BRUCE J. EVANS
[removed for privacy reasons]

May 7, 2009

AFTS Secretariat
The Treasury
Langton Crescent
PARKES ACT 2600

Any review of Australias taxation will perpetuate a grossly unfair system if it continues to ignore the impact of local government rates. Whilst recognizing that there is a growing gap between the poorest and the richest in the community, there is some attempt through the taxation system to offset the differences by higher rates of tax on higher levels of income. There are also benefits available exclusively to those with no or little independent income.

With Local Government rates, however, the situation is quite the reverse. In Victoria, and I believe other States, Australians citizens living outside the cities are heavily penalized under the present system. Some ratepayers pay local government rates at about five times the level of others but it is those who have the lowest level of government services that pay the highest level of rates. In cases where adverse climatic or business conditions may exist, rates are still payable even though there are losses rather than income.

I attach two documents that I have prepared that demonstrate the issue, both prepared from government statistics. Putting rates in their place was prepared four years ago. It demonstrates the huge variation in the valuation of properties across the State of Victoria and the fact that the poorest municipalities pay the highest rate in the dollar.

The second document is a submission I sent to the House Standing Committee on Infrastructure, Transport, Regional Development and Local Government. These two documents demonstrate that taxpayers with the lowest real taxable income pay the highest local government rates.

I draw attention in particular to the reference to a published comment from the Municipal Association of Victoria to a suggestion by the Member for Gippsland East that there should be a uniform rate applied over the whole State. Whilst he acknowledges that the ratepayers of the City of Stonnington pay only half the State average rate in the dollar, the CEO of the MAV justifies this by the amount these ratepayers have already paid in Commonwealth taxation.

This implies that the taxation system is being manipulated by State and/or Local Government to accommodate their perception of equity and justice. This seems to be a matter that any revue of the system should investigate.

My argument is that, in a global economy, it becomes vital that there should be reasonably comparable taxes to enable fair competition between trading partners. I can find no instances in comparable countries where public transport in big cities is subsidized to the massive degree as in Australia.

Nor can I find, except in corrupt African and other third world countries, where royalties are collected on exploitation of resources without some of the proceeds being returned to the region where they are produced. In the Victorian municipality where the bulk of the States electricity is produced, the ratepayers are unaware they subsidize the rates paid by the power stations within that municipality.

These and other policy decisions seem not to be based what is in the best long term interests of humanity but on what will return the incumbent government to office. With all the calamities that may befall the planet, the most inevitable is mass starvation and our governments are encouraging the importation of cheap food and in the process, making food for the masses in those countries more expensive.

We export vast quantities of natural gas but cannot supply most of our own country people or devise some means by which they may share the benefits of this great resource.

Land and buildings used for agricultural production in England have not been liable for local government rates for eighty years and most other countries recognize that the vagaries of primary production set it apart from the rules governing other forms of production.

I hope these views can be given due consideration. Whilst the statistics are somewhat dated, I point out that they are available to counter my argument if my conclusions are wrong. As a private individual, it is beyond my resources to keep updating them for the many inquiries that are undertaken into these issues.

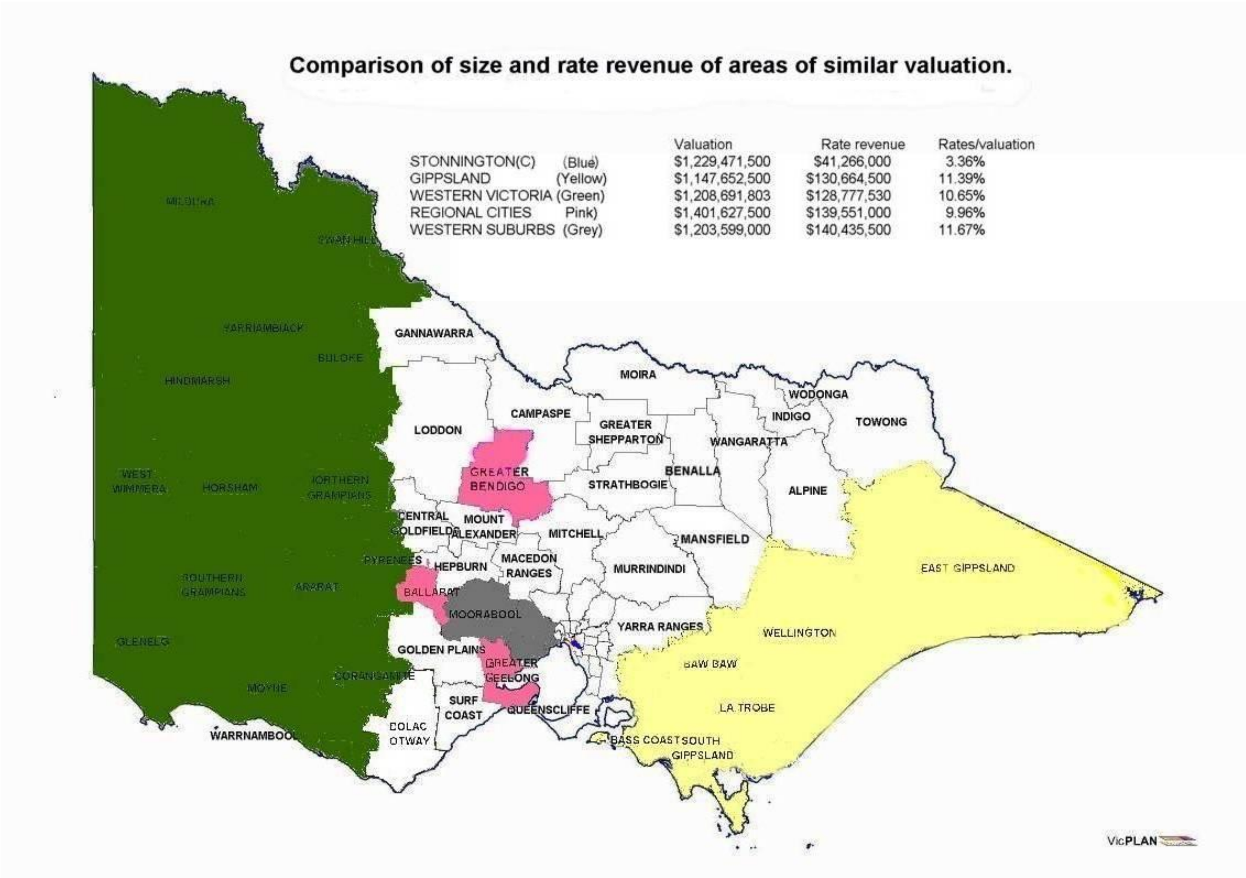
Yours faithfully,

Bruce Evans.

Putting rates in their place.

Prepared by Bruce Evans. 15/9/05

Any form of tax should be fair and readily understood by the taxpayer. A tax should relate to a taxpayer's ability to pay and to the benefit received. *(See Appendix 1.)* Local government rates do not comply with these accepted principles of taxation. Statistics available on the Victoria Grants Commission (VGC) website prove the case. These statistics are used as the basis on which Commonwealth Government Funds are distributed to local councils and it is vital that they should be accurate. The following map demonstrates how, in the State of Victoria, the impact of local government rates varies depending on the municipality in which land is located.



The VGC statistics include a 2 year average valuation of each municipality, 2 year average rate revenue and an "implied rate" calculated from these figures. In effect, the VGC uses the same process that each Council uses to determine the rate in the dollar for each property. They also include an implied rate for the whole State calculated in the same way. These may not coincide with the rate set out on any rate notice but are an accurate basis for comparing municipalities and groups of municipalities. It is far more objective than a Victorian government report, which compares municipalities on the basis of "Community satisfaction".

The City of Stonnington has the lowest 'implied rate' of all the State's municipalities. It can be assumed that Stonnington efficiently delivers all services and facilities expected of local government. It is fair, therefore, to use that municipality as a benchmark. Stonnington argued its case for more financial assistance before the House of Representatives Cost Shedding Inquiry. The statistics put the financial position of all municipalities into perspective. The map puts Stonnington into geographic perspective in relation to the rest of the State - it is the minute area shaded blue in the south-east of the Central Business District of the City of Melbourne.

