

ENVIRONMENT, NATURAL RESOURCES AND REGIONAL DEVELOPMENT COMMITTEE

Inquiry into the sustainability and operational challenges of Victoria's rural and regional councils

Colac — 10 November 2017

Members

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Mr Daniel Young

Witness

Mr Frank Deutsch.

The CHAIR — Welcome to the Environment, Natural Resources and Regional Development Committee’s public hearing in relation to the inquiry into the sustainability and operational challenges of Victoria’s rural and regional councils. I would like to extend a welcome to members of the public and members of the media, if present.

The committee is hearing evidence today in relation to the inquiry into the sustainability and operational challenges of Victoria’s rural and regional councils, and evidence is being recorded. All evidence taken today is protected by parliamentary privilege. Therefore you are protected for what you say here today, but if you go outside and repeat those same things those comments may not be protected by this privilege.

I welcome Mr Frank Deutsch. Today’s evidence is being recorded. You will be provided with proof versions of the transcript at the earliest opportunity. Transcripts will ultimately be made public and posted on the committee’s website. I will now invite you to proceed with a 5-minute opening statement, which will be followed by questions from members of the committee. I will first have you state your name and role for the record, and then proceed with your opening statement.

Mr DEUTSCH — My name is Frank Deutsch. I am primarily concerned about the huge rates that country people are forced to pay as compared to city rates. There is a huge discrepancy. When I look through the different tax laws and whatever else, this does not make sense because some of the texts are saying a tax, being a tax, must be equal. The rates are nothing like equal. The rates really punish people who want to live in the country.

I have got a few points for my own road map here. Afterwards I have got a bit on the computer, and I would like you to take it along with you, because there is a lot of information on it which is pertinent to this.

The CHAIR — Certainly.

Mr DEUTSCH — As an opening, this goes back three years ago, I spent about two or three months downloading all the financials of 79 councils in Victoria and comparing what they are doing — how much money they make, how much income they are getting from government, how much they are spending on bits and pieces. They are not sustainable. The country councils are not sustainable — the smaller ones. They either have to amalgamate or they have to get more money from the government in the form of grants, not on an ad hoc system but on a continuous basis that people can rely on and can say, ‘We have to do this and that’.

Another problem that we have in the country is swinging seats. Come an election the Liberal Party will come and say, ‘We promise you this, we promise you that. We will give you \$5 million. You have to put another \$2 million in’ to get whatever it is. The Labor Party does the same thing. What it means in effect is at the end of the day, whichever party is elected, whatever this country community gets they have to pay for it through increased rates, and in Ararat they are already the highest or one of the highest in Victoria.

We have got a problem in Australia with people not understanding what the constitution of Australia means. At the moment we have got a Senate problem and some other problems in government. Whether they are Australian or whether they are whatever else, I think country people have to understand — that everybody who is involved in any sort of way in government — have to read and understand what the laws mean.

They call it ‘local government’. This is a misnomer. There is no such thing as local government. It is a part of the state government department which looks after local government and they allow representation by local councils to look after their area, but it is not a local government. They do not have real ways of making laws and rescinding laws and whatever.

The problem as I see it is that councillors, once they are elected, want to be all things to everybody. Somebody comes and wants this or that whatever else — ‘Yes, we can arrange it’. Then we have got a wonderful organisation called the Municipal Association of Victoria, MAV. They are getting millions of dollars in flogging their insurance and by contributions by the various local governments to do whatever they are doing. What they are doing is very good. I have got a presentation of theirs. I really value that by the MAV. They have got a list of 500 bits and pieces of how they can service the community better at an increased cost. That is one thing we have to reduce, we have to reduce the cost of living in Victoria, country Victoria in particular.

One thing that local governments like to do is have sister cities. Ararat has got a sister city in China and four friendship cities. Of course people have to go and see them. And who sees them? The mayor, the CEO and one, two or three staff. And who pays for it? The ratepayers pay for it. That is absolute bloody nonsense — honestly, gentlemen. We have got a very good department which handles overseas trade. If anybody wants to have overseas trade, go and see this department, either in Melbourne or in Canberra. Both of them are good.

