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“Local government should drive the new federalism”

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- We are hearing quite a lot discussion in the run up to the Federal election about the new federalism, as if it is a concept rather than a reality. I would suggest that the new federalism is already being actively pursued and that it has been achieved by stealth, not through the proper channels of community involvement and consultation. The Commonwealth, its coffers bulging with money, is bulldozing through the changes it wants by choking the money supplies to the states and local government. At present the relationship between the Commonwealth, state and local governments is at an all time low as the lines of authority and responsibility between them has become more and more blurred with so many new encroachments and a lot of buck-passing. Calls for new federalism, are in my opinion, more than justified, but we need to go back to the drawing board and start again, not accept the hi-jacking of the agenda that is occurring at present and through which local government has emerged as the greatest loser.
- I speak as a former councillor and mayor from first hand experience. In the nineties when I served in local government, the erosion of funding from State and Federal governments and the continual cost shifting onto local government was well advanced and I can remember the many battles I had on this front. Since that time it has got worse. The Federal Government has reduced its funding to local government from 2% of federal revenue to 0.6% over the last three decades – a massive reduction in real terms.
- Getting a better deal for regional communities was what motivated me to stand for State Parliament in 1999 and one of the first pieces of legislation I put to the House in 2001 was the Local Government (Review of Legislative Proposals) Bill. It concerned cost shifting and was a straightforward proposition that the expense to local government of implementing government legislation and regulations should be estimated, presented to Parliament and considered in debate. I managed to unite the whole House, Labor, Liberals and Nationals against the Bill, although many of the MPs came from a local government background and well understood the issue. Cost shifting still remains a burning issue. I can only conclude that governments would be embarrassed if the full extent of the burden, including red tape, they place on local government, without implementation funding, was made public. Since that time there has been no let up the cost shifting from the State to local government, leaving councils struggling within the restrictions of rate pegging to deliver the services the community wants. It is an inequitable situation and is keeping local government at the bottom of the feed chain.
- At a national level the Commonwealth is leading the debate about abolishing the states in favour of stronger regional government. It is my view and that of many commentators that this is simply a ploy to further centralise power in Canberra and play off these weaker regional bodies against each other. It could easily

develop into a formula for more pork barreling in marginal seats and greater favoritism in government held seats. It is an agenda that would see the Commonwealth have it all its own way without the necessary checks and balances of a democratic system. It is not about empowering local government and local communities but about further centralising power in Canberra. If we are to have the post federation debate, the way it is being handled at present is totally undemocratic. The community is not being consulted and the Commonwealth and States are bulldozing their way into the spheres of local government responsibility without any proper mandate.

- The politics of divide and conquer and wedge politics are well known to us all but in this current environment, no one should be feeling relaxed and comfortable about this ad hoc federal intervention. It could happen anywhere and at any time and at any level of government. Don't be surprised if one day you wake up to see John Howard and Peter Costello working on your local road. Would they do it? Absolutely, if the polling said they could get away with it. And Labor would do the same.
- Local government is not prepared for the global agenda of a centralist Commonwealth. We have already seen impulsive and opportunistic initiatives like the funding of the Mersey Hospital in Devonport, Tasmania to rescue a marginal seat. This was despite advice and independent studies to the contrary. The Commonwealth is also bypassing the states in directly funding projects in public schools. It has set up a series of super TAFES, which according to the figures are not attracting sufficient enrolments, in competition to the cash strapped State TAFE system. It has opened the flood gates in many areas and in NSW the government has taken its cue from the Commonwealth by further encroaching on the planning and other decision making powers of local government.
- A report in the Australian Financial Review this month showed that total payments to the states, including grants and GST revenues have fallen to their lowest level in a decade. The figures reveal that these payments have dropped from 7.2 per cent of gross domestic product in 2001-02 to 6.5 per cent of GDP in 2006-07. Further research undertaken by Macquarie Bank economist Rory Robertson shows that the annual growth in total payments to the states has slowed from 12 per cent in 2001-02 to just 4.6 per cent in the last financial year. The states' total funding resources of 15 per cent of the economy compares with average revenue of about 23 per cent of GDP for the federal government. Because of surging corporate tax revenue and bracket creep, the federal government has been able to maintain this level while regularly cutting taxes.
- Add to this a report by the Australian Institute of Health and Welfare showing the Commonwealth's share of spending on public hospitals fell from 45 to 41 per cent over the past decade while the state and territories contribution rose to 51 per cent. In September the Financial Review also reported that State Governments could be forced to introduce new taxes to compensate for the

federal government's unpredictable and unstable distribution of more than \$37 billion a year in GST revenue.

- It is widely claimed that one third of the local councils in NSW are on the verge of bankruptcy and most are so underfunded they are unable to carry out basic infrastructure maintenance such as the upkeep of roads. The infrastructure crisis in NSW has been exacerbated as state roads are being handed back to local councils. Local government is now responsible for 85 per cent of the state's roads.
- The recently released Allan report into the financial sustainability of NSW Local Government found that only 20 per cent of councils had adequate asset management systems and practices in place and recommended that all councils – with technical and financial support from the NSW Government – adopt total asset management systems with consistent asset accounting practices. The report found that 25 per cent of councils are not financially sustainable, that 50 per cent are at financial risk and that without an asset management program, many councils would not be able to sustain their assets. We also saw a \$1.2 million cut in funding to libraries in the last State Budget and most recently a decision that councils should bear the full costs of the 2008 local government elections.
- There is no doubt that Councils need a fairer share of taxation revenue, abolition of rate pegging and more flexibility to raise their own revenue. At present, to quote the words of a former Prime Minister, the Federal and State Governments are “doing you slowly”. If the situation is to change there should be a national debate on new federalism and it should be led by local government and reinforced by local communities. People power is the most potent force I know in politics. It rides above all other agendas and yet many councils still prefer to compete against each other in pointless turf wars, than to unite to change what is an untenable situation.
- The time is right for proactive measures by local government. It needs to come up with an alternative model for regional government, a model that increases its power and authority on local issues. The new model should be pushing power and authority down, not allowing it to settle at the top as it is these days in Canberra. There should be clear boundaries between Commonwealth, State and local government jurisdictions. The opportunity has never been greater than now and it is up to local government to unite and lead the charge and fire up its communities to demand a more equitable share of taxation revenue and greater local autonomy.