

14 Dampier Crescent

FORREST A.C.T. 2603

23 June 2013



Dear Secretary

I note that your Committee is currently considering the A.C.T. Budget.

In this context, I would like to draw the Committee's attention to some issues about Government revenue and expenditure which I raised in a letter to the Treasurer, Mr Barr, dated 2 April 2013. A copy of the letter is enclosed. (I have not yet received a response to my letter.)

I have perspectives on these matters as both a citizen and a ratepayer. In my capacity as a ratepayer, I note that my general rates for the 2012/13 financial year are \$5800 – four or five times what I would pay in, say, Hunters Hill or Mosman. For some nearby owners, the figure is in excess of \$12000. It is difficult to accept that imposts at this level are either fair or efficient, even if they do not (yet) amount to a tripling of the annual obligation.

Both as ratepayers and as citizens, I think that the A.C.T. public has an entitlement to be assured that the Government's revenue and expenditure have a sound, equitable and effective basis. In the enclosed letter, I drew attention to a number of areas where the Government was failing to maximise obvious sources of revenue, and other areas where expenditure was unnecessary, extravagant or badly controlled.

In my submission, your Committee should direct its attention to the following areas, with a view to revenue enhancement or expenditure savings:

- Cross-border subsidies in the areas of education and health. There is no reason whatsoever for A.C.T. ratepayers to subsidise these services to N.S.W. If the A.C.T. does not receive recompense for the full cost of these services, they should cease to be provided. (The correct figure for N.S.W. students in the A.C.T. school system is 5000, not 2000 as originally stated.)
- Subsidies to commercial activities in the areas of sport, property development and use of public land.
- Public works, where excess costs seem to be the norm and there is obviously little or no monitoring of how contracts are carried out so as to obtain value for money.
- Taxing the Churches in relation to commercial activities carried out on Church land – eg, by charging rates on a commercial basis and imposing payroll tax.

If action were to be taken in these areas, there would be significant improvement in the A.C.T. budgetary position, not to mention greater fairness as between the various sources of revenue and as between the various recipients of expenditure.

I have not in this letter referred to some of the wild extravagances which rate a mention in the A.C.T. Budget, such as the Light Rail Project, the City-to-the-Lake idea or the new Stadium. I am sure the Committee would be able to recognise these as the fantasies they are.

I trust that this letter will be of assistance to the Committee.

Yours sincerely

A handwritten signature in cursive script that reads "Stephen Brown". The signature is written in black ink and includes a small flourish at the end.

(Stephen Brown)

14 Dampier Crescent

FORREST A.C.T. 2603

2 April 2013

Dear Mr Barr

I am writing to you about the budgetary situation of the A.C.T. Government.

This letter is prompted by your comments reported in the Canberra Times of 27 February in response to the ICRC announcement of a draft determination which would substantially reduce water charges. You noted that this would impact the ACTEW dividend to the A.C.T. Government, with the implication of a revenue shortfall which would need to be made up. Given the Government's apparent belief that household rates should be a major revenue source, this is of concern.

I would like to suggest some areas where expenditure savings or revenue enhancement would be possible, with significant benefit to the Territory budget.

**CROSS BORDER SUBSIDIES**. It is clear that the Territory is providing substantial subsidies to N.S.W. in the availability of services.

One area is education. It was reported in October 2010 that some 2000 N.S.W. resident students were being educated in the A.C.T. system. In reply to representations from me, you advised in a letter dated 29 November 2010 that this matter was being considered in a Grants Commission context (Attachment A). In August 2011, you stated that the shortfall in cost recovery for education was \$19 million a year (Attachment B).

Another area is health. In a letter to the Canberra Times of 6 October 2011, I noted that, although 30% of the patients in the A.C.T. health system are N.S.W. residents, only 10% of the A.C.T. health budget is reimbursed by N.S.W. (Attachment C), with some further coverage possible within Commonwealth grants. My observations were not challenged.

These subsidies involve very substantial amounts of money. There is no justification whatsoever for A.C.T. ratepayers supporting N.S.W. in this fashion.

If the A.C.T. is not being reimbursed in full for these costs, the Territory Government should cease providing the services.

**COMMERCIAL SUBSIDIES.** There are a number of areas in which the A.C.T. Government is providing subsidies to commercial activities, either by way of direct payment or by foregoing revenue.

There are multi-million subsidies to commercial sport. The arrangement with the A.F.L. for Greater Western Sydney games to be played in Canberra involves a payment of \$800,000 per game. In terms of attendance, this is a subsidy of \$100 per ticket. Yet the A.F.L. is a billion dollar trading activity, with a vast cash flow from (for example) television rights and the ability to pay six figure salaries to its players and seven figure salaries to its executives. Why should it receive government handouts?

