

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

REVIEW OF REVENUE FRAMEWORK FOR LOCAL GOVERNMENT
Tribunal Members

Dr Michael Keating AC - Chairman
Mr James Cox
Ms Sibylle Krieger
Held at the Wilarra Room, Grace Hotel
York St, Sydney NSW 2000

On Wednesday, 2 September 2009, at 2.00pm

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1 WELCOME AND INTRODUCTION

2
3 THE CHAIRMAN: Thank you everybody. I think we
4 should make a start. I welcome you all to this public
5 workshop which is being conducted by the Independent
6 Pricing and Regulatory Tribunal into the review of the
7 revenue framework for local government.

8
9 I perhaps should begin by, first of all, introducing myself.

10 I am Michael Keating and I am the Chairman of the
11 tribunal. With me today are my fellow tribunal members,
12 Jim Cox on my left here is the chief executive officer of
13 the tribunal, and the full time tribunal member.
14 Ms Sibylle Krieger on my right is a part-time member of the
15 tribunal.

16
17 Also present today we have members of IPART's secretariat,

18 Mr Eric Groom, whom I can't see, but I can see

19 Mr Michael Seery, who is the program manager of this
20 local government review, and he is seated just to my far right.

21
22 The former premier requested that IPART undertake a
23 review of the revenue framework for local government.

24 At the time the premier requested that the review consider
25 three terms of reference. However, the workshop today
26 will address only the first two terms of reference as the
27 third term of reference is really only of particular interest
28 to a few Sydney councils and we will take that up ly
29 separate with them.

30
31 The two terms of reference that we are going to
32 address today are: firstly, an appropriate
33 intergovernmental and regulatory framework for setting
34 rates and charges that facilitates the effective and
35 efficient provision of local government services; and
36 secondly, the role of IPART in setting rates and charges in
37 future years.

38
39 This workshop is part of the tribunal's public consultation
40 process for the review; indeed it is one of a number of
41 reviews that are being held in Sydney and in regional
42 centres. A fortnight ago, we held a workshop in
43 Coffs Harbour and next week we will be holding workshops
44 in Wagga and Dubbo. Also during the past year we have
45 released an issues paper and we have received 65
46 submissions from local government interest groups and
47 members of the public in response to that issues paper.

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1

2 At the end of last year, we held workshops in Sydney
3 and a number of regional centres, rather more than this
4 time I think; it was something like six from memory. In
5 addition, we have undertaken 11 case studies of councils
6 throughout New South Wales so that we can understand in
7 detail the issues that councils face and how those councils
8 are addressing them. We believe those 11 councils were a
9 representative sample.

10
11 IPART recently presented its draft report to the
12 Minister for Local Government and, I guess as you are all
13 aware, we released it to the public on 23 July. At the
14 same time we released an information paper detailing our
15 comparative analysis of revenue and expenditure of local
16 government in New South Wales with local government in
17 other states.

18
19 Our report, as I am sure you are all aware, is a draft report.

20 The purpose of releasing it to the public is so we can test
21 the propositions put forward in the report. I freely
22 acknowledge that some of the propositions that we have
23 put forward in the report would represent substantial
24 change to the arrangements for determining local government
25 rates in New South Wales, so I very much want to emphasise
26 that we would like to hear from you regarding both the
27 desirability and the practicality of some of these
28 propositions, particularly the more substantial ones.

29
30 In all, we have in fact made 45 recommendations in our
31 draft report in relation to both the proposed framework
32 and the implementation of that framework. In relation to
33 the rate pegging arrangements - this is probably the most
34 important part of the report; it certainly has been in
35 terms of public feedback so far - IPART has put forward
36 two options for further consideration. The second half of
37 our discussion this afternoon will be focused on those two
38 options and we would particularly like to discuss them in
39 some detail in the second half.

40
41 In sum, before finalising the report, we do want to listen
42 to councils and the community on the proposals set out in
43 the report and we want to consider submissions from
44 interested parties. The public submissions are due by 18
45 September. All the submissions received will be carefully
46 considered by IPART - I hope that goes without saying but
47 I will say it - and in reaching our conclusions on the

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1 framework for regulating local government, we will be
2 having proper regard to your responses.

3
4 I would like to take this opportunity also to thank those
5 of you who have agreed to participate here today, and for
6 the support that we have received from local government
7 so far in putting together this review, particularly those
8 11 councils who enabled us to look in detail at their
9 operations and their financing. That is all indicative of
10 what we consider to be a very important part of our
11 investigation. Your involvement is extremely important to
12 us.

13
14 Following consideration of the matters that
15 stakeholders have raised in the submissions and at these
16 workshops, we expect that IPART will make its final
17 recommendations to the Minister for Local Government in
18 a final report in November - in just a few months time.

19
20 Before getting down to the real business, perhaps I
21 should say a few words about how this workshop will be
22 conducted. You all have available to you an agenda which
23 indicates each discussion topic or session of the workshop.
24 We have divided it up essentially into two broad topic
25 areas. The first of these two broad areas will provide a
26 general overview of the findings in IPART's draft report,
27 while the second session will outline how the two options
28 that IPART have put forward could work.

29
30 At the outset of each session, there will be a brief
31 presentation to introduce each item. Then I will invite
32 you, the members of the audience, to express your views
33 on the issues raised.

34
35 As you may have observed, the proceedings today are
36 being transcribed. The transcript of these proceedings
37 will be available on IPART's website within the next week.
38 It is important for the transcriber that I ask you to use
39 the microphone and speak clearly and also to introduce
40 yourself and the organisation that you are representing
41 when you get the call.

42
43 Michael, I'd like to hand over to you now to introduce
44 the first workshop session.

45
46
47

1 WORKSHOP SESSION 1 - OVERVIEW OF DRAFT REPORT
2 IPART PRESENTATION

3
4 MR SEERY: Thank you, Mr Chairman. As mentioned in
5 the introductory remarks, in this first session, I will talk
6 about IPART's draft report in general and will highlight
7 some of the key findings and recommendations in the
8 report. I will leave discussion around the details of the
9 regulatory framework until the second session which the
10 Chairman will be introducing.

11
12 As mentioned in the introductory remarks, the two
13 terms of reference relevant to today's workshop are for
14 IPART to recommend a framework for setting of rates and
15 charges and a role for IPART.

16
17 The charges there are not all the charges, as you
18 would be aware, but only certain charges, and they do not
19 include things like the garbage charge or most of the water
20 charges.

21
22 After considering the 65 submissions that were made as
23 a result of the issues paper and conducting the six public
24 workshops in Sydney and regional centres, IPART released
25 its draft report on 23 July. The report includes a number
26 of findings and recommendations, 45 recommendations in
27 all. I will outline some of those findings and
28 recommendations shortly. Most of the recommendations
29 relate to the arrangements for rate pegging with a key
30 element being the local government cost index.

31
32 In relation to the framework itself, two approaches
33 were considered and these will be discussed by Dr Keating
34 in the next session.

35
36 What are some of the key findings from our report? In
37 relation to rate pegging, IPART found that rate pegging
38 has achieved the government's original objective of
39 restraining rate increases. This is evidenced by the fact
40 that rates have increased by less than those in other states
41 but by more than the rate peg amount due to extensive
42 special variations over the period. Fees and charges and
43 other revenues have increased by more than in other
44 states, and increases in total revenue have been around
45 that of other states.

46
47 Over the most recent nine-year period, whilst half of

1 the councils have increased rates by less than the rate peg
2 amount, the other half have similarly increased their rates
3 by more than the rate peg amount.

4
5 In relation to the rate peg processes, IPART found
6 that the process for determining the amount by which rates
7 may increase under the rate peg is not transparent; that
8 is, the minister announces the rate peg amount each year
9 but it is not clear what the basis is. This is evidenced,
10 for example, by the fact that the allowed increases do not
11 necessarily reflect council costs. As well, the processes
12 for assessing special variations are not transparent and
13 the reasons for councils' applications being rejected have
14 not necessarily in the past been obvious to councils or the
15 community.

16
17 In relation to accountability, councils are accountable
18 to both the New South Wales government and the
19 local community at the same time. There has been limited
20 engagement in the community in determining community
21 preferences about revenue and expenditure options, and
22 this is one particular area we have tried to improve in our
23 now framework.

24
25 In relation to diversity of councils, there is considerable
26 diversity amongst councils which the revenue
27 framework must take into account. For example, there are
28 significant differences in councils' ability to raise
29 revenue. This is particularly the case in rural parts of
30 New South Wales where councils are heavily dependent
31 on grants, rather than rate revenue and it is also difficult
32 for those councils to increase their rates.

33
34 In relation to sustainability, most councils - but not
35 all; there are a number that aren't - are financially
36 sustainable and rate pegging has not adversely affected
37 their financial sustainability. This has been possible
38 because New South Wales councils have met their
39 expenditure revenue needs through greater use of user
40 charges than has been experienced elsewhere. Many
41 councils have applied for and received special variations.

42
43 A minority of councils are not financially
44 sustainable; however, removal of rate pegging for many of
45 these may not remove their structural problems. Overall,
46 IPART's view is that the financial position of local
47 councils in New South Wales is no worse than that of

1 councils in other states.

2
3 The evidence suggests that a number of councils may be
4 using revenues for capital purposes to fund their recurrent
5 expenditure. In relation to capital expenditure, IPART
6 found reporting and accounting of capital expenditure and
7 maintenance is not consistent across councils. As well,
8 the evidence on the extent of backlogs is not conclusive
9 and the backlog amounts do not appear to be worse than
10 those in other states.

11
12 Councils in general or overall in New South Wales tend
13 to be net lenders rather than borrowers. Councils use less
14 debt for capital than they could and they have capacity for
15 a greater use of debt to fund infrastructure works in the
16 future.

17
18 In relation to cost shifting, IPART has used a more narrow
19 definition of cost shifting. This definition basically is that
20 cost shifting occurs where a higher level of government
21 requires local government to undertake a function
22 without adequate funding; for example, when the state
23 transfers a function, it previously undertook with no
24 funding to go with it. It does not include changes that
25 would apply more broadly to the community; for example,
26 where there is new reporting requirements or where there is
27 a higher standard applied such as an environment standard.

28
29 IPART's definition distinguishes between those cases where
30 local government is required to undertake a function
31 and those where local government decides to take on a
32 function and it is consistent with autonomy in decision
33 making and accountability to the local community.

34
35 In relation to cost shifting, the draft report is not
36 explicit on how the increased costs that may occur from
37 cost shifting could be funded. Whether or not these costs
38 are recognised as a cost shift, they are not excluded from
39 the framework. It is a matter of who pays- a higher level
40 of government or the ratepayers? In either case, the
41 framework should be flexible enough to address these
42 concerns, and the two options are that they could be
43 addressed through adjustments in the cost index or
44 through the special variation process.

45
46 Recommendations: the general recommendations, and they
47 are a smaller number of the 45 in the report, revolve

1 around improving financial reporting; for example,
2 reporting on net operating result excluding capital
3 revenues, maintenance costs relating to public works and
4 annual expenditure on renewal of capital works. IPART
5 recognises there has been some progress in improving this
6 reporting over the last few years but more is needed.
7
8 IPART believes that there needs to be improved asset
9 management, that it should be based on consistent
10 definitions, and that these definitions should be driven by
11 both local government and the Department of Local
12 Government. Councils should undertake regular surveys,
13 for example, every two years, but community satisfaction and
14 these results should be published in the annual report.
15
16 In relation to the framework under the rate pegging, there
17 should be a catch-up mechanism so that where councils
18 forgo their rate increase in one year, they are then able
19 to make up for that in the following year. For example, if
20 a rate increase of 3 per cent or a rate peg amount of 3 per
21 cent is allowed and a council chooses not to increase rates
22 that year, the next year that 3 per cent could be added to
23 the 3.5 per cent, for example, for the following year to
24 give a 6.5 per cent increase.
25
26 IPART also believes that the regulation of rate
27 revenue should continue and there should not be a
28 regulation of total council revenue; so in that case there
29 is no real difference from what the case is at the moment.
30
31 The local government cost index is based on annual
32 movement in council costs and a productivity factor. The
33 analysis of productivity will be conducted by IPART to
34 determine what the productivity allowance should be over
35 the four-year period, and it will be taken into account in
36 determining what the index is.
37
38 The index will be a state-wide index. We looked at
39 options for doing other than a state-wide index and
40 decided, at the end of the day, that the state-wide index
41 was the simplest approach. It would involve a basket of
42 costs. To undertake this review, IPART would need to
43 have data from all the councils and collect this data to
44 determine the weightings that would apply. Then those
45 weightings would be applied to particular indicators that
46 would be published mostly by the Australian Bureau of
47 Statistics, and it would be a retrospective index so that

1 the information related to the published index from the
2 previous 12-month period.
3
4 Weights would be established every five years, based
5 on a survey of council costs. They will be independently
6 calculated. In our report we are presuming that they will
7 be calculated by IPART. At the end of the day, the
8 minister will determine the annual increase based on advice
9 or based on a consideration of the published index that
10 IPART publishes.
11
12 In relation to time frames, IPART considers that the
13 local government cost index in itself could be in place for
14 rate increases for 2010/2011. However this would require
15 some work to be undertaken in the latter part of this year
16 and the early part of next year to collect data to
17 determine the weights. The medium-term arrangements
18 under options A and B could commence around the time
19 of the next council election; that is in the year after the
20 2011/2012 financial year.
21
22 Finally our review timetable: as you know, the greyed
23 areas are where we are up to date. Public submissions
24 are open until 18 September - that is two weeks from this
25 Friday. We are holding public workshops at the moment, as
26 the Chairman has previously indicated, and we anticipate
27 providing our final report to the minister in mid-
28 November of this year.
29
30 I will now hand you back to the Chairman to facilitate
31 comments and questions on this part of the workshop.
32
33 RESPONSES ON IPART PROPOSAL
34
35 THE CHAIRMAN: Thank you, Michael. As Michael has
36 just indicated, it is now open to the rest of you for
37 questions and comments.
38
39 MR MacKENZIE: Bruce MacKenzie, Port Stephens
40 Council. Can you please explain what you said about debt.
41 Can you explain what you meant about councils being
42 good at borrowing money to perform and carry out their
43 duties as far as their infrastructure is concerned?
44
45 MR SEERY: We made a few comments there. One of those is
46 there is some evidence from a number of councils we looked
47 at that it was more than likely that those councils were

1 using money that they could otherwise be using for
2 provision of infrastructure to cover their operating deficit.
3 That was one comment. The other comment was that
4 we believe that there is scope for councils to have a
5 greater use of debt in the future.

