



A U S T R A L I A N   C H A M B E R  
O F   C O M M E R C E   A N D   I N D U S T R Y

## **Local Government Revenue**

### **ACCI Submission to the Productivity Commission**

September 2007



L E A D I N G   A U S T R A L I A N   B U S I N E S S

## 1. BACKGROUND

The Australian Chamber of Commerce and Industry (ACCI) has been the peak council of Australian business associations for over 100 years.

ACCI is Australia's largest and most representative business association.

Through our membership, ACCI represents over 350,000 businesses nationwide, including:

- Australia's top 100 companies
- Over 55,000 medium sized enterprises employing 20 to 100 people
- Over 280,000 smaller enterprises employing less than 20 people

These businesses collectively employ over 4 million people.

ACCI's member organisations include the State and Territory Chambers of Commerce and Australia's leading national employer and industry associations. Our members represent all major sectors of Australian industry including small employers and sole traders as well as medium and larger businesses.

A list of ACCI members is attached.

## 2. SUMMARY

Local Government rates and charges are an important issue for many businesses. ACCI surveys show that businesses find that local government regulations broadly act as a constraint on investment and this concern has been increasing somewhat over recent years.

In response to the inquiry, ACCI makes the following recommendations:

- The Productivity Commission should locate and publish any relevant data on the incidence of local government rates and charges on businesses.
- the Commission should publish the growth in various council revenue sources compared to inflation and GDP growth
- the Commission should publish separate data on developer charges, particularly levels, shares and growth rates (compared to inflation and GDP growth).
- the Commission should examine the effect of these charges on construction costs (eg the percentage increase in the cost of a house due to developer charges).
- the Commission provide an analysis of the relevant data to show whether rate capping leads to an increase in other charges and, if so, the extent of this effect.
- Governments should be required to consult with affected businesses when deciding whether to vary a rate cap for a council.

- Rate capping should be retained in New South Wales until the transparency and management of councils is improved.
- Federal, State and Territory Governments (and their agencies) should pay all council rates and charges, especially if they are operating in competition with business.
- If user charges are used by local government, the charges should be for meeting the direct costs of the service that is being charged for, and should not be used for general revenue raising.
- Measures should ensure that the costs that local governments are recovering are kept under control. Financial penalties could be explored for councils that levy charges that are in excess of actual costs.
- Rather than levy large upfront developer chargers, councils should explore the use charging for new developments through the usual ongoing infrastructure charges.
- Consideration should be given to requiring councils to obtain approval from an independent review body for increases in charges.
- A more permanent allocation of tax revenue to local government should be explored, but only on the basis that this did not mean an increase in the total burden of taxes, rates and charges. In other words, local government would need to reduce rates and charges to offset the increase in grants.
- The Commission and the Council of Australian Governments should explore the direct provision of grants to local government from the Australian Government.
- The allocation formula for grants to State and Local Governments should be reviewed in detail by the Productivity Commission.
- The Australian Government and State Governments should not force or encourage councils to undertake activities that are more appropriately done by higher level jurisdictions.
- Councils should use the most cost effective means of providing services.
- Councils should face the same taxes, charges and regulations as businesses when they provide commercial services
- Councils should not provide a service if there are commercial providers of the service.
- The Commission should investigate the arguments that local government expenditure is inefficient
- The Commission should support the regular reporting of local government performance against benchmarks, similar to the Commissions' regular reports into state government performance.

- Governments should provide incentives and remove disincentives to local government efficiency, particularly through market testing, contracting out, collaboration, removal of unnecessary red tape and amalgamation.

### **3. BACKGROUND**

The Government asked the Productivity Commission to undertake an inquiry into the capacity for local government to raise revenue from ‘own sources’, which includes council rates, sales of goods and services and interest income. The inquiry is not covering grants from other governments or the ability for local government to borrow.

This was in response to a report by the House of Representatives Standing Committee on Economics, Finance and Public Administration into this issue in 2003 (henceforth the Hawker Report), which recommended that the Commission should undertake an inquiry into this issue. The Government accepted this recommendation in 2005.

#### **3.1.1. Terms of reference**

The terms of reference for the inquiry are:

The Productivity Commission is requested to undertake a research study assessing local government revenue.

In undertaking the study the Commission is to examine the capacity of local government to raise revenue including:

- the capacity of different types of councils (eg capital city, metropolitan, regional, rural, remote and indigenous) to raise revenue and the factors contributing to capacity and variability in capacity over time;
- the impacts on individuals, organisations and businesses of the various taxes, user charges and other revenue sources available to local government; and
- the impact of any State regulatory limits on the revenue raising capacity of councils.

