



NORTHERN TERRITORY CATTLEMEN'S ASSOCIATION

Local Government Submission – October, 2010



## Northern Territory Cattlemen's Association



'Advancing and protecting the interests of the cattle producers in the Northern Territory'



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## 1. Purpose

The purpose of this submission is to raise matters of concern to members of the Northern Territory Cattlemen's Association Inc (NTCA) in the context of the impending end of the capped rating system (June 2011), particularly:

- The relevance of local government reform to the industry and
- the potential impact of rate increases on the viability of pastoral properties and the consequent impact on the NT economy.

In exploring these concerns, our submission proposes a negotiated solution that we believe will meet our mutual needs in a fair and equitable manner.

## 2. Background

The Northern Territory Cattlemen's Association Inc is the peak primary industry group in the Northern Territory. The NTCA represent over 95% of the NT cattle herd from small family operations to the large corporate organisations. NTCA membership manages over 2.0 million cattle producing over 550,000 quality animals per year to supply local and overseas markets.

Our members successfully manage a landmass of more 620,000 sq kms (9.6% of all land in Australia and close to 50 per cent of the Territory landmass). The pastoral industry generates over \$300 million in direct benefits and flow-on benefits worth more than \$800 million for the NT economy. The pastoral industry accounts for more than 50% of the Northern Territory's (NT) Gross Value of Agricultural Production.

In 2009, over 350,000 cattle were exported live through the Port of Darwin. These export sales alone provide an average direct trade value of \$190m FOB. Live cattle exports are of critical importance to the northern pastoral industry and the northern Territory economy as a whole.

The effect of this activity is felt in the Victoria, Daly, Katherine, Roper, Barkly and Southern regions of the NT and takes in five of the eight Shire Council areas. Pastoralists work in collaboration with the relevant departmental officers to increase productivity, improve animal welfare and manage the environment more effectively. Pastoralists have also been managing small pastoral communities on their leases – in some cases even small towns – with little outside support.

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Pastoralists have also been particularly active in developing employment opportunities in the industry for Aboriginal people. NTCA members are partners in the Indigenous Pastoral Program and in addition delivers the NTCA's Indigenous Pastoral Employment Program [http://www.ntca.org.au/our\\_industry/employment.html](http://www.ntca.org.au/our_industry/employment.html), aimed at increasing aboriginal participation in the pastoral industry. Currently the NTCA employs three full-time staff located in Alice Springs, Tennant Creek and Katherine to deliver this program which currently employs over 45 participants across the Territory.

A successful industry runs on effective, high capacity, well maintained infrastructure, conducive market drivers, continued innovation and development and industry focused government policy and business support.

Pastoralists have met these challenges and have been particularly effective in responding directly to Government policy objectives for economic, regional and Indigenous development without the intercession of local government advocacy.

The NTCA has raised its concerns about the potential impacts of local government reform on a number of occasions, with no satisfactory response. Given the stated purposes of reform, we have repeatedly expressed our concern at the potential for it to undermine these policy objectives, which after all rely on the private sector – business and industry in collaboration with Government - to develop appropriate and sustainable initiatives.

### 3. Local government and the Pastoral Industry

#### ***The purpose of local government reform***

'In 2008 a major [local government reform](#) process led to the introduction of shire councils and the new [Local Government Act](#). The reform aims to strengthen leadership and governance in the local government sector, particularly in regional and remote areas. This includes a commitment by the department to support local government councils to provide strong representation, effective governance, regional advocacy, high quality services, community development opportunities and increased levels of Indigenous employment in the local government sector.' (NT Department of Housing, Local Government and Regional Services website)

#### ***Greater support for communities***

The NTCA has consistently acknowledged the need for effectively functioning communities as a sound foundation for an inclusive and productive Northern Territory. It recognised in the lead up to reform that small Aboriginal communities of less than a thousand people with their own local government bodies – incorporated under different forms of Territory and Commonwealth legislation – were

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structurally unsound. It understood the government's argument that many small communities were mismanaged, technically insolvent and operating with a limited understanding of the responsibilities of governance. Clearly the situation was unsustainable and reform of the system was vital.

In 2010, if the quotation above is any guide, developing sound governance to support these communities remains the focus of the practice of local government. How successful this has been remains to be seen and NTCA believes it is far too early to tell. We note that there appears to have been little in the way of consistent and sustained governance training, for instance, on which to build improved governance. It is also too early to tell how effective local advisory boards, which are largely restricted to individual communities, have been in 'strengthening leadership and governance'.

