

ASU Submission to the Federal Government National Commission of Audit

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About the Australian Services Union

The Australian Municipal, Administrative, Clerical and Services Union, trading as the Australian Services Union (ASU) is one of Australia's largest Unions, and represents approximately 120,000 employees. The ASU was created in 1993. It brought together three large unions – the Federated Clerks Union, the Municipal Officers Association and the Municipal Employees Union, as well as a number of smaller organisations representing social welfare, information technology workers and transport workers.

Today, the ASU's members work in a wide variety of industries and occupations and especially in the following industries and occupations:

- Local Government (both blue and white collar employment)
- Social and community services, including employment services
- Transport, including passenger air and rail transport, road, rail and air freight transport
- Clerical and administrative employees in commerce and industry generally
- Call centres
- Electricity generation, transmission and distribution
- Water industry
- Higher education (Queensland and South Australia).

The ASU has members in every State and Territory of Australia, as well as in most regional centres. Issues and areas of concern to be covered in this submission include:

- Terms of reference of the National Commission of Audit (NCA)
- Local Government
- Industry Skills and Training
- Water Industry
- Electricity Industry
- State and Federal Government Transport services.

Introduction

In making this submission to the NCA announced 22nd October 2013, The ASU acknowledges the submission of the ACTU. In particular, the ASU shares the view that there is a strong argument to question the compressed timeframe for recommendations from the Commission and the effective impact of current timeframes to address the Terms of Reference of the National Commission of Audit. The ASU will educate members about decisions made in haste when an evidence-based approach to reform is of importance to all Australians and necessitates an attitude of consultation respectful of all stakeholders.

The ASU poses an important question at the outset that speaks to the capacity of governments to meet the challenges ahead to be faced by all Australians: How will

the Commission compare the performance of Australia's Commonwealth expenditure on public services with other OECD nations? Quality public services are essential to expanding our existing inclusive, democratic society. Unlike the motivation of private investment, public services are always specifically designed to create fairness, equality and opportunity for all. Therefore, existing capacity to serve has as much to do with efficiency of public services and is a social and economic imperative of the ongoing development of Australia:

On the evidence we have it seems that Australia's public sector is relatively efficient. It compares very favourably to public sectors in similar countries. Our public sector is 'lean and keen', operating on fewer resources than those of many nation's public sectors which it outperforms. In terms of technical efficiency Australia compares extremely well. There are similarly positive signs regarding the public sectors ability to do the right job; its allocative efficiency is high. Lastly, the ability of Australia to maintain a position amongst OECD nations as highly effective and low taxing, maintaining high efficiency over changing times, indicates that our public sector is dynamically efficient since it is not being over-take by more dynamically efficient countries.¹

If the Commission considers a middle view that the private sector may not have provided overall or greater efficiency gains to Australians in the form of infrastructure services, the recommendation might follow that innovative measurement be developed that can adequately quantify the long-term value of the current publicly provided infrastructure. Such a measurement; also, necessitates a more conservative consultation process respectful of many and diverse stakeholders.

Local Government

The ASU is Australia's largest Local Government union representing employees of Local Government across the whole country from small rural townships through to large metropolitan Councils. On behalf of our extensive membership, the ASU is significantly concerned about effects on communities of any financial restructuring the NCA will recommend that will trickle down to Local Government operations across the country. We are a community-based organisation and take a strong view about the success of Local Government to deliver wide reaching community services, on behalf of those who live in rural Australia. Our members tend to live in the communities where they work:

In both urban and regional areas, the local council is often the largest single employer; therefore, uncertainty has significant economic impacts locally. The economic interests of Australian urban, rural and remote communities need a resolution.²

Therefore, ASU advocacy extends beyond negotiated industrial outcomes for members. The ASU has a true commitment to the Local Government industry with a proud history; since 1871, of representing employees and that has a far-reaching

effect on the sustainability of all communities. The ASU is a significant advocate and our issues are representative of all Australians.

With that in mind, the ASU shares concerns about regional development with a diverse range of communities; including rural and regional councils, outer metropolitan and inner metropolitan councils. The ASU would be extremely concerned if the NCA sought to reduce the financial capacity to deliver Local Government services. Over time, the Commonwealth has played a role as partner in funding Local Government programs.