In undertaking the study the Commission is not to investigate the scope for local governments to borrow.

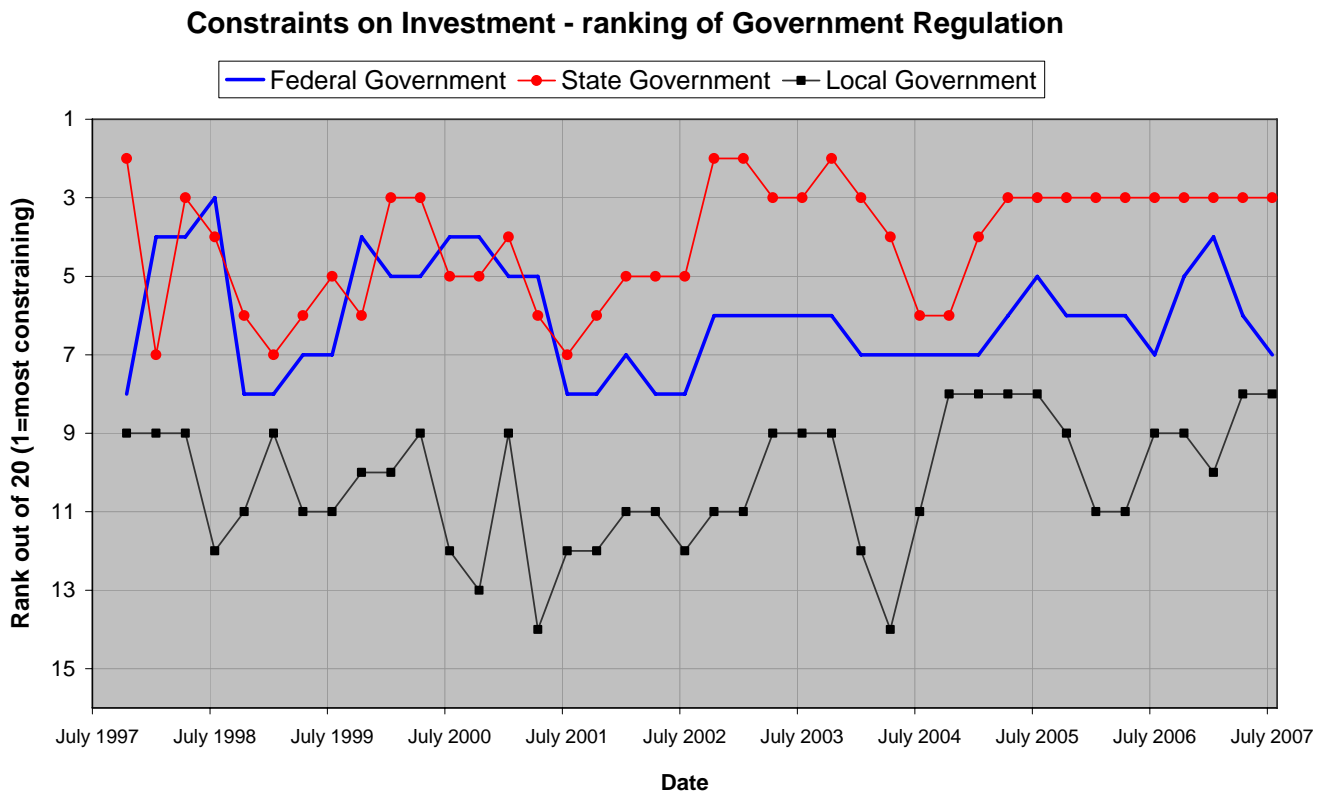
### **3.2. Business concerns over local government taxes, charges and regulations**

ACCI surveys can provide an insight into business concerns with local government taxes, charges and regulations.

