ENVIRONMENT, NATURAL RESOURCES AND REGIONAL DEVELOPMENT COMMITTEE

Inquiry into the sustainability and operational challenges of Victoria's rural and regional councils

Melbourne — 12 September 2017

Members

Ms Josh Bull — Chair	Mr Tim Richardson
Mr Simon Ramsay — Deputy Chair	Mr Richard Riordan
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Witness

Mr Chris Sharkey.

The CHAIR — Welcome to the Environment, Natural Resources and Regional Development Committee public hearing in relation to the inquiry into the sustainability and operational challenges of Victoria's rural and regional councils. All evidence taken today is protected by parliamentary privilege; therefore you are protected for what you say here today, but if you go outside and repeat those same things, those comments may not be protected by this privilege. I welcome Chris Sharkey. Today's evidence is being recorded. You will be provided with a proof version of the transcript within the next week. Transcripts will ultimately be made public and posted on the committee's website. I now ask you to state your name and job title, please.

Mr SHARKEY — My name is Chris Sharkey. I am a primary producer. Is that okay?

The CHAIR — Perfect. Chris, thank you for being here. I will now offer you the opportunity to make a brief statement, somewhere between 5 and 10 minutes, and then we will have questions from committee members.

Mr SHARKEY — Thank you very much for the opportunity today. As a full-time primary producer, former member of a rural advisory committee and keen follower of local politics, I have seen firsthand how things may work and sometimes not work. I am here today to give evidence to the inquiry, and it is specific to municipal rating and particularly the fairness, inequity and adequacy of the farm rate. In my opinion, the problem why the rating system has been such a long-running issue is because no-one fully understands it. In the past five years I have written to politicians, ministers, councillors, council CEOs, economic development revenue departments and spent countless hours reading budget reports, productivity reports and rating strategies, and I have even had a coffee with the valuer-general.

However, no-one wants to try to understand the rating system for what actual long-term effects it has on primary producers, food security, the environment, employment and the social cohesion of regional communities. In my view, which is shared by others, rate reform is one of the critical elements to the long-term sustainability of local government and the sustainability of a lot of rural businesses across Victoria. Councils have long known they simply cannot rely on rate revenue, but once they are put under pressure, they hide behind legislation, such as the one in four rule. The rate capping has done little, and the federal grants freeze has —

Hearing suspended.

The CHAIR — Could you pick up from where you left off?

Mr SHARKEY — I cannot remember where I was up to now. It is my view that local governments are no longer able to find a workable solution on their own. For all Victorians this will be a long-term consequence. If you think what I say is a little bit far-fetched, stop and think about the farm multiplier effect. This is a multiplier: so for every dollar of product at the farm gate, it will multiply about eight times by the time it is finished moving through the economy — so transport, processing, tourism, retail and service-related industries like mechanics and crop and livestock consultants. This is a reasonably well-known figure. The first time I came across it was with the economic development report which was done by SGS, and I can get that out if it is required.

As we are all aware, a number of rural and regional councils have been sacked, there have been commissions of inquiry and several councils are currently under constant surveillance by external monitors. These are all costing the ratepayer, but unfortunately no-one seems to be accountable for it. The purpose of today, in the limited time I have with you, is for me to work through two examples to help to illustrate my point regarding the inequity in the rating system and then offer some ideas for possible solutions.

How I got started was I was told by obviously councillors to come forward and put submissions into a budget, because that is how you formally object to the budget system to try to illustrate that you are being overcharged or to adjust the budget. It was a meeting probably not unlike this, but a little bit more daunting, having about eight councillors plus about six staff, so they were wrapped right around you. I was going reasonably well, then I got pulled up and was told that I should never have referred to myself as a resident because I was a business — farmers are businesses, not residents. So I slipped up and said, 'Well, I don't get as many services as a resident', and an old mate just hammered me and said, 'No. Done. You're not a resident'.

Then I came up with the solution that I would compare myself to a business and just see how it all stacked up, and I will just run through this. This is for the Moorabool shire. I have drawn a lot of this stuff from REMPLAN data if you are aware of that. A lot of people say a lot of the data is not necessarily all that good. I did also contact ABARES and looked up some of their stuff, but that is hard to get too. Being an individual — they do not release a lot of stuff to an individual, but I could get a little bit more —

Mr RIORDAN — What about to a business?

