

19 April 2007

Prof C Walsh
Commissioner
Productivity Commission
LB2 Collins St East
Melbourne Vic 8003

Dear Professor Walsh

Before you get immersed in submissions and analysis of local government rates, may I draw to your attention the attached remarks by Councillor John Gorton, later Prime Minister of Australia?

Your Inquiry stems from the Hawker Report into Cost Shifting. Rates income has had to be spent on meeting costs shifted onto Councils by other levels of Government instead of being spent on core functions such as infrastructure.

You could solve the rates problem and infrastructure problem overnight by legislating that rates (ie property tax) income could only be spent on property-related activities (as defined). But that would expose a large gap on the funding of community services, especially health services. A simple example would be the current cervical cancer immunisations. The Government provides the vaccine and pays an amount per vaccination. The amount does not cover the cost so rates are subsidising mass immunisation programs. Other examples in Victoria would include rates subsidising meals-on-wheels and caring for aged and disabled people in their homes. (Please see the list on the top right hand corner of this page.) In my view (and as a former SES officer in the Commonwealth and Victorian governments), many of these activities should be paid for by taxes, not rates. I realise that such principles are easy to state but harder to achieve.

Good luck with your Inquiry.

Yours sincerely

ANDREW NEWTON
CHIEF EXECUTIVE OFFICER

