Disability Care and Support inquiry
Productivity Commission
Submission

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Gwydir Shire Council has a number of serious concerns about funding the proposed NIIS partly through a levy on council rates including:

Cost

The additional costs for ratepayers are unclear from the draft report. However, the Council does acknowledge that there could be some (presumably lesser) savings in local government public liability insurance costs (i.e. if public liability premiums were no longer required to cover catastrophic claims, the cost of these premiums would be expected to fall).

Ability to raise revenue

The proposed funding by way of council levies is inequitable as it appears not to take account of difference in the ability of councils to raise additional revenue; i.e. differences in the capacity of ratepayers to pay more. The Productivity Commission's research report entitled *Assessing Local Government Revenue Raising Capacity* of April 2008 noted significant differences in councils' scope to raise additional revenue across Australia and that there was a case to review the provision of Australian Government Financial Assistance Grants to Local Government to improve horizontal equalisation. In the context of the objective of horizontal equalisation, it is counterproductive to apply a national levy on council rates for any function. Furthermore, the potential to raise additional revenue from council rates already is becoming increasingly crowded out by the encroachment of NSW State land taxes.

Limited revenue raising capacity through council rates and existing financial sustainability challenges for councils leads one to the conclusion that general taxation revenue would be a more appropriate funding source.

Link between risk and funding source

It generally makes sense to have such a no-fault insurance scheme funded by entities that generate the risk by way of services and functions they provide/perform and have the ability to mitigate risks. However, the appropriateness of funding through levies based on property value would be questionable as any correlation between risk and the value of any given property appears unlikely.

Rates are a tax on property, not people, and the NIIS will benefit people, not property. There is not likely to be any correlation between risk and the value of any given property (site or capital value).

Furthermore, it needs to be recognised that state governments remain responsible for many factors contributing to the risk of injuries (e.g. criminal law, offender rehabilitation; liquor licensing and alcohol education; crown land; leisure and recreation services). However, state governments appear not to be the preferred funding source.

The report doesn't provide evidence to suggest local government responsibilities and policies have higher overall 'probability and consequence' risks than those of other spheres of government or, indeed, the private sector.

Accountability and transparency

To ensure accountable and transparent operation of the NIIS, any levy needs to be separate and distinct from council rates. If councils were to collect the levy on behalf of the scheme through their rate notices, the levy needs to be clearly identifiable to ratepayers as a direct payment to the scheme to fund national injury insurance.

Risk reduction incentives

It appears unclear how the scheme would provide an incentive for councils to better mitigate risks. The NIIS would effectively comprise separate funds operating in each state with costs likely to be higher in jurisdictions where risks are higher. However, it appears unlikely that individual council contributions would be adjusted based on their individual risk profile. Therefore, the main incentive would be to reduce risk on a state wide (Local Government sector) basis but not on an individual council basis.

Alternative funding source suggestion

The NIIS is designed to cater for all potential victims of catastrophic injury. Therefore its funding should be sourced from as broad a base as possible where as many individuals as feasible contribute.

One such source would be a very small levy on each and every financial transaction processed through the Nation's banking sector. The quantum of the levy required to raise the complete $6 plus billion annually may not be an onerous burden given the enormity of the funds that flow through the banking system on an annual basis.