6
7 MR MacKENZIE: What are they going to have that debt
8 for; is it for infrastructure, roads, drains, sporting fields,
9 ovals or whatever? Can you explain what you --

10
11 MR SEERY: We would imagine that the debt would be
12 used for providing infrastructure.

13
14 MR MacKENZIE: Thank you.

15
16 THE CHAIRMAN: We actually are more generally
17 recommending that the operating budget be confined to
18 operational matters, recurrent expenditures, if I can put it
19 that way, so that revenue, which is of a capital nature,
20 should not be used to cover operational expenditure. It
21 should be used, of course, to cover capital expenditure.

22
23 MR ALLAN: Percy Allan, research director of Review
24 Today, and a former chairman and director of the Local
25 Government Inquiry. First of all, I would like to say to,
26 Michael, and Jim and Michael over here, that I welcome
27 this report. I think it is an important contribution to the
28 research in local government. I would agree with most of
29 the recommendations with two qualifications, which I will
30 raise this afternoon.

31
32 At this stage I wanted to comment more on the overview
33 of the report you have just covered, because some of the
34 research we have done - we did it for the Local Government
35 Inquiry and subsequently the Review Today, where we do
36 an annual review of the sustainability of local government
37 - does not quite match your findings.

38
39 First of all, there is a comment in the report that total
40 revenue has increased by around the same as other states,
41 the percentage increase over the period that you looked
42 at. When we did the Local Government Inquiry, we
43 had real difficulty. We very much wanted to look at the
44 total increase of revenue in other states. When we spoke
45 to ABS, they warned us that the data collection was very
46 poor and "be careful if you use it"; in fact, they
47 encouraged us not to use it. I was surprised when I read

1 this and that you presented that data without any
2 qualifications or any remarks. When we did the Local
3 Government Inquiry, I too wanted to use the data but I was
4 dissuaded by the ABS from doing so. That is the first
5 thing.

6
7 You mentioned that most councils are sustainable and
8 that only a minority are unsustainable. I suppose one
9 really needs to define "financial sustainability". I have
10 not had a chance to read your report in depth but I can't
11 find that definition. At Review Today, we do have a very
12 precise definition and when we do that annual review with
13 FiscalStar of the sustainability of the top 100 largest
14 councils in New South Wales, we have found each time
15 that a majority are either in a very vulnerable position or
16 are unsustainable. About 46 of the 100 are sustainable. Of
17 the rest, about 11 or 12 or so, are vulnerable and the rest
18 are unsustainable. One - Botany Council - does not report
19 at all on its website, so it is hard to know what its
20 position is.

21
22 The other point I would make is that you say that the
23 financial position of New South Wales councils is no worse
24 than that of councils in other states. When we do our
25 research, we like looking at something we call the broad
26 liabilities ratio which does not only look at the strict
27 accounting definition of let's look at net debt, because
28 that's not really a problem for councils; we also have a
29 look at the backlog of unsatisfactory infrastructure in
30 councils, which is reported through schedule 7. And we
31 do our own survey of councils. About a third answer that.

32
33 The reality is that the infrastructure backlog is very big in
34 this state. We combined the work done by FiscalStar.
35 We did the work, of course, with FiscalStar in New South
36 Wales, but FiscalStar did it also in South Australia,
37 West Australia, Tasmania, and then separate work
38 was done by MAV in Victoria. Unfortunately Queensland
39 didn't do this so you have to pro rata it for Queensland.

40
41 When you look at the infrastructure backlog around
42 Australia, it is around \$10.5bn. New South Wales's share
43 of that, if you simply go through all those inquiries, is
44 about 46 per cent. Given our population is closer to 36 it
45 would indicate that New South Wales has a much bigger
46 infrastructure backlog than other states. If one treats
47 infrastructure backlogs as a contingent liability, which

1 one has to - it is the biggest problem facing local
2 government; it is the elephant in the room - and adds it
3 together with their net debt, which is less of a problem -
4 in fact it is not a problem for most councils - and you
5 take that as a proportion of the councils' operating
6 revenue, as I said, a lot of councils have a serious
7 problem.

8
9 As a final point, you say that some councils are using
10 their capital revenues to fund recurrent expenditure. I
11 would totally agree with you. I think this is a problem,
12 and I hope that your recommendations do address this
13 one. Thank you.

14
15 THE CHAIRMAN: First, thanks very much for your
16 comments. We would like to pursue the issues you have
17 raised. We may seek to take them up directly with you. I
18 think there are two points that are worth exploring at this
19 premature stage, if I can put it that way. One is the
20 comparability between states and the ABS collection. If I
21 were still wearing my finance hat and the ABS walked in
22 and told me that they were paying people to produce stuff
23 that was of no use, I've got a very obvious saving for the
24 Commonwealth budget. I suppose there is a question in
25 my mind as to just whether they really want to pursue that
26 line of argument.

27
28 MR ALLAN: They don't publish it for that reason.

29
30 THE CHAIRMAN: Nevertheless, it is a saving. I suppose
31 perhaps the question is what data you can rely on in making
32 these sorts of comparisons. As a relative layman in this
33 area, I would have thought that comparisons of
34 infrastructure backlog would be even more difficult than
35 comparisons of revenue. After all, at the end of the day,
36 there is a very clear-cut definition of revenue. Perhaps
37 it is not as clear-cut as I imagine it to be, if you are
38 right, but in principle, it is pretty clear-cut. You
39 either got a dollar or you didn't get a dollar.

40
41 With backlog, there is no clear-cut definition of backlog.
42 It is in the mind of the beholder in one sense. What is an
43 adequate standard of a road is very much in the eye of
44 the beholder, particularly when people don't directly
45 pay for the roads. I am just intrigued how we can be
46 confident about backlog comparisons but not the revenue
47 comparison.

1
2 MR RANJITKUMAR: My name is Paul Ranjitkumar. I am
3 from Ryde Council. I have a question for the panel.
4 Councils have invested in CDOs, and it is billions of dollars,
5 and we don't know whether, rightly or wrongly, we have
6 invested in it. I wonder if something goes wrong, like the
7 newspaper is saying, what are the alternatives we have to
8 recover the money - not to recover the money, but what is
9 the impact it will have on the ratepayers? That is my
10 question.

11
12 THE CHAIRMAN: The more important part of the question
13 is what resource do ratepayers have when things go wrong?
14 This will be important to the second session this afternoon,
15 which is the whole issue of democratic accountability,
16 and therefore how much independence and autonomy
17 councils should have. But the underlying theory
18 is that, in any level of government, when something goes
19 wrong, you have the opportunity to kick the rascals out at
20 the next election. So that is the underlying theory.

21
22 In the case of local government in New South Wales,
23 however, the state government has accepted, as Michael put
24 it, that councils should be accountable to it as well as to
25 their local electorate, so the state government can be
26 persuaded and has been persuaded in times past - there are
27 some current examples right now - to intervene and kick the
28 council out itself and put in an administrator instead.

29
30 Can I say, as I would see it, with this review of local
31 government revenue framework, in a sense one of the
32 good things that could come out of it is that we develop a
33 framework, which means that councils are less likely to get
34 into trouble in the first place because they will have
35 better reporting systems in place, better management
36 framework and so on, including asset management
37 framework in particular. So they are less likely to get into
38 trouble in the first place. Secondly, they will have
39 strengthened democratic accountability. So there is a good
40 chance, we would hope, of avoiding this situation and the
41 sorts of problems you are referring to will be less as a
42 result of that.

43
44 MR ABELSON: I am Peter Abelson, a part-time adviser to
45 the New South Wales Treasury and here in that capacity. I
46 like the report and I can say New South Wales Treasury
47 also likes it - at least Costa liked it when he had it.

1
2 My question relates to the cost index. The cost index
3 clearly applies to a given package of goods and services.
4 So how do you then intend to deal with changes in
5 population level, on the one hand, and keeping up with the
6 increase in income and capital in others. Most councils
7 would wish to improve their services over time in line with
8 changes in gross state product or local income, and the
9 cost index doesn't quite address those two points.
10
11 THE CHAIRMAN: Let me add that it was not intended to
12 address those two points. However that does not mean
13 they are not important. The cost index is intended to be
14 what it says; that is a cost index. Our view has been that in
15 setting what I will call the rate peg, which is the default
16 that will apply in the future if our recommendations are
17 picked up, we want a more transparent process for setting
18 that rate peg.
19
20 We also thought it was a good idea to be independent of
21 government, where you can be independent of government
22 and have a rate peg. I think it is fair to say you could
23 be independent about the level at which costs have risen.
24 That can be determined by an independent expert such as
25 IPART, and we have a lot of experience in developing cost
26 indexes for all sorts - transport agencies and so on.
27
28 However, the question that you have raised as to
29 whether as incomes rise and the population rises services
30 should be improved is much more of a political judgment.
31 There is no independent expert advice on what is the
32 appropriate rise in the revenue to finance improving
33 services or even how much additional population makes a
34 difference to the cost of services.
35
36 In our view, the cost index would, in most circumstances,
37 be a very important element in setting the rate peg but
38 there would be the opportunity for the minister to go
39 above or below the cost index. We would not expect the
40 minister to go below, in many circumstances,
41 but to possibly go above the cost index. In any case,
42 whether the minister didn't go above the cost index or did
43 go above the cost index, we would expect the minister to
44 give reasons for any decision.
45
46 We have also noted that other levels of government
47 have typically been above cost; that is to say if you look

1 at government expenditure by governments, not only
2 across Australia, at both state and federal level, typically
3 their expenditure and their revenue have risen roughly in
4 line with GDP. Of course GDP has gone past - real growth
5 not zero real growth.
6
7 MR WOODBURY: Kim Woodbury, from the City of Ryde.
8 I have one brief comment and two quick questions. I
9 certainly agree with your comment that backlog at the
10 moment is difficult to quantify and the definitions need to
11 be tightened up, and I would certainly go along with the
12 recommendations on the improved asset management
13 systems and methodologies. That is very important
14 because it is a big issue for local government.
15
16 Two questions: in the introduction speech, reference was
17 made to the total revenue per capita for New South Wales
18 councils having grown more than the other states, but
19 you have not done a comparison or stated at all what is the
20 change in quantity or quality of services. So you looked
21 at the income side of it but not at the cost side. I would
22 certainly welcome any comment on that and see how that
23 would be taken into account in any kind of model.
24
25 As to my second question, certainly I didn't see any
26 information provided today on the existing relativities
27 between rating income from councils per capita or per
28 residents because that is obviously a major factor. You
29 talk about increases, but if there are large relativities,
30 which there are across New South Wales, I think that
31 needs to be looked at.
32
33 THE CHAIRMAN: Michael, do you want to answer that?
34
35 MR SEERY: In relation to the second question on existing
36 relativities of rate income, in our report we have not
37 provided that information. It is available elsewhere. It
38 is available from the Department of Local Government.
39 We could incorporate it in the final report. It would show
40 considerable differences across New South Wales, in my
41 experience with it. At the end of the day, I guess that
42 is where you would need to look at things like, under the
43 framework, moving beyond the rate pegging arrangements
44 and moving into Option A, special variations, or under
45 option B, going to the community to increase with a case
46 for revenue increase.
47

1 It is difficult to do a determination of the quality
2 or quantity of the service without details of those
3 particular services for individual councils and that is why
4 we have not done it in the report.