Assuming that all municipalities are expected to provide similar services and facilities, the difference in the rate in the dollar struck by each Council can only be attributed to the cost of delivering these services or because some municipalities are required to deliver a greater range of services. If poor administration is the reason, there is a scandal of massive proportions in local government in Victoria. That proposition is countered by the fact that only two of the councils with below average implied rate as calculated by the Victoria Grants Commission are outside the metropolitan area.

In the above map municipalities have been grouped to achieve a roughly similar total valuation to demonstrate how local government rates vary on a regional basis. The figures have been extracted from a table available on the Internet under Victoria Grants Commission (VGC). The table, modified by colour coding metropolitan and non-metropolitan municipalities and sorted in ascending order of the 'implied rate' as calculated by the VGC, is included in Appendix 4.. Several columns of figures used to calculate the two year averages are hidden. Figures from the Milbur Report, a Municipal Association Report in 2000, relating to mean household income and population have been added for information. The result provides an overall picture rather than a precise analysis of each municipality.

The VGC table titled Standardised Revenue provides a two-year average valuation and two-year average rate revenue for each municipality. From these figures, the Commission calculates an "implied rate" for each Council. This averages out any differential rates a Council may impose, such as a farm or commercial rates.

No purpose can be served by governments reciting what they have done for rural areas in the past because these figures prove that they are not meeting the needs of the majority of Victorian communities. The VGC statistics demonstrate that there is scandalous difference in the impact of rates depending on where people live. There is a flaw in local government financing if this important arm of government, or any parts of it, cannot provide the essential services to which its ratepayers are entitled at a cost reasonably comparable to ratepayers in other municipalities.

Even if rural communities received the same level of services as are available to residents of the metropolitan area, it appears that the cost of delivering such services to country communities is more than double the cost of the actual services. What other explanation is there for the much greater costs in rural municipalities?

Victoria Grants Commission statistics show that 22 municipalities levy an implied rate below the average for the whole of the State, 20 of them are within the metropolitan area, and 19 of the 20 are contiguous. One of the two non-metropolitan municipalities below average is Queenscliffe, the only council left intact in the 1995 restructure, the other, Mansfield, is newly severed from Delatite.

"Why is it so?"

The valuation of the City of Stonnington is greater than the total valuation of six municipalities that cover Gippsland, the area shaded yellow on the right of the map. One of these is Cardinia, classified by the VGC as metropolitan. Gippsland's ratepayers pay three times the rates paid by the ratepayers of Stonnington.

Stonnington is valued at slightly more than the combined valuation of 16 municipalities in the west of the State but the latter pay about $88 million more in rates.

The three major regional cities of Ballarat, Bendigo and Geelong combined are valued slightly higher than Stonnington but they pay almost $100 million more in rates.

What is it about Stonnington that makes it so valuable? An economist should be able to explain why there is such a vast difference in the valuation of land in various parts of the State.

Stonnington does not have any arable land, mountains, lakes or coastline - it has only a few hundred metres of river frontage. It has no coal, gas, oil or water catchments. It has no forests or National Parks - no snowfields or beaches. It produces no crops nor provides any sink for the greenhouse gases it produces or which are produced elsewhere for the benefit of the ratepayers of that municipality. Its assets are artificial - public transport, freeways and other services mostly provided by taxpayers – the logical reason why rates should be higher, not lower, than other parts of the State.

Real estate salesmen would say that it is “location, location, location”. Stonnington is close to all the facilities that people desire. If that is so, why is it that just a few kilometres away in the western suburbs, the level of local government rating is comparable with rural Victoria?

One thing Stonnington shares with its neighbouring municipalities is an average household income $10,000 above the average of those who reside in non-metropolitan municipalities. In fact it is almost double that of the poorest municipalities. This demonstrates that there is a capacity to pay.

It also shares use of a public transport system, massively subsidised by taxpayers of Australia to the tune of $2.146 billion annually. *(See Auditor General’s Report, Sept. 2005).* This subsidy transfers the cost of the public transport system to the value of the land that benefits. The same land also benefits from the construction of freeways that remove the traffic from outer suburbs that would otherwise clog up the streets.

A house does not increase in value over time but value of the land on which it is built reflects the availability of publicly provided facilities and amenities, particularly public transport and freeways, the things that should attract a higher rate in the dollar. Instead of paying for the cost of the transport network, users are paying higher rents to their landlords or interest on higher mortgages. Ratepayers in the inner city reap the benefits by not having to pay the real costs of getting their employees and/or customers and clients into their shops and offices or by charging rents that reflect the higher values.

If public transport subsidies and freeway construction costs, with an acceptable Community Service Obligation taxpayer contribution, were paid by all metropolitan ratepayers, it would reflect the true cost of city development. The amount of rates property owners pay would reflect the benefit they receive but it should be paid to the authority that provides the facility. If metropolitan ratepayers paid the same rate in the dollar as the most highly rated country municipality, enough additional revenue would be generated to cover the losses of public transport and the freeways on which the metropolitan area depends. In addition, the State government would be freed of an annual outlay of about $2.146 billion which then could be re-directed to the needy people in the community.

National Competition Policy argues that subsidies distort the economy and cause a misallocation of resources. There is no better example than the subsidisation of facilities and services in big cities. Non-metropolitan ratepayers pay about $200,000,000 more in rates every year than they would if they owned property of the same value in the metropolitan area. This is only part of the transference of wealth from the country to the city.

In the case of Latrobe City, its current 2 year average revenue from rates is $30,367,500. Under a Standardised system, it would have been $12,290.045, a reduction of $18,077,455. The Latrobe Valley provides resources that allowed metropolitan Melbourne to grow and prosper. Its brown coal resources provide the electric power, and in the past, briquettes and Lurgi gas, without which Melbourne could not have grown into the massive city it has become. In fact, Latrobe City ratepayers subsidise the rates paid by power stations within its boundaries, an impost that should be shared by all Victorians.

By Australian standards, Gippsland is well endowed with resources but instead of assuring the prosperity of the region, they have been sequestrated by the State without compensation to the region. Irrigators in Gippsland are restricted in the use of water within the region, and its potential to absorb a far greater proportion of the population, because most of one of its major rivers is diverted for metropolitan use without any compensation to the region.

After 40 years, natural gas from the Gippsland Basin will soon become available to some East Gippsland residents. Governments talk of "world's best practise" but ignore the fact that other countries provide proceeds from royalties or similar contributions for the benefit of local communities. Royalties are used instead to boost property values in the capital city by providing facilities at taxpayers' expense that ratepayers are expected to pay for in the country.

The present system is steadily and ruthlessly destroying non-metropolitan areas economically. It is most noticeable in rural and remote areas where farmers are battling to stay solvent while governments try to think up schemes to attract skilled migrants into country towns. In addition to draining the country of its wealth, our governments are draining the country of its people and more 'country electorates' encompass fringes of the metropolitan area.

Country towns are the most efficient of communities but this natural advantage is destroyed because they are expected to share the costs of servicing their hinterland while the metropolitan area escapes this responsibility. Nevertheless, country people are expected to share the costs of providing public transport and other services needed by a big city. The description of Australia as a "Commonwealth" is a misnomer.

