

THE CRISIS FACING COUNTRY PEOPLE.

While farming communities have to try to cope with drought, fires and floods, these are largely outside human control. These are not the biggest threat to country people.

This comes from the belief entrenched in the minds of governments that country people should bear the costs of living in a big country while city people reap all the benefits.

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The “User Pays” principle.

In January 2000, the Municipal Association of Victoria (MAV) published the Milbur Report, *Economic and Financial Challenges for Small Rural Councils*.

The Report quoted Prime Minister, John Howard who said on 19th October 1999 “... *there are many people in rural and regional Australia who are not sharing the national economic plenty... at a time when the rest of the country is doing well, the sense of being deprived, of alienation, of not sharing in the economic plenty is all the more acute*”

In the meantime, the Howard Government has implemented the Goods and Services Tax as the lynch pin of its “Fairer taxation system”. Despite this, the sense of neglect in rural areas has grown dramatically as small communities are left to cope with the worst drought in living memory.

The Milbur Report made just three recommendations, all suggesting steps that the MAV might take, none of which would have had more than a very marginal effect on the malaise referred to by the Prime Minister. They virtually suggested a continuation of the procedures that have failed to achieve any result in decades.

The report included key population and rates data, including population, median household income, valuations, rate revenue and other data for each of Victoria’s twenty eight municipalities. The implicit rate -cents in the dollar - paid by each municipality was also included but the report did not analyse the impact that the differing rates in the respective municipalities had rates payable. Using the Milbur statistics, which are now five years old or more, it can be calculated that rural ratepayers paid about 20% more in local government rates than metropolitan ratepayers did at the time the statistics were compiled. In the meantime, escalating values in the metropolitan area and the effects of drought in rural areas have undoubtedly increased this gap.

Analysis of more recent statistics obtained from the Victoria Grants Commission demonstrates that it is not only between city and country that the impact of rates is significant, it also occurs within the metropolitan area.

The average household income of ratepayers of the City of Maribyrnong is only 57% of that of ratepayers of the City of Stonnington. Yet they pay 3 ½ times the rates on a property of equal value. That means a difference of over \$2,000 annually on a house worth \$500,000. That equates to the price of a new car every 10 to 20 years.

The ratepayers of the City of Wyndham and the Shire of Melton pay rates at a significantly higher level than do ratepayers of metropolitan Melbourne’s southern and eastern suburbs. In 2001, Wyndham City spent approx. \$107.00 per head on its roads and Melton Shire paid \$70.00 while the City of Monash spent \$7.08 and the City of Greater Dandenong just \$4.76. Motorists in Wyndham and Melton, along with country Victorians, are to be slugged extra motor registration fees to pay for freeways in the south-eastern suburbs that will do little to increase the value of their property.

If all metropolitan ratepayers paid the same rate in the dollar as the ratepayers of Maribyrnong now pay, the additional annual revenue would amount to over \$800,000,000. That would go a long way to paying for metropolitan freeways without adding to the costs of those ratepayers who do not benefit from their construction - like

those in the drought stricken Mallee Shire of Buloke who will be lucky if they have half the income of the favoured suburban ratepayers this year.

If metropolitan ratepayers paid the same rate in the dollar as Buloke Shire ratepayers do, it would mean an additional \$2.4 billion revenue from the metropolitan area. That would cover the losses of Melbourne's public transport as well, giving the State government \$2 billion to spend on the needy rather than the greedy. Property owners in the areas served by freeways gain an enormous windfall gain at the expense of the country's taxpayers.

Over 80% of Buloke rate revenue money is spent on roads, amounting to \$316.00 per head while Melbourne's southeastern suburbs spend about the price of two or three beers annually. Most rural shires do not collect one cent from parking while metropolitan councils collect tens of millions of dollars. This revenue is a direct result of the construction of roads.

The Minister for Victorian Communities recently issued a report on the performance of Victoria's municipalities based on nebulous concept of "community satisfaction". Her department should analyse the figures available from the Victoria Grants Commission, on which the above calculations have been made, to establish facts instead of relying on some subjective concept like "satisfaction".

It shows how decadent we have become when a Mallee farmer pays far more rates than a Brighton brothel owner.

The Milbur Report of January 2000, commissioned by the MAV, includes garbage, recycling and waste management charges in calculating the "implicit" rate in the dollar. They are excluded in the calculations in this submission as many rural areas have very limited services of that kind. It may well be that the inclusion of these charges would strengthen the case for rural councils because the same factors that make the provision of other services in the country would affect garbage services, viz. long distances to travel and lack of economies of scale.

The impact of road funding.

