



National Farmers' Federation Limited

House of representatives Standing Committee on
Economics, Finance and Public Administration

Submission No: 311

Date Received: 25/10/02

Secretary:

ABN 77 097 140 166

NFF House
14-16 Brisbane Avenue
Barton ACT 2600

PO Box E10
Kingston ACT 2601
AUSTRALIA

Tel 61 2 6273 3855
Fax 61 2 6273 2331
Email nff@nff.org.au
Web www.nff.org.au

22 October, 2002

Mr David Hawker MP
Chair
House of Representatives Standing Committee
on Economics, Finance and Public Administration
Parliament House
CANBERRA ACT 2600

Dear Mr Hawker

Thank you for the opportunity provided by the Committee for the National Farmers' Federation (NFF) to speak to our submission on local government and cost shifting.

At our appearance before the Committee, we undertook to provide some additional information.

Firstly, the Committee asked about examples of double charging for local government services, other than the double charging for roads. Double charging can occur for other services where the council imposes user charges (such as a garbage collection fee) without a commensurate reduction in rates.

Another broader concern, outlined in our submission, is that local governments are being forced into providing social services that were previously provided by other levels of government, and have to increase rates commensurately. This involves double charging, because these services are (and should be) paid for through Federal or State taxes. The NFF argues that social services should be paid for through existing Federal or State taxes, particularly income tax, rather than local rates and charges. It is appropriate that social services, which are designed to promote equity, should be funded by an equitable tax. As argued elsewhere in our submission, local government rates can be much less equitable than other taxes, particularly income tax, which more closely reflects an individual's capacity to pay.

The Committee also asked about differences in spending between regional and metropolitan councils in Victoria. We noted in our submission that the Victorian Farmers' Federation has calculated that rural and regional councils spend much more (\$867 per resident) than urban councils (\$624 per resident). The Committee asked whether this reflected higher grants for non-urban councils. Our examination of the data only partly supports this contention. Grants to non-urban councils are \$137 per resident, which is indeed higher than the city grants of \$41 per resident. However, the higher grants are not large enough to fully offset the difference in spending. Operating costs minus grants for rural and regional councils are \$730 per resident, which is still much higher than the same figure for urban councils of \$584. The discrepancy is even larger for small rural shires, where operating costs minus grants is \$916

per head. These differences must be covered by higher rates and charges or greater borrowings.

This information is summarised in the table below. We can provide the full data behind this table if the Committee wishes.

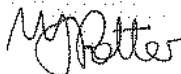
Average rates, costs and grants for Victorian councils 2000-01

| Type of council | Average per resident (\$) | | | | |
|-----------------------|---------------------------|-----------------|------------------|------------|------------------------------|
| | Rates | Operating costs | Operating result | Grants | Operating costs minus grants |
| Inner city | 354 | 738 | 10 | 31 | 707 |
| Outer city | 271 | 495 | 120 | 51 | 444 |
| Total city | 315 | 624 | 61 | 41 | 584 |
| Regional city | 347 | 763 | 14 | 99 | 664 |
| Large rural | 400 | 897 | -100 | 161 | 737 |
| Small rural | 405 | 1,123 | -55 | 207 | 916 |
| Total non-city | 374 | 867 | -34 | 137 | 730 |
| Total Victoria | 332 | 691 | 35 | 67 | 624 |

Source: Victorian Department of Infrastructure, *Local Government in Victoria 2001*, attachment; and Victoria Grants Commission, *Annual Report 2000-01*.

We trust that this information addresses the Committee's information requests. Thank you once again for permitting the NFF to put its views to the Committee.

Yours sincerely,



Michael Potter
Policy Manager, Economics