

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 their lifestyle. They can see no reason why country people should be given the same opportunities.

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.

Ratepayers in non-metropolitan areas pay \$200,000,000 more each year in local government rates on property of equal value than ratepayers in the metropolitan area do.

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.

On the Department of Infrastructure web site, the Victoria Grants Commission (VGC) has published figures for each municipality in the State. It provides a two-year average valuation and a two-year average rate revenue. From those statistics, it has calculated an 'implied rate' for each municipality. Where a council has levied differential rates, which in some cases can be in half a dozen or more categories, these are averaged out by this calculation.

The VGC has also added the totals of valuations and rate revenue for the whole State from which it calculates a state-wide average 'implied rate'. It has also calculated 'base standardised rate revenue' for each municipality.

The 'base standardised rate revenue' is the amount each municipality would raise if the average rate was applied to all councils, although the table does not state that fact. These figures demonstrate the enormous disparity that has been allowed to develop between the wealthiest metropolitan municipalities and the poorest country shires. The poorest city municipalities are rated at similar levels to the wealthiest country ones. The 'implied rate' for all non-metropolitan municipalities except two is above the State average. In income tax terms, this is the equivalent of applying the highest tax rate to the lowest income earners, a complete reversal of established principles of taxation.

It should be noted that the VGC statistics are already three years old and the differences are now even greater given the widespread drought affecting rural areas and the massive increase in land values in the metropolitan area over that period. It should also be noted that the greatest increases in land values have been largely in the municipalities with the lowest 'implied rate', two facts that are not unrelated.

These statistics enable other comparisons to be made that demand some explanation.

The City of Stonnington is valued at \$1,229,471,500 and pays \$41,266,000 in rates.

The total valuation of all six municipalities that make up Gippsland amounts to \$965,638,500 upon which the ratepayers pay a total of \$114,388,500 in rates.

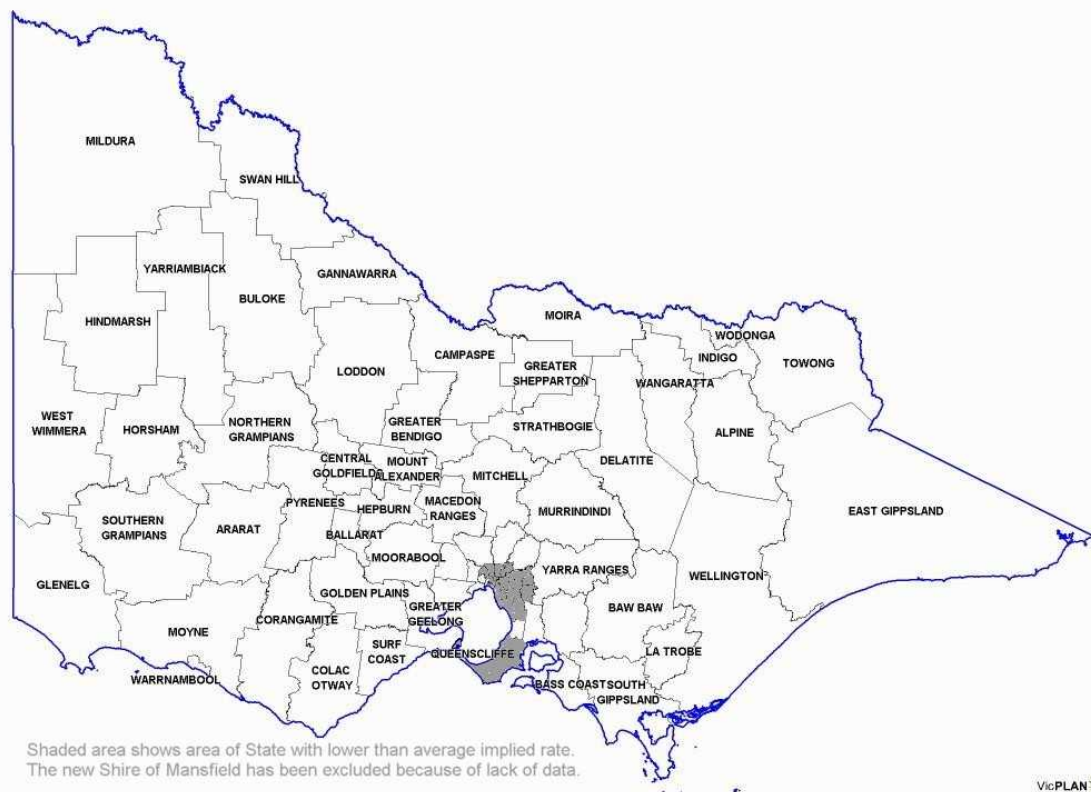
The combined valuation of Greater Geelong, Greater Bendigo and Ballarat amounts to \$1,401,627,500 but their ratepayers pay \$139,551,000.

