



5 August 2020

NSW Productivity Commission  
Review of Infrastructure Contributions in New South Wales

Via email: [ICReview@productivity.nsw.gov.au](mailto:ICReview@productivity.nsw.gov.au)

**Re: NSW Farmers' comments on the Issues Paper**

The NSW Farmers' Association ('NSW Farmers') welcomes the opportunity to comment on the Review of Infrastructure Contributions in New South Wales.

NSW Farmers is Australia's largest State farming organisation representing primary producers across all agricultural commodities – from avocados and tomatoes, apples, bananas and berries, through grains, pulses and lentils to oysters, cattle, dairy, goats, sheep, pigs and poultry. Farmers across New South Wales contribute significantly to the State and national economies with the State's food and fibre production representing around one quarter of Australia's annual total agricultural output.

Infrastructure funding, particularly for roads, is of key importance to the agricultural supply chain. Without adequate infrastructure to support the transport of produce, inconvenience, inaccessibility and time delays result in increased costs for farmers.

NSW Farmers provides comments on the following identified for review.

### **Chapter 1: Introduction - Observations**

As noted in the discussion paper there is a plethora of mechanisms to raise revenue to fund infrastructure. This has a significant impact on the ability to plan and deliver cost effective infrastructure based on the responsive nature of the majority of current funding mechanisms.

NSW Farmers notes that the issues raised impact on Local Government and are relevant to all NSW councils. However, it is often the case that rural and regional councils receive much lower and fewer infrastructure contributions as there is generally a lower level, or monetary value of the development in these areas. Due to the significant differences between development in rural and regional areas and metropolitan areas, a one size fits all approach may not be appropriate.

As noted in the discussion paper, 'the current system focuses on the impactor bearing infrastructure costs'. NSW Farmers supports the continuation of this in rural and regional areas; if the system were to shift to beneficiary pays this would levy a large burden on a smaller number of rate payers in these areas. There would also be difficulty in determining who would benefit and who should bear the cost.

NSW Farmers supports the principles of efficiency, equity, certainty and simplicity and would welcome a shift to a simpler, less administratively burdensome system.



## **Chapter 2: Infrastructure funding in NSW - Observations**

### **Issue 2.1**

As indicated in the review, infrastructure can be funded through the NSW Government (budget – Consolidated Fund & Restart NSW), the Commonwealth (grants), local government (general rates revenue), and cost recovery through direct user charges and infrastructure contributions.

In general terms, NSW Farmers seeks autonomy for local government in relation to local matters, and increased ability for local government to concentrate on delivering essential services such as local roads, construction and maintenance.

To support this, NSW Farmers seeks that local government funding is better supported through:

- Establishing State and Federal Government local government funding priorities to enable long term planning for initiatives, and a more constant level of funding through:
  - A designated share of the GST; or
  - Receiving a fair share of Federal Government tax revenue, such as 2% of GST; or
  - An equitable share of Commonwealth revenue equal to 3% of income tax receipts
- Increasing grants from State and Federal Government
- Increasing the Federal Assistance Grant
- Prevention of cost shifting to local government, and a service contract if the NSW Government decreases its contribution to local government
- Requiring NSW and Federal government agencies such as State Forests, National Parks and plantation timber to pay local government rates in recognition of their land use and consumption of services

### **Rate pegging**

NSW Farmers strongly opposes the removal or alteration of rate pegging.

According to the review, the rate peg prevents rates revenue from rising as population and land values increase. The rate peg is therefore an important safeguard against high rate increases as a result of high increases in land value.

NSW Farmers considers that local government rates are essentially a tax on land. The unique nature of the farming business traditionally requires large landholdings, thus placing farmers at a disadvantage in terms of higher rates compared to other businesses.

Local government rating does not consider capacity to pay or the level of use of goods and services, which is often lower for farmers living out of town. Additionally, land values have no bearing on a farmer's ability to increase their income.

While New South Wales is considering removing the rate peg, Victoria only recently re-introduced their rate cap in 2016. Victoria is still struggling with huge inequities in local government rating on the back of a significant period without a rating cap, with some Melbourne-based councils making a substantial profit each year whilst many regional councils struggle to provide basic services.

NSW Farmers recognises the strain on regional and rural councils trying to deliver services, but does not support alteration of the rate peg to alleviate these issues.

NSW Farmers supports a fair and equitable local government rating system that, amongst other things, ensures rate pegging continues.



NSW Farmers considers that the current process of Commonwealth specific purpose grants and general purpose grants should be reviewed. Too often these grants are based on historical levels of usage not on projected demand unless subject to major economic development strategies. We are concerned that the intrinsic value of the provision of infrastructure must rest in the economic value that should follow as a result of the funding. With reducing and ageing populations in regional and rural areas, the case for funding is often skewed to larger urban or metropolitan areas – rather than the essential regional connectors that support these larger areas.

### **Chapter 3 – Infrastructure contributions mechanisms and issues**

NSW Farmers makes no additional comments.

### **Chapter 4 Issues – Further issues in infrastructure contributions**

#### **Issue 4.2**

NSW Farmers does not support the automatic attachment of an “infrastructure development charge” to a land title when land is rezoned.

Whilst we recognise that land rezoning often results in an increase in land value, we note that in relation to farmland, this change may not result in any development and therefore will not impact upon infrastructure needs.

For example, when the NSW Valuer General recently undertook land valuations, a number of members noted that their land value increased as a result of the potential to subdivide. However, these members have no intention of subdividing their property at this stage, so should not be required to make such a contribution.

A further example is the situation where a farmer wishes to subdivide to build another house on the property, enabling two or more families to continue living there. This may occur as the farmer approaches retirement and the next generation takes further control over farm operations.

This is a very different scenario to the rezoning of land for commercial development, and should be treated as such. Councils will have the opportunity to call for betterment contributions as and when such development is initiated.

#### **Further Comments**

In addition to infrastructure contributions issues, NSW Farmers would like to comment on issues experienced in the planning process that prevent or unduly delay developments from contributing infrastructure to the local community.

NSW Farmers highlights the need for improved responsiveness, consultation and engagement processes to promote the importance of delivering projects, particularly in regional and rural areas. Improved accountability around timeliness and interaction with applicants would be of particular benefit, to promote clarity, certainty and efficiency in the process and in doing so, boost investment and development opportunities.

NSW Farmers notes the potential benefits of this review in applying a more consistent framework for extracting fees and contributions from potential developers rather than each Council negotiating separately and applying its own approach.



NSW Farmers highlights the importance of an adequate level of funding to enable the various levels of government to provide the infrastructure required by the community. We note that there are significant differences between metropolitan and rural and regional councils that need to be carefully considered to ensure all councils receive appropriate funding.

Should additional detail or information be required please contact [REDACTED]  
[REDACTED]

Sincerely,

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