Country or rural councils, especially the smaller ones, collect their rates and whatever else at an increased amount as compared to the city, and about 70 per cent to 80 per cent of it is spent on wages. If you are spending that amount of money on wages, you do not have the money then to do the real work like upgrading the roads, upgrading infrastructure or whatever — looking after things that need to be done by law. They are not being done because there is no money. You have to pay the staff.

Amalgamation is one of the things which could be done to increase efficiency. Unfortunately, amalgamation was tried in New South Wales recently and they gave up, I believe, because people just do not like the idea of amalgamating three or four smaller councils into a super council to make it more efficient. There are pros and cons for each one.

Most of the money which is spent by the councils is spent in the main city. That is one of the other bits and pieces: you have got have Ararat looking good and nice so people will come and visit. Yes, you do, but also other places need looking after.

There is a thing called wellbeing. I have got no idea what it means. Can anybody tell me what wellbeing means? If I am not well, I go to the doctor and I look after myself and look after my body and eat the right foods. It has got nothing to do with council or with the government — nothing. You have got one or two people employed to look after the wellbeing of the people who live in the shire — absolute nonsense. I have got no idea how much is spent on that, but it is a goodly amount.

There are other bits and pieces like this where the council has got its fingers in there to do things that the average person is responsible for themselves. There is no self-responsibility anymore. It does not make sense. I am not responsible for you; you are responsible for yourself. The same is applicable the other way. We have to get real about things. What we cannot do is keep on increasing the costs. I love the idea of the 2 per cent maximum increase. I love it. I am not a Labor voter. I do not vote Liberal too much, either. I am probably more on the right of Genghis Khan if it comes to voting.

Brighton council in Tasmania 20 years ago decided, 'We will not increase the rates by any more than the CPI'. That was 20 years ago, and they have kept to that. Their increase is below the CPI. It can be done, it has been done, and I think everybody should look at what the Brighton council in Tasmania is doing. They know the services that they need to fulfil or cut back and the things which need to be done are done, but they do not waste money on car fleets, trips overseas and bullshit — excuse me. What needs to be done? I think every CEO who is appointed, especially in smaller rural councils, has to do a course with the government, has to be certified by the government and has to say, 'I will make sure to put a brake on unreasonable demands by the people and by the councillors. We have to do three things. We have to do the things that the government demands: we have to upkeep the roads, we have to this and whatever else — and if there is any money left afterwards we can put money in an arts centre or have some idiotic scheme.

I think the Local Government Act ought to be read and understood by every councillor, especially now when it is being amended. There should maybe be a test done by every councillor who is elected to understand what it actually means. To give you an example, what we have got happening in Ararat now is an absolute shame. The Goldfields shire council and the CEO have been sacked, and they got an administrator in. I wish they would have done the same thing in Ararat.

The CHAIR — I am just conscious of time, Frank. We just need to give committee members the opportunity to ask questions, so if we are nearly there with your opening statement we will have some questions for you.

Visual presentation.

Mr DEUTSCH — Okay. I just want to mention one of the last things. I have got it on here too. Local government employees: in 2011 there were 1 886 100 public sector employees. There are some bits and pieces

there. I just want to mention that the employee ratio increased by 30 per cent, and no extra service was produced.

Mr RIORDAN — That was local government increases?

Mr DEUTSCH — That is local government, yes. That is in all states, Victoria as well. Any questions?

The CHAIR — Thank you, Frank. I will take the opportunity to ask the first question, if I may. It is very clear that you have done your research, and I am sure the committee members will take the opportunity to have a greater look at the information that you have provided electronically. You propose in your submission a three-point plan in terms of making our rural and regional councils more sustainable. That is quite high-level thinking. Item number 1 is: ‘Combine those smaller councils into a super council; this will literally save millions of dollars’. I just wanted to get your thoughts on how you would propose local representation in something of that ilk?