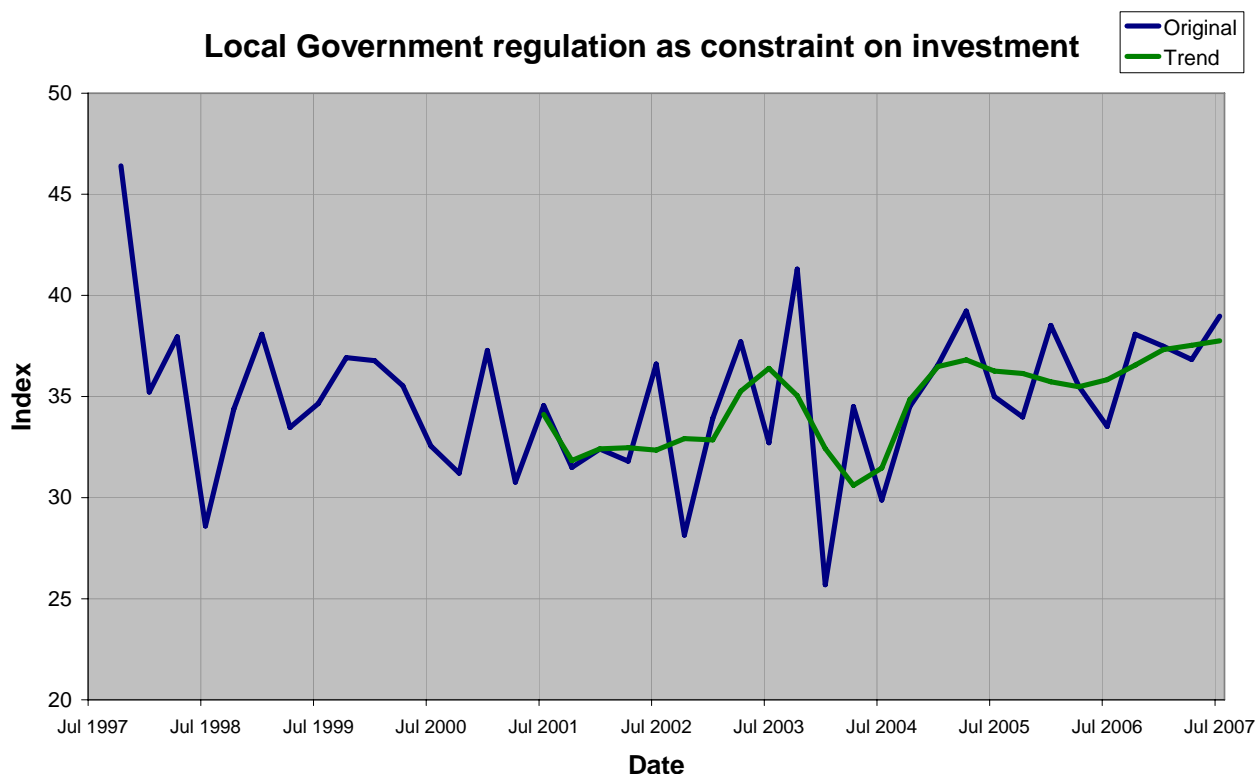
#### **3.2.1. SAI Global-ACCI Survey of Investor Confidence**

A survey of business by ACCI in conjunction with SAI Global asks a question about the extent to which local government taxes, charges and regulations act as a barrier to investment.

Local government taxes, charges and regulations are a smaller constraint on investment than Federal and State Government taxes, charges and regulations, as shown in the graph below:



The actual level of concern of local government regulations over time is shown in the graph below. It appears that the extent of the constraint on investment has been increasing over recent years.



### 3.2.2. Informal survey of ACCI members

In addition, ACCI sent a short survey to members about their concerns over local government. A sample of responses is attached.

## 4. GENERAL

Local government affects businesses in a number of ways, including:

- Imposing rates on land and buildings owned by businesses;
- Regulating the use of land owned by businesses;
- Selling various goods and services to businesses; and
- Regulating construction and imposing charges on construction.

This inquiry focuses on the taxes and charges collected by local government and less upon the regulations imposed by local government, although these issues are related (a regulation can substitute for a tax and vice versa).

### 4.1.1. Data

The Productivity Commission issues paper for this inquiry shows that local government revenue has been increasing strongly over the past decade, growing by 6.6 percent per year on average. Rates have grown by 5.7 percent on average, revenue from sales have grown by 5.2 percent and other income (which includes developer charges) have grown by 14 percent. A significant share of this burden would be borne by business.

ACCI is not aware of specific data on the incidence of local government rates and charges on businesses.

ACCI recommends that the Commission should locate and publish any relevant data on the incidence of local government rates and charges on businesses.

Local government revenues are, on average, increasing faster than inflation but it is not clear whether growth is faster than GDP.

ACCI recommends that the Commission should publish the growth in various council revenue sources compared to inflation and GDP growth.

Developer charges are of particular importance to businesses in the construction industry. These charges are probably growing quickly, but the data in the Commission's discussion paper did not separately identify revenue growth from this source (it was included in other revenue sources, which have been growing at 14 percent per year).

ACCI recommends that the Commission should:

- publish separate data on developer charges, particularly levels, shares and growth rates (compared to inflation and GDP growth).
- examine the effect of these charges on construction costs (eg the percentage increase in the cost of a house due to developer charges).

## 5. REVENUE SOURCES

### 5.1. Rates

#### 5.1.1. Rate caps

The New South Wales Government provides rate caps, which puts an upper limit on the rate increases that local governments can apply in any year. It is argued that these rate caps encourage NSW councils to increase other charges, particularly developer charges. However, the data to support this argument is not clear.