Today the Commonwealth funds many programs by granting money directly to local government, across services such as roads, child care, economic development, aged care, environment protection, water efficiency and dozens of other areas.³

We note that Local Government provides on balance, about 80% of its own funding; however, the remaining 20% that is currently received from the federal government must remain as an important source of revenue for additional services to communities and smooth investment in infrastructure projects. The ASU has witnessed first-hand the damage caused to regional farms, townships and businesses when Local Government funding is not secured for major projects.⁴

Regional councils clearly rely on federal grants. It would be hoped that the NCA recommends continuing a non-partisan approach for the sake of regional development. In some small council areas, a figure of greater than 50% Commonwealth funding supports regional projects. That funding is delivered by the Financial Assistance Grants system (FAGs) which assist Local Government to perform its functions, and specifically participate in a range of programs that may cross council areas. Programs include the road safety *Black Spot Program* to enhance local roads⁵ and the *Roads to Recovery (R2R)*⁶; both of which help councils to maintain local roads and transport structure to a sufficient and safe standard.

General purpose funding from the Commonwealth to Local Government has diminished over the years. On the matter of reduced funding, the ASU acknowledges and urges the Commission to agree with certain findings of the Australian Local Government Association (ALGA). The ASU acknowledges that the Commonwealth is undertaking a review of the FAG system; however, ALGA recommends that the FAGs pool should be increased to meet growth rates of the Australian economy and the demand that will necessitate, for local services and rising costs associated with economic expansion.

Similarly, it is hoped that the NCA will give careful attention and form to Stakeholder consultation on the FAG system. A true Stakeholder approach is required that is transparent about who carries out the review and allows for input into the allocation of grants. Experience dictates that funding models designed to encourage Local Government to outsource services based on cost have significantly weakened the ability of councils to provide and maintain local employment.⁷ Recent examples of state government reform of infrastructure planning intent on removing Local

Government capacity in spite of their own findings of cost efficiency, have incorporated a cynical approach to stakeholder consultation and at the expense of community support for Local Government services, continue to propound disastrous outsourcing measures.⁸ For example, the NSW State Government reform of infrastructure planning in that state is threatening the continuation of established and in demand community services⁹. The current NSW state government frameworks that are proposing reform have lacked robust consultation processes from the outset and the resultant and explicit pressures being put on councils to access government funding by means of outsourcing services, are proving pernicious to firmly integrated Australian communities.

The ASU, therefore; draws the Commission's attention to Commonwealth responsibilities to regional employment and regional growth. Local Government requires the capacity to deliver successful Commonwealth workforce development programs by addressing the issues of connecting people to programs. Effectively sustaining Local Government is key to generating (both directly and indirectly) employment opportunities within regional and remote communities that are critical to the long-term survival of rural Australia and country towns and services. Local Councils are responsible for a wide range of services for which there is no other adequate provider in a market approach; including but not limited to cattle sales; roads; sport and recreation facilities; parks and gardens; libraries and galleries; early childhood education and care; community health services and so on. Demand for Local Government to meet and coordinate community needs will only increase with an ageing population; a population with growing standards of living. For Local Government to achieve the expectation to serve projected growth, certainty of Commonwealth funding will encourage continued participation in many Commonwealth programs. Local Government should be utilised effectively as a readymade opportunity to provide solid regional growth in cooperation with the Federal Government and relevant State Governments and Territories.

Industry Skills Councils

Industry Skills Councils have provided a significant contribution to the Australian economy. They are; also, an arm of Government that works closely with industry and the relevant employee representatives in those industries. It is a critical system that supports Government initiatives and actions for a solid workforce for the future. Industry Skills Councils ensure that qualifications, recognition and skills are tied to the demands of industry and in contrast to a one-size model that does not fit the skills and industry training debate. Whilst the current system of Industry Skills Councils is not perfect, as part of their training packages they provide by far the most successful consultative model for ensuring the development of national qualifications and frameworks for the VET sector and are used for the higher education centre to provide tools and skills for professionals.

