income tax collected from their area is going to be remitted to them by the central government, and that is how they get their income. They decide the percentage. They have control over the amount that they receive. It is quite interesting over there. The people will compare the percentages that different councils put on top.

Councillor Tully—Loading on top of the 100 per cent.

Councillor Playford—Yes. In other words, the central government simply collects money through personal income tax.

Mr NAIRN—What about land tax and stamp duties, which are specifically property based taxes from which no local government in Australia gets any benefit?

Councillor Tully—Some of those were intended to disappear with the GST but I think that they are here to stay.

Mr NAIRN—No, they were not—

CHAIR—Stamp duties were involved in the 1993 plan but not in the more recent one.

Councillor Playford—Stamp duty and share transactions.

Councillor Tully—We do not get a look in at all, of course, and there are major revenue streams. I suggested 20 years ago that we should get a share of gambling revenue; there is no reason that local government should not. But if you put up an idea, whoever controls the purse strings is going to say no. That is the fundamental issue here: are we going to make any changes? The Commonwealth is in a position to do so because it controls the purse strings. In the forties, when the taxation system was rejigged, the Commonwealth, via a series of four bills, was able to take control of our taxation system. I believe that the opportunity is there. Whoever controls the purse strings controls all the outcomes. All these other minor issues about who is responsible for what become quite irrelevant.

Mr SOMLYAY—What about NCP payments. How much of that does local government see?

Councillor Playford—\$120 million.

Mr Hallam—We get one-fifth of what the Queensland government gets. There is a bit of magic to the number, other than what we can negotiate. It represents about our share of trading enterprises in the state.

Councillor Wood—And it has been useful.

Councillor Playford—Extremely.

Councillor Abbot—Talking about property based taxes, stamp duty and other issues that have been raised in South-East Queensland recently, we had an organisation called the Regional Landscape Unit, which was supported by a committee of community people called the Regional Landscape Advisory Committee. That was put together under the old SEQ 2001 program, which the state government developed to look at regional development in South-East Queensland, which Noel talked about before. It was the mother of the RCC. It was established to deal with regional landscape issues right through South-East Queensland to try to protect those values here. To fund that, the state government increased stamp duty and charges on transfers to the

tune of \$34 million over five years. They have not spent a cent of that money and they have now successfully buried the regional landscape strategy and pocketed the \$34 million.

If Councillor Soorley were here, I am sure he would expound on it much more liberally than I have today, because he has been doing so quite strongly at the last four or five meetings I have attended with him. That is the sort of thing we need to think about. If property based taxes are being used against the process that we are trying to establish, we have to think about that.

Mr Hallam—We would have a view that next time there is a fundamental review of the Australian taxation system—of course with another government in many years time—if it is a question of the GST being revisited and it went from 10 per cent to 12 per cent, that would be the opportunity. That is the Scandinavian model: from the point of view of efficiency and collection processes, the federal body of government collects the money. As I say, it is on the rate notices, so it is crystal clear.

Councillor Playford—Be careful with that. That is what the states wanted to do with the ambulance levy—simplicity of collection.

Mr Hallam—If you go back to personal income tax sharing, at that point in time on your tax assessment, it was written on it that two per cent went to local government. It was written on the bottom of the notice.

CHAIR—That is an interesting proposition. I do not think we will open that up any further.

Mr Currie—Councillor Tully referred to 80 councils across Australia and that is going to come back to about 10 in Queensland, which is going back to the old pure regionalism days.

Councillor Tully—No, I was talking about reducing it by 80 per cent, so you would still have 25 or 30 councils in Queensland.

Mr Currie—We need to be careful—and we have said it before here today—that one size does not fit all. You may be able to have Brisbane city with a million people, but if you are looking at a million people in the rest of Queensland, it is a long way from your local representative to your area of administration. There has to be some recognition of the area of the local authorities as well as the pure population base for them.

Councillor Tully—I need to make it fundamentally clear that I was not suggesting that councils have a minimum of a million people—far from it. Some of the very low figures in Queensland and other states provide evidence that many councils are far too small and will never be efficient operators in their own areas.

