

**From:** [Don Tydd](#)  
**To:** [Rating SystemReview](#)  
**Subject:** Rating Review Issues Paper Submission  
**Date:** Friday, 13 May 2016 2:59:28 PM

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Officer In Charge  
Review of Local Government Rating System

## **Background**

The Association of Mining Related Councils represents twenty two (22) local government councils across NSW with mining or mining related activities in their area. The organisation has been in existence since the early 1980s and had now grown to a point where it is recognised as the peak local government body for consultation by government and related organisations on the effects of mining in local areas. The Association is represented on NSW government Taskforces and Panels where current issues relating to the mining industry are debated and determined.

The Association this year will be reviewing its future activities to reflect the current development of renewable energy activities in NSW local government areas being wind and solar. It has already developed a policy on coal seam gas developments in local government areas. It is noted that the renewable energy sources are currently not rateable under current legislation. This anomaly needs to be addressed under the terms of the present inquiry as these type of developments in the future will have an effect on local councils and their communities and should be rateable to reflect their cost on local physical and social infrastructure over the life of the development. The developments are often of a relatively short term nature as compared to activities such as residential and agriculture and this aspect needs to be recognised in any review of the current legislation.

The Association wishes to acknowledge Mr Glenn Wilcox, an Association life member and presently the General Manager Armidale – Dumaresq Council who has provided the Association with a discussion paper (dated 4<sup>th</sup> May 2016) on this important issue. The paper has provided background information for this submission.

The Association also wishes to make a submission in relation to **“Issue 2 – are the current rating categories (Residential, business, mining and**

**farmland) appropriate.”**

Under the current regulation, a restriction exists that does not recognise the term of development and an assumption exists that areas such as mining ,gas extraction ,wind and solar farms are permanent developments and should therefore be rateable as considered for an unimproved parcel of land. In reality, mining gas extraction, wind and solar farms have a defined period of existence. In the case of mining, initial approvals are for a period of twenty one years and wind farms are based on the life of the turbine blades and generators which may be up to twenty five years. This contrasts to the other activities in council areas such as agriculture which are of a permanent nature and do not have the wide fluctuations in economic activity such as mining.

With the current legislation, a mining rate is an “Ordinary Rate” under the Act. This limits councils’ ability to increase its ordinary rate pool of funding above the rate cap. On this basis, a council cannot levy additional rates outside the rate cap for any increased mining activity in its area to supplement revenue for the effects on local social and physical infrastructure.

As an example, if a local council has three coal mines in its area and is presently levying mining rates , it can increase its ad valorem rate for mining ( for comparative purposes 10 cents to 20 cents in the dollar) but must reduce all other ordinary rates across its area to reflect its total rates allowable, including any percentage increase allowable by the government. If a mine is closed for a period or, totally abandoned, this means the other ordinary rates have to be increased to compensate for the loss of revenue previously levied on the mine owners.

This situation has occurred within NSW local government causing problems for the affected councils to balance their budgets and meet current expenditure obligations.

The solution to this problem is the separation of mining rates from the ordinary rates category over a transition period to allow the valuation system to reflect the current fluctuations in the mining sector over a period

of time. This would allow mining rates to reflect the impacts of mining activities while ordinary rates can address long term community needs for local social and physical infrastructure and services.

Apart from mining, there is currently in NSW a move to develop coal seam gas (CSG) as an alternate energy source. The Local government Act does not define CSG production it being identified under the Petroleum (Onshore) Act 1991. The definition establishes CSG similar to a mineral resource and therefore should be valued under 6A of the Valuation Act in a similar fashion. Any CSG development could then be rated however, like mining rates should be classified in a category outside the ordinary rate levy. This would allow the reflection of the effects of CSG developments on local communities and allow councils to have a contribution towards affected services and infrastructure.

Similarly, wind and solar farms need to have an identified value placed upon their activities by the Valuer General in their development throughout NSW. This would involve the identification of potential output or generation capacity of the turbines/panels rather than basing it on the actual land area the development takes up. Under the current Act, the rate categories do not allow councils to directly identify wind turbines, solar farms or, renewable energy as a sub category and as such they are required to be identified as a business category or agriculture or, they may be grouped with other locational activities. As with mining and petroleum developments, the wind turbines and solar panels have a defined life span where they are removed or, replaced. Again this uncertainty requires a separate rating category which is not linked to the ordinary rate.

### **Summary /Recommendations**

**1.**The present Local Government Act needs to be amended to allow new rating categories to reflect emerging energy sources including CSG, wind and solar. In relation to mining there is also a need to develop a separate category to that of the ordinary rate to avoid the fluctuations in economic activity of the industry and the effects on the ordinary rating system as it exists. The current system no longer meets the changing nature of energy developments on local and regional areas of NSW. Local government would have at least two rating categories. Ordinary and Resources/Energy. This

would allow a Resources/Energy rate to offset the costs of any related development away from the local community's needs and be applied to the identified development upgrades or services. It does not translate into the general rate pool which is based on the unimproved capital value of the land.

- 2.** The Valuation system currently in force for rating in NSW councils also must be amended to reflect the changing nature of energy resource development and the fluctuation in particularly mining, caused by world economic conditions.
- 3.** There may be a need for a transition period for the transfer of current resource/energy rates out of the current ordinary rating system to reflect the separation of ordinary rates based on land values and the new elements based on the lifecycle of the mining, CSG, Solar or, windfarm development.
- 4.** The amendments outlined above, will prevent the current fluctuations in rates which can occur as developments are brought online, revalued and included in the ordinary rate under current classifications. Apart from the unimproved capital value of the land that a development sits within, the development part of the resource rate should remain a separate and distinct part of the rates make up.

The Association looks forward to IPART considering its submission in the review of the local government rating system.

Yours sincerely

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