Mr SHARKEY — Yes, well. Probably not to a farm business either. I will quickly run through this. On economic output, being gross output of a business within Moorabool shire, farmers do about $151 million and all the other commercial businesses — you can actually click on and off different businesses, so I clicked off all the public things that I was aware of; really the only things that I had clicked on were construction, the retail trade and all those types of things — came out at about $1.17 billion. So just in the Moorabool shire, that is $1.17 billion of gross output compared with $151 million for a start. Is that all right?

Then we go down to the rates paid. The farmers in the Moorabool shire pay $3.2 million compared to other commercial businesses that pay $1.8 million. I am not trying to say, 'Commercials should pay more'; I am just showing a comparison and why farmers whinge when they talk about rates — if that makes sense.

Then if you go to the CIV, and this is obviously where you get your rates drawn from, farmers have about a billion dollars worth of assets, being their CIV, and the other commercial businesses have about $284 million. So then you put them together to give you the gross wealth of a business on your balance sheet at the end of any financial year, and farmers have about $1.16 billion and the other commercial businesses have $1.45 billion.

Mr RIORDAN — Did you also exclude the public sector and others? So you compared like with like?

Mr SHARKEY — Yes. With that $1.17 billion, that gross output, it is excluding the public sector, so it would be the majority of just personal or private businesses. That is how I came to my numbers, and that is how I worked it out. I have done Horsham, and Ararat I did for another bloke. Also Yarriambiack, which is a small one. What is going to be the concern if things get changed up and chopped around is obviously those small councils are going to get hit pretty hard. That is big, broad numbers.

Then the way I sort of quantify this is with a cousin of mine. He has got a plumbing business in Laverton. He operates out of a factory. He has got the bitumen road and kerb and channelling; he has got all his power, his gas, his phone and all that type of stuff. I asked him how much in rates he pays for that property, and he said, 'Look, I have to get back to you; I wouldn't have a clue'. He finally got back to me: $1800 he pays in rates for his business. His business turns over three times what our farm business does.

We live on a gravel road, and it gets graded about every 18 months: no water, no sewerage, limited phone, limited power, it being only single-phase power — no three-phase — no rubbish collection.

Mr RIORDAN — What is your farm rate?

Mr SHARKEY — Thirty thousand.

The CHAIR — Per annum?

Mr SHARKEY — Per annum.

Mr RAMSAY — What is the differential in Moorabool?

Mr SHARKEY — Seventy-eight at the moment.

They are just a couple of examples. Some solutions — this is where I probably struggle a little bit because of not understanding what goes on and in and out and budgets and all that sort of stuff — whether there could be something with the GST, or whether more of the GST could actually be contributed or pushed out to the councils maybe. I hate to say it, but I do not know whether actually lifting the GST would be a thing to do. You would have to completely wipe every rate, I would think, if you were going to do that — like actually lift the GST up to allow for that. I think you would have to wipe rates altogether and not pay them at all.

Maybe cut some of the bureaucracy out of the councils. I do not know how you would do that. You know, I am all for jobs but not for creating jobs that are not having a productive outcome. As a farmer, we are constantly told that we need to be more efficient and produce more. We are producing in a global economy now, and a lot of our competitors are not necessarily paying rates at all or are getting a subsidy for that, being Europe and the United States.

The other example I would like to give you is the house and curtilage, which would be a way of keeping the structure as is but removing the actual farmland being rated. If you receive a rate notice — you have probably all seen them — when you get rated you have a site value, being the value of the land, and then the CIV. I would suggest that farms would be paid on the difference between their site value and their CIV value. So if you had a small family farm — a weatherboard house and one machinery shed out the back — you would not be getting charged a great deal. The next-door neighbours: part of the big, original stand, big house, lots of sheds, outbuildings and all that — they would be getting charged more.

