



COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

**HOUSE OF  
REPRESENTATIVES**

STANDING COMMITTEE ON ECONOMICS, FINANCE AND  
PUBLIC ADMINISTRATION

**Reference: Local government and cost shifting**

TUESDAY, 29 APRIL 2003

NEWCASTLE

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**HOUSE OF REPRESENTATIVES**  
**STANDING COMMITTEE ON ECONOMICS, FINANCE AND PUBLIC ADMINISTRATION**

**Tuesday, 29 April 2003**

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

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

**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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**WITNESSES**

**BROWN, Ms Jacqueline Ann, General Manager, Pristine Waters Council..... 795**  
**BURGESS, Mr John, Director, Corporate and Community Services, Wyong Shire..... 795**  
**DORE, Ms Janet, General Manager, Newcastle City Council ..... 795**  
**GALLAGHER, Mr Chris, Director, Finance and Corporate Services, Gosford City Council ..... 795**  
**GRAHAM, Mr Robert, Councillor and Deputy Mayor, Wyong Shire..... 795**  
**GRIFFITHS, Mr John Joseph, General Manager, Murrurundi Shire Council ..... 795**  
**HOLT, Mr Kenneth, General Manager, Lake Macquarie City Council..... 795**  
**LOW, Councillor Steve, AM, Mayor, Dungog Shire Council..... 795**  
**PENSON, Dr Barbara, Chief Executive Officer, Hunter Councils Inc. .... 795**  
**WILLIAMSON, Councillor Peter James, Mayor, Pristine Waters Council..... 795**



**Committee met at 4.10 p.m.**

**BROWN, Ms Jacqueline Ann, General Manager, Pristine Waters Council**

**BURGESS, Mr John, Director, Corporate and Community Services, Wyong Shire**

**DORE, Ms Janet, General Manager, Newcastle City Council**

**GALLAGHER, Mr Chris, Director, Finance and Corporate Services, Gosford City Council**

**GRIFFITHS, Mr John Joseph, General Manager, Murrurundi Shire Council**

**GRAHAM, Mr Robert, Councillor and Deputy Mayor, Wyong Shire**

**HOLT, Mr Kenneth, General Manager, Lake Macquarie City Council**

**LOW, Councillor Steve, AM, Mayor, Dungog Shire Council**

**PENSON, Dr Barbara, Chief Executive Officer, Hunter Councils Inc.**

**WILLIAMSON, Councillor Peter James, Mayor, Pristine Waters Council**

**CHAIR**—Welcome. I 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 proceedings of the House. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament.

We would like to have a discussion on what you see as the roles and responsibilities of local government. We find that they do vary a bit from region to region. Who would like to be the first to give us a definition of what you see as the roles and responsibilities of local government?

**Ms Dore**—Perhaps I could put Newcastle's view. Because of our position at the head of the region, nominally known as the regional capital, we are required to provide a range of services to a wider community than just our own municipality. The sorts of services and facilities that are perhaps commonly found in metropolitan areas, such as art galleries, museums and theatres, receive far more assistance from state governments and indeed federal governments than we are able to garner in this situation. For instance, our art gallery probably gets less than \$100,000 a year from the state government. The cost of running that facility is something like half a million dollars. We obviously charge for special purpose exhibitions, but generally access is free.

On top of that, we are the second oldest city in New South Wales and our physical infrastructure is ageing, deteriorating. Being in both an industrial and a marine environment, our environmental conditions are very severe and mean that we have to spend an awful lot of money on infrastructure maintenance. We can never get on top of those assets in terms of bringing them up to a standard of excellence that perhaps our community would prefer.

I have often said to people that local government is a business that no business would go into because of the diversity of its functions. In Newcastle we have over 90 separate activities that we run, manage or facilitate on behalf of our community, ranging from aged care and waste management through to cultural services and maintenance of roads, community assets, buildings and facilities. So it is a very diverse role, and I think quite often people who do not have intimate contact with local government do not realise the depth of those services and therefore the challenge on rate income, which has been constrained over a number of years.

The final comment I would like to make about finance is not so much about rate capping per se, although that has certainly constrained our income, but about the declining share of taxation revenue, which I think has hurt local government more than anything else over the last decade or so. It seems a long time ago that we had a guaranteed share of taxation income; it goes back to Prime Minister Malcolm Fraser's days. With the advent of the GST we find there are more demands upon us from legislative requirements and less income to back that up.

**CHAIR**—Thank you very much for your submission. We really appreciate the detailed work you put into it and the fact that you have identified and quantified the depth of cost shifting that you see as affecting Newcastle. You mentioned rate pegging, which we have heard quite a bit about over the last two days, and the distortions that it has created in some areas. How has it affected councils in this area?

**Ms Dore**—I think plenty of other people will be able to quote figures, but our lord mayor has been chairing a task force on rate pegging in local government in New South Wales which has made the point very strongly to the state government that the CPI is not a relevant measure for increases in council income, that there are other things that are not contained within the CPI that affect our costs, like specific materials and wages, that are not reflected well enough in the CPI to enable us to keep up with the expenditure we require. The argument is being mounted very strongly that, because that gap between income and expenditure has been widening, there needs to be a better reflection in the rate capping calculations of the demands of infrastructure and a better figure ascertained to give councils a realistic increase in income.

**CHAIR**—Would anyone else like to comment on that or the other question?

**Mr Gallagher**—Could I just make a comment on rate pegging. I hear what Janet says, and she is quite right. It certainly has limited our council's capacity. We have to bear in mind that, politically, the state government will not change it, but if they do continue to have rate pegging legislation what she is saying is right: there needs to be a more thorough formula to pass on the costs that we are bearing. But I do not think you will ever get rid of rate pegging.

**CHAIR**—Most states do not have it. That is why we are very interested in it—in what the distortions are.

**Mr Holt**—Rates are not our only income pegged by the state government. Many of our charges are also set by statute. If you combine rates and charges for quite significant areas, like the development area for example, you will find that a substantial proportion of our income is pegged. Given that our entire expenditure increases by the CPI, or more in the case of salaries and wages, it is not difficult to see how we run into financial difficulties and how that is exacerbated as time goes on.

I have worked in local government in this state and also in Queensland, where rate pegging does not exist. In my experience, the rates in Queensland were no dearer. In fact, they were slightly less than they are in this state. I believe that is because councils can manage and opt to increase the rates by a lesser amount and have public accountability to the voters when setting their rates. In New South Wales with rate pegging no council is ever going to take less than the full amount because it never knows whether it will be able to recoup it later on. So it may lead some councils to increase rates by more than they may otherwise have done so, and the reverse happens in other councils: they actually need more money and cannot get it.

**Councillor Low**—I would like to make a comment regarding rate pegging, and that is that councils fare differently depending on what their level of rates was relative to other councils at the time rate pegging was introduced. Dungog council had a very low rate base, and that has been perpetuated under rate pegging to the point where the rates of our neighbours are nearly 100 per cent higher in some cases. Some are 40 and 50 per cent, as much as 60 per cent, higher for a property of similar value. So underlying all this is that issue.

Another comment I would like to make about rate pegging is that in the seven-year period to 2002 rate pegging had increased by about 21 per cent as an allowance across the state whereas state government revenue had increased by 79 per cent. That reinforces one of the comments you made about the lack of growth in local government revenue.

**Ms Brown**—I will give a rural perspective on this matter. Pristine Waters Council is the largest council on the eastern seaboard. We cover nearly 7,000 square kilometres and we have around 10,000 residents. So we do cover a massive area with a very small population base. We are predominantly a rural area. Over 60 per cent of our council area is owned and operated by the state government—state forests and national parks. So that, in itself, is unrateable land to us.

We struggle very much with rate pegging. We are very aware that we have a low income base. I believe in the last census our council area was the lowest income earning area in New South Wales. So we do not have the opportunity, even if rate pegging were removed, to increase our rates to the point where we can provide the services that our community needs. We do a lot of resource sharing within the Clarence Valley to try and combat that. We put in approximately half a million dollars a year within the Clarence Valley to provide services such as social, youth, library and Aboriginal services without it costing the community a great amount of money.