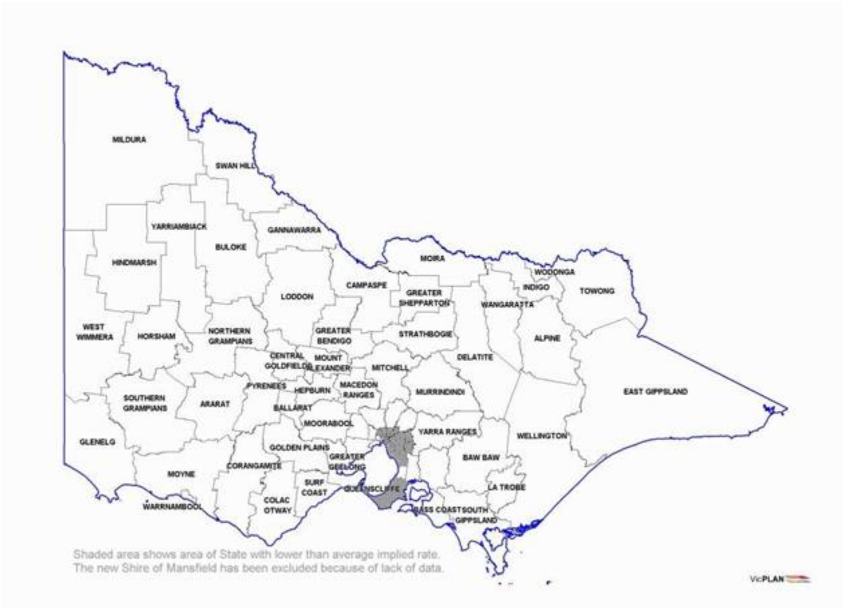
A fool's paradise…

Australians are reputed to be fair minded and compassionate people and our governments claim to reflect these admirable traits. We are living in a fool's paradise if we believe this myth.

Almost 80% of Australians have crowded into massive cities, insulated from the extremes of droughts and flooding rains, and they have lost touch with the realities of the country in which they live. They believe they have a right to plunder the countryside for the resources needed to sustain a lavish lifestyle. They can see no reason why country people should have any right to share the benefits. Governments do not seem to comprehend that all Australians live in a big country, not just those who live outside the cities. Country residents are expected to carry the costs of living in a big country while city people reap the benefits.

In Victoria, ratepayers in non-metropolitan areas pay about $200,000,000 more each year in local government rates on property of equal value than do ratepayers in the metropolitan area, yet city and country people alike are constantly brainwashed into believing that it is the country that is subsidised. In the context of 'value for money', the comparison between services and facilities provided in the city and country is scandalous. Compared with the wealthiest metropolitan ratepayers, some country ratepayers pay almost five times the rate in the dollar for grossly inferior services.

Mismanagement can be largely discounted by reference to the following map which shows the location of municipalities having a lower than average implied rate as calculated by the VGC.



If it is good management that results in a below average 'implied rate', it is extraordinary that all but two occur in the metropolitan area. It is even longer odds that all but three are contiguous. The fact that the figures prove is that Commonwealth and State governments favour the rich more than the poor.

Approximately 250,000 more Victorians would be better off under a standardised rate than would be disadvantaged by it. On a per capita basis, those who need it most would benefit the most.

The rating structure already in place in the Australian Capital Territory would, if used in Victoria, dramatically increase both the numbers who would benefit and the amount by which the most in need would gain. Conversely, failure to deal with the issue will steadily depopulate rural areas and cause ever growing environmental problems in the capital city.

What needs to be done?

1. The public should be informed of the facts revealed by the Victoria Grants Commission. They are public information but the news media choose to ignore them. Repeated attempts over 5 years to interest public affairs programs have been ignored.
2. All levels of government need to be reminded that all Australians live in a big country – not just those who live outside the cities. Both Commonwealth and State governments are guilty of short-changing non-metropolitan municipalities. The bank-rolling of an army of public servants and numerous consultants, together with the huge area of office space leased in the capital cities are major contributors to the continued growth of the metropolitan area. Far more money is needed for infrastructure to maintain the countryside.
3. The concept of 'local roads' is a relict of the horse and buggy days. All motorists have access to all roads and they should be funded accordingly. With recent changes to the law relating to liability for failure to maintain roads, ratepayers in rural municipalities are likely to incur ever increasing costs, much of it in administration instead of actual works.
4. There are sound, logical reasons for a farm rate but it should not be at the expense of other local ratepayers. The natural advantages of small towns are destroyed because their residents are forced to share the costs of servicing remote areas while the metropolitan area is excused from any such obligation.
5. The Australian Capital Territory provides an excellent model for local government rating.

6.

Appendix 1.
Extract from Microsoft Encarta.

Fairness

Of fundamental importance is that any tax must be fair—that is, citizens should be taxed in proportion to their abilities to pay (a concept that Smith defined somewhat ambiguously as “in proportion to the benefit they derive from the government”). A tax is considered fair if those who have the means to pay are assessed either in proportion to their capacity to pay or, depending on the situation, in proportion to what they receive from the government. Both “ability to pay” and “benefits received”, therefore, are criteria of fairness. When government services confer identifiable personal benefits on some individuals and not on others, and when it is feasible to expect the users to bear a reasonable part of the cost, financing the benefits, at least partly, by taxing the people who benefit is considered fair, as in the repayment of loans to students by subsequent taxation. (Obviously, this method does not apply to such services as public welfare payments.) Taxation in accordance with appropriately applied standards of ability to pay or of benefits received is said to meet the requirements of vertical equity (because such taxation exacts different amounts from people in different situations). Just as important is horizontal equity—the principle that people who are equally able to pay and who benefit equally should be taxed equally.

Appendix 2.
Australian Capital Territory Rating Structure.

http://www.revenue.act.gov.au/rates.htm#Rates

Rates Calculation for 2004-05

The variable factors used to calculate Rates are now determined by disallowable instrument under s139 of the Taxation Administration Act 1999. See Disallowable Instrument DI 2004-43 for current amounts and percentage rates.

Calculation of rates for different types of property is as follows:

Standard Properties: $330 + ((AUV - $21500) x P) The amount of rates payable for 2004-05 has two components - a fixed charge of $330 (except for rural properties) and a valuation based charge for each rateable property. The valuation based charge is calculated using a rating factor or percentage (P) and the average of 2002, 2003 and 2004 unimproved land values of your property (AUV), that exceeds $21 500 (rate free threshold). You do not pay the valuation based charge on the first $21 500 of your AUV.

Unit Properties: $330 + Q(AUV x UE) - $21500) x P) Rates for units that are part of a registered Unit Title Plan are subject to a similar calculation that is applied to standard properties. Each unit is liable for the $330 fixed charge together with the valuation based charge. The valuation based charge for each unit is calculated using the average of 2002, 2003 and 2004 unimproved land values (AUV) of the entire Unlit Title Plan which is multiplied by the individual unit entitlement (UE). The rating factor (P) is then applied to the individual unit value that exceeds $21 500 (rate free threshold). There is no liability for the valuation based charge if the individual unit portion of the AUV is $21 500 or less.

Rural Properties: (AUV - $21500) x P Rates for rural properties are calculated on a valuation based charge only. The rating factor (P) is applied to the average of 2002, 2003 and 2004 unimproved land values (ALTV) that exceeds $21 500 (rate free threshold). There is no fixed charge component for rural properties.

Rating Factors (P)

There are differential rating factors for residential, commercial and rural properties that are applied to the AUV of each property that is above $21 500 (rate free threshold). The rating factors for 2004-05 are as follows:

Residential 0.3870% Commercial 1.2182% Rural 0.1935%

Note. Because of the power of veto the Commonwealth Government exercises over territorial governments, it can be assumed that this system of rating is endorsed by both sides of politics. This highlights the inconsistency of an amendment to the Commonwealth's Local Government (Financial Assistance Act) that provides that 30% of Commonwealth funds granted under the Act are to be distributed on a per capita basis to every municipality. This amendment, that has been in place for 30 years, ignores the reality that it is lack of population that adds to the cost of providing services.

Where there are advantages in density of population, such as telephone charges and the supply of other services, metropolitan residents are quick to claim the advantages of "economy of scale" but where there are diseconomies such as the need for freeways, public transport, pollution control, criminal activity to name a few, it is the taxpayer rather than the ratepayer who is called upon to bear the costs.

Appendix 3.

