

# **ENVIRONMENT, NATURAL RESOURCES AND REGIONAL DEVELOPMENT COMMITTEE**

## **Inquiry into the management, governance and use of environmental water**

Kerang — 13 October 2017

### Members

Mr Josh Bull — Chair

Mr Simon Ramsay — Deputy Chair

Ms Bronwyn Halfpenny

Mr Luke O’Sullivan

Mr Tim Richardson

Mr Richard Riordan

Mr Daniel Young

### Witness

Mr Colin Fenton.

**The CHAIR** — Welcome to the Environment, Natural Resources and Regional Development Committee’s public hearing in relation to the inquiry into the sustainability and operational challenges of Victoria’s rural and regional councils. I extend a welcome to members of the public and to members of the media, if present.

The committee is hearing evidence today in relation to the inquiry into the sustainability and operational challenges of Victoria’s rural and regional councils, and evidence is being recorded. 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. Today’s evidence is being recorded. You will be provided with proof versions of the transcript at the earliest opportunity. Transcripts will ultimately be made public and posted on the committee’s website.

I now invite you to make a brief opening statement, something in the order of 5 minutes, which will be followed by questions from committee members. Can I first have you state your name and role for the record? Then you can proceed with your opening statement

**Mr FENTON** — Thank you, Chair, my name is Colin Fenton. I am a local farmer. I represent myself as well as some of the committee of ratepayers of the Gannawarra shire. I come from a long line of people who have been involved in local government. There have been four Fenton councillors over the last 100 years. My father served a term as shire president in the Kerang shire, so we are fairly familiar with council matters. I was also on the committee that challenged the Gannawarra shire and went to the Supreme Court.

I have six areas I would like to address. The first one is the inappropriate rating of dryland land rated as irrigation. There is also the issue of differential rating systems, the issue of the 2 per cent cap, the employment numbers of the Gannawarra shire, the recommendations from the committee chaired by Neil Lowe and the possibility of a severing of the Gannawarra shire to the Campaspe shire and the Loddon shire.

Firstly, I do not know whether people sitting across from me are aware that for some time, probably around about seven or eight years, on the northern boundaries of the Gannawarra shire and the Swan Hill shire there has been land that has partial irrigation on it and the farms are actually being charged the rating of the irrigated rate. They are being charged the rating of the dollar at the wrong rate, to the point where I challenged the Gannawarra shire some time ago and they rectified that by giving me two rate notices for each block of land that had partial irrigation and partial dry. I am probably talking to people who do not understand where I am coming from, but a classic example is: next door to me there is a 1200-acre farm which is pretty average dryland, and that person has been paying nearly \$1000 a year more in his annual rates than he should have had to. I am not talking about a small portion of land; I am talking about from the boundary of the Loddon shire right through to the end of the Swan Hill shire. I checked with the Swan Hill Rural City Council, and they are in the same boat. I find that intolerable to say the least. If a council cannot get its rating system right, what hope have we got?

On the issue of differential rating, it is there for a reason. There has been a fair bit of debate over time about the differential rating system, and I think it has held the case for a major factor being there. I want to congratulate the current government on the 2 per cent cap. I think it is high time that something is done with rural councils — or all councils for that matter, but I am only talking about the rural system. Councils seem to have got out of hand with their rate increases. I was looking through some history last night. We had rate rises of something like 40 per cent over four years back in 2010. We were faced, before we challenged the shire this year, with an increase of 30 per cent over four years. You cannot go on increasing rates in rural areas in that way. I think it is a sad case when we have to front up at the Supreme Court to challenge a shire to get some reality into its rates.

The important numbers for the Gannawarra shire: I will challenge my colleague over there who said, ‘We reckon the Gannawarra shire is pretty right’. Every time that I have gone near the shire to get some facts and figures, we are trotted out the story, ‘The last we had a headcount there were 74 people in the administration office in Kerang — part-time and fulltime’. We cannot get the breakdown, and nothing is transparent. Bear in mind with this employment thing that for the last two years — and I am pretty well informed on this — the shire rates in the Gannawarra shire have not covered the staff’s wages. Now if you have got a business and you are not raising enough revenue to pay your staff, there is something wrong in your business. Either you are over-employing people or you are not raising enough revenue.

I think we have got to the point where councils in regional Victoria are going to have to bite the bullet and go back to what councils are about. They are about roads and bridges. This business of health and human services is completely out of whack in the sense that we get grants coming to our regional areas. It is like a carrot

situation, where state government fund it for the first year, and then in the next year's round it is cut and the next year it is cut — and then in the year after that it is gone completely. Infrastructure is built in the local area to provide these services, but there is no money to support it. I think we have got to the point where council is really going to have to put a line down the middle and decide, 'Are we going to go back to the roads and bridges situation and divorce the health and human services?', because health and human services, in my view, should be being dealt with by the federal government. We know for a fact that when money leaves the federal government it goes to the state government, and then when it goes out of the state government we lose about 25 per cent of the revenue. So in my view I think we are using the wrong infrastructure to deliver these services. You have got miles too many things being operated by local councils, and it is out of their control.