We are also now in the unenviable position of our roads being utilised by people within the area to go to other council areas. So our roads get quite a deal of use, but we get very little funding to assist in maintaining those roads. The majority of our roads are dirt roads and are utilised very heavily with regard to our state forests. Again, we are called upon to keep those roads at a level where people can use them in two-wheel-drive vehicles, but we do not necessarily get the funding to assist in upgrading and maintaining those roads. We seem to be burdened very much with maintaining crown land, again without help, or with very little help, from the state government.

The option of removing rate pegging does not give our council, and I do not believe it gives any council in New South Wales, the opportunity to set rates at whatever they like because they are very mindful of what their community can pay and what their community can afford. You cannot set rates at more than what your community can afford.

**Ms BURKE**—The downside is what the community expects you to provide. We have been around the country—hopefully, meaning no disrespect, this is our last hearing—and there seems to be this notion that local government's role is to provide what the community wants, which is very laudable, but if you ain't got the dough you can't do it. I would love to give my community everything they want, but we will never have the money—

**Ms Brown**—You cannot do it.

**Ms BURKE**—You have talked about the difficulties you perceive. What about the notion of managing expectation?

**Ms Brown**—We promote very heavily to our community that wherever possible we will provide what they need, not what they want. There is a big difference between the two. We have communities that would love nothing better than tarred, sealed roads outside their houses. We have other people who say, 'Hey, I bought on a dirt road. I do not expect anything more than to be able to get my children down to the bus stop on a driveable dirt road.' So you do have to balance the two. But we promote very strongly that we meet the needs, not the expectations, because we just cannot do that. I do not believe there would be any council in New South Wales that could do that.

**CHAIR**—You mentioned crown land. Two points: has the size of that crown land been increasing, and what are the services you have to provide for which you are not recompensed?

**Ms Brown**—We are a very rural council inasmuch as we have a lot of green area. Our coastal areas, such as Minnie Water and Wooli, have a lot of crown land that we are responsible for with regard to mowing, maintaining, grass clipping, barbecue areas, woodpiles—those sorts of things. They are generally the areas that we look after. We have three caravan parks based on crown land. We manage those caravan parks on behalf of the Crown. We manage the funds et cetera. We do obviously use the funds for those to maintain the caravan parks and maintain the lands around them. But it is only the lands around them, not lands in the same village.

**CHAIR**—I presume you charge for usage as well?

**Ms Brown**—Yes, the caravan parks are public and they have rates set.

**Mr Graham**—I am from Wyong Shire. For our friends from interstate, Wyong Shire is one of two councils on the Central Coast of New South Wales between Sydney and Newcastle. Just to give you a bit of an idea of the size of our council area, if you picked up the footprint of Wyong Shire and put it over Sydney it would go from Hornsby to Sutherland and from Bondi to Parramatta. We have 135,000 residents in Wyong Shire, the majority of whom are either elderly people, who rely on services for the elderly, or very young people. We are one of the fastest growing areas in New South Wales, if not Australia, with an increasing number of people moving into the area, and they are struggling. They are young home buyers who are moving out of Sydney and heading up towards our area as Sydney bulges outwards. We have a lot of problems with caring for young people—the young babies and young parents.

I have just described to you the size of our area. In the centre of Wyong Shire we have three lakes—Tuggerah Lake, Munmorah Lake and Budgewoi Lake—which we are expected to look

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after. I am a former member of state parliament. When I was in parliament I fought to try and get the state government to take a bigger interest in our lake system. We have argued about this many times. It is an enormous burden on our ratepayers to maintain it. Because our villages are spread way out, we have big problems with providing old people with public transport to facilities that elderly folk require. In a way we are like Pristine Waters inasmuch as we have fair tracts of national parks and state forests in our area. So it is very difficult for us.

We cannot expect to be able to rate our people any higher than we do, and we are struggling with this at the moment. In fact my colleague next to me, Mr Burgess, would be able to elaborate on this further. As our financial director, he would be able to tell you that we are hoping to be able to keep our rate increase down to about three per cent this year if we possibly can, because our new folk and our older folk just cannot afford it. We desperately need assistance from outside to help us maintain the facilities for our residents in the manner that they would wish for.

**Mr Burgess**—Mr Chairman, with your permission, I would like to expand the debate a little from the simple process of rate pegging. I have a view that is not too different from that of the General Manager of Lake Macquarie City Council, Mr Holt, in that I think a number of councils have found rate pegging a convenient method to fix the level of rating and then blame it on somebody else. So I do not think it is all a one-way street.

If we were to tot up the cost of legislation, be it federal or state, and it is principally state in relation to local government, we would find that the cost to local government of some of the legislative changes imposed on us would probably at the end of the day be a greater balance sheet item, ticket item, than what we could possibly get through the removal of rate pegging.

The combined population of Gosford and Wyong will exceed that of Lake Macquarie and Newcastle City by 2005-10, on current growth predictions. In terms of green space, with respect to introducing legislative processes and looking at the release of land to allow people to move from the city areas, there is a huge amount of cross-subsidy. We are forced to cross-subsidise through the IPART, the Independent Pricing and Regulatory Tribunal, process in New South Wales, where developers' contributions for headworks are capped. If our sums are wrong, who picks up the tab? The existing ratepayer. In terms of land release, the process of the existing—

**CHAIR**—Sorry, I did not quite hear what—

**Ms GAMBARO**—Can you repeat that? I had trouble hearing you as well.

**Mr Burgess**—I am sorry.

**CHAIR**—You were saying something about cross-subsidies.

**Mr Burgess**—I am saying that, because of the Independent Pricing and Regulatory Tribunal's price-fixing mechanisms under the national competition policy, at the end of the day if both Gosford and Wyong get their sums wrong in terms of the provision of infrastructure for water and sewerage the general ratepayer will eventually have to pick up the tab for the shortfall. If that is not cross-subsidisation and cost shifting, I do not know what is.

**CHAIR**—You are capped in what you can charge for that?

**Mr Burgess**—We are capped by the Independent Pricing and Regulatory Tribunal, which is a body set up to review the prices for water and sewerage on the Central Coast and for Sydney and the Hunter as a result of the national competition policy. That tribunal sets a price path for the charges that are made to the individual householder as well as determining a price path for the infrastructure that is put into the ground for the new residents we are serving. On the current basis for headwork contributions at this stage, it is our prediction that by the time we come to build the works that should have been publicly funded by the release of land process there could be as much as a 10 to 15 per cent shortfall, which will result in millions of dollars being funded from other sources.

I guess that is a form of cost shifting, but the real issue is the legislation. The legislation is easy to pass. New regulatory statements are being prepared in the state parliament, but I must say that, reading some of the regulatory statements, anybody with a reasonable eye for detail could be critical of them. I do not believe they tell the parliament the full story, and we are not seeing the dollars flow with the powers, or the lack of power.

**CHAIR**—I just wonder where your local members are on this—meaning no disrespect to anyone.

**Mr Burgess**—I will leave that to the deputy mayor.

**CHAIR**—Do we have any positive stories about this? We always seem to hear about the problems. Are there any examples of where you have had a good relationship with the state government?

**Mr Burgess**—Sure. It is not a one-way street. I guess the good stories are few and far between, and a little hard to recall. There has been the recent increase in the health budget. That is fine, but that is not helping us in a practical sense. That is catch-up. That is providing beds for bodies—beds which should have been provided with the growth that was occurring and which are being cross-subsidised by the council because we become the provider of last resort. We are the provider of the information, we are the fabric in the community that Janet Dore spoke about. If the state and federal governments pull out, guess who the people ring. They ring the local council. We are all in that same boat. We are the last point of contact, and we do not have the resources to respond to everybody about what they would want. We are limited in what we can provide to what we think they need.

