ESSENTIALS OF A NATIONAL POLICY ON

BALANCED DEVELOPMENT

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In the brochure convening the conference the purpose of the National Council for Balanced Development is stated to be to secure action at Federal Government level on the problems of Balanced Development.

This objective is too restricted and needs to be extended. The problems of unbalanced development have arisen from policies followed by Governments at Federal, State and Local levels. Their solution calls for action at all three levels of Government. It would be a mistake to think the objective will be achieved simply by hand-outs or legislation from the Federal Government.

An essential of the "new deal" in any National Policy to secure Balanced Development is that the harmful policies be abandoned to allow natural development to proceed. Other action may also be needed to accelerate natural processes following this. But any policy that does not remove the deterrents to balanced growth will amount to no more than brave words.

This paper aims at pointing to those detterent policies and how they can be altered. This is done through the following questions and suggested answers.

What do we want our new policy to do?

We expect its effectiveness to be tested by trends in certain indicator statistics. We want to see accelerated growth in the key indicators of building construction activity, population and employment in rural areas. Other benefits will attend and flow from such stimulation if achieved.

How Can we get Balanced Development?

We must provide greater incentives to make it economically possible or attractive to develop rural areas. Growth of metropolitan at expense of rural centres is largely due to lack of incentives for development that could hold larger rural populations. Children of rural people thus have little alternative but to go to capital cities for livelihood.

Not only are special incentives for development of rural areas missing but there exist positive deterrents against development of such areas as compared with the metropolis.

<u>The first essential to Balanced Development is to REMOVE DETERRENTS to rural development. Removal of deterrents is equivalent to providing new incentives. It allows natural incentives already there to operate.</u>

What are the Deterrents against Development?

They are costs which tend to make it unprofitable to undertake development. Labor and material costs are inescapable and generally uncontrollable. They are the primary factors that make development worth considering or rule it out. We can do little or nothing about them. They comprise 78% of the value of industrial output.

We can do a lot about the costs making up the other 22% of the value of output in industry. These costs are fixed by Government or directly tied to its tax policy and are therefore controllable. Such controllable costs and the Government concerned are:

1.	Land and building costs (rents)	Federal, State, Local.
2.	Freight costs	State.
3.	Light and Power costs	State.
4.	Postages, and Telephone costs ...	Federal
5.	Municipal Rates (including water and sewerage)	Local.
6.	Taxes	Federal, State.
7.	Operator's Net Profit	All above.

The last is not really a cost but the net amount remaining to the operator after paying the others. It is this which provides his incentive and decides whether the industry can start or continue in business.

These items affect population, industry, trade and development generally whether metropolitan, or rural. But some affect rural areas more than metropolitan. Those in this class are items (2) Freights, (3) Light and Power, (4) Telephone charges, (5) municipal rates (except where these are based on the unimproved land value.)

None of these items can be completely eliminated but their incidence can be changed. Reduction of the incidence of any or all of them upon developed properties will act differentially as increased incentives to rural development compared with metropolitan.

<u>What is the present incidence of these public charges</u>?

By contrast with that in the Local Government field, public finance at State and Federal Government level is still largely based on the retrograde theory that only the actual user of public undertakings benefits from them and should be expected to pay all capital and operating costs. Even though land value of undeveloped holdings is increased manyfold by public undertakings, owners are not required to contribute either to capital or operating costs. The incidence of public charges at the three levels of Government is:

<u>Type A.</u>

Charges spread over all properties whether used or not <u>pro-rata to their development potential</u> shown by their unimproved value.

<u>Local</u> - Municipal, water and sewerage rates (used by two-thirds of councils and 92 percent of whole municipalized area in Australia);

<u>State</u> - (a) rating and water-right charges for irrigation;
(b) State land taxes;

<u>Type B.</u>

Charges falling only on developed properties or users of services <u>pro-rata to actual development or use</u>.

<u>Local</u> - Some councils in Victoria, South Australia and Tasmania;

<u>State</u> - (a) Railway freights;
(b) Light and power charges;
(c) Motor registration fees and taxes;

<u>Federal</u>-(a) Postage and telephone charges;
(b) Payroll taxes;
(c) Income Tax.

The incidence under Type A offers no obstacles to development. It actually encourages it because the charge is a fixed one irrespective whether development occurs or not. It tends to make land available at lower price.

The incidence under <u>Type B</u> places obstacles in the way of development and offers a premium to undeveloped holding.

What Should be our Guiding Principle in a Policy for Balanced Development?

To shift the incidence of Local, State or Federal charges and taxes so that they are based on the PRODUCTION POTENTIAL shown by the value of the sites instead of upon the use made of the sites as shown by PRODUCTION ACHIEVED.

What Form should practical application of the Principle Take?

Local - Municipal, water and sewerage rates on the unimproved value in the minority of local units not yet using that basis.

State - Establishment of a State Development Fund financed by a rate upon the unimproved value over the whole State. This would plough back into further development the increased values owing their existence to public undertakings. It would be in substitution for the present State Land Tax which is on a graduated basis with exemptions. From this revolving fund capital charges for development agencies including Railways, Power, Irrigation, Highways would be met and charges for freight, power and motor taxation reduced.

Federal - A National Development Fund to be established in the same way to meet capital charges for developmental agencies such as Mails, telephones, railways, and special projects such as Snowy River project, with consequent reduction in other charges. Abolition of payroll tax and reduction of income tax would materially help to encourage development generally.

NOTE: As two-thirds of the total land values of the State are centred in the metropolitan area the contribution to the fund by rural areas will be light. On the other hand the distribution from the fund in the form of lower freights and light and power charges will benefit rural users relatively much more than metropolitan (which usually have less reliance upon rail transport and are not required to finance capital cost of power extension as are rural).