

## Addendum to Agriculture Competitiveness Green Paper

Agriculture Competitiveness Taskforce  
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Please accept this addition to my submission of 19 Nov 2014. The original purpose for this addendum was to find the reasons for the NSW Dept. of Local Government's apparent resistance to change of rate base.

The secondary purpose was to establish if I had missed something in my research that justifies the present system.

The letter received on 17 inst did not address the matter; consequently I await further representations from my State Member of Parliament.

The Department is pressing on with amalgamations and offering monetary inducements for action by March this year. The attached letter is being sent by family members with property in affected shires in an endeavour to at least have the matter discussed.

Why so much emphasis on shire rates? The answer is that they are cause and remedy. Rural Shire rates imposed on rural land, should be grouped with LLS in NSW, irrigation infrastructure, and power distribution costs because they are all charges benefiting the public and should be recouped from the public using the common denominator of dwellings. The cost of managing the environment to achieve equal results on public and private land requires that expansion in local government referred to in the submission because local government expenditure on weed and animal control will increase, but as the controls take effect, expenditure should decrease.

A further reason for change is that the financial burden on shires is not even, consequentially reflected in uneven rates between shires. Enquiries of farmers across the Riverina in the late 1980s showed on a per acre basis, Tumut \$6.00, Gundagai \$3.00, Wakool \$1.00. The Wakool farmers growing rice made four to five times the gross return of Tumut farms. Tumut is the highest because it is 61.5% public land.

The nett effect of changing the base, is that the farm dwelling shares equally in the cost of the public benefit. The current outlay of funds by farms providing public benefit will cease while "farm gate returns" will increase.

The costs will vary each year depending on expenditure, therefore the charges to recover the cost should not be referred to as a tax.

Since the 12 Dec 2014 there have been a number of developments that strengthen points raised in the main document. The first being the need for a Prices Justification Tribunal (PJT) to establish what is a reasonable profit.

(1)

The crash in oil prices and an ongoing campaign by the NRMA have highlighted the disparity in fuel prices in rural areas, as was noted in my original submission. Great emphasis has been

put on competition as the be all and end all for the health of the national economy and that the lowest prices are in the best interests of all consumers.

The reality is that there is no competition in rural Australia because of disparity in population and low turnover. This does not hold good for Tumut where the population is static, but the forestry, timber and pulp industries use huge quantities of fuel, yet suffer the highest mark up in the state.

On a family farm at Boorowa 10,000 litres per annum was used when cropping. With such large mark ups over city plus transport cost of about 3 cents, the farm has paid anything from \$1,500 to \$2,500 per annum for no gain. Every rural user of fuel is contributing to a drain on funds out of rural areas to be used for unknown purposes that may even further disadvantage rural communities.

The original suggestion for a PJT is justified, be it stand alone, or part of ACCC. If given sufficient punitive power, just the threat of action could be an antidote to greed.

The only satisfactory way of achieving fairness in the market place is to change the Trade Practices Act to having a single price ex door. The milk bar or coffee vendor, no matter city or country, is subsidising the price of milk to the supermarkets. If those supermarkets have to buy from various districts with varying delivery costs, then that is their problem, but perhaps they would then be more supportive of lower country fuel prices.

(2)

In NSW the Independent Biodiversity Legislation Review Panel's final report was published 18 Dec 2014, with the possibility that ensuing legislation should have a positive for farm returns and make it desirable for Federal adoption. Those positives would be fuel reduction and weed control leading to reduced risk for insurers that again boosts farm gate returns. Animal control is becoming more essential, not only for farm management, but also the wider community where in the ACT 50% of smash repairs are due to animals.

To achieve such an outcome, re-educating the community to the harsh realities that good environmental management, in harmony with Australian conditions, requires all public land to be managed to the same standards as private land.

(3)

See P 2 of the submission under "farmers and their lobby groups ---" The following is quoted from the NFF submission.

Action is required to:

Maintain and build on our competitive advantages; our favourable soils, water and climate, our world class biosecurity and food safety systems, and our research and development institutions.

Overcome some of our challenges; including inefficiency of our supply chains and the supply of skilled labour.

Secure fairer, transparent and competitive access to our key markets, domestic and international.

Blueprint future for Australian Agriculture

The Australian agricultural sector is a world leader in providing high quality food and fibre for a global population using innovative technologies and sustainable natural resource management. It is productive, profitable, innovative and valued for its environmental, economic and social contribution to Australian life.

Every farmer knows that our soils are the oldest in geological terms, that they require huge inputs of phosphorus, lime etc, that micro nutrients have to be added by injection, or food supplement. Soil structure is fragile and erodes easily.

These are not competitive advantages with water and climate by comparison with Northern Hemisphere milder temperatures, longer day light, infrequent drought and stable soils.