This paper is concerned with the most basic and fundamental need for every citizen, roads. In that context, it is worth noting that, while waste management is a major liability for councils, parking for cars is a major revenue earner for metropolitan councils but virtually nonexistent for rural ones.

There is also a misconception that the Grants Commission compensates rural councils for disadvantage. The Minister for Water stated in a letter dated 28/04/03: -

"The issue of a local council potentially being disadvantaged through lower rate revenue must be seen in the context of the two-way flow of government funds into that council area. Specifically, the Victorian Grants Commission provides extra grants to councils with low rate generating capacity in relation to population and needs, to give each council scope, with reasonable effort, to function at a standard that is not below the State average."

It is quite impossible, of course, for the concept "to give each council scope, with reasonable effort, to function at a standard that is not below the State average" to be put

into practise. The Minister is merely echoing the Commonwealth's Victoria Grants Commission Act: -

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.

However, the same Act also provides the following definition: -

"As-of-Right Entitlement" in relation to a council means the amount to which the council is entitled, being an amount in a year not less than the amount that would be allocated to that council if 30 per cent of the amount to which the State is entitled in respect of the financial year were allocated amongst councils in the State on a per capita basis,..."

This coupled with the fact that the allocations are allegedly based on Councils' expenditure on roads but are not "tied" to that purpose means that municipalities with high population concentrations receive allocations whether or not they need it for roads.

The following graph demonstrates that the Act has the opposite effect. The graph compares the allocations for year 2001 with the per capita expenditure on roads of each municipality on which those allocations were based. These figures are for just one year and should only be considered as a "snapshot".

However, there is a clear indication that the municipalities that spend the least per capita of their ratepayers' money on roads receive the higher allocations. This applies both between city and country and within each of those categories. For example, the City of Maribyrnong spent the most on local roads of any city municipality from its rate revenue and had the highest per capita debt but got the lowest grant. It also had the lowest mean household income. It has the least to gain from building freeways and from public transport subsidies to the southern suburbs.

The "As-of- right entitlement" should be allocated on the basis of natural disadvantages, not population. This would include the size of the municipality, the nature of the terrain and the effects of climatic conditions. Some country municipalities have large areas of public land, which contributes no rates but adds to the cost of providing services to remote communities in a municipality. They have difficulty in retaining population because of the huge subsidies handed out to metropolitan public transport and the failure of governments to require ratepayers to contribute to facilities that add value to their property.

The State of Victoria legislated decades ago to ensure that there is uniformity in the valuation of property throughout the State. There is a need to ensure uniformity in the taxes paid on property in the form of municipal rates. The purpose of property taxes was to return to the community part of the valued added to real estate by publicly provided facilities. Property values in the metropolitan area are enhanced by many government

public transport deficit and the freeways necessary to enable transport needs of the metropolitan area to be met. It is in the realms of fantasy to claim that it is country based traffic that creates the need for freeways on the periphery of the cities. It is the ever growing cities that are blocking access to ports.

All citizens of the State should be placed on an equal footing before the next step of seeking compensation for the loss of development opportunities arising from the diversion of resources such as water, gas and other resources from the country to the metropolitan area without compensation to the region where the resources occur.

Link with public transport.

The fact cannot be disputed that public transport in the metropolitan area is provided as an alternative to roads. Successive governments have, for decades, justified subsidising public transport on the grounds that it would reduce the need for expenditure on roads.

In fact, this subsidy costs taxpayers more than all money spent on Victorian roads by Commonwealth, State and Local Governments combined.

The Auditor General in his June 2000 Report (p.120) describes the payments as “Fixed subsidy payments”. Table 3.3D of his report states that it amounted to \$1.872.1 billion. In 2002, a “blow out” of \$91 million was announced and in 2003, a further \$200 million. (These subsidy payments include \$476 million to V/Line Passenger services. This may include interstate services. A high proportion of users may be city residents).

It was the policy of previous governments that freight rates on goods must cover costs of operation that forced the demise of rail freight services over most of the State apart from the transport of grain. Small vehicles transported goods to and from communities radiating out from railway stations. With the demise of rail freight services, ever larger trucks have evolved to improve efficiency. Country roads have to be able to carry these vehicles to avoid the double handling that plagued the railway system.

In wheat growing areas, closure of grain silos has meant bigger trucks travel longer distances to the remaining installations, transferring costs to the local municipality.

The statistics do not include the revenue that municipalities receive from parking. Most metropolitan councils appear reluctant to reveal how much they receive but there is no doubt that this revenue is a direct result of road construction.