**Ms BURKE**—But in your case it is more like it is becoming outer metro. The spread is so great now that it is almost outer metro as opposed to regional-rural, isn't it, nowadays?

**Mr Burgess**—It depends which arm and which level of government you are speaking to.

**Ms BURKE**—Yes. The reason I asked that is that I was quite impressed by the number of submissions and the work that has gone into your local area, your HROC, the Hunter Region Organisation of Councils.

**Mr Graham**—We are not in that.

**Ms BURKE**—No, I was about to say you would be outside that, wouldn't you?

**Mr Graham**—We have the Central Coast Regional Organisation of Councils with Gosford.

**Ms BURKE**—But are you suffering from that notion of what is a region?

**Mr Graham**—We pretty well know what our region is. What I failed to mention before is that between Gosford and Wyong we have our own joint water supply too, which is also a financial burden but which I believe is one of the best-run water supplies in New South Wales. So the two councils do work very well together.

**Mr Burgess**—There is an issue about regionalism. If you said 'Central Coast' I would think half the people in this room would think Coffs Harbour; and that is an issue for us in terms of establishing identity. I guess that is part of the reason why we pulled out of the Hunter Region Organisation of Councils: it was not considered that we were forging our own niche, if you like, and creating our own area.

**Ms BURKE**—At the moment if you want to chase extra grants or extra money it is all done according to this notion of regions nowadays. Other people in the room do not have a problem with this, but those of us who represent metropolitan areas sometimes hear about this notion of what we define as a region. I suppose there is a notion about the Hunter region and other places. It is not just FAGs or your rates but, being remote and rural, you are forever chasing other dollars.

It is interesting we have not had the comments in New South Wales that we have had in other states about the imposts also put on you with regard to whether you go for extra funding for, say, community safety officers or community safety grants. I have not read the submissions here, but in lots of other councils youth workers were offered under grant programs and that sort of thing. It became another impost. It was another area of funding which became a bit of a burden because councils would get the dollars up front but then suddenly two years later they were not funded anymore but the community expected them to keep going with the service. That sort of flavour has not come through in your submission.

**Mr Holt**—You have hit the nail on the head right there. That is exactly what happens, and it happens here. Perhaps no-one has mentioned it because we have assumed that you would have heard that story already.

**CHAIR**—I think Newcastle did.

**Mr Holt**—It is certainly precisely what happens: we get offered a carrot, we often have to put in matching funds—sometimes we do not—but invariably within a short period the funding is withdrawn and we are left with the expense. That is all part of this shift of responsibility for providing services to local government.

**Ms Brown**—I would like to comment on that as far as regionalisation is concerned. Pristine Waters Council works very closely with the Clarence Valley councils, those being Maclean, Copmanhurst and Grafton City. We work very well together. We have the Clarence Valley Local Government Committee which meets bimonthly. We also include in that North Coast Water,

which is the regional water supplier, and the Clarence River County Council, which is responsible for flood mitigation.

We meet, as I said, bimonthly. We provide sponsorship to some programs within the valley through that group, but that group generally costs us nothing to be a member of. We pay a token amount of about \$250 or \$400 a year to be part of that group. For us to join NOROC, Northern Rivers Regional Organisation of Councils, would cost around \$7,500. We cannot afford that. We are very conscious of the fact that NOROC takes in council areas such as Byron Bay and Ballina, which have nothing whatsoever in common with us. We just do not have anything in common with them. So we tend to find that in those meetings the focus is on those more populated, more common, more popular places. The same argument goes in relation to tourism as well. So we tend to stay away from that organisation. We find that we can better utilise that money in providing something to the community that they more rightly need.

It is becoming an issue for us because we are very conscious that there is an awful lot of talk about the fact that, if you are not involved in a ROC, grants will not be available to you. It has been promoted to us that that is why we need to join. I cannot honestly see why we need to join a ROC when we are part of the Clarence Valley Local Government Committee, which, to me, focuses on what our community needs, not what Ballina and Byron Bay need; and there is a big difference between the two.

The idea of providing things on a regional basis I believe works, and it works very well. We have applied for grants on a regional basis and we have been successful on a regional basis. Our council has been very forward thinking and we have actually put on a grants officer. We have a full-time grants officer now within Pristine Waters Council. But what we are finding is exactly what Ken Holt said: it comes as a carrot and then you are left holding it. The funding does not continue. So you have projects that you would love to start but which you are not game to start because you do not know how you will fund it in the future.

The state government has just given us a \$55,000 grant for estuary management studies, which was great, but guess what? That is only half. We have to put in the other \$55,000. So for us to get those estuary management studies done this council has now had to put in \$55,000 out of next year's budget. Whilst we appreciate the money, we have to put in the other half. In a rural council like ours—we have a budget of around \$20 million a year—that is a lot of money that we are now forced to pay, because the state government put out a press release and the community thinks it is wonderful that we have been given this money to do this wonderful work. If we do not do it we will be seen as the bad man because we have not done it when the government has given us the money to do it.

**CHAIR**—I suppose you have to manage your own local issues, and I can understand the pressure. You have talked about applying for grants. Is the area consultative committee in your area fairly active and helpful? Do you have one?

**Ms Brown**—No.

**Ms BURKE**—Does anyone in the room have one?

**Mr Burgess**—Central Coast has an active area consultative committee. I have to take off my hat as a member of the council and put on my hat as a small business mentor. We established a national pilot scheme with that particular process. The area consultative committee did to that business mentor program exactly what the federal government is doing with their current legal assistance program. The money is there to start it. We go off and start it. We make it quite transparent, it is quite successful, and then there is no more money from the area consultative committee. Quite bluntly, they then found that it was easier to fund a separate organisation providing a similar service, which quite stunned us. So from that point of view they are active. But most of the community groups or any of the organisations applying for funding under an area consultative committee find the paperwork drill and completing the paperwork in the format that is required by Canberra in some cases to be quite insulting.

**Ms GAMBARO**—I take your point on that. My electorate has two area consultative committees. I do understand in some parts of Australia they work better than in others, so I understand what you are saying there. I will not dwell on this, but they do create a lot of local job opportunities. At the moment they are working on a skills database for the region, and they are going great guns. But I take your point. I have heard good stories and bad stories about them. With regard to policing, in a number of submissions local government have told us they have had to take on more of the policing role that the state government really should be providing. What is it like in this region, and have you had to provide extra resources for policing?

**Mr Graham**—Our council rangers have a hell of a lot of extra work to do, especially around Christmas time. We have a big influx of tourists into our shire over Christmas. Our rangers do not have the facilities and so on that the police have, but they are expected to break up fights and sort things out. We are so close to Sydney, as somebody mentioned earlier—an hour away. During the last Christmas-New Year period many gangs turned up and caused havoc in our area, and our rangers had to go in and try to sort it out. We do not get the backup from the state police that we feel we deserve, especially at that time.

**Ms GAMBARO**—How many rangers would you have? How does that work? I do not think we have them in outer metropolitan areas of Queensland.

**Mr Burgess**—We initially had a force of four rangers. We now have a force of six. We have a separate group in our key tourist attraction, which is The Entrance—another two there full time.

**Mr Graham**—Then there are the two parking rangers.

**Mr Burgess**—And the two parking rangers who have come across on a sweetheart deal between the New South Wales state police and the council specifically for parking. The reason why the number of rangers we have is increasing is that we have the social problems created by drinking. I think we need to put a sign up on the freeway as you are coming up from Sydney, around Gosford somewhere, saying: 'Drinking allowed on the freeway only. All other areas are alcohol free.' It is impossible to police the actual physical confiscation of alcohol because the police themselves will identify the problem and call the council rangers to come and fix the problem if they do not feel inclined to fix it. We are short of police. That has been a longstanding argument, I would suspect, in every region in the Hunter and the Central Coast.