Our bio security still lets in weeds, disease and pestilence . Food safety is provided and paid for by agriculture as an act of self preservation and means of traceability against exotic disease. Beneficiaries are not paying.

Our natural resource management is not sustainable.

The decision makers at Treasury, RBA, private banks, or any government department reading the NFF statement could be lulled into thinking, that if the senior farm lobby is convinced of its comfortable status, then there is no real crisis and that there is only minor need for revision. That farmers defaulting on loans are bad risks would be the conclusion, but very wrong, because they have been bled dry paying other people's debt.

First priority should be to provide the means for those who should pay, to pay.

Change the TPA and create a new PJT

Rebalance environmental and resource management with user and demander paying

Revamp rail, especially over long distance and electrify using sola and geothermal.

Avoid foreign investment

Yours sincerely

J. Beale

Encl Letter to shire councillors.



### **Extra Information**

The Independent Inquiry into the Financial Sustainability of NSW Local Government "Are Councils Sustainable?" May 2006 p 21 :

"The LGI examined the considerable research into whether council mergers would result in greater cost efficiencies. It found that evidence was inconclusive, except perhaps for the smallest councils (I.e. under 8,000 in rural areas)."

The existing system is haemorrhaging funds away from rural areas to the benefit of cities and the large coastal communities; a problem that extends nationally. Therefore it may come as a surprise to you that in fact, families on rural land (using figures from "Are Councils Sustainable?"), if contributing the State average of \$600.00 as their fair share, actually subsidise every other household in the State with approximately \$66.00 annually.

The explanation is, that a rural council providing benefits beyond its jurisdiction cannot recover the cost and all agriculture endeavour is in the same position. Plantation forestry on private land is also in the same predicament of paying rates in competition with Crown forestry who do not pay rates.

"Are Councils Sustainable?" p 26:

" Making NSW Local Government financially sustainable will require a combination of fiscal measures including rate deregulation, increased State and Commonwealth grants, greater application of user pays, increased operating efficiencies and increased borrowings. The most vulnerable councils are rural ones whose small population densities mean that they do not have the financial capacity to maintain let alone renew their road infrastructure. Increased government grants and/or a transfer of their regional roads to state responsibility may be their only chance of survival. Simply amalgamating them will not generate the savings needed for meeting their infrastructure obligations."

Note: "greater application of user pays"

Not only do rural councils require change to the rating system they also need change to recover the imposed costs brought on by the actions and desires of the wider community who have no way of compensating for the harm and expense of mega fires, rail line closures, additional costs arising out of power distribution, unbalanced weed and animal control etc. etc.

The international Organisation for Economic Cooperation and Development (OECD ) recommended change, but was misunderstood in Australia because the statement said that houses and flats should be taxed. The essential difference being; in the UK the tax is imposed on the size and location of the dwelling (not its commercial value as here) so that it contributes its equal share of the total cost of running the council. For NSW (ultimately nationally) : the total annual cost of running all the councils in the State is shared by all the dwellings in the state to achieve "greater application of user pays". Each council keeps its individuality, controls its environment within guidelines suited to geographic location and Aboriginal practice, rural land is for rural use only and not rateable.

From "Are Councils Sustainable?" p 196:

In 2003/04, councils received 26 per cent of their rate revenue (\$573 million) from business rates. The average rate per business assessment was \$3,499. Councils received eight per cent of their rate revenue (\$179 million) from farmland rates. The average rate per farmland assessment was \$1,471.

Note the 8% of rates were raised from 40,800 families and some farm corporate businesses making up less than 2% of the population, with huge variation in value and number of assessments levied on individual farms.

Rural councils need to expand, not contract, to become the conduit to provide the finance for managing weed, vegetation, animal control (to the same requirement as for private land) irrigation infrastructure, power distribution, all being necessary to share the burden of costs unredeemable at this stage, endured by councils and agriculture alike.

This is accepted by the European community as a partnership between agriculture, tourism

and environment and is not a subsidy. Conservation groups here are suggesting agriculture get a stewardship payment, but councils need it too, so what is being suggested achieves the same goal.

There are new industries available to rural areas, ( crop, forest waste and solar, geothermal power) along with the expansion of existing industries that require new labour and skills, all of which is beneficial to rebuilding rural areas and the wealth capacity to fully participate.

The LGSA NSW were made aware of the UK system in 2006 by the Gundagai District Council of the NSW Farmers' Association, but they thought it radical. The Productivity Commission in their study into Assessing Local Government Revenue Raising Capacity did publish this proposition.

As a rate payer of your council, please pursue this matter with the LGA and your local Member of Parliament to get a definitive answer and action that will deliver positive results environmentally and economically for decades to come.

Yours sincerely

Name

Address

Please copy to all councillors.