

ENVIRONMENT, NATURAL RESOURCES AND REGIONAL DEVELOPMENT COMMITTEE

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

Traralgon — 9 October 2017

Members

Ms Josh Bull — Chair

Mr Simon Ramsay — Deputy Chair

Ms Bronwyn Halfpenny

Mr Luke O'Sullivan

Mr Tim Richardson

Mr Richard Riordan

Mr Daniel Young

Witnesses

Ms Cheryl Wragg, and

Mr Peter Gibbons.

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 extend a welcome to members of the public and to the media if present. All evidence taken today is protected by parliamentary privilege, therefore you are protected for what you say, but if you go outside and repeat those same things, those comments may not be protected by this privilege. Today’s evidence is being recorded. You will be provided with proof versions of the transcript at the earliest opportunity. Transcripts ultimately will be made public and posted on the committee’s website. I will now ask you to state your names and job titles.

Mr GIBBONS — Peter Gibbons, retired, but an ex-city councillor.

Ms WRAGG — Cheryl Wragg, previously secretary of Moe and District Residents Association, and professional researcher and advocate.

The CHAIR — We have 30 minutes allocated for this session. That includes questions from committee members. I now ask you to make a brief opening statement, which will be, as I mentioned, followed by questions from committee members. Once again thank you for being here, and over to you.

Mr GIBBONS — Thank you, Chair, and thank you to the committee for allowing us the opportunity to speak here today about a very important issue. As I have seen the terms of reference, it goes to some of the major important issues that confront local government here in Victoria and, I would add, Australia-wide, but I will get to that later. I will give a bit of a run-down of approximately 10 minutes, and then Cheryl will take over and speak in more general terms.

By way of introduction, for the last four years I was the elected councillor for west ward of Latrobe City Council, which covers the western area of the city council, namely Moe, Newborough, Moe South, Tanjil East, Tanjil South, blah, blah, blah — the rural outlying areas of that ward. From 2008 I was an elected office-bearer for Moe and District Residents Association, and Cheryl was the secretary of MADRA from 2008 until my election in 2012. Then she had to retire because of the conflict-of-interest laws at that point in time.

Latrobe city municipality is quite unique in Victoria. It is a networked city of three major population centres; a medium-sized town, Churchill, as Margaret Guthrie has spoken about; and seven smaller towns and settlements. The complexity of Latrobe city has confounded the Victorian Electoral Commission for many years on how to construct a more democratic ward boundary arrangement for this municipality. In 2010 MADRA and other residents groups pushed for ward boundary review with the government of the time. With Traralgon Community Development Association we developed a model adopted by the VEC in 2012 to improve Latrobe city’s ward structure.

Part of our motivation was to stop the fierce competition between our three large towns. This was being artificially whipped up about major infrastructure projects, funding allocation to those communities and the delivery of services to everybody. The extreme parochialism between the large towns of Latrobe city had been promulgated for the purposes of political manipulation and electoral outcomes. Council was funding this behaviour and becoming more and more financially indebted, costing ratepayers in a variety of ways. Major projects to support particular political outcomes were being pushed through on the back of increased borrowings. Services were being withdrawn, such as hard rubbish collection in the mid-2000s, even though Latrobe city kept charging ratepayers for the service costs after stopping the service delivery.

From the late 1990s onwards Moe was being particularly under-serviced. That was a key reason why we and other Moe and district ratepayers formed MADRA in 2008. One example of how bad the situation was is when a councillor was encouraging volunteers to come forward and take over council responsibilities, such as maintaining Moe’s public gardens. At the same time matters of paramount importance with implications for public safety, such as ground instability and subsidence in Morwell’s southern residential area near the Morwell open-cut mine, were, and continue to be, ignored. When you consider cost shifting from federal and state governments to local government ratepayers, we have a particular problem here in the Latrobe Valley local government area. The outstanding responsibility is for matters of public safety and huge costs arising out of the State Electricity Commission and the legacy of privatisation, which still stands after 22 years.

If Latrobe city was to accept responsibility for all the major infrastructure leftover from the SEC, our council would have to declare itself bankrupt, so big is the liability. The SEC used to have responsibility for ground

monitoring in the southern residential areas of Morwell. It had responsibility for keeping the mines safe. All that stopped with privatisation and deregulation. Private owners did not take over the responsibilities of the SEC for these matters. Federal and state governments have historically allowed them not to and assumed local government was responsible. Ratepayers have been forced into living with unsafe levels of risk. That is a form of cost shifting from corporations and governments onto the local ratepayer.