Similarly, the A.C.T. racing industry is subsidised to the extent of \$7.5 million a year – which amounts to over \$140 per spectator attendance. The racing industry is a business. If it is not viable trading on its own, what conceivable public benefit is there in propping it up with subsidies? No doubt there is a handful of jobs involved, but were this money to be reallocated to, say, aged care, more new jobs would be created.

There are subsidies for property redevelopment. These appear in many guises. The most egregious is the failure to capture for the community the increase in lease value consequent upon change of purpose. For some reason, successive governments have been spooked by developers into believing that a change of purpose charge would somehow inhibit development, when it does no more than return to the community the value which rightfully belongs to it.

More insidious is the way that leases granted for community purposes have been allowed to convert to commercial use. This is an abandonment of the principle established early in Canberra's history that if concessional leases (for purposes such as recreation, clubs or schools) ceased to be viable they would be surrendered to the Government. Instead, they are now allowed to be developed commercially. Indeed, the Government is now funding small clubs to arrange redevelopment proposals!

There is substantial revenue foregone in allowing commercial use of public land. Where someone is conducting a business using public land, why are they not charged a commercial rent level for that use? To charge less than a commercial rent is to subsidise some businesses rather than others. The most obvious illustration of this is in the nominal charge levied upon footpath cafes for their use of the land – in some cases this is no more than 10% of the rent

charged by the private owners of the adjacent premises in which the cafes are based. Why is footpath eating a business activity deserving of public subsidy?

There would be significant benefit to the A.C.T. Budget if these subsidies were to be eliminated.

**PUBLIC WORKS.** The A.C.T. Government seems to be content to accept an excessive level of costs for public works without attempting to scrutinise or control them. These costs are of eye-watering proportions without any clear explanation. Moreover, project costs and completion times are almost inevitably allowed to overrun.

In this context, I am not referring just to such notorious cases as the Gungahlin Drive Extension or the New Cotter Dam. The problem of excess costs seems to be pervasive. Some current or recent illustrations include:

- \$42 million for the Constitution Avenue reconstruction (of just 1.1km);
- \$1.5 million for a new bus stop in Barton;
- \$26 million to rebuild the Tharwa Bridge;
- \$4.7 million for a synthetic running track at Woden;
- \$19.9 million to extend the Mugga Lane Tip;
- \$3 million to re-landscape (yet again!) the Red Hill Shops.

It is impossible to see how the work involved in these projects justifies the expenditure which they incur. There must be many contractors waxing rich on the basis of the A.C.T. works program.

Surely the Government is capable of more vigorous scrutiny of the tenders received (including possible collusive bids) and active monitoring of the costs allegedly incurred in the carrying out of the works. The Government also should be actively enforcing contract timetables. In the latter respect, examples of contractor failure are legion. I would simply refer to the rebuilding of the few hundred metres of the Cotter Road between Streeton Drive and the Tuggeranong Parkway, which has proceeded at a speed which can only be described as a caricature of slow-motion. A similarly depressing air of glacial speed also hangs over the widening project on the Cotter Road between McCulloch Street and Lady Denman Drive.

In these areas, it is clear that more effective project management would provide large benefits to the A.C.T. Budget.

**TAX THE CHURCHES.** I do not question that long-established principle that churches should be exempt from taxation in relation to their religious activities. In the A.C.T., for example, churches are exempt from rates on their leases where the properties are used for public worship.

However, where churches are engaged in commercial activities and use their properties for those activities, they should be treated and taxed as commercial operations – particularly where the activities are conducted in competition with ordinary businesses. This would include not only the payment of rates but also the payment of payroll tax, GST and the like.

Commercial activities currently being conducted by churches in Canberra include the provision of parking, the operation of conference facilities and the conduct of music centres. By way of example, in National Circuit, Forrest, both the Wesley Uniting Church and the National Jewish Centre are conducting commercial parking operations which must generate several hundred thousand dollars a year in revenue. Presumably these activities are in breach of their leases and thus unlawful, though I have no expectation that enforcement of lease conditions will ever be undertaken by any A.C.T. Government agency .

Fore present purposes, the point is that these commercial activities are being subsidised by revenue foregone. However worthy the purposes to which the churches put their profits, there is no case for them to avoid a proper contribution to public revenue when they engage in commercially competitive activities.

**SUMMARY.** In my submission, the above comments illustrate that there are numerous areas of the A.C.T. Budget where there are opportunities for revenue gain or expenditure reduction.

Rather than allow revenue shortfall to be recouped by increased taxes on the already overburdened ratepayer, the A.C.T. Government should be actively seeking every opportunity to realise those opportunities. Indeed, there is much to be said for the 'zero base' approach to budgeting, striking deep into the comfort zone of those who have grown fat and lazy on the basis of constantly renewed budgetary and policy largesse.

