

# **ENVIRONMENT, NATURAL RESOURCES AND REGIONAL DEVELOPMENT COMMITTEE**

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

Melbourne — 15 August 2017

### Members

Mr Josh Bull — Chair

Mr Simon Ramsay — Deputy Chair

Ms Bronwyn Halfpenny

Mr Luke O'Sullivan

Mr Tim Richardson

Mr Richard Riordan

Mr Daniel Young

### Witness

Mr Tony White, Special Projects Officer, Australian Services Union.

**The CHAIR** — Can I take this opportunity to welcome Mr Tony White, special projects officer from the Australian Services Union. Tony, welcome, and thank you for being here. Today’s evidence is being recorded. You will be provided with a proof version of the transcript within the next week. Transcripts will ultimately be made public and posted on the committee’s website. Can you state your name and job title, please?

**Mr WHITE** — Tony White, special projects officer, Australian Services Union.

**The CHAIR** — I now invite you to address the committee. We have allotted 45 minutes for this session. If you can make an opening statement of between 5 and 10 minutes, it will be followed by questions from members of the committee.

### **Visual presentation.**

**Mr WHITE** — Thank you, Mr Chairman. I might just crack through this presentation, if I have got 10 minutes. What I briefly want to do is just touch on some of the issues in our original written submission — which are still, we believe, issues — and reinforce some things that have happened since, and then I am happy to take any questions that you like.

The Australian Services Union has, perhaps, the perception that we are all blokes leaning on shovels, but it is blue and white collar and it is management, middle management and entry level. We participate in staff consultative committees across the state, so our members, our delegates and our organisers have firsthand and current knowledge of what is happening in service delivery and service operations across many councils across the state. A lot of our staff are staff who were recently employed with local councils, so we like to think that our knowledge of the sector is current.

Most important, I suppose, is our knowledge of what is happening in the sector is not filtered through a council CEO or councillors. Even what councillors know about their organisations in many cases can be filtered through their CEO. I do not think there are many local council CEOs who would jump in front of this committee and say, ‘I’d like to tell you that our staff satisfaction or our customer satisfaction is plummeting’. So the real story of what is happening in local councils we often get a pretty fair dinkum look at. A lot of councillors or council CEOs, I think, in the context of rate capping would not want to be saying to their community, ‘We’re cutting services’ or ‘We’re doing a poor job’. We get to hear, I suppose, a lot of that firsthand from our members.

Our original submission last year indicated that there is a range of structural and other issues affecting local councils. The very narrow income base in rural and regional areas is not replicated in the cities. In a council like the Port Phillip council, if its income was affected by rate capping, for instance, it would only have to recalibrate its parking meters to make up for that. Now, the difference between those two sources of income is that one is a progressive source of income which is based on property values and one is a regressive one, because someone in a 1974 Kingswood or a 2017 Maserati pays exactly the same for their parking. So when we look at councils across the board seeking to get around rate capping or source other forms of revenue, we often find that the equity of that source of revenue is an issue and often the increases in revenue are coming from a more regressive source than a progressive source.

The other sources of income available to councils in terms of grants from state and federal governments usually require somewhere between 25 and 50 per cent co-contributions from local council. What we see then is local councils perhaps chasing money that serves broader bright and shiny policy objectives of state and federal governments and not perhaps the organically driven priorities of local communities. In a tight funding environment, if you need \$50 000 to get another \$100 000 out of the state, you are going to have to find that \$50 000 somewhere else. It is not like there are any or many local councils that I can think of that will be running along with a pool of money specifically put aside for matching contributions from state and federal governments, unless that pool of money came from other sources.

Particularly in small and rural councils, having maybe someone who has third-level responsibility in the accounting department or somewhere else to draw up grant applications is an issue. In a large organisation — big metropolitan councils — chasing extra sources of revenue from federal and state

government, there will be people around who can do that full-time. It is a much greater resource imposed on small and regional councils.

Every now and again we hear people saying that it is local government wages that are driving up local council rates. If I could give perhaps one example, in the Rural City of Ararat, their rate increase was 2.5 per cent last financial year, the wage increase that was in their EBA as of 1 July this year was 1.75 per cent and their wages as a percentage of total expenditure was about 40 per cent. So you can see that the real effect on the budget is around 0.8 per cent from the wage increase, and the rate increase has gone up two and a half. So the extra money is not going into workers' pockets.