There has been some relief in recent times — for example, last week's determination by the state government to increase mine rehabilitation bonds payable by the private operators for mine remediation. There are still many outstanding problems associated with the legacy of SEC privatisation and related costs that are being shifted onto local residents in the form of risk and unresolved problems. These matters must be dealt with on a bipartisan basis and should not be politicised at state and federal levels, although they will be. However, I believe also that major public projects and their funding arrangements, and service delivery arrangements to ratepayers should not be politicised by Latrobe City Council and its administration.

With new and more democratic ward boundaries and voting arrangements we were able to break the political stranglehold at the core of council's financial mismanagement for more than a decade. We introduced financial accountability and a stronger service ethic into the council's administration. One of the people who was part of that move was here this morning — Mr Matthew Rogers.

From 2012 to 2016 the new council worked hard to effect important changes to rein in council's indebtedness, to improve council's procurement policies and to break down the system of patronage that had previously favoured relationships with particular contractors and certain community members rather than awarding contracts on the basis of best cost service delivery. We tried to review council's major project commitments and assess them objectively.

Before the imposition of state government rate capping we had introduced our own form of rate capping. The likes of me and other community councillors advocated internally, very strongly, that council administration could not keep increasing rates with more than 20 per cent of Moe and Morwell's populations unemployed or on fixed incomes, like those on pensions and disability pensions, and self-funded retirees.

We fought hard to rein in excessive spending, unnecessary and expensive projects and an ever larger council workforce. We met a lot of resistance, including threats of physical violence, ongoing harassment, vilification and push back from the minority who had been benefiting at the expense of the majority. We made a good start but in four short years could not finish the task. For example, council's major project management has been historically of very poor quality. Multimillion-dollar federally funded redevelopments of Moe's Ted Summerton Reserve and football ground, and the new Moe library — which is now a drop-in centre — were mismanaged.

Significant additional costs have come back onto ratepayers for those mistakes. I understand the frustrations that would lead the Victorian government to impose a rate cap onto inefficient, profligate, poorly managed local councils. However, in the case of Latrobe city we were extremely cognisant of our problem and sought to fix it locally via a community-led push to improve the situation. These problems are complex. I do not agree that a single mechanism like rate capping can reach in and fix the many problems with Victoria's local government sector, which I will talk more about later. I can speak further about the consultation and implementation of rate capping during your question period.

In our case the rate capping actually worked against what we were trying to achieve. It has encouraged council administration to resurrect some unfortunate tendencies from the past. I do not understand, for example, how in the space of six months, since I finished my term, a \$20 million-plus — not many millions over that 20 — swimming pool earmarked for Traralgon could turn into a \$46 million swimming pool or how the Future Morwell project refit of Commercial Road, Morwell, estimated by topnotch architects as costing around \$350 000, could turn into a \$2 million-plus project costed by council managers.

Already Latrobe City Council is noticeably sliding back into past bad habits. That concerns me when we worked so hard on the structural changes necessary to improve the accountability of council's administration to the community. It is also living proof that rate capping does not fix these problems. However, rate capping does incentivise wily council administrators to inflate project costs. For council managers rate capping justifies a new wave of cost shifting onto state and federal taxpayers — the same people — wherever they can get away with it. Rate capping encourages cynical political alliances between councillors and council managers for their own

political advantage. The proposed new Local Government Act will not fix these structural matters unless it is improved. If you want good local councils, you need vigilant, effective community advocacy that can scrutinise and challenge well-resourced council administration.

In turn, the community needs resources and standing to carry this out — mostly a thankless task for us activists. For example, it is a very big deal for small community organisations and individuals statewide to legally challenge a council administration, which has a particular structure that does not go towards the position of fixing things easily. It is a specialised area of law, and very few law firms in this state are active in the particular area of local government law. There are almost no resources for those community activists to support their actions. In contrast, the cost of a council's legal defence is borne by the ratepayers, the same people who are challenging these decisions. There seems to be a contradiction there somewhere. That is just one example of a change that state government could make to assist and support community advocacy and improve the accountability of local government.