5
6 THE CHAIRMAN: I think there is a fundamental question
7 as to what level of service is appropriate. In a sense, that
8 is best answered by the electorate, ideally I mean. They
9 make a decision about what level of service they want and
10 what level of service they are prepared to pay for.

11
12 However, from our point of view, it is highly likely if
13 the question were answered ideally, one could imagine in
14 a rural community where there is a drought, prices are low
15 and so on, they might well answer the question by saying
16 that they don't want the same set of services that Bondi
17 wants. It is a sparse population as well. There are a
18 variety of reasons. So it is very likely that kerbing and
19 guttering will not always be to the same standards as in
20 Bondi and that they will happily accept that because they
21 don't want to pay for more.

22
23 MR WOODBURY: The follow-up question: basically that
24 is fine, but if you go back to the starter of rate pegging,
25 which I think is 1977, I think you might find that the
26 relativities in rating income then have not substantially
27 changed. There have been special rate increases but
28 basically the fundamental thing is you are talking about
29 the marginal difference year by year; whereas I think it is
30 important to look at the absolute starting points whether
31 that is near zero now or whatever.

32
33 Even though on the individual basis I agree there will
34 be differing levels of service, to make an argument that it
35 is a political matter or electoral matter for expenditure
36 and not for income is not giving them equal weight. If it
37 is good enough for income or expenditure, it is good
38 enough for the other.

39
40 THE CHAIRMAN: Our proposition, of course, is to get
41 the two brought together. We will get to that in our options.
42 Let me just say that if there is a change in the view under
43 the present system - I am not going to defend the present
44 system too much because we propose to change it - if there
45 were a change in what people wanted, there is the special
46 variation that you mentioned. So an area that is facing,
47 for example, severe population pressure growth - say, on

1 the outskirts of Sydney 30 years ago and that is not the
2 outskirts now - would be an ideal candidate for a special
3 variation.

4
5 MR PINYON: Phil Pinyon, Blue Mountains City Council.
6 My question is in regard to the section dealing with the
7 timing of the implementation of the framework and the
8 inter-relationship between recommendations 32 and 34.
9 Recommendation 34 refers to councils with existing special
10 rate variation application or approvals; so "existing" in
11 the context of 32, which talks about options A and B
12 kicking in at the conclusion of the 2011/2012 financial
13 year. I am just trying to understand how there would be
14 an application current at that point.

15
16 THE CHAIRMAN: I am not quite sure; are you talking
17 about a sort of transition problem?

18
19 MR PINYON: That's correct. Essentially the process, if
20 you are aware, generally speaking, is that councils, as we
21 have this current year, put in their management plan the
22 intention to investigate the possibility with their
23 community of putting in place a special rate variation.

24
25 The way recommendation 32 reads, it talks about
26 it coming into effect at the conclusion of the 2011/2012
27 financial year, prior to the elections; but then
28 recommendation 34 talks about councils with existing
29 special variation applications. Let's go forward and say
30 at the conclusion of 2011/2012 - let's say it is July 2012
31 prior to the September elections - there wouldn't be any
32 such thing that is currently there, I wouldn't have
33 thought, unless it is in that forthcoming management plan,
34 so I need to clarify that.

35
36 THE CHAIRMAN: I am not going to give you an immediate
37 response on that, but I take your point. It is something we
38 need to work out. The basic intention, if the government
39 accepts the recommendations, is to bring them in, or
40 particularly the one that requires some sort of electoral
41 mandate, following the next council election. At the same
42 time our basic intention is not to stop the present
43 system in its tracks because no-one would welcome that.
44 You, for example, I imagine wouldn't welcome, if you
45 did decide to go for a special variation, being prevented
46 from going for it for the next two years. That is working
47 out some sort of bridging mechanism if the underlying

1 recommendations are accepted. That is what our intention
2 is
3
4 MS HYAM: Lindy Hyam, from Newcastle City Council. I
5 have a few questions in respect to the LGCI. The first one is
6 that the expense categories don't seem to reference the
7 statutory imposts from state government --
8
9 THE CHAIRMAN: Sorry, can you speak up a bit, please.
10
11 MS HYAM: My question is in with regard to the costs
12 index. The expense categories don't seem to reference the
13 statutory imposts from state government including fire
14 services, valuation fees, DPA levies, which have generally
15 increased substantially in excess of CPI. In addition the
16 impact of the global financial crisis has led to reductions
17 in revenues from building and development in those
18 sources for example, including some additional costs
19 associated with the superannuation defined benefit scheme.
20
21 Is there some consideration of those factors and is
22 there the potential for an adjustment that could be netted
23 off in better years, an interim adjustment that can be
24 netted off when economic conditions stabilise? That is the
25 first question.
26
27 The second one is: has there been any consideration
28 of groupings of councils using specific indices such as,
29 for example, coastal councils that experience higher levels
30 of maintenance due to accelerated asset deterioration and
31 corrosion due coastal conditions?
32
33 The third question is: have you considered publishing a
34 preliminary index based on the year to September quarter,
35 releasing it in December to enable budgeting, because by
36 the time you get to March your consultation processes
37 have well and truly being undertaken? Thank you.
38
39 THE CHAIRMAN: What does the index cover - that is the
40 first question. Generally we would see it covering items
41 in current expenditure. So if you have to pay various
42 levies and so on, in principle, that is something that you
43 can argue ought to be in the index. In principle if it is
44 an item that is in current expenditure, as various fees or
45 levies are, in principle, yes, that could be in the
46 coverage. I will come back to how much difference it will
47 make in a minute.

1
2 However, shortfalls and other sources of revenue are
3 more tenuous. If you want to argue that, by all means - I
4 am not saying the jury is closed on that - put it in your
5 submission.
6
7 Let me just then make a few more general comments on
8 the index. The index is not meant to be a measure of what
9 it costs to run a council or all councils or whatever. The
10 index is a measure of what the change in the costs of
11 running a council is - so it is not the absolute cost, it
12 is the change in the costs.
13
14 Whether an item is in or out of the index makes no
15 difference if the change in the cost of that item is the
16 same as the average of the items that are in the index. It
17 makes absolutely no difference whether you have an item
18 in the index or not, unless the cost of that item has been
19 changing by more or less than the others. That means,
20 first of all, that you don't necessarily have to chase any
21 single item of expenditure. It is just not worth it.
22
23 On the question of groupings of councils, we did
24 consider fairly seriously grouping councils, though not
25 necessarily on the criteria that you put up. We had in
26 mind rather the nature of the councils. So we would have
27 a group - we would have rural councils, we would have
28 outer suburban councils, we would have inner
29 metropolitan councils, regional councils. That was the
30 possibility for us.
31
32 In the end, we decided not to do that, one, because we
33 suspected it would lead to endless debate for councils on
34 the margin - I would say two groups - as to which group
35 they wanted to be in; and, two, we were not convinced it
36 would make that much different given our emphasis on
37 the change in costs. Remember the change in costs may be
38 the same.
39
40 Even though we would fully accept that a rural council has
41 very different costs to Sydney City Council, the change in
42 the costs may be much more similar. For example, labour
43 is a very big part of costs and the change in labour costs
44 does not vary a lot within the state or even within
45 Australia.
46
47 We also considered allowing each council to put

1 forward its own index. That proposition was that each
2 council would calculate the weights that it thought should
3 apply. It would then have to use the same price index as
4 everybody else, because they are going to be coming from
5 the Bureau of Statistics, and it could use its own weights.
6 We decided against that, again for the same reason, that we
7 didn't think it would make that much difference; and,
8 secondly, if you like, the auditing of councils, which I
9 expect the government would insist on, would be quite a
10 major task.

11
12 Your third question was on a preliminary index. You
13 might like to answer that, Michael.

14
15 MR SEERY: It is our intention that there would be a
16 preliminary index that would be published after the
17 September quarter, and it is referred to in the report.

18
19 MR WALKER: Dave Walker, Hills Shire Council. I
20 compliment you on the report. In regard to option A and
21 option B and then the issue of the index, mention was
22 made earlier about a productivity allowance. What
23 methodology will you use to construct that productivity
24 allowance and how will you apply it to the index?

25
26 The second comment I would make is in regard to
27 some of the comments made earlier by Percy Allan and the
28 FiscalStar reports: I would put a lot more credence in
29 your reports than some of those reports of FiscalStar.
30 This is a very appropriate name; they are way out there in
31 the universe.

32
33 THE CHAIRMAN: Thank you for that. I have actually
34 found Percy Allan's work very useful, so perhaps I will
35 just balance the ledger on that. On the productivity thing,
36 I think we will hold that over till the next session and we
37 will get on to that there.

38
39 MR ESDAILE: Russell Esdaile, Muswellbrook Shire
40 Council. As others have already, I compliment you on the
41 report. I must say that most of the recommendations are
42 eminently sensible.

43
44 There is a question, though, and I guess it has arisen
45 regarding this index. There have been quite a few
46 conversations about it. My thoughts relate to its
47 application to that four-year period. I am unsure as to

1 how you will be doing that because essentially calculating
2 an index would perhaps bring last year's costs up to the
3 present. To then use that as a basis for going forward for
4 another three years beyond that, I would think would be
5 eminently difficult.

6
7 We have the situation where two days ago the economists
8 were saying that the quarterly GDP would be 0.6 per cent,
9 yesterday it was going to be 0.2. I don't know what
10 it is today. It is hard to think that you can predict
11 well into the future when just one day out the economists
12 don't really know. There needs to be some way
13 of allowing some sort of catch-up adjustments within that
14 four-year period for what might be out there; namely,
15 happenings in the economy that we just don't know about.

16
17 THE CHAIRMAN: I would agree 100 per cent with you if
18 what you described was what we were going to do. In fact
19 we are going to do something different, so I will just run
20 through it and I will pick up the productivity point at the
21 same time because it is worth doing that.

22
23 The cost index is based on a set of weights which
24 reflect expenditure pattern of councils. That is the set
25 of weights. It is updated annually and it is updated
26 retrospectively. There are no forecasts. So it is a
27 retrospective index. I can't give you the exact dates but
28 we will get information up to December eventually. We
29 will get an early one up to September - is that right? - and
30 the final in December --

31
32 MR SEERY: Yes.

33
34 THE CHAIRMAN: -- because there is a delay in the ABS,
35 but we will be updating the index. So the index will be
36 determined year by year.

37
38 In terms of certainty for councils what you know is
39 that, as measured by the Statistician, the costs will be
40 based on a peg which reflects the Statistician's estimate
41 of how much costs went up.

