Tasmanian Small Business Council

Uniting Small Business

The Future of Local Government Review

The importance of good governance has become a significant topic in Australia. It is therefore appropriate that the Tasmanian Government has commissioned the Local Government Board to "undertake a broad review into the future of local government in Tasmania". The review will consider both management and operational activities.

The Tasmanian Small Business Council (TSBC) appreciates the opportunity to contribute to this review. There are around 36,000 small businesses in Tasmania and using data from some of the more developed municipalities their contribution to the local rate base can be as high as 32%. It is therefore apparent why small business has a realistic interest in the review and the potential significance of the outcomes.

TSBC make no claim to specific experience in the various operational activities of local government, but we ask that the Local Government Board consider several concerning issues around matters of governance.

- **Local Governments are monopolies in their municipality but should not have unfettered monopoly power**

Local Government enjoys monopoly powers over it's community. It can create rules, make orders, and set the prices it chooses to charge for it's services. Local Government is possibly more powerful than any other supplier of community service or facility – electricity, gas, water - and is generally beyond sanction.

Published information indicates that Local Governments report only against the plans and targets that they, themselves have set. There appears to be no guidance or template for how those plans are set nor independent sanction for failure to achieve them. The objectives for Local Government comprise broad ranging statements and thus allow for wide ranging "mission creep".

- **The extension of services and their costs beyond basic health, safety, and amenities should be subject to regular rate payer review**

When a Council embarks on an activity beyond the provision of basic services it can charge its ratepayers the cost without regard to whether the individual ratepayer may or be able to avail the service. In many cases there is a lack of equity and examples can be provided.

Failure to pay can result in the forfeiture of real property. Such actions would not conform to modern principles of governance and lack both equity and fairness. There are clear distinctions between the needs of residential ratepayers and needs of small businesses but there is no provision for differential rating.

The most obvious examples are in the provision of recreational, entertainment and sporting facilities. The cost of providing such amenities is part of the rate base yet provides no value to a business. This is contrary to basic user pays principles.

- **Rate concessions, and their costs should be clearly described in Council's Annual Reports**

It can be argued that rate concessions or exemptions are "good" social benefits, but it should be recognized that the costs of providing the exempt or discounted services must still be met and that cost falls to the detriment of all other rate payers in the municipality. It is believed that consideration of such matters must be a component of the review into the future of local government.

- **Funding for "Economic Development" support or concessions should not advantage one ratepayer's business at the expense of an established competitive enterprise**

Many councils engage in what is described as economic development activities. In the most part such activity is aimed at introducing more businesses into the local market. This is an activity once described by former British Prime Minister Dame Margaret Thatcher* as "just get Toyota in your back yard" The downside of such activities is the introduction of more competitors for the existing businesses that have already made their home in the local community. It is often aggravated by offering concessions to the new entrants thus providing them with an unfair competitive edge. Among the more frequent activities of such arrangement is supporting large new shopping center developments with road widening and access arrangements to facilitate their establishment. A practice which often results in reducing the availability of curbside parking or forces local shoppers to walk through the new development and its tenants to reach their usual shopping place. Clearly this provides an unfair competitive advantage to the detriment of the local business and who will ultimately bear the cost of the concessions.

*It is interesting to identify the remains of the British automotive industry today.

- **Councils should not initiate "free" activities that upset market equilibrium**

An examination of local government responsibility fails to identify any authority to interfere in market equilibrium. Why should local government use its monopoly power to improve the competitive advantage of one group of ratepayers at the expense of another. It is hard to recognize equity in practices that restrict availability of some services or business enterprises or restrict the inalienable right of individuals to manage their affairs in their own best interests. While health and safety are legitimate factors, attempts to control product or service availability and pricing is not.

- **The cost of operational activities should be benchmarked against the costs of supplying similar services in other local government areas**

Operational efficiencies also warrant attention by the review members. Is there any established method in Tasmania for determining what is a reasonable price for the delivery

of the more common municipal services? What accounts for these differences and should they not be at least similar between different municipalities? Does the Local Government Board require councils to provide itemised reports to enable comparisons or at least "yardsticks" against which other councils can measure their performance? This information would most certainly help to control operating costs for the benefit of all ratepayers.

It is possible to make such comparisons and the process to do so has already been developed. The Victorian system provides an excellent example that could easily be adopted in Tasmania.

https://knowyourcouncil.vic.gov.au/compare-councils?service_area_key=financial_performance&primary=14191&councils=15781

- **Red Tape and regulation should be focused on productive intent**

Among the most common concerns expressed by small business owners is the cost and time of responding to "red tape" It should be incumbent upon local councils to play their part in red tape reduction with programs along the lines of a removal of at least one red tape requirement for every new requirement that is imposed. Administrative requirement should be assessed against the mantra of help and efficiency rather than control or inhibition. Additional or onerous red tape simply adds to the cost of goods and service that are provided locally and is to the detriment of other rate payers.

- **There is a need for independent oversight by the Tasmanian Economic Regulator**

The most concerning factor is an overall lack of oversight of local government by any independent body. This is apparent when considering the basis by which a local government organization establishes its strategic and annual plans. What prevents a council from deciding that "it would be good to do …." then including the activity in its annual plan and committing the expenditure to the activity at a cost to all ratepayers even if it offers no value to some members of their community? Where is the equity in such an arrangement? An example has been the introduction and progressive development of various entertainment activities. As such activities have spread around Tasmania many have become somewhat competitive in nature with progressive cost increases.

The only measure is the council's annual report which in essence reports the overall cost of local government services against the annual plan. Thus, as a monopoly, the council can create unfettered plans and charge their ratepayers accordingly. This is not good governance. The establishment of an independent review facility, perhaps using the existing Office of The Tasmanian Economic Regulator, could be a useful outcome from this review. The Regulator exists and indeed examines the practices and pricing of the other monopolies in Tasmania such as electricity, gas and water plus other monopoly services that the Government may require to be examined.

The Tasmanian Small Business Council will be pleased to offer further input supporting these opportunities to improve performance, efficiency, and equity in the operations of local governments in Tasmania if so requested.

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