The issue regarding policing goes way beyond the shortfall in police numbers. It goes to the social aspects in our communities—the drinking issues, the youth issues, the conflict between youth and the aged, particularly around the resort towns and resort centres. It is a major national issue. Until governments are prepared to deal with the social issues caused by alcohol bingeing and the like, obviously we will continue to have the problem, because it is not responsible drinking. It then leads to vandalism. It leads to all sorts of street crimes that most communities across Australia would be in fact fully aware of and probably already experience.

**Ms Dore**—I would like to add how Newcastle has tried to deal with some of the security issues in particular. Newcastle has steadfastly resisted putting extra resources into security measures or directly into supplementary policing, although it has facilitated the business community funding a supplementary policing trial which, in short, allows off-duty policemen to be paid to do overtime but not with their overheads from the state government. That has been a six-month experiment. That has certainly improved the public perception of safety in the central city, but council has not put any direct money in.

Council has had to put resources—as much in terms of staff time as anything else—into dealing with what is called the late-night car culture, where basically the hoons scream down our streets. They come from north, south and west of Newcastle to congregate and enjoy their vehicles and compare relative paintwork jobs and strength of engines. We have had to try to manage that in conjunction with the police by putting parking restrictions in certain areas and contemplate spending several hundred thousand dollars to redesign a car park next to the beach where they congregate. Council, again, has resisted that because it does not feel that that may be an answer to the problem; it is treating the symptom rather than the cause.

We have already entered into agreements with licensees in the central city—we call it a liquor licensing accord—where we try to promote together the responsible use of alcohol and manage some of these behavioural issues. But we have had to take on a safety officer in our community partnerships area to deal with those issues. Again, some funding was initiated through the state government, but that will not continue, and we have had to divert our engineering design team time to thinking about issues to cope with this late-night car culture. We have not got directly involved in security because of the principle involved in that not being a local government role.

**Ms GAMBARO**—I have one last question on this policing issue, and I have asked a number of councils around Australia about this. I think Anna Burke spoke about community expectations. Are the community expectations higher because most of the residents in your regions are elderly and they have a ‘feeling safe in your own home’ community type feeling, and is it perceived or actual?

**Mr Graham**—Yes, that is exactly right. Many of the older folk moved to our area to retire and now, exactly as Janet has described, we have a similar problem with young people coming up in their cars and doing burnouts, or whatever they call them, in our local streets. The old folk are very nervous and very frightened of this. If they ring the police, the police are reluctant to come out. If they do, it is hours later and the young folk have gone. But the elderly are frightened. They are frightened to walk down the streets during our peak holiday times when these louts are there.

As a matter of fact the police officer who is in charge, our local inspector, said to me only a couple of weeks ago that he is looking for assistance from some of his counterparts in the western suburbs of Sydney because they believe that is where these gangs emanate from. Apparently they wear certain caps or clothing to depict who they are and where they are from. These have been spied by our police officers and they are now seeking intelligence from the western suburbs of Sydney as to how to handle it. It is very hard. You have to remember that our rangers are not trained like the police are trained, but the local community expect them to be able to act in the same manner, and they cannot. They do not have those facilities or the training.

**Ms Brown**—We have one ranger. We actually supported our ranger to become a special constable because we could not cope with the expectations placed on our ranger and what he was asked to do and be involved in without giving him the skills and the necessary backup that we felt supported him in doing his job. So our ranger is now a special constable.

**CHAIR**—So that means with legal backing?

**Ms Brown**—He has special powers as a special constable. I could not honestly tell you exactly the extent of them, but he has gone through a special training regime with the police force. He now has a special gun licence so that he can carry a gun with him. We have three police stations in our area. All are manned by a single police officer. All of those police officers on a regular, and I mean daily, basis are transferred to Grafton to work out of the Grafton police station. So, whilst we have three police stations, they are never manned and the police officers very rarely even get to go home to sleep because some of them are a distance away. Woolli, which is one of our coastal areas, is growing immensely. Its population swells tenfold over Christmas-New Year. Our special constable did duty with the policemen down there on New Year's Eve to help keep the peace in our own village.

**Mr Griffiths**—From a rural perspective on policing, we find it very difficult in the Murrurundi area because we have the same problem as Pristine Waters: the police are given shifts outside their designated areas. In our case they go to Muswellbrook. At the moment we have a very serious level of rural theft, whether it be quadrunners, farm equipment and also—

**CHAIR**—Sorry, what was the first one? I missed that.

**Mr Griffiths**—Quadrunners—four-wheeled farm bikes, and motorbikes. Fuel is the other problem. A weekend does not go by when somebody does not lose a large amount of fuel. Sometimes 2,000 or 4,000 litres of diesel go missing. It is very difficult in a rural area, of course, but there just are not any rural police in our area, and within the local area command there is no rural task force for stock theft and the like, which is also pretty rife up around our way.

**CHAIR**—You say 'pretty rife'. What sorts of figures are you talking about?

**Mr Griffiths**—Cattle, sheep.

**CHAIR**—I want to know what sorts of numbers.

**Mr Griffiths**—Thirty at a time, usually a truckload at a time.

**CHAIR**—Month to month?

**Mr Griffiths**—Yes, about every three to five weeks there is an incident, not always 30 at a time but certainly 10, 30 or 50. Over a period of three months that would be the sort of typical problem there is.

**CHAIR**—We might move the discussion on and talk about funding sources and funding mechanisms. I have a question regarding the minimum grant. Some councils have said it is essential; some of the bigger ones do not seem so fussed about it. Are there any views held around here?

**Ms GAMBARO**—Should it stay? Should it go?

**Mr Griffiths**—From a small council perspective—we are a pretty small council with a population of only 2,000—I guess if you take that minimum grant away one thing that will happen is that one of the major criteria to determine it will be population. I think about 30 per cent of the grant at the moment has a population factor. I believe that the base grant should probably stay for that reason. I think that our population over the last 15 years has declined every year. In the last estimate we actually had a rise, and we like to think that is because of the initiatives we have put in in employing an economic development officer, who was funded and is now not funded. We also introduced community services to try to assist the ageing population we have in the town. But I see the base grant as something that is holding our FAG up at a reasonable level, even though we do not get the full percentage increase each year or we have not in the past because of our declining population.

**Councillor Low**—I have trouble with the discussion paper. Of course, it raises a lot of issues, but in all of them there are very key areas where you acknowledge that funding is a problem; we are not keeping up. But the point is that you then state it has to be revenue neutral to the Commonwealth.

**CHAIR**—Budget neutral, I am reminded.

**Councillor Low**—Yes. The point is that those of us here can say that in our councils over the last seven years we have seen a 4.5 per cent increase in the federal assistance grant, yet the Commonwealth has increased that grant by 20 per cent overall in that period. Last year ours went up by 0.2 per cent, and our area in the Paterson electorate went up at an average of 5.35 per cent. In 1997 we were looking at how we were supposed to keep providing services with the money we were receiving when inflation was 10 per cent. I have said our grant has gone up by 4.5 per cent. In other words, the grant we are receiving now is less than what we were receiving seven years ago, and that ignores the cost shifting from the Commonwealth itself. So basically in terms of work required and funds available it is not viable.

**CHAIR**—Is your population declining?

**Councillor Low**—It is growing, but we miss out through the grants commission within the state for various factors that affect equalisation and all of those issues. For instance, in our local

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government area of Dungog the Hunter Water Corporation is busily buying up land for a dam it claims it is never going to build. The purchase of that land is artificially inflating our land prices, which of course goes against us with the grants commission in the state.

The basic, fundamental point I was trying to make was that seven years ago in real terms we were getting more money with our FAG than we are now, yet our population has grown. The area is relatively close to Newcastle, compared to the rest of the Hunter anyway, yet we are not being provided with the money to meet those services because of a set of rules that do exactly what you are talking about in that we have a middle man involved here. There are plenty of councils, and no doubt you have heard of them, whose FAGs have gone backwards, yet they are still in the situation of being a small rural community trying to provide services.

**CHAIR**—Does anyone else have some comments on that?

**Mr Burgess**—Anecdotally, I understand that between 20c and 25c of every dollar that the federal government provides to the state government to pass on to local government is siphoned off. If that anecdotal evidence is true, then it would be very hard for most of us general managers and finance directors to justify to our councils that our overhead costs exceed 20 to 25 per cent. I do not think we would be in a job for too long.