ACCI recommends that the Commission provide an analysis of the relevant data to show whether rate capping leads to an increase in other charges and, if so, the extent of this effect.

Councils may apply to have a rate cap varied. However, NSW Business Chamber has noted that the NSW Government is not required to consult with affected business when deciding whether to vary a cap.

Governments should be required to consult with affected businesses when deciding whether to vary a rate cap for a council.

Rate caps should be removed for councils that are transparent and accountable. However, the transparency and management of councils is not adequate at this stage, meaning that caps encourage councils to be more efficient in service delivery.



Rate capping should be retained in New South Wales until the transparency and management of councils is improved.

Making cap removal conditional on improving transparency and management would provide incentives to councils to undertake these improvements.

#### 5.1.2. Rate payment by Governments

ACCI strongly supports competitive neutrality between government and business. If businesses pay a tax or charge, then governments should as well, especially if they are operating in competition with business.

On this basis, all levels of government should pay council rates and charges. An additional benefit of making this change is that it would mean that council rates did not depend on whether the owner of a building was private or government.

The Hawker Report indicated that this principle is not applied across all States and Territories (pages 47ff) and recommended that Federal and State governments pay rates to local government (recommendation 5).

The Australian Government did not support this recommendation<sup>1</sup>, arguing that it was too complex to implement and grants to councils take into account the extent to which councils do not receive rates from government owned land.

However, the lack of competitive neutrality with business remains as a significant concern.

Federal, State and Territory Governments (and their agencies) should pay all council rates and charges, especially if they are operating in competition with business.

### 5.2. Charges

The Commission indicated in its discussion paper that local government charges are growing more quickly than rates. ACCI does not *per se* object to a shift in the composition of local government revenue away from rates towards charges. In particular, increased use of 'user pays' charging may increase economic efficiency.

However, it is not clear that the level of charging is appropriate.

#### 5.2.1. Developer charges

Developer charges are a particular concern of business, particularly in the property and construction industries. These concerns are related to a concern in the broader community over house prices, which are affected by developer charges. The Commission discussed this issue in detail in its report into First Home Ownership in 2004 (Chapter 7).

Developer charges should only recoup the direct costs of infrastructure and are not used for general revenue raising. In some areas developer chargers are

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1. See: [http://www.dotars.gov.au/local/publications/pdf/local\\_10436\\_DOT\\_Document.pdf](http://www.dotars.gov.au/local/publications/pdf/local_10436_DOT_Document.pdf)



well in excess of the actual costs of infrastructure. Financial penalties could be explored for councils that levy charges that are in excess of actual costs.

It is also important to prevent ‘gold plating’ of infrastructure (unnecessarily high expenditure on infrastructure). This can be prevented by measures to control the costs of building infrastructure and other activities that are subject to user charges. Some efficiency ideas are raised in Section 6.2 below. For developer charges, some other ideas to promote efficiency include:

- Increasing competition between councils in the provision of infrastructure
- Allowing housing developers to have a say in infrastructure construction decisions
- Allowing developers to build their own infrastructure (in line with council standards)

If user charges are used by local government, the charges should be for meeting the direct costs of the service that is being charged for, and should not be used for general revenue raising.

Measures should ensure that the costs that are being recovered are kept under control. Financial penalties could be explored for councils that levy charges that are in excess of actual costs.

A large upfront charge on developers can often lead to large increases in the prices of new houses<sup>2</sup>. An alternative funding model is for the costs of new infrastructure to be recovered over time through higher prices for utilities (such as water, sewerage, phones and electricity). This would reduce the cashflow constraint on many new home owners.

Rather than levy large upfront developer charges, councils should explore the use of ongoing infrastructure charges for new developments.

### 5.2.2. Regulation of charges

Many authorities have to obtain approval for price increases from independent review bodies, such as IPART in NSW or the Victorian Commerce Commission. One of the reasons for this approval process is to ensure that the authorities do not misuse their monopoly position.

Similar arguments could be made for prices charges by councils. It could be argued that many councils are in monopoly or near monopoly position with charges (eg parking fees and registration fees) and so they should also have to obtain approval from an independent review body. The benefits of this proposal would have to be weighed against the increased costs to councils and the review body.

Consideration should be given to requiring councils to obtain approval from an independent review body for increases in charges.

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2. Productivity Commission (2004) First Home Ownership Report, page 164.

### 5.3. Grants

One of the reasons given for increases in local government rates and charges is the lack of adequate grant funding to local government from State Governments or (more particularly) the Australian Government. In particular, local governments consider that they should have a permanent allocation of national tax revenue.