Despite continuing staffing difficulties, however, many of these communities now have improved levels of service. How much of this is due to making local government service delivery more efficient and effective is unclear. It is evident, however, that the Australian Government's Intervention (the Northern Territory Emergency Response or NTER), the Strategic Indigenous Housing and Infrastructure Program (SIHIP) and the Northern Territory Government's Growth Towns strategy have played a major part in delivering improved services to some communities.

At [http://www.localgovernment.nt.gov.au/history/community\\_engagement/benefits](http://www.localgovernment.nt.gov.au/history/community_engagement/benefits), the DHLGRS website catalogues the benefits of reform almost exclusively in terms of its impact on small and remote community living.

### ***Pastoralists and local government reform***

Neither the overall purpose of reform nor a summary of its likely outcomes make reference to established and functioning pastoral communities or to pastoral lands. From our perspective, there is no real or perceived benefit to the pastoral industry. This is a position we have maintained throughout the reform process in representations to the Territory Government. It has never been clear how improved services will be delivered to business and industry through local government. Over the past two years there have been no improved services to pastoral properties beyond what our members fund themselves. Their management of land is consistent with the principles of sustainable development and the thrust of government policy.

NTCA members believe that local government does not currently, in the terms specified by the Local Government Act, 12.1(b) '...provide for the interests and well-being of individuals and groups within the council area' as far as pastoral land and pastoral families are concerned. A couple of pastoralists have been elected to Shire Councils, but there has to date been no consistent approach to including the concerns of pastoral families or of the industry as a whole in local government planning.

Nor do our members believe local government is in a position to (LGA 12 (2)) '...provide for the interests and well-being of individuals and groups within the council area' without the support of established

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industries and through appropriate forums. Any of the new local government websites list new services and facilities at remote communities, like aged care, broadcasting, child care, libraries, women's groups and so on, which is where they are needed. How these are available to pastoral families, particularly where access to communities remains under a permit system, and the extent to which they might meet their social, cultural and recreational needs is unclear. Pastoral families and communities have been expected to be self-sufficient and have not been particularly well-supported in these areas.

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As for economic planning, government generally is ill-equipped for the task and local government has no skill base or experience in this important policy area.

As roads are funded principally through the Australian Government, with some funding from the Territory Government, local government would be hard put to claim it is playing a major role in developing improved local roads and providing some benefit to the industry. The NTCA would maintain that local government in fact has no, or very limited capacity to take responsibility for roads and would be ill-advised to take on any responsibility for the road network without substantial and comprehensive funding to bring that road network to a standard acceptable to industry, community and other road user requirements.. If government remain committed to the long-term handover of roads, then perhaps a staged handover is more appropriate, with shires initially only given responsibility for some roads on indigenous held land or those going to or through major communities.

In short, and with the benefit of more than two years' experience of the new regime, the NTCA believes local government reform has delivered the industry very little and is unlikely to do so without engaging the industry at local, regional and territory levels.

### **Rates**

#### *Reasonable and rational?*

The NTCA contends that the principle behind ratepayers being billed for services which they do not use is unreasonable. The assessment of rates and the application of an equitable rating regime is nevertheless an issue.

There appears to be a degree of confusion within the local government structure about what rates are and how they are to be applied, however. The DHLGRS website first tells us (Q&A) what rates are not: they are not '...the motive behind the establishment of shires in rural and remote areas'. This suggests a defensiveness about imposing rates on people who have never paid them before and is also an acknowledgement that given the state of development in rural and remote NT, rates will only ever be a minor source of revenue.

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What rates are, the website tells us, is one of three ways local government raises revenue: service charges, user fees and land-based rates. The revenue raising is to pay for local service delivery and infrastructure improvement. But pastoralists who ask why they have to pay rates when they get no benefit whatsoever from them are informed that rates are not a service fee, but a tax. It also raises the issue of the constitutional power of local government to levy a tax while there exists the inequity of some land being “taxed” and other land not.

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Houses on Aboriginal land or in towns (rateable land) are rated on a set value per allotment, with separate garbage collection charge and charges for commercial or business premises. The NT Government pays rates for Aboriginal community houses as the owner of public housing, so there is a transfer of funds across tiers of government over and above direct grants. There is no question over the inability of the majority of householders to pay rates.

