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Sent: Monday, 8 July 2002 11:34 AM
To: EFPA.Reps@aph.gov.au
Subject: submission on local government cost shifting

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

Submission No: 10

Date Received: 7/7/02

Secretary: Bardell

From: Harriett Swift

To: Committee Secretary
Standing Committee on Economics, Finance and Public Administration
House of Representatives
Parliament House
CANBERRA ACT 2600
AUSTRALIA

**Submission to House of Representatives Economics, Finance and Public Administration
Committee
Parliament House
CANBERRA ACT 2601**

**Standing Committee on Economics, Finance and Public Administration
Inquiry into Local Government and Cost Shifting**

Exemption of NSW State Forests from Local Government Rates

The New South Wales Government effects an ongoing transfer of revenue from local government to its wholly owned business enterprise, State Forests of NSW, depriving shire councils of millions of dollars each year.

This is a result of the exemption of State Forests from local government rates. It is an anachronism which persists from a former application of the principle that one level of government does not tax another, but is no longer appropriate since forestry management agencies have been corporatised.

Insufficient data is available to quantify the full extent of the transfer.

However, we estimate that the Bega Valley Shire alone, on the NSW far south coast loses revenue of up to \$1million per year as a result of this rate exemption.

A similar income transfer occurs in other States (Victoria, Tasmania and WA) where there are State owned corporations which operate and manage logging of publicly owned native forests.

The rates exemption for state government owned business enterprises operating in the forestry sector is also in clear breach of the National Competition Policy principles and seriously disadvantages privately owned plantations which compete against State Forests of NSW and equivalent bodies.

The NSW Local Government and Shires Association (LGSA) made a submission to the NSW Government in 2002/3 in which it sought to correct this anomaly.

The LGSA submission was not accepted, thus ensuring that the transfer of revenue away from local government to the corporatised trading body will continue for at least another year.

We support the LGSA position on this issue, and stress that rates should only be levied on State Forests, which are commercially/ industrially, exploited. Any forest which is not managed on a commercial basis should not be taxed.

We would be pleased to supply further information on any aspect of this submission should you require it.

An extract from the LGSA submission is attached.

Extract from LGSA submission to NSW Govt on 2002/3 State budget (at www.lgsa.org.au in a section called 2002/3 Budget Submission).

Payment of Rates by State Government Business Enterprises

Under the competitive neutrality principles of competition policy, government business enterprises should be placed on the same footing as their private sector counterparts. Among other things, this includes being subject to the payment of taxes and other government charges.

The question of the payment of rates and other Local Government charges by State Government Business Enterprises in NSW has been addressed by the Reciprocal Charges Committee. The committee was chaired by NSW Treasury, and also includes representatives of the Associations, the Department of Local Government, Cabinet Office, the Municipal Employees Union and the Ministry of Energy Utilities.

The committee has now completed its final report. The brief of the committee was to review the reciprocal payment of fees, charges, taxes and rates by State Government Business Enterprises and Local Government Business Enterprises within the context of National Competition Policy. The scope of the committee is restricted to State Government Business Enterprises (Government Trading Enterprises, State Owned Corporations) not other State Government activities. For example, this includes the commercial holdings of NSW State Forests but it does not include National Parks.

The committee has met on an irregular basis since 1997. The final report was finally signed off on 20 December 2001 and is to be submitted to Cabinet.

The Associations have strongly advocated full payment of rates and other Local Government charges by State Government Business Enterprises.

We are pleased this principle is generally accepted by the committee and it is noted that many such enterprises are already paying rates on commercial premises (for example, electricity corporations, Sydney Water, Hunter Water).

The report recommends a number of policies and principles that, if adopted in toto, would establish a fair and efficient reciprocal charging regime between State and Local Government in NSW. It is imperative the government accept the report in full.

ends.

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