The seven municipalities ranging from Horsham to Mildura are valued at \$800,251,000 and pay \$52,000,000 in rates.

The Commonwealth Government in 1975 passed an Act designed to ensure that all municipalities should be able, with reasonable effort, to operate at not less than average.

The above results demonstrate that the financial assistance from the Commonwealth is not achieving its purpose. Either the great majority of municipalities are grossly mismanaged or there are factors that are not being given proper consideration in the allocation of funds by the respective levels of government.

Mismanagement can be largely discounted by reference to the following map.



If it is good management that results in below 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.

Questions and answers.

Question. Why is the valuation of the City of Stonnington so high? It does not have any coal, oil or gas deposits, it does not produce any food (it may process some), it has no forests, lakes or rivers (apart from about one kilometre of Yarra frontage) and conserves no water. It has no prospect of having to put up with wind farms. It is difficult to think of anything that could not be produced equally effectively and probably more cheaply somewhere else.

Answer: Property values in Stonnington and neighbouring municipalities are high because of the high level of publicly provided facilities and amenities available to its residents. This is the very reason why ratepayers should be paying a higher rate/\$ rather than a lower rate.

All Stonnington ratepayers live within a kilometre of a taxpayer funded freeway or highway, or one of two railway lines, nine tram lines and numerous bus services, all heavily funded by taxpayers – well in excess of half their operating costs. These services add a huge amount to the value of the real estate to which the ratepayers do not contribute any share of the value added by these facilities.

Instead, the municipality can reduce the rate in the dollar and the property owners reap the benefit. They may not be residents themselves but non property-owner residents are the victims of high rents because of artificially inflated land values.

Question. The higher rate in the dollar paid in rural areas is because it costs more to provide services and facilities in widely scattered communities. Why shouldn't country people pay these costs?

Answer: There is a significant fact that is not acknowledged by that question. It is the fact that all Australians live in a big country. All Australians benefit from having unrestricted access to a continent – no one else but Australians enjoys that privilege. City people benefit from the wealth generated from the resources such as electricity, gas, oil and water to name several but they do not want to share the social costs involved. They expect country people, however, to share the social costs of the big city.

It is only reasonable that all Australians share the costs associated with living in a big country by ensuring that country people have equivalent services at similar prices. Country people cannot do anything about the distances that lead to added costs to provide services. It is reprehensible for a government to penalise individuals for something over which they have no control.

Distance and space go with the territory – but the problems of the city, notably traffic congestion, pollution and the like are entirely man-made and therefore those who cause the problems should be expected to pay to fix them.

Question. Country people need port facilities to export their produce. Why shouldn't they share the cost of providing road and rail access?

Answer: The first point is that it not country traffic that is blocking access to ports. It is caused by too many people trying to use the same road space at the same time. The only way to overcome the problem is to restrict the amount of traffic to the capacity of the road system.

More importantly, it is vital to the national economy that Australia exports goods to earn foreign exchange. Unless we sell products overseas, we will not be able to import

those goods and services we cannot provide for ourselves. It is just like any household economy – we may be able to save some money by doing one another's washing but the prosperity of the nation as a whole depends on the income we can earn from overseas.

It is sometimes said that we can prosper by being a 'clever' country. That supposes that we are more intelligent than other people – a claim that is both arrogant and unsubstantiated.

It is now almost four years since the Municipal Association of Victoria produced the Milbur Report of an inquiry into the deteriorating financial position of small rural councils. That report recorded statistics from each municipality that demonstrated that some rural municipalities levied a rate in the dollar up to three or four times the rate levied in some metropolitan municipalities. The authors of the Milbur Report did not analyse the reasons for this disparity.

It is difficult to comprehend why there is an outcry when the price of petrol is 10% above city prices but no apparent reaction when the rate levied on property owners in non-metropolitan municipalities can be over three times that levied on the most affluent metropolitan ratepayers. At least a country motorist gets a litre of petrol for the price specified but the non-metropolitan ratepayer gets only a fraction of the services and facilities of his city counterpart.