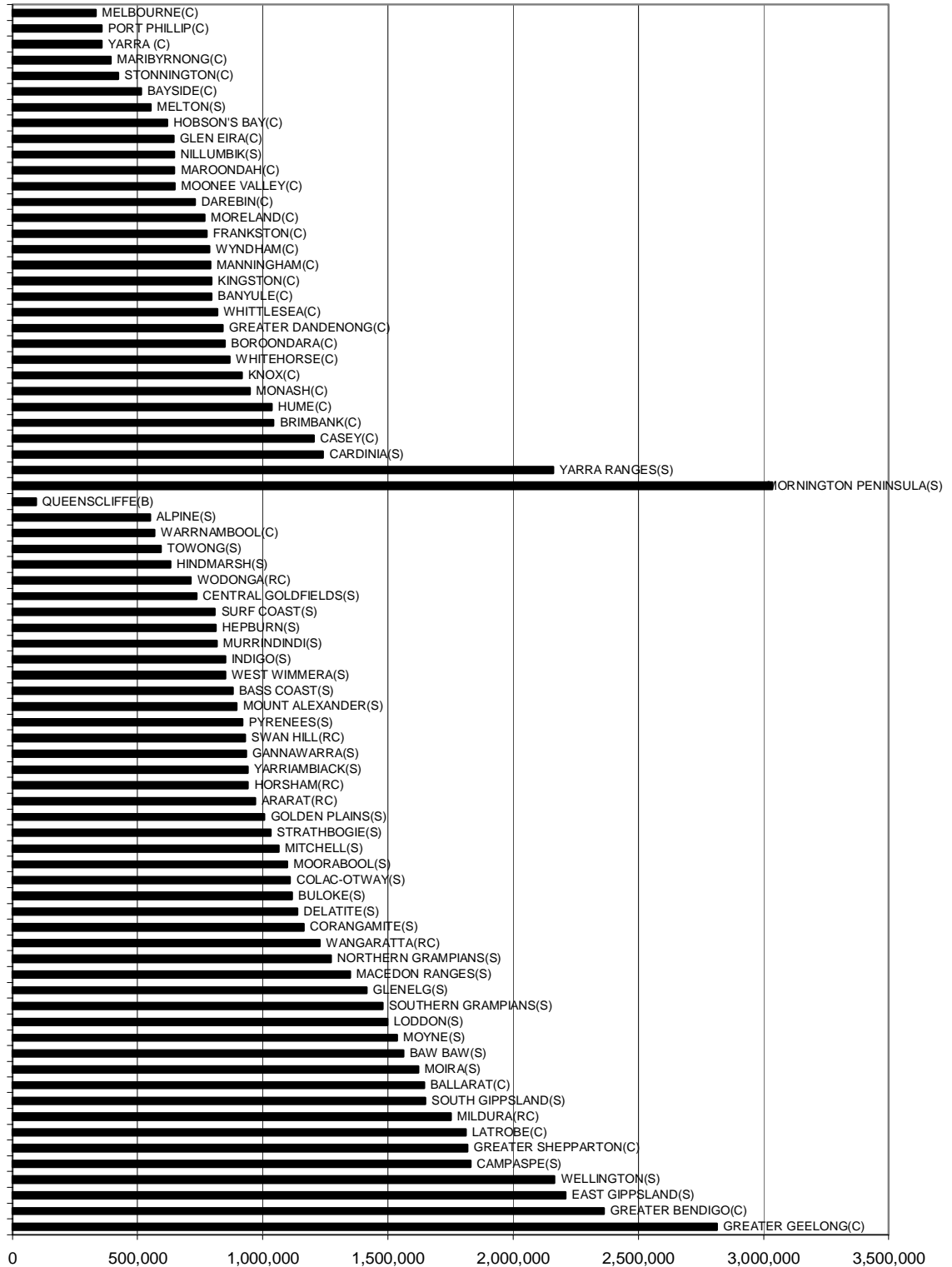
The Department of Victorian Communities should keep comprehensive statistics of the kind available from the Victoria Grants Commission, including revenue from street parking or parking on roads and public land, as a basis for comparing the performance of Victoria municipalities. These should be freely available for public scrutiny

Conclusion.