Mr Currie—Coming from a small local authority—but not as small as the ones you are referring to—there are definitely economies of scale in a certain bracket. If you get too big, you lose it; if you get too small, you lose it. It is a matter of finding what that area of economy of scale is. You would probably find you would get support right around the state from all areas for the general concept that Councillor Tully is referring to.

Councillor Tully—The problem is you will rarely get an agreement at local government level, because people who are already elected members or senior officers in organisations tend to want to maintain the status quo.

Ms BURKE—Unemployment is not a great prospect.

Councillor Playford—Even so, I do not know if Paul quite understands how probably ninety per cent of the geographic mass of Australia works.

Councillor Tully—There are not a lot of people in that area.

Councillor Playford—There are not. But if you think it would be more efficient to have 1,200 people in a shire four times the size of Tasmania versus 300 people in four shires each the size of Tasmania, and say that one is more efficient than the other, frankly, that is just stretching the bounds.

Councillor Tully—I did not say that.

Councillor Playford—That would be the effect of having 20 councils in Queensland, for example. You would have to do that sort of thing because there are about 80 of them out there, anyway, right now. If you are going to wipe out most of them, that would be the effect. Frankly, most of their money gets spent on roads anyway. That is why they collect \$300,000 in rates. In the case of Diamantina, apart from a few people in a couple of the towns like Bedourie and Birdsville, there are about 10 or 12 properties, each of which pays \$20,000 to \$40,000 in rates. They collect about \$300,000 and they get \$3 million or something like that from federal assistance grants essentially to keep the road network going.

Councillor Tully—They do not all need a CEO. You set up a whole administration for all of these outfits. They all have CEOs and a small number of officers in most cases. You do not need a repetitive bureaucracy in each of these areas.

Councillor Playford—That is true. I was saying before that you almost do not need a council there. My point is that if you do not have an incorporated association for those sorts of areas, you are far better off; then you do not need any CEOs.

CHAIR—The points have been made and we have noted them. I want to thank everyone for coming along today, giving us your time and for the submissions you have put in. A lot of work has gone into those and they have been noted. Thank you for doing that. Today has been very valuable and quite a lot of good points have come out of this which will contribute to the report that we hope to be able to table in about the middle of the year. Obviously, we still have quite a bit of work to do. This afternoon we are going to have a forum, beginning at two o'clock. Everybody is welcome, if you want to contribute or to observe it.

Proceedings suspended from 12.20 p.m. to 2.03 p.m..

FAULKNER, Mr Russell Andrew, Chief Executive Officer, Cooloola Shire Council

MASON, Mr Kenneth Andrew, Finance Manager, Cooloola Shire Council

VENARDOS, Councillor Mick, Mayor, Cooloola Shire Council

CHAIR—I remind you that, although the committee does not require you to give evidence under oath, the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. After that formality, welcome. It is great to have representatives of the Cooloola Shire Council here. Thank you for taking the time and trouble to come along and for your submission, which we have received. Would you like to make an opening statement?

Councillor Venardos—I will give you a bit of a history of the Cooloola Shire Council. It is an amalgamation of two previous local authorities, the City of Gympie and the Shire of Widgee. We have a population of between 32,000 and 35,000 people and a landmass of about 2,800 square kilometres. Forty-eight per cent of our landmass is under state government control, as it is state forest, national park and that type of thing. We have six major urban areas. There is the city of Gympie and the south side, which are a combined area, then there are the townships of Tin Can Bay, Rainbow Beach and Cooloola Cove. In the Mary Valley, we have Kandanga, Amamoor and Imbil.

We cover a wide and very diverse area. We are still predominantly a rurally based local authority. About 20 per cent of our population, on the last count, were age pensioners or people in receipt of pensions, but basically age pensions. The local authority, as I said, is an amalgamation of two local authorities. There is a mayor and 12 councillors and we meet once a week, on Tuesdays. Like most local authorities in Queensland we have just suffered, as the rest of Australia has suffered, the worst drought in 100 years. With the deregulation that was predicted to happen in 2001, and the drought on top of that, it is going to take at least another two years for some rural producers to come out of this on the right side of the ledger, if they come out of it at all.