With all those things that I have spoken about now we are confronted with major change in our community: the overflow of the changes that are being made to the power industry in this area, which has been here for nearly 100 years and has changed the face of the Central Gippsland region. We are now confronted with continual closure of the industry, which I believe is short term and done by people who are ignorant of a comprehensive electricity system. There needs to be a national discussion about this whole issue. Areas like our area, along with about four or five other areas in Australia that provide baseload power to the country, are going to be badly serviced and in a bad situation as regards their livability in the coming decades.

The CHAIR — I am just conscious of time, Peter.

Mr GIBBONS — Yes. I will leave it there now. I will get Cheryl to start to develop the position of answering your questions, if you have got any, and make some further comments about the comments we have made. But thank you very much to the committee for listening to me.

The CHAIR — Thank you very much. Cheryl, you are happy not to say anything?

Ms WRAGG — No, go for it.

The CHAIR — I will ask the first question then. Peter, it is to you. So you served from 2012 to 2016 on council. We heard some evidence this morning of the impacts of the freeze on indexation for federal grants. Can you make some comments around that and the direct impact you saw in terms of infrastructure? You spoke about the competition, if you like, between wards, and obviously that can cause a great deal of local angst. Can you make some comments in relation to the federal grants program?

Mr GIBBONS — I will tell you my experience on the issue. I was in Canberra at the time that it was announced the FAGs were going to be frozen. I was at the national local government conference. There were about 1000 people there from local government, and they all put their hands up and there was a scream you could hear all over Canberra. It was going to lead to major, major problems within the financing of local government by the withdrawal of those financial assistance grants.

If I could go a little bit more broadly about this issue, I think it was the member for Polwarth who spoke earlier to the council officers who are here. I might say also that they put in a very good contribution earlier in the day about the circumstances that council is confronted with. I agree with the member for Polwarth that there needs to be a total turnover of how we fund local government in this country. We cannot continue with this 1850s idea, where we had a population of around 3 million people — not 24 million but 3 million people — and that economy at that time was based on farming. There was very little industry; it was mainly farms and farmers that ran the place. I will not go into the historical differences between one farmer and another, and a squatter and a settler and blah blah. My family comes from both sides of the argument, so I am not getting in there. But the point I am making is we have got to modernise.

We are in the 21st century, not 1850, and we have got to get to a realistic position for state, national and local government, where all the representatives of those organisations plus the community generally have a general discussion about how we fund local government. If we can come up with an agreement, which we have to in a very short period of time, then we will have to do it, because we are costing ourselves to go nowhere.

You heard some of the contributions this morning about the differentials between various areas of local government, and it is quite correct. This also impinges upon this idea of amalgamation. I think some amalgamations were good. The one here that has fallen to Latrobe City Council had very broad support, because the local communities were very close together; they had worked together for many, many decades around common issues. But when you talk about, let us say, for example, East Gippsland, where you have got your prime city of Bairnsdale and then for everything east of that there are 3 or 4 hours between your settlements: Cann River, Orbost, even out to Mallacoota. You are talking about enormous distances. How do you do governance? How do you provide proper governance to people who live in those local government areas when you have distances of that size? We can all talk about new technology and everything else, but the facts are that people like to talk to each other. They do not want to communicate over some electronic means that makes them distant.

So I think that there are a lot of elements in the whole argument that we brought up about the differences between the three major towns, Churchill and the seven minor settlements. You have a pot there and it does not seem to grow; it seems to get smaller every time you start to talk about the budget in February of every year, and it takes a lot of work.

It is good today that we have had a contribution from the farmers — the Latrobe Valley farm ratepayers. Knowing them from their presentations to council, they are quite truthful about their circumstances and situation. It is not one of the imagination; it is a reality.

The CHAIR — I thank you for your answer. I have a few more questions for you, but I am conscious of time, so I am going to hand to the deputy chair.

