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Sent: Monday, 11 March 2019 5:41 AM
To: Local Government Mailbox <localgovernment@ipart.nsw.gov.au>
Subject: SUBMISSION: SRV APPLICATION DUNGOG SHIRE COUNCIL

The attached documents explain why the proposed application for a 98% SRV over seven years should not be approved in full.

The impact upon numerous low income earners, pensioners and farmers who have raised concerns about affordability has not been addressed other than to direct them to Council's hardship policy. Affordability was subject of a report by Morrison Low in support of the proposed SRV, which made various conclusions without actually considering how these people would be able to pay.

The finances of people in the workforce were examined but the obviously wide disparity between high and low income earners was ignored.

Also, comparisons made by Council regarding the level of rates paid to other Councils in the Hunter Region fail to acknowledge the vast difference in service levels provided.

This SRV application has come after years of investigation into amalgamations culminating in the surprising refusal of the Council to accept the offer from Port Stephens and the accompanying \$15 million grant from the NSW Government. Following this Council declared that they would never double our rates, yet after the 2017 election, and despite the outcome of the associated ratepayer poll, the intention has been to stand alone regardless.

This SRV is about the survival of the Council itself and it would only work toward that end. Council claims to be undertaking a series of accompanying initiatives and economies that have mostly been ongoing for 30 years. Further substantial rises would be necessary.

Consultation with the community has been superficial and underhanded. When asked to write to all ratepayers at the very start of the process declaring Council's intention to apply for a 98% SFV, it was considered too expensive, but they wrote such a letter after all consultation processes had ended.

When presented with the confusing barrage of numbers and percentages given in the telephone survey, they would not indicate what these would amount to. The outcome with ratepayers only was 51% for and 49% against. In its summary the survey concluded that the Council had not adequately justified the SRV to the community.

The first two years of the proposal should be approved and the remainder taken to the community as part of the 2020 elections, when people can properly examine the issues of scale and capacity and the level of services they expect.

Councillor S. T. Low AM

Morrison Low Report: “Assessment of Capacity to Pay”.

Dungog Council engaged Morrison Low Consultants for an “Assessment of Capacity to Pay” to support its SRV proposal, but this document has several shortcomings.

Pensioners and Unemployed People.

The document considers the income of 3585 working people while excluding the financial capacity of over 1,000 people relying on the Aged Pension, Department of Veterans Affairs (DVA) pensions, Centre Link payments, and Self-funded Retirees etc. ABS 2016 Census data shows the following:

- a. 227 persons were unemployed,
- b. 44 persons on DVA pensions,
- c. 96 received parenting payments (single),
- d. 401 received disability support pensions,
- e. 168 had superannuation/annuity income as main income, and
- f. 1153 persons receiving the aged pension.

Many had already expressed concerns about affordability in both surveys that Council conducted prior to engaging Morrison Low, and the report should have considered their financial capacity.

Comparisons with other Councils.

Various comparisons were made with other Group 10 Councils that are very different in physical and social character, mostly located west of the Great Dividing Range. Dungog Shire is not a typical rural LGA because it adjoins major centres of employment and where city people can make a tree change for a better lifestyle without leaving their city job or business.

For instance, the report concludes that Dungog Shire has less pensioners and people aged over 65 than other group 10 Councils and therefore less disadvantage. However, Dungog Shire has only one aged care facility (accommodating only 76 people). But there is a plethora of retirement living options in neighbouring LGAs with a combined population in excess of one million. So many elderly people move away by choice, necessity or the desire to be nearer to health services and family.

Economic Profile of the Workforce.

Attached at Annexure “A” is a copy of Morrison Low Table 2 which is rearranged according to original income ranking, and for simplicity, using only the 2017 data from ABS 2016 Census.

There are three distinct groups of income averages as follows:

- a. The Bottom 37% is a group of 1315 with an average income of \$23,468.
- b. The Middle 35% is a group of 1255 with an average income of \$38,239.
- c. The Top 28% is a group of 1015 with an average income of \$66,009.

The average income for all 3585 jobs is \$41,048 p.a. Despite high income groups skewing these averages and every other economic index in the report, 2,220 or 62% worked in industry sectors with average incomes below \$41,048.

Weekly Income Figure 1.