Mr DEUTSCH — Josh, we are living in the 21st century. We have got computers. We have got Skype on the computer. We can have all our communication electronically. If somebody cannot understand it, he should not be in council.

The CHAIR — As a way of a supplementary, we heard some information this morning in relation to rate capping. There was some information provided around the council’s ability to cope with the financial implications of that. I was of the view that in the majority of information we have heard from both community groups and other municipalities the ability to raise rates was already limited anyway and therefore rate capping was not an issue for many of them, and residents were quite supportive. Can you give me your views around rate capping? I am fairly sure you touched on it in your opening statement.

Mr DEUTSCH — Rate capping has to stay. What needs to be reduced is the level of service for inappropriate things that the council provides. In particular, I would love to see no politician coming around saying, ‘We are going to give you this if you elect me’, or ‘We are going to give you that if you elect me’. That only increases the rates, which we hardly can afford. I own a caravan park. I scraped the money to get it, just. I bought the caravan park as a retirement hobby, and I spent a lot of money on it. I do not want to lose any more money. And that goes for every other ratepayer in the state. Why should they be penalised for living in the country?

Mr RIORDAN — Frank, how long ago were you on the Ararat Rural City Council?

Mr DEUTSCH — I was elected in a by-election, and I did not get re-elected because I am against the arts centre.

Mr RIORDAN — Right. So was that relatively recently, in the last?

Mr DEUTSCH — Yes, in the last.

Mr RIORDAN — So from your experience as being a councillor, you have raised many issues today that we have heard right across the state: cost shifting, the need for rate capping and the ongoing growth of services that may or may not be essential. When you were on council, what did you find was the biggest difficulty in making what you would term hard decisions of being practical about limiting council rate increases and limiting council expenditure? As a councillor, what did you find were the difficulties?

Mr DEUTSCH — I come back to the constitution of Australia, just mentioning it. In council we have a constitution, and it is called the four-yearly council plan. I wanted to amend the council plan to something realistic. I was not allowed to. I did not get voted in to change the council plan to something which says, ‘We have to cut a service here. We have to cut a service there. We have got to make sure that we are doing the things right’. That was one of things. In Ararat, for instance, we have got seven councillors. They either vote as a block or you have got four on one side and three on the other and you are stuffed. I do not know how you get about it, how you can stop the blocking.

Mr RIORDAN — I think it was you who made the point earlier in your presentation that there is strong cohort of CEOs and council officers that have an entrenched system. Did you find the willingness or preparedness of council officers, employed staff, to be prudent in these areas, or did you find there was an

incentive for them to continue to grab the \$2 million from the Liberal Party and the \$2 million from the Labor Party and continue adding services?

Mr DEUTSCH — To some degree. I have to say I had a fairly good working relationship with the CEO once. When I got elected he thought I was going to destroy the council because I am a little bit forthright. When we had talks every week — once or twice, for half an hour, or something — he could see my way and I could see his way. They do have a very hard job to do. You cannot please everybody, you cannot do that, but you can work towards a sustainable council. Small councils cannot be sustainable but you can do things about it. You either amalgamate or get rid of some of the unnecessary nonsense that councils do.

The councils are here to steer; the CEO and the staff are here to do the rowing. That is the way I understand it. If everybody would understand that system it would be a wonderful idea. In some instances, especially right now, the councils want to do the steering and want to do the rowing as well. That will not work. You are breaking the chain of command and you are doing all sorts of things which get you into legal problems. Did that answer your question?

Mr RIORDAN — Yes.

Mr O'SULLIVAN — Thanks, Frank, for coming in. Frank, there is just one question I want to ask you. As part of your submission you said that if you applied the same CIV value to a Stonnington house as you would in Ararat, to a property worth \$500 000, in Stonnington the property in terms of rates would be \$601.50, against a property in Ararat, which would be \$3430.50.

Mr DEUTSCH — That is correct.