CHAIR—What kind of deregulation are you talking about?

Councillor Venardos—The deregulation of the dairy industry.

Mr SOMLYAY—He is a Victorian!

Councillor Venardos—If I said it was the Victorians who started the deregulation, would you ban me from the chamber?

Ms GAMBARO—No, you are right.

CHAIR—That is true.

Ms BURKE—We did and we are quite proud of it.

Councillor Venardos—I believe deregulation was under the national competition policy.

CHAIR—They deregulated city milk 30 years ago.

Councillor Venardos—Anyway, it was a Victorian move that caused the problem for Queensland. Sorry about that, Mr Chairman. As I said, if you throw me out of the chamber—

CHAIR—No. I am sorry, keep going—I am only interrupting.

Councillor Venardos—As I said, we certainly feel it from a people point of view. Quite recently, under my chairmanship, we had what we called a drought crisis committee and, on a voluntary basis, we raised about \$27,000 and distributed about 80 food relief hampers to people who are suffering very badly in the Cooloola shire. We are now distributing about \$10,000 or more to rural producing families—people whose primary source of income is the land—so that their children can have shoes on their feet to go to school and they can purchase school requisites. That is what we have done. Things are so bad that last night I distributed a food parcel to one family who are now on time payments for Energex accounts in arrears. This is what Energex is doing for some of the rural producers who cannot pay their bills: they take it on time payments. Things are not pleasant up there.

I think this cost shifting inquiry is good for local government insofar as it will give us the opportunity to tell you that we believe we have cost shifting on the way down, from the federal and state governments to local authorities, and we have cost shifting on the way up. I will explain that. We have a number of sporting organisations and other community and charitable groups within the community who have received funding—seed funding, as it were. After one or two years they believe that, because they have done such a good job—which they have done—they have a right to expect that they should have their funding continued. So they are cost shifting from their associations to the local authority, and state and federal governments are cost shifting on the way down.

Local authorities unfortunately are right in the middle of the sandwich, between the two slices of bread, and it makes it very difficult financially for local authorities to cope, particularly when it comes to the capacity of the rate payer to meet the rates bills. We are going to bring down this year, after a vote by councillors, what I would classify as a drought budget because, as I said, we are still predominantly a rural producing community. Whilst we have some projects listed, they may have to go by the board because we cannot put that sort of cost onto the rate payers. Certainly, cost shifting from the state and federal levels down to us will make it very difficult for council to meet its financial obligations to the community as a whole.

CHAIR—Was that all you wanted to mention at this stage?

Councillor Venardos—Generally speaking, yes.

CHAIR—Thank you. It certainly paints a fairly difficult picture.

Councillor Venardos—It is not pleasant out there. I think if you have a rural based electorate you will understand what I am talking about. I think people in urban electorates would probably not have the same sort of appreciation of it. I know that members of federal parliament certainly move around the country to see what the rest of Australia is doing—and that is great—but I think you have to be on the ground, to put your hands in the water, to experience it. You have to get out into the community. As I said, last night I delivered five of those packages—food hampers worth \$100 or \$130—and when you listen to the tales of woe you say to yourself: ‘My God, where are we going? What is happening?’

Mr SOMLYAY—Is the EC funding flowing through yet?

Councillor Venardos—Not yet. I believe that the paperwork is being done, but it certainly has not started to flow yet. However, it has taken a lot of pain away from people because they have an expectation, at this stage, that there is going to be relief for them.

CHAIR—I was looking at all of the things you have identified as cost shifts. Have you quantified the value of that, just approximately, as a percentage of the council’s budget?

Mr Mason—No, we have not put a dollar figure on that as yet.

CHAIR—Would you be able to say that it is five per cent, for instance?

Mr Faulkner—It is probably hard to do it in this forum, but if it were all right with the committee we would be prepared to do that and come back with a later submission.

CHAIR—Yes.