The graph “Dungog Individuals Weekly Income” is copied at Annexure “B”. By comparing REMPLAN 2016 estimates and actual 2016 ABS data the report concludes that there was increasing wealth. But

this increase was only evident in the high income groups with the incomes of the lowest groups actually declining significantly. The report ignores this great trend.

This disparity is highlighted in the ABS 2016 data for Dungog Shire which states that the top 10% of income earners earn 31% of total income (ABS 2016 "Estimates of Personal Income").

Private Health Cover.

Proportion with private health cover was considered an indicator of affordability, but many people just take out private health insurance for ambulance cover only as they cannot afford full private health coverage. ABS data does not differentiate between the two, so report conclusions are dubious in that regard.

Agriculture and Farmland Rates.

Annexure "C" explains that agriculture in Dungog Shire faces significant challenges regarding capacity to pay for the proposed SRV. Many farmers expressed concerns about affordability in both surveys that Council conducted. The report described this sector of 394 persons as "a significant employer" with an average income of \$25,696. But Council dismissed concerns from this group, which yields 37% of total rates.

Conclusions.

The Morrison Low report has significant flaws, the most glaring being the omission of a substantial non-working population in its assessments of financial capacity. There are about 3,000 people with limited financial capacity among low income earners, self-funded retirees, DVA & Centre Link beneficiaries, and aged pensioners.

The huge disparity between high and low income earners is clearly evident in the information presented by Morrison Low but it has not been addressed. Increased wealth in high income groups has been presented as an indication of capacity to pay on the part of all ratepayers, which is fanciful.

The report acknowledges that Agriculture is the major industry in Dungog Shire, but despite the very low average income of \$26,695 carrying the highest pro rata rates burden, there was insufficient consideration of capacity to absorb the proposed SRV and its likely impact upon the industry.

Dungog Shire has been compared with other Group 10 Councils that are very different in physical and social character, mostly located west of the Great Dividing Range. Dungog Shire is not a typical rural LGA because of its proximity to major centres of population and employment.

This report should be rejected because despite the ill-founded conclusions about overall wealth affecting everybody, retirees and people on lower incomes would be adversely affected by the proposed SRV and their concerns have not received proper consideration.

Councillor S. T. Low AM

Dungog Shire Council

Annexures "A": Morrison Low Table 2 with Analysis.

"B" Morrison Low Figure 1.

"C" Agriculture and Farmland Rates in Dungog Shire.

Annexure “A”: Extract from Morrison Low Table 2. – REMPLAN 2017 = ABS 2016 Data

The Top 28%: Average Incomes Above \$41,050

Industry Sector	Number of Jobs	Total Wages (\$M)	Average Annual Income \$	Rank
Education, training	295	24.31	82,422	1
Public admin & safety	198	13.78	69,588	2
Electricity, gas water & waste serv.	70	4.86	69,457	3
Administrative & support services	115	6.72	58,441	4
Rental hiring & real estate services	40	2.17	54,159	5
Financial & insurance services	67	3.53	52,680	6
Professional scientific & tech	223	11.63	52,142	7
Information media telecommunications	7	0.31	44,371	8
Sub total	1015	67,000,000	\$66,009	8