Industry Skills Councils create confidence by assuring us there is a national framework for recognition of workers' trades qualifications, and system that is complementary to business needs for certificate level III to diploma level skills and training. Councils are a step removed from Government but exist under established

contracts for the provision of services. An opportunity to review how the structure of Industry Skills Councils operates might be useful; however, industry attention and industry value and industry support must be seen as a critical part of any such debate. In other words, the significant issues to address would be how the Industry Skills Councils are representative of industry and what is their engagement with industry.

Finally, Industry skills Councils provide mutual recognition frameworks for immigrant workers and the opportunity for qualified labour to be imported into the country within a national qualification framework that ensures skilled migration. The outcome is one that can be determined to match industry needs for growth and skills and training of local workers and Australians.

National Workforce Development Fund (NWDF)

The national work force development fund has been a highly useful tool for Local Government and parts of the Water Industry. However, the barriers to turn around times and action outcomes on projected time lines need to be reviewed. Turnaround needs to be increased, by way of ensuring projects are realised in shorter time frames. The issue of co-contribution to funding NWDF places for Local Government should be removed to achieve increased turnaround of projects; with a view to moving to full funding, because Local Government operates a not-for-profit business model and NWDF costs cannot be recovered in partnership with that business model.

Water Industry

The ASU has been part of the Australian water industry since Branches of the Union first covered membership in local government and state authorities a century ago. The water industry has seen a movement away from government control to a mix of privatised and corporatised entities facing competition that is a mix of state corporatised authorities, private-public partnerships, private water and sewerage treatment plants and local government water authorities/departments.

The Australian Water Industry supplies water for domestic and industrial purposes through both Local Government and also through State Government owned corporations. While State-owned corporations use a for-profit driven model and do under some circumstances generate returns to State Government there are however quite often other sides of the coin responsible for creation and building of the infrastructure before it is handed over to state owned corporations.

Distances across Australia also mean that state-owned water corporations largely operate in heavily dense population centres and include such organisations as Sydney Water and other state-owned corporations in Victoria such as Melbourne Water. This means that there is still a substantial amount of water services required for a large proportion of the Australian population where water is covered by a service for Local Government indeed some of these services can be self-funding if they are approached in the right manner.

The ASU believes it is important for the NCA working with Local Government to ensure a solid framework is undertaken for the development construction and use of water-services from waste water reticulation and also dams are critical; see Coffs Harbour City Council example below. Such planning and responsibility being taken by local communities and providing for the future and planning should be graciously accepted by a Federal Government and should be encouraged wherever possible by way of tax considerations and/or special purpose grants.

Many millions of dollars have been invested by local government councils and their partners in providing secure and sustainable water supplies for the future. The impact on local budgets and water and sewerage funds would be quite significant and would severely impact local communities.

An example in achieving solutions for the long-term sustainability of water and sewerage services in preference to the privatisation of services was evidenced at Coffs Harbour City Council. CHCC's water and sewerage utility is at the forefront of water and sewerage planning and management in Australia, and this fact is recognised by a number of awards and commendations at National and State level.

To ensure services are cost-effective, financially viable and sustainable, CHCC recouped the costs of infrastructure and technology investment through residential water accounts.

Benefits of the Coffs Harbour Model include¹⁰:

- Community retains ownership of assets;
- Parity achieved in regards to charging and service delivery and quality of service;
- Councils remain viable, as economies of scale benefit local communities directly;
- Skills development through knowledge sharing;
- Reduced costs through resource sharing;
- Existing systems and future expansion continue to meet future demands;
- Maintains existing levels of local employment in water and sewerage services;
- Best socio-economic outcomes for local communities;

The ASU would like to see the Commonwealth promote and support local government initiatives such as those evidenced at CHCC to ensure the survival of our local communities.

Electricity Industry

The Australian Electricity Industry is largely covered by heavy state regulation and also national regulatory frameworks. These frameworks have resulted in an electricity industry that is a mix of both private and public sector ownership with the electricity industry having undergone a period of rationalisation, disaggregation, corporatisation, and in the case of Victoria and South Australia almost total privatisation.