Where we are in Moorabool we get a lot of interface stuff, where a lot of smaller blocks have been cut up — still holding the farm rate but not necessarily carrying out full-time farm production; they tend to put a reasonable-sized house on it. They would then still be paying a reasonable amount of rate. Being in a farm zone but having a bigger house, they would be getting charged because of that difference between the site value and the CIV value, which is the value of your house and your sheds that surround it. So the bigger the farm, the bigger the rates you pay, because of the infrastructure that you would have to have to run that business, if that makes sense. But then it obviously poses the problem that if you take that money out of the system, you are going to run short in councils. But then that comes back again to the fact that I am not sure — well, I am definite — I do not understand why farmers have to hold councils up, if that makes sense. I do not get that. Sorry? Yes? Inclusion. In the next 30 years Melbourne is going to have 8 million people, and where are they going to get fed? The Andrews government in its regional statement in 2015 said that no government should take rural and regional Victorians for granted. Thank you.

The CHAIR — Thanks, Chris. On some of those structural issues, I am hopeful that quite a few of those will get fleshed out in questions. This committee is obviously charged with looking at many of those operational challenges that rural and regional councils face. You speak quite extensively about the $30 000 a year rates notice and about the difficulty that you face as a business, and you make some points around that. Farms: we have got some evidence here that farms and rural residential properties provide 74 per cent of the rates in some particular municipalities. What would you suggest would be the options for recovering that funding? I think you alluded to it before. I think you mentioned GST and other mechanisms.

Mr SHARKEY — I am perhaps not qualified to suggest too much. There is a lot of stamp duty that gets collected too in the sale of properties, and that disappears into the wherevers. Again, a lot of councils complain about roads. Then there is always the fuel rebate, or the fuel tax, which is about 40-odd cents, that gets sucked up somewhere. Can we make some of those smaller councils more efficient? I understand they have got 100 jobs that they do. I tried to look it up, and I cannot really see it. I saw it one day in a CEO’s office, but I did not take a great deal of notice. But is it possible for some of those smaller shires to job-share a person — do you know what I mean? — so they are not having to have a person for that particular job? Because I can imagine in those smaller regional councils they might not necessarily need that person all the time, but they would have to have someone on the books in case they had to do a particular job, if that makes sense. There is a lot of policy and procedure that they have to do.

The CHAIR — You sound like through experience — from both personal experience, a whole range of meetings and consultation that you have had, and submissions to various inquiries — you are fairly plugged into these issues. Is there a lack of community awareness out there in rural and regional councils around the services that are provided as a whole, do you think? Is there sort of a disconnect between —

Mr SHARKEY — Yes. I think so.

The CHAIR — here is your municipality, here is your farmer or your business and —

Mr SHARKEY — A little bit, yes. We do struggle a little bit, because it gets very confrontational, if that makes sense, because again I am coming in and I am attacking them. You do get a little bit cranky, because $30 000 is a lot of money for us. You come in and you are having a crack at them, and then it gets very hard to have that conversation. We did. We were on a rural advisory committee, and we did that for 18 months. Scott was on it with us. We thought we could obviously not tell them what to do but be able to educate them a little bit on what happens and why we get upset.

The CHAIR — A constructive conversation?

Mr SHARKEY — Exactly, but that lasted 18 months and we were not going anywhere. We are supposed to be asked on certain matters. We never got asked about anything. When I started to push them about the farm numbers — I noticed you were talking about that earlier on — that is when it sort of got a bit —

The CHAIR — A bit testy.

Mr SHARKEY — Yes. They did not know, they could not work it out and then they got a little bit upset that I was probably pushing them a bit too hard. That is when we sort of —

The CHAIR — Fell away?

Mr SHARKEY — We parted ways, yes.

The CHAIR — Thanks, Chris.