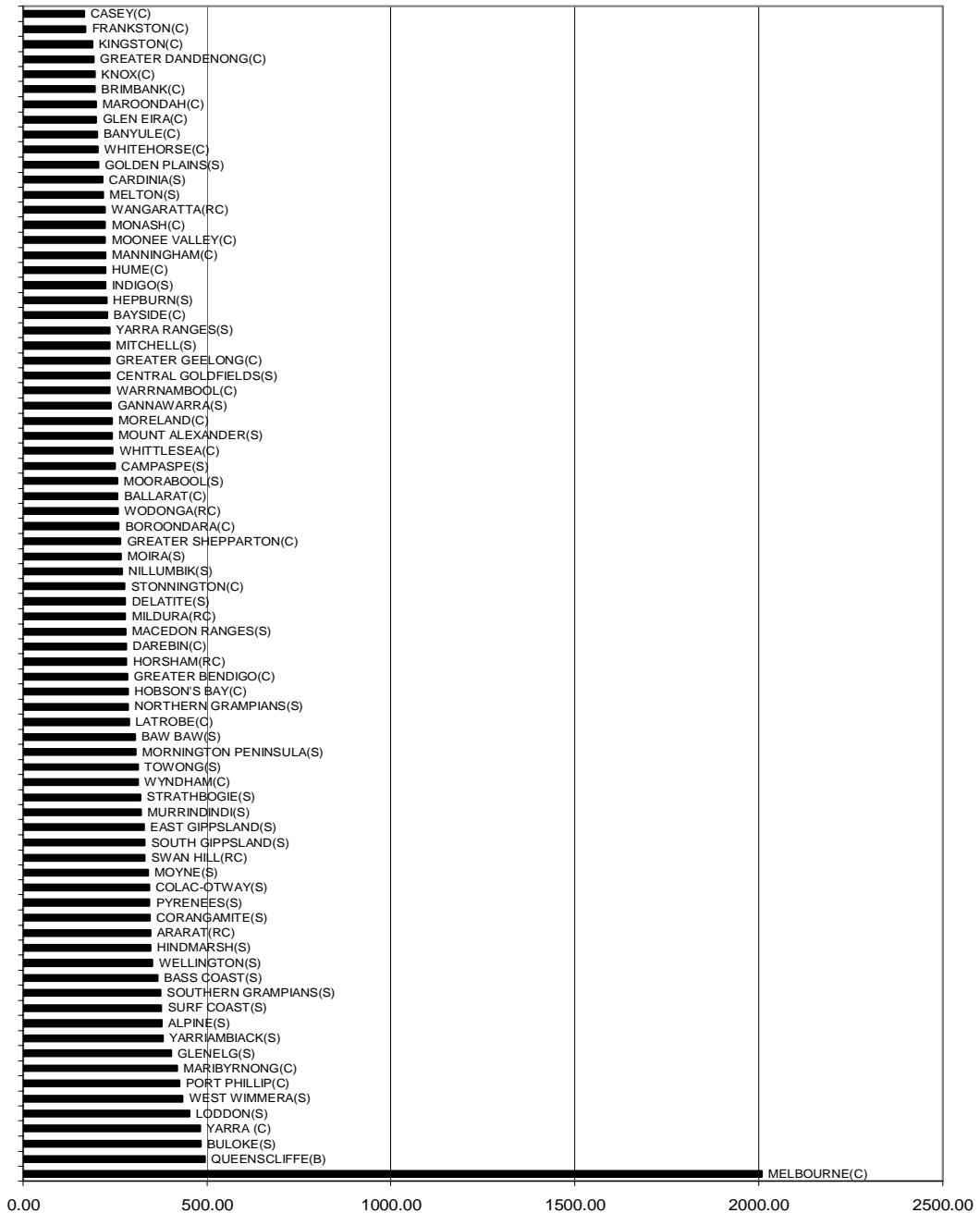
This submission does not deal with the very much larger, but more complex, issue of government funding of facilities ranging from airports to zoos, that all enhance property values on a “ripple effect” proportionally to the distance from the facility. It is those communities furthest from the capital cities that are first to show evidence of neglect, just as it is the tips of a tree that first show the signs of stress.

Victoria Grants Commission Allocations 2000-1.