I did not sit on the committee with Neil Lowe for two years for nothing. I learned a lot about rating systems, and I was bitterly disappointed, like the rest of the committee, when we got to the end of our two-year stint working out what was a fair and equitable rating system in the state. We handed the results to Pat McNamara, the Deputy Premier at the time. Pat's words were, 'Don't worry about it. We will be back in government in a fortnight's time, and we are going to implement your recommendations'. Of course the end result was that the government fell over and none of those things were implemented.

I would advise people who are serious about looking at rural councils to go and study Neil Lowe's report. You will find, I think, a lot of the answers in that. There were some pretty informative and knowledgeable people on that committee. I struggled with some of the information that we got at the time. I have discussed this issue with some other members of the committee that I belonged to. There is definitely a strong feeling that the old Cohuna shire would be very happy to move back to the Campaspe shire. I would suggest strongly that the Avoca board, which covers more than one-third of this Gannawarra shire, would move to the Loddon shire — perhaps the northern section might go to the Swan Hill shire.

I am not greatly in favour of the amalgamation of shires, but if it is the only way we are going to survive it may have to take place. It was interesting to hear about the growth of the population in Kerang, or in Gannawarra. Some time ago we were asked to do a bit of a survey where we live. Within a 20-kilometre radius of where I live there are 40 farmhouses that are empty. What is happening is that the only increase in growth in regional towns is people retiring from Melbourne. While I have the greatest respect for them, when you have people retiring from the city, in lots of cases they are pensioners, and we know for a fact that there is a pension discount for shire rates. So who picks up the tab? The people who are paying the full cost, and there are fewer and fewer of us. It is as simple as that.

We have got to a point where land values are completely out of control and very few young farmers can start farming today. What I have seen happen in my area — and I live south-west of Kerang in the dry irrigation land area — is that any young person starting now has to either lease, share farm or whatever. We have young farmers in our area now who are trying to grow 10 000 acres of crop. It might be physically possible with the technology, but the problem is that there are less and less people in the area, so as ratepayers we are getting to a point where we have no say in what happens in our local government. We have got one practising farmer in the Gannawarra shire. We have got one person representing one-third of the shire, and that is not fair or equitable in anyone's imagination.

I will go back to the different rating —

**The CHAIR** — Colin, I will just stop you there for a moment. I am conscious of allowing enough time for all committee members to ask questions, so if you can sum up fairly quickly, then we can get stuck into some questions.

**Mr FENTON** — I will leave it there. I am quite happy to take questions. I just find it staggering that we are revisiting what we went through 10 years ago, and we really have not got anywhere. I really appreciate the fact that you guys have come out into the area to discuss the issue and to try to get some recommendations and a way forward.

**The CHAIR** — We greatly appreciate that, and we are equally passionate about doing the same. There was some discussion in our hearings yesterday in relation to rate capping being perhaps a short-term political sugar hit, if you like. I do not share that view. I have a view that rate capping is important for the hip pocket and to be able to stop — I think you mentioned — the 30 or 40 per cent rate rises over four years. Can you elaborate a little further on what rate capping means for you, your neighbours and residents in the Gannawarra community?

**Mr FENTON** — I think it is pretty interesting when we go back to rate capping, bearing in mind that this shire in its wisdom decided to have a 7.6 per cent increase for the next four years — until we went in to bat. In my view it was outside the 2 per cent cap, and of course it was achieved, like our friends in our local water authority, where the global budget did not go any more than 2 per cent, but what they did was to increase the dryland farmers by 7.6 per cent but increased the urbans by bugger-all. So that is how you get around that. As an organisation where do we go to challenge these things?

**The CHAIR** — You discussed boundary change. What are the structural reforms that you think the committee could investigate in terms of a recommendation or finding to make rural councils more sustainable at a top-line level?

**Mr FENTON** — Well, I guess the physical differences between the two areas would have a big impact in the fact that it is virtually all dryland west of the Avoca River — the Loddon River, I should say, in the Avoca ward — whereas the Cohuna area is virtually a whole irrigation area. The old Kerang shire — I do not know where it leaves that.

**Mr RAMSAY** — Thank you and welcome, Colin. Gannawarra has had a pretty potted history in relation to its challenges in relation to differential rating. I am sure through Mr Walsh's time in the Victorian Farmers Federation and my own, Gannawarra was always at war, if you like, in relation to its ratepayer base in how to provide equity and a fair share of the burden of rate revenue. I note that you have raised it a number of times, even in your submission, about the inequity of the dryland farmers' differential to the irrigation farmers' differential as against the general rate. It appears that the farmers are losing ground in holding a fair and reasonable differential to provide greater equity. What is your view long term? We cannot have ratepayers continually having to go to the courts to seek fairness and equity in a rating structure like that of Gannawarra. I am not clear about how you see long term that Gannawarra can deal with its operational challenges and long-term liability, apart from the amalgamation proposal you have put on the table.