The ASU is a union that has operated strongly in the Australian electricity industry for well over a hundred years dating back to 1898 at Sydney City Council. In particular it has seen the outcomes by way of privatisation versus public sector ownership throughout Australia and by observing other countries endeavours throughout the world. That leaves the ASU to have extreme concerns in respect of any consideration by the Commission to privatise of the remaining electricity industry assets in Australia.

Privatised energy companies do not have the same commitment to Australia that state owned energy generation and monopoly distribution and transmission businesses do.

Through ASU operations in the industry, we have seen Members experiences in the models of ownership and the move from local government, to state government ownership as well as in some states the private sector model. As Australian Governments, continue to pursue reforms , we acknowledge concerns for the development of the next generation of electricity supply, balancing the issues of cleaner energy electricity generation and ensuring base load capacity, that is not detrimental to market price stability.

Government focus on deregulation has moved to corporatize publicly owned electricity assets and the formation of public statutory authorities commenced in most States. However NSW and Queensland as the major consumer states have gained most, through the corporatisation and state government ownership models, as opposed to privatisation. These two states have thus seen the greatest reforms in terms of benefit of electricity generated and distributed, through public ownership models at arm's length from government, and thus substantial benefit to the state governments via the corporatisation model.

The highly efficient operation of State owned corporations has provided significant returns to Government and should be seen as part of an ongoing position i.e., that there should be no interest in the Commonwealth to promote privatisation of the electricity industry or the assets as it only strips the State Government of long-term revenue streams that can be used to replace monies that may no longer be provided by the Federal Government. An example is the recent reforms in New South Wales of the electricity industry which have enabled major state owned corporations to accrue and pay distributions to the state government of \$1.8 billion (\$1.4 billion in 2011-12), comprising:

\$572 million (\$573 million) in taxation
\$1,178 million (\$866 million) in dividends¹¹.

Should we see privatisation of State-owned assets take place we will see a reduction in community service standards, a reduction in employment, skills and training and a reduction in many service aspects to the community plus there will be an added cost to the community in terms of dramatic increases to the price of power as has happened in Victoria.

A paper published in October 2012 by Dr Phillip Toner¹² from the University of Sydney shows that it's not only service, jobs and regional employment that are affected, but it's financially more beneficial for the community and state governments not to privatise.

Highlights of Dr Phillip Toner's paper include:

- Supports the view that financially it's better for state governments to keep public assets.
- The rationale for government ownership and provision of electricity infrastructure remains strong.
- Retention value of electricity assets in government ownership greatly exceeds sale value.
- The fallacies of electricity privatisation.
- Privatisation results in a major reduction in training of trades and gives rise to skill shortages.
- Privatisation adversely affects the level and type of R&D.
- The electricity regulatory system exposes abuse of market power but also creates perverse incentives for private investors that undermine efficiency, reliability and equity.
- Foreign ownership of an essential community service.

Regional employment – regional development

If the NCA proposes privatisation, the impact to regional growth and regional employment is a grave concern of the ASU. Specific industry restructuring where utility companies have had a city centric basis have seen significant job losses in regional Australia. Where energy authorities are regionally based we have seen secure solid regional employment growth and other industries spin off from that regional growth.

The ASU is concerned that we will not see regional growth and regional employment in the same figures and directions we currently see. This is of immense practical concern to those regional townships, communities and others that operate in and are supported by the distribution companies.

Energy industry privatisation in Victoria saw many regional job losses; which impacted on the infrastructure of the State as a whole due to implications of migration to the capital city, and social and societal damage the demands on lagging urban infrastructure cannot mitigate. Foreign ownership; also, has been a failure in Victoria as decision makers in board rooms in Hong Kong, Paris or the USA are just not interested in regional employment and local community outcomes. It is public ownership that is fundamental to retaining quality infrastructure.

The ability to balance the community needs, keep regional employment, provide spin off services, secondary employment opportunities through both employer and employee community spend, maintaining town population, providing technical opportunities for technology hubs (e.g. the Essential energy – IBM – Bathurst university hub), in some parts of Australia the most advance technology is held by the state owned energy corps, keeping regional populations means schools, hospitals, economic growth.

The ASU supports outcomes like regional employment, skills and training, the value of public sector owned and operated infrastructure that not only meet the community's needs, but build regional jobs.