Ms BURKE—Do you know what percentage of your funding base is rates and FAGs? What is your break-up of user pays and what is your mix of actual income for the council?

Councillor Venardos—We have at \$54 million budget. We have a general revenue of about \$12 million.

Mr Mason—That is a general rate revenue.

Councillor Venardos—Yes: the general rate revenue is about \$12 million.

Ms GAMBARO—Roughly, what would the percentage from rates be?

CHAIR—Twenty-five.

Councillor Venardos—Yes.

Mr Mason—That is general rates.

Ms BURKE—Then you have user charges on top of that?

Mr Mason—User charges for water, sewerage.

CHAIR—In your submission you also talk about the reduction in financial assistance grants. How did you fall into the position of having them reduced?

Mr Mason—When we were amalgamated there was an agreement reached that there would be no reduction in the financial assistance grants for three years. After that three-year period we suffered a reduction of about \$100,000 a year, and we were still on the way down until they reached that agreement that there would be no further reduction until the review of methodology was done.

CHAIR—On what basis was it reduced?

Mr Mason—I could not tell you. In my discussions with members of the Grants Commission it has been very hard to get any clear answer from them as to why, due to the complexity of the methodology. When I asked the officer concerned how long it would be reducing he said, 'Just keep on taking \$100,000 off for the next three or four years at least.'

Ms BURKE—How did you fare out of the review?

Mr Mason—We will go down in the first year by something like \$80,000 but, when they have factored in the CPI, we will come back up to the same level.

Ms BURKE—So you are just going to stay the same?

Mr Faulkner—In terms of FAGs we are about the same: stable.

Mr NAIRN—You have listed all these things such as vending on main roads and maintenance of fire hydrants. Are they all things that at some point in time previously were totally looked after by state authorities, with no involvement of council at all, and now council has absolute control over or responsibility for—

Councillor Venardos—Responsibility for.

Mr NAIRN—but with no funding provided for them?

Mr Faulkner—The way the list was put together was that at our heads of departments group we sat down and said: 'All of us sitting around the table have a lot of experience over a lot of years—we can all go back probably 30 years. Let's sit back and talk about what has changed over that period of time.' That was the genesis for this list we then put together.

Mr NAIRN—So it is over a fairly long period of time.

Mr Faulkner—It goes back a long time. It is just to emphasise how things have shifted in that period.

Mr NAIRN—The one at the bottom—the charges for GIS cadastral mapping services: do you have work done by the state department that they then charge you for, or is that just for buying data off the state government?

Mr Mason—It is for buying data off the state department. Since they commercialised their units they want to charge a commercial rate, so understandably the charge goes up compared with what it used to be.

Mr NAIRN—Is some of that data the stuff that would have been given to them by local government in the first place? For example, when you have new subdivisions and things like that, is that data provided by you to the state government?

Mr Mason—It is probably through the local surveyor—through us and then through to them.

Mr Faulkner—Part of the thinking behind the list was very much, as the mayor has already talked about, because of the shift that has come down from the federal and state governments but also what has come from the community up. We tried to look at what has been happening in the big picture, which I am sure you do too.

Ms BURKE—One of the questions we have been asking is what people see as the role of local government. I suppose you did not see it as going around giving out food hampers. What do you see as your role?

Councillor Venardos—The food hampers is a very serious matter, particularly to those people who live in Gympie and Cooloola. That is part of our social responsibility. I do not have to stay up until midnight for three nights in a row just before Christmas packing all these hampers and then—with me and the CEO in different cars plus our wives—go out and deliver them to the families, but that is our social responsibility. I have been in local government since 1970 and my father had been in three local government areas—Blackall, Nambour and Caloundra—so I suppose I have been indoctrinated into local government pretty well. But I think local government is an area of responsibility that should always remain. I know there are probably some moves at certain levels of government for it to disappear, but we deal with people and I think we stand closest to the people and to understanding what their moods and feelings and expectations are. Most people who are in local government rub shoulders much more often with people in main streets—people know who you are and you know who they are. It involves a greater acceptance of social responsibility as a representative of the people in a community.