**CHAIR**—The state grants commission has two people on it, hasn't it?

**Mr Graham**—The state government have to get their handling charges, don't they?

**Mr Burgess**—As I say, I am only talking anecdotally. I do not know the truth.

**CHAIR**—Does anyone have something more concrete on that?

**Councillor Low**—NCP compensation.

**CHAIR**—That is a separate issue.

**Mr Burgess**—Firstly, if we deal with the anecdotal issue of that 20 to 25 per cent siphoning off, I would put it to the Commonwealth government that, if you can handle a roads distribution without state intervention, we in local government would have an expectation that you, as a responsible government, might be able to act responsibly and distribute federal government revenue sharing grants and not charge 20 to 25 per cent.

Secondly, without causing mayhem or being accused of being a heretic among my colleagues, I would suggest to you that the population proportion needs to be reviewed because I do think there is a justifiable argument for a justifiable need. In the case of Wyong at the moment, with our huge growth and our disabilities, we are fine. Over time that will change. Many, many years ago I said at a similar inquiry that if I were to recognise the worth of some of the major metropolitan councils in terms of population I would give them a dollar because they do have a greater capacity in some cases to raise income than what some of the country people have. To be perfectly blunt, local government in the bush is about the only institution that is left. I think we need to look at getting rid of the state boundaries in terms of the FAGs, I think we need to encourage your committee to look at taking a radical step and saying there should be a greater

recognition of need, and I think we should be taking an even more radical step and suggesting you be brave and get rid of the state government and get rid of the 20 to 25 per cent.

**CHAIR**—Do we get rid of the state government's allocation or the state government in toto?

**Mr Graham**—The state government, the latter.

**Mr Burgess**—If the committee were willing to recommend that, I am sure plenty of elected people around this table would second that.

**CHAIR**—I think we have to stick with what—

**Ms BURKE**—There are two recommendations, though, in the discussion paper. I take it you are probably going to agree with this one: the abolition of the State Grants Commission.

**Mr Burgess**—That is what I was hoping—

**CHAIR**—Is there another view from someone else?

**Ms BURKE**—Are there any other views? We have heard contrary views that if you get rid of it you take out a tier of recognition, that 'Macquarie Street is bad but Canberra is a long way away'. So there are contrary views to that view that we have heard around the country.

**Ms Dore**—I do not see why local government anywhere would not want to deal directly with a funding source, especially if that meant there could be some advocacy about what our real needs are and stop this unequal distribution. I think the argument at a national level is about distribution across some of the states and the unequal distribution that is occurring. I have been in Victoria for some years, and I think it is the same in New South Wales. We feel perhaps we deserve a bit more back at a state level, let alone at a local government level.

**Ms BURKE**—Who does that advocacy for you? Who talks on behalf of 700 councils?

**Ms Dore**—The New South Wales Local Government Association.

**Councillor Low**—There is a fundamental problem there, and that is that you cannot compare the states because of their differences. Your tables 3 and 4 in this paper basically recognise those differences—when you do not consider things like the NCP flow-on in this state when it happens in Victoria and Queensland, for instance. There are just too many variables. Towards the end of the paper you seem to be looking at a whole different lot of options. It seemed to peter off in strength to me—and perhaps that was deliberate in that you are fishing for answers—but it seems to me that the federal government has to define what local government is supposed to be doing and have some sort of benchmarking, some sort of service delivery model, whereby you can make the comparisons that would allow you to distribute FAGs. I do not see how you could perform that role unless you can compare one state to another.

If I may just finish on one thing: it is ridiculous the way roads are different. Everything is different within the states. To go on with what was said, why is education different, why is

policing different, why is transport different? In the case of local government, you have over 700 of us and you cannot compare us. It is ridiculous.

**Ms BURKE**—You cannot compare within a state, let alone between states.

**CHAIR**—We have been travelling around Australia and we have found the roles assumed by local governments vary quite dramatically in different parts of Australia. So we have to try to look at some of the core issues, if you like—the common issues. Then it will be up to local governments in different parts of Australia obviously to adjust how they then handle their local pressing problems. I do not want to stifle discussion. I want some more comments on this point. Should there be that direct funding from the Commonwealth? If so, should it be tied? Should there be some sort of factor for efficiencies? For example, in South Australia with their voluntary amalgamations they have estimated that there is a saving of three to five per cent, which is quite significant, across the state. What should be the compensating factors for the state government here, through its rate pegging, having only a 45 per cent rebate on pensioners and so on, maybe loading up local government with more costs than some other states?

**Ms Brown**—Can I just make a comment from an amalgamated council point of view. I am not sure whether the committee is aware but Pristine Waters Council is a newly amalgamated council. Two rural councils, Ulmarra and Nymboida, amalgamated in 2000. If you are looking for cost savings, amalgamation is not the answer. It does not save a council anything. We had savings in senior staff wages inasmuch as one general manager and three divisional managers were no longer required. The two councils went from a combination of 12 councillors down to nine. However, those nine councillors live in a wide, varied population area, so the travelling costs probably exceed what the additional costs of those four councillors were between the two original councils.

As far as state grants are concerned, our council lost, and we lost considerably because we lost a base. We were given 12 months notice that we would lose it, but we lost it. We still cover the same area, we are still covering the same people, but we lost money. There is absolutely no incentive whatsoever to amalgamate. We provide services on a Clarence Valley regional basis as we need to. Our community does not suffer paying the higher rates by being involved in Grafton City Council. They still keep their rural rates, but they are provided services as we need them. As far as administration savings are concerned, we have put on around eight extra staff since amalgamation. So the savings on having the senior positions go have been taken up by lower positions that are needed because it is a bigger council.

**CHAIR**—Are those extra staff handling the same work or are these new responsibilities?

**Ms Brown**—I think it is a bit of both. We have three years. But, again, we are like every other council in New South Wales: as time has gone on over those three years we have been expected to do more and more. As a result of that, we have put on staff. As I mentioned earlier, one of the staffers we have put on is a full-time grants and community officer. This person spends their whole time working with community groups trying to help them get money so they do not come looking to us for the money, because we do not have it. That has been very successful. I could employ 10 grants officers and still not meet the demands of the community on not what their needs are but their expectations on funding.

We are now doing an audit of our community assets. We have about \$16 million in community halls and community assets. We put aside \$30,000 a year to maintain them. We have one hall that needs \$16,500 for a new roof. We are looking at closing it because we do not have \$16,500 to put on a new roof. We have villages; we do not have any towns. So the people who use that hall use it once a month for a dance. They charge everybody \$5 and at the end of the night have made \$100 and are as happy as Larry. But \$100 does not pay for a \$16,000 roof.

Community tennis courts are the centre of a community. Quite often the tennis courts are the centre. They provide a community facility and a community social bonding system. But we have a low socioeconomic environment that says, 'If you want to charge \$12 an hour, people cannot afford it.' So they pay \$5 or \$6. When those courts need resurfacing, the money does not come close to recovering it. So we find that our community assets are deteriorating at a significant rate to the point where we now have set up a sunset committee of councillors and staff and we are looking at rationalising. It will mean we will close community halls in our farther outreaching areas. We will close tennis courts. We have already closed one set of tennis courts because we just could not afford to refit them. We cannot afford to leave them open because of the insurance costs against someone getting hurt when we know the tennis courts are in a bad state of repair. We cannot take that risk.

