

Murrindindi Shire Council

Paper on Impact of Competition Policy Reforms on Rural and Regional Australia

The Murrindindi Shire has a population of some 12,500 persons and an area of 4000 sq. klm. It is located adjacent to the Melbourne metropolitan area and yet is rural in nature

There are five equally sized towns within the Shire, each one being approx. thirty minutes travel from the next.

The changes imposed by the State Government in 1994 were embraced, by the then Commissioners, as being in the interests of the community as a whole. To that end senior staff have made every effort to keep abreast of changes and to keep the Shire at the fore front of change.

CCT

Compulsory Competitive Tendering was introduced in stages of 20%, 30% and 50% of all expenditure had to be exposed to market forces over a three year period.

Council achieved these targets easily. But at what cost?

The direct costs were an increase in spending on advertising from \$8,000 to \$14,000. Cost of staff training in bid submission of \$65,000. Other costs of some \$15,000 and the delay factor in getting jobs "tendered" were further negative impacts of the process.

At one time council managed in the region of 177 contracts for goods and services. Of those contracts 92% only received one bid, 88% of past suppliers ended up with the service contract and 2 ended in litigation and eventual cancellation of contracts.

One of those two is worth looking at further. Council determined that septic tank inspections would be an area that could be performed by the private sector. To that end a tender was drawn up and advertised. One submission was received and it was agreed to give the work to that person/company. The pricing structure was similar to the council pricing, so from the consumers point of view there would be no change.

After five months the contractor would not or could not respond to requests for septic permits. After six months the contract was abandoned and re-advertised. This time we received two bids. One would have resulted in a 60% increase in fees, the other a 90% increase. After less than one year we resorted to an in-house service. The result being confusion for clients and a waste of resources managing the process.

It is evident from rural experiences that private contractors are not geared up to compete in remote areas.

Effects on Rural Employment

Had the Commissioners and Senior Staff not been supportive of council staff and offered them quality training in specification writing then there could have been a significant negative impact on local employment. The council is the major employer in the Shire, second only to timber, which is seasonal in its cycle.

We have seen in towns within the Shire the consequences of Government rationalisation. Property values have severely declined, businesses have closed and resident confidence is low. The township of Eildon is cited as such an example where the reform of government services brought these negative impacts.

Competitive Neutrality

This by its very nature is a theoretical exercise as far as Local Government is concerned. Much staff time is lost through complying with issues that add no real value to the process of government in rural areas. Bearing in mind that small councils will generally not be resource rich to start with, these exercises only make rural councils less efficient in the eyes of their ratepayers.

Why build in a rate of return to council? Who pays for this if the rate of return is "real" money? If it is just an exercise why bother? Councils exist not to make a rate of return but to service their ratepayers and improve their communities. The exercise should be to reduce administration and increase real service delivery. It would appear that NCP has the reverse effect on rural communities. Lots of resources being wasted on theoretical exercises with no tangible results or community benefit.

Cars

Sales tax on vehicles would be another example of the norm not quite fitting the Local Government model. In business sales tax might be appropriate for cars included in salary packages. These cars are generally sole driver cars with minimal business use.

In Local Government it is slightly different. Cars given as part of packages are also pool vehicles for general use by staff to conduct business for council. As such these vehicles in rural councils will travel high kilometres in short times. Our vehicles in this category are covering up to seventy thousand kilometres in one year.

When there was no sales tax council could turn over these vehicles at forty thousand kilometres on a cost neutral basis. The same vehicles under the current sales tax system are costing eleven thousand dollars to change. This is a real cost; therefore the ratepayers have to pick up the bill. Other options of leasing or reimbursement of running a private vehicle is not practical when such long distances in the year are considered.

It is suggested that sales tax should only apply to council vehicles were they are part of a salary package and they are for the sole use of one person, not a pool vehicle.

Local Laws

Like most other councils Murrindindi is obliged to review its Local Laws in regard to NCP. This is another exercise, which will add little value to the process of local government.

We have advertised the process, asked for comment, held discussions with key stakeholders and developed discussion papers on the subject. The public interest in the whole subject to date has been zero.

The cost in terms of cash and staff time equates to some \$5,000 and we are about half way through the process. The process has highlighted the issue of not so much the Local Law as being restrictive but how its application and interpretation is managed by council. Rural councils will generally only enforce a local law where there is a situation that can not be resolved by negotiation. To this end the local law is seen as a last resort not a tool to restrict competition.

At a time when money to spend on capital works is low any non-value adding exercise will be questioned by the ratepayers.