In other rural councils, I can think of perhaps the Alpine council. They have an enterprise agreement which has 0 per cent per year for the next three years. So it is not highly paid council fat cats at the non-management level which are driving any of the increases there. There has not been any handbrake, despite what you might have heard from the MAV, on senior executive wages, but I will get to that in a second.

In our original submission, I guess we wanted to say one thing. Our members are rate and tax payers too, so the tens of thousands of people who work for local councils or for the companies that supply local councils are working in those communities and they rely on the services as well. So it is not some separate entity that is sucking the resources out of local government; they are putting resources into local government as well.

On money spent at the local level, if we have bright, vibrant, livable local communities across regional Victoria and they are places where people can live healthily and live in a connected way — they have good sporting clubs; they have good leisure centres; they have good community connectedness through strong community and cultural organisations — that will have better health outcomes and there will be better places to invest, and the money spent by local councils doing that is a long-term saving for state and federal governments who would otherwise have to spend money on welfare or other forms of economic adjustment packages.

We have the issue across regional Victoria of dwindling populations. I think peak agricultural employment was about 1971 or 1972, and we have just seen people get more productive since then. It will be no surprise to members of the committee to have been out in rural Victoria and to find quite elderly members of the farming community whose kids have moved on to become professionals or to somewhere else in the city, and that reduction in rural population has real issues for the long-term burden of running local government and providing those services. But overall council rates — and this point has been made across Australia — are a very small proportion of household income.

We will get onto some of that. I want to also draw out some issues that were raised in our original submission. The O'Farrell government in 2013 did a review of the rate capping system in New South Wales, and basically one of the key things that they found, and they were not challenged by anyone at the time, was that of the millions of dollars spent each year by council and state agencies in preparing, viewing and determining applications for rate variations the actual cost of the proposed impact of the rate increases was no more than a dollar per week. So we had millions of dollars of ratepayers value evaporating into a process which was not delivering any great returns for ratepayers. There are significant infrastructure backlogs across New South Wales. Special rate variations were generally deemed too politically risky at the local level, and if 60-odd councils in New South Wales are cutting services or letting infrastructure degrade rather than putting forward a special rate variation that would give them a break-even result, that is a long-term structural weakness coming into that system.

Getting back to Victoria, what someone could come in here and say, and could have said when the rate capping policy was announced, is that councils have stopped taking wasteful junkets, council fat cats have had their payrolls reined in, everyone has got lots more money washing around at the household level and they are thanking the government for it, and there are no pet projects with no overall value being funded, but that would be fake news because rate capping stops money coming in; it does not stop money coming out. That is the most important thing I will probably leave you with today.

So the real story on rate capping is in year 1 staff training was cut back so the capability of local government was reduced. There were delays in filling positions, and in that process services were reduced. Low-profile service areas were cut back — you know, things like the front desk would not be cut; it would not be closed in the office hours. They would be trying to keep footpaths in one piece and roads open. Projects were deferred year on year on year — and you can go to any local council to see all the projects that are pretty worthy and that would be supported by the community that are just deemed too hard to be put onto an immediate-delivery profile — and maintenance has been deferred.

In year 2 we had staff not being replaced at all rather than their replacement just being deferred. If you lived in the Alpine shire, you were getting 20 per cent increases in your power bills and you were employed there but you knew you were getting 0 per cent pay increases for three years, that would be a very significant problem at the household level.

There is a lot of pressure to contract jobs out to cut-price operators. Momentum One is a company set up and half-owned by Alpine shire and half-owned by Towong shire. Because they own only 50 per cent each, not 51 per cent each, neither of them have been required to get permission from the minister to engage in entrepreneurial activities. They are basically a labour hire company which hires to themselves at a lower rate.

The pool attendants up in Towong shire who are in regular summer employment turned up one year and were told that they were not getting paid \$20 an hour, they were getting paid \$15 an hour to run the pools and that they were not going to be employed by the Towong shire anymore; they were going to be employed by Momentum One — this new private entity. This new private entity has promoted itself as a modern operation operating on a high-tech base, which as far as we can tell is off-the-shelf Xero accounting software and advertising for employment on Gumtree. That is the sort of operation we are moving to, and those are the sort of people who are now looking after people's lives at that swimming facility.