The arguments for this include:

- Taxes collected by the Australian Government are more efficient and/or more equitable than rates.
- It may be appropriate to use rates to fund economic infrastructure (such as roads), because the value of the economic infrastructure is (broadly) reflected in land prices. However, this does not apply for social services.
- For very disadvantaged areas, significant spending on social services may be needed. Funding this through rates would put significant taxes on the very people the social spending is meant to assist. Instead, this social spending should be funded by national taxes.

ACCI considers that there is some merit in these arguments.

- However, we do not consider that national taxes are necessarily more efficient than local government rates and charges.

A more permanent allocation of tax revenue to local government should be explored, but only on the basis that this did not mean an increase in the total burden of taxes, rates and charges. In other words, local government would need to reduce rates and charges to offset the increase in grants.

The Australian Government provides funding to State Governments who then in turn fund local governments. This means that there are duplicated grant commissions at the Federal and State levels. Direct funding of local governments by the Australian Government would remove the need for the States to have grant commissions. This would have the following advantages:

- It would remove unnecessary duplication and waste between the various grant commissions.
- It would reduce the ability of State Governments to ‘game’ the grant system.
- It would mean that the system for local government funding would be harmonised across Australia.
- It could mean increased funding certainty for local government.
- The Australian Government could drive national reforms to local government (eg amalgamations).

Note that the Australian Government already provides some direct funding to councils through the Roads to Recovery program. This program appears to work fairly well.

On the other hand, direct funding of local government would (mostly) remove the ability for state governments to choose funding or regulations for local government. This would also reduce regulatory competition between the states.

It is not clear whether direct funding of local government would mean that incentives for efficiency or the regulatory burden on local government would be increased or reduced.

The Hawker Report discussed these issues (page 128ff) and proposed direct funding from the Australian Government to local government.

The Australian Government did not support this recommendation<sup>3</sup>.

However, this is an option that is worth exploring.

The Commission and the Council of Australian Governments should explore the direct provision of grants to local government from the Australian Government.

States and Local Governments receive significant funding from the Commonwealth Government. This funding is allocated according to a principle, called Horizontal Fiscal Equity, which attempts to redress any disadvantages that particular jurisdictions have in taxing or providing a standard level of service. Significant concerns have been raised over this formula, including:

- it is extremely complex and hard to understand;
- it may create perverse incentives, encouraging State Governments to ‘game’ the system; and
- it may not promote efficiency

Therefore, ACCI considers the allocation formula for grants to State and Local Governments should be reviewed in detail by the Productivity Commission.

Grants can provide important incentives (and disincentives) to councils. This is explored in Section 6.2 below.

## **6. LOCAL GOVERNMENT EXPENDITURE**

Local government revenue cannot be considered in isolation from the spending of local government. Clearly, the revenue requirement of local governments will be reduced if they provide fewer services or are more efficient at providing their existing services.

ACCI and our members have for some time expressed an interest in ensuring government expenditure is cut at all levels to fund a lower tax burden:

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3. See: [http://www.dotars.gov.au/local/publications/pdf/local\\_10436\\_DOT\\_Document.pdf](http://www.dotars.gov.au/local/publications/pdf/local_10436_DOT_Document.pdf)

- In 2004, ACCI released a discussion paper *Commonwealth Spending (And Taxes) Can Be Cut – And Should Be* proposing almost \$20bn in expenditure cuts for the Australian Government.
- NSW Business Chamber<sup>4</sup> made a submission entitled *Kickstart NSW* to the Audit of Government Expenditure in 2006 proposing \$1.4bn in cuts to NSW Government spending over three years.
- Commerce Queensland commissioned a report *The Role of Government in Queensland* in 2006, recommending over \$1bn in expenditure cuts should be examined.

## 6.1. Service levels

One of the reasons that local government is facing increased financial pressures is that more services were being provided by local government. The Victorian Farmers' Federation argued that local governments are choosing or being forced to provide increasing services relating to libraries, home and community care, kindergartens, maternal and child health and school crossing supervision<sup>5</sup>.

The Hawker report noted (page 11) that some of the reasons for this increase in services include:

- The powers are devolved to councils
- Another level of government requires councils to provide a services
- The community expects/requires councils to provide the service
- Local government chooses to provide the service voluntarily.

It is not clear that local government should be providing these extra services. Some of these services should be provided by the private sector; some should be provided by other levels of government.

The general principle is that policy areas that have significant effect beyond the boundary of any one council should be the responsibility of the State or Commonwealth Governments. Where a policy does not have significant effect beyond the boundary of any one locality, it can reasonably be delegated to the local level.