42
43 The productivity adjustment is done once every four years.
44 It will be done at the beginning. Let's be clear. There is
45 no great science to a productivity adjustment. At the end
46 of the day, the productivity adjustment will be based on
47 an assessment of what information we can get from

1 the Statistician as to how productivity is altered. The
2 Statistician produces productivity information industry by
3 industry and we will be looking at that information to see
4 what would be a fair rate of productivity growth in the
5 sort of activities that local government is undertaking.
6
7 We will build and we will adjust, we will say at the
8 beginning of the four-year period that year-by-year costs
9 as measured by the price indexes from the Statistician
10 should be adjusted by this productivity amount that will
11 be set at the beginning of the four years.
12
13 Let me just repeat that there is no tremendous science
14 in that. At the end of the day it is a judgment.
15 Nevertheless, as I have mentioned earlier, IPART in
16 regulating other industries does produce cost indexes for
17 taxis. We have done so in the past for buses, though we
18 are shifting from that, and for railways.
19
20 The debate typically when we do these public hearings with
21 the stakeholders is very much around whether there are
22 productivity increases or not. There have been occasions
23 where we have been persuaded to have a productivity
24 adjustment of zero. Typically, we have a small
25 productivity adjustment, but in principle, we think we are
26 obliged to consider the possibility of productivity.
27
28 It is not good enough to say there can't be a productivity
29 increase in local government. We know, if you took a
30 10-year period or a 20-year period, there have been
31 productivity improvements in local government.
32 Computers did make a difference to your clerical
33 operations, for example. So we will be obliged to consider
34 the possibility of productivity adjustment.
35
36 In putting together a recommended framework, it is
37 quite inappropriate for us to say how much it will be.
38 What I can say, I suppose, on the basis of past experience,
39 is that it typically is not a large adjustment. It will be
40 set for four years so you will know in terms of your
41 planning that your costs will go up by an amount the
42 Statistician says they went possibly adjusted by a small
43 productivity adjustment.
44
45 MS ROLFE: Thank you, Mr Chairman, my name is Hilda
46 Rolfe. I am here to represent, I guess the silent minority - the
47 ratepayers. I have the endorsement, as it happens, of the

1 Vaucluse Progress Association, but not for anything in
2 particular, I might say.
3
4 Numerically I have to point out that ratepayers are a distinct
5 minority in any council community. Might I also beg,
6 beseech, entreat and request IPART in the final report to be
7 careful when it uses the word "community" because the
8 community is not only the residents, but it is visitors to an
9 area. Community and ratepayer are not synonymous and
10 the ratepayers' interests are not necessarily synonymous
11 with those of the community, particularly when it includes
12 people from outside an area, as it must in commonsense.
13
14 I say that because it has clouded my reading of what I
15 think is probably the beginnings of a very good report.
16 The ratepayers will not like - and I would be less than
17 honest if I didn't say this - the notion that you are
18 giving councillors an option to opt out of rate pegging.
19
20 I will probably put in my written submissions some of
21 the reasons, but I think that you might ask yourselves why
22 there have not been too many ratepayer representations to
23 your review, why there were so few to the Commonwealth
24 Grants Commission's last review, why ratepayers don't
25 turn up? It is because they are always confined to being a
26 largely unrecognised minority.
27
28 Your own arithmetic in taking what you're calling
29 community engagement would let something between
30 12.5 and 18 per cent of ratepayers, if you meant ratepayers,
31 decide the view of ratepayers generally. That's a pretty
32 good sample, I'd be the first to admit, but it may not be
33 one that is helpful to ratepayers altogether.
34
35 Part of the problem is the necessity, I suppose,
36 to measure rates either in terms of assessment, where
37 the measure is distorted by the realities of strata title
38 and company title and title fragmentation, or to do it
39 per head, as you so delightfully have done, where the
40 burden is calculated for every infant, adult, consenting
41 or otherwise, of the population in the area but not
42 necessarily relating to those who use council services
43 coming into an area. I can't blame you for that. You are
44 using what you can, and that is fair enough, but I do ask
45 you to be careful when you are thinking about the burden
46 on ratepayers.
47

1 Ratepayers presumably will be happy with a local
2 government costs index. They thought the CPI index was
3 at least something and they had some confidence in it. I
4 suspect that they believed the then minister when he said
5 that rate pegging wasn't up for grabs; yet you have offered
6 an opt-out option. I don't expect that to be the sort of
7 thing that will bring people out in the streets. I think
8 it is fairly well hidden. I may even have misinterpreted
9 it, but I don't think so.

10
11 Councils, on the other hand, no doubt will quite
12 reasonably seek to exercise your option B. I think that is
13 perfectly understandable. They want to do what they
14 want to do.

15
16 As you, Chairman, pointed out yourself, the democratic
17 accountability of local government is the keystone to a lot
18 of what you are saying in your report. Democratic
19 accountability involves turfing the buggers out at the next
20 election. It does not restore the status quo ante. It
21 does not recompense ratepayers for any foolishness that
22 has been dealt them. It does not reward them for their
23 patience. It offers no compensation.

24
25 Even in the worst situation where councils have been
26 sacked, ratepayers don't get the status quo ante. They have
27 to pick up the burden as it is and go forward with it. On
28 that basis, I think that the democratic accountability
29 criterion is one which sounds great, which I must endorse,
30 but it will never be enough to take the place of serious
31 rate regulation. That would mean, as far as I would
32 imagine, not opting out of the rate capping - not opting
33 out of rate capping at the option of a council, which is
34 what you seem to be offering.

35
36 Those are general comments. They are not fighting words,
37 Mr Chairman. I intend to address you at great length
38 in a submission because someone has to, and it seems
39 to me there are not a lot of other people prepared to pick
40 up the burden and I am appalled to imagine why.

41
42 MR MacKENZIE: Are you going to stand for the next
43 election?

44
45 MS ROLFE: No. I've been there and done that.

46
47 MR MacKENZIE: Have you been elected?

1
2 MS ROLFE: Yes; and I got returned uncontested as well.
3

4 THE CHAIRMAN: I will try and cover a lot of what you had
5 to say in the next session when we will be talking about
6 the options. What I perhaps need to make clear at this
7 stage is that the terms of reference never said that rate
8 pegging had to be maintained. I appreciate that both the
9 former minister of local government and the present
10 minister of local government have indicated publicly their
11 preference for rate pegging. It is not a requirement in
12 the terms of reference and, at the same time, the terms of
13 reference came from the then premier, and that's who we
14 take our orders from, not the ministers.

15
16 I can give you any number of instances of ministers
17 querying IPART recommendations for price increases - a
18 recent one on electricity comes to mind, for example - but
19 we take our instructions from our terms of reference that
20 is given to us by the premier. I want to make that clear.

21
22 When we get on to option B, I think you will see that
23 it is not an option where the councils can just opt out at
24 their will. It is a matter of their satisfying the
25 minister that they have democratic support for opting out.
26 What the constituency should be is a moot point. I take
27 your point that ratepayers are not necessarily the same as
28 the community and so on, and that is a difficult issue on
29 which I suspect opinions can vary. For example, not
30 everybody is a motorist, but we don't say only motorists
31 can vote on fuel taxation. I think we need to be careful
32 as to what the community is in deciding on democratic
33 accountability.

34
35 I suspect it is probably time to move to the next path
36 set of topics, which has really been the elephant in the
37 room, anyway.

38
39 WORKSHOP SESSION 2 - OPTIONS A AND B

40
41 IPART PRESENTATION

42
43 THE CHAIRMAN: Some of this will traverse the path we
44 have covered, but it may try to and pull things together. First
45 of all, we think the revenue framework could be approved by
46 a multi-year approach to revenue raising. For example,
47 with the rate peg as we go through, the cost index, as we

1 just described, you basically know for four years the
2 productivity adjustment and you know that the index will
3 be updated each year by whatever the rate of inflation is in
4 your costs, as measured by the Statistician. You have a
5 degree of comfort there. We are not trying to forecast the
6 rate of inflation, and you would find that a hard task too,
7 but you can know that if it turns out to be higher than it
8 was thought it was going to be, so will the index be higher
9 than you thought it was going to be - so it is a
10 retrospective adjustment.

11
12 The system is also meant to be more independent. That
13 cost index, if you like, which is the basis of the system
14 is determined by IPART which is independent of the
15 government. It is transparent and it will be rigorous in
16 that sense.

17
18 Beyond that cost index, we are seeking to improve
19 council's strategic planning processes by linking revenue,
20 capital expenditure and operating expenditure plans for a
21 number of years into the future. We put quite a lot of
22 emphasis on four years. There have been suggestions we
23 should look beyond four years. That is something that is
24 probably worth discussing so I won't go too far at this
25 stage into what is the appropriate period.

26
27 I would just remind you that the longer you go, the
28 more uncertain it gets. It almost certainly goes beyond
29 the life of council if you go beyond four years, et cetera.
30 It also gets more difficult to plan. The counterpart of
31 the argument is that there are some things that do need to
32 be planned more than four years and you ought to plan
33 them in that context.

34
35 As I have mentioned, we are using an explicit and
36 independently calculated price index, and we are using a
37 productivity adjustment to encourage efficiency gains.

38
39 Picking up that theme of four years, we are seeking to build
40 on to the integrated planning and reform framework that
41 the government has already introduced. We think that,
42 hopefully, will improve accountability. Perhaps this is
43 more difficult, but we also hope it will improve community
44 and, dare I say it, ratepayer engagement. Again, to the
45 extent that it does that, the system will provide greater
46 transparency in the community.

47

1 As I think everybody is aware, we have put forward an
2 option for greater autonomy for councils. We could
3 describe it as earned autonomy, if you like, but there will
4 still be that fallback system which maintains its rate
5 pegging.

6
7 There are two options. The first option, option A
8 improves on the existing rate pegging arrangement we
9 believe for the reasons I have given. It provides a medium
10 term revenue path, and that would hopefully help you
11 plan your medium-term expenditure. It also improves the
12 link between rate setting and strategic planning and it is
13 the default for all councils.

14
15 The key features of this option are, of course, that
16 IPART publishes a cost index including a productivity
17 adjustment. The minister determines the annual rate
18 increase which, as I said, could be above - I suppose in
19 principle it could be below. However, the minister will
20 determine the annual increase, and I think it is arguable
21 there could be an expectation at that time that the rate peg
22 would increase by more than just the increase in cost of
23 services to the extent that people expect an improvement
24 in services as living standards rise, and so on.

25
26 You could set the rate peg in terms of per capita.
27 That is something you may want to think about, but if you
28 continue on the present basis, then for councils which have
29 differing rates of population growth from the average, the
30 fallback at the moment would be to go for the special
31 variation if you were to have a very fast rate of
32 population growth. That means that, for that reason alone,
33 councils might apply for a special variation.

34
35 Where councils apply for a special variation, it would
36 not be for one or two years typically; it would be for four
37 years. So you would have a four-year revenue plan. You
38 could apply for two years in exceptional circumstances,
39 but normally it would be four years.

40
41 The minister would approve or disapprove the special
42 variation, as happens now. However, the minister would
43 have to consider a set of criteria which would be public in
44 assessing the special variation, the four-year plan. There
45 would be a set of criteria that the plan had to address and
46 the minister would need to give reasons for the
47 disapproval. So it would be again a more transparent

1 system.
2
3 Turning to the slide (Option A - how it would work) IPART,
4 as I have said, would calculate and advise the minister
5 of the percentage change in a local government cost index
6 each year, making allowances for that four-year productivity
7 adjustment. The minister would then determine
8 the increase in rates having regard to the IPART advice on
9 the change in the local government cost index. The
10 councils may apply to the minister for a rate path over the
11 four years which may exceed the rate peg, but they would
12 need to draw that plan together to comply with the
13 integrated planning and reporting framework, and the
14 minister will then provide his decision.
15
16 There must be a demonstrated need for a special
17 adjustment on the basis of service requirements for the
18 community. Some of the criteria include: evidence of
19 unmet demand and evidence of community support for
20 the provision of these services; special or unique pressures
21 faced by council, such as very rapid population growth;
22 implications for amenity, safety and health of community
23 and financial sustainability and demonstrated adequate use
24 of other sources of funds - you probably won't succeed if
25 you drop all the user charges, for example, and put the
26 bill onto the ratepayers - and regard to the impact on
27 taxpayers. That is a euphemism for ratepayers in this
28 case.
29
30 Turning now to option B, and this is quite important. Only
31 with the minister's approval will councils be exempted
32 from rate pegging for up to four years. How do they get
33 the minister's approval? They have to prepare again a
34 four-year plan which costs the major projects. They must
35 show evidence of consultation with community and the
36 like. They must develop a revenue plan. Then - and this
37 will be important - there has to be community support for
38 that plan. I will come to that in half a minute.
39
40 If the application for the exemption is not approved
41 or if the community rejects the council's proposal, then it
42 goes back to option A.
43
44 To become eligible, councils have to demonstrate a
45 track record of sound financial management. We have put
46 down on this slide indicators of that: positive operating
47 results, reasonable liquidity ratios, sustainable debt

1 levels, responsible funding policy, good asset management
2 and a comprehensive asset management plan.
3
4 There are a couple of things I perhaps should say on
5 that. We are certainly open to persuasion as to how far
6 the track record should be guided by the past or how far it
7 should be a plan that in future the financial management
8 will be sound. That is something that could be usefully
9 explored.
10
11 Mind you, the more you base it on future good
12 intentions, the more you are asking the minister and your
13 community to take you on trust. It is obviously easier if
14 you have already established a good track record in
15 financial management. But if there can reasonably be a
16 degree of confidence that, while your asset management,
17 until the very recent past perhaps was not ideal, you have
18 now put in better systems and the minister and the
19 community could be confident they will be maintained
20 into the future. You clearly have to have a developed
21 medium-term approach to revenue expenditure and
22 service delivery plans and, most importantly, you have to
23 obtain a community mandate for any council's proposed
24 medium-term approach.
25
26 That community mandate is a critical issue and it is not easy.
27 We don't pretend it is easy. Here we are very open to
28 suggestion or views on how practical it is. We have put
29 forward for discussion two approaches for councils
30 engaging in the community. Both require councils to
31 produce information about their program of works and
32 the revenue plan.
33
34 So you have a detailed four-year plan, a financial
35 expenditure plan, service delivery and so on. You have to
36 somehow synthesise that down into something that is
37 comprehensible to the community. Ideally it could be
38 printed on a flyer or a pamphlet of a couple of pages so
39 that people can read it and will read it and absorb it. The
40 first option we are calling a community survey option. The
41 council would make that material available to their
42 community and the community would be surveyed in
43 terms of their response.
44
45 We have put forward indicative figures there of 25 to
46 30 per cent for response rate, and figures for the level of
47 support. I think it is arguable when you do a community