Mr RAMSAY — I just have one question, and I might direct it to Cheryl to give her an opportunity to speak. We understand Latrobe city has its own set of problems associated with rate revenue, particularly with the historical dependency on the mining industry. This inquiry, though, is looking overall at regional and rural local government funding. We have heard about the FAG grants, and we have heard about state government grants and the opportunities that are not there for them like they are for metro councils, where they can raise revenue through car parks and a whole lot of other things. On what basis would you provide us with some recommendations that would change the current mix of funding for rural and regional councils to help them overcome some of those challenges that we have heard about probably for — how long has this inquiry been going? — two or three months. We know the story, and we keep hearing it every time we go away, but what we do not hear are solutions. Perhaps I am seeking solutions from you, Cheryl, to some of the problems that have been raised here today.

Ms WRAGG — You did not start with a small question, did you?

Mr RAMSAY — No, and we do not have a lot of time for a large answer either, I am sorry.

Ms WRAGG — Coming up with additional revenue streams off the top of my head is probably not an appropriate answer, but I guess I want to perhaps bring the question back to issues around accountability and getting to a real bottom line in terms of the way councils operate. One of the struggles that we have had over the last eight or nine years now is really pushing council to reveal what that real bottom line is, because we have been really sensitised to mismanagement within council, within local government, which is distorting that bottom line. I was involved in a historic battle over the Moe library. We could have had a redeveloped Moe library of the same size as the new huge building for one-third of the cost. So that kind of cost imposition onto ratepayers is not just about money coming in; it is also about how money is going out, and that has really been the focus of the kind of work that I have been involved in.

Just to pick up the last point that Peter made in his presentation about this inability to develop legal action around these matters, one of the things that I have campaigned on is section 208 of the Local Government (Best Value Principles) Act 1999 to be followed. Local government is supposed to make decisions on the basis of best value principles, and the act is quite specific in laying out what those best value principles look like — the need to review services against the best offer, in both public and private sectors. We have argued with council, ‘When you’re looking at these major pieces of expenditure, why aren’t you applying section 208 of the act?’, and they do not even want to talk about it. They are off in their own little world, making their decisions, doing their deals. It just seems to me that we live in such a litigious world these days, and we live in a deregulated

world, where the emphasis comes back onto individuals and community to take legal action to start compelling government to take these laws seriously.

We have talked about it any number of times over the last eight years — we really wish there was a legal resource defence fund that we could draw on not to undertake vexatious legal action but to start bringing these matters of financial accountability into the way that councils operate. I led a litigation against Latrobe city; I brought a matter to court. It was an extremely stressful thing to do. We had 10 people by petition and eight of them were unemployed, and council sought a cost order against us. So it is extremely difficult to get accountability around financial management matters — forget just income streams but also in outgoings and getting to a real position so that council starts taking these matters seriously. It is not good enough for council to be able to ever increase rates or to ever turn to federal and state government. We would like to see government that is a whole lot more accountable in its operation.

I am sorry I was not able to bring forward some additional revenue streams and sort that out, but I think there are some really particular ways in which local government could be improved. We have got to start bringing some accountability and resource the community to enable that to happen.

Mr RAMSAY — Can I just quickly ask: the Local Government Act review currently being undertaken by the current Minister for Local Government, is that going to resolve some of the issues you have raised?

Ms WRAGG — I have been taking advice from Peter on that, because I have had to step back a bit because Peter and I are married. That is why I had to step back when he took over the reins on these matters, but Peter has been closely observing that and he thinks not.

Mr GIBBONS — I think the major provisions in the act will survive, but a lot of things that have been put into the act over the decades were put in there by custom and practice — that is, if local government were confronted with a problem, state government agreed to fix that problem by putting an amendment through in the act. I got the distinct impression the last time I spoke to the people who were running the consultation, last year, that a lot of those good amendments were going to get dumped, and you were going to be left with a very slim volume of legislation, which basically kept it to the major points and it would be left as a sort of laissez faire position as regards to how local government operated. There would not be any close attention paid to it.

That is why I said in my comments that I do not think the amended Local Government Act, as I see it at this stage, is going to help some of the problems that you are confronted with. Your terms of reference are so broad that they cover about 90 per cent of the operation of local government. In some sense I feel some sympathy for you. You have got to try and set out everything that has been said to you to fit in with the terms of reference that have been given to you by Parliament. How you do it, good luck to you, but I am saying to you that some of the things like rate capping, like a reformed Local Government Act are not the answer to some of the fundamental questions about how local government operates.