The Australian Government and State Governments should not force or encourage councils to undertake activities that are more appropriately done by higher level jurisdictions.

Various measures should ensure that local government does not provide services that are better provided by the private sector:

- Increases in council efficiency (see Section 6.2 below) should ensure that councils use the most cost effective means of providing services.

4. Then named Australian Business Limited  
5. VFF submission to the Hawker inquiry.

- Councils should face the same taxes, charges and regulations as businesses when they provide commercial services
- Councils should not provide a service if there are commercial providers of the service (this ensures that they cannot cross-subsidise the service from other revenue sources).

## 6.2. Efficiency

Some ACCI members have expressed concerns over the efficiency of local government – see the responses to ACCI's survey (attached). The data on this issue is not clear.

ACCI recommends that the Commission:

- Investigates the arguments that local government expenditure is inefficient;
- Supports the regular reporting of local government performance against benchmarks, similar to the Commissions' regular reports into state government performance.

Data collection and analysis of efficiency can be very difficult. For example, it is hard to compare the efficiency of road construction in different areas of Australia.

Therefore, efficiency is not just about providing better data. It is also about putting systems in place to ensure local government expenditure

A number of measures can be taken by local government to improve efficiency that do not depend upon the data recommendations above:

- More services provided by local government should be contracted out or (at the very least) market tested to ensure that ratepayers are receiving the best value for money. Some specific measures include:
  - councils can make greater use of contracting out through separating their roles as purchasers and providers of services.
  - councils could sell assets and businesses that could easily be owned and operated by the private sector, such as waste dumps, leisure centres and childcare facilities.
  - new developments can be funded through public-private partnerships.
- Groups of local governments could work together on the provision of services where they do not have the adequate scale to provide the service efficiently on their own (see Hawker Report, pages 90ff).
- Unnecessary red tape on councils should be removed. Regulations that do not meet cost benefit tests should be removed.
  - Note that some regulations of councils can promote efficiency, such as rate capping, reporting of council performance against benchmarks and requiring market testing.

- Councils that are below the optimal size should amalgamate with neighbours. The Hawker Report noted some sizeable estimates of the benefits of council amalgamations (pages 84ff).
  - The large number of councils in some areas means that each council does not face much media scrutiny, which should increase efficiency.
  - The Commonwealth Government has stated: “Larger councils have a more secure and adequate financial base; are better able to plan and to contribute to economic development; are more effective community advocates; and interact more effectively with government and business” and “council amalgamations will generate a greater range of services and improved quality of service.”<sup>6</sup>

There is some argument for Federal and State governments requiring the use of these measures by local government and providing incentives to local government for their use. The Australian Government already provides an incentive to local governments that reduce red tape<sup>7</sup>.

Conversely, governments should ensure that councils are not penalised for pursuing efficiency gains. In particular, grants should not be automatically reduced for councils that increase their efficiency.

Governments should provide incentives and remove disincentives to local government efficiency, particularly through market testing, contracting out, collaboration, removal of unnecessary red tape and amalgamation.

## 7. CONCLUSION

Local government taxes, charges and regulations have an important effect on business; however, the extent of this effect is unclear. Better data is therefore needed on the effect of local government on business.

Regardless of the data, there are many measures explored in this submission to improve the efficiency of local government, including through improved management of grants, increased use of tendering and the private sector more generally, amalgamation and controls on taxes and charges.

This will assist in ensuring that local government provides the most efficient service to Australian business and the economy more generally.

## 8. ACCI MEMBERSHIP

ACT and Region Chamber of Commerce and Industry

NSW Business Chamber

Business SA

Chamber of Commerce and Industry Western Australia

6. Department of Transport and Regional Services 2005 annual report.

7. The \$50 million Regulation Reduction Incentive Fund, see:  
<http://minister.industry.gov.au/index.cfm?event=object.showContent&objectID=193CB7C0-65BF-4956-BA581E5CD4E029A6>

Chamber of Commerce Northern Territory  
Commerce Queensland  
Employers' First <sup>TM</sup>  
State Chamber of Commerce (New South Wales)  
Tasmanian Chamber of Commerce and Industry  
Victorian Employers' Chamber of Commerce and Industry  
Agribusiness Employers' Federation  
Air Conditioning and Mechanical Contractors' Association of Australia  
Association of Consulting Engineers Australia  
Australian Beverages Council  
Australian Consumer and Specialty Products Association  
Australian Entertainment Industry Association  
Australian Hotels Association  
Australian International Airlines Operations Group  
Australian Made Campaign Limited  
Australian Mines and Metals Association  
Australian Paint Manufacturers' Federation  
Australian Retailers Association  
Insurance Council of Australia  
Master Builders Australia  
Master Plumbers and Mechanical Services Association Australia  
National Electrical and Communications Association  
National Retail Association Limited  
NSW Farmers Industrial Association  
Oil Industry Industrial Association  
Pharmacy Guild of Australia  
Plastics and Chemicals Industries Association  
Printing Industries Association of Australia  
Restaurant and Catering Australia  
Standards Australia Limited  
Victorian Automobile Chamber of Commerce



## 9. ATTACHMENT – SURVEY OF ACCI MEMBERS

(Answers have been slightly edited for clarity and to remove identifying information).