1 survey of that kind that it ought to be a clear majority
2 not just a contested majority, if I can put it that way.
3 If you are going to have a very low level of response from
4 under half the electorate, you need that clear majority.
5
6 The alternative option - you people are more used to
7 election campaigning than we are, or many of you here are
8 more used to election campaigning than we are - is that
9 council would determine its plan before an election. It
10 would be sent out to the community, as would the survey,
11 in a user friendly form or voter friendly form. The
12 expectation is that that plan would be a significant issue
13 in the election, because the plan would be setting out what
14 the majority at least of the outgoing council believe.
15
16 We appreciate that not necessarily everybody on the
17 outgoing council will support that plan or will be returned
18 - perhaps more importantly they may not even seek
19 to be returned - so the incoming council would need to
20 support the plan that had been the subject of that debate.
21 If enough of them supported it or supported it with only
22 minor amendments, then they could go forward and
23 submit it to the minister and the minister would determine
24 whether the council has received, in the election, a
25 mandate for that four-year plan.
26
27 The point about autonomy here is that whatever method
28 is chosen for engaging with the community and seeking to
29 establish whether the community supports the plan or not -
30 we are not necessarily saying these are the only methods -
31 the minister would have the final say, not on whether the
32 plan is a good plan or not - the minister won't be deciding
33 that - the minister would be deciding whether there was
34 community support for the plan or sufficient community
35 support for the plan so that the council can go ahead.
36
37 The basic reasons for this is that we don't take it as
38 axiomatic that the present system of democratic
39 accountability is perfect or even that the system that we
40 are recommending is a sufficient improvement on the
41 present system that you would entirely remove the
42 minister from an assessment of how well that improved
43 system of democratic accountability was performing. The
44 minister would have the opportunity to assess whether
45 that system is working as intended.
46
47 So what are the effective roles? The minister will

1 determine the annual rate increase. Under option A, the
2 minister would approve special variations. The minister
3 will confirm the eligibility for councils to consult with
4 the community, under option B. What that means is that
5 councils would have to establish with the minister how
6 they intended to conduct their community consultation.
7
8 Under the two options we currently have, they could
9 either have a survey, the minister would need to approve
10 that; or if they go to an election, they will have to
11 inform the minister, "This is what we are proposing." So
12 they need to establish with the minister first that, yes,
13 their proposal for consulting with the community is
14 satisfactory. Then the minister will determine whether the
15 councils have achieved the mandate for their plan
16 following that consultation.
17
18 The Department of Local Government will continue to
19 ensure integration of the plan with the integrated planning
20 and reporting framework. It will monitor rate increases so
21 that no-one breaks the rules, if I can put it that way - if
22 they are under rate pegging, the department will ensure
23 that they stay under the rate peg - and it will establish
24 minimum performance requirements which go to some of
25 other recommendations regarding reporting frameworks,
26 and so on, performance and accountability criteria.
27
28 IPART will develop an index. It will review the index
29 and weightings from time to time every five years. It will
30 propose adjustments. So IPART will develop the index,
31 review index and weightings, propose a productivity
32 adjustment and publish the index.
33
34 Now we are really basically open for questions. I
35 won't go through reading out the discussion points at this
36 stage. I don't want to confine questions to those anyway.
37
38 MR ABELSON: As I said before, as a representative of
39 Treasury, I know that Michael Schur, the secretary, does
40 favour this approach. Can I speak wearing another hat,
41 which actually is as a person who has previously been on a
42 council. I have contested two or three elections. The survey
43 approach you mentioned is really a voting approach as
44 well. To call one a community survey and the other a
45 voting approach seems perhaps to be a forced distinction.
46
47 I am quite worried about how you use this as part of a

1 general election. In general elections there can be 10,
2 15, 20 issues to be voted on. Candidates form coalitions.
3 There are all kinds of bargains and gaming issues. To put
4 this as part of that scenario would really be quite
5 problematic. I personally strongly favour having it as
6 part of community survey voting approach. I think it
7 would be quite problematic as part of a general election.
8

9 THE CHAIRMAN: I would be interested to hear whether
10 that is a widely held view. I guess when we were thinking
11 about this option, it was perhaps more a parallel with a
12 level of government I understand better, and perhaps we
13 understand better. At the federal level, it is typical for a
14 government to say it has a mandate for a set of policies.
15 Now, I appreciate that even there the mandate can
16 sometimes be contested, but let's say with WorkChoices,
17 which was central to the last election, the government had
18 a mandate to change it.
19

20 MR OVERALL: Tim Overall, mayor of Queanbeyan City
21 Council. Following up on that point, I also see it as very
22 problematic to run this during an election campaign
23 particularly because you have a wide difference in New
24 South Wales councils as to whether mayors, in particular,
25 are popularly elected or not popularly elected. That can
26 quite often determine the basis of a mandate. A candidate
27 who is running for mayor on a particular ticket may be
28 running a very strong mandate campaign whereas other
29 mayoral candidates are not, and most of the other councils
30 do not have popularly elected mayors. I see it as very
31 problematic in that regard
32

33 MR ALLAN: Thanks, Michael, Percy Allan again from
34 Review Today. As I mentioned earlier, with two
35 important qualifications, I agree with the general thrust of
36 IPART's recommendations since they accord with those of
37 the Independent Inquiry into Local Government
38 Sustainability with which I was associated.
39

40 The main difference between the IPART and the LGI reports
41 is that the latter favoured option B - that is greater
42 revenue autonomy for councils in return for them adopting
43 long term strategic financial and asset management
44 planning with the involvement of their communities, which
45 was an idea we took from New Zealand, rather than delaying
46 this devolution of power by injecting an intermediate
47 stage, namely, default option A which preserves rate caps,

1 which were first imposed over 30 years ago.
2

3 Nevertheless I understand the rationale of the
4 two-step proposal. It provides the New South Wales
5 government with a stepping stone; namely, option A, for
6 making the desirable transition from its present command
7 and control approach, to a more enlightened and guided
8 democracy - option B. Yet there are two changes that
9 IPART, in my view, should make to its proposal in its final
10 report if this two-step approach is to encourage rather
11 than impede councils becoming financially sustainable.
12

13 The first change concerns the prerequisites for a
14 council to shift from option A to option B. It seems to me
15 that IPART seems to be saying that a council should not be
16 eligible to adopt option B if its financial performance is
17 inadequate. Here I refer to the first paragraph on page 9,
18 the first two paragraphs on page 10 and recommendations
19 20, 21 and 22 on page 14.
20

21 The research commissioned by the Local Government Inquiry
22 and subsequently by Review Today shows that almost
23 half, as I mentioned earlier, of the largest 100 councils, and
24 possibly a larger share of the rest, would fail this test often
25 because of an inadequate revenue base to meet their
26 statutory obligations especially with regard to the upkeep
27 and renewal of essential local infrastructure. Yet these
28 very councils require the fiscal autonomy that only comes
29 with option B in order to achieve sustainable financial
30 outcomes, so what IPART refers to as performance.
31

32 I would suggest that the threshold requirement for a
33 council to be eligible to adopt option B not be adequate
34 financial performance, which may merely reflect a revenue
35 shortfall, but rather adequate financial and asset
36 management policies and practices.
37

38 Alternatively I would suggest the condition for admission
39 to option B be evidence, one, of a council's adoption
40 of sound financial and asset management policies
41 and practice in recent years, and, two, of recent
42 improvements to its financial performance in response to
43 changes in policies and practices, notwithstanding a
44 council might still not be financially sustainable.
45

46 The second matter concerns requirements on a council
47 already operating under option B. It is not clear to me

1 what IPART proposes as the conditions that should apply
2 to councils granted revenue autonomy under option B
3 because recommendation 21 on page 14 appears to be the
4 requirements for getting that status rather than those
5 applying under option B.

6
7 Here I would suggest that a council that was awarded
8 this freedom because of good management and governance
9 policies and practices rather than just financial results
10 be required to prepare a long-term strategic plan
11 incorporating a services provision plan, asset management
12 plan and financial and funding plan that demonstrated it
13 would achieve sustainability within 10 years, or in
14 exceptional circumstances 20 years, and involve its
15 community in setting future directions for revenue raising
16 and spending in its strategic plan, as happens in New
17 Zealand and as you have already covered in the slides.

18
19 What would be meant by financial sustainability, I
20 have set out in my submission and it goes into more detail.
21 I will leave it that, thanks.

22
23 THE CHAIRMAN: I would like to respond, firstly, by
24 thanking you for that. I think you have raised an
25 important issue in terms of how much councils need to
26 demonstrate their financial sustainability. I certainly
27 think the tribunal ought to consider your proposals
28 seriously, very seriously. The thing that might give us
29 cause for pause is how long they should have before they
30 are financially sustainable and therefore possibly have
31 full autonomy.

32
33 Basically you are saying that we put too much weight
34 on the past and that does not help a council which has
35 recently improved and you could be reasonably confident
36 that it could put in place the systems that would be right
37 in the future, and I accept that is good criticism.

38
39 Equally, I suspect that the notion that they will fix
40 it up in the next 20 years might not satisfy ratepayers or
41 the minister - that is just taking a bit too much on trust.
42 So one possibility might be that they have to fix it within
43 the life of the plan.

44
45 MR ALLAN: Could I make a point? We have looked now
46 at six councils in depth, with three or four months work on
47 two of them. I don't think anybody else has done that

1 level of research on individual councils.

2
3 Let me just take Greater Taree. It is one of the
4 basket cases in this state. It has a backlog, and we had
5 GHD go right through their assets, of \$150m. We got it
6 down from \$250m because it was just wrongly measured.
7 The lowest we could get it was \$150m. We came up with a
8 financial strategy for that council. Normally we wouldn't
9 suggest over 10 years, it will take 20 years and even then
10 the hard lifting is too big for that community. In the
11 case of Greater Taree, they would have to get very large
12 rate increases for 20 years to solve the problem. I
13 personally think without state and federal intervention,
14 they probably won't get there.

15
16 That is an extreme example, but other councils are
17 also facing very large infrastructure backlogs when we
18 really go through and have a good look at their
19 infrastructure. Most of these councils can't do this
20 within four years, unless one defines financial
21 sustainability as purely the operating deficit and the net
22 debt.

23
24 The elephant in the room for most of these councils is
25 actually this enormous infrastructure backlog. I know it
26 is difficult to measure, but we have measured it carefully.
27 Each of the councils we have looked at - we have just
28 finished at Armidale; it was more in the vulnerable
29 category - have very large infrastructure backlogs which
30 will end up becoming a state government, a state treasury
31 problem, rather than a community problem if they are not
32 addressed by councils.

33
34 THE CHAIRMAN: No-one is disagreeing that they should
35 be addressed by councils. The issue right now is whether
36 they should be given autonomy and taken outside, if you
37 like, the special variation framework. That is the issue.

38
39 MR ALLAN: I am talking about the time frame.

40
41 THE CHAIRMAN: I am talking about whether they can
42 go from option A to option B. I take your word that it
43 might take 20 years to fix a particular council up. What I
44 am questioning is: if it is going to take 20 years to fix a
45 council up, they should be eligible to go option B in the
46 next four years.

1 MR ALLAN: I don't want to persevere with that, but what
2 if they don't go to option B? Take Greater Taree or Great
3 Lakes or Wollongong or Albury or Newcastle, the ones we
4 have looked at. They require a 10-year financial strategy
5 with very large rate increases to overcome their problems.
6 If they are only given a four-year horizon, I am not sure
7 how that can be planned unless you are saying they come
8 back every four years and get very large variations each
9 time. It is a long-term problem and it also requires
10 long-term planning and it also requires their communities
11 to accept very long-term increases or these problems won't
12 get solved.

13
14 THE CHAIRMAN: I am not fixed on the four years, although
15 I do think there is a question about how far you can ever
16 commit a succeeding council to your council's plans, but I
17 am not fixed on that. What I am questioning is where a
18 council has a problem that will be fixed over 20 years that
19 that council can be completely autonomous and outside - the
20 bottom line being outside the minister's control. In other
21 words, whether it is a four-year variation or an eight-year
22 variation, I suppose my predisposition is that it would
23 stay under option A and get a special variation. Perhaps
24 in that context, one of the questions we have asked
25 ourselves is how far councils would want to go to option B.

26
27 Under either option A or option B, if you want a
28 special variation, you can get a special variation under in
29 the election option A. You still have to produce the plan.
30 The plan will be the same. The difference is to get the
31 autonomy, you have to convince the minister you have
32 significant democratic support for this option. I suppose
33 the question I have wondered about is councils might say,
34 "Rather than go to, if you like, the exertion of getting
35 democratic support, we will go and just try and convince
36 the minister."