The Middle 35%: Average Incomes Within 10% < \$41,050

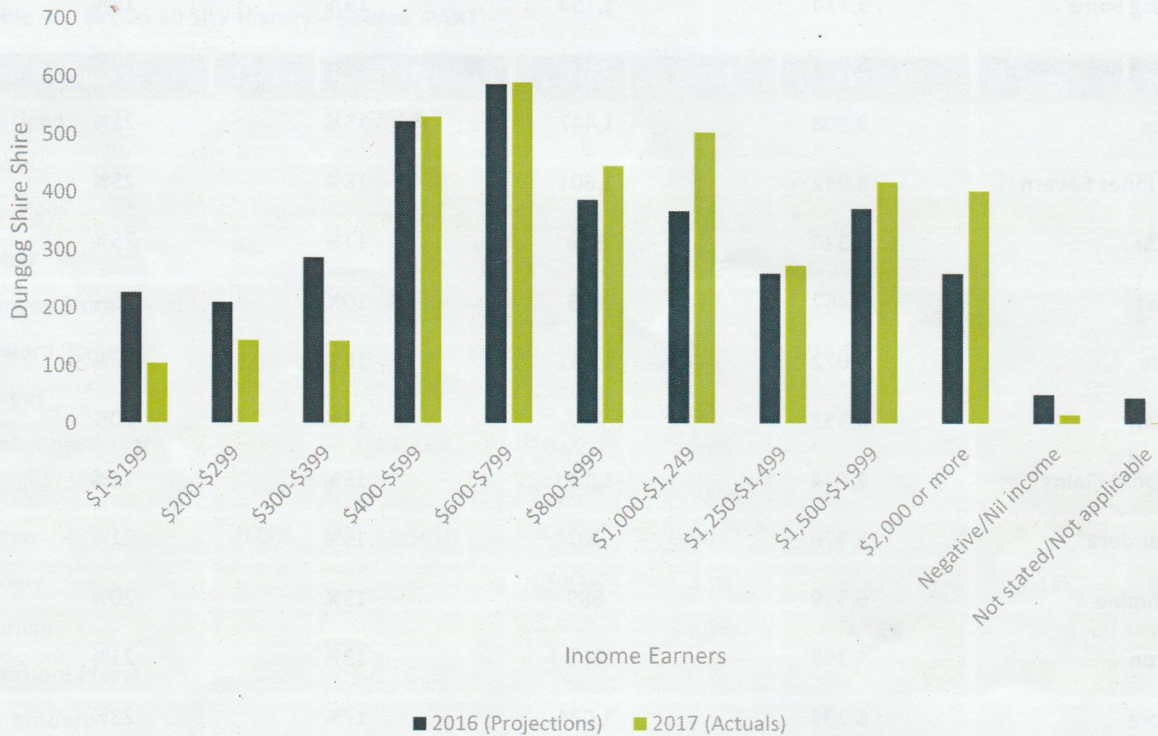
construction	445	17.51	39,345	9
Transport postal warehousing	193	7.57	39,247	10
Accommodation & food services	203	7.89	38,859	11
Health care & social assistance	414	15.02	36,291	12
Sub total	1255	47,990,000	\$38,239	4

The Bottom 37%: Average Incomes Below \$27,228

Retail trade	328	8.93	27,228	13
Wholesale trade	60	1.55	25,777	14
Agriculture, F&F	394	10.12	25,695	15
Other services	161	3.9	24,194	16
manufacturing	200	4.42	22,096	17
Arts & recreation	23	0.42	18,085	18
mining	149	1.52	10,209	19
Sub total	1315	30,860,000	\$23,468	7

Combined totals	3585	\$147,160,000	\$41,050	19
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Dungog Individuals Weekly Income



Agriculture and Farmland Rates in Dungog Shire.

Agriculture.

Dungog Shire's top industry of employment is the agriculture, forestry & fishing industry with an annual output of \$105m (Dungog Shire Community Strategic Plan 2030).

Average farm sizes are smaller in Dungog Shire at 255 Ha than the NSW average of 1272 Ha (ABS 2016). Compared to inland NSW, where returns are higher per Ha (NSW DPI Beef Margin Budgets, Feb 2017) and land prices are around half (Australian Rural Bank, Australian farmland Values, 2016), Dungog Shire is not competitive in beef production. The value of farmland in Dungog Shire bears no relationship to its income earning capacity.

In 2001, ABARES assessed Dungog Shire as the worst affected area in Australia after deregulation of the Dairy Industry. The majority of farms are now beef cattle enterprises and there would not be 20 farms, i.e. 5% of all farming enterprises, with stand-alone incomes from agriculture.

Hunter Valley Research Foundation (2008) indicated that "the 'downside' of the beef cattle farming industry is that it is not viewed as providing the necessary income for farming families because ... a family's income needs to be complemented by other sources."

Over many years the sector has struggled with commodity prices dwindling in real terms against rising costs. The Australian Meat & Livestock Association March 2015 report: "The History of Australian Cattle Prices Since 1970" describes the history of beef cattle returns to producers over a 45 year period as follows:

"Figure 1 plots the quarterly national average yearling steer price in Australia between 1970 and 2014 in real (2014 dollars) and nominal terms. Yearling prices are not high enough in real terms to match the peaks during the 1970s."

Figure 1: Quarterly national yearling price



This graph shows that the continuing trend for real returns is downward. Farmers have struggled with this situation, embracing changes to meet increasing costs but there are limits to this process, and the typically prevailing hill country of Dungog Shire is generally unsuitable for other agricultural enterprises. This trend affects businesses that support agriculture.