**Mr FENTON** — I think we have to go back to pretty basic terms in pay for service. A classic example of what I am on about is that there is one ratepayer in the north-west of the Gannawarra shire who is paying \$38 000 in rates. He has a gravel road. If we did not have a dry summer to deliver our grain harvests on dirt roads, we would not be able to get our produce to market. We just do not have the infrastructure. We do not get any maintenance done. If we actually paid for service, the costs are not justified. We would be far better off. I have had ratepayers say to me, 'We'd be better off going and buying our own road grader and doing our own roads'. If you live in either Cohuna or Kerang, you have got bitumen roads, you have got kerb-to-kerb guttering, you have got all the amenities under the sun, and people on average will pay anywhere between \$1000 and \$1800 a year for rates. Yet you have got a person who is paying \$38 000 who gets his dirt road graded once every four years. Where is the —

**Mr RAMSAY** — That is the now. How do we overcome that? The council has a pot of money that it can use through funds and rate revenue, but how do you provide greater equity then? There are plenty of instances where farmers are paying \$30 000 to \$40 000 in rates and the local milk bar is paying \$600 to \$700. It is not fair and it is not equitable. We know that, but what is the mechanism to allow greater equity or fairness? How do you overcome that?

**Mr FENTON** — I think that paying one flat rate across on a residential thing is the only way that is going to work in the finish.

**Mr RAMSAY** — I am sorry, I do not have enough time to explore that, but hopefully one of the other committee members might want to take it up.

**Mr O'SULLIVAN** — Thank you, Mr Fenton, for coming in. I would take up where Mr Ramsay left off in terms of a funding model for councils, because obviously we have had evidence that there are 57 bridges in this shire and the maintenance on those is astronomical, let alone the replacement of them, which will have to happen at some stage in the future. We have heard about all the cost pressures the council has and we have also heard that they are going through some sort of cost-cutting exercise in elements as well, so it seems to be a situation where it is quite difficult for the council to find that balance between having enough revenue to undertake the community services but doing it in a fair and equitable way and being able to pay for it. Mr Fenton, you referred to Neil Lowe's report. What is the one take-out out of that that would be relevant and

could be used by this committee in terms of going forward with some sort of suggestion as to how we can help with that sustainability?

**Mr FENTON** — The one-liner has to be that a fair and equitable rating system has to be arrived at. That was the critical one-liner.

**Mr O'SULLIVAN** — Could you explain how that could happen?

**Mr FENTON** — I do not think it is up to us to tell you how to run the rating system, but at the end of the day if it is not fair and equitable, you are going to finish up with the mess getting worse as the increases come. You cannot have one section of the community having increases of 5, 6 and 7 per cent a year and everybody else staying where they are at — plus the pension rate discount, for example. We have got people who move out of the city and come to Kerang — I am not being personal about this. They arrive in a town like Kerang, Cohuna or wherever, and they go straight to the local council and ask, 'What services have we got here in this town?'. They are trotted out — 'You can have this, you can that and you can have that'. Nothing is free in this world. If you are not prepared to pay for something, you should not be getting it free. It is being paid for by other people. I am suggesting it is being paid by the rural ratepayers.

**Mr RIORDAN** — A lot of your frustrations and concerns have been raised statewide, and we hear similar issues from anyone representing country areas. At the end of the day we have been electing now for 150 years local people to local councils, and it has been those people who have overseen the rise of these problems. Is there an issue about our representation on local councils? Many councils around the state use their community representatives in different ways — some with wards, some without wards and so on. You raised a point about there being a lack of farmers represented on your council. I just did the sums while we been talking. If we actually made our councils representative by the contributions of those rate groups and had representation on our councils based on who contributes and if you had seven councillors and they were in this shire, you would end up with three residential, two irrigated farmers, one dryland farmer and one commercial/industrial. That is the breakdown. What are your thoughts on that as a potential method of representation — I do not know whether you do or do not have wards here — as a concept?

**Mr FENTON** — It is pretty interesting that you raise that, because if you go back to when that was the case, we were not sitting around this table. We did not have the big increases 10 to 15 years ago which divided the community, whereas now we do have them because we have not got the representation. Even if we had one super-duper councillor representing the rural areas, what hope has he got when it comes to a vote around the council table? I think the biggest mistake made was — and I am going out on a limb here — when we started paying councillors. We have got the wrong sort of people. We have not got the passionate people who were there because they wanted to be there. Now we are looking at people for whom it is not a bad little income.

We do not get a visit from councillors. With previous councillors two or three groups ago, when they were representing proper wards, it was an entirely different matter. When it was the case to get the best people out of the area, it did not work because you got people out of the two towns, and the people — without any disrespect to the councillors there now — their employment will change. They will move out of town. You have got to know an area and have had a bit of history in the area to know how it works. We have people come in here — we have generation after generation of councillors arrive in the town. The first group turn up and cut all the trees down. Then three years later, when there is a change of councillors, they plant them all back again. That is the sort of mentality we are facing.

**Mr RIORDAN** — So the concept of basing councillor numbers on the contribution of the rate base — in your case we have got one, two, three, four; residential, irrigated farmland, farmland and commercial/industrial — could be a method?

**Mr FENTON** — It could well be a very good way of representation, yes.

**The CHAIR** — Thank you very much for your time, Mr Fenton. We greatly appreciate it.

**Mr FENTON** — Thank you very much.

**Witness withdrew.**