I would appreciate your response to the comments in this letter.

Yours sincerely

*Stephen Brown*



Attachment A

**Andrew Barr MLA**

MINISTER FOR EDUCATION AND TRAINING  
MINISTER FOR PLANNING  
MINISTER FOR TOURISM, SPORT AND RECREATION  
MINISTER FOR GAMING AND RACING

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MEMBER FOR MOLONGLO

Mr Stephen Brown  
14 Dampier Circuit  
FORREST ACT 2603

Dear Mr Brown

Thank you for your letter of 21 October 2010 about the enrolment of New South Wales (NSW) residents in the Australian Capital Territory (ACT) public school system.

The ACT is in a unique geographic location being surrounded by NSW, and as a result, some students from NSW attend ACT public schools.

Currently, there is not a direct agreement between the NSW and ACT Governments about the provision of education for NSW students in ACT schools. ACT public school enrolment policy allows NSW students to enrol at an ACT public school after priority has been given to ACT students. I have attached a copy of the policy for your information.

There are also a small number of ACT residents who attend NSW schools.

This cross border service issue is being considered under the Commonwealth Grants Commission processes. The ACT Government will continue to pursue this issue with the Commission and the NSW Government.

Thank you for your interest in this matter.

Yours sincerely

Andrew Barr MLA  
Minister for Education and Training

29 NOV 2010

ACT LEGISLATIVE ASSEMBLY

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# Educ loses \$19m to border cross: Barr

By Breanna Tucker  
Schools Reporter

ACT schools are being short-changed \$19 million as they bear the burden of funding for cross-border students, Education Minister Andrew Barr says.

In his submission to the Gonski Review of Funding for Schooling, Mr Barr said the ACT Government was not receiving anywhere near enough reimbursement for educating students from NSW.

Figures from last year's census of ACT Schools showed nearly 5000 NSW students were enrolled in the capital's schools, accounting for 5 per cent of all government enrolments and 12 per cent of those in Catholic and independent schools.

The Government receives adjustment funding of \$12 million to cater for these students, but Mr Barr said the real costs were closer to \$31 million.

"When you do the figures, that \$19 million is equal to 3.3 per cent of our overall education budget, or a whole year's worth of new education initiatives," he said.

"We could provide more counselors with that money, hire more ESL (English as a second language) teachers, we could do any number of things with that kind of funding."

Mr Barr said the shortfall placed the ACT education sector under immense pressure and played a large role in the proposed closure of 39 schools in 2006.

"In some of those schools, over 90 per cent of enrolments came from NSW, meaning those schools ran under heavy subsidisations from the ACT taxpayer," he said.

The cross-border funding formed a key part of a submission that highlighted greater autonomy and accountability as priorities for a new national funding formula.

Mr Barr pushed for states and territories to be given greater flexibility in allocating resources and said the last thing he wanted was a



#### SHORTFALL:

Education Minister Andrew Barr has made a submission to the Gonski Review.

complete Commonwealth takeover of funding and services.

But the most significant issue for the ACT was the creation of a new funding system that did not rely so heavily on student postcodes.

Mr Barr said the socio-economic status model introduced by the Howard government in 2001 simply did not fit the ACT system because of a scattered distribution of poor and wealthy families.

"The key example I always give is the postcode 2603, which takes in the suburbs of Red Hill and Forrest," Mr Barr said.

"This is one of the richest postcodes in Australia, but it also contains quite a number of disadvantaged families in public housing and rentals.

"I have to raise these examples in virtually every discussion I've had with education ministers, because more often than not funding is aggregated across postcodes and the ACT misses out, yet we know we have pockets of disadvantage."

Mr Barr nominated a new system based on the Index of Community Socio-Educational Advantage (ICSEA) - a score that ranks families according to their parents' job and educational attainment rather than the suburb where they live.

Mr Barr's submission also called for rewards for innovation and best practice, funding to re-engage disengaged students, for disability funding to be allocated according to the level of individual need and for schools to be held more accountable for the distribution of disability funding and corresponding student outcomes.



## Transborder issues

Perhaps it is encouraging that "ACT, NSW agree to new era of co-operation on cross-border issues" ( September 28, p3), but Canberrans are still being

dudded in this relationship. The ACT health system costs more than \$900 million a year, but we receive less than \$90 million from NSW for the 30 per cent of patients who are NSW residents. Similarly, the 5000 NSW students in ACT schools cost us \$31 million a year but we receive adjustment funding of just \$12 million ("Education loses \$19m to border cross: Barr", August 10, p3). No doubt there is some health funding adjustment also buried in the dark recesses of Commonwealth grants. However, the fact is that the ACT provides a very large subsidy to NSW. The transborder cuddle is more like a grizzly bear hug.

S. Brown, Forrest.

CT 6/10/11