### 9.1. Respondent 1

**“Should local government change or be required to change the mix of its revenue raising? In particular, should charges replace taxes to some extent? Are there other revenue sources that local government should use?”**

With rates accounting for 37% of local government revenue, I believe local government should be looking at ways of lifting revenue for provision of services. I was surprised to see that government “funding” was a low 12% & equally, that “other income” was less than one-fifth of revenues. My view is that local government needs a far more entrepreneurial approach to revenue-raising. For residential rate-payers, councils are often seen merely as a tax-collection point. For rate-payers generally, developers & sporting bodies, the bureaucratic red-tape is often extreme. Having dealt with several councils on a raft of issues, I have found their customer-facing culture to be far too political, rather than facilitative.

**“Should there be more or less regulation of local government taxes and charges by state and/or federal governments? In particular rate caps, restrictions on fees?”**

Councils should be able to “regulate” their own fee structures like any other businesses, whilst being mindful of their obligations to the rate payers whom they represent & exercising fiscal responsibility for future development of infrastructure.

**“Should the current exemptions from rates continue (eg charities)?”**

Genuine charities, sporting bodies, community groups and genuine “not-for-profit” organisations should not be subject to the same conditions as general rate payers, provided such organisations are providing a meaningful service to the local community, not simply based on the fact that their organisations “resides” within the council boundaries.

**“What effect do rates and charges have on business (particularly developer charges)?”**

I am probably not sufficiently conversant with this area. I would comment that I often hear of council “hamstringing” developers, builders & alike through over-zealous, laborious & time-consuming controls.

**“What scope is there for improved efficiency of local government, leading to reduced revenue requirements?”**

I believe that some sections of council are over-staffed, while other areas do not have sufficient staffing levels. Many local councillors I feel fail to connect with their constituency. The “hearing” of a raft of council issues at times creates massive delays for organisations. In recent times, I have endeavoured to make contact with certain council staff to attempt to do business with

council, often with numerous calls going unreturned. This could suggest either a lack of sufficient personnel or a “too hard basket” culture.

**“Do grants from other governments affect the revenue raising decisions of local government?”**

Whilst I don’t have sufficient knowledge to specifically comment, I would suggest that grants from other sources would have to impact this decision-making process.

## **9.2. Respondent 2**

I obviously don't work inside a Local Government instrumentality but we do, however, count them amongst our biggest clients - so interact with them regularly in that way, not just as rate-payers/users.

**“Should local government change or be required to change the mix of its revenue raising? In particular, should charges replace taxes to some extent? Are there other revenue sources that local government should use?”**

A: If I say, yes, here what recommendations can I therefore make as to where their funding is going to come from? Local Government is probably between a rock and a hard place. Rates are not popular and I think the reason for this is that most members of the community have absolutely no idea what the demarcation line is between local and state government responsibilities. It is therefore not clearly understood what the rates are actually for. I might underline here that few people would bother reading any material that LG would send out. If one addresses the issue of LG charging for individual services it may be more equitable but the cost to the Council in terms of collection/invoicing would be very high and probably outweigh the advantages. So - therefore - it is difficult to support a change in the revenue raising mix. Where else would funding actually come from? Could the Councils work as businesses? and if so - then would they go down the path that they did about ten years ago of involving themselves in the 'tendering process' (Compulsory competitive tendering). This was a big issue back then and one in which we became heavily involved at the time. Though the Councils could see this as a method of generating funds, the ramifications on businesses like ours would have been profound/disastrous. The major issue not considered here, too, was that whilst the Councils were busy tendering against businesses like ours, their workers were not doing the work for which they'd originally been employed. Hopefully, this has seen the end of this option.

