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*Western Australian Shire Councils, Municipal Road Boards,
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November 5, 2018

Dear Chairperson,

RE: SUBMISSION BY UNION TO THE DEPARTMENT OF LOCAL GOVERNMENT REVIEW OF THE LOCAL GOVERNMENT ACT 1995 /WITH SPECIFIC REFERENCE TO THE "BENEFICIAL ENTERPRISES DISCUSSION PAPER"

The submission made seeks to address specifically the "Beneficial Enterprise Discussion paper".

Our organisation, which has existed as firstly a State Registered entity (Western Australian Municipal Road Boards, Parks & Racecourse, Employees' Union of Workers Perth) since 1903 and subsequently as also a federally registered entitle in form or another since 1982 (current entity described in letterhead above), is strenuously opposed to the proposal of "Beneficial Enterprises" as set out in the discussion paper.

BACKGROUND: The history surrounding the legislative formation of Municipal Corporations in English and consequently Australian law has always centred on the concept that Councils in whatever form they take were and are established for the purpose of providing 'service' to their local communities,

To this extent even the 1995 legislation appears in a very broad sense, to address this in **Part 3 Functions of local governments , Division 1 – General** , where it says as follows:

"3.1 General function

(1) The general function of a local government is to provide good government of person in its district

The operative term of most relevance appear to be the word Governance. Given this, our organisation finds it difficult to reconcile the proposals put in the discussion paper with the idea that " the privatisation of services " by the establishment of " arm's length " corporatisation of key services of Local Government with the idea of good government.

The discussion paper, as we apprehend it appears to support the WALGA proposal as though it is already pre-determined that this proposed model is superior to the existing model that has been operating in English speaking countries quite successfully for nearly two (200) years.

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The difficulty with this proposition from our perspective, is that there is no evidence either at the Commonwealth, State or Local Government level(in other states and countries) that in our view supports the view that corporatisation of publicly funded assets and entities is necessarily better ,or of greater benefit to the well-being of the communities that these entities are meant to serve.

Taking two relatively recent examples, one at the Commonwealth level and one at the State level in Western Australia , Telstra, and Main Roads Western Australia, it provides interesting insight into how this so-called beneficial enterprise model may really works.

What is important to remember is that both of these public entities were created and funded by taxpayers not by private corporations risking their own capital and livelihoods.

The entire established infrastructure of both these entities prior to their “corporatisation” of key infrastructure services” were as a result of taxpayer money directed by the respective Commonwealth or State Governments for the purpose of ensuring proper services to the community at large.

TELSTRA

Prior to its break up into retail and wholesale arms ,Telstra owned and controlled directly a vast network of public funded and maintained infrastructure that required the direct employment of a highly skilled and trained workforce. It was always reliable and, in our view, responsive to its market.

With the effective corporatisation of Telstra, it is now, according to recent information and record one of the most complained about organisations in Australia(based on recent information released by Telecommunications Ombudsman).

Also, the promise of a golden land of rising share prices for Telstra when it was sold to “mums’ and dads” has not eventuated. This is not surprising given how it has performed as corporate entity since its corporatisation took effect in the 1990s.

MAIN ROADS WA

Whilst Main Road WA has not fully corporatized it has been operating as in effect “Principal Contractor” who allocated sub-contract to fully private entities using it zonal model of infrastructure servicing.

In effect the key delivery of infrastructure services is dependent on the secondary principal contractors who win the bids for the zonal contracts and then further allocate their work to a whole raft of smaller competing sub-contractors.

The recent evidence suggest that this model may not be working that well given the number of collapses and liquidation of civil construction companies and non-payment of many small unsecured sub-contractors working for these larger principal contractor entities who are meant to be working for Main Roads WA and therefore the wider community at large.

So, the question to be asked is what evidence is there to support the introduction of business model to which there is no material evidence that shows it will deliver better outcomes to the ratepayers and the general community of Western Australia?

THE DISCUSSION PAPER:

- **It seems that the discussion paper starts from the premise that because we call it a Beneficial Enterprise it somehow becomes a Beneficial Enterprise.**

WHO BENEFITS?

The question to be asked and put is who does the proposed Beneficial Enterprise model really benefit?

The concept that these proposed enterprises would be initially formed using substantial injection of public funded money(ratepayers' money) seems curious.

If these enterprises are to be truly "corporate entities", then surely the propose directors and controlling entities(either shareholders private and public) need to fund these operations out of their own pocket just like any other private business is expected to do.

The half breed corporate model will only benefit in our vie ethos who are appointed in key personnel positions, whose own private money will be at risk.

If this entirely is to be accepted by Government, then all ratepayer should be able to hold a direct interest(share0 in these entities.

In the alternative, perhaps a better model is to strengthen the existing accountability law as and rules that apply to Councils as they currently stand and not corporatize at all.

ACCOUNTABILITY

The other question to be raised is if these entities are to be created what controls or guarantees are there over the quality of those who would be appointed in position of management and directorship of these entities?

There is quantum difference in the character and understanding of people who have experienced the risk and difficulties of investing their own money and savings into the formation and operation of an enterprise as opposed to those who are in effect bureaucratic capitalists using other monies as permitted by law.

THE WASTE SERVICES FURPHY

We note that the Waste Services furphy has been raised as part of the discussion paper as an example of where a beneficial enterprise may be formed.

The reality is that our members have been directly delivering high quality waste collection and disposal services to ratepayers of Local Government in Western Australia for over 100 years.

There is no evidence that the in-house model does not work.

The biggest impediment to the cost-efficient delivery of these Waste Services has been the explosion of administrative overheads connected to the delivery of the physical service over the past 30 years.

In 1986, Councils in Western Australia who had in house operations, employed five (5) crews' member per truck to collect and dispose of household waste. They now employ one (1) person to do that job per truck and are collecting and disposing of far greater tonnages than they did in 1986.

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In 1986 these crews were generally controlled by one (1) foreperson and a sub group of 1 or 2 leading hands. Now these same crews which are up to two thirds smaller in number(despite the significant expansion of population) and are usually controlled by multiple supervisors and sub supervisors creating significant overhead costs.

Their private sector competitors do not have the same overhead costs as they simply do not employ as many supervisory and management personnel to run their services. This is fact well know and understood by our member as many of them have worked for the key private sector companies that compete for this work.

So, the problem in our view is not in the delivery and provision of the service to ratepayer but in the current structure and model used in local government to manage this service

The only sure bet should Waste Services in Local Government be fully corporatized by the use of" beneficial enterprise' legislation will be the loss of wages, conditions employment and employment protection for those with the least power and who are the most vulnerable, the workers.

SUMMARY

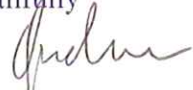
The union is not convinced about the economic nor the legislative rationale for introduction" beneficial enterprise" provisions into the Local Government Act 1995.

It seems to us just an extension of the "neo-liberal' philosophy that all government is inherently bad, and that public goods and services should be privatised even though that same public has paid for their creation in the first instance.

There is also no doubt that workers will lose, income, employment conditions and job security should this legislative change occur.

Is this what a Labor Government whose platform is to protect and advance the cause of Labor really intending for those who placed their trust in them at the last election?

Yours faithfully

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Andrew Johnson

SECRETARY

Cc members