Privatisation in Victoria

The ASU refers to a recent paper published in April 2013 by David Richardson¹³ from The Australian Institute that found since Victoria privatised power in the 1990s, electricity prices have outpaced inflation, increasing by 170 per cent compared with an increase of 60 per cent in the consumer price index.

Consumers are worse off since Australian states decided to privatise their electricity assets with Mr Richardson warning that power sell-offs in NSW and Queensland were unlikely to ease cost-of-living pressures and might even slug consumers with higher bills and worse service.

An article by Shane Green, The Age on November 2013 also highlights the shocking truth regarding power price increases in Victoria¹⁴.

The ASU believes privatisation is not an economic imperative for efficient and effective service provision. Public sector provision of electricity provides more direct accountability to the public and is not compromised by commercial secrecy and tactics to boost profits. Privatisation benefits no-one except the private companies.

State and Federal Government Transport Services

The Federal Government, due to the importance of transport as both a trade issue including highways, roads around our major ports in Australia sees itself in a position where it must be involved in funding of major infrastructure of these facilities.

The ASU believes that there is a substantial amount of monies not being utilised by way of loans and/or other specific funding grants that could be made available to the federal Government from the superannuation industry and reinvested in Australia. Giving consideration to Super funds being required to invest a percentage of their funds raised in infrastructure in Australia for the development of new infrastructure such as roads etcetera, and not privatisation of public assets would be seen as adding to the infrastructure in this country rather than a circular motion of privatisation, profit, sale and debt.

This would see additional services placed in the community and ideally these could be a range of areas such as green wind generation, where superannuation funds like long-term minimum returns as stability and the returns on green energy generation e.g., wind farming needs to be over 18 years or so to make them profitable and ideal link is here. In addition to this the opportunity for pension funds to be used for the construction of new infrastructure would add to additional growth employment, add to new employment opportunities and build national skills and at the same time ensure that the monies do not add to our overseas debt. Again, this is seen as very strictly pro-construction of new infrastructure assets to be paid for by

state Government by way of bonds rather than an opportunity to look at privatisation and recycling of existing state-owned assets makes little sense to recycle.

In respect of State and Federal Government, the Federal Government provides a range of monies to State Government's to undertake specific projects. These projects being undertaken are important and should continue to be funded. Rare examples of these will include the following:

The ASU sees an audit as an ideal opportunity to work with the community including stakeholders such as the ASU as a community, particularly representing Local Government, water and workers and working with stakeholders at a State Government regional level and national level to bring about these reforms.

The ASU works with Governments whoever they are for the benefit of Local Government community services. The ASU has been a significant contributor to a range of reforms and Federal Government initiatives such as cost-shifting inquiries undertaken by previous national Governments as well as issues undertaken by recent Federal Governments. Accordingly, the ASU sees the NCA as an important opportunity to continue to make these contributions and would seek an opportunity for our representative to appear before the committee, to raise issues of concern.

References

¹ Christopher Stone, *False economies part 3: Bang for our bucks*, 2013, Sydney, CPD, p. 11, cpd.org.au, <http://cpd.org.au/wp-content/uploads/2013/11/CPD-OP33-Bang-for-our-bucks.pdf> [Accessed: 26 Nov 2013].

² *Final report on the majority finding of the Expert Panel on Constitutional Recognition of Local Government: the case for financial recognition, the likelihood of success and lessons from the history of constitutional referenda*, Joint Select Committee on Constitutional Recognition of Local Government, 2013, The Parliament of the Commonwealth of Australia, p. vi, aph.gov.au, http://www.aph.gov.au/parliamentary_business/committees/house_of_representatives_committees?url=jsclg/localgovt/finalreport/fullreport.pdf [Accessed: 26 Nov 2013]

³ *Ibid.* p. v.

⁴ *THE LOCAL ROADS FUNDING GAP STUDY OF LOCAL ROADS FUNDING IN AUSTRALIA 1999–2000 TO 2019–2020*, 2010, ALGA, Alga.asn.au, <http://alga.asn.au/site/misc/alga/downloads/transport/LocalRoadsFunding.pdf> [Accessed: 26 Nov 2013].

