

## Productivity Commission Local Government Study

Thank you for the opportunity to contribute to the Productivity Commission Local Government Study. In particular we wish to comment on the Local Government Rating System, its application to, and impact on the farming sector.

The Whittlesea Branch of the Victorian Farmers' Federation has for many years campaigned at a Local and State Government level for a review of the municipal rating system. We believe the current system is inequitable and unsustainable and has a significant impact on farm viability. Local government is heavily dependent on property based rates for its income. A rating system which is based on property valuation causes farmers to be disadvantaged compared with other groups in the community. As a land based activity, a large proportion of the farm business asset is invested in land.

The valuation of the farming property bears no connection to the income derived from that property. Property values often increase at a significantly greater rate than the return derived from the product produced on that farm. The cost of production on Australian farms is outstripping returns. According to the ABARE Regional Outlook Conference 2006 "today's farmers are not earning enough to cover their costs." (ref. Weekly Times, Aug. 2, 2006). Unlike commercial and residential properties, farmland is both the home and the business operation. Farming is established as a long term proposition, incurring a major financial commitment.

Farm exports contribute significantly to the Australian economy. Australian farmers remain competitive by reducing their costs, increasing efficiencies and "stretching" the family farming operation even further. We compete in the world marketplace with countries whose farmers are often heavily subsidised and where farmland is recognised as a valuable resource, often not incurring any rate or tax on that agricultural producing land. Any burden such as local government rates applicable to Australian farmers and not their competitors affects our ability to compete on the open market.

Whilst the impact of rates, particularly escalating rates, is felt across all farmland in Australia, the situation is exacerbated in the interface areas where rural land adjoins the urban sprawl of capital cities and regional centres. In such locations, property values increase at a greater pace due to the proximity of the urban/rural fringe.

In our district, the percentage increase per sector for 2006/07 was as follows:

|                |       |
|----------------|-------|
| * residential  | 2.9%  |
| * commercial   | 11.5% |
| * industrial   | 5.6%  |
| * agricultural | 19.8% |

There were also cases of individual broadacre farming properties where the rate increase was over 100% and many between 20 and 40%. Regardless of the individual level of efficiency on any one farm, it is extremely difficult, if not impossible to absorb such increases without placing a major economic and social burden on that farming family. Preliminary analysis of the market suggests that the 2008 valuation will see rural land outstripping any other sector in our community, hence a massive

rate increase yet again. Farm returns in that time clearly do not reflect such an increase.

Whilst the Local Government Act provides councils an opportunity to strike a fairer rate, through differential rating, the farm rate discount in our district is set at 2.5% and has remained so since 1986. Our VFF branch works closely with local council contributing to the debate on rates and working positively on farm land management projects, etc. We do not believe that incentives paid to farmers for environmental/land management projects undertaken should be used to compensate for high rates. Often such projects and environmental maintenance costs are greater than the incentive paid. The two issues must be considered separately. We recognise the financial pressures on council to meet a growing demand for their services and we do not believe the solution is to shift the rate burden to another sector.

We urge the Commission to consider the following:

- recognition of the financial burden on local government due to increased demands and cost shifting, hence the need for an alternative revenue collection method for Local Government.
- reduction in the dependence on land valuation as a basis for determining rates.
- alternative systems such as a community charge.
- introduction of an appropriate differential rating or curtilage system with a nil rate applying to farm land.
- Abolishing the special rate or charge as applied by some councils for the sealing of roads, which severely impacts on farmers who often have a relatively large road frontage. (e.g. some farmers in the Whittlesea district were required to pay costs of \$70,000- \$100,000 for such services.)

In conclusion, we believe the current Local Government rating system is unsustainable and places unfair burden on the farming sector. The expectation placed on the farming community has changed significantly over the past decade. There is an important move towards environmental sustainability of benefit to the entire community and there is an increasing level of cost in implementing strict regulatory requirements. Farm incomes are severely in decline yet the role of the Australian farmer is vitally important to our nation's economy. A decline in family farming operations will have a significant impact on the community; food production and consequently an increased dependence on imports and the potential health and food safety consequences; the role of the farmer in maintaining land for environmental benefits; weed and vermin control and fire control.

We seek your support in achieving a fair and equitable system for the sake of Australian agriculture and farming communities.



# Victorian Farmers Federation

Branch of the Year 2004 -2005  
Whittlesea

## WHITTLESEA BRANCH, VICTORIAN FARMERS FEDERATION.

The Whittlesea Branch of the Victorian Farmers Federation represents farming and agricultural enterprises predominantly from within the City of Whittlesea and the Shire of Nillumbik. The range of enterprises varies from small intensive operations to broad acre farming and includes pursuits such as beef and sheep grazing, horticulture and turf production.

Many of our members have a long history and extensive knowledge of farming in this district with some farmers proudly extending back five generations to the 1840's.

With the changing nature of this district and the pressures brought to bear by encroaching urbanism, our Branch recognizes the important role it plays in supporting farmers facing challenges whilst encouraging them to continue farming within the district and to apply best practice to their agricultural pursuit and to land management.

We recognize our community role in an advisory capacity, contributing to various committees and working parties including the following:- representatives on the City of Whittlesea Sustainable Programs Advisory Committee, nominations for the Agriculture and Land Management Committee, Green Wedge discussions with the Department of Sustainability and Environment, Drought Review with Federal and State Government, development of rate rebate – sustainable land management evaluation forms, instigated and jointly organized the Farming and Land Management Expo in 2005 (with another to be conducted in 2007), and various State and Federal Government discussion groups.

The Whittlesea Branch is recognized as one of the most active and dynamic branches within Victoria. We hold regular meetings, presenting a range of topics and guest speakers and playing a pro-active role to encourage an understanding of farming issues, to encourage greater understanding of the importance of the farming community in terms of economy and as producers of high quality food and fibre. With the declaration of Melbourne 2030 and hence the zoning of Green Wedges, we believe it is of the utmost importance that our Branch continues to thrive and achieve positive outcomes.

In 2005 Whittlesea Branch was awarded Victorian Branch of the Year in recognition of its achievements and was Regional winner in 2006.

The Branch operates as a voluntary organization and many of our Branch members contribute significantly within the community to other organizations including the Whittlesea Agricultural Society and WACMAC Land Care.

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