37
38 MR ALLAN: I agree with you there.

39
40 MR O'LEARY: My name is Grant O'Leary, I am from
41 Muswellbrook Shire Council. I have a couple of questions
42 about the operation of it particularly in relation to a
43 situation that we have. First of all, if you looked at our
44 council statements as they are presented, you would see
45 the council looks pretty good. The problem is if we extract
46 from those the water and sewer funds which are performing
47 very well, our general fund looks very ordinary by

1 comparison. I was wondering how the process that we are
2 putting in place might account for that in the first
3 instance.

4
5 With regard to the financial management aspect you put
6 up, you had, I think, six or seven. We would probably meet
7 four or five of those, but on the main one, the operational
8 deficit for general fund, we would fail quite badly. I was
9 wondering if that would have any effect on our ability to
10 move towards option B.

11
12 When you talked about the four-year plan, you talked
13 about including major capital works. Our biggest problem
14 is that we don't earn enough operational revenue to cover
15 the operational expenses for our ongoing day-to-day
16 services. If our community was convinced that they were
17 happy to pay more just to maintain the current level of
18 services that we provide, would that be acceptable under
19 the framework that you are putting up?

20
21 THE CHAIRMAN: I didn't write them all down. The first
22 one was?

23
24 MR O'LEARY: Just in relation to the water and sewer
25 funds.

26
27 THE CHAIRMAN: That the water and sewer funds
28 should be separate. That is a general proposition; whether
29 you are going for option A or B, or whatever, just as part
30 of the general reforms of what I will call the accounting
31 systems, water and sewer function should be separate.
32 You should want them separate. You need to know what's
33 going on.

34
35 MR O'LEARY: Yes.

36
37 THE CHAIRMAN: If you don't know what's going on,
38 you mix thing up. So they should be separate. What was
39 the next question?

40
41 MR O'LEARY: Do we need to meet all of the different
42 financial management criteria or just most of them?

43
44 THE CHAIRMAN: You would certainly need to meet most
45 of them. A judgment will be made by the minister as to
46 whether you are just failing or whether you will get there
47 shortly. These are the sorts of things that Percy Allan

1 has pointed to. I don't want to be definitive about that, but
2 you would need to meet most of them and show more than
3 the promise that there is a strong expectation that you
4 have put in place systems that will ensure you are going to
5 meet them soon. I would say soon; Percy says it is
6 impossible for it to be soon.

7
8 MR O'LEARY: The other question is related to trying to
9 find our day-to-day operational needs - at the moment we
10 don't. It is very hard to apply for a special variation
11 along those lines. The process seems to point to the
12 funding of major capital works, which is all very
13 important, but our biggest problem is our inability to fund
14 those operational day-to-day services.

15
16 THE CHAIRMAN: In terms of the councils we looked at,
17 yours was not one of our intense level councils. I would say
18 of the ones we thought were in worst shape, typically rates
19 were a minor part of their revenue. Their main revenue
20 source was grants and a rate increase will not fix their
21 problems. If you are back of Bourke, you have big problems
22 and you are really looking at some other level of government
23 giving you a bigger grant, I suspect, or reducing your
24 costs dramatically by some other mechanism.

25
26 MR GRAINGER: Ken Grainger, general manager at Ashfield
27 Council. I wanted to raise an issue that has not been
28 spoken about yet, and that's the missing option C, which is
29 that rate pegging be abandoned. In talking to many of my
30 colleagues over the years, we have some difficulty in
31 understanding why New South Wales councils are different
32 from councils in other states where there is no rate
33 pegging, and they all seem to manage quite well.

34
35 I heard the figures Percy Allan quoted before about the
36 significant proportion of poor infrastructure within
37 Australia residing in New South Wales. It would seem to
38 me that that will only continue to deteriorate as long as we
39 have other levels of government determining our revenue
40 and in what form we can raise that revenue.

41
42 My question is: understanding that IPART has to work
43 within the minister's riding instructions in terms of the
44 report, why hasn't there been any serious consideration, or
45 indeed has there been any serious consideration of the notion
46 of no rate pegging? We are all moving into a new world
47 of integrated planning and reporting where we have a

1 responsibility to talk to our communities in a strategic
2 planning sense and to have a discussion about our
3 infrastructure problems. With regard to how we should
4 fund those problems into the future and our capacity to
5 meet those revenue needs to fund that infrastructure, why
6 is that not a reasonable system to put in place?

7
8 THE CHAIRMAN: The short answer to your question is
9 yes, we did consider complete abolition and we have not
10 made a recommendation to that effect. Essentially we are
11 guided quite importantly by our perception of the
12 submissions we get. I think I could broadly characterise it
13 by saying that those people who are councillors or
14 associated with councils, managers of councils and what
15 have you, generally have a predilection in favour of the
16 abolition of rate pegging.

17
18 It is equally true that those people who come from the
19 community or seek to speak on behalf of the community -
20 and there's always a question of how representative they
21 are as they weren't typically elected - are in favour of rate
22 pegging, and you can see it reflected in the media.
23 Certainly the government thinks that the community
24 generally supports rate pegging. So we have tried to
25 balance those two sets of contending forces.

26
27 Fundamentally, I think to get this shift to abolition
28 of rate pegging, you need to get in place a system of
29 democratic accountability which is perceived by the
30 community as better than the system we currently have.

31
32 What does that mean? When I was in Coffs Harbour, in
33 a similar workshop to this a week or two ago, they argued
34 that they are very accountable in the local media. Let me
35 backtrack.

36
37 I gave the instance that democratic accountability for
38 a state or federal government is higher in the sense that,
39 one, there is an organised opposition which is holding the
40 state or federal government to account in a way that is not
41 typical of a council. I am not saying it is desirable that
42 councils get that sort of "us and them" type of approach.
43 I am not saying it is desirable at all, but it is a reality
44 that when it comes to accountability the opposition's job
45 is to hold the government of the day accountable in a way
46 that is not typical of a council.

1 Secondly there is the media. The media see themselves
2 as the fourth estate, again with a duty to hold government
3 accountable. In Coffs Harbour they said, "We get lots of
4 media attention." The rural councils - it wasn't just Coffs
5 Harbour; it was the councils in the Northern Rivers area of
6 New South Wales, the Mid-North Coast, et cetera - would
7 say, "We get plenty of local media attention." I am not sure
8 it is quite as searching as some of the media I am used to in
9 Canberra, but there we are. But in Sydney, and many of
10 you are from Sydney, the media that you read most is not
11 focusing on council unless something goes very badly
12 wrong; they are not focused on councils.

13
14 There is basically a question as to whether you are
15 perceived to be sufficiently democratically accountable.
16 It may well be that if lots of councils move to option B,
17 they will grow in acceptance because of the better
18 communication and so on and engagement and possibly
19 improved debate that we may move to a situation in time
20 where there is no rate pegging. Our judgment has been in
21 balancing these two contending views that there is not an
22 appetite - there is not enough trust in councils, put it
23 another way - to make no rate pegging a viable option.
24 That is a judgment by us. I appreciate you may take a
25 different view on that judgment.

26
27 MR NEWSOME: Roy Newsome, Ryde Council. Basically
28 with option A and the intent of IPART to encourage councils
29 to plan for the medium term, I am not sure if that will be
30 realised, on my understanding. Basically as I understand
31 it from your paper, it will be based on the annual cost
32 price index, then combined with special rate variations, as
33 we have today, subject to the minister's approval.

34
35 I wondered whether IPART had actually thought of setting
36 the cost price index for a full four-year term. I understand
37 and respect the point about retrospectivity that
38 you made before, but if that index were actually set for a
39 four-year term, it would allow some flexibility for a
40 council over that period to determine the level of increase
41 over those four years, communicate that clearly in its
42 integrated planning process and basically have a basis, a
43 clear basis, to plan for. That is my first question.

44
45 The second question is with regard to option B. Having
46 heard a previous speaker's points on dropping rate
47 pegging and so forth, I would have thought, if the

1 department and the minister were satisfied that a council
2 had met the respective levels of standards that you have
3 set in your paper to even get to option B, that that would
4 allow a council to determine that increase for those
5 subsequent years in the planning process.

6
7 THE CHAIRMAN: Taking your first question, I can be
8 perhaps more forthcoming. In a sense, we have set it for
9 four years. Let me try and go through it again. What we
10 are telling you is that over the next four years the cost
11 index will ensure that the rate peg will rise with the cost
12 of services. No-one knows what the rate of inflation will
13 be in the next two years, but you know that the cost index,
14 which in a sense is a floor to the rate peg, will rise
15 commensurate with those costs. If you budgeted in real
16 terms, instead of in nominal terms, you can budget for
17 four years in real terms. So you can put forward a real
18 terms budget for four years. You will have that assurance.
19 It is just the translation of the inflation that will be done
20 year by year.

21
22 I think that is a big step forward in terms of what
23 the baseline will be. The minister may decide to give more
24 than that. As least you'll know what the bottom line is,
25 what the minimum is, in terms of the rate peg. If the
26 minister were to give a bit more, so be it, and then of
27 course there is the special variation.

28
29 Returning to the question of whether the minister
30 could butt out, I am not sure there is that much more I can
31 say on this. As I understand your proposition, it is that
32 if you've put a good financial plan in place, then he could
33 butt out. I have answered that, in my view, I don't think
34 that there is majority support for handing over to that
35 degree.

36
37 I suppose I can envisage a situation where you had a good
38 financial plan and you had community support, so you
39 got ticked under option B and you came back in four years
40 time. I don't know what the world will be like in four
41 years time but I do envisage if you have a situation where
42 option B works, there will come a point where the minister
43 may butt, and you move to the situation in every other
44 state. Whether that is a way of getting there or not, I
45 don't know.

46
47 MR PASTERNAISKY: Nic Pasternastky, Gosford City
Council,

1 I am wondering in terms of option B, when you talk about
2 community consultation you want to reach 25 to 30 per cent
3 of the community and you expect a response rate in favour
4 of 50 to 60 per cent, on what basis do you make that
5 statement?
6

7 THE CHAIRMAN: First of all, none of these numbers are
8 set in concrete. This was an illustrative one. Why we said
9 25 to 30 is our sort of understanding is that when you
10 letterbox people - and lots of corporates do letterbox,
11 hotels put things on your bed asking you to fill it in -
12 most of people don't fill them in, so to get a 25 to 30 per
13 cent response is quite hard. It is quite hard to get
14 responses that high. Any corporate which does a mail-out
15 or letterbox survey and gets 25 to 30 per cent is doing
16 extremely well, I think.
17

18 But if you only have 25 per cent, say, of the
19 electorate voting and only 50 per cent of them agree with
20 you, then in principle only 12.5 per cent have agreed with
21 the proposition. That might be a bit uncomfortable, so
22 rather than a simple majority that was the argument that
23 you should have more than a simple majority of your
24 survey when it is so low.
25

26 I would now like to take the opportunity of raising a
27 different question that no-one has asked yet, but it is a
28 question that was put at Coffs Harbour at the workshop. The
29 councils there - not necessarily all of them, but more than
30 one - took the view that the people who answered these
31 surveys were not a representative sample; that ratepayers
32 who respond typically, I suppose, one way of describing
33 them is nimbies. Their track record is that people who are
34 moved to respond to what council is up to are the ones who
35 don't like what council is up to. Those who like it don't
36 respond. So their objections to that survey were really on
37 the lines that it is bound to fail. I am not sure of that.
38

39 Those councils were therefore interested in approaches other
40 than those we put on the table to assessing
41 ratepayer/community support for council proposals. I guess
42 we had two good objections to our alternative which is to
43 rely on the election. I suppose, Peter (Ableson), my sense
44 might be: well, I appreciate there are lots of issues in
45 elections. We were coming from the point where we thought
46 this plan would be a central feature of the election. It
47 would be talking about the next four-year budget in a sense

1 and the services, and so on. We were hoping that it would
2 be a central feature and therefore it would separate the
3 sheep from the goats.
4

5 MR ALLAN: There is a third alternative, of course, and we
6 did it at the Local Government Inquiry - hire a reputable
7 polling organisation, in this case, with your idea it could even
8 be through IPART so a council can't manipulate its own data.
9 That survey would then ask the community - a random
10 sample of the community but a good large sample - what
11 they think of these proposals. I think that would actually
12 give an unbiased result because it would be random.
13

14 When we did it with the Local Government Inquiry, the
15 polling group we used interviewed 913 people throughout
16 New South Wales. The results were surprising because a lot
17 of councils said that there would be massive diversity of
18 opinion across New South Wales. They warned me of that
19 when I started chairing the inquiry. Surprisingly opinion
20 across New South Wales was remarkably uniform except
21 in a few areas dealing on the expenditure side. What came
22 through was that about a quarter of the community
23 are very hostile to any rate increases at all. Two-thirds of
24 the community responded actually that they would prefer
25 to have a rate increase than a cut in services. Then there
26 was a sort of a group that didn't have a position on it.
27

28 I think the sort of perception that the government has that
29 those who support rate pegging and holding down rates
30 under all conditions is actually wrong. On the other hand,
31 though, what the polling group didn't do was ask how big
32 a rate increase would people take. I suspect if it was too
33 large, a lot of people wouldn't like that either. But I
34 still think a third approach is actually to do a random
35 polling, and that could be through IPART or some
36 independent group so it couldn't be seen as being
37 manipulated by the council.
38

39 THE CHAIRMAN: That is more or less the suggestion that
40 we made at Coffs Harbour. It would obviously be done for
41 the council in question. There is no point finding out what
42 the residents of Bondi think about the Bourke increase.
43

44 MR ALLAN: No.
45

46 HE CHAIRMAN: Because it has come up, we are interested
47 in people's views and I really would urge you to make

1 submissions to us on this issue because it is a central
2 issue which we are, if you like, still struggling with, and
3 hiring a reputable poller is something that will be under
4 consideration. I think there is an issue of cost versus
5 representativeness. I imagine it is not cheap to do that.
6 The council would have to pay for it.