⁵ Investment.infrastructure.gov.au, 2013, Black Spot Program, <http://investment.infrastructure.gov.au/funding/blackspots/> [Accessed: 26 Nov 2013].

⁶ Alga.asn.au, 2013, AUSTRALIAN LOCAL GOVERNMENT ASSOCIATION :: ROADS TO RECOVERY, <http://alga.asn.au/?ID=200> [Accessed: 26 Nov 2013].

⁷ The Victorian state government introduced competitive tendering as a recommendation for Local Government reform during the Kennett era. There is no evidence that Victoria is in a better position than NSW because of those reforms. In fact, an Independent Review Panel reported to on 28 November 2012, to NSW state government that NSW is operating on average 22% cheaper than the average of the mainland states and around 20% cheaper than Victoria. This data shows that NSW Local Government is providing far more value for money than in other states, despite having a large population and a relatively large land area.

⁸ The NSW US Branch for Local Government strongly opposes introduction of contestability measures for Local Government in that state for the following reasons:

- Council run day labour is already an efficient means of providing services.
- Councils having a day labour workforce ensures that there are secure, stable and local jobs within the community and this is a direct benefit to communities.
- The introduction of contestability measures could lead to a loss of jobs within construction, roads and engineering, which are areas of core council employment.
- In many rural areas, councils are the main employer. A loss of core council jobs in these areas would have a devastating impact on the community.
- Contestability measures could potentially lead to an increase in the contracting out of jobs as there appears to be an erroneous belief in some parts of the sector

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- that contract services are more efficient than in-house services. Any increase in contracting out would lead to a rise in insecure employment.
- Questions need to be raised about the benefits of involving the private sector at an earlier stage of the planning process. Councils have to balance a number of interests and ultimately are required to be accountable to the community that voted them in. Private sector organisations are not accountable to the community. A private sector organisations is only accountable to its board or owners. It cannot be assumed that private sector organisations will enter the planning process with the intent to do what is best for council or the local community.
 - No evidence has been provided that contestability will lead to better practices.

⁹ Group tells council to ignore citizens panel, 2013, *Illawarra Mercury*, [online] 20 Nov, <http://www.illawarramercury.com.au/story/1920799/group-tells-council-to-ignore-citizens-panel/> [Accessed: 26 Nov 2013].

¹⁰ Delivering state of the art infrastructure, *Local Government Focus*, <http://www.lgfocus.com.au/editions/index.php?view=editions/2009/october/creek.php> [Accessed: 26 Nov 2013].

¹¹ Barry Underwood, p. 27, *Volume Four 2013 focusing on Electricity*, 2013, Auditor-General's Report to Parliament, [audit.nsw.gov.au, http://www.audit.nsw.gov.au/Publications/Financial-Audit-Reports/2013-Reports/Volume-Four-2013/Volume-Four-2013-focusing-on-Electricity](http://www.audit.nsw.gov.au/Publications/Financial-Audit-Reports/2013-Reports/Volume-Four-2013/Volume-Four-2013-focusing-on-Electricity) [Accessed: 26 Nov 2013].

¹² Philip Toner, *Electricity Privatisation in Australia A Briefing Note*, 2012, University of Sydney, [asu.asn.au, http://www.asu.asn.au/documents/doc_download/11-electricity-privatisation-in-australia-a-briefing-note-2012](http://www.asu.asn.au/documents/doc_download/11-electricity-privatisation-in-australia-a-briefing-note-2012) [Accessed: 26 Nov 2013].

¹³ David Richardson, p. 11, *Electricity and privatisation: What happened to those promises?*, TAI, [tai.org.au, http://www.tai.org.au/sites/default/files/research/TB%2022%20Electricity%20and%20privatisation.pdf](http://www.tai.org.au/sites/default/files/research/TB%2022%20Electricity%20and%20privatisation.pdf) [Accessed: 26 Nov 2013].

¹⁴ Shane Green, 2013, *The Age*, [online] 9 Nov, <http://www.theage.com.au/comment/the-shocking-truth-about-the-privatisation-of-power-20131108-2x76f.html> [Accessed: 26 Nov 2013].