Mr RAMSAY — Thanks, Chris. I am quite familiar with your story. Where you are, you are in a growth corridor and you will be suffering the same sorts of challenges as many of our peri-urban farmers face because of increases in property value. Ararat is a bit different, but they are facing 24 per cent of their rural constituency paying 34 per cent of the rates collected. Many of them are paying $60 000 or $70 000 in rates, so there is inequity there. Council tried to address it by a large differential of 55, and now some councils are seeking to withdraw that back to almost nil. That does not solve the problem, and the house and curtilage has been a long VFF policy which does help provide the equity. At the end of the day our brief is to find some models that would provide long-term sustainability. How about we take the whole roads funding out of the responsibility of local government? Because road funding is principally the largest expense, as we have heard, for rural and regional councils, and that is dealt with through state and feds. Some have suggested using CGT, seeing it is a property-based tax. You get increases in capital value, which is another tax, that is returned back to paying for local roads, upgrades and also the fuel excise that we talked about. I am just thinking it is doubtful you are going to get a lot of traction in the short term around house and curtilage, and the differential is always going to be an issue for local regional councils — 'It's too big, it's too small, it's not there'.

I am just thinking that councils have a pot of money and they have got to try and share that across the expense. If you take away from one, you have got to put it on the other. That is the argument that is given to me. If they move away a large part of that expense and share equitably the burden, I feel it will have a better and a quicker response. I flagged that with you, and I am looking for your comment. There is the question. If local road assets are the biggest expense to regional councils, would you advocate taking that responsibility away and direct funding that in another mechanism?

Mr SHARKEY — That is interesting. I have not looked up many more than Moorabool and little bit in Horsham and a little bit at Ararat, but not to the depth maybe of Moorabool, so I can probably talk a little bit better about that. That is the comment that you constantly get from councillors — 'We've got all these roads to look after, we don't have any money and we can't constantly do it'. Well, the grader would sit outside our place for three to four weeks. It takes about, I would say, three or four days to grade the road, and then the grader will be parked at the end of our driveway. My wife got annoyed with them and told them, 'If you park it on our place again, I'm going to let the tyres down', so they no longer park on our property. They just park at the end of the drive. It could park there for three to four weeks at least. So a half-a-million-dollar, or actually probably more, brand-new grader is sitting parked, not doing any work at all.

I cannot speak for any other councils, but I know they keep telling me that it is very expensive to grade and fix the roads — but it is not too expensive to have it parked, sitting, not doing anything, for four weeks. I know as a businessperson that if I have got a $500 000 or $600 000 bit of gear and it is not working flat out all the time, I am going to go out of business. I get a bit funny about that. I know what you mean. I would say there would be probably quite a few councils out there that are very efficient and do do a lot of work, but just speaking from a little bit of experience and a few other stories that you hear, they do not tend to use their equipment probably quite as good. We have made that suggestion before: 'Why don't you get private contractors in and just pay on a per-metre or per-kilometre rate on actually the road done?'. I have never had that answered back to me either.

Ms HALFPENNY — Just to try to understand — I think you might have answered a bit of it — I was going to ask first: do you know of other councils that do what you would like to see being done?

Mr SHARKEY — No. The house and curtilage has never been. It is not part of legislation, so they cannot get it. The closest you would get, I think, would be —

Mr RAMSAY — Mornington does it.

Mr SHARKEY — Yes. They do a funny one where they actually give you what they call a rebate. The City of Greater Geelong do it too, so they step you out of the one in four. So Geelong and I think Mornington do it. They rate a house, but then I do not know how they get away with it. They actually then give them a rebate, do they not?

Mr RAMSAY — Environmental rebate.

Mr SHARKEY — Environmental rebate, yes. So there are a lot of things. I have asked our council why they do not do it. One of the things that you get when you ask the question is: 'We can't do it because of the one in four'. At the moment the farm is at 78 in Moorabool, so then the top cannot be any more, obviously, than the four. I made that suggestion. I said, 'Bring us back up to residential, then you can take' — because they have got mining. Then they could slip mining up that extra 22 per cent and give us a rebate. But they could not do that; that would be too —

Ms HALFPENNY — So at the moment you are on the lowest differential —

Mr SHARKEY — Yes, exactly.

Ms HALFPENNY — You are paying the lowest rate per acre or whatever.

Mr SHARKEY — Yes, exactly. So the spread is at its one in four now — at its maximum.

Ms HALFPENNY — So when you were talking about comparing an industrial —

Mr SHARKEY — Yes.