7
8 MR ALLAN: It is cheaper than a vote.

9
10 THE CHAIRMAN: Is it?

11
12 MR ALLAN: Oh, yes.

13
14 THE CHAIRMAN: Anyway the council would have to pay
15 for it. In terms of who conducted it I think we would see it as
16 not being IPART but the Department of Local Government.

17
18 MR McCORMACK: Terry McCormack is my name, from
19 WSROC, representing some 11 councils of Western
20 Sydney. Most ratepayers will probably agree with rate
21 pegging simply because it has created certainty in their
22 minds over many years about future rate levies. At the
23 same time those people will very quickly complain if the
24 roads and parks in their areas are not maintained because
25 councils don't have adequate funding.

26
27 To my mind, the proposals in A and B don't seem
28 unreasonable subject to some refinements that have already
29 been mentioned, but the fact is that there is a vacuum, a
30 large vacuum of unfunded works that have accumulated
31 over 30 years of rate pegging. I wonder if now, particularly
32 in option A, there shouldn't be a factor that allows a council
33 to prove to IPART that this rate pegging over the last 30
34 years has impacted on their general revenue to maintain
35 adequate local government services. That should be a box
36 that they can apply to IPART to bring themselves back to a
37 level where they can adequately carry out local government
38 services, which I think basically is what the gentleman
39 from Muswellbrook was talking about.

40
41 The fact is that some councils will apply for increases
42 because they want to do major new infrastructure
43 works, but what about those councils which have lost so
44 much in the past and who now need to increase their
45 revenues simply to carry out baseline services?

46
47 MR ALLAN: Which is the biggest problem.

1
2 THE CHAIRMAN: I keep coming back to the answer to
3 that is to go the special variation route. Just more generally,
4 to go back to your opening remarks, the problem that all
5 levels of government face is the dichotomy between revenue
6 and expenditure in the voters' mind. I have seen surveys
7 where people will say yes to more expenditure and yes to
8 lower taxation on the same survey form; yet they don't want
9 more debt either. That is the dichotomy. People want more
10 for nothing.

11
12 Really all levels of government are confronted with
13 the problem of trying to get people to consider the
14 trade-off between revenue and expenditure. What we are
15 seeking to do with these plans and the communication of
16 these plans is to try and encourage people to see that you
17 don't get anything for nothing. That does not mean you
18 want nothing, but it does mean you have to pay a bit more,
19 and they can make sensible decisions about the balance
20 between revenues and expenditure by bringing the two
21 together. That is really what we are seeking to do.

22
23 With regard to your point about the backlog, I accept
24 it may be the big problem; we don't think it was anything
25 like as severe as some of you think, on our assessment.
26 But the route is to establish that you have a problem and
27 here is how you want to work it out over four years and
28 go either the option A or option B.

29
30 MR WOODBURY: I just had one particular point that goes
31 back to the theme I brought up before. I have an
32 assumption that after the four years, you go back to what
33 you would have had with a cost rise after those four years,
34 so you are effectively back to a status quo situation with
35 the cost rise. You're looking at the short term, but if
36 you look at the long term, the infrastructure backlog, as
37 mentioned, is a long-term phenomenon that needs to be
38 addressed.

39
40 In 2013, the incomes from rate revenue will basically be as a
41 consequence of what was determined in 1977 by the council
42 and the community at that time who struck the rates
43 at that particular point in time. If you had a high rate
44 at that particular point in time, there may be good reasons
45 for it, there may be not good reasons for it. Where you
46 had a low rate, as a consequence of that, you can play
47 around for four years and do a slight transition, but in

1 the long-term run basically you are back to a quasi-status
2 quo.

3
4 THE CHAIRMAN: I am not sure I agree. The fact is that
5 the real level of revenue to local government per capita is
6 not at 1997 levels. It is a lot higher than the 1977
7 levels. So rate pegging has not stopped real revenue
8 growing for two reasons: one there has been quite a big
9 resort to user charges; and, two, the special variations.
10 I don't think your facts are right there. We are not at
11 1997 levels. We are higher, and in the future I would
12 expect the system we are recommending would continue
13 to go higher. I have already flagged the possibility that the
14 rate peg wouldn't just be maintained at the real level of
15 costs, it would allow for something above that. Then there
16 are the other possibilities beyond that. I don't think I
17 quite accept that

18
19 MR WOODBURY: I think it is a marginal argument
20 versus an absolute argument.

21
22 MR MULDOON: Tim Muldoon, from Gunnedah Shire
23 Council. I think all of us are moving closer and closer to
24 what I call a maintenance budget due to the fact that we
25 are trying to support services with that restriction. Going
26 back to what was said previously in relation to the rate
27 pegging, a lot of things, in particular our reporting
28 requirements, our legislative requirements, have increased
29 significantly over those times. I don't believe that has been
30 reflected in rate pegging.

31
32 In addition to that, the costs of commodity prices for
33 some of the works that we do in our industry have been
34 significantly higher than the rate pegging figures for many
35 years. That means we have got closer and closer to a
36 maintenance budget; hence these backlogs.

37
38 As to one of the points raised earlier in relation to
39 the option B and the four-year period, obviously there are
40 some councils that need to extend their financial planning
41 much higher and much longer and further out. You need
42 to have definite revenue streams to have that to be a
43 realistic plan. Why couldn't you then consider in option
44 B - and I know you are open to more than the four, years
45 which is very positive - to go beyond that period and have
46 formal intervention points at, say, a two-year or a
47 four-year period? It should be done by the council,

1 because you said there would be a new council, and it is
2 only fair that they have the option to see if their
3 predecessors have got it right, and also the minister would
4 have the opportunity to sit around the table and talk to
5 those councils formally on an intervention period as to
6 whether it continues or discontinues.

7
8 THE CHAIRMAN: We will consider that suggestion about
9 lengthening time periods and so on. I can't say any more
10 at this stage. We will consider it.

11
12 Can I go back to the cost. We are very conscious of the
13 argument that council costs rise faster than the CPI. That
14 is precisely why we have proposed to introduce a new
15 cost index which reflects the costs experienced by councils
16 rather than the CPI. That is precisely why we are going to
17 put together a cost index which reflects those particular
18 problems that councils have.

19
20 MS KELLY: Bronwyn Kelly from Waverley Council. I am
21 thinking on the run, so I am not sure this will be very well
22 articulated. I think there are problems with trying to get
23 an election or a voting mechanisms for councillors. There
24 would be problems for councils who are brave enough
25 and think that their politicians will be brave enough to go
26 into option B and still want to apply increased rate levies
27 even in their last year before an election. It would make
28 most officers of councils pale; they would lose
29 predictability instead of good planning, depending on
30 what the result of the election was, and whether you
31 would get a hung council and all these different things. So
32 officers who are preparing these sorts of applications
33 would think twice before they did that.

34
35 Say they did go for option B, what you have then is a
36 question not so much of how much revenue you need. For
37 instance, you would be trying to get an idea in the
38 election of how much people are prepared to pay extra if
39 they are not prepared to forgo services. But it is really
40 not such a question of how much extra revenue needs to be
41 raised either through that mechanism or another, but who
42 needs to pay it.

43
44 There are a lot of cross-subsidies that go on within local
45 government. I know that ratepayers might think they
46 are in a minority, and in a council like Waverley they are.
47 Ratepayers pay for less than 30 per cent of the services

1 that they get through their rates. The rest comes through
2 charges. And you don't have to be a ratepayer to vote and
3 demand services. Just because you are not a ratepayer,
4 does not disenfranchise you and it does not mean that you
5 will not present at council with a legitimate demand that
6 needs to be serviced.

7
8 Some of those people who don't pay rates will say that
9 their vote is worth every bit as much because they are
10 probably paying the rates in their rent anyway and the
11 landlord is pocketing the surplus, if he is lucky enough to
12 be able to charge really high market rent and he has a load
13 of debt and all that on, and on and on it goes.

14
15 So figuring out the election and how a burden is
16 distributed is a very big issue for councils. We have
17 really hamfisted means of distributing the burden between
18 either centres of population, businesses, residents,
19 industrial land, stuff like that. You are looking for a
20 really fair mechanism of figuring out how it should be
21 taken, I think you have actually got to poll big if you
22 want to go that far.

23
24 THE CHAIRMAN: The reason why we leave these decisions
25 to our elected representatives is because they have, if you
26 like, a degree of authority they wouldn't have if someone
27 else made them. At the end of the day, our elected
28 representatives have to decide how they will finance the
29 services they want to deliver, whether it be by user
30 charges or by rates or whatever. The easy way is to get
31 another grant from someone else.

32
33 MS KELLY: It is not easy.

34
35 THE CHAIRMAN: Well, it is less painful if you are
36 successful. But our point really is --

37
38 MS KELLY: It is a lot of work in five months.

39
40 THE CHAIRMAN: Our point really is that we want to see
41 councils move to a system that is based not on a year by
42 year but on a four year, some would suggest longer --

43
44 MS KELLY: Five.

45
46 THE CHAIRMAN: -- planning where you can see where the
47 services are and how you will pay for them and so on. We

1 think that is a good thing in itself, and I get a sense
2 that quite a lot of other people think that is a good thing
3 in itself.

4
5 On the question of whether somehow the councils should
6 come clean with the ratepayers as to what they are up to,
7 let me say in relation to that --

8
9 MS KELLY: I wasn't asking that question, but go on
10 anyway. They should come clean but --

11
12 THE CHAIRMAN: It is what I am inferring from you that
13 you wouldn't be game to tell the council to come clean.

14
15 MS KELLY: No, no, that is not what I meant. The council
16 might just feel that, at the last year, they can't --

17
18 THE CHAIRMAN: You can't come clean in the last year;
19 you can come clean in other years; is that your point?

20
21 MS KELLY: No. If you release them from rate capping,
22 they will have to have the guts each year to apply above
23 the cap.

24
25 THE CHAIRMAN: I see.

26
27 MS KELLY: And they will not do it. As they get closer to
28 the year and if you have a hung council, they will not do
29 it and the whole predictability and your deliverability and
30 your plan goes out the window.

31
32 THE CHAIRMAN: I suppose where I am coming from is
33 that as long as there is a rate cap, I appreciate that, whether
34 it is just before an election or whenever it is there is a
35 problem above the rate cap. I acknowledge the rate cap
36 creates a problem. If you want to be above the rate cap,
37 then you will have to tell the people and why, and so on.
38 I don't see myself that the timing is that important. In
39 some ways it might be an advantage.

40
41 Other levels of government do produce very public
42 four-year plans. There are the forward estimate
43 throughout the state and federal governments which cover
44 four years. So that is a norm now. You get a very real
45 sense of four-year budgeting as to what the services will
46 be and so on. I think that is something local government
47 should shift towards.

1
2 MS KELLY: We do that now, and there is no reticence in a
3 council like Waverley to openly publish and plan,
4 aggressively figuring out what real asset backlogs are and
5 consulting with the community as genuinely as possible
6 about whether we want to pay more or get less without
7 backing them into a corner. But what I am saying is that
8 you are going to find it quite problematic with option B;
9 whereas I think most councils will seek refuge in option A.

10
11 THE CHAIRMAN: Thanks for that. Can I mention one
12 other thing. The facts so far are that about half the councils
13 have increased by less than the rate pegging, which might
14 raise the question why you need to rate peg. That could be
15 evidence that they are conscious of taxpayer resistance,
16 but that is a fact at the moment that there is taxpayer
17 resistance on the evidence.