**Mr Holt**—I have been involved in an amalgamation of councils, Cairns and Mulgrave Shire. There were three working parties. I was on two of those working parties, so I am very familiar with the issues as we worked through them. I would certainly like to endorse the fact that you would not go through it just to achieve economies of scale. Amalgamation does not save you a lot of money. I am, however, a fan of amalgamation. There are real benefits to be gained in terms of regional planning. If you look at the areas that would benefit from amalgamating local governments, you will see they are areas that share ecological assets that need preservation and where there is major infrastructure that needs sharing and it is better performed by one corporation than trying to do it through cooperative arrangements. I am not a great fan of cooperative arrangements. I find them very difficult to get up and running. The latest ABS population data estimates Lake Macquarie City has a population of a little over 188,000 people. So our city on its own is bigger than many regions. I find that we can get things up and running years ahead of a cooperative arrangement with other people. So I am not a great fan of that. I think there is a place for amalgamation.

But, having said that, it does not help the rural councils that are discrete towns that are widely separated by rural or open space. Forcing together towns like that that have very clearly defined boundaries is a recipe for disaster. They have different cultures, and because the boundary is easy to define it encourages parochialism. There are many examples of that where towns have been forced together and they become so politically unworkable that the expense of running the corporation goes up dramatically. In the end some of those councils—Bega Valley Shire Council is one example—10 years afterwards had to be dismissed because they were unworkable.

**CHAIR**—I am sure there are examples both ways. There is an example in Victoria where an amalgamation has been split, and just to maintain the services at the level they were prior to the split in the town that felt it was being discriminated against their rates will have to be put up by 48 per cent.

**Mr Holt**—I suspect that was a different issue from efficiency. I would suggest they did not create any new money. What they did before was fix horizontal fiscal imbalance. So they got an area with money to subsidise an area without money. Once they were split, the area without money lost those services.

**CHAIR**—Yes, but that was the area that felt discriminated against.

**Councillor Low**—If that is Benalla-Mansfield, I thought the report stated they were going to put their rates up by 16.8 per cent.

**CHAIR**—It is going to be a lot more than that.

**Mr Holt**—That is the nature of these amalgamations. Having worked in a rural area that involved more than one town, I can assure you that every town felt they were getting a rough deal—every single one. If we did the numbers, we could show which way the cross-subsidisation went. But thinking that logic and reasoning comes into that kind of debate would be a bad judgment.

**CHAIR**—Hang on, this happens at state level; it happens at every level.

**Mr Holt**—There is not a lot of money to be saved through pushing together rural towns in the middle of nowhere. Even if they are very small, there is still not a lot to be gained in terms of savings.

**CHAIR**—I merely quoted that South Australian example and those were their figures, not mine.

**Councillor Low**—The trouble is you are quoting a different state. I would like to hear someone describe how local government works in another state compared to this state, and I do not know that for South Australia. I know something about it, but every time someone quotes a different state I have trouble because I do not know how they work.

**CHAIR**—Let us not get hung up on that point. I think Mr Burgess suggested that the Commonwealth ought to be more directly funding. I wanted to try to get that discussion going and I just wanted to put a couple of caveats on it saying, ‘That is fine. Everyone looks at the Commonwealth and says, “You have the money.”’ Firstly, it has to come from somewhere. As we said, the terms of reference are that we have to be budget neutral. Secondly, what conditions would the Commonwealth put on it if it were to go down that path in saying, ‘Yes, but we do expect the money to be spent efficiently and effectively,’ or certainly efficiently?

**Mr Griffiths**—Is money the only issue here? If you are talking about the amalgamation of councils, in the town that I live in, which is the urban base, if you like, of Murrurundi Shire, there are social and economic impacts that have to be taken into account also. We have had a situation where we lost a Telstra depot, we lost StateRail, we lost the Roads and Traffic Authority and we also lost three banks. It has not only affected the direct population, the direct jobs, but also affected the way that the local sporting clubs work, the way the local P&Cs work. The treasurer at the bowling club always was the accountant from one of the banks. That was tradition. It is not just about whether it is money or anything else; it is about whether these

towns should continue to exist. That is basically where we have got to now. We have suffered all those losses. We have come from a town of 1,600 people down to 900 people. If you want us to close up and move to the coast, to all the growth areas, that is fine, just tell us and we will do it, because that is what it is coming back to if you are talking about nothing but money. There are social and cultural issues that also need to be taken into account.

**CHAIR**—I respect everything you say. I represent a country area. I have seen exactly the same sort of thing happen in certain parts of my area, so I am very acutely aware of it. We are just talking about local government funding here. You raise a whole range of issues which are very important, and certainly local councils will get involved in some of those points, but they are matters that probably in many ways fall outside what we are trying to do with this inquiry.

**Mr Griffiths**—Yes, but there does not seem to be any recognition of those facts. We are talking purely fiscal here. When you start talking about amalgamations, I do not think you can restrict it to those fiscal matters. That is my point.

**CHAIR**—The reason for bringing in the issue of amalgamations was merely to illustrate, not to prescribe, if a Commonwealth source of funding were to be identified the expectations there would be. I can illustrate it with another example with the states and their cost shifting. If the states say, 'If the Commonwealth puts in the money, we will immediately withdraw ours,' what restraints should be put there? This is an issue that the Commonwealth deals with all the time. It is an issue that you are dealing with all the time with state governments. It is not new. I am not identifying any particular state government. It has been going on for many years. The whole point of this inquiry is to try to seek a solution to get a better outcome.

**Councillor Low**—Cost shifting is just so nebulous. It is happening all the time. We are all putting up with it. It can be just a departmental officer who puts it on us. It does not have to be a decision of parliament. I think it will be very difficult for the feds to quantify what cost shifting is taking place, unless you define the role of local government. Go back to that comparison: how can you take a role when you have South Australia being different from New South Wales? How can you fund that?

**CHAIR**—People have been managing that for 100 years. The Newcastle submission, which was put in back in July I think, did go into some considerable detail identifying that type of problem. But I am still trying to get onto this question of the finance.

**Ms BURKE**—Someone mentioned before the basis of need. One of the other suggestions in the paper is the SES model, the socioeconomic status model, which is the formula that is currently used to fund non-government schools. It is done on a statistical analysis of the postcodes. It can even draw down further to what is known as CCDs, census collection districts, but it can go on postcodes. It goes on a range of things, but it predominantly looks at income based on the ABS data. So there could be funding on a basis of need formula along those models, coming up with something fairly radically different. That could be the basis of the funding. Then you can have an arrangement where the funding is given, say, on the basis of the Roads to Recovery model, where there are expectations when you are given that money. So think about that as a notion. That is just one of the things we have looked at.

**Mr Gallagher**—Mr Chairman, to answer your question I would say, ‘Can the federal government administer the funding more efficiently than the states?’ If the answer is yes, then you should do it. I do not think local government would have a problem. Personally, I would not have a problem with the federal government administering it. Then you or the federal government will say, ‘What are we actually funding?’ Maybe the government needs to say, ‘If we are to give local government \$14 billion’—or whatever it is—‘what do we actually want them to do with that?’ If you are comfortable that we can then deliver on what you want us to spend it on, I think we can justify it. There would be certain criteria. I see that as quite workable.

**CHAIR**—So you are happy to see some form of tied grant; is that what you are saying?

**Mr Gallagher**—No, I would not say it needs to be tied. I do not know whether the criteria should be based on population. That is what you need to decide. Are you looking at wanting every Australian to have a certain standard of living—that is really what the Grants Commission is saying—whether everyone has access to a library or a pool or recreational facilities, all those sorts of things? Should the criteria be based on population and what the councils have at the moment? What is the criteria? What would the federal government like to see that money spent on? Then we should attempt to achieve that. We need to bear in mind that does not take into account inefficient councils. I know there are two sides of the story. But from an Australian point of view, if we are trying to treat everyone equally, they are perhaps the means.

**Ms Brown**—I would like to make a comment on Roads to Recovery. First of all, I would like to agree with Mr Gallagher. I really think in all honesty from my council’s perspective we do not mind where the money comes from as long as we get the money. To be very honest, I really do not mind whose hand it comes from if we get the money. There are two issues with that: it is consistency of the money and, whilst governments will promise you the world, it is for a four-year term.