Services are being cut continually. For those people who have been in this caper for a long time and who know people who have been at a local council for a long time, the advantage, I suppose, at the rural-regional level is we are more likely to find CEOs and general managers who have been in that role for a very long time and can give you some longer cycle perspective. I would encourage members of the committee to talk to people like that in their electorates. The rate freeze that we had in the late 1990s at the local council level created an infrastructure renewal gap which has still not been addressed, and when we have continual downward pressure like we are getting here and also in New South Wales now, we will continue to see that infrastructure renewal gap grow and continue to be unaddressed.

I get back to that earlier thing about no handbrakes on expenditure. We do see that there never seems to be any handbrake on money for consultants, there never seems to be a handbrake on money for lawyers and there never seems to be any handbrake on senior executives. Rob Spence earlier spoke about the senior executive level staying pretty standard over the last few years. You go through the annual reports of local councils and you can see that 10 or 15 per cent pay increases for CEOs is just not unusual — in country Victoria, in city Victoria.

In the companies they contract out to — and I know this is not a rural and regional one, but it is an example of how money can be distributed — there is the example of Citywide, which is a company owned by Melbourne City Council. Melbourne City Council contracts out its waste and parks and gardens to Citywide. The head of that company operates out of the old Melbourne City Council depot with old Melbourne City Council staff. It is doing exactly the same thing in terms of garbage and waste, but the workers are paid 15 to 20 per cent less than if they were directly employed by Melbourne City Council, and the CEO, who is really a glorified depot manager, is paid \$500 000 a year. So we have got glorified depot managers being paid at a rate which is up there with the Prime Minister.

**The CHAIR** — Just a couple more minutes for the opening statement.

**Mr WHITE** — Sure. The Ararat issue was not stopped by rate capping. I am sure members of the committee have read the recent report of the Commission of Inquiry into Ararat Rural Council, where a CEO is able to ghostwrite a report to his council that says he should be paid \$171 000 more than he is entitled to and then trousers the whole lot. That is outrageous. I do not understand why someone is not in jail. Some poor old members of Parliament are getting chased for the odd seafood dinner. This guy has got something like 340 seafood dinners down his trousers and no-one is going to jail. If it were our members, who could get sacked for stealing a litre of Roundup or a ream of paper, it would be no problem at all. I am just astounded that we have not seen more about this in the Parliament and in the papers. I am happy to come back to it.

The final thing I want to say about rate capping is that we already know that in country Victoria — I grew up in country Victoria, and I know members of the committee are from country Victoria — a lot of facilities when we compare them to the big metro councils are pretty second-class in terms of leisure centres, sporting ovals and that sort of stuff. Where we have this issue of a long-term vertical fiscal imbalance between local, federal and state governments and a long-term lack of surety of income at a regional level and a loss of population in regional Victoria, we can start to see regional Victorians becoming third-class Victorians, not second-class Victorians.

What is needed from our point of view? I am trying to crack through this to get to some questions. If people are elected to set rates, they should be allowed to set rates, and if people do not like the rates they are setting, they can be voted out. This is the only level of government where we have this handbrake. Imagine if the federal government stepped in and said, ‘Okay, we don’t like the level of taxation’, the Victorian government is not going to handbrake that. It is anti-democratic.

In those areas, particularly the 20 councils identified as financially vulnerable by the Victorian Auditor-General’s office, we think we need to start looking at long-term income streams from state or federal governments which keep them alive, and getting back to second and third-class Victorians, we think there should be a level of service. I know Rural Councils Victoria has done some work on this idea that rural Victorians should have an expected level of service; they should have access to good, decent home and community care; they should have reliable roads that are open to them; and they should have a whole range of expectations of all levels of all service departments in the local council which are equivalent to the rest of the state.

Finally, when we get back to the Ararat example, our members passed a motion of no confidence in that CEO about six months ago, well before he got to trouser all that money. We think that a publicly available, accountable and defensible measure of staff satisfaction and customer satisfaction should be an element of senior executive officer remuneration packages and also their continued employment. I think I will leave it there and take any questions. I have probably chewed up more than my 10 minutes, have I?

**The CHAIR** — Thanks, Tony. You have gone a little over time and I am just conscious of giving all of the committee members an opportunity to ask questions. You finished on Ararat so I might start on Ararat. Do you think that the issues that have come to light are endemic?