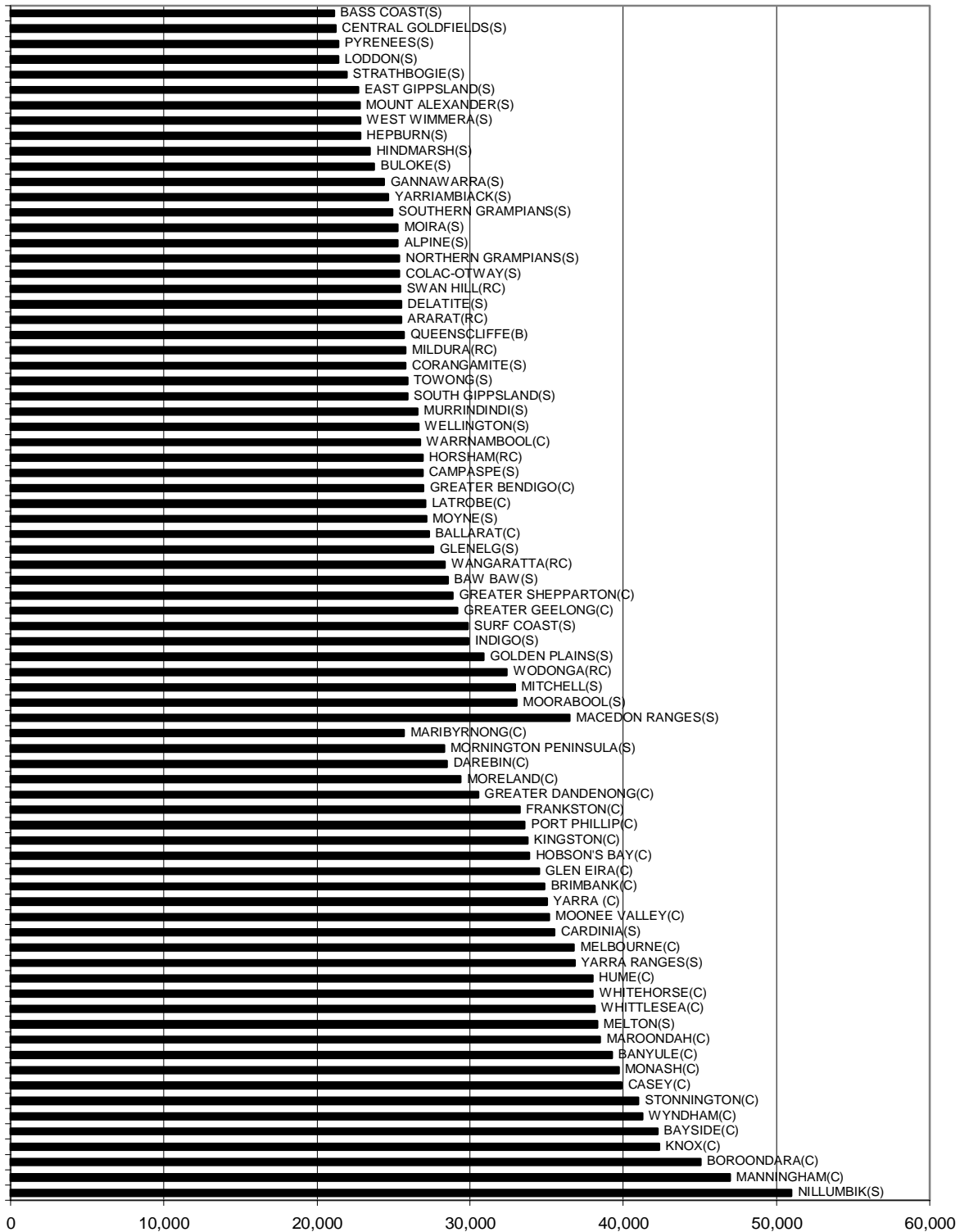
Allocations are related to road expenditure by municipalities but are not "tied".