The State government periodically releases a Report that purports to compare the performance of Local Government Councils all over the State. It is largely based on an assessment of "Community satisfaction" with the performance of Councils on various aspects of their administration. This is an extremely subjective criterion and depends very heavily on what people expect of their councils.

The Department of Victorian Communities, which oversees Local Government, has rejected the argument that the most objective base is to compare the rate in the dollar each council levies in order to service its community. Another criterion would be the level of services and facilities that each council provides. That question is not dealt with in this paper but the disparity in this aspect of local government is even greater than the financial one.

There seems to be little argument that there is a serious problem in Local Government finances in rural areas. Indeed, there is almost a small industry of consultants "looking into it" but any consultant wanting more work in the future will not make findings that are 'unpopular' with the authority paying for the study. Indeed, most are carried out by people with a vested interest in not spelling out the facts.

Thirty years ago, the Commonwealth Government recognised that there was a problem and introduced the Local Government Financial Assistance Act for the purpose of ensuring that each local government area could operate, with reasonable effort, at not less than the average. At least, that is the interpretation that can be drawn from Sec.12 C of that Act even though it is an objective that is impossible to achieve.

After 30 years, it is abundantly clear that the Act is not achieving its purpose and that the situation has deteriorated dramatically. The responsible Minister agrees that there is a conflict in the Act because of a proviso that 30% of each State's allocation must be distributed on the basis of population. It is obvious that it is lack of population that adds to the per capita cost of providing facilities and services. It does not, however, have any plans to resolve the conflict.

The problem.

It is pointless to try to find solutions to the problem until the factors that create it are understood and acknowledged. The rating of private property is a legitimate tool of taxation. It is reasonable for governments to use this method to recover for the benefit of the community some of the value added to private property by publicly provided facilities and amenities.

However, **all** facilities and amenities provided by all levels of government should be taken into account. This is reflected in the price buyers are prepared to pay for the land. There should not then be a separate rate fixed depending on the geographic location of the property.

As a first step, the state should take over funding all roads by introducing a state-wide uniform rate to raise the amount currently spent by local government on roads. This fund should then be disbursed to municipalities in accordance with their recent history of road expenditure. All roads are for all people and should be funded as such.

When local government was established in Victoria almost 150 years ago, its principal role was to build roads and bridges to serve private property. In the days of the horse and buggy, local roads were used almost exclusively by local people. It was not until the motor vehicle became the principle means of transportation in the first couple of decades of the twentieth century that governments found it necessary to seek different sources of revenue for roads linking local government areas. Hence, the establishment of the Country Roads Board (CRB).

Governments soon realised that some form of 'user pays' tax was required if sufficient funds were to be raised to meet the community demand for roads but it was thwarted by the terms of the Commonwealth Constitution. All kinds of taxes were tried but usually were ruled as unconstitutional by the High Court after very costly legal argument. Perhaps the most bizarre tax was of a penny on 40% of the gross loaded weight of a commercial vehicle over four tons.

The most obvious tax, a fuel tax, was ruled to be an Excise Duty which was exclusively the prerogative of the Commonwealth. Australia therefore had a constitutional problem that most other countries do not have.