**CHAIR**—It is only three for the federal government.

**Ms Brown**—Whilst the funding that you get might go on for 10 years, there is never any security that goes with that because it depends on the government that is elected at the time, and in a lot of instances, if it is continued, how much do you get? Roads to Recovery has certainly been a big bonus for our council. However, with that has come headaches in that Roads to Recovery is for roads that need recovery, not maintenance. So we recover these roads, but then how do we maintain them? They are then entered onto our maintenance schedule and they become part of the bigger picture on a bigger maintenance vote. We appreciate the money and we use the money, but it does give us a headache at the other end of that as well.

**CHAIR**—As you know, it is a four-year program, or it has been just a bit over four years now, but it is under review. I cannot predict what the outcome is going to be, but I would like to be optimistic about it, shall I put it that way.

**Ms Brown**—I did talk to Senator Macdonald at Coffs Harbour some time ago and ask that he consider, should this continue, there being a percentage or something where we could say, ‘We have recovered these roads; now we can put that funding into maintaining those roads.’

**CHAIR**—I would have thought most councils would have found a way of managing their overall finances to get the outcome they want.

**Ms Brown**—It is not sometimes that easy.

**Mr Burgess**—Can I put a not completely diverse view from Mr Gallagher's of Gosford, because when we go home he probably will not talk to me. The issue with the distribution of the FAGs and whatever system comes out at the end of the day is that the actual allocation of that money, once it comes to the council, should be a matter for the council. But, in saying that, the issue of the bad council is probably overstated. It is like a barrel of apples: if you get one bad one, then the rest by dint have to be bad as well. That is not necessarily true. If we were to receive grants and then the councils were to offer back to the federal government performance standards in certain key areas where we say we have disability and we are doing something to correct that and there is a way to measure that, that is the way it should go. But it should be the local people elected to the councils who determine where the priorities should be, not somebody in Canberra and not somebody in Macquarie Street.

If it is a national issue, some major issue, like drought or whatever the case may be, that emerges, then maybe you have to direct it in those circumstances. But I think it has to be left to the local people, and they need to be making those decisions. If you want to hold them accountable, then by all means set some standards and set some deliverables. We are measured on that all day, every day. It is not going to frighten us.

**CHAIR**—I really want to get onto this issue of funding, if there were to be some different system from the current FAG arrangements. The deputy chair has mentioned the socioeconomic status model, which is, if you like, another version of the Roads to Recovery type direct funding from the Commonwealth. I want to see people's reaction to that. What is your response?

**Mr Graham**—Mr Chairman, you and your team have been going around Australia. Can I turn that back onto you: what would you like to see us funding?

**CHAIR**—The way we are operating the inquiry is for us to try to get the information from the experts in the field.

**Mr Holt**—I certainly think it would be an excellent idea for it to come from the federal government straight to local government. I do not see why there should be a middle step, particularly if there is an administrative overhead that comes with that middle step. But the financial assistance grant is a minor part only of my income. It is really small stuff. The vast majority of my income is what causes me the problem, and all I really want is for the state government to get out of the way and let me manage the business properly.

**Ms BURKE**—So it is rate pegging or it is what?

**Mr Holt**—A lot of my other large income items are also pegged by statute and they do not cover the costs. With all the legislative constraints that you must consider now when processing a development application, there is no way the fees can even come close to covering the cost of the work involved.

**Ms BURKE**—We heard the same sort of thing in Queensland in the big growth areas. The same problem was identified at the beginning. When you are doing a massive new subdivision and you are trying to actually charge for the works that are going to go ahead, how do you do that, especially in a competitive environment? They have shires literally bidding against each other to bring the developers in.

**Mr Holt**—Someone here mentioned previously that our state government charges are not capped. Sometimes they go up by 30 per cent, 50 per cent or more, yet our income is all pegged and our costs keep increasing more than our income.

**Ms BURKE**—Given those constraints, do you think most councils are actually raising their maximum amount of revenue, though?

**Mr Holt**—Certainly there would be scope for us to increase the charges that we charge to process development applications. If it meant that we could give speedier consideration, many developers would be happy to pay the money.

**Ms BURKE**—We have been around the country. There is scuttlebutt—it is probably more off the record than on—that, ‘This local council really is not charging the right rate base because they want to keep in sweet with the local community and the councillors want to get re-elected again.’ This is politics, after all. The discussion paper mentions council’s capacity to pay for some of its things. Very big councils get the minimum grant. It is a nanosection of their overall budget base. Would you agree that that should be another impost—I am not talking about going out and fleecing your constituents—that councils should raise their rates to realistic levels?

**Councillor Low**—How would you define that, though? This is what I am coming back to all the time.

**CHAIR**—To follow up the deputy chairman’s question, can I give you two examples we have had in the last two days: firstly, the land tax on some shops in the main street of Tamworth was more than the rates, which does seem an interesting reflection; and, secondly, the rates for a house in Hunters Hill, which is worth a lot of money, were probably \$300.

**Ms BURKE**—That is what I am talking about.

**Councillor Low**—I could not agree more. You can watch *Grass Roots* on the TV and believe it too.

**CHAIR**—Don’t you believe it!

**Councillor Low**—No, I do not.

**Ms BURKE**—I believe *Grass Roots*.

**Councillor Low**—How do you define that? That is the difficult part.

**CHAIR**—I am just quoting those examples, which to me, coming from a state that does not have rate capping and the regulations, seem to illustrate a ridiculously low level of rates.

**Ms BURKE**—The example I am talking about came from Queensland where two shires next door to each other with the same levels of population and with very similar rating bases were charging massively different rating amounts.

**Councillor Low**—Amalgamate them.

**Ms Dore**—I want to pick up on the point of the rates being \$300 for a house in Hunters Hill and the rates being a lot different somewhere else. Hunters Hill is, I think, a residential area that does not have to provide much for its population. It depends on the demands of the population as well as the needs. My point originally was it is different in a growing municipality and it is different in an area that is expected to provide that diversity of services. If we did not have a museum, art gallery and theatre, our population would feel severely deprived. Maybe Lake Macquarie would build their own, but they do have them anyway because they want their population to have access to those things nearer to them. If we were in Sydney, we would not have to build or fund those things. Perhaps if we were a larger council we would have only one of each of those things. But then I would have some difficulty, after having the experience of amalgamations in Victoria, with the fact that, once you get over a population size of around 200,000, it becomes regional government or subregional government, not local government. One of the strengths of local government, and I think this is what Mr Griffiths was saying, is the ability and requirement to reflect and advocate on behalf of our community, to respond to their needs and to respond to the diversity that comes with different populations. They are not like areas. Lake Macquarie is very different from Newcastle and is very different from Dungog.

The other issue I would like to highlight probably stems from the way we are treated by perhaps state governments and to a certain extent federal governments, and stems from a lack of recognition in the Constitution. I do not know whether this issue has come up at all during your hearings, but until local government is recognised as the third legitimate tier of government in this country we are never going to be taken seriously, whether it is by federal or state governments. We are therefore not able to advocate and put our positions on behalf of our communities. That was a bit rambling, I know. I think there is a danger in treating every local government area the same way. That is what federal and state governments always have trouble with, because there is so much diversity. Making them bigger will not solve that of itself.

**Ms GAMBARO**—This issue comes up in all areas. It does not come up in just local government; it comes up in health. I am in an outer metropolitan area. I am always fighting for doctors and I always get this definition, ‘You are not outer metropolitan. Sorry, you do not get doctors.’ The chair or deputy chair was talking about the SES model and how do we look at these differences when we are doing this inquiry. For example, do we look at it through the SES model in terms of income and demographic area and say, ‘This area should really charge X amount of rates’? We talked about your having very diverse areas with lakes, mountains and transport issues. This is where we come back to the difficulties. Does anyone around this table have any ideas about how we can come up with some sort of funding model that takes in the different characteristics of all the councils around Australia? They are just so very diverse. It affects us all in all spheres of government. So I am with you on that.