**Mr WHITE** — The significant structural problem within local government in Victoria is that the CEO is effectively some form of emperor Sun King. Can you imagine — and I know members of the committee are involved in the state government — a minister stepping in and ghostwriting an underling’s remuneration report for the minister’s remuneration? That is just unthinkable. That degree of a CEO being completely unquestionable is something which is an essential feature of the Local Government Act in Victoria. There is the need, in the view of the union, for a lot more sunlight in terms of accountability and transparency in the performance measurement and remuneration mechanisms within the Local Government Act to at least the standard that state and federal governments rate on.

The remuneration for members of the committee is set indirectly by the remuneration tribunal, whereas what we get at local government level is a small committee of councillors, not the entire group, who decide that, ‘Yes, we think this bloke or this woman should be paid X’ on the basis of a report written perhaps by

the same guy. This is what happened at Ararat. It is a structural weakness as much as an individual council weakness.

**The CHAIR** — What about the councillors themselves? Are they in your view equipped to deal with the decisions that are presented to them, and are there better ways that they could be equipped to make those decisions?

**Mr WHITE** — I would say a couple of things about councillors in Victoria, compared to what they might be in New South Wales and Queensland. Councillors in Victoria — and there are some very hardworking and very honest and decent people amongst them all — particularly in regional Victoria, are more likely to be white; they are more likely to be male; they are more likely to be over 55 and they are more likely to be financially self-sufficient because you have got to have the time to put into being a local councillor.

With that lack of diversity in where we draw councillors from we embed a structural weakness in the quality of councillors that we get. In our view if you had a living wage of \$60 000 or \$70 000 as the base rate for councillors and made them engage, as a part of getting that wage, in proper governance and communication training — if they needed it; they might not need it — we would get better community outcomes. But what we get at the moment is people who might have run a small family business or people who might be semi-retired or who for some other reason are now in a situation in their life where they want to give back to the community. That is a very small talent pool to draw from. So in terms of councillors being adequately equipped, we need a broader base to draw them from and councillors need perhaps a structured program in governance, accountability and communications with the community

**Mr RAMSAY** — Thank you, Mr White, for your time this afternoon. I take it from your submission that your organisation is not supportive of rate capping but is supportive of letting councillors set the rates of the council and the representation that they provide to the community. You are not clear about how you foresee long-term funding streams for councils, particularly those disadvantaged councils — rural and regional. You do not give us any clear indication of what preference your organisation has in relation to long-term future funding. You have basically told us what we already know — there are problems with the government's financial assistance grants, there are problems with the Victoria Grants Commission, there are problems with councils like Ararat that have socio-economic problems associated with their rate revenue capacity — and you have raised issues about the capacity of councillors, with their lack of life skills, knowledge and business acumen, and we have seen that in Ararat. I am wondering if you would not mind telling us what you see are potential sustainable funding streams for local councils, particularly regional and rural ones. And if you are not going to provide some sort of base of increases in rates per year — some councils are going up by 6 to 7 per cent every year; we have already heard the farming community say that, for them, means potentially increases of \$10 000, \$15 000, \$20 000, which is not sustainable — how do you actually get councils to live within their means around an acceptable increase in rates if you do not have rate caps?

**Mr WHITE** — I might address two issues there. One is — I guess I want to reiterate what I and others may have said to the committee that the rate increases each year can easily be lost in property revaluations, municipal charges and other things. I understand precisely what you are saying about the 6 or 7 per cent at the farm level — it can be quite significant, particularly with variations in seasons. But in many sort of urban regional areas the rate increase can be lost on other charges. Having said that, the decision as to where other money might come from, particularly for those imperilled, or however you would like to describe them, small and regional councils, is essentially a moral choice by the levels of government that have the resources. At the end of the day the state or federal government could choose to add money to car registrations, to not build frigates, to increase revenue from somewhere or to reduce costs somewhere else to pay for it. There is no natural home other than that for it to function well it needs surety beyond a three or four-year funding envelope. For a small council on the Murray, which is just about broke but needs to go into debt for a 20 or 30-year debt arrangement to fund some critical piece of infrastructure — a new bridge over the Murray or whatever it might be — they need to be able to do that in some sort of surety that some form of strong and enduring intergovernmental agreement will provide them with an income stream which gives them surety beyond the seasonal fluctuations in perhaps agriculture or whatever else

might be floating around. So I am not going to pick a particular funding source of government or particular funding cut that a state or federal government should pay for, addressing the long-term vertical structural imbalance between local councils and state and federal governments, but I merely say that it is a moral choice of state and federal governments. I am not sure if that helps you, Simon.