Despite this situation, after table 2 of the report "Assessment of Capacity to Pay" Morrison Low concludes that "Agricultural growth has been fairly consistent". But figure 1. shows that there has been no real term growth.

Income from Agriculture.

The REMPLAN 2017 data in the "Assessment of Capacity to Pay" lists 394 persons engaged in the Agriculture, Forestry and Fishing sector with an average income of \$25,695 (Morrison Low Table 2). Although that report suggests a rising economy for Dungog Shire, this does not apply to the agricultural sector.

Some individuals holding farmland assessments have substantial off farm resources and income, but they are an exception that skews average incomes upwards. For most beef farmers the proposed 98% SRV is a major concern because there is very limited potential to increase income.

Distribution of Rates Payable by Category in Dungog Shire.

The following table shows the categories from which rates are collected (Dungog Shire Operational Plan 2018/19):

Assessment Category	Number of Assessments	Rates Paid	% of Total	% of Assessment numbers	Average Rates Paid
Farmland	938	\$2,095,022	37	19	\$2,304
Residential	1985]	\$2,117,066	37.3	40	\$1,067]
Clarence Town	339]] 3617	\$239,884	4.2]	7]	\$ 707] \$848
Dungog	942] 1632]	\$682,906	12] 20	19] 33	\$ 724]
Village	351]]	\$208,544	3.7]	7]	\$ 594]
Business	362	\$326,905	5.7	7	\$ 903
Totals	4917	\$5,670,327	100	100	\$1153

Dungog Shire has 3617 residential assessments in four categories with an average of \$848 per assessment. Although those on limited incomes will struggle with general rates increasing by 98%, the impact for the Farmland category is very different.

Average Farmland Assessment versus the "Average Farm".

The average Farmland assessment is \$2,333 per assessment, but there is a significant disparity between those 938 assessments and the number of farms as follows:

- a. NSW DPI "Upper Hunter Region Beef Profile 2013" indicates that Dungog Shire has 416 farms (ABS 2006).
- b. ABS 2011 showed 410 Agriculture Forestry & Fishing businesses.
- c. The REMPLAN 2017 data in Table 2 lists 418 businesses in the Agriculture, Forestry and Fishing.
- d. ABS 2016 data indicates 392 businesses in Agriculture, Forestry & Fishing.
- e. Dungog Shire Community Strategic Plan 2030 shows 418 businesses in Ag, Forest & Fishing.

There are not 938 farms in Dungog Shire. Even allowing for all 418 agricultural businesses of REMPLAN 2017, the average farm would comprise a conservative 2.25 assessments. Accordingly, it is unreasonable to consider the average Farmland Assessment of \$2,333 as an indicator of the likely impact of the proposed 98% SRV on agriculture.

Individual Farmland assessments vary greatly by lot size and valuation, and the majority of farmers have more than one Farmland Assessment. Allowing for 2.25 assessments per farm, the “average farm” would now pay \$5,250 in general rates, and with a 98% SRV this would rise to almost \$10,000.

Despite the 418 farm businesses listed in its Community Strategic Plan 2030, in the December 2018 Business paper, Dungog Council contradicted this, claiming that there was a total of 1389 ratepayers for the 938 Farmland Assessments. This inflated figure was due to multiple owners of the same assessment being counted on other assessments that are part of the same farm, and it demonstrates how Council does not understand the agricultural community. The ownership of individual assessments is irrelevant when families are operating them as one farm.

Examples of Family Farmland Rates.

Annexure “A” shows examples of rates payable by eight farmers with 26 Farmland Assessments between them. One family has five assessments, three have four, two have three and the others have two assessments. The following table summarizes the situation using Council’s SRV Rates estimator:

Total of Current Rates Payable	Current Average Per Farmer	Total Payable with 98% SRV	Average per farmer With 98% SRV	Average Annual Increase over 7 Years	Average of rates now paid for each Assessment
\$79,545	\$9,943	\$156,634	\$19,329	\$1,340	\$3,059

Effect of Proposed SRV on Agriculture

Numerous farmers have expressed concerns about the proposed 98% SRV, which would detract from basic living costs and expenses such as fertilizer, leading to a spiral of reduced productivity. With its average income of \$25,695 and average rates of \$5,250 the industry faces a crisis. Farmers are also worried about the need for significant future rate rises, because as stated in Councils SRV information, this proposal would only work toward meeting the Fit for the Future benchmarks.