Ms GAMBARO—With regard to your list of direct and indirect cost shifts, we have heard from a lot of councillors this morning who have gone into the area of policing, again because of so-called inadequate state resources. I do not see any security issues mentioned in the paper you have given us. Can we assume you do not have a crime problem in your council area?

Councillor Venardos—There are a couple of ways we deal with it. We are rather fortunate—and proud of the fact—that in a budget of \$54 million our graffiti bill is only about \$3,000. That lifts a lot of heads!

Ms GAMBARO—So what are you doing differently?

Councillor Venardos—I am a former police officer—

Ms GAMBARO—You scare them.

Councillor Venardos—It is probably my 20-stone bulk and six-foot height. I have a policy of having a street or park meeting with the kids every three to six months. We sit in the park, we have pizzas with them and we ask them what their problems are. We identify with them. We say, ‘You have long hair, you speak differently, you dress differently and you behave differently, but you are still part of this community.’ So we have that interaction going and we have a very good youth development officer. I have an open door policy with these kids, whether they are 10 years old, whether they are incorrigible young kids or whether they are 25 years old. We identify with those kids. They come into my office and we have cups of coffee.

Ms GAMBARO—So they can come into your office at any time? There are not too many mayors’ offices in local government where that happens.

Councillor Venardos—Yes they can, providing I have a free half hour.

Ms GAMBARO—Seriously?

Councillor Venardos—Yes.

Ms GAMBARO—That is very commendable.

Councillor Venardos—Thank you.

Ms GAMBARO—It is clearly working—everyone else has listed crime as one of the big issues. On the issue of crown land, how much crown land or non-rateable land do you have in your shire? Are you responsible for the maintenance of, say, state government owned land?

Councillor Venardos—About 48 per cent of our shire is crown land. We have state forests, plantations, hardwood forests, national parks and other parcels of land within the shire that have buildings on them. There are some that pay their water and sewerage charges, of course, but I do not believe they pay any general rates. I do not know what that is in dollar terms, but certainly 50 per cent of our shire is unrateable.

Ms GAMBARO—You spoke of some of the hardships earlier on. Do you have a low average income from which to draw a rate base?

Councillor Venardos—I think you would find that, on the last census, our average income is probably below the state average, although we have some people who are pretty high up. But they are down in the retirement areas. It is a working persons’ town, if I can put it that way. But we have an 11.9 per cent unemployment rate.

Mr NAIRN—The state average is seven per cent, I think.

Councillor Venardos—Yes. We have about 6½ thousand or 7,000 school children from grade 1 through to year 12 in the six or seven high schools within the shire. We have a P-10 high school at Tin Can Bay that looks after Tin Can Bay, Cooloola Cove and Rainbow Beach, we have another P-10 high school that covers Imbil and Mary Valley and we have five high schools in the city area—that is, two state high schools and three Christian colleges. There are about 6½ thousand to 7,000 people registered as students throughout the shire.

Ms GAMBARO—What are your population trends like? Obviously, I talk to Alex Somlyay all of the time and he tells me that Noosa and the Sunshine Coast are growing. What have the population trends been in your shire?

Councillor Venardos—We have about six per cent growth on the coast, but two per cent growth across the shire. The coast is growing—when I say the coastal area, I mean the No. 5 division, which is Rainbow Beach, Cooloola Cove and Tin Can Bay. That has about six per cent growth. So Mr Somlyay is right about that, but across the shire the average is about two per cent.

Mr SOMLYAY—I want to ask about cost shifting. Cooloola council is well known and is very close to the community. I am forever up there launching a Work for the Dole program or Green Corps scheme. Do you find that it is difficult for the council to keep funding its share of some of these federal or state government initiatives?

Councillor Venardos—It does have an impact on our budget—the skills centre and Work for the Dole programs. But, if you ever have the privilege of coming to our golden city—and I mean that seriously—have a look at what we do for our youth. All of our sewage transfer stations have murals on them. As I said, our graffiti levels have gone right down; we give those kids a direction in life. But on cost shifting, we have recently applied for and received \$150,000 to put up a TV relay station in our coastal area. That is fine—it was fully funded by the state government—but it is going to cost us about \$10,000 a year.