The Commonwealth Grants Commission Act states : -
S. 12(3) In making a determination the Commission must have regard to the objective of ensuring that the allocation of funds for local government purposes is made, as far as practicable, on a full horizontal equalization basis, being a basis that ensures that each council in the State is able to function, by reasonable effort, at a standard not lower than the average standard of other municipalities in the State, and that takes account of differences in the expenditure required by those municipalities in the performance of their functions and in the capacity of those municipalities to raise revenue.

The above Section was passed by the Commonwealth Parliament 30 years ago. Despite the wording, it seems clear that it is not achieving its stated objective. The Commonwealth Government acknowledges that there is a "conflict" in the Act that ensures that the objective cannot be met but does not intend to change it.

Appendix 4.

The figures below were extracted from the Department of Infrastructure web site. Municipalities have been sorted in ascending order by the implied rate and colour-coded into metropolitan and non-metropolitan. The population and mean household income figures are seven years old and many rural areas have most likely declined both in income and population in the intervening years.

VICTORIA GRANTS COMMISSION

Standardised Revenue

From Milbur Report

Metropolitan
Non-metropolitan

Municipality	NAV Valuations June 2001	June 2002	2001 -2002 2 Year Average	2 Year Average Rate Revenue	Implied Rate	Base Standardised Rate Revenue	Median household income, $ 1998	Population 1998	Standardised rate revenue compared with 2 year average
STONNINGTON(C)	1073429000	1385514000	1229471500	41266000	3.4	82374591	$40,976	90546	$41,108,591
BAYSIDE(C)	761724000	1000106000	880915000	33306000	3.8	59021305	$42,224	88449	$25,715,305
MANSFIELD(S)	38490000	43594000	41042000	1589725	3.9	2749814			$1,160,089
BOROONDARA(C)	1354827000	1769730000	1562278500	62639500	4	104672660	$45,032	157208	$42,033,160
MONASH(C)	934736000	1182122000	1058429000	43458500	4.1	70914743	$39,676	161996	$27,456,243
WHITEHORSE(C)	765817000	1010550000	888183500	38214500	4.3	59508295	$38,012	145611	$21,293,795
DOCKLANDS AUTHORITY	30551000	44238000	37394500	1641500	4.4	2505432			$863,932
GLEN EIRA(C)	784079000	1054733000	919406000	42448000	4.6	61600202	$34,476	122536	$19,152,202
KINGSTON(C)	838373000	1045681101	942027051	43839917	4.7	63115812	$33,748	132895	$19,275,895
MANNINGHAM(C)	809736000	809736000	809736000	37763000	4.7	54252312	$46,958	112503	$16,489,312
PORT PHILLIP(C)	902102000	1145977000	1024039500	48775500	4.8	68610647	$33,540	79680	$19,835,147
MORNINGTON PENINSULA(S)	855815000	1163766000	1009790500	52862000	5.2	67655964	$28,288	121372	$14,793,964
BANYULE(C)	550062000	706959000	628510500	33944000	5.4	42110204	$39,260	119486	$8,166,204
MOONEE VALLEY(C)	637789000	807553000	722671000	39569500	5.5	48418957	$35,152	111898	$8,849,457
YARRA (C)	669938000	823465000	746701500	42200500	5.7	50029001	$34,996	68420	$7,828,501
KNOX(C)	631442000	669770000	650606000	39917500	6.1	43590602	$42,328	141061	$3,673,102
QUEENSCLIFFE(B)	35211000	50345000	42778000	2590500	6.1	2866126	$25,688	3406	$275,626
DAREBIN(C)	640578000	839367000	739972500	45612307	6.2	49578158	$28,496	129005	$3,965,851
MELBOURNE(C)	1701422000	1701422000	1701422000	106063500	6.2	113995274	$36,764	44619	$7,931,774
MAROONDAH(C)	430222000	561293000	495757500	31183500	6.3	33215753	$36,480	97321	$2,032,253
MORELAND(C)	634359000	800559000	717459000	45572500	6.4	48069753	$29,280	137258	$2,497,253
GREATER DANDENONG(C)	563486000	702165000	632825500	40833000	6.5	42399309	$39,524	132091	$1,566,309
HOBSONS BAY(C)	447178000	584850000	516014000	37284500	7.2	34572938	$33,852	80825	-$2,711,562
MOYNE(S)	103546000	119135000	111340500	8162000	7.3	7459814	$27,144	16158	-$702,186
FRANKSTON(C)	370109000	488635000	429372000	31812000	7.4	28767924	$33,228	111081	-$3,044,076
HUME(C)	523609370	658784000	591196685	43479990	7.4	39610178	$37,980	126350	-$3,869,812
SURF COAST(S)	145940000	232451000	189195500	13923500	7.4	12676099	$29,648	18652	-$1,247,401
NILLUMBIK(S)	248460000	324837000	286648500	21361500	7.5	19205450	$50,960	58651	-$2,156,050
WHITTLESEA(C)	417534642	590383469	503959056	39112421	7.8	33765257	$38,116	111040	-$5,347,164
CASEY(C)	550598000	719617000	635107500	51388500	8.1	42552203	$39,884	160845	-$8,836,297
BRIMBANK(C)	493325000	713892000	603608500	49277500	8.2	40441770	$34,840	158032	-$8,835,730
GOLDEN PLAINS(S)	47316000	56758000	52037000	433250	8.3	3486479	$30,888	13958	$3,053,229
BASS COAST(S)	129759000	206167000	167963000	14151000	8.4	11253521	$21,112	22141	-$2,897,479
MARIBYRNONG(C)	331689000	435585000	383637000	33414000	8.7	25703679	$29,688	61145	-$7,710,321
YARRA RANGES(S)	498269000	656036000	577152500	50121000	8.7	38669218	$36,816	139315	-$11,451,782
CARDINIA(S)	162755000	201273000	182014000	16276000	8.9	12194938	$35,516	44145	-$4,081,062
WARRNAMBOOL(C)	108205000	137279000	122742000	11164500	9.1	8223714	$26,728	28073	-$2,940,786
CORANGAMITE(S)	90852000	97490000	94171000	8665000	9.2	6309457	$25,792	17604	-$2,355,543
GREATER GEELONG(C)	677431000	893300000	785365500	72278000	9.2	52619500	$29,172	186307	-$19,658,500