In response Council rejected such concerns outright, considering that as farms were businesses, farmers would have to deal with the consequences or take advantage of any benefit offered by Council’s hardship policy.

The Council’s stance hardly accords with objectives of the Dungog Shire Community Strategic Plan 2030 which recognizes that agriculture and agribusiness have a highly valued role in the local economy and that the Shire needs to sustain viable agricultural activities. The farmers concerns should have been addressed in the Morrison Low assessment of capacity to pay.

The affordability issue is very serious and will have a profound effect on the ongoing viability of agriculture and its support businesses at a time when Council is undertaking studies to identify and preserve agricultural land. The proposed SRV would result in fragmentation of farms as already permitted under the Dungog Shire LEP.

Farmers understand that rates need to rise, but the proposed 98% should not be approved until Council has completed the necessary studies regarding the future of agriculture, forestry and fishing in Dungog Shire. This important industry deserves far more consideration than it has received.

Annexure "A": Examples of rates payable by eight farmers for 26 Farmland Assessments.

Family	Valuation	Rates Pre	Rates Post SRV	Levies	Bins	Other
1	\$320,000	\$1,415.86	\$2,772	HCM	Vacant waste	
1	\$667,000	\$3,344.56	\$5,575	Yes	Yes	Note 1
1	\$883,000	\$3,231.69	\$6,392	HCM	No	
Totals		\$7992	\$14,739			

2	\$945,000	\$3,480	\$6,922	HCM only	Vacant waste	
2	\$697,000	\$2,663	\$5,311	HCM only	Vacant waste	
2	\$1,260,000	\$5,146	\$9,607	OSMS x 3 & HCM	Yes	Note 1
Totals		\$11,289	\$21,840			

3	839,000	\$3,604	\$6,542	HCM OSMS	Yes	
3	347,000	\$1,690	\$3,018	HCM		Residential (21 acres)
3	Leased 1,460,000	\$5,511	\$10,575	HCM OSMS	yes	Farmland: Rates paid as Lease fees
3	Leased 605,000	\$2,704	\$5,023	HCM OSMS	yes	Farmland: Rates paid as lease fees. Note 2
Totals	3,251,000	\$13,494	\$25,158			

4	1,350,000	\$5,586	\$10,355	HCM OSMS x2	yes	
4	627,000	\$2,391	\$4,820	HCM	Vacant waste	
Totals		\$7,977	\$15,175			

Family	Valuation	Rates Pre	Rates Post SRV	Levies	Bins	Other
5	845,000	\$3,139	\$6,272	HCM	Vacant waste	
5	697,000	\$3,138	\$5,770	HCM OSMS	Yes	Note 1
Totals		\$6,277	\$12,024			

6	250,000	\$1,523	\$2,867	HCM OSMS	yes	
6	539,000	\$2,135	\$4,289	HCM	Vacant waste	
6	787,000	\$2,949	\$5,768	HCM	Vacant waste	Note 1
6	689,000	\$2,594	\$5,132	HCM	Vacant waste	
6	261,000	\$1,583	\$2,939	HCM OSMS	yes	
Totals		\$10,784	\$20,995			

7	1,580,000	\$5,614	\$10,954	OSMS	Vacant Waste	
7	524,000	\$2,143	\$4,097	HCM	Vacant Waste HCM	
7	541,000	\$3,420	\$5,928	HCM OSMS x3	Yes	Note 1
7	990,000	\$3,692	\$3,692	HCM	Waste PSC	Port Stephens Shire Note 3
Totals	DSC only	\$9,034	\$20,979			

Port Rates added: \$12,726 \$24,671

8	\$1,026,000	\$4,218	\$7,906	HCM OSMS	Yes	
8	\$954,000	\$3,981	\$7,438	HCM OSMA	Yes	
8	\$640,000	\$2,951	\$5,400	HCM OSMS	Yes	
8	\$352,000	\$1,521	\$2,980	HCM	Vacant waste	
Totals		\$12,671	\$23,724			

Note: 1. One person of Pension age resides on Family enterprise – no pension entitlements

Note: 2. Two people of pension age – no pension entitlements.

Note: 3 Adjoining farmland in Port Stephens, almost identical rates for same valuation in Dungog Shire, which would be \$3,662 and \$7,177 with a 98% SRV.

