

LOCAL GOVERNMENT COUNCIL REFORM

Motion

Resumed from 7 March on the following motion moved by Hon Ljiljanna Ravlich —

That this house calls on the Minister for Local Government to explain why he has not been able to achieve local government council reform and to provide details on how much has been spent to date on this failed government policy.

HON LJILJANNA RAVLICH (East Metropolitan) [3.29 pm]: I had thought that I had wound up my remarks on this matter.

The PRESIDENT: According to this you have four minutes remaining—if you wish to exercise it.

Hon Kate Doust: Why don't you remind us about what you said last time?

Hon LJILJANNA RAVLICH: If I must! I will remind the house but unfortunately I will not have enough time to go through all of what I said again. The essence of my comments was that this Minister for Local Government has wasted a lot of money on a reform program that has gone nowhere and delivered absolutely nothing to local councils, their communities and, most importantly, to the ratepayers. It has delivered nothing to the people of Western Australia. I want to put on the public record that I believe this reform program has been an abject failure and that I am amazed that the Minister for Local Government is getting away with it. I cannot remember a time when he has stood in the Parliament to explain to the people of this state—to all he has caused such great pain—why he has failed to deliver that reform program. Having said that, I am pleased to be able to wind up my remarks.

HON HELEN BULLOCK (Mining and Pastoral) [3.31 pm]: I take this opportunity to speak on the motion and to show my support for this still pertinent motion, because after three years of local government reform lots of questions still need to be asked and lots of explanations still need to be given to the opposition.

I support the process of local government reform. There is no doubt that reform is much needed and long overdue. The Department of Local Government website points out that for the past almost 100 years local government boundaries and structures have changed very little. Yet lots of people have moved to the coastal area as a result of subdivisions and the building of new towns on the coast. Also, in the past 10 years we have experienced a mining boom and lots of people have moved into the Pilbara Cities mining towns such as Karratha, Paraburdoo and Newman. On the other hand, in the agricultural region, many people have moved out of the wheatbelt and into the cities, thereby reducing the population in those regions due to the reduction of agricultural activities.

All that said, this reform is needed and our local government boundaries need to be changed. Perhaps some of the local governments should be amalgamated to increase their size. The department's website also provides some very interesting statistics in support of the local government reforms—including the information that many local government areas have populations smaller than some schools. For example, 43 per cent of local governments in Western Australia have less than 1 000 people, with 18 per cent of local governments having fewer than 500 voters. These very small local governments are now experiencing the difficulty of attracting skilled workers to specialist positions.

Another factor pointing to the need for reform is that local government administration costs have, over the past 100 years, chewed up a disproportionate amount of rates and revenues. As we know, Western Australia has 138 local governments that support more than 1 300 elected members. The theory is that if we reduce the number of staff, by way of transfers, we can redirect those funds to services that will make a difference to the community—services such as community centres, libraries, roads, sports facilities and entertainment facilities.

Another factor in support of reform is that many local governments have no plans in place to manage their assets, finances or workforce development. As we all know, planning for the future is essential to business success. However, among the 138 local governments, 68 per cent do not undertake corporate business planning, 81 per cent undertake very limited or no planning for asset maintenance, management or revenue and 36 per cent undertake limited or no strategic planning at all. The size and scale of local government is also mentioned as an important effect to attract local investment and large grants. In this government's view, the small size of many local governments mean that many of them miss out on federal government funding for services and infrastructure because they are too small to compete with the large local governments with the ability to hire those specialised and highly skilled people to develop better applications for those funding bodies, which are more likely to be prepared to deal with local governments with the capacity to prepare well-developed submissions.

My final point in support of local government reform is that the existing local government system and structures will not cope with the growth and the changes that will happen in Western Australia. For example, 31 per cent of local governments have experienced population decline in the past five years, 21 per cent of local governments are not planning for demographic change and 42 per cent do not have the capacity to increase much-needed service delivery. Mr President, I think that I have just spent the past five minutes convincing everyone in the chamber that local government reform is much needed, when there is no need to convince them!

However, I want to say that, based on all these reasons, the government has concluded that amalgamating small local governments will help them achieve efficiency and effectiveness and also give them the capacity to compete for government grants and other funding. But the question is not whether the reform is needed. The question is about the type of approach we should take to reform local government. If the answer to the question of whether amalgamation is the way to go is yes, should that amalgamation be forced or voluntary? I think some of the questions have been answered. I know that the former Victorian Premier, Jeff Kennett, is a great fan of and advocate for forced amalgamation. I think he recommended that this government take his approach, despite the fact that he was voted out because of this very issue. As to voluntary amalgamation, this government has trialled it for the past three years and we know exactly how that trial went. We can pretty much say that it has been a total failure, although the minister himself will not admit it. Not only that; two weeks ago I think Hon Ljiljanna Ravlich made it quite clear that in the past three years the reform did not achieve anything, despite tens of millions of dollars being spent on it. I think the Minister for Child Protection has a lot to answer for. I am not an expert on this issue, but it raises the question of which approach the government should take to carry out the local government reform. Also, perhaps the assumption made by this government that big local governments can achieve efficiencies and effectiveness should be questioned.