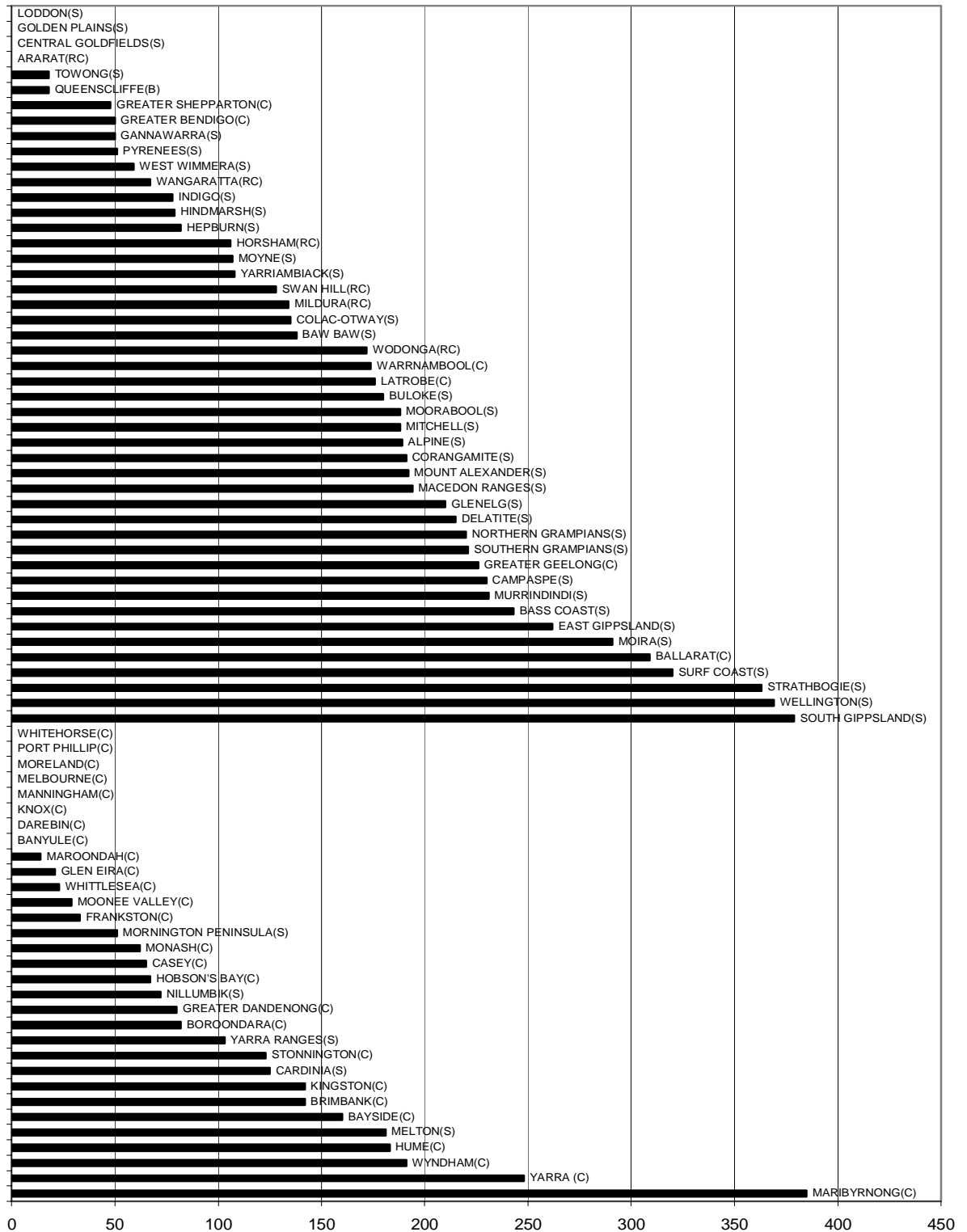
RATES PAID PER CAPITA.



MEAN HOUSEHOLD INCOME 1998.



LOCAL GOVERNMENT DEBT PER CAPITA 1998.



The following figures have been extracted from VGC statistics except for population, which is from the Milbur Report and the calculations in the last two columns.