**Mr RAMSAY** — So in past reviews it has been suggested that maybe a sustainable funding mechanism might be a proportion of the goods and services tax that is provided directly to councils in a proportionate manner, and that would provide long-term sustainable funding, move the argy-bargy about feds and state contributions and cost shifting. Have you given some consideration as an organisation to that?

**Mr WHITE** — That is certainly a stable source of long-term funding. It is a moral choice for the people who have it in their pocket.

**Mr RAMSAY** — The danger of that of course is if the federal and state governments agreed that, then there might be some ownership of local government, particularly by the commonwealth, in relation to providing that funding stream.

**Mr WHITE** — It could be no worse than the level of ownership by the state at the moment. Local government is essentially a creature of the state government and the state parliament, and there is a significant level of ownership there now. Local councils apply for funds now from state and federal governments and take on a range of responsibilities and burdens in return for doing that. Whether that is for building a new leisure centre or for delivering home and community care, there are always strings attached to the money that comes from either level of government at the moment.

I would say in passing, having been until not so recently a local government officer, that the process for applying for and getting state government funds, no matter which side was running the show, is considerably simpler and easier at a local council level than the commonwealth. The commonwealth level of bureaucracy and red tape attached to applying for funds, the level of resource intensity in terms of applying for funds, gets to the point of being ridiculous. For instance, a local council having to create a document that says, 'This local council is a local council constituted under the Local Government Act of Victoria'. That is a Microsoft Word document that proves they are a local council. You do not have to do that at a state level; you do have to do that at a commonwealth level.

**Mr RICHARDSON** — Thank you, Tony, for coming in today. A couple of points that you made are quite concerning. One is the ongoing outsourcing of council services, something that we hear more broadly, but the consulting fees that they charge at market rates that are more than the wage of the individual might be. How systemic are some of those challenges, particularly for small and rural councils? How are you seeing that play out, particularly in the Alpine example that you referred to as well?

**Mr WHITE** — Well, for people running businesses in those communities or providing services in those communities in either the public, not-for-profit or private sectors, part of the challenge is if you know that there is going to be no extra money coming in, in a way that is not a growth stream of income in those communities in terms of your service planning, in terms of your employment planning. Whether you are providing TAFE courses in a regional area knowing that there is going to be a certain amount of local employment for local council, or whether you are providing home and community care services or whatever it is, having that certainty and surety of employment is very important.

I suppose one thing the union has been consistently supportive of is the inclusion of workforce plans in any review of the Local Government Act. I did notice one submission to the review of the Local Government Act from the local government innovation network, which said that if mayors, councillors and CEOs can have four-year contracts, maybe that level of certainty might be appropriate for the workforce.

That is something that we would support because particularly at a regional level, if you are a local business and you know that there are going to be 160 people employed at your local council for the next four years and that next year that plan will be reviewed, and then in year 4 of next year's plan, there might be an upturn or a downturn, you can plan, whether it is selling real estate services or selling educational services

or whatever it might be, at a local level for having that degree of certainty. I am not sure if I have precisely answered your question, but that is certainly something we would like to see in any review of the Local Government Act.

**Mr RICHARDSON** — I think that is a good point. The big concern is the flatlining of wages of the existing workforce and then contracting out at a market rate that is either comparative or more than the service that would be offered by council staff. It is a very big concern.

**Mr WHITE** — It is often the cheap and easy way for senior level local government to say, ‘We’ll just contract that out and we’ll save money’. South Gippsland shire has recently quite publicly said, ‘Here are three areas of service where we have brought the contract back in house’, and they got a reduction in service costs or an improvement in service quality or both. If you think about it, say I was in Sealake and I was a local government service provider there, if I had problems because a particular government service was not being delivered out of hours — the local footy oval had not been mowed or the local childcare centre was closed because someone had called in sick — if you have got direct employees, you can do something about that. If it suddenly becomes an extra service that is not catered for in the service contract that you have got with a particular service provider in the private sector that it is contracted out to, to get that extra service, which is not contracted, you are going to pay a premium.