18
19 What has been put to us mainly by rural councils is
20 that the rate peg helps them increase rates because they
21 feel, because the public opinion in areas that are doing it
22 tough --

23
24 MS KELLY: That is why option A is better.

25
26 THE CHAIRMAN: -- that they can justify it, "Oh, we
27 increased it by what the government set."

28
29 MR ALLAN: Michael, you said before that IPART had
30 concluded that the backlog of maintenance renewals of
31 assets was not as severe as you said most of us think.
32 That surprised me a little. I would really like to know
33 what is IPART's evidence for that. We do an annual survey
34 of it based on schedule 7, and that would suggest an
35 infrastructure backlog of around 4.5 billion which, on
36 average, is 6 per cent of the total assets of council at
37 their carrying value.

38
39 The other problems of councils are not really severe
40 as far as finance is concerned. Councils, on average, have
41 an operating deficit, which is actually a surplus of around
42 2 per cent. They have a net financial liabilities ratio as
43 a proportion of their operating revenue of 4 per cent,
44 which is very, very small - so they are very strong in that
45 area.

46
47 As I said before, the elephant in the room is really

1 this infrastructure background or, as a gentleman before
2 said, the catching up on works that were done in terms of
3 repairs and maintenance, but importantly in renewal of
4 long-life assets which are reaching the end of their life
5 and where they have had degradation curves that have held
6 up those assets but in the last 10 years those degradation
7 curves have fallen dramatically. They are coming to the
8 end of the life of the asset and money was not set aside
9 for that. So now catching up on that is a very large
10 challenge.

11
12 When IPART says it does not believe the situation is
13 that severe, I would like to know what the data is. As I
14 said, we have looked at six councils in depth. They do
15 have infrastructure backlogs at this level. The
16 intervention levels we went through with them for each
17 class of asset is not a Rolls-Royce standard.

18
19 To give you an example most councils on a rating of
20 one to 10 - where 10 is the collapse of the asset, it is
21 inoperable and zero would be perfect - would have
22 intervention levels of between 7 and 9, usually 7/8 for
23 roads, bridges, stormwater drains, 9 for footpaths and
24 kerbing, so almost on the point of collapse. These are not
25 Rolls-Royce standards. All we did was measure what was
26 worse than that standard. The figures we were coming up
27 to were very similar to schedule 7, which is the answers in
28 that are getting better in recent years.

29
30 I know our friend at the back chastised FiscalStar,
31 but as FiscalStar started highlighting the discrepancies in
32 councils' own data - after all they are simply basing it on
33 councils' own published data - the councils started
34 cleaning up their act and improved their data.

35
36 I am curious as to where did IPART come to the
37 conclusion that the backlog is not as severe as we think?
38 There must be some other data that rest of us are not
39 aware of.

40
41 THE CHAIRMAN: I will just make a remark before I hand
42 over to you, Michael, because this part of the findings are
43 more in your area. You can run a survey and it tells you
44 what a group of engineers would like to spend money on.

45
46 MR ALLAN: With respect, Michael, when one looks at
47 assets. There are intervention levels. They are graded

1 from say 1 to 5 or 1 to 10 on their condition. Then one
2 looks at the asset and looks at the condition of it and one
3 says, "Which assets are below the minimum acceptable
4 conditions?", and you have to define that up-front. That
5 is what we do in our work, and that is what councils do.
6
7 There are some councils which, and I agree with you,
8 have manipulated this data. I won't name them, but there
9 are councils who have done that. But I think most councils
10 now are getting better at this. If IPART is going to say
11 that the infrastructure backlog is not as severe, I really
12 think it needs to show what evidence it has because a lot
13 of your conclusions are hanging on this issue. It is the
14 big issue facing local government. So if it is a
15 non-issue, then I think there is a fundamental flaw in the
16 report, with respect.
17
18 THE CHAIRMAN: I accept it is potentially critical. So,
19 Michael?
20
21 MR SEERY: One of the things that we looked at was the
22 extent of asset management programs within councils, and
23 we found they were not necessarily as strong as what you
24 would like them to be. That suggested in some of our
25 analysis that the level of backlog may not be as high as
26 what was recorded in the reports that councils make to the
27 Department of Local Government.
28
29 We are not definitive about that. We have not done
30 any engineering work. We can't be definitive. We also
31 took into account some analysis on depreciation ratios as
32 well. Those two factors together suggested to us that the
33 level of backlog may not be as high as otherwise reported.
34 I am not saying that there isn't one; what we are saying is
35 that there is a level that actually is not conclusive at
36 this stage.
37
38 There is an issue with backlog that needs to be addressed.
39 How that is done would be taken into account as
40 far as the approaches that we are putting forward and that
41 needs to be looked at as far as the framework is concerned.
42
43 If a council does have a particular infrastructure
44 requirement, whether they are in option A or option B, if
45 they can convince the community or the ratepayers that they
46 need to spend money, they are prepared to source those
47 projects, fund those projects from appropriate sources and

1 those sources may require them to take on some debt and
2 fund the repayment of that debt through future rate
3 increases, then that approach is a reasonable outcome and
4 it fits within our framework
5
6 MS ROLFE: Mr Chairman, I will be much briefer this time.
7 I want to draw attention to two aspects of the report,
8 quoting you, that rate revenue is to be regulated not total
9 revenue. I might have hoped, and we might all have hoped I
10 imagine, that you might have come out, and perhaps you
11 will in the final report, with some commentary about those
12 revenue components that are regulated that are not rate
13 revenues. I think, for example, of developer fees and
14 other aspects like that, including subsidies on certain
15 categories of ratepayers.
16
17 You also make the point about the diverse and growing
18 role of local government. I addressed you before, indeed
19 months ago, about defining roles and you can't meet me. I
20 rather regret that, but I guess you tried. There may be
21 some relationship between that concept and the
22 infrastructure backlog.
23
24 The third thing which I think I should say is that the
25 composition of your index will affect the weighting of it.
26 The weighting, which you will do every five years I think
27 you said, may well be affected by a major item like the
28 domestic waste management, which is fully funded I think
29 by the domestic waste charge. I simply invite you to
30 consider whether it should be include in the whole thing.
31
32 The final point, you will be glad to hear, that I want
33 to make is that the communication with ratepayers or
34 citizens - it doesn't matter what we call them - is usually
35 deficient in giving them options of changing priorities.
36 It says, "Are you prepared to buy this schedule of works
37 and services for this money?" It doesn't say, "Would you
38 prefer that we spend less on X and more on Y?" Until we
39 get that element of involvement and understanding,
40 whatever mechanism you use will be as good as a wet
41 finger in the wind, but not much better.
42
43 THE CHAIRMAN: We might agree to disagree on the wet
44 finger in the wind, but I agree your proposal would be even
45 better. We will certainly take your point about charges
46 that are fully funded and whether they should be indexed.
47

1 Really that recommendation that we should not extend
2 to controlling total revenue rather than just rate revenue
3 is a way of saying we don't think we should extend the
4 control. I think it is an interesting suggestion that we
5 should give more attention to other sources of revenue that
6 are subject to regulation. That is something we might
7 think a bit more about.

8
9 MR JOHNSON: Luke Johnson from Wollondilly. I have some
10 quick comments. One is in relation to the infrastructure
11 backlog and the second is in relation to communication.

12
13 In relation to the infrastructure backlog, you spoke a
14 moment ago about the fact that, in the absence of adequate
15 asset management plans, there was an assumption that the
16 backlog may be less. I just wanted to make the obvious
17 point that it also may be more. In terms of those assets
18 that councils have, a lot of them are roads, and asset
19 backlog, maintenance backlogs on roads often translate
20 into road safety issues. So it is a pretty important issue to
21 be making an assumption on.

22
23 The second point is in relation to communication and I
24 have a couple of comments about FiscalStar. One of the
25 things that FiscalStar did was communicate in a really
26 clear way - so that communities and councillors can
27 understand, and people who are not familiar with reading
28 council reports and so on - the position of the council.
29 That is one of the issues we are really confronting in
30 addressing the financial sustainability of councils.

31
32 When we engage with our communities - and if we do a
33 random survey, which is something that would certainly be
34 a lot better than the other mechanisms that were discussed,
35 in my view - the community still has to understand what
36 is being asked. To do that, I think councils need to further
37 develop a clarity of the reports they put to council
38 bearing in mind they are not writing thorough reports for
39 an audience of accountants; they are writing their reports
40 for an audience of people who don't read financial date.
41 So the communities need to clearly understand where a
42 council is heading if it maintains the status quo and what
43 needs to be done to change that, and then the questions
44 can be asked.

45
46 THE CHAIRMAN: I very much endorse the comment that
47 communicating your plan is just going to be a major issue.

1 It is not a matter of just reproducing the budget
2 documentation for the financial plan; it is getting it down
3 into a form where the major ingredients of it can be put on
4 a flyer.

5
6 MR JOHNSON: And it will succeed or fail on the degree to
7 which that is done successfully.

8
9 THE CHAIRMAN: Exactly.

10
11 MR SMITH: Jeff Smith, Port Stephens Council. I am seeking
12 some clarity around the issue of option A and the four-year
13 revenue path. Currently councils have two options in
14 regards to special variation: one, for a defined period of
15 time - one that you would more refer to as a permanent
16 increase. Can you clarify under the four-year revenue path
17 scenario what happens to the base rate in the fifth year,
18 for example? If the opportunity for that permanent
19 increase in revenue is lost, all I can see that doing is
20 just prohibiting the opportunities for utilising debt to
21 address infrastructure backlogs because you need that
22 certainty of revenue for a period much greater than four
23 years.

24
25 THE CHAIRMAN: I acknowledge we have not defined
26 that precisely in the draft. We probably should. I think it
27 is fair to say I can't commit the tribunal at this point to
28 the exact definition, but I take your point that perhaps we
29 should be considering the presumption continuing
30 because that is the way the systems works now. And if it
31 didn't it could inhibit, but because we didn't define it
32 precisely, I can't commit the tribunal.

33
34 MR PASTERNAISKY: I have a suggestion perhaps or a
35 question. In terms of being more creative, option C was
36 getting rid of rate pegging altogether, but we could have
37 an option D incorporating, as part of a cost index for the
38 future in terms of infrastructure backlog, consideration
39 within that particular cost index for a problem that faces
40 every council. We have infrastructure problems and that
41 is pretty factual.

42
43 THE CHAIRMAN: Let me give you a reaction to that. First,
44 I am not sure how, as a ratepayer I would interpret an index
45 of infrastructure backlog for New South Wales because
46 I am interested in whether there is an infrastructure
47 backlog in my council area not in New South Wales. As to

1 the point about a cost index, however, I think the change
2 in costs is common. This is what an index is, it's the
3 change, and if the change in costs is sufficiently common,
4 then I don't need to know one council from another. But if
5 I had an index backlog or even a change in the index
6 backlog, it would not necessarily be common from one
7 council to another.

8
9 One of the reasons why IPART feels they will produce
10 the cost index is because we are relying on statisticians'
11 data which has enormous acceptability. When they tell us
12 what the wage price index has gone up by, there will not
13 be any debate about it - that is an increase in wages. We
14 don't have an index of measures of infrastructure backlog
15 which have that degree of confidence.

16
17 CONCLUDING REMARKS:

18
19 THE CHAIRMAN: Some people have voted with their feet
20 already but we are over time and I probably should
21 respect the silent majority who would like to leave.

22
23 May I say a couple of things in conclusion. First of all,
24 thanks again to everybody for their contribution. I would
25 like to emphasise a couple of things from here on. One
26 is we would really welcome any assistance we can get on
27 improving the system of testing community support. We
28 picked up one new suggestion; that is, hire a polling firm
29 to test public opinion. It would be really helpful if we
30 could get submissions that were either new suggestions or
31 reactions to the present proposals.

32
33 The second issue that I picked up in particular is
34 the suggestion that IPART may be underestimating the
35 infrastructure backlog. I think it would be useful if
36 we could get more concrete evidence on that topic because
37 it clearly is important. It is critical to one's
38 assessment of how financially sustainable councils are at
39 the moment.

40
41 MR MacKENZIE: Perhaps if you could send a circular
42 around to the councils, they could fill it. You will soon
43 know how big the infrastructure backlog is.

44
45 MR ALLAN: It is called schedule 7, but as Michael has
46 said, some of them are unreliable; however, I still believe
47 the majority of them are getting pretty good at it.

1
2 MR MacKENZIE: It is a pretty big backlog.
3
4 THE CHAIRMAN: We certainly agree that we will have a
5 look at it again, but evidence will persuade us more than
6 assertions.

7
8 Thank you all for your assistance and attendance
9 today. We thank you for that.

10
11 AT 4.40PM, THE TRIBUNAL ADJOURNED
12 ACCORDINGLY

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