VICTORIA GRANTS COMMISSION							Calculations	
Municipality	Municipal Charge, General Rates, Special rates & Charges, In Lieu of Rates & Other	Capital Improved Value	Rateable Assessments	Expenditure	VGC Road Grants	Population	Average rate in \$. Col B/Col C	Per capita expenditure on roads from rates. Col E/ ColG
	2001-02	2001-02	2001-02	1998/1999				
	Total	Total	Total	Fin. Year	2000/2001 Allocations			
				(\$)				
BANYULE(C)	32,650,000	10,060,763,000	47,189	2,024,000	795,736	119,486	0.0032453	\$16.94
BAYSIDE(C)	27,865,000	14,813,652,000	38,376	1,521,000	512,870	88,449	0.0018810	\$17.20
BOROONDARA(C)	51,744,000	25,347,015,000	66,480	2,681,000	848,074	157,208	0.0020414	\$17.05
BRIMBANK(C)	41,450,000	8,731,142,000	62,240	3,863,000	1,043,502	158,032	0.0047474	\$24.44
CARDINIA(S)	14,129,000	3,148,621,000	18,514	4,066,000	1,241,210	44,145	0.0044874	\$92.11
CASEY(C)	46,888,000	9,935,043,000	65,970	3,766,000	1,202,173	160,845	0.0047195	\$23.41
DAREBIN(C)	43,736,613	10,786,113,000	57,108	2,036,705	729,959	129,005	0.0040549	\$15.79
FRANKSTON(C)	30,305,000	6,427,910,000	48,288	917,000	776,117	111,081	0.0047146	\$8.26
GLEN EIRA(C)	32,829,000	14,837,456,000	55,545	1,045,000	643,999	122,535	0.0022126	\$8.53
GREATER DANDENONG(C)	34,167,000	8,137,048,000	52,273	629,000	839,470	132,091	0.0041989	\$4.76
HOBSON'S BAY(C)	34,090,000	7,735,805,000	36,041	1,396,502	618,239	80,825	0.0044068	\$17.28
HUME(C)	41,247,000	8,391,158,000	49,246	1,451,000	1,034,378	126,350	0.0049155	\$11.48
KINGSTON(C)	35,182,000	13,665,482,000	62,546	3,718,000	794,707	132,895	0.0025745	\$27.98
KNOX(C)	36,169,000	10,541,179,000	56,302	5,573,313	915,317	141,061	0.0034312	\$39.51
MANNINGHAM(C)	30,269,000	15,337,739,000	41,955	2,099,000	791,006	112,503	0.0019735	\$18.66
MARIBYRNONG(C)	32,513,000	5,453,431,000	29,239	4,135,000	392,628	61,145	0.0059619	\$67.63
MAROONDAH(C)	24,572,000	7,323,441,000	41,780	3,058,000	647,635	97,321	0.0033553	\$31.42
MELBOURNE(C)	104,672,000	25,438,887,000	38,903	6,018,000	333,851	44,619	0.0041146	\$134.88
MELTON(S)	17,691,000	3,019,951,000	22,270	3,254,000	552,086	46,776	0.0058580	\$69.57
MONASH(C)	42,536,000	15,755,117,000	65,508	1,144,000	949,190	161,996	0.0026998	\$7.06
MOONEE VALLEY(C)	31,326,000	11,718,242,000	48,743	2,846,000	649,141	111,898	0.0026733	\$25.43
MORELAND(C)	41,040,000	11,618,603,000	60,641	4,617,000	768,129	137,258	0.0035323	\$33.64
MORNINGTON PENINSULA(S)	50,470,000	16,309,590,000	83,619	4,446,000	3,034,262	121,372	0.0030945	\$36.63
NILLUMBIK(S)	17,777,000	4,819,494,000	20,527	1,509,000	645,841	58,651	0.0036886	\$25.73
PORT PHILLIP(C)	45,916,000	15,866,202,000	51,051	6,487,000	355,922	78,680	0.0028940	\$82.45
STONNINGTON(C)	32,724,000	19,337,130,000	49,379	2,594,000	422,628	90,546	0.0016923	\$28.65
WHITEHORSE(C)	37,245,000	13,216,649,000	61,944	1,373,000	868,357	145,611	0.0028180	\$9.43
WHITTLESEA(C)	37,513,929	7,312,279,300	42,192	4,608,000	817,809	111,040	0.0051303	\$41.50
WYNDHAM(C)	33,950,000	5,240,651,000	33,888	8,682,000	787,077	80,931	0.0064782	\$107.28
YARRA (C)	41,317,000	10,958,439,000	38,362	4,287,781	356,063	68,420	0.0037703	\$62.67
YARRA RANGES(S)	43,163,000	9,118,541,000	56,230	5,384,000	2,159,327	139,315	0.0047335	\$38.65
ALPINE(S)	5,877,000	915,564,000	7,281	1,182,000	550,218	12,359	0.0064190	\$95.64
ARARAT(RC)	5,027,000	743,975,000	6,629	1,754,000	968,173	11,697	0.0067569	\$149.95
BALLARAT(C)	28,529,000	4,504,375,000	36,935	2,803,000	1,644,010	80,330	0.0063336	\$34.89
BASS COAST(S)	11,207,000	2,459,762,000	23,644	2,501,000	878,991	22,141	0.0045561	\$112.96
BAW BAW(S)	12,859,000	2,354,045,000	17,314	3,883,000	1,561,310	34,716	0.0054625	\$111.85

