Dear Mr Cox

ABC Country Hour coverage of your Tamworth meeting and some of the comments from those attending afterwards reveals that you have not been fully informed of the true position of most landholders in the context of who and how services from the LLS should be paid for.

The focus is, or should be, on remuneration of the LLS for services rendered; so that from the Government’s perspective, it is revenue neutral. The ultimate beneficiaries pay for what they are receiving, which under existing systems, there is no way of doing so.

There are three main considerations in assessing the true position of landholders.

(1) Farming is a completely different business to all other businesses, even to the other three primary industries. Because of the perishable nature of produce, all is sold at auction or on commodity markets. It is a price taker not a price setter. Costs can only be covered if and when income tax levels have been achieved, but with 60% of farms reliant on off farm income, recovery of costs as do normal businesses, is for practical purposes, not possible.

Farming therefore deserves a more compatible economic environment that can balance out some of the anomalies.

The asset invested in land is subject to annual taxation regardless of its ability to produce income especially in time of natural disaster, or commodity downturn.

The value is set by the wealth of others, often seeking land use change for views and lifestyle, that bears no relation to its traditional earning capacity, but the higher rates must be paid.

The LLS and its predecessors, is an impost on NSW landholders that disadvantages them in fair competition with farms in the other States.

(2) The OECD as reported on ABC 8AM bulletin 30 May suggested among other things that Australia should have a tax on houses. Not repeated on subsequent bulletins because the basis would not have been known to journalists or general public, but it is reasonable to believe, is based on the UK and something similar in the EU.

It is fair and equitable to all parties, it would not be a new tax if adopted here, it works well in Great Britain and is not a subsidy provider.

(3) Quoting Mr Winston Churchill Chancellor of the Exchequer 5 June 1928 on the occasion of the second reading of the Finance Bill “that the instruments of production ought not be taxed but only the profits resulting from their use.”

That was the golden rule prior to and through the Great Depression until WWII when in the 1943 Federal budget, various taxes were put on inputs, with payroll tax still with us.

In NSW the Pastures Protection and local government rates were there but at much lesser rates with circumstances not as critical as now.

Nevertheless, LLS and local government rates along with irrigation infrastructure charges are a tax on ‘instruments of production’

Therefore having gone through the upheaval of changing DPI, LHPA and CMA into LLS and with the ongoing review into local government still pending, all aspects need to be taken into account including removal of taxes on inputs.

Mr Churchill went on to say “There is no actual definition of a flourishing or of a depressed industry. Any decision on that point must necessarily be arbitrary, Therefore, I select four main tests by which to tell what is a
depressed industry or an industry which is not flourishing. Here they are. The first is that unemployment is normal; the second, that the ratio of rates to profits is excessive; the third that the profits are subnormal and the fourth that the profits have been decreasing in recent years. These are, I think, four very fair guides of a depressed or not flourishing industry, but there are three other factors which ought to be taken into consideration. The first is whether the industry provides wages for very large masses of manual labour, the second, is whether it is unsheltered, and the third is whether it is markedly concerned in the export trade. If all these seven qualifications are present, it will be agreed that the industries helped are the ones which we ought to help.”

In the present day here in Australia unemployment on farms is normal because of lack of funds to employ. The jobs do not get done. However off farm agriculture provides about 15% of the workforce.

This debate was the breakaway from the 1601 Poor Laws to a new Act 1930 and further changed to give the present day system based on dwellings, their size and location.

The State Government has put forward two objectives; “Destination 2036” and NSW 2021-‘A plan to make NSW number one’, therefore the current review and establishment of LLS is running with the Independent Local Government Review Panel. Because local government has the infrastructure and systems state wide to be the conduit for financing LLS, irrigation infrastructure and certain activities in State Forests and National Parks, to lessen the adverse effects emanating from them, it would have been better to have the local government review before LLS.

The three considerations above have persisted for a long time and requires explanation. Farmers and their lobby groups are their own worst enemies in that they have a notion of invincibility and that there is no reason for self examination either of themselves personally, or that the systems that they have to operate in, are in need of adjustment to match the ongoing changes in societal expectations and technological induced change.

The response has been positive in that their productivity has increased enormously, but while a few have begun to realise that their efforts are benefiting others beyond the farm gate, they do not look to how a balance can be achieved. Many believe government systems cannot be changed so they have never tried.

The Australian Conservation Foundation is on the record (influenced by EU conservation groups) saying farmers should receive stewardship payments, but they don’t say how or where the funds are to come from.

There are new products, carbon farming, bio fuel etc, all of which increases the productivity, but does not stop the haemorrhaging of funds off farm, especially the numerous small farms. A statement from a farm lobby group after its annual conference in 2000 was, that four hundred delegates did not want handouts or subsidies but wanted equity. There was no plan as to how that was to be achieved.

It was an indirect criticism of the European Union Common Agriculture Policy, without knowing what that policy does for their farmers, forestry, tourist industry and environment !.

The statements coming from some journalists, economists and accountants shows that they do not recognise that having to sell perishables on commodity and auction markets denies control over prices received. Confusion is compounded by a publication from the Dept. of Local Government “Comparative Information on NSW Local Government Councils” that gives the average farm assessment, but fails to explain that farms have more than one assessment and varying between councils. Thus at Tumut a dairy cc 2006 was paying $18,000 and a similar operation in Wagga Wagga City Council was paying $3,000.

While it is historical fact that pastoralists in NSW asked for a Pastures Protection Act 100 years ago, the circumstances have changed completely. Pastoralists would have been big employers, self sufficient and nett generators of wealth for the nation; now with 60% of
farms reliant on off farm income, not being paid for all that they deliver and being expected to pay for services that benefit all citizens of the State, is stark contrast. It is a recipe for disaster.

Successive governments, including Federal, have reduced funding to their agriculture departments where research, innovation and practical application was the norm, using competition as an excuse to pass their work over to private industry where the profit motive takes over and best practice science is sidelined.

From the above, such a war of attrition against agriculture and rural NSW is the very opposite of what is required to implement any plan for the future.

Therefore to set a positive token of intent to implement futuristic plans, all charges be withdrawn from farmers until the OECD’s suggestion of using the UK system is implemented.

Yours sincerely

Jim Beale