Ms HALFPENNY — The smaller land and the building on it, were you saying that the value of that in total is as much as a farm and that they are still paying lower rates?

Mr SHARKEY — I was saying that for an overall shire — so all the businesses within the shire. You have farm businesses and non-farm businesses. So if you work out the total wealth of both of those businesses — so that is their gross output or their net output —

Ms HALFPENNY — Okay. Not the value of their assets.

Mr SHARKEY — Yes, plus their asset, which is their land. If you add that together, other commercial businesses have a greater wealth than farmers. Even though the farm land is worth about $1 billion, their income is about 1.17 — nearly 1.2, gross income for those other — —

Ms HALFPENNY — Okay.

Mr SHARKEY — That is the same for Horsham. Horsham works about the same. Ararat is pretty close. Ararat was an interesting one — and I am sorry to change — with the way they did it, because there is quite a bit of industry in Ararat, with Gason and abattoirs. There is another big one too.

Mr RAMSAY — Prisons.

Mr SHARKEY — Prisons, yes. So there is quite a bit of industry in there, and to swing that around and load the farmers right up was really quite interesting. It comes back again to that lack of communication and the lack of understanding.

That is another thing. Once we did the rural advisory committee and got rid of that, we started a farming Moorabool networking thing where we will network with the farmers but then also try to educate everyone a little bit about what happens on a farm, because I think that spread is starting to get bigger and bigger and people do not understand how the food is produced, where it comes from and all that. That is sort of how we got that going.

Ms HALFPENNY — What about an idea, and again this is just out there — that is, the asset-rich idea —

Mr SHARKEY — Yes, exactly.

Ms HALFPENNY — Has there ever been any talk of a system where when you sell, for example, or transfer that there you would defer the payment? I do not know —

Mr SHARKEY — So as a capital gain when you sell the land, or —

Ms HALFPENNY — Use your rates in that way. I suppose I am just trying to ask some questions; I am not saying that that is how you should do it.

Mr SHARKEY — It would add up pretty quickly, though. We are at 30 now. We have slowed down a little bit now because we have pegged it back, but when we started this little exercise four or five years ago we were doing 10 per cent every year. We were jumping, and once we started to push back and get upset about it — because at 10 per cent a year, once you start getting up to $30 000, a 10 per cent jump —

Ms HALFPENNY — It is a lot of money.

Mr SHARKEY — It is two houses in Bacchus Marsh. So we are jumping two houses every time. We said, 'You can't keep doing this'. In answer to your question we have been farming for 95 years, so I am not sure. It would accumulate too much.

Ms HALFPENNY — Okay. I was just wondering.

Mr SHARKEY — No, it is good.

Mr RIORDAN — Chris, thank you. It is a strong argument you make. I have done an exercise in my electorate many times. My rule of thumb was generally a $3000 to $4000 rate bill for a similar-sized business in, say, Colac, to the equivalent farm at the $30 000 to $40 000 mark. The system we have now is a land-based system. It is the one we devised back when there were roads boards in the 1800s. We have had reform everywhere else except in this space. But the question is: what do you replace it with? With all due respect, being a former small business country operator myself, you would not want to rely on anyone's tax returns as evidence of what their turnover is. We would have no money at all. We would look and sound like Uganda if we did that. So my question to you is: what other measure exists in agriculture that you could fairly measure across as a way of generating a fair —

Mr SHARKEY — In terms of people throwing around like a productivity type of one?

Mr RIORDAN — Yes. Is there a measure? Does a measure exist?

Mr SHARKEY — No, nowhere. I do not think there would be anywhere, not these days. I think the department of ag, back in the —

Mr RIORDAN — Say, the VFF. Would they have — say if you have got a 5000-acre farm, your productivity from 5000 acres should be X, so you work off a benchmark. Could a benchmark be developed?

Mr SHARKEY — No, too much variation. Scott, who is with me today, is 30 or 40 kilometres away. He gets an extra 150 millilitres of rain.

Mr RIORDAN — But his farm is probably — not always, but possibly — going to be small. It is productivity.

Mr SHARKEY — Exactly.

