

## **Australian Local Government Association – Speech**

### **Royal Theatre, National Convention Centre**

**Thursday 17 June**

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Thank you very much for that introduction. I'm happy to be here today at the 17th National General Assembly of Local Government. I'm pleased to be able to share with you some of the Coalition's policies in relation to local government in the lead up to the coming election.

This is a great forum. It's a forum that brings together hundreds of dedicated individuals and groups that want to see stronger and more effective local government in Australia.

This is a goal the Coalition heartily endorses. We recognise that local councils are fundamental to Australia's economic prosperity, and the happiness of the communities they serve.

At the outset I want to emphasise that the Liberal party is the natural supporter of strong and effective local government. Effective local councils warm the heart of conservatives and liberals alike.

Local government comes naturally. Local governments were up and running long before nation-states and empires emerged. And local government was and is guided by pragmatism, an ethos many conservatives hold dear.

Local government is also a hallmark of the Liberal tradition. De Tocqueville, the great French Liberal writer, observed with envious approval the success of local governments in New England in the United States. He longed for that system in his native France.

He decided in the 1830s that *"the strength of free peoples resides in the local community. Local institutions are to liberty what primary schools are to science; they put it within the people's reach; they teach people to appreciate its peaceful enjoyment and accustom them to make use of it."*

De Tocqueville didn't write much about Australia, probably nothing. But he would have been pleased to know that municipal institutions were germinating in Victoria, South Australia and New South Wales in the 1840s and 1850s, long before the Commonwealth of Australia was a serious consideration. The local government in Melbourne (1842) predates even the Colony of Victoria (1851).

Since the 1840s local government has flourished in Australia. Indeed, the word 'local' belies the sector's importance. Today more than 560 local government areas spend more than \$20 billion each year and employ around 180,000 people. To give you an idea of scale, the entire Commonwealth public service, including all military personnel, employs only about 45% more people. In 2006 local government held net assets of over \$200 billion: that was about 25% of Australians' total superannuation assets.

Local governments are a diverse bunch. For instance, Brisbane City Council's budget is comparable in size to the Tasmanian state budget and is responsible to 970,000 people. The Shire of East Pilbara in Western Australia has a land area (379,000 square kilometres) bigger than Germany's (although only 5,500 people to Germany's 80 million!).

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Local councils get things done. There's no room (or time) for spin or 2020 summits. No one wants revolutions from their local council: they want their garbage collected on time, and clean water in the local swimming pool. They want local services delivered competently.

No other level of government is as routinely or directly involved with Australians' day to day lives.

Local governments already look after 80% of the nation's roads, but local governments have taken on more responsibilities. More is expected of them by their local communities. Local government is not just about collecting rubbish or keeping weeds off the pavement.

Local governments now maintain a diverse range of infrastructure services for their local communities. Councils contribute to promotion of public health and safety. They support emergency services, promote regional tourism, and they look after children and the aged.

The Coalition supports this new and expanded role for local government. After all, decisions made locally are likely to better reflect the wishes of residents than those made in state capitals or in Canberra.

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Look, in an ideal world, local councils would be self-sufficient. The link between revenue and expenditure would be clear and strong. That way, residents would have a big incentive to pay vigorous attention to how their local taxes are being spent.

And further, because local government constituencies are relatively small, it would be difficult for councillors to get away with fleecing the majority of ratepayers to satisfy a noisy few.

But it's not an ideal world, and I know councils are short of funds. I'm told rates amount to about 40% of local government revenue. Fees and fines are another 40%, and the rest comes from federal and state government grants. Councils are already raising 90% of the revenue they possibly can from their own revenue bases, according to a recent report by KPMG.

Because of the shortfall I'm told there's a backlog of infrastructure projects that need to be finished: \$14.5 billion worth in total.

There's little point mouthing support for local government services without local governments' having the funds to pay for them. Community expectations of local governments have grown, but the funding of local councils has not changed.

In fact the history of local government funding in Australia is one of confusion and inconsistency. States have been derelict in their responsibility to fund local government. And the Commonwealth has routinely changed the mechanism and quantum of funding. We need to do better.

In government the Coalition recognised the shortfall in funding and increased Financial Assistance Grants (FAGs). The Howard government increased FAGs from \$1.16 billion in 1996 to \$1.77 billion, by 53%, in 2007 – a much faster rate of increase than inflation.

We also introduced the highly successful Road to Recovery programme in 2000-01. This has been a great success. I was pleased to read in your “10 point plan” published this month that the ALGA considers it to have been *“a very successful programme, local government has been able to make Australian roads more efficient and safer for all road users, and the evidence is clear that local government has delivered value-for-money outcomes”*.

I can join with my colleague Warren Truss in reiterating the Coalition’s commitment to the Roads to Recovery program. Do not listen to the Labor party’s dissembling. We remain 100% committed to the programme.

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In fact we are going go further than just maintain the Roads to Recovery program. We are going to expand it.

I wholeheartedly endorse Warren Truss’s announcement this morning that a Coalition government will expand the road program to include bridges. This will cost us an additional \$300 million over four years.

This is not a Revolution. We’re not going to call it Building the Bridges Revolution, or commit some other abuse of the English language. We’re calling it what it is: a Regional Bridges Renewal Programme.

You can be sure that we will deliver it.

It might have a modest title, but it will have far reaching implications for the effectiveness of Australia’s road network. Thousands of bridges around Australia are due for renovation.

The Commonwealth has a constitutional role to ensure the commerce flows freely among the states. Making laws with respect to commerce among the states is, in fact, the very first head of power listed in Section 51.

