

30 October 2019

RE: Rates Submission Victoria

The rates system in Victoria is outdated and inequitable. It disadvantages rural councils with small populations with limited avenues to raise revenue. It is a state government policy setting that is a disincentive for people to live, operate businesses and invest in rural Victoria.

The rates system is inequitable in that the rate cost for a property of the same value in a Metropolitan council in comparison to a rural council is far less. Metropolitan councils have multiple sources of revenue other than rates such as parking meters and fines etc. Despite having many avenues for revenue and strong financial positions, these metropolitan councils also receive government grants.

In contrast, rural councils rely on rate revenue as their core funding source. Rural populations are falling, therefore the rate burden is becoming greater per capita. The expectation of service provided by councils is growing, whilst the cost of providing services and maintaining infrastructure is increasing. This difficult operating environment combined with the "Fair Go Rate Cap" leaves councils with few options: become more efficient, reduce service, allow infrastructure to degrade (such as roads). This is an unsustainable situation and cannot continue.

In the past, one of the attractions to living in rural Victoria was cheap housing. The housing remains relatively inexpensive, however as discussed above, the rate cost is expensive in comparison to metropolitan. It is the same for operating a business, however business is also effected by not having a workforce population. High council rates and poor services provided are contributing to population decline (workforce decline) and therefore the spiral of unsustainability of rural councils.

Farm rate payers are disadvantaged by the current rate system as they often require vast areas of land to derive income. The income that comes from farm land is often reinvested into their business creating improvements to the land. These improvements increase the value of the land and therefore the rates paid by the farmer. The inequity is further compounded by farmers' needing to own more land to scale up their production and grow their business, yet inevitably paying more rates that are disproportionate to their increase in production.

The value of farm land does not necessarily reflect the income potential of the land - agricultural land is not always valued on the basis of productivity. For example some land may be valued according to future development potential or coastal land may be valued for aesthetic reasons rather than productive. This demonstrates that rates based on land value discriminate against farmers. The rate system does not consider the farmers ability to pay or the equity level of the business.

For rural councils the rate system is broken and needs to be replaced. A new system needs to provide fairness between all rate payers across Victoria, not just within councils. Government grants need to be allocated on a needs basis. Services and infrastructure of rural councils need to be of the equivalent standard of Metropolitan councils. Policy needs to be set to incentivise the population to live in rural areas to maintain vibrant council areas.

As a member of a rural community, I am very pleased this rating review is taking place. I see a great need for change and I am optimistic of what could be achieved with the commitment and goodwill of the state government.