COLAC-OTWAY(S)	97548000	121963000	109755500	10540500	9.6	7353619	$25,376	20473	-$3,186,881
WEST WIMMERA(S)	28577000	31165000	29871000	2903500	9.7	2001357	$22,828	5032	-$902,143
CAMPASPE(S)	150029000	165156000	157592500	15461000	9.8	10558698	$26,884	35348	-$4,902,302
INDIGO(S)	53601000	56643000	55122000	5469000	9.9	3693174	$29,900	14370	-$1,775,826
MURRINDINDI(S)	66484000	76529000	71506500	7094000	9.9	4790936	$26,572	12916	-$2,303,064
GREATER SHEPPARTON(C)	228238000	255014000	241626000	24139000	10	16188942	$28,860	55117	-$7,950,058
MACEDON RANGES(S)	138931000	157965000	148448000	15045000	10.1	9946016	$36,504	35274	-$5,098,984
WANGARATTA(RC)	94960000	106558000	100759000	10185500	10.1	6750853	$28,340	26200	-$3,434,647
GANNAWARRA(S)	42342000	46104000	44223000	4593500	10.4	2962941	$24,388	12297	-$1,630,559
HORSHAM(RC)	69946000	79699000	74822500	7792000	10.4	5013108	$26,864	18144	-$2,778,892
MILDURA(RC)	211272000	238101000	224686500	23388000	10.4	15053996	$25,792	47290	-$8,334,004
BALLARAT(C)	276799000	339769000	308284000	32747500	10.6	20655028	$27,300	80330	-$12,092,472
MITCHELL(S)	77461000	104093000	90777000	9805000	10.8	6082059	$32,916	26490	-$3,722,941
PYRENEES(S)	29053000	32313000	30683000	3323500	10.8	2055761	$21,372	6808	-$1,267,739
SOUTHERN GRAMPIANS(S)	67349000	78985000	73167000	7896500	10.8	4902189	$24,908	17172	-$2,994,311
WELLINGTON(S)	180014000	210769000	195391500	21069000	10.8	13091231	$26,624	41728	-$7,977,769
STRATHBOGIE(S)	46321000	53000000	49660500	5399500	10.9	3327254	$21,944	9313	-$2,072,246
WYNDHAM(C)	314595000	399789000	357192000	39270000	11	23931864	$41,236	80931	-$15,338,136
MOUNT ALEXANDER(S)	57928000	58396000	58162000	6382000	11	3896854	$22,776	16728	-$2,485,146
BAW BAW(S)	131294000	141206000	136250000	15135500	11.1	9128750	$26,548	34716	-$6,006,750
GREATER BENDIGO(C)	293956000	322000000	307978000	34525500	11.1	20634526	$26,936	86451	-$13,890,974
MOIRA(S)	101695000	102622000	102158500	11492500	11.2	6844620	$25,272	26203	-$4,647,880
MOORABOOL(S)	82887000	83658000	83272500	9353000	11.2	5579258	$33,020	23536	-$3,773,742
BENALLA(RC)	52251000	59512000	55881500	6362275	11.4	3744061			-$2,618,214
SOUTH GIPPSI-AND(S)	115229000	130269000	122749000	13935500	11.4	8224183	$25,896	25624	-$5,711,317
HINDMARSH(S)	26179000	27961000	27070000	3123000	11.5	1813690	$23,452	6698	-$1,309,310
TOWONG(S)	26919000	30718000	28818500	3305000	11.5	1930840	$25,896	6415	-$1,374,160
MELTON(S)	164142000	198669000	181405500	21114000	11.6	12154169	$38,272	46776	-$8,959,831
YARRIAMBIACK(S)	385940001	404250001	395095001	4574000	11.6	2647137	$24,648	8660	-$1,926,863
HEPBURN(S)	45917000	49373000	47645000	5561500	11.7	3192215	$22,828	14055	-$2,369,285
LODDON(S)	34749000	40656000	37702500	4502500	11.9	2526068	$21,372	8941	-$1,976,432
GLENELG(S)	82884011	109835595	85560303	10324030	12.1	5732540	$27,612	20470	-$4,591,490
WODONGA(RC)	112137000	124830000	118483500	14472500	12.2	7938395	$32,396	30758	-$6,534,105
ALPINE(S)	50096000	60445000	55270500	6803000	12.3	3703124	$25,272	12359	-$3,099,876
EAST GIPPSLAND(S)	150376000	169327000	159851500	19730000	12.3	10710051	$22,572	39418	-$9,019,949
NORTHERN GRAMPIANS(S)	46293000	50004000	48148500	5986500	12.4	3225950	$25,376	13155	-$2,760,550
CENTRAL GOLDFIELDS(S)	33426000	34891000	34158500	4644000	13.6	2288620	$21,215	12796	-$2,355,380
ARARAT(RC)	39051000	38991000	39021000	5708000	14.6	2614407	$25,480	11697	-$3,093,593
BULOKE(S)	32008000	36061000	34034500	5253500	15.4	2280312	$23,712	7672	-$2,973,188
SWAN HILL(RC)	63638000	64580000	64109000	9973000	15.6	4295303	$25,428	20718	-$5,677,697
LATROBE(C)	177774000	458493000	183433500	30367500	16.6	12290045	$27,092	70822	-$18,077,455
Totals	251237070231.00	31421655165	28127181595	1880045165	6.7	1884521186			
Average household income and total population below average implied rate/$							$36,545	2197361	
Average household income and total population above average implied rate/$							$28,650	2444223	

Top of the Document

itrdlg.reps@aph.gov.au

Secretary,
House Standing Committee on Infrastructure, Transport, Regional Development and Local Government
Parliament House,
Canberra ACT

Inquiry into the impact of the global financial crisis on regional Australia

[removed for privacy reasons]

The extent of the impact of the global financial crisis on regional Australia is difficult to assess given that the ultimate world wide impact is still not known. However, it is apparent if we learn from history that regional Australia will be well behind more favoured parts of the nation in its recovery.

My comments relate mainly to events that have taken place in Victoria but I have reason to believe that a similar situation applies to a lesser or greater extent in other States.

In 1992, the newly elected Premier of Victoria, declaring that the States financial position was in a deplorable state said he intended to 'fix Melbourne's problems first'. There was no publicly expressed opposition to this declaration despite the clear breach of his responsibility to govern in the best interests of all Victorians. It was abundantly clear that Melbourne's public transport problems can never be fixed as any increase in accessibility to the CBD will only result in the further expansion of the metropolitan area and the increased population will absorb the newly available space.

Another blow to regional and rural communities was the privatisation of the provision of services such as electricity supplies. In 1966, the State Electricity Commission introduced uniform tariffs of electricity. This meant that all consumers shared the costs of distribution throughout the State, except for several metropolitan Councils that had their own distribution systems which purchased their electricity in bulk and pocketed the balance. These councils had windfall profits when their electricity interests were sold to the new private entities. The ultimate effect of privatising the electricity industry is yet to be felt but for the present, regional centres share the costs of distribution of electric power to remote communities while metropolitan consumers are exempt. It seems inevitable that electricity prices will follow the pattern of natural gas. Those of us who live outside towns of a substantial size will never get natural gas but neither will we ever get some offsetting benefit from this resource which is 'essential' in the capital city.

These are just a few examples of penalties imposed on country people by our own government which are impacting very heavily on the ability of regional communities to survive. There is little reason to believe that any consideration will be given to dealing with these issues and more and more country people will go to the city and be counted among those who are bleeding the coffers of this country dry.

Another blow to country people was the restructure of local government in Victoria in1995. While metropolitan councils were amalgamated into bigger and more politically powerful entities, many struggling country municipalities were amalgamated with almost bankrupt neighbours. This is demonstrated by the fact that within five years, the Municipal Association of Victoria (MAV) had commissioned and published a report on the financial difficulties of rural shires. Despite the elapse of nine years, there is no indication that Commonwealth or State governments have any intention of acting to rectify this deplorable situation.

During the Great Depression, money was made available for unemployed to carry out silvicultural work in State Forests and to build Victoria's Great Ocean Road among other useful works. This is in stark contrast to the present handouts without regard to any long term benefit to anyone. We are benefiting still from work carried out to provide employment in the depression while the present generation gets handouts that future generations will have to fund.

In the immediate post World War 2 years, Australia faced a similar economic crisis as it tried to pay the costs arising from six years of war. The government of the day appealed to farmers to produce more as the future of the nation depended on our ability to earn income from overseas. This was the driving force for the construction of irrigation projects, such as the Snowy Mountains Scheme, Soldier settlement schemes and the like.

Australia prospered because farmers responded to the challenge despite this country being arguably the most poorly endowed with fertile soils, adequate rainfall and reliable rivers. It was said that Australian farmers produced more per head than any others. Despite the words of our national anthem, Australia does not abound with nature's gifts. It prospered because people were prepared to face floods, fires, droughts and isolation and resisted the attractions of a safe, protected, and even pampered life in the big cities. It is not the lack of such people today but the greed and self interest of those in the finance sector based essentially in the cities that have destroyed the prosperity we so recently enjoyed.

It has been claimed that Australia is not exposed to the practises that led to the economic collapse of financial institutions. I dispute that contention. The taxation system in Australia has encouraged people to invest in housing in the Capital cities encouraging speculators to buy existing houses and by doing nothing, see the value of their investment grow by 20 to 30% per annum while hard working farmers and the businesses that support them have to contend with the vagaries of nature. For years, investment advisors on ABC radio have been telling listeners never to buy outside the inner city unless they have a particular interest in the area.

Colliers International research reported in the Herald Sun, Thursday, July 24 2008 that "in December last year, house prices for Melbourne suburbs near trains and trams hit an average of $526,000 – with top rail suburbs prices soaring by up to 57 percent in the year." "New data shows that homes in suburbs within 2 kms of a train station or tram stop are worth an average of $165,625 more than in suburbs not connected to rail."