The other thing that we certainly see in country councils is that the person who has been mowing the local footy oval for the last 30 years knows when the footy finals are going to be on. If it is contracted out to a Melbourne-based corporate sector service provider, they would not know when the next footy finals are going to be on, and if they do get asked to do something extra, it will be something extra tacked onto the cost of the contract. So we are losing the strong service provision and community connection provision in local government with the contracting out of local government services.

**Mr RICHARDSON** — You mentioned the local government review and the changes to the Local Government Act. Are there any mechanisms or levers that can be pulled to help small and regional councils as part of that process?

**Mr WHITE** — From the point of view of our members I will go back to the workforce, and it would be a great thing. The stuff that Simon has spoken to, about shares of Victorian state government revenue — there is an opportunity to do something about that in the Local Government Act. Whether either side of politics or the Parliament is going to be brave enough to do it in this particular review of the Local Government Act is another story. Maybe people will want to go to an election for that.

The long-term problems at the local council level in regional Victoria are population dwindling, the cost of roads going up and the cost of service provision going up. An ageing population means an increased need for services like home and community care. So the service demand is going to be increasing and the cost of delivering home and community care in rural and regional Victoria is so much more. If, for instance, you are delivering home and community care in Hawthorn and your workers can catch the tram between houses, that is easy. If you have got people that have to go 60, 70 or 100 kilometres between houses that they might be delivering a service to, that becomes unattractive to a voucher-based arrangement that the commonwealth might fund, and it is expensive at a local council level.

**Mr O’SULLIVAN** — Thank you, Mr White, for coming in with your presentation today. I want to follow on somewhat from what Mr Ramsay said in relation to some of the rate capping, because I found your comments quite interesting in that space. It is one of those dilemmas: as a ratepayer you do not want your rates to go up, but as a service recipient or if there is infrastructure required, you can see the benefit in potentially rates increasing from time to time.

In terms of those smaller councils that are struggling financially, and we heard evidence this morning where on average I think it was in the last financial year they made about a \$14.4 million loss, we have heard comments in relation to potentially some of the savings that could occur in terms of forming cluster councils and having shared service provision for back of house. Do you see that as a way of potentially

being able to rein in the expenditure that some of these councils are experiencing, particularly the smaller rural councils?

**Mr WHITE** — There are models for doing that, which presumably save money and do not result in a loss of services, and regional library corporations are one. They are already running across regional councils. It is not a panacea, and some things lend themselves to shared services, like maybe fleet management or something like that. But if the shared service gets down to plant, if council A and council B out in the north-west decide they will share all of their grass cutting plant, the grass grows and peaks at the same time in both councils, so they are not going to have to have less; they are going to have to have exactly the same amount. They might get slightly better utilisation rates, so perhaps there are some savings, but it is not a panacea and not something that can be applied across all councils with a cookie cutter method.

There will be some horses for some courses where that can be done. There is nothing stopping it from happening now, and as I said the regional library corporations operate on a shared cost arrangement across council boundaries. With emergency management operations, that I have had some experience with at a local council level, which operate across groups of local councils where they share stuff, that can work okay. But if all those local councils have got a flood or a bushfire at the same time, then they do not work as well, because you cannot share stuff that someone else is using.

**Mr O’SULLIVAN** — Just one further question in terms of rate capping. We heard evidence from the MAV that particular governments have particular policies from election to election and from government term to government term. The country roads and bridges program got scrapped by this government, and the MAV gave evidence that you need to expect that if a government brings in a program it could end at a certain particular time if there is another government around the corner. From your point of view, in terms of the rate capping policy, do you think that is the new norm, or is it just here for a few years, or is it here for a decade? What is your view in terms of the future of rate capping?

**Mr WHITE** — Before this rate capping regime was brought in, the local government minister and previous local government ministers on both sides had the capacity to step in and set a rate if they thought someone was getting carried away. Notwithstanding anything I have said about the return of local democracy being desirable, if a council came in and set a rate with an increase of 20 per cent, there would need to be some avenue of redress. If a council came in and set a uniform rate across four different rating categories, like they did in Ararat, and paid the CEO 170 grand he was not entitled to, there has to be some avenue of redress. But it should be the exception rather than the norm, and at some stage local communities have to be able to say, ‘We vote for a rate increase’, or ‘We vote for a group of councillors who will deliver X service and X facilities, and we know that’s going to cost’.

