

I would like to comment on an issue raised by Kirstyn Barnett in her submission (DR 162). She poses that as follows:

**On page 4 it [the Draft Report] states: "Councils vary widely in how they use the available funding tools, but rates are the largest overall source of local government revenue. While local government expenditure has been steadily rising over time, this has been in line with growth in national population and incomes. As a result, rates have remained stable as a proportion of per capita national and household incomes for many decades, despite widespread concerns to the contrary."**

Ms Barnett suggests that outside the main centres wages have stagnated, and that explains why rates seem such a burden there. But I would say the provinces are not alone.

I would like to clarify this issue in terms of something I mentioned in my submission, which is that, in order to cope with rising household costs, a majority of families have seen the homemaker become a second wage earner. Thus, there is considerable room for the average income to stagnate, while per capita national- and household incomes increase due to a higher proportion of individuals having entered the workforce.

The Report thus masks the underlying fact that over the "many decade" period that this comparison is being made, those households have largely shifted from one wage earner to two in order to cope with "steadily rising" council expenditures.

The report also alludes to, but does not include in its analysis, the contribution of increasing use of sources of council income that nevertheless originate in the same households but are not classified as rates.

The use by councils of debt to cover operating costs further masks the true extent of the increase in council expenditure. These factors combine to dramatically understate the true extent of the costs of councils to their communities.

A per capita assessment of council costs would show that they have risen dramatically over the decades. And families have few resources left to address a continuance of the historic pattern of increase, unless it is polygamy. Alarming, councils generally, have plans to *increase* their rate of expenditure growth, and that, surely, will lead to a 'rates Armageddon'.

The report authors have used considerable creativity to establish that rates are reasonable. This creativity would be put to better use in determining how council operations can be changed to make those councils sustainable to their ratepayers. Communities have done their part.