I will summarise some findings from a number of research papers that I came across in relation to local government reforms. In the research paper titled “Structural Reform in Australian Local Government”, Dollery, Burns and Johnson pointed out that whilst amalgamation has always been the preferred instrument of local government structural reform in Australia, increasing disillusionment with the disappointing economic outcomes of amalgamation and its divisive nature have led to a search for alternative methods of improving Australian municipal efficiency. They went on to say —

... unlike previous efforts directed at enhancing the efficiency of municipalities through the amalgamation of small councils into larger local government units on the uncritical acceptance of the presumption that ‘bigger is better’ in local governance, significant sections of the Australian local government policy community are no longer convinced that amalgamation represents an efficacious means of improving council performance.

This criticism is, in fact, very well founded. For instance, in the New South Wales government inquiry into the structure of local government in Sydney, Commissioner Kevin Sproat was obliged to conclude in relation to the purported benefits of amalgamation that conclusive evidence is not available and existing evidence is suggestive rather than conclusive.

Along similar lines, in an exhaustive study of all available Australian and international evidence on economies of scale in municipal operations, Dollery again observed that the lack of rigorous evidence of significant economies of scale in municipal service provision casts considerable doubt on using this as the basis for amalgamation. Furthermore, the article titled “Australian Local Government Amalgamation: A Conceptual Analysis: Population Size and Scale Economies in Municipal Service Provision”, which was published in the *Australasian Journal of Regional Studies*, again pointed out that —

Australian local government policy makers have always been historically wedded to the idea that ‘bigger is cheaper’ in local council service provision. This ... has led to structural reform policies aimed at the amalgamation of small, adjacent local councils into larger local government entities in the belief that the average costs service provision would fall due *inter alia* to economies of scale contingent on bigger councils. In the implementation of these mergers initiatives, policy makers invariably conflate population size with service provision in the design of new local government areas on grounds that population size accurately proxies the magnitude of local goods and services delivered.

It concluded that —

... neither theoretical foundations nor empirical evidence to support the view that substantial scale economies exist in Australian local government service provision.

The last research paper that I have here, titled “Consolidation in Local Government: A Fresh Look”, sets out a number of conclusions. I will talk only about the relevant ones. The paper states —

There is *little evidence* that *amalgamation* will automatically yield substantial *economies of scale*.

...

In the case of *more remote councils* with small populations spread over large areas, consolidation ... may not be feasible.

The paper further states —

Efficiency gains can be achieved through various forms of consolidation, but are unlikely to produce reductions in local rates and charges due to other expenditure needs.

...

Underpinning any approach to consolidation is the *importance of political leadership, good governance and effective management arrangements*, both in managing change and establishing a sound basis for ongoing operations.

I think these research papers offer a fresh opportunity, I suppose, for this government to look into its previous assumptions and also to remind the government that it needs to plan well before starting the reform. That is exactly what the government did not do; that is, it did not plan very well at the beginning and, also, the process was not thought through. The government did not consult very well with the local government sector, which has resulted in a lot of confusion along the way. As we know, the cost escalated later.

To conclude my remarks, I will say that I gave the minister credit for being a brave man in taking on this reform. It is, after all, a brave undertaking for a minister with limited ability, I suppose. The question is: has the minister learned from his mistakes and from his failure, and what is the minister going to do from now on? I hope I can get those answers from the Minister for Child Protection. I understand she is representing the Minister for Local Government.

HON PHILIP GARDINER (Agricultural) [3.48 pm]: I rise to talk broadly on this motion, and the reason, as members of this house would well know, is that I feel local government is the most important level of government and the most relevant to our communities because it is the closest to them. At the state level, we centralise a lot of things in the capital city, which is natural. That is where the population largely is, and we have the capacity for people to come in and provide the skills to service the needs of management and, to some extent, seemingly to deliver services to our communities. However, the more we centralise things, it is almost a given that the more removed we become from our own community. Therefore, in a centralised system, it is often the case that we make decisions that are contradictory to what is best for the community or what is even relevant to that community because we are too far away from it. For that reason, I see local government as the most important level of government. But the difficulty with local government, of course, is the skills that can be attracted to it and the management capacity of those involved in it. The governing bodies of local governments also often do not have the depth of experience in that area. The members of those governing bodies do it voluntarily, with very little compensation for the time they give. Those elements can cause gaps in management skills and the effective delivery of service.