**Ms Dore**—I definitely think it is worth trying something on a more even-handed statistical basis. But I think there are probably some other intangible factors that will be much more difficult to model, like access to cultural facilities. For instance, how do you measure or assess the ability of a person in Newcastle versus a person in Adelaide, Perth or Sydney to access

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major cultural facilities? We would say we have a burden in a regional capital to fund those things and therefore we ought to be compensated. We are providing for the region, but how you compute that into a figure or a formula I do not know. Supposedly the Grants Commission does that now. We do not think it comes out well enough, of course.

**Ms Brown**—You also have the other side of the argument. In a traditional rural council like my own, to the idea of having an art gallery and a theatre of some sort that does live theatre it would be said, ‘What on earth do we need that for? We need tar on the roads, we need a saleyard to run our cattle through and we need good, clean drinking water. The other stuff is just nonsense.’ That is the attitude that rural councils struggle with because rural people really do not have a want or a desire for those things.

**Mr Burgess**—Just to pick up on what Ms Dore has said, I totally agree in terms of the Hunter Hills experience that if that is what they want then that is what they pay for. But it goes back to my point about if they have greater capacity then why give them federal revenue sharing grants when other councils, like Murrurundi, need that money. In terms of the overall process, why are we reinventing the wheel when we have had at least six state government committees decide how the money is to be distributed? If they have built up this great volume of statistics, surely at the bottom of that somewhere we do not have to completely reinvent the wheel and something good can be used from that and moulded.

**CHAIR**—We have had examples today. I am not saying it is universal, but you have had the example of councils amalgamating and immediately their funding is cut. You have the example, as Newcastle put in their submission, about the cost shifting that has been steadily building up over quite a few years, not just in the last couple of years, which is putting local government finances, as we have been led to believe, under considerable strain. That has been the basis of this whole inquiry. Local government feels it is having great difficulty with things like basic infrastructure. We have heard it talked about today. The Local Government Association estimate that the shortfall on infrastructure spending is around \$1 billion a year. That is why we are holding this inquiry. Some have suggested, since the states have become or are becoming recipients of the GST money, which is a lot of money, that some of that GST money should be going direct to local government rather than to the states.

**Mr Burgess**—Simple answer: yes.

**Ms Dore**—Absolutely. And a guaranteed percentage.

**Councillor Low**—We do not care where the money comes from. We have told you that before.

**Ms Dore**—We had a guaranteed proportion of federal income 20 years ago.

**Councillor Low**—One issue that follows from this is that, if local government has secure funding from whatever means, we can stand up more to the state over issues, as you suggest, where we should say no. We do it. Collectively we refuse to take on a particular task where we know it is one of these cost-shifting exercises. But if we had a funding source we would be more independent in that way. It is a real issue in this state because we are treated with absolute contempt. We are just told to do it. In the case of, say, the Rural Fire Service, we can spend

three months doing hazard reduction before the government changes its mind, and it takes a lot of effort to do so. Every year we are told we have to contribute, say, 14 per cent to the New South Wales Fire Brigade when our rate-pegging increase is three per cent. It is ridiculous.

**Ms BURKE**—I am not sure whether you belong to the shire or to the Local Government Association. Is your Local Government Association a good advocacy body for you?

**Councillor Low**—They are getting better all the time. But it is difficult. We just had our election for local government extended by six months, and they did not consult us at all. That is the new minister.

**Ms BURKE**—I am surprised. In all the other states we have been to the Local Government Association. In a lot of states there are still two associations. There are two here. In Victoria there are two. There is a predominant one, but there are two associations you can belong to. The MAV is the predominant one, but you can belong to the LGA. A lot of councils belong to two. But here I have not had that sense of their having an authority or a say. Someone said before that they would rely on the ALGA as their spokesperson for councils. I was a bit surprised that we did not get a reaction around the room. During our hearings across the country I have not perceived that everybody would share the view that the ALGA speaks on behalf of all local government. This is on the record, I know. If you want to be cagey, that is fine.

**Ms Dore**—Following my experience in Victoria, where I saw the Municipal Association of Victoria improve its act considerably, and the VLGA, local government collectively had a much better advocate and a much better negotiator with state government than in this state. I am told that historically state governments have treated local government with contempt. I am glad Councillor Low has said that, because it is certainly the feeling. I do not know whether it is political, whether there is a dominant political party involved that coincides with who is in state government, that therefore there is a rather amicable relationship and therefore there are not challenges able to be mounted and advocacy taken strongly. The one good thing that the state association has done is set up the rating inquiry task force, chaired by my lord mayor, and that was at the initiative of Newcastle City Council, to examine the rate capping issue. But that is something that has been driven very much from grassroots—not the television show—by the lord mayor and others, not the association itself. They have been brought along to the table.

**Mr Burgess**—From a Wyong perspective, the only reason that Wyong is involved with the Local Government Association is that we receive industrial advice. If there was an alternative, we would take it. They are pretty harsh words, but—

**CHAIR**—Those of us who come from outside this state have been quite amazed at some of the things we have heard about the relationship between local government and the state government. I understand it is not peculiar to the current state government; it has been there for a long time.

**Councillor Low**—When I go to conferences interstate it is a breath of fresh air to hear how Queensland is treated—or Victoria, or South Australia. It is very different. The whole way they are funded, the way they work with government, the way that planning occurs is very different from here. I think it is a fundamental flaw in this state that we do not have a single body representing local government. It is high time we did.

**Ms Brown**—I believe the biggest criticism we have of state government and state government agencies or departments is that they very much take an authoritative role or a police watchdog role. Much of the issue we have with the Department of Land and Water Conservation, the National Parks and Wildlife Service, the EPA—all of those departments—is that they play the heavy hand with us: ‘You will do as we say.’ We ask for advice and they say, ‘No, we cannot give it to you. We do not have the resources. You go and do what you want and then we will come and hit you over the head when you do it wrong.’ It happens time and again. It is a matter of, ‘We will not assist you, we will not help you, but we are going to be really quick to beat you up if you do the wrong thing.’

**Mr Graham**—Mr Chairman, when we leave here this evening is there any sort of joy that you can give us to take back to our people?

**CHAIR**—I am going to have to wind it up. I am getting the message here, and I certainly appreciate the fact that we have been able to use these chambers because they are quite magnificent. The committee has come to this hearing with an open mind. You have seen that discussion paper. We were trying to provoke people and give a bit of a lead to say, ‘If you were to start to recommend this, is it going to be supported around the country?’ If we make recommendations that no-one is going to support, then I do not think the report will go very far.

By and large the message is coming through quite clearly that people are feeling a bit frustrated about the fact that there has been a process building up over time whereby the finances of local government are extremely stretched, and we have to try to find a way of dealing with it. The states to a varying degree have not always been that helpful. So we are trying to come to grips with that.

I hope that you will be pleased with the report, which I am hoping to deliver to parliament probably in August, all being well. That is not a fixed date. But, given the amount of time we have put into it, we should be able to come to some pretty good conclusions. I am hopeful. We report back to the parliament; then, of course, it is up to the government to respond. But the message, if you look through the submissions and the transcripts of the hearings, has been quite strong.

**Mr Graham**—So you feel that there will be a decision made before the federal government goes back to the polls?

**CHAIR**—I cannot answer that question. That is in the minister’s hands.

**Ms BURKE**—I will be blunt about the difficulty we face. We are a combined parliamentary committee; we are not all government members. We will write a report and deliver it. We hope, given the interest the minister has taken in this, that he will respond to it. The only reason I am labouring that point is that, unfortunately, we have written reports before that have sat on ministers’ tables. So from our perspective it gets a bit frustrating. We have now been all over the country, so we would really like someone to respond to whatever we come up with. But we play politics too, so it is not that easy a deal at the end of the day. We have raised expectations, which worries me greatly. The amount of effort and work that has gone into the submissions—and we would really like everybody to fill in the questionnaire and send it back—has put a degree of

pressure on us that we have not experienced before to ensure that something happens. I cannot guarantee it, though.

**CHAIR**—We will certainly try.

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

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

**Committee adjourned at 5.47 p.m.**