Rates for pastoral land are set on a conditional basis (conditional on the Minister for Local Government accepting a Council rate) and were set for the first triennium of the new regime – until June 2011 – at 0.06 per cent of UCV, with CPI increases factored in. For the period after June 2011, the approved rating proposal outlined in Section 6. 5. (1)(a) of the 2008 Local Government Act Guidelines can still be used; *“if a council proposes to rate conditionally rateable land according to the guidelines for the 2008/2009 financial year, a council need only note that fact in the rating proposal to be put to the Minister”*

Where councils propose a different rate to that specified in the guidelines, it was suggested that rate increases above the CPI be discounted against the lease rental payments to *“ensure there is no unreasonable increase in the rent/rate impost on pastoral lease holders.”* This seems fair and reasonable, but the suggestion – originally made by the Government – has not been implemented. It may provide a way out of the current impasse however requires clarification as to how it would actually work. For example, the dramatic increase in UCV's as a result of the most recent triennial valuation of the pastoral estate would, if applied to the existing approved rate of 0.06%, still result in a massive percentage increase (up to 1500%) in rates levied by shires on individual pastoral lessees. It is significant that pastoralists and other businesses will be expected to pay rates regardless of their ability to do so and regardless of the fact that they themselves receive little or no benefit from this tax.

Pastoral leaseholders in one case are also expected to pay a Refuse management fee (is it a fee for service or is it a tax?) of \$420.00 per allotment at the business enterprises rate whether they use the Shire Council facility or not. Confusingly, if they can satisfy the Shire Council that they have an alternative garbage service, they pay \$412.00 per allotment, a saving of \$8.00 which in itself serves only to elevate levels of frustration among ratepayers, a situation foretold in the ACIL Tasman report of 2007.

The application of a garbage rate for a service which pastoral leaseholders have historically provided for themselves, and continue to do so, is clearly inequitable. It is, in fact, unreasonable and irrational.

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***The pastoral industry is not a cash cow***

The central issues in the rates dispute are:

- the ability of pastoralists to keep paying ever-increasing annual rates on their properties as well as rental; and, as outlined above
- the relevance of Shire Councils to the pastoral industry.

It is difficult to avoid the impression that local government views the industry as a convenient revenue raising stream to supplement a low rate base. In our response to the NT Agribusiness Strategy in April 2010, the NTCA identified as one of the key issues impacting on the industry: 'A local government structure unable to generate significant income outside government funding, resulting in an intention to tax the pastoral sector in a disproportionate manner to either population or service provision and in so doing destroy the regional development outcomes from industry.'

Our position predates this response and is based on sound research. In July 2007, the Association released a report it had commissioned ACIL Tasman to prepare, called *Local Government reform and the pastoral industry: Implications and approaches*. The Territory Government has provided no detailed response to the concerns raised and the subsequent implementation of the Act fails to take into account the real concerns of the pastoral industry.

The ACIL Tasman report said the industry's '...returns are volatile and real average long-term returns, excluding capital appreciation have been negative....ABARE forecasts indicate lower cattle prices in the future. At the same time, cost pressures from higher fuel and other business input prices and a higher Australian dollar are squeezing returns (This is prescient considering the dollar is now close to achieving parity with the US dollar). That the industry has been able to cope with these pressures is testimony to the innovation and productivity gains the sector has been able to achieve. In addition, pastoral lease rental payments have increased 15 times since 1994 and are expected to rise further following recent revaluations.'

The report warned that 'For land-intensive business, the impact of even relatively low rate in the dollar payments can be dramatic. In the case of the pastoral sector, historical data suggest that for every one cent rate in the dollar charge by local government, average returns can be expected to fall by half of one per cent....Given the size of recent revaluations that have taken place for pastoral properties the effect on farm profitability is in fact likely to be even greater than historical information would suggest.'

The intention already apparent in correspondence from some Shire Councils is to use the reassessment of Unimproved Capital Value (UCV) of pastoral properties, which has seen some properties revalued by up to 1500 per cent above previous levels. A rating regime that simply translates the UCV into a rate



increase ignores the need for consideration of the economic and social impact on the ratepayer and, ultimately, on the Territory economy.

