

Productivity Commission Review into Local Government Rates.

Presented by

Gippsland District Council of Victorian Farmers Federation.

We would like to take this opportunity to inform the Productivity Commission as to why we consider Rates based on Land Value an un fair and in equitable taxing system.

As farmers we face large and rapidly increasing rates bills from our Local Government. We object to this for a number of reasons. The major objections I have listed below.

1. For farmers Land is their most basic tool of trade. We do not tax the tools or qualifications of other trades or professional people. The Doctors and Lawyers do not pay an annual tax on their degrees.
2. Agricultural Land does not use Local Government services
3. Most of the services that Local Government provides are provided in the towns and regional cities. Farmers are only very small users of these services. Eg swimming pools parks and gardens.
4. We pay a much larger rates bill than our urban cousins and we get and use less services.
5. Land Value is in no way linked to the income earning ability of the land. Land values are not set by how much income it can generate. Land values are set by demand and peoples ability to pay. Most buyers of land in our area are buying it for life style reasons not to set up and run an agricultural business.
6. It therefore follows that rates based on land value do not represent a farmers ability to pay as it is not linked to the income derived from that land.
7. A very large proportion of the rates bill is falling on a minority group of rate payers and these rate payers use a very small percentage of the shires services.
8. The demand for Local Government services is growing. This inevitability means that the burden of funding Local Government is falling heavily on a minority group of rate payers.

The whole subject of funding for Local Government needs major reform.

The share of Local Government revenue derived from grant revenue is declining and at the same time State Government and the urban community is demanding more services from Local Government.

This problem for rural shires could well be described as Vertical and Horizontal Fiscal Inequities. Vertical inequities arise because higher levels of Government have more sources of tax revenue and as a result can spread the burden more equitably. They also have the ability to keep this revenue for them selves and shift the cost of providing services to Local Government. Horizontal inequities arise where densely populated urban shires have a lot of people to spread the burden over, reducing the tax on each tax payer as opposed to rural shires which have a large area to service and a smaller population to raise the revenue from.

We submit the following suggestions for reform of Local Government funding.

1. Local Government should receive a share of the GST revenue. This would spread the burden more evenly across the community.
2. Agricultural land should be exempt from rates.

3. Farmers should pay rates on the value of their house and house yard only. This would mean that they would then be paying the same amount as urban residents.

A members personal example.

For the 2006-2007 year one of our members Shire Rates bill increased by a massive 25 %. The total bill just under \$8,000.00 As a business person I ask some questions about this.

1. What do we get for the \$8,000.00 ? Answer. The road to our main farm is graded twice a year. A total length of 8 klm.
2. Is it good value for money ? Answer I asked the local contractor for a quote to do this job and his price was \$2,000.00 to grade the road twice a year. There is a total of 15 land holders fronting this section of road. So you can see that we are all being way over charged for the amount of service provided. In addition to this a large number of other people who do not have land fronting this road use the road. We would obviously be better off to keep the shire rates and engage a contractor to grade the road even if we could not get a contribution from the other land holders on the road.
3. Does it add value to my business ? Answer No. The road is the same gravel road it has been for the last 30 years. The shire has not done anything to help us increase our production or the demand for the products we produce.