This report must surely have come to the attention of the government or at least to the many avid readers of the newspaper in question who sit in our Parliaments. Colliers International is a prestigious company and it is not likely that their figures are grossly exaggerated. If the final sentence is accurate, the value added to real estate having as many as five stations within 2 kms with about 1,000 trains per day must be staggering. The reasons why neither Commonwealth nor State governments tap into this huge source of revenue should be made public.

It is extremely difficult to understand why drought stricken wheat growers in the Mallee municipality of Buloke should be expected to pay local government rates at four times the level that the ratepayers of Stonnington do given the value added to property by public expenditure in or adjacent to the respective municipalities.

Only one explanation has come to my attention. That was an article in the Weekly Times, July 27 2005, in which the CEO of the Municipal Association of Victoria agreed that Stonnington ratepayers paid only half the State average rate-in-the-dollar but justified the difference because of the amounts already paid by that city's residents in Commonwealth taxation. Surprisingly, there was no outcry about this extraordinary argument from country councillors or ratepayers and, because the opinion was given under the banner of the MAV, higher levels of government assume that councillors of country municipalities agree with this opinion.

In its submission to the Productivity Commission's inquiry on the capacity of local government to raise revenue from its own resources, the M.A.V. pointed out that each council struck a rate after all other sources of income were taken into account. This means that country ratepayers' money may be directed to expenditure on projects that may have no direct benefit to their property whatsoever. On the other hand, ratepayers in the metropolitan area make no direct contribution to vast amounts of money spent by State and Commonwealth governments that add considerable value to their properties.

The Productivity Commission Finding 3.5 states: -

Expenditure per person varies considerably across councils. Rural and remote councils have higher expenditure per person, on average, compared with urban councils. This is largely explained by the inability of rural and remote councils to capture scale economies, having to pay higher input costs, maintaining more kilometres of roads per person and undertaking a relatively more extensive service mix.

Perhaps it was the narrow terms of reference that prevented the Productivity Commission expanding on this finding. For example, no comparison is made of what a ratepayer gets for his or her money. If we buy a car, we expect to get it at city prices plus delivery costs. We don't expect to pay the price of a luxury car for an economy type. Assuming that local government is supposed to provide services on a reasonably equitable basis to its ratepayers as stated in the Local Government Financial Assistance Act, it apparently costs three to four times what the services are worth to deliver them.

There are people living in similar circumstances to me scattered all over Victoria. Both in our 80s, my wife and I live in the house we built 50 years ago. We have no footpath or kerb and channelling, the nearest streetlight is two kilometres away. The nearest railway station is 23 kms away and the nearest tram stop over 250kms away. No government pays half the cost for us to drive to the nearest town to do our shopping or to see a football match. We are not complaining about that – it is our choice. But if we lived in metropolitan Melbourne, taxpayers would pay about an average $30 for every train or tram trip we took into the city.

It is my understanding that National Competition Policy, while acknowledging the need for Community Service Obligations (CSO), clearly stated that subsidies distorted the economy and caused a misallocation of resources. When clarification was sought, the National Competition Council replied (in part)

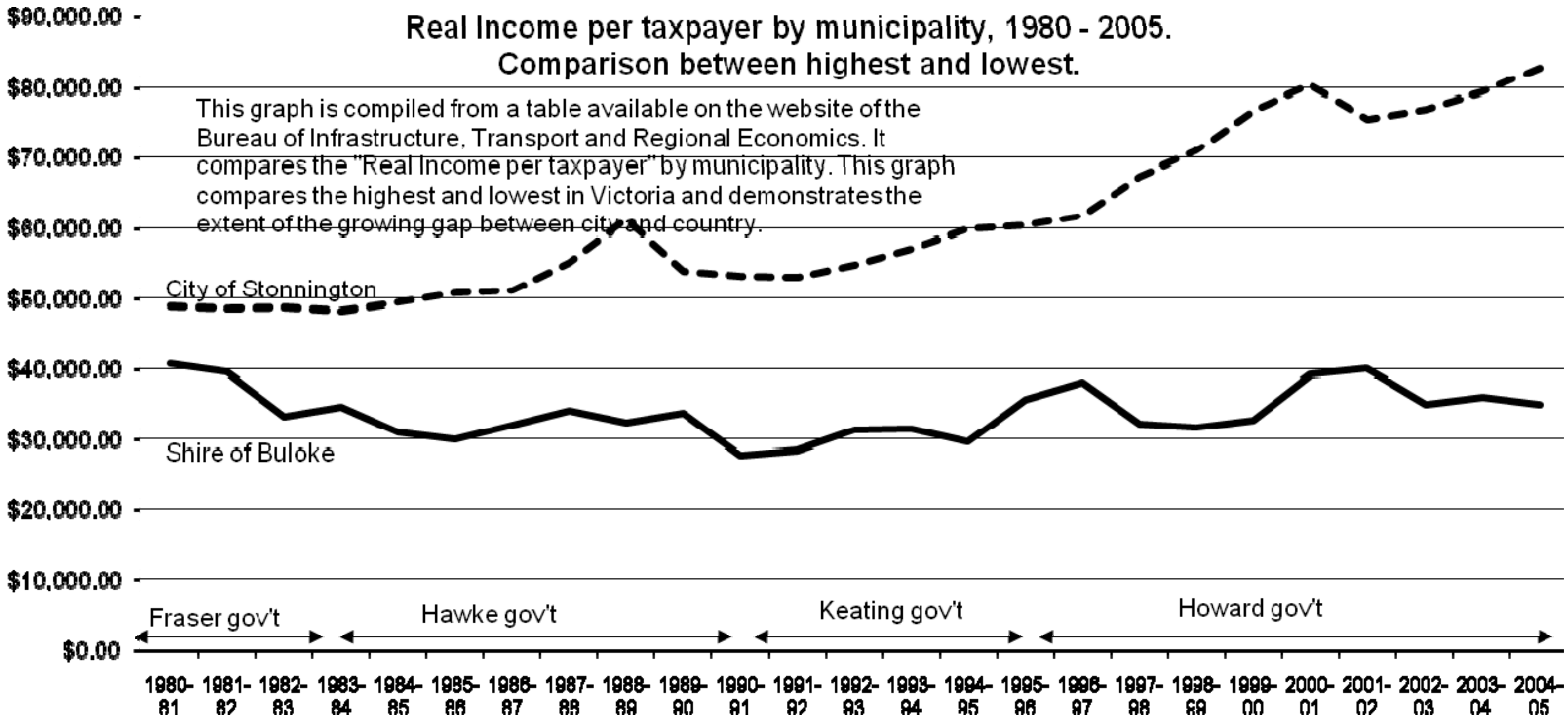
It is important that governments clearly specify and carefully fund the CSO' s that they impose on their businesses. Failure to do so means that it is impossible to determine if government funding for the business is for services provided to the government or whether the business enjoys a general subsidy which may breach competitive neutrality obligations if the business competes with private providers.

By some perverse logic, it appears that this expenditure is considered a ‘service provided to the government’ and that it is not a general subsidy.

Judging by the clamour from the people of Melbourne for a vast increase in the funding for metropolitan public transport and freeways, it appears they have no idea of the amount currently being spent. There are indications that neither the government nor the media have any intention of enlightening them. Regional and rural taxpayers are entitled to know what services they receive as an alternative to heavily subsidised public transport in the capital cities.

This is only one of numerous examples of discrimination against county people by our own governments. The effect of this is demonstrated in statistic available from the Bureau of Infrastructure, Transport and Regional Economics.

The following chart has been prepared from statistics available from the Bureau of Infrastructure, Transport, and Regional Economics. It shows graphically how the gap between city and country is growing at an accelerating rate.