VICTORIA GRANTS COMMISSION

Standardised Revenue

Municipality	NAV Valuations		2001 -2002 2 Year Average	2 Year Average Rate Revenue	Implied Rate	Base Standardised Rate Revenue
	June 2001	June 2002				
	Metropolitan					
	Non- metropolitan					
STONNINGTON(C)	1,073,429,000	1,385,514,000	1,229,471,500	41,266,000	3.4	82,374,591
BAYSIDE(C)	761,724,000	1,000,106,000	880,915,000	33,306,000	3.8	59,021,305
MANSFIELD(S)	38,490,000	43,594,000	41,042,000	1,589,725	3.9	2,749,814
BOROONDARA(C)	1,354,827,000	1,769,730,000	1,562,278,500	62,639,500	4.0	104,672,660
MONASH(C)	934,736,000	1,182,122,000	1,058,429,000	43,458,500	4.1	70,914,743
WHITEHORSE(C)	765,817,000	1,010,550,000	888,183,500	38,214,500	4.3	59,508,295
DOCKLANDS AUTHORITY	30,551,000	44,238,000	37,394,500	1,641,500	4.4	2,505,432
GLEN EIRA(C)	784,079,000	1,054,733,000	919,406,000	42,448,000	4.6	61,600,202
KINGSTON(C)	838,373,000	1,045,681,101	942,027,051	43,839,917	4.7	63,115,812
MANNINGHAM(C)	809,736,000	809,736,000	809,736,000	37,763,000	4.7	54,252,312
PORT PHILLIP(C)	902,102,000	1,145,977,000	1,024,039,500	48,775,500	4.8	68,610,647
MORNINGTON PENINSULA(S)	855,815,000	1,163,766,000	1,009,790,500	52,862,000	5.2	67,655,964
BANYULE(C)	550,062,000	706,959,000	628,510,500	33,944,000	5.4	42,110,204
MOONEE VALLEY(C)	637,789,000	807,553,000	722,671,000	39,569,500	5.5	48,418,957
YARRA (C)	669,938,000	823,465,000	746,701,500	42,200,500	5.7	50,029,001
KNOX(C)	631,442,000	669,770,000	650,606,000	39,917,500	6.1	43,590,602
QUEENSCLIFFE(B)	35,211,000	50,345,000	42,778,000	2,590,500	6.1	2,866,126
DAREBIN(C)	640,578,000	839,367,000	739,972,500	45,612,307	6.2	49,578,158
MELBOURNE(C)	1,701,422,000	1,701,422,000	1,701,422,000	106,063,500	6.2	113,995,274
MAROONDAH(C)	430,222,000	561,293,000	495,757,500	31,183,500	6.3	33,215,753
MORELAND(C)	634,359,000	800,559,000	717,459,000	45,572,500	6.4	48,069,753
GREATER DANDENONG(C)	563,486,000	702,165,000	632,825,500	40,833,000	6.5	42,399,309
HOBSONS BAY(C)	447,178,000	584,850,000	516,014,000	37,284,500	7.2	34,572,938
MOYNE(S)	103,546,000	119,135,000	111,340,500	8,162,000	7.3	7,459,814
FRANKSTON(C)	370,109,000	488,635,000	429,372,000	31,812,000	7.4	28,767,924
HUME(C)	523,609,370	658,784,000	591,196,685	43,479,990	7.4	39,610,178
SURF COAST(S)	145,940,000	232,451,000	189,195,500	13,923,500	7.4	12,676,099
NILLUMBIK(S)	248,460,000	324,837,000	286,648,500	21,361,500	7.5	19,205,450
WHITTLESEA(C)	417,534,642	590,383,469	503,959,056	39,112,421	7.8	33,765,257
CASEY(C)	550,598,000	719,617,000	635,107,500	51,388,500	8.1	42,552,203
BRIMBANK(C)	493,325,000	713,892,000	603,608,500	49,277,500	8.2	40,441,770
GOLDEN PLAINS(S)	47,316,000	56,758,000	52,037,000	433,250	8.3	3,486,479
BASS COAST(S)	129,759,000	206,167,000	167,963,000	14,151,000	8.4	11,253,521
MARIBYRNONG(C)	331,689,000	435,585,000	383,637,000	33,414,000	8.7	25,703,679
YARRA RANGES(S)	498,269,000	656,036,000	577,152,500	50,121,000	8.7	38,669,218
CARDINIA(S)	162,755,000	201,273,000	182,014,000	16,276,000	8.9	12,194,938
WARRNAMBOOL(C)	108,205,000	137,279,000	122,742,000	11,164,500	9.1	8,223,714
CORANGAMITE(S)	90,852,000	97,490,000	94,171,000	8,665,000	9.2	6,309,457
GREATER GEELONG(C)	677,431,000	893,300,000	785,365,500	72,278,000	9.2	52,619,500
COLAC-OTWAY(S)	97,548,000	121,963,000	109,755,500	10,540,500	9.6	7,353,619
WEST WIMMERA(S)	28,577,000	31,165,000	29,871,000	2,903,500	9.7	2,001,357
CAMPASPE(S)	150,029,000	165,156,000	157,592,500	15,461,000	9.8	10,558,698
INDIGO(S)	53,601,000	56,643,000	55,122,000	5,469,000	9.9	3,693,174
MURRINDINDI(S)	66,484,000	76,529,000	71,506,500	7,094,000	9.9	4,790,936
GREATER SHEPPARTON(C)	228,238,000	255,014,000	241,626,000	24,139,000	10.0	16,188,942
MACEDON RANGES(S)	138,931,000	157,965,000	148,448,000	15,045,000	10.1	9,946,016
WANGARATTA(RC)	94,960,000	106,558,000	100,759,000	10,185,500	10.1	6,750,853
GANNAWARRA(S)	42,342,000	46,104,000	44,223,000	4,593,500	10.4	2,962,941
HORSHAM(RC)	69,946,000	79,699,000	74,822,500	7,792,000	10.4	5,013,108
MILDURA(RC)	211,272,000	238,101,000	224,686,500	23,388,000	10.4	15,053,996
BALLARAT(C)	276,799,000	339,769,000	308,284,000	32,747,500	10.6	20,655,028
MITCHELL(S)	77,461,000	104,093,000	90,777,000	9,805,000	10.8	6,082,059
PYRENEES(S)	29,053,000	32,313,000	30,683,000	3,323,500	10.8	2,055,761
SOUTHERN GRAMPIANS(S)	67,349,000	78,985,000	73,167,000	7,896,500	10.8	4,902,189
WELLINGTON(S)	180,014,000	210,769,000	195,391,500	21,069,000	10.8	13,091,231
STRATHBOGIE(S)	46,321,000	53,000,000	49,660,500	5,399,500	10.9	3,327,254
WYNDHAM(C)	314,595,000	399,789,000	357,192,000	39,270,000	11.0	23,931,864
MOUNT ALEXANDER(S)	57,928,000	58,396,000	58,162,000	6,382,000	11.0	3,896,854
BAW BAW(S)	131,294,000	141,206,000	136,250,000	15,135,500	11.1	9,128,750
GREATER BENDIGO(C)	293,956,000	322,000,000	307,978,000	34,525,500	11.1	20,634,526
MOIRA(S)	101,695,000	102,622,000	102,158,500	11,492,500	11.2	6,844,620
MOORABOOL(S)	82,887,000	83,658,000	83,272,500	9,353,000	11.2	5,579,258
BENALLA(RC)	52,251,000	59,512,000	55,881,500	6,362,275	11.4	3,744,061