As we know, local government authorities in this state, especially those in regional areas, and probably across Australia, began as roads boards. In the city areas, they possibly began that way but they converted into larger entities with broader responsibilities than simply roads. I think it was only in the early 1960s that we found that roads boards were changed into shires. That is an implication that there is more for local government to do than just roads, but it did not go much beyond the physical infrastructure, even with that transition to shires. Local government has another important attribute, and it is one of the ephemeral things about the way we live and the way we identify ourselves. Local government gives people a sense of identification. Even I feel this. Coming from Moora, I am very pleased to have an “M” on my numberplate. We are allowed to have the three letters and the three or four numbers, but I am proud to be recognised as coming from that regional locality. I think that is very widespread. Even the people in Subiaco and Nedlands are proud of their local communities.

When we talk about reform, most of us think of economic reform. We need to get bigger, because centralisation and rationalisation are about economics. The conventional thinking is that we can do things more cheaply if we have scale. My good colleague Hon Max Trenorden, who toured other parts of Australia—Queensland and South Australia in particular—with Hon Nigel Hallett, found that there was no apparent advantage to the amalgamations. Those parties or people who are insistent that the amalgamation of local government authorities is better have a view that is an illusion. As far as I can tell, and based on what my two colleagues brought back, the evidence does not justify it. It is an even more important occasion for me because, in my view, local government has much more to do than simply build physical infrastructure. What is more, it is a structure; it is something that is in place. It has its own organisation. It is not creating something new. However, like anything, improvements can be made to it.

The reform that the Minister for Local Government has tried to undertake was, I think, a misplaced reform. I saw it not just being a disadvantage to those communities; I saw it taking away elements of a resource that is crucial for the improvement of social infrastructure. That is the element of local government that we have so far not exploited, if you like, bearing in mind the depth of the meaning of “social infrastructure”. There is a capacity now to use local governments to develop social infrastructure. What is more, there is an enormous capacity to upskill in that area, and I will come to that shortly.

One of the great features of royalties for regions is that it insisted that we delegate authority away from Perth—away from the centralised agencies—to the local government decision-making ability and also to the regional government decision-making ability, as we have done with the regional development commissions. Whenever that is done, it is almost a revolution, because it is putting decision making on the heads and shoulders of people who are not used to it. What do they really understand about the governance of decision making, accountability, how to establish and deal with conflicts of interest and how to establish acquittals? Where do they get that knowledge from? The only way they get that knowledge is if they have some counselling and if they have people at their elbows showing them that this is the wrong way to do it and that they have to do it differently. When there is delegation, it is like any business—most of the problems occur not in the head office, but in the branches. Banking is a classic example of this. Look at Barings Bank. Where were its problems? They were in Singapore. Where was its head office? It was in London. We can look at umpteen different cases of financial firms that were meant to have good financial governance, but their problems almost universally occurred away from head office, because the more distant it is, the harder it is for the governance to be applied.

I go back to our local government authorities. If we are putting the governance of public money back into their hands, they will have to raise their levels of governance to be just as meticulous as those in the city environments have learnt to be just from the history of it. It was a courageous move for that delegation of authority to be passed from the city to local government authorities and regional development commissions. It has been just over three years. That is not a very long time to bring on a revolution of governance, if I can use that term. It is not a long time, but enormous progress has been made. There have been infrastructure plans and strategic plans, and there has been the application of the funds that have been provided to them through the local government fund, which they have been able to use on small local infrastructure projects or on large more strategic projects in conjunction with other shires or local government authorities. Getting the money is one thing, but spending it is another. If they build anything, they have to get builders and construction firms to do the work, or they may get other money to build up enough to do the project. There are lots of hurdles for people who do not have the depth of resources from which to draw to do these things. This is part of that upskilling process, which is still occurring. It occurs in any firm, but we must not be so harsh as to think that when or if there is a mistake by local government, the whole idea is wrong. We have to take the long-term view of developing skills so that these people can spend the money and do things effectively.