Mr SOMLYAY—That would be the federal government.

Councillor Venardos—The federal government—I am sorry. It is going to cost us \$10,000 a year—ongoing, in perpetuity—to maintain it. There is the electricity supply to it, repairs to it and general maintenance. That is a cost shifting. I know it is only \$10,000 a year, but you put that brick on top of another brick and on top of another brick—

Mr NAIRN—But where is that cost shifting from?

Councillor Venardos—From the feds.

Mr NAIRN—It is not the federal government's responsibility to provide commercial television. The federal government said: 'There is a need. We'll put some money towards it.' You cannot say it is a shift from the federal government to local government. It is really a cost shift from the private sector.

Councillor Venardos—The federal government has control of communications.

Mr NAIRN—We issue licences but we do not run TV stations.

Mr SOMLYAY—It may not be a cost shift but it is a cost to council.

Mr Faulkner—It is perhaps just another category in addition to the two that the mayor has already spoken about. Perhaps there is a cost shift from the private sector, which you have just identified. That is another category.

Councillor Venardos—Yes.

Mr Mason—Local government has no way to get that returned unless we can charge a fee to the commercial radio stations.

Councillor Venardos—They do that in Croydon in north-west Queensland, up in the Gulf Country. They charge something like \$100 to put the dish stations in. That becomes an annual charge. But we do not have the same sort of facility. We know where the Croydon station reaches to in Gympie but it would probably be too hard to disseminate in Cooloola. Certainly it is another cost shift. You are quite right. You have identified that this is a cost shift from the private sector to local government.

Mr NAIRN—I commend you for doing it, but councils in my electorate refused to accept the 150 grand because they were not prepared to pay the ongoing costs.

Councillor Venardos—We say this is part of our social responsibility. We have gone away from roads, rates and rubbish and we have taken on a much broader responsibility, to make sure that we can cater for the needs of the people. There is an expectation out there in that people said, ‘We need it, we want it and we have a right to expect it.’

CHAIR—One of the things I was interested to note in your submission concerned indirect cost shifting. You talk about national competition policy reforms, in particular those for water pricing. You talk about water licence pricing, under the section on the trend to corporatised entities. Did you get any direct money under national competition policy?

Mr Faulkner—Yes, we did.

CHAIR—So where is the cost shift there?

Mr Faulkner—The matter we were identifying there was water licence pricing from SunWater in Queensland. Under our existing licence, our annual licence fee is of the order of \$17,000 or \$18,000. To renegotiate for a new water licence agreement, I think we are looking at something of the order of 10 times that.

Mr SOMLYAY—Ten times?

Mr Faulkner—As I understand it.

CHAIR—You would have seen our discussion paper. We are looking at the most effective way for the Commonwealth to deliver funding to local government. I am wondering if you have any comments about the current FAGS system, other than what you said earlier about the reduction when you amalgamated. Do you find it a reasonable system vis-a-vis other delivery systems, such as Roads to Recovery? With FAGS are you getting your fair share?

Mr SOMLYAY—Roads to Recovery is tied funding.

Councillor Venardos—Roads to Recovery grants are a wonderful boon for councils like mine; they really are. I could show you that we have programs that we can now complete because of them.

If I could digress here for a moment, in our local authority we started off with 87 wooden bridges. Through the effluxion of time those bridge loadings have gone from 15 or 20 tonnes up to about 48 tonnes, so those wooden bridges have now become unsafe. Because they are not on a main state road or national road, we now have to find over \$600,000 or probably \$700,000 a year. We are replacing two bridges per annum. We are on our sixth one now. This is revenue that we have to find in order to replace these wooden bridges, and we would not have had to do that before. We are getting no federal or state funding for them. In 1999 we approached the state government for assistance to replace the rickety wooden Yabba Creek bridge. Six months before we made the approaches the state government quite rightly at that stage said, 'No, we can't do it because it is on a local authority road.' Six months later the rains came down and washed the bridge away. It would cost us \$1.15 million to replace it and the state government came up with \$600,000 of it. So it needed an act of God to make some people shift. Having said that, the Roads to Recovery is certainly a good program. I certainly would commend the federal government for its initiative on that one.