A coalition government will not stand by while our bridges decay for lack of funds.

The \$300 million will be used to match state or local government spending dollar for dollar. Matching funds is a good idea because it ensures local authorities still have an incentive to spend the money wisely. They’ll still have some skin in the game.

I expect this programme will enjoy the same success as Roads to Recovery.

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A Coalition government will continue the reforms it began in 1996-2007, which gave local government unprecedented recognition and direct funding to fulfil councils' core responsibilities.

In office we will take the next step. Councils need access to additional sources of revenue if they are to satisfy their growing responsibilities.

So today I want to announce that the Coalition will take action to fund local councils directly.

I am not talking about making further tied grants to the states under section 96. We all know that when the Commonwealth gives money for projects that are administered at a local level, the states often take a cut.

The Building the Education Revolution is a textbook example of how state governments get in the way of efficient spending at the local level. NSW takes 1.3 per cent of the construction costs of each school project and reaps a tidy \$45 million for doing nothing more than being a middle man. In South Australia the government takes a 4 per cent fee.

The government's stimulus program has illustrated how local governments are relatively effective spenders of commonwealth money. Now, we opposed much of the stimulus package last year – we are the party of financial responsibility. I can't emphasise that enough. But the \$1 billion given to local government under the Regional and Local Community Infrastructure Programme hasn't revealed anything like the waste we've seen in the BER programme, which is administered by the States.

The shift toward direct funding will be part of a broader policy to place local government on a more sustainable financial footing. We will also work to mitigate the ability of different levels of government to shift costs onto local councils without appropriate compensation.

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I am fully aware of the constitutional issues surrounding direct payments to the states. Local governments are creatures of state law. Local government gets not a single mention in the federal constitution. And I'm advised we can't treat local governments as incorporated entities either.

People question whether the commonwealth can make any direct payments to local government. And last year's High Court decision *Pape v Commissioner of Taxation* apparently weakened further the Commonwealth's power to send money directly to local governments.

The ALGA has worked tirelessly to promote the need for constitutional recognition of local governments. Constitutional recognition of local government in section 51 would clear up the uncertainty.

I am sympathetic to the ALGA's position. I support constitutional recognition of local government. I worry that a successful legal challenge to the *status quo* could suddenly undermine local government's resources. Local communities and services would suffer.

Although I support constitutional recognition of local government, I am pessimistic about its immediate prospects. Referenda in this country have a hopeless track record of success. Of 44 since federation only 8 have succeeded.

Indeed, the Australian people have twice voted against constitutional recognition of local government: in 1974 and 1988. And the second result was more emphatic than the first.

People's views change. Local governments are more engaged with their communities now. Maybe today's younger generation are more constitutionally daring?

But on the whole I think Australians still do not like to rock the boat, and many people will say to themselves: local government seems to work OK now, why should we change our constitution that works so well? And we can be sure that sections of the community would oppose the measure.

Success will require bipartisan support, the support of the states, and the support of the majority of Australians. This is a challenging task.

Perhaps it's a paradox but it's possible that constitutional recognition of local government is ultimately more likely if we do not agitate for change quickly.

The parliament's laws are legal until declared otherwise by the High Court. It is ultimately for the Court to determine what is or what is not constitutional. The Coalition's Roads to Recovery programme has operated successfully and without challenge.

The direct funding of local government I have promised today, and our new bridges programme, will potentially be open to legal challenge as well.

Whether anyone would have an interest in raising a challenge is open to question.

But were one successful, local councils would suddenly be without commonwealth funding, rates would have to rise dramatically, and it is likely the community would see the benefits of constitutional recognition!

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Constitutional recognition is important in the long-term but we should not forget that practical outcomes are more important. We need better co-operation among the three tiers

of Australian government today. The coalition is committed to a stronger and more direct partnership between the federal and local government sectors.

We want to achieve greater efficiency in the use of taxpayer resources, strengthen the financial position of councils and discourage states from shifting costs to councils to improve state finances.

There is scant evidence the Rudd government is committed to long-term reform to the status of local government. Since coming to office it has thrown huge amounts of borrowed money around. Local government, as I mentioned, received some of this but it certainly wasn't the only recipient. The Rudd government is far more committed to borrowing and spending in general than local government in particular.

The government had an opportunity to express interest in local government reform. It could, for instance, have supported the Henry review of taxation's recommendations for local government. The report included a chapter on local government, and made two related recommendations. These ideas have merit.

For example, the Coalition agrees that local councils should have "substantial degree of autonomy" to set rates as they see fit. Whether those rates are acceptable is a matter for the voters in each local government area.

Yet the Rudd government did not take up any of the recommendations relating directly to local government. It has overlooked these opportunities and demonstrates no interest in genuine reform of federal-local government relations.

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This is an exciting time for local government. Your role is expanding. Your communities are growing. If our best industries are not taxed to smithereens, Australia is on verge of another period of strong and sustained economic growth.

With the coalition at the helm of government, that will mean more revenue for local governments around Australia, and more of it flowing directly to you. Local councils are at the coalface of community needs. We will take real action to ensure taxpayers' dollars are spent where they are needed, rather than on state bureaucracies.

De Tocqueville wrote that local government is the "*fertile germ of free institutions*". And they are still a wellspring of civic duty today. For people bored by the rhetoric and remoteness of state and federal politics, local government offers a forum where citizens can take direction action to change their local communities for the better.

The Coalition will continue to work closely with you as we devise policies to address your concerns. We both want the same thing: stronger, well financed and more effective local government. I commend you all for your efforts in this cause.