***A realistic picture of the impact of cost increases on the industry***

NTCA commissioned Holmes and Company to assess the viability of the NT beef industry and it is useful to repeat here a major part of the Executive Summary of their February 2010 report. This report also mirrors the findings of a broader report titled “**Northern beef situation analysis 2009**” conducted by Meat and Livestock Australia (MLA) <http://www.mla.com.au/Research-and-development/Final-report-details?projectid=14980>

These reports conclude that:

- ‘The pastoral industry in the Northern Territory is on a knife edge in terms of viability. This in itself is a much bigger issue than statutory charges, and demands urgent attention from industry and government.
- No region within the Northern Territory (NT) has a high level of Net Cash Available, with a lot of stations having negative Net Cash Available, after interest, tax and capital expenditure are taken into account. This leaves little or no money for succession, provisioning and debt reduction.
- Estimated Average Net Cash Available ranges from **(\$403,000)** to \$222,000 across the four regions of the NT (Central Australia, Barkly, Victoria River District and Top End).
- The pastoral industry cannot be viewed as a large or potentially endless source of government revenue that is continuously able to absorb increased costs. It cannot afford an increase in statutory charges, not because it makes a considerable difference to stations’ costs structures, but because they are presently operating on such fine, or even negative, margins.
- Further cost increases will lead to;
  - contraction of operations,
  - decreasing equity,
  - reduction in industry reinvestment,
  - reduction in economic contribution,
  - reduced disposable income, and
  - reduced economic, environmental and social sustainability.’

***The rating system***

We contend that a rating system that allows individual councils to set rates is inequitable in the Northern Territory context, particularly as it applies to pastoral leases. While NTCA members may disagree with current rate levels, they have at least been set centrally and apply equally across the pastoral estate. Allowing Shire Councils to set rates for pastoral properties individually increases the chance of inequitable rate levels across the Territory. An approach that allows for greater Ministerial



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control is consistent with good practice in NSW and parts of Western Australia, which offer a comparable context.

A significant feature of the rating system – and one which, if properly administered, may mitigate the risk of inequitable solutions - is the requirement for a process for any proposal to increase rates on conditionally rateable land by more than the CPI. The Shire Council must:

- Report to the Minister for Local Government on consultation with owners and lessees of prescribed properties, draft rates and charges impact statements for them
- request comments from affected parties
- Present a comparative analysis of amounts contributed by other constituents
- An impact report on the rating proposal, covering how revenue collected from conditionally rateable land is to be used.

It should also provide the Minister (but not necessarily the ratepayers) with a list of services available to residents of conditionally rateable properties. The concept of availability may well be elastic in jurisdictions as large as the shires surrounding pastoral leasehold land may be: this begs the question of how accessible and available services intended for Aboriginal towns may be to leaseholders some tens and even hundreds of kilometers distant. The list should include:

- Services constituents from conditionally rateable land 'have the opportunity to take advantage of' (see comment above)
- Services funded by revenue from conditionally rateable land (yet rates are not a fee for service, as we understand it)
- Direct property services funded from revenue raised from conditionally rateable land.

### ***Where to from here?***

From our perspective, with the end of the triennium approaching fast, it appears there has been little action to propose new levels of rates for conditionally rateable land. At least, it appears that the steps outlined above have not been implemented.

If that process is to be as through-going as it appears to be, than the consultation required should have begun in late January 2010 at the latest if it is to be submitted, as required, not less than four months before the end of the financial year (February 2011). No pastoralist has seen anything like an impact statement. They have not seen a list of services they 'have the opportunity to take advantage of'; and they have not been asked for comment on any matter related to rates. With the Wet season approaching fast, time has already run out for this important process.

The NTCA believes the issues need careful consideration. To that end, we propose the Government fix a new cap on rates for conditionally rated land for at least the next triennium – 2011-2014 and possibly

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beyond - to allow for full discussion the relevance of local government to the NT pastoral estate. This should frankly acknowledge the real purpose of reform, which is to bring sound governance and effective leadership to Aboriginal towns.

These discussions should include widespread consultation of all stakeholders and lead to the negotiation of an equitable rating system, which takes into account the continuing viability of the industry and its role in supporting and promoting Government policy objectives in economic, regional and Indigenous development.

## 4. Recommendations

*The NTCA recommends that:*

- *The NT Government continues to set rates for conditionally rated properties on a triennial basis, at least for the next triennium*
- *Throughout the 2011-2014 triennium stakeholders collaborate on a process of consultation leading to the negotiation of an equitable rating system for all conditionally rated land.*
- *Overall rate charges do not increase.*

End