Mr Faulkner—We would hope that it would continue.

Ms GAMBARO—With greater funding.

Mr SOMLYAY—Everybody says that.

Councillor Venardos—Without a doubt.

Ms BURKE—Would you like to see your FAGs money distributed on the same basis as your Roads to Recovery money—that is, a direct relationship between the Commonwealth and you, as opposed to going through the rounds of various commissioners to get the money?

Councillor Venardos—That is a political question, really, isn't it? At the end of the day, what it comes down to is that we will get delivered to us a sum of money that we have become accustomed to and that we expect to receive. How the two ministers arrive at an appropriate solution is what we will be dealing with at Maryborough at the state conference. We would certainly like to know the guidelines for how the ministers, both federal and state, distribute and I would like to see a lot more consultation. The people on the delivery end are the local authorities, and it is we who are penalised. There continues to be too much dissent between the two governments.

Mr SOMLYAY—In your budgeting, you want to have certainty, don't you?

Councillor Venardos—We have to have certainty. We have to know, prior to us bringing down our budget, what we are going to receive. Once when we did not receive it we took a chance. We underestimated what we received, so we were fine. But if we were to overestimate, that would shoot everything to pieces.

Mr Mason—We certainly do not want it as a tied grant. We want to have the flexibility there to be able to identify the programs that the council feels are the most needed, rather than have the grant tied to a certain Commonwealth direction.

Ms BURKE—There is a notion that the councils would be accredited for the service delivery and you would get the money on that basis. Would you support a model like that?

Mr Faulkner—In the paper, I think the reference was that there would be a certain amount of money taken off to establish that, like the English model.

CHAIR—That is capacity building.

Mr Faulkner—Is that what you are talking about?

Ms BURKE—No, not necessarily. A very basic way of describing it would be that we would come along and say that there is X number of service delivery things that you have to do. You have reached a certain level of accreditation to deliver that. You get the money and you go off and do it. It would be that sort of thing.

Councillor Venardos—You were talking about service. We have, at last count, 88 services that we provide to the people of Cooloola. Unless you have found some more?

Mr Faulkner—No. There are 88.

Councillor Venardos—We provide 88 services out of our \$54 million budget.

Mr SOMLYAY—They are a very diverse range of services, given the nature of Cooloola shire. You have got the Mary Valley, the rural areas, the goldmine in the middle of town—

Councillor Venardos—And the abattoirs.

Mr SOMLYAY—and the tourism area on the coast.

Councillor Venardos—Yes, it is diverse.

Mr Mason—And because of that diversification, I think it would be hard to come up with a standard package of accreditation. It would have to be individual councils, or at least between councils.

Mr SOMLYAY—How do the services that your shire provides compare with the services provided by other regional centres? We heard evidence this morning that some shires provide education services and that other shires do not. Basically, local government in Queensland can do whatever it likes, so you are not restricted in what you can do. Where do you find that point where you do not fund things that you should not fund, things that the state government perhaps does not fund but should fund or that the Commonwealth government does not fund but should fund?

Councillor Venardos—Given the economy at the moment and our diversification, I think we provide the best level of service in the number of services of any local authority in Queensland. I certainly invite all of you to come to Cooloola to have a look at what we have up there. I know that one of the best parts is in the electorate of Wide Bay, the electorate of the federal Minister for Agriculture, Fisheries and Forestry. But we will let you come back up, Mr Somlyay.

Mr SOMLYAY—Thank you.

Councillor Venardos—Probably every mayor in Australia has told you this, but we certainly have a unique local authority area in the mix of rainforests, beaches, rivers, valleys, dryland farming—the whole box and dice. We have great diversity.

CHAIR—Thank you all for coming. Your evidence has been very helpful and has certainly given us a good insight. We certainly hope that the drought breaks properly and that things will pick up for everyone in your area.

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

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

Committee adjourned at 2.37 p.m.