We have a very real but simple reform coming through in the Local Government Amendment (Regional Subsidiaries) Bill 2010 introduced by Hon Max Trenorden. That bill is really about setting up a financial engineering structure so that local governments can incorporate with each other when they have a common objective to get funding. For example, there could be two local governments that want to pool their resources and use some of the countervailing power when they purchase, say, road-building machinery such as a couple of graders, a payloader and so on. So what they will do is form a little corporation between them, with no personnel to it apart from maybe the chairmen. But when they go out and negotiate, one local government is not going to negotiate for one grader, and the other local government for one grader and one payloader; they will negotiate for two graders and a payloader as one unit. That will give them a bit of countervailing power, and that might get them a \$15 000 or \$20 000 discount because they have some economy of scale. What Hon Max Trenorden’s bill will do is enable that simple incorporation to occur. Two or three other shires up country might then want to make it a five-shire show so that they will have more scale and can make even bigger purchases of machinery and will have a better chance of getting a discount. What I have also learnt from the Department of Local Government is that it does not like to have all these small requests for funding come through. It would much prefer to deal in scale. Therefore, this reform proposed by Hon Max Trenorden will help not only the Department of Local Government but also local government authorities.

I believe that the real potential of this reform for local government lies in the area of social infrastructure. I have spoken to Hon Robyn McSweeney about this. Perth and Canberra are too far away from each other to effectively understand the communities in which we all live. The problem is that all our communities have different components and different pressures; and, when it comes to dysfunction, different elements lead to dysfunction. They are not all the same. It is like wool. Not all wool is the same. Not all communities are the same. We cannot generalise. Each of them is different. If we start treating them all in the same way, we are wasting the resources that we have at our disposal. We have to treat each community differently. But before we can do that, of course, we have to understand the different needs of our communities. We have to find out what is happening in the

particular community that we are concerned about. We have to find out what the dysfunction is, and what causes it. Is it all just because of alcohol? Well, let us have an alcohol program. But that does not get us there. We cannot put just one program into these communities and think it is going to fix things. There has to be an integrated set of reinforcing programs, all working to reach an outcome. It has to be outcome-based. Local government provides us with a structure that can actually do that. Some people might say, no, local governments cannot do it; they are not even interested in social infrastructure. I believe they can do it. We need to give local governments the responsibility and the accountability for the social development and social quality of their communities, and enable them to bring in the programs that they require. I have spoken to a couple of people in the agencies, and to ministers. There are a huge number of programs. One minister said to me that the first thing he did when he took over his agency was get an inventory of what programs are available. That had not been done before. We need to understand what programs are out there so that as local governments develop their community plans, they can draw in those programs and use those programs to reinforce the developments that they are undertaking for their community and get an outcome. There are many more elements to this social infrastructure plan than the ones I have just mentioned. The thing is that it has not been done before. The key to doing it is local government.

The other thing that I should add to all this is that, in my view, small is beautiful when it comes to community development. That is why Perth and Canberra are failing. We have not gone anywhere over the last whatever number of years. We have done bits and pieces. Good-minded people have been trying to get things done. But we have not got very far. In fact, we do not even know how far we have got, because we probably did not do a benchmark before we started putting the programs in place. We just do not know. But what we can do is develop these communities. The smaller the community, the easier it is to do that; the bigger and more diverse the community, the harder it is. I can think of Geraldton, for example, compared with Narrogin or Moora. Geraldton is much harder to do. I know Geraldton very well. I have doorknocked it. I know it intimately. It is a big job in Geraldton. It is a big job in Moora. But there is a much better chance of actually doing it in Moora, because Moora and Narrogin are a fraction the size of Geraldton, or Albany for that matter. Every community is different. The skills required to make the change are different. Who is going to identify that? In my view, it is local government. That is why we have to get away from reforms that just think economically, and we have to start thinking of the social advantage of what local governments can do. On the numbers that I have done—just in case people are still concerned about the economics—the money that we spend on the reform structure to which I am alluding will reduce the cost of agencies. It will also, more importantly, increase the value that we get back from the communities, through a host of different areas. That will make the investment in a social infrastructure program delivered by local government seem cheap.

HON MATT BENSON-LIDHOLM (Agricultural) [4.06 pm]: I must say that I always enjoy listening to Hon Phil Gardiner, because he speaks a lot of sense, and he has a certain conviction about the sorts of things that he says. I certainly took on board a lot of what Hon Phil Gardiner has just mentioned, and I will make a few points about that before I get on to my contribution to this motion. Hon Phil Gardiner made mention of how the significance of local government is that it is about things local. Having been born and bred in the country and having lived a lot of my recent life in the country, I think I speak very similarly to how Hon Phil Gardiner speaks. I am very proud to go back to where my family comes from. I will not say that I have personalised “Peaceful Bay”, or whatever, numberplates on my car, but who knows? One day when I leave this place that may be something that I will do. But having lived in the country certainly gives us some sort of identity.