Mr O'SULLIVAN — Or 5.7 times higher. That is a significant difference. What can be done to change that so that city and country can pay a similar amount? Because that is purely unfair on country people.

Mr DEUTSCH — It is. I used Stonnington as being the lowest rating council. There are other councils where the CIV is considerably higher, but nowhere near what we have in the country. What can be done if rates are tax — according to the High Court of Australia, in 1904, Judge so-and-so said rates are a tax, full stop, and that has been applied for the last 114 years: rates are a tax. As I said in the submission, if you are a plumber and you work in Victoria and you earn \$100 000 you will pay X amount of tax, if you are a plumber in Darwin and you earn \$100 000 you pay X amount of tax — the same amount, no difference. Why not have a rate struck by the government — it will be very unpopular, believe you me — in Victoria, that the CIV will be 0.0031 in the dollar, and that is applicable to all of the properties throughout Victoria — maybe even throughout Australia? That then goes into consolidated revenue in one particular thing — for rates only, not for MPs such as yourselves to spend to go overseas. You do not want it. The rates go into the rates.

Mr RAMSAY — I saw in the *Weekly Times* this week that the president of the Victorian Farmers Federation has called for review of the performance of councils. You are from a council that is currently being monitored, and my understanding is there was an election last week in relation to a new mayor and councillors. That does not solve the problem of the governance issues around that council. I apologise for being late, so I have not heard all of your presentation. I am still not quite clear, apart from through amalgamation, where you see the issue around the rates, being a significant part of the income of the council, how that could be shared equitably, given the farmer rate I think is purported to be moving from 55 to 75, and I think they contribute about 34 per cent of total rates. So the farming community is bearing a fair bit of pain in relation to rate revenue. How can you share that burden more equitably and get enough revenue into the council for it to do its business?

Mr DEUTSCH — I am a firm believer in the user pays system. What value does the farmer get in the Ararat shire? He does not go to look at the arts centre or look at what it buys or look at a picture or whatever is at the arts centre. He does not get any value from that. He gets value from the road which goes past his property so he can send the sheep to the market and so he can send the wheat to the market. That is where he gets his value from. Ararat council has got 1600 kilometres of unsealed council roads, which have to be graded and looked after once a year at least for them to be safe. You have got farmer Joe Brown living there and farmer Joe whatever living over there, and there is one road going there from one sealed road to another sealed road. Put a cattle grid on one side and a cattle grid on the other side, and say, 'Farmer Joe, that's your road. It's yours. You can use it for whatever you want'. Then only make them pay the rates for what the house and the immediate area would be worth. The farm is a separate thing.

Why should people in Ararat or people in Lake Bolac or wherever else be paying for the continuous upkeep of roads which are of no benefit to anybody but the farmer? Give it to the farmer or make the farmer pay. If 1600 kilometres of roads cost \$4 million to grade every year and there are 500 farmers, divide it by 500 and say, 'This is your cost for the roads, or would you rather have a cattle grid in there?'. I can come up with ideas, but they have to be practical. Everything has to be practical and make sense.

In the last two years we had a council meeting, and the present elected mayor wanted to lower the rates from 60 per cent to 55 per cent. I and the mayor then and somebody else fought against it, three councillors. Four councillors said, 'What a good idea. Let's lower the rates for the farmers'. This year they go up from 55 per cent to 100 per cent. That flies in the face of everything to keep the rates steady and even, according to the Local Government Act.

Mr RAMSAY — Frank, that does not solve the problem, though, of revenue into local government to provide the services. It is rates, it is grants commission, it is the fed grants. Is there another way that we should be collecting revenue for local government to provide the services for the community?

Mr DEUTSCH — You could make all the unsealed roads the property and responsibility of the state government, saying, 'You look after it'.

Mr RAMSAY — Well, there's a thought!

The CHAIR — Frank, thank you for your time this afternoon and for your passion in your presentation. The committee greatly appreciates it.

Mr DEUTSCH — Thank you.

Witness withdrew.