**“Should there be more or less regulation of local government taxes and charges by state and/or federal governments? In particular rate caps, restrictions on fees?”**

A: When considering this point, one must also consider who/what body could be responsible for carrying out such regulation. I have always considered it very unfair that the taxes are calculated on the assessed value of the property but I have no sensible recommendation to offer beyond that

**“Should the current exemptions from rates continue (eg charities)?”**

A: There are many 'businesses', 'charities', 'institutions' which gain exemptions from payment of certain levies because of their perceived 'charity' status and I certainly believe that this should be addressed as a totally separate issue. Today there are quite a number of 'charities' which run businesses as well - so one must question whether, if they are running a business, that they have a right to be exempt from any of the usual levies, rates and fees that must be met by others. I don't have any problems with Aged Pensioners receiving exemptions, however.

**“Should there be more or less regulation of local government taxes and charges by state and/or federal governments? In particular rate caps, restrictions on fees?”**

A: I haven't an issue with the rates/charges - I have an issue with the length of time it takes for anything to happen - for decisions to be made - and this is what costs business money

**“What scope is there for improved efficiency of local government, leading to reduced revenue requirements?”**

A: There are quite definitely areas of local government that require attention. Some employees are committed and work hard but they generally carry others. We see a great deal of inefficiency in the out-side workers and certainly if our personnel worked to the guidelines that Council workers do - we'd not be economically viable.

**“What scope is there for improved efficiency of local government, leading to reduced revenue requirements?”**

A: Grant money is 'easy money'. This still comes out of rate-payers taxes - so either way, they're paying for it anyway. The question remains as to whether the Councils are being held responsible for HOW the money is spent and therefore how efficient their people/systems are . i.e. Its too easy to get the money therefore they really don't have to be efficient or accountable. There are no real processes in place to monitor accountability. Example: CWGs (Commonwealth Water Grants) - there is no policing of how the moneys generated from these grants are being spent. i.e. spent in areas where water is genuinely saved.

### **9.3. Respondent 3**

Firstly, as all things should be, I believe rate payers should expect 'value for money' for their rate dollar; this thus supports a fee for services as distinct from a value tax. I also believe that council should focus on limited issues, such as planning, general physical amenities such as parks, community pools and natural facilities like beaches, riverbanks etc. Libraries, social workers, etc should be managed on a state basis.

I support a rate free environment for registered tax free charities as they assists the local community; however I believe the role of 'managing the community' has evolved past this being a council responsibility to one of a conduit or facilitator for others.

The economic benefits of a three tier government are still of considerable concern to me in these days of instant communications.

Finally, I believe that the general democratic process of Councils would be best served economically and socially if Councillors set policy and Council employees carried out the process as set, rather than Councillors over-ride policy to promulgate their personal opinion.

#### **9.4. Respondent 4**

**“Should local government change or be required to change the mix of its revenue raising? In particular, should charges replace taxes to some extent? Are there other revenue sources that local government should use?”**

The manner in which councils raise revenue and rates is largely unmonitored, except for a high level reporting of results. This is wrong, as the basic contributing maths driven by the asset value of properties does not reflect the consumption by the property owners on civil services. And I challenge any council to show this to be true. Old, outdated properties are being unfairly subsidized by new entrants and therefore making it unattractive. The ratios and frequency of rate increases seems to be driven in an ad hoc manner and is not in line with the requirements of the council to service its residents.

Having dealt with a few councils in a professional and personal manner, I have found them to be breathtakingly inefficient when compared against similar service providers. They are typically unresponsive to direct requests, but are confused when they are not applauded for delivering sub standard or costly services.

I had a recent case when a council commissioned a report on speeding at side streets. The report concluded there was no a problem and no further action needed ..... but they had already engaged a builder They also 'forgot' to socialize this with affected residents. It took the threat of legal action from residents for them to listen, then another three months of continued wasting of our money to resolve and revert to the same position on the report. The sad part it was at our cost and we were only one of three legal actions being pushed against them. With this extraordinary waste of money they raised our rates shortly after.

**“Should local government change or be required to change the mix of its revenue raising? In particular, should charges replace taxes to some extent? Are there other revenue sources that local government should use?”**

I am not one to put a cap on ratios or the actual amount raised, but I do think the councils should be compelled to minimize their year on year surplus, and be only able to raise the revenue required to satisfy planned and identified projects for the area. This includes the operating budgets of the councils.

**“Should the current exemptions from rates continue (eg charities)?”**

No, a review should be conducted on this.

**“What effect do rates and charges have on business (particularly developer charges)?”**

Another waste against our hard earned operating profit - and for what value?

**“What scope is there for improved efficiency of local government, leading to reduced revenue requirements?”**

No1 - The quality and knowledge of leadership is of a big concern. The councils are pressured by the elected members who are, in some of the suburban or older council areas, are made up of well meaning, but commercially naïve people who cause a lot of pain through not being skilled enough. They create and support recommendations without really knowing the impact.

**“Do grants from other governments affect the revenue raising decisions of local government?”**

N/A