

Northern Territory Department of Local Government

Comments on the Draft Report into the *Impact of Competition Policy Reforms in Rural and Regional Australia*

Comments on content

Local Government Funding - equalisation between States

The discussion in Part D (13.2) regarding existing arrangements to promote country Australia is of concern. It discusses horizontal fiscal equalisation of Commonwealth General Revenue Grants between the States, but glosses over the situation regarding the per capita distribution of Local Government Financial Assistance Grants between the States and Territories. In particular, when discussing "intra-state HFE" the report states :

"In addition to promoting HFE between States and Territories, the Commonwealth Government provides funding to local government to meet the 'average' standard of local government services to their citizens." (page 312)

The discussion then focuses on distribution within NSW and makes no mention of the disparity between similar councils in different States (and especially the Northern Territory). This is a serious misrepresentation of the effect of Commonwealth funding on equity for rural and regional areas between states and Territories.

Rationalisation of local government jurisdictions

Of interest is that the report talks about "rationalisation of local government jurisdictions" (page 349), and the adverse effect of fragmentation on regional development. The report notes that :

"Improved coordination, through cooperative ventures of local councils is one possible response. Such an approach could achieve cost savings through economies of scale (eg garbage collection). Another approach is to amalgamate councils - it cannot be assumed that historical boundaries are best suited to the circumstances of today." (page 350)

This comment echoes the philosophy underlying the Northern Territory Local Government Reform and Development Agenda.

Further information on issues of relevance

Variations in jurisdictions' approach to implementing competitive neutrality at the local government level

The Territory approach to implementing competitive neutrality at the local government level is likely to differ significantly from other States and Territories. In the Territory, there has been a limited introduction of competitive neutrality by councils. This is because, in many instances, there is no alternative local supplier with which the council could compete.

The effects of competitive neutrality as it applies to local governments' business activities

The size of many of the communities is not sufficient to support a private business conducting council activities. That is, individual functions may not be economically viable and require the support of council.

Further, in remote communities, the council is not just the major employer, it is the only employer. Consequently, the only alternative supplier would be from the closest major centre, with corresponding severe impact on local employment and training opportunities. Moreover, there would be flow of cash and subsequent purchasing capacity out of the community.

The nature of council operations in remote communities is such that the council carries very high community service obligations which are neither properly costed nor funded. Consequently, remote councils rarely generate normal rates of return. If councils were required to generate normal rates of return, many of the agency functions, such as banking, post office, health centres, which invariably operate at a loss, would be targeted, with consequent social impacts.

For these reasons, while the Department has encouraged competitive tendering and movement towards normal rates of return, where it would result in efficiency gains for councils, it has not imposed any requirement on councils in respect to competitive neutrality.

The efficacy and the costs and benefits of FBT concessions and income tax zone rebates, including the extent to which they overcome locational disadvantages

In terms of locational disadvantages, the necessity to pay Fringe Benefits Tax on council employee housing is often cited as a major impediment to council operations in remote areas. For councils on Aboriginal land, there is no alternative to provision of housing for non-local employees - it is a necessity not a fringe benefit.

Attracting and retaining staff to the remote areas is difficult at the best of times. Staff turnover in remote communities is already unacceptably high, with the average tenure for council clerks less than 12 months. The costs of recruitment as well as the effect of staffing discontinuity has had and continues to have a severe effect on council ability to provide local government services to residents.