One of my criticisms—which I will point out in a while—about the current minister’s approach to local government reform is that he really does not focus necessarily on the right sorts of issues. That is one of the things that Hon Phil Gardiner focused on when he talked about Hon Max Trenorden and Hon Nigel Hallett’s bill, which we will no doubt debate in the near future. Hon Phil Gardiner said that the bill was about much more than just physical infrastructure, and I certainly agree with the member there. In a while I will talk a bit about the Shire of Morawa, because when I chaired the Rural and Remote Education Advisory Council, as Hon Brian Ellis has also done, Morawa was one of the towns that really impressed me, and I will explain why.

Hon Phil Gardiner mentioned the old roads boards. People need to have a year or two under their belts to know what the roads boards were all about. But the point that I think the member makes, and that everybody needs to take on board, is that the roads boards served a very useful purpose. That was one of the main functions or focal points, if we like, of local government 40, 50, 60 and more years ago. But such is the complexity of the services that are provided by local governments in this day and age that we have moved away from that exclusive roads boards approach. I think the member made an excellent point on that as well.

Hon Phil Gardiner also mentioned economic reform, and I have to say that again I agree wholeheartedly. In a while I will quote from some Western Australian Local Government Association information. It would pay members to look at the WALGA website because it talks about a number of myths associated with local government reform. One that the member pointed out is that bigger is not necessarily better. WALGA deals with

many other myths, but I do not really have time at this stage to go through them. However, the myth that the member focused on is one that I certainly concur with him on.

I will move on. Hon Helen Bullock made mention of a number of significant issues, one of which was the nature of real reform. I think even Hon Phil Gardiner mentioned what real reform is all about when he alluded to Hon Max Trenorden's bill.

I also point out that notice of this motion was given by Hon Ljiljanna Ravlich on 24 November 2010. I put it to the house that she deserves much credit for having the foresight back then to put this motion on notice. The issue for me as an opposition member is that not much has really changed since the motion was put on notice. On that point, I start my contribution by saying that the point to be made about local government reform by the government and the minister is that at this time it is not making much headway. The minister in the past has been very critical of the opposition's contribution but I point to the WALGA website, which shows the number of constructive partnerships that are around. I think that underpins a lot of Hon Max Trenorden and Hon Nigel Hallett's bill; that is, we have these particularly significant constructive partnerships. It indicates that many local government authorities perhaps know a bit more about what is appropriate to their existence as a local government authority than the minister, whose significantly focused amalgamation approach is more of a big-stick approach rather than the sort of approach that I want to talk about.

A lot of these constructive partnerships were put in place prior to the current government. I am sure that members whose electorates are in regional Western Australia, as well as those in the city, will recognise organisations such as the Avon Regional Organisation of with member councils such as Chittering, Dowerin, Goomalling, Northam, Toodyay and York part of this particularly significant constructive partnership. I will give some examples in a while about the sorts of things that these relevant constructive partnerships get up to. Another such organisation is the North Eastern Wheatbelt Regional Council, which has member councils Koorda, Mt Marshall, Mukinbudin, Nungarin, Trayning, Westonia and Wyalkatchem. Down on the south coast is the Rainbow Coast, with Albany, Cranbrook, Denmark and Plantagenet. The South East Avon Voluntary Regional Organisation of Councils comprises Beverley, Brookton, Cunderdin, Quairading and York. Outside my region is the Capes Regional Organisation of Councils, which is Augusta–Margaret River and Busselton, and there are a number of others, including in the metropolitan area, which is good to see.

I will quote from some community reform examples from the WALGA website. It talks about some very impressive organisational arrangements, but I will preface my remarks with this quote from the website —

Many Local Governments have already collaborated to improve efficiencies and better deliver services to their communities. These initiatives, in a wide variety of service areas, have demonstrated that voluntary reform is the effective way to improve Local Government while meeting the aspirations of local communities.

What it does not say is that the government badgers and berates communities and local government authorities into some sort of amalgamation that does not necessarily suit their particular needs. I will quote two examples; I will talk about waste management and health issues, for starters. The website states —

These groups of Local Governments have joined together to coordinate waste management, including waste recycling and resource recovery initiatives:

...

An example is —

- South East Avon Voluntary Regional Organisation of Councils comprising the Shires of York, Beverley, Brookton, Cunderdin and Quairading, with initiatives including e-waste collection projects.

What a great opportunity that is to engage in these sorts of savings or efficiencies.

Debate interrupted, pursuant to standing orders.

[Continued on page 964.]

Sitting suspended from 4.15 to 4.30 pm