The above graph demonstrates the growing gap between the real incomes of taxpayers throughout the State of Victoria. All other municipalities in the State fall between the two illustrated. Most, but not all, metropolitan municipalities fall in the highest sector. The approx. terms of office of the respective Prime Ministers is included to illustrate their influence on the trends demonstrated. It shows that it makes little difference to country people which government is in power. Indeed, the same applies to a few outer metropolitan municipalities, where taxpayers are forced to live because residential costs in the inner city are beyond their resources. They are duped into believing they are the beneficiaries of grossly subsidised public transport and freeways when the main beneficiaries are the owners of real estate in the inner city many of whom are not even Australian citizens.

It should be noted that a proportion of the taxpayers in each municipality such as teachers, police, bank officials and the like would be on the same wages or salaries as their city counterparts, although liable to the additional costs of living in the country including higher local government rates, so the decline is basically attributable to farmers and the small businesses that service them. The same two municipalities are top and bottom in the rate in the dollar they charge their ratepayers, except they swap places. The ratepayers of Buloke Shire pay four times that paid by the ratepayers of Stonnington on property of equal value. No doubt if it were possible to chart the value added to a ratepayer's property by the expenditure of public money, the gap would be even greater.

Local government, particularly rural Shires, rely on the advice of the Municipal Association of Victoria on complex issues. On the number of occasions this matter has been drawn to the attention of local government there has been no response. Given the opinion expressed in the article mentioned above, it seems possible that he would have advised Councils that there was no substance in the argument and it was best that it be ignored. If there is manipulation of the rating system in the manner indicated, it seems that there is a conspiracy to deceive at the expense of country people.

COUNCILS REJECT MP CALL

Same rate is no answer

By XAVIER DUFF

A STANDARD council r a t e across Victoria is not the answer to rural councils' funding woes, according to Victoria's local government body.

The Municipal Association of Victoria said a proposal by East Gippsland MP Craig Ingram for all ratepayers to pay the same rate per dollar of property value, would not work and would be unfair.

Standard "implied" rate to apply to all rural councils, after figures showed Melbourne's wealthiest residents paid the lowest implied rate while some rural councils paid the highest.

The implied rate is the ratio between the total value of property in a council area and its revenue.

The analysis showed residents of Swan Hill council pay five times the rates as residents in Melbourne's Stonnington Council on a property of the same value.

But MAV chief executive officer Rob Spence said no valid conclusions could be made about the fairness of rates by comparing the implied rate.

The level of the implied rate is not a good indicator of the fairness of rates," he said.

"Councils with relatively higher implied rates may have relatively low rates per head and low rates per assessment. and vice versa."

As an example, he said average rates per property were $923 in Stonnington but $856 in Gannawarra shire.

The problem was that if rates were struck on a standard implied rate, the average Stonnington rates bill would double, which was hardly

equitable, Mr Spence said.
A standard rate would also mean the transfer of revenue from some councils to others, which went against the principles of local government.
Local governments were elected to spend rates revenue where they were raised, as they saw fit.
“Why should residents in Stonnington be asked to make such a contribution to other councils over and above the one they already make through Commonwealth taxation?” Mr Spence said.
The Victorian Grants Commission existed to help poorer councils by distributing Cornmonwealth grants in a way that ensured they could provide basic services and infrastructure.
But Mr Spence acknowledged many rural councils still struggled financially because they had to service large, thinly populated areas.
“There's no doubt there is a widening gap between what councils are expected to do and their ability to pay for it," Mr Spence said.
The MAV was lobbying for a special federal fund to help the 15 or so rural councils struggling with low revenue, debts and a backlog of infrastructure.

The Weekly Times, July 27,

The fact that the Standing Committee has had the current inquiry referred to it implies that the Minister agrees that there may be some impediment to regional areas being able to recover from the effects of the global financial crisis. It must be relevant therefore that in Victoria, rural ratepayers pay local government rates at up to five times the rate of metropolitan ratepayers. A more ominous statement is that it is justified by the contribution ‘they already make through Commonwealth taxation’. In other words, it appears that the MAV agrees that other levels of government can manipulate their revenue-raising to rectify perceived flaws in Commonwealth Taxation Laws. The Committee should examine whether this is either ethical or legal.

There is little doubt that the financial success of this country is driven by exports, and buoyant trade surpluses give rise to successful claims for increases in wages and salaries. However, there is no mechanism for wages and salaries to fall in times of economic decline. Instead, portion of the workforce is sacked and those who escape have to pay more tax. Twenty five years ago, after the drought and recession of 1983, I described it as ‘a ratchet economy’ and argued that it must reach breaking point eventually.

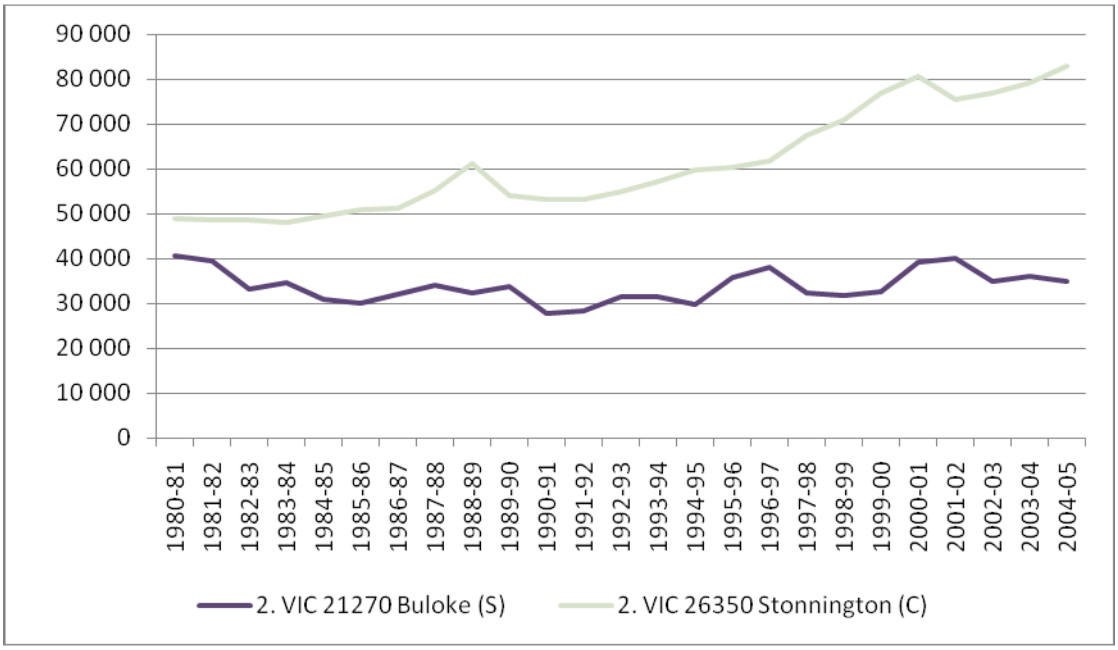
Ironically, it was the finance sector with all its highly paid executives which snapped first and has dragged so many innocent and hard working people down with it.

Rural Australia is particularly vulnerable to trade manipulation just as the finance market has been manipulated as a large proportion of its production is exported. Unfortunately for those of us who live in rural areas, successive government have failed to ensure, when pursuing Free Trade Agreements, that our internal cost structure is comparable with that of the target partner.