SOUTH GIPPSI-AND(S)	115,229,000	130,269,000	122,749,000	13,935,500	11.4	8,224,183
HINDMARSH(S)	26,179,000	27,961,000	27,070,000	3,123,000	11.5	1,813,690
TOWONG(S)	26,919,000	30,718,000	28,818,500	3,305,000	11.5	1,930,840
MELTON(S)	164,142,000	198,669,000	181,405,500	21,114,000	11.6	12,154,169
YARRIAMIACK(S)	385,940,001	404,250,001	395,095,001	4,574,000	11.6	2,647,137
HEPBURN(S)	45,917,000	49,373,000	47,645,000	5,561,500	11.7	3,192,215
LODDON(S)	34,749,000	40,656,000	37,702,500	4,502,500	11.9	2,526,068
GLENELG(S)	82,884,011	109,835,595	85,560,303	10,324,030	12.1	5,732,540
WODONGA(RC)	112,137,000	124,830,000	118,483,500	14,472,500	12.2	7,938,395
ALPINE(S)	50,096,000	60,445,000	55,270,500	6,803,000	12.3	3,703,124
EAST GIPPSLAND(S)	150,376,000	169,327,000	159,851,500	19,730,000	12.3	10,710,051
NORTHERN GRAMPIANS(S)	46,293,000	50,004,000	48,148,500	5,986,500	12.4	3,225,950
CENTRAL GOLDFIELDS(S)	33,426,000	34,891,000	34,158,500	4,644,000	13.6	2,288,620
ARARAT(RC)	39,051,000	38,991,000	39,021,000	5,708,000	14.6	2,614,407
BULOKE(S)	32,008,000	36,061,000	34,034,500	5,253,500	15.4	2,280,312
SWAN HILL(RC)	63,638,000	64,580,000	64,109,000	9,973,000	15.6	4,295,303
LATROBE(C)	177,774,000	458,493,000	183,433,500	30,367,500	16.6	12,290,045
Totals	251,237,070,231	31,421,655,165	28,127,181,595	1,880,045,165	6.7	1,884,521,186