BULOKE(S)	4,557,000	631,469,000	6,335	1,837,000	1,116,609	7,672	0.0072165	\$239.44
CAMPASPE(S) CENTRAL	12,597,000	2,635,673,000	17,917	5,542,000	1,829,958	35,348	0.0047794	\$156.78
GOLDFIELDS(S)	3,758,000	601,845,000	7,644	642,000	736,730	12,796	0.0062441	\$50.17
COLAC-OTWAY(S)	9,027,000	1,807,901,000	12,908	1,461,000	1,109,042	20,473	0.0049931	\$71.36
CORANGAMITE(S)	7,887,000	1,700,762,000	9,247	3,819,000	1,163,402	17,604	0.0046373	\$216.94
DELATITE(S)	7,925,000	1,683,646,000	13,276	2,759,000	1,136,444	20,256	0.0047070	\$136.21
EAST GIPPSLAND(S)	17,653,000	2,812,637,000	25,451	6,378,000	2,209,428	39,418	0.0062763	\$161.80
GANNAWARRA(S)	3,657,000	788,531,000	6,488	892,000	934,613	12,297	0.0046377	\$72.54
GLENELG(S)	9,371,082	2,065,576,723	12,750	2,552,587	1,414,606	20,470	0.0045368	\$124.70
GOLDEN PLAINS(S)	3,563,000	926,305,000	7,913	1,234,000	1,007,195	13,958	0.0038465	\$88.41
GREATER BENDIGO(C)	30,303,000	4,869,352,000	42,798	5,674,000	2,360,697	86,451	0.0062232	\$65.63
GREATER GEELONG(C) GREATER SHEPPARTON(C)	60,370,000	11,971,682,000	90,538	7,045,000	2,812,836	186,307	0.0050427	\$37.81
HEPBURN(S)	4,461,000	891,482,000	9,313	941,000	812,097	14,055	0.0050040	\$66.95
HINDMARSH(S)	2,817,000	502,914,000	4,863	1,182,000	630,857	6,698	0.0056014	\$176.47
HORSHAM(RC)	6,630,000	1,202,228,000	10,186	1,890,000	940,890	18,144	0.0055148	\$104.17
INDIGO(S)	4,300,000	922,094,000	7,198	1,752,000	849,706	14,370	0.0046633	\$121.92
LATROBE(C)	26,802,000	8,209,791,000	32,406	2,432,000	1,810,819	70,822	0.0032646	\$34.34
LODDON(S)	4,124,000	679,962,000	7,347	2,492,000	1,497,290	8,941	0.0060650	\$278.72
MACEDON RANGES(S)	13,196,000	2,704,505,000	16,884	3,218,804	1,347,412	35,274	0.0048793	\$91.25
MILDURA(RC)	18,239,000	3,599,633,000	23,521	4,948,000	1,751,398	47,290	0.0050669	\$104.63
MITCHELL(S)	8,266,000	1,486,938,000	12,700	2,891,000	1,062,579	26,490	0.0055591	\$109.14
MOIRA(S)	9,357,000	1,857,473,000	14,259	2,958,000	1,621,171	26,203	0.0050375	\$112.89
MOORABOOL(S)	8,217,000	1,580,372,000	11,992	1,299,000	1,097,887	23,536	0.0051994	\$55.19
MOUNT ALEXANDER(S)	5,274,000	1,100,308,000	9,753	882,000	896,276	16,728	0.0047932	\$52.73
MOYNE(S)	6,908,000	2,011,734,000	10,270	1,940,000	1,535,800	16,158	0.0034339	\$120.06
MURRINDINDI(S) NORTHERN GRAMPIANS(S)	5,858,000	1,261,724,000	8,621	1,618,000	815,855	12,916	0.0046429	\$125.27
GRAMPIANS(S)	5,090,000	853,705,000	8,973	1,161,000	1,272,094	13,155	0.0059622	\$88.26
PYRENEES(S)	2,860,000	572,286,000	5,459	2,064,000	919,799	6,808	0.0049975	\$303.17
QUEENSCLIFFE(B)	2,415,000	671,377,000	2,741	273,000	93,621	3,406	0.0035971	\$80.15
SOUTH GIPPSLAND(S) SOUTHERN GRAMPIANS(S)	11,759,000	2,220,681,000	16,704	2,742,000	1,647,881	25,624	0.0052952	\$107.01
GRAMPIANS(S)	7,140,000	1,221,408,000	9,907	1,170,000	1,478,302	17,172	0.0058457	\$68.13
STRATHBOGIE(S)	4,568,000	880,094,000	6,426	1,765,000	1,031,392	9,313	0.0051904	\$189.52
SURF COAST(S)	10,860,000	2,847,666,000	14,996	2,005,000	808,396	18,652	0.0038136	\$107.50
SWAN HILL(RC)	8,394,000	1,170,875,000	10,783	1,559,000	928,252	20,718	0.0071690	\$75.25
TOWONG(S)	2,646,000	528,103,000	4,144	1,398,000	592,408	6,415	0.0050104	\$217.93
WANGARATTA(RC)	7,851,000	1,627,695,000	19,386	2,296,000	1,227,712	26,200	0.0048234	\$87.63
WARRNAMBOOL(C)	8,894,000	1,730,751,000	12,954	1,571,000	568,136	28,073	0.0051388	\$55.96
WELLINGTON(S)	18,714,000	3,226,387,000	28,701	4,675,000	2,165,035	41,728	0.0058003	\$112.04
WEST WIMMERA(S)	2,674,000	566,074,000	4,449	1,025,000	849,984	5,032	0.0047238	\$203.70
WODONGA(RC)	11,039,000	1,853,862,000	13,680	1,352,000	713,084	30,758	0.0059546	\$43.96
YARRIAMBIA(S)	4,210,000	736,269,000	6,511	2,768,000	939,264	8,660	0.0057180	\$319.63