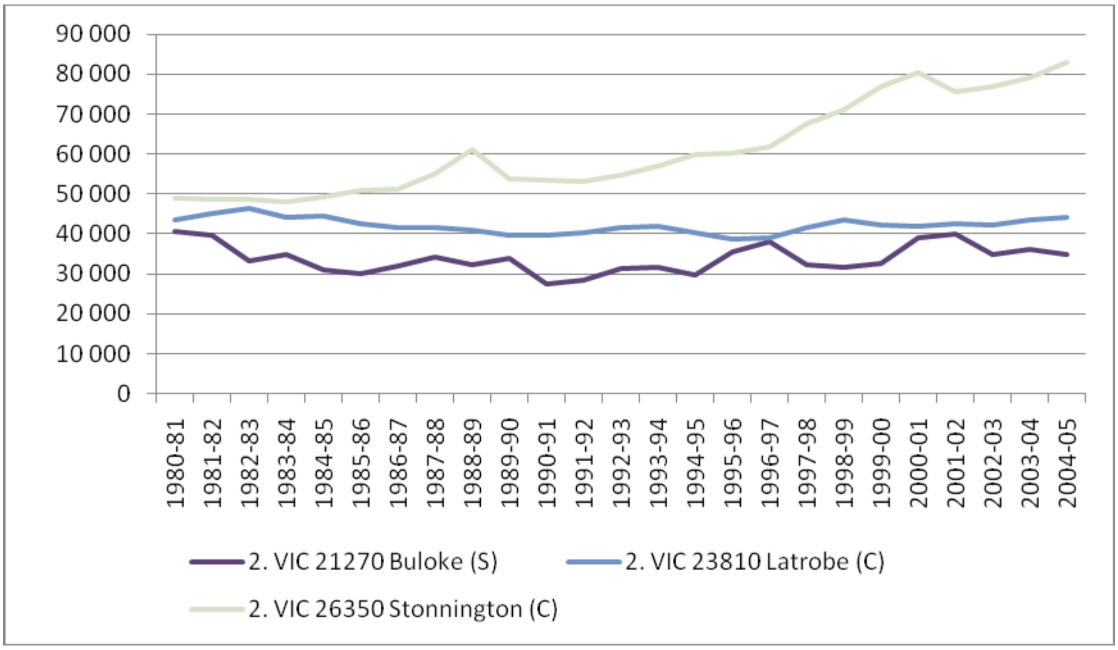
My limited research indicates that the taxpayers’ subsidy to metropolitan Melbourne’s public transport is abnormally high compared to cities in North America and Europe, or indeed, New Zealand. Australian farmers and other exporters have to compete with products from those countries, not only on overseas markets but also in Australian supermarkets. Travelling by train through Gippsland, the best dry land dairying country in Australia, passengers ordering biscuits and cheese are served produce from New Zealand.

It also should be noted that municipal councils often relate increases in rate revenue to rises in the CPI by way of comparison. Wages and salaries also seem to have a similar relationship. The CPI Calculator on the Reserve Bank website indicates that over the same period for which these charts have been prepared, the CPI rose 315% while real incomes in several municipalities declined and many increased by less than 10%.

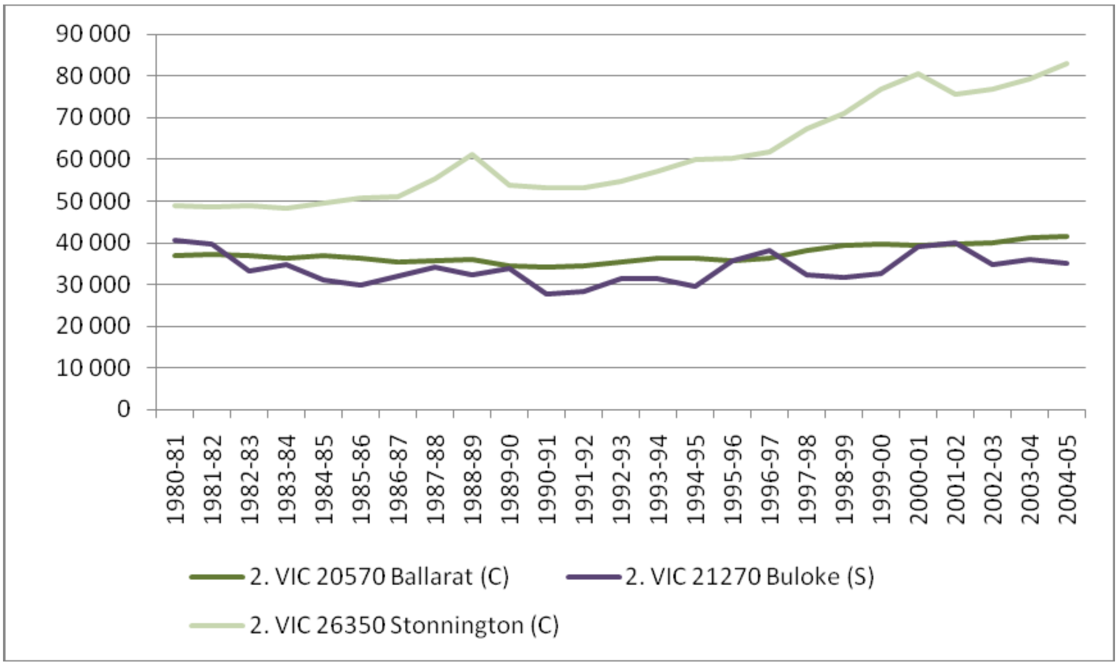
To further illustrate the comparison between municipalities, the following charts are provided. The first is the previous chart without annotations.



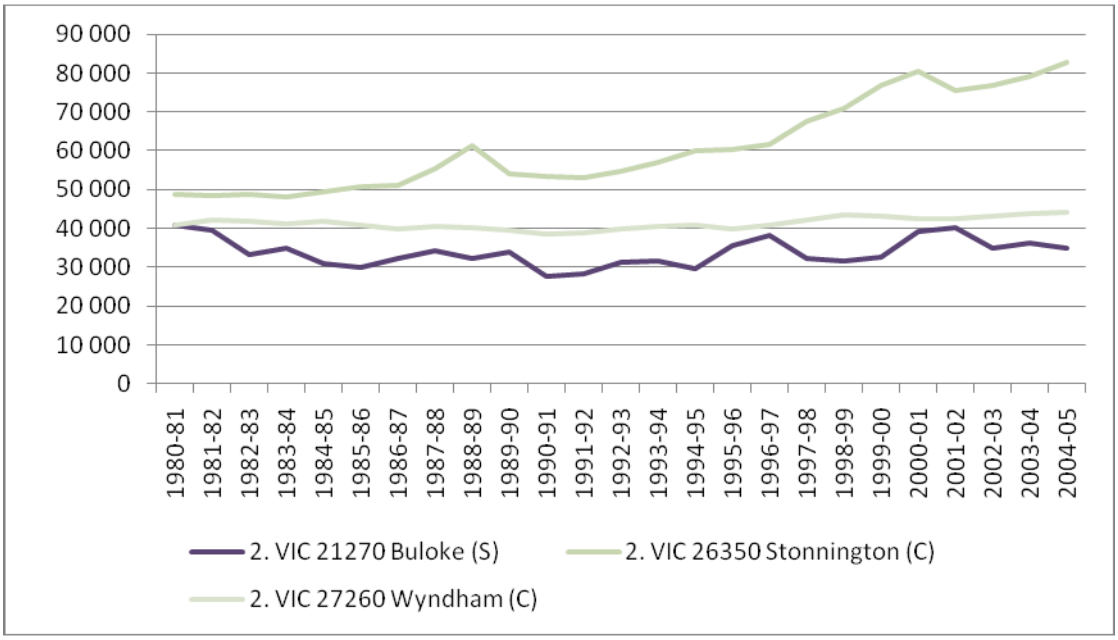
Next is a chart that also includes Latrobe City, the municipality that produces the great bulk of Victoria's electricity that enables the rest of the State, particularly the metropolitan area to grow and prosper. In effect, the ratepayers of Latrobe City subsidise those of metropolitan Melbourne.



The following chart includes Ballarat, Victoria's largest inland city.



The final graph includes Wyndham, an outer western suburb of Melbourne to demonstrate that the inequity is not confined to non-metropolitan areas.



The staff of the Bureau of Infrastructure, Transport and Regional Economics could verify my calculations in a matter of minutes and produce similar charts for any or every municipality in Australia in very short time. It should be interesting information for Members to include in handouts to constituents. If transparency and accountability mean anything, this should be done as the press is noticeably reluctant to do so.

I would be prepared to appear before the committee or propose in writing an alternative method of financing local government without altering the present Commonwealth or State liabilities. The greatest benefit would go where there is the greatest need and give all Australians an equal chance to recover from the current global financial crisis.