Mr RIORDAN — I mean the further south you go on the Hamilton Highway and the Princes Highway, the less land you need.

Mr SHARKEY — Yes, so to try to pick up all of that I am not too sure how you would do that. Do you know what I mean? That is why we can get upset with the way the valuation is done now, because I query the valuation. So then the valuer will come out and do it again, and then they will send you a report back on where they picked those valuations up from to value our property. So if you understand where we are, we are at Balliang East, so they would be valuing at Morrisons or Elaine or Ballan. That is an extra couple of hundred millilitres of rain up there, but that is where they draw their valuation from because nothing has been sold in that area. That is the other thing that does not get picked up much either when they do those valuations.

Mr RIORDAN — Right, but I mean essentially your farm valuation is a reflection of the capacity of that land to produce. I mean good dairy country is going to be valued at X amount of thousands because you can do a higher value.

Mr SHARKEY — Yes, exactly.

Mr RIORDAN — I just raise the prospect that there is possibly a measure there, whether it is indirectly through valuation because your land is a product of it or whatever.

Mr RAMSAY — The other measure is the historical percentage of the cost of running the business. Where rates traditionally were about 1 to 1.5 per cent, in most cases now they are in excess of 10, so the equity issue is very well seen in the expenses.

Mr SHARKEY — MAV did a report to the Productivity Commission in 2007. They suggested that the average commercial business would have about 1 per cent of their expenses in rates and for farms it should be about 1.4 per cent of their expenses. Ours is about 10.

Mr RIORDAN — Absolutely. The issue, then, and I think you raised it with the GST, is that if it is not possible to create a new rating structure that measures commerce — so when we put farming into commercial you create a flat bed on the value of that to the business — then you have to move to another mechanism such as abolishing it completely.

Ms HALFPENNY — Can I just ask a quick one? When you say ‘four assessments’, is that because it is different titles?

Mr SHARKEY — Yes, so a back title. I did read that thing said, so back in the original, back in the day, our family started with one title. Then as dad has gone on he has bought more property.

Ms HALFPENNY — Sure. I just wanted to clarify that. I had better let Tim ask his question. I just was not sure.

Mr RICHARDSON — I have just got a quick one. Thanks, Chris, for popping in.

Mr RAMSAY — He has been sitting here for about an hour.

Mr RICHARDSON — He has, yes. I have got a question about the whole tax treatment from state, federal and local government. Those commercial businesses that you refer to in town, what is the story from tax that they pay all the way through to end point? Does it come out at an even level longer term? The reason I ask that is — so if farms walk away from some councils tomorrow, they are no longer municipalities. They are insolvent. Let us not be too dramatic, but that is what would occur. No council wants that, and I am sure a lot of communities do not. So what is then the solution? Is it then, say, the federal government and the tax revenue they take, and is that a greater spread? Is it at a state level or do we extrapolate that out and say, ‘The tax treatment for farmers more broadly’, where do we finish at the end? Across all levels, does that come out at a level that is reasonable, and if not, then is that the solution rather than the abolishment of the charge on farmers from councils? Have you thought about that at all in that way?

Mr SHARKEY — Not really. Only in the terms that —

Mr RICHARDSON — I should have asked the VFF a bit. I forgot this question.

Mr SHARKEY — I do not even know — I think I am a member of the VFF, but only just. I find it interesting — well, I will use strong words. I find it really hard to handle that you get the argument that if you take the farm rate down or away, the council is going to go broke. If you keep charging me rates the way you are going, I am going to go broke, and I am serious. At 10 per cent now if I fall back into a drought or if we have trouble — either something attacks the crop or the sheep all die for some reason or something like that — I will go broke, because I will have to continue paying those rates. So I understand what you are trying to say.

Mr RICHARDSON — That is what they have told us. As a metro MP, I do not know.

Mr SHARKEY — You are spot on, and they will. That is where we cannot just do one thing. I know we all speak about house and curtilage, and that would force councils to put farmers on a better keel with other businesses within the region. But then again you create that shortfall, so then you are going to have to find that shortfall from somewhere. Whether you get it from federal, I am not sure, because local government is a tier of state government. It is not anything to do with federal.