If we have a situation where councils are too scared to put in a rate increase or special rate application because they are too close to an election or there are too many other things floating around that are politically making them frightened, what we will get are those very significant infrastructure gaps. I know members of this committee know that CEOs have been in position in regional Victoria for a long time. Go back and talk to them about the infrastructure gaps that occurred when they had the rate freezes in the late 1990s which still have not been addressed.

If we do not allow councils to charge a rate for the full recuperation of the full cost of delivering the service, we can expect to start seeing things like country roads being cut from 100 kilometres an hour to 60 or 40, because they are just going to be half-grass-covered things of one lane because there is going to be no money to fix them. I understand there are equity issues with trying to get blood out of a stone in that residents, particularly in farming communities and regional communities, might not have the cash to pay for rates, but if we do not have some other form of revenue the rates will have to go up just to fund those basic services.

**Mr RIORDAN** — Mr White, we have heard today a lot about the effects of rate capping. Clearly it is one of those policies where for the average punter it passes the pub test big time, but those left to deal with the consequence of it can find plenty of fault with it. You have mentioned a bid in your responses today

about the morality of decision-making that people in government must make. I wonder what your thoughts are on the concept that the current rating regime that we have in Victoria sees some of the wealthiest people in the state paying the lowest relative rates to property value in communities that are riddled with civic assets and infrastructure, and the poorest people in the state paying relatively higher rates and having the least services. There is an obvious disparity there.

I wonder what your view would be on a completely new view of rates whereby the rates as a whole are accumulated and dished out on a needs basis. I know in one of your previous workplaces along the Great Ocean Road, for example, vast infrastructure is required for two months of the year for hundreds of thousands of people from the cities and elsewhere but there are very few people to pay for it. There seems to be an obvious argument that you could mount that, if we are providing basic infrastructure, then it is in the best interests of everybody, not just those that live there. Your thoughts?

**Mr WHITE** — The Great Ocean Road is a good example, is it not? You have got 7 million people visiting that area every year and a very small number of people — 12 000 people or something —

**Mr RIORDAN** — Twenty thousand ratepayers.

**Mr WHITE** — or 20 000 people paying for the rates at Colac Otway. Yes, that is certainly a challenge. To create a global statewide rate pool has its attractions and has its challenges, one of which would be the size of the bureaucracy required to administer and distribute it and the degree of complexity associated with that.

But in saying that, I do not have any magic fairy dust to sprinkle on this particular issue. If the City of Port Phillip can just recalibrate its parking meters and just ignore the effects of rate capping, let us compare that to the City of Mildura, which is God knows how many times the size of the city of Port Phillip and has some of the poorest communities in Victoria. I remember looking at some of the land values up there, and the valuer-general gave them a value of \$150 a hectare because he had to give them something. If you compare that and the capacity to fund roads and facilities in those communities to that of Port Phillip's, there is a very significant equity issue across the state. As I said, I do not have any magic fairy dust to do that. If we had a statewide pool of rates, it would give the capacity to more fairly distribute them and to address some of those equity issues, such as 7 million people visiting a place that is funded by 12 000, but it could be a very inefficient distribution mechanism at its worst. It would be great at its best.

**Mr RIORDAN** — Finally, you mentioned very early on in your presentation the effect of chasing grants.

**Mr WHITE** — Yes.

**Mr RIORDAN** — I wonder from your members' experience and from your own how much of the discretionary money that shires do have is directed by the lure of the pot of gold from state and federal governments for various programs that come in the electoral cycle that may or may not fit into strategic plans that the shire had made commitments on? In other words, how often do you find shires sidetracking on what their original priorities were in order to chase a now-available pot of gold?

**Mr WHITE** — Sorry?

**Mr RIORDAN** — How much do state and federal government grants distort sensible decision-making?

**Mr WHITE** — I am just trying to choose my words very carefully. I know that a lot of council services are not very sexy. Councils operate a lot of toilet blocks. Ministers do not want to open toilet blocks, so when there is a need for a new one they are hard to find, and when you say how much do they distort local government decision-making: councillors and ministers at the state and federal level would rather open a bright and shiny project than keep delivering a run-of-the-mill service. A run-of-the-mill service, something that can be run down without much notice but can be sacrificed to fund a big new shiny edifice to people's public life — I think we can always guess which one is going to win.

**The CHAIR** — Mr White, on behalf of the committee we thank you for being here today and we thank the Australian Services Union for its submission.

**Mr WHITE** — Thank you.

**Witness withdrew.**