Just on a final point, there was a question that one member of the committee asked of the council officers: ‘Is there some economic research that looks at some of the effects of the massive changes that are occurring and will occur for a couple more decades?’. In 2015 the Latrobe City Council hired Dr Peter Brain of the National Institute of Economic and Industry Research. His parameter basically was to look at this area and how it would affect the operation of the Latrobe City Council but also what roll-on effects it would have on Baw Baw shire and also Wellington shire. If you got rid of all the power stations, there was a massive change in immigration, it would be people out of the place. What effect would that have on the general economic activity? I might say that some of his findings were very controversial. Since privatisation basically the Central Gippsland economy has gone down by about four percentage points. It is not ever-expanding like it once was before 1995. His report, which you would be able to get off Latrobe City Council, is very enlightening as regards the sort of general economic impacts of that major change.

Mr RICHARDSON — Thanks, Peter and Cheryl. Just going to the point about Hazelwood, Peter, I just had a look at your comments a little while back — 2015 — about a future looking forward to, I guess, other industries and opportunities. I know, Cheryl, you got in trouble a few years back for speaking out for your community in a different political life. But how do we look to solve some of those challenges? What are we trying to attract? You made the point about Federation University being a big point for Churchill. But what are the other things that we can look at post-Hazelwood and other things that the government is doing at the moment? These are federal and state challenges going forward for a substantial part of our state.

Ms WRAGG — I have done quite a lot of work on this area.

Mr GIBBONS — Was that the submission to the Senate?

Mr RICHARDSON — That is part of it, yes.

Ms WRAGG — Part of what we looked at in that particular submission, which was submitted to the federal Senate in consideration of the Clean Energy Future package of legislation, was around the retention of skills in the Latrobe Valley, and pointing out that if you do not have an orderly approach to transition and power station closure, people will pack up their houses and leave and take their skill base with them.

Sally Weller was working for Victoria University. She was commissioned by the state Labor government to look at transition impacts and electricity industry restructuring. Her work was more recent, and in fact is really being borne out right now in reality. What she said was that there was really a cascading series of effects. You would have people who have retired out of the industry with very fat superannuation packages, and they are fine — you do not need to worry about them. The next cohort are people who can pack up and leave and find work elsewhere — experienced operators in the power industry.

The next cohort is people with young children, who will get caught here and will be in competition with existing jobseekers in the region, and those existing jobseekers who do not necessarily have any work experience, who are within that very large cohort of up to 20 per cent structurally unemployed people, maybe multigenerational unemployed people, they are the ones who are going to get squeezed the most, and in fact that is happening right now. I mean, I learned as recently as last week that ex-Hazelwood employees come with a \$75 000 kind of cash assistance to an employer who takes them on, which is great for them but really bad for all the young people who are being caught here.

We have been part of a project that Latrobe city have been participating in called the ReActivate Latrobe Valley project, which was led out by RMIT University from 2012 to 2016. It is really rolling out community projects that were designed to engage with long-term unemployed people and address some of the serious issues facing Latrobe city around issues of vacancy — spaces being left, eyesores being created within our towns — and new industries being brought in. So that is further development — for example, a cut flower industry. We have an offer from the best sunflower hybridist in the world to bring a whole sunflower-growing industry, a cut flower industry, into the Latrobe Valley. We could not get any traction and support out of any state government on that matter.

Engaging in a much more effective way with young long-term unemployed people who cannot get into the Melbourne job market — and council spoke this morning about the importance of upgrading the railway — is absolutely essential, because one of the ways in which you can assist long-term unemployed people is to get them into the Melbourne job market, but you cannot do that when you have an ineffective railway that cannot get them there on time. Railway patronage has just recently dropped off because of the uncertainties of getting into Melbourne.

There are just a few things. Personally I have been involved very recently and currently in progressing heritage listing of the Morwell power station and briquette factory to get an international industrial heritage trail — that is, a heritage trail of international standing in the Latrobe Valley that repurposes our industrial heritage — to get international industrial heritage tourists into the region.

So we really need to have that conversation around what have we got, how can we repurpose it, how can we engage young long-term unemployed people and get them into employment by best using the assets that we have.

The CHAIR — Cheryl and Peter, thank you so much for being here and presenting to the committee this afternoon. We appreciate your time.

Mr GIBBONS — Thank you to the committee.

Ms WRAGG — Thanks.

Witnesses withdrew.