Mr RICHARDSON — I am thinking on tax policy. As opposed to that commercial business in the main street, as opposed to your story of taxation, of concessions, what is the end product then? Has that been modelled to determine then where do we come out at the end? So if you cop a cost at council, that is one thing, but does that business cost more paying at a 30 per cent rate, as opposed to concessions that only say agricultural or primary producers are entitled to? Where does the story land in that sense if you are taking the whole tax base?

Mr SHARKEY — In other words what tax advantage does an agricultural business have compared to one in town? Is that what you are trying to see?

Mr RICHARDSON — Yes, and in extrapolating that out is that where the equity stands, where there is greater support — either at state or fed? But if you have got councils saying, ‘We’re not going to be able to function’ — and we take them at their word just for the time being — then is that the better support coming at that tax relief at the other end, where you come out even or if you are still getting stung when all the tax burden at all levels are paid, plus wages and all of that?

Mr SHARKEY — I like income tax a little bit better because it will pick up the rises and falls, because we can have such extremes with our business from year to year.

Mr RICHARDSON — Fluctuations.

Mr SHARKEY — Exactly, so I think the advantage of taxation in a farm business is the tax averaging. Also the thing that farmers would get would be farm bonds, but the tax averaging was put in to take out some of those extremes that you would have where a rate system does not have that capacity to follow your production. So it is probably not too bad in some of the areas, but again unfortunately in those smaller shires which are further out, which are going to be probably in a lesser rainfall area, they are going to have those extremes. That is what is going to hurt them, if that makes sense.

Mr RICHARDSON — I think in that tax journey where all levels of government are considered, and then where you would come out, if you are still getting smacked — I do not know if the VFF has done that model or not, but that might actually show how it is disproportionate.

Mr SHARKEY — Yes, exactly. I do not know. But at the moment where it sits with that up-front fee that just sits there all the time and constantly increases, it is a chunk that can be in a bad year hard to handle.

Mr RIORDAN — I thought it was important — just another aspect of the role farmers play. I mean, they are the largest land managers in the country. Most farm businesses invest pretty heavily on Landcare either voluntarily or, sure, there are some subsidies from time to time. But most farmers view that as a heritage gift. You pass it on whether to your own family or to someone else’s, but that is a huge extra cost borne in the natural environment that farmers take on. Do you just want to give any feedback in terms of what you would say? You are paying $30 000 in rates, plus what an average farm enterprise might give back in fencing off creeks, planting things, whatever, whatever, whatever.

Mr SHARKEY — Most of that sort of stuff would come with a Landcare thing attached to it. So you would get fencing, perhaps not at the full rate but at a partial rate. I know for us personally we have got at least nearly 2 kilometres of the Little River fenced off. We get money for that, but that is land that we will no longer use. We may graze that from time to time just for native grass to keep it down so that we can keep the native grasses active. We also spray, but Melbourne Water would do that. So there are incentives to do some of those things, but not necessarily the full amount. So I cannot sort of tell you —

Mr RIORDAN — So are there no discounting of rates for that?

Mr SHARKEY — No. What else have we got? We have got a block that we have shut up for trees. Again we receive some money for that fencing so that it regenerates. We have got a buloke stand, which is very unusual for this part of town — this part of the end of Victoria — and we have allowed them to regenerate, so that is locked off. We still crop some of that and still graze it, but only a limited amount to allow those trees to regenerate. They do not recognise that as a rate reduction or a rate rebate or anything like that.

Mr RAMSAY — Fire prevention works?

Mr SHARKEY — No.

Mr RAMSAY — That is what we do though.

Mr SHARKEY — Exactly; you do it. You do not get anything for that. I think Melton shire gave you a little bit for serrated tussock, but I think they are down to about two farmers anyway. So it is mainly for those hobby blocks to try to keep them encouraged to keep their serrated tussock down, but from my knowledge there is not a lot that goes.

The CHAIR — Ninety-five years of family farming is something to be pretty proud of, so thank you on behalf of the committee for taking the time to come in and have some really good detailed discussion and for answering our questions. Thank you to committee staff and Hansard for today.

Committee adjourned.