

Outer Suburban/Interface Services and Development Committee
Impact of the State Government's decision to change the Urban Growth Boundary
Parliament of Victoria
East Melbourne Vic 3002

Introduction

The Victorian Farmers' Federation appreciates the opportunity to comment on the impact of the State Government's decision to change the Urban Growth Boundary (UGB). We have made a submission to the Growth Area Authority in July 2009 on this issue and this submission will be consistent with the concerns raised at that time.

The VFF is Australia's largest state farmer organisation and the only recognised consistent voice on issues affecting rural Victoria. Victoria is home to 25 per cent of the nation's farms. They attract neither government export subsidies nor tariff support. Despite farming on only three per cent of Australia's available agricultural land, Victorian's produce 30 per cent of the nation's agricultural product. The VFF represents the interests of our State's dairy, livestock, grains, horticulture, flowers, chicken meat, pigs and egg producers.

We acknowledge that the committee is required to inquire into, consider and report on:

The impact of the State Government's decision to change the urban growth boundary on landholders and the environment and plans announced by the Government to introduce an increased development contribution for land in the designated growth areas, including –

- a) The likely quantum of the collections by the government;*
- b) Mechanisms to ensure the contributions are directed only to the intended purposes;*
- c) The likely impact on the housing and development industry;*
- d) Any unintended consequences including the impact on all landholders and purchasers to be impacted;*
- e) Any displacement or replacement of Government spending likely to result from the increased collections; and*
- f) Any alternative options, including any used in other jurisdictions.*

The VFF's primary concern will be with the 'unintended consequences' of the proposed GAIC and UGB expansion. Being the primary production representative body, our members make up a large portion of the landowners of the land brought into the UGB. The GAIC will have a significant financial impact on those landholders and the rezoning will also affect the ability to farm viably in the area.

It should also be noted that the terms of reference of this inquiry does not explicitly refer to the change of the collection point for the development contribution (the GAIC). The proposal to collect the GAIC at the next point of sale is extremely significant to this inquiry and cannot be overshadowed.

Growth Area Infrastructure Contribution (GAIC)

The VFF is completely opposed to the proposed GAIC. It appears that during the development of this tax the principles of taxation have been disregarded. Adam Smith in *The Wealth of Nations* (1776) outlined that the basic principles behind taxation are efficiency and fairness. The GAIC is not a fair tax.

The Government has explained that the reason for this vendor tax is to capture the windfall gains as a result of the re-zoning of land. This is in essence a punishment for farmers to conduct their lifestyle and business decisions close the urban boundaries. This sets a dangerous principle and exacerbates already existing issues in the interface areas.

The problems associated with the GAIC are not limited to its principle. The GAIC also risks serving as a dangerous precedent. Farmers, as the majority land owners in Victoria, are concerned about the risk of similar taxes creeping up around other regional towns and cities.

Point of land use change

The GAIC should be assessed at the development approval stage.

It is important to note that the VFF supports additional revenue sources to offset the expenses associated with new development infrastructure, as long as these development taxes are fair. The VFF believes that the GAIC can be changed so it is a sensible and logical contribution system for new infrastructure.

As proposed, the GAIC would be applied at the next point of sale of land brought into the Urban Growth Boundary (UGB) in 2005 and 2009. Imposing a tax on the next sale of the land vastly disadvantages the current land owners. The GAIC should be applied at the **point of land use change**, which is more reflective of the 'user pays' principle.

It appears that the GAIC is designed to subsidise the price of a new home by charging this tax at sale. According to the State Government¹, the desired housing density in the new development areas should strive to be 15/ha. Essentially the GAIC is attempting to force current land holders to subsidise each new home by \$6,333.

¹ *Melbourne 2030: a planning update – Melbourne @ 5 million*, Page 18

The GAIC is likely to be counterproductive as it will slow down the release of land for development as owners attempt to regain the value of the tax by waiting for higher land values. Naturally this will lead to a higher price paid by developers and ultimately inflate the price of a new home. If the current GAIC is designed for current land holders to subsidize the price of new homes, it will fail.

Also, in the areas under discussion, there is no guarantee that the next sale of land will be for development purposes. Much of the land is used for agricultural purposes and may continue to be used for agriculture until well after its next sale. In addition, the rate and ability to development will differ within the UGB making this prescriptive approach even more inequitable.

Another problem with this tax is the flat fee approach. From Growth Area Authority (GAA) website², it is estimated that land will be sold for between \$225k/ha to \$450k/ha. Applying the straight \$95k/ha translates to a tax between 21-41%, depending on the sales value.

The GAA information sheet argues the following:

The GAIC aims to tap part of the value increase directly caused by rezoning and this is generally realised when the land is first sold after being rezoned, and therefore it is appropriate that the land owner benefiting from such increase pays the GAIC.

Contrary to GAA literature, it is not necessarily appropriate for the current land holder to pay the GAIC. The developers and the subsequent home owners are reliant on the infrastructure so it should be the users who pay. Therefore, the appropriate time for the GAIC to come into effect will be when the land is being sub-divided for development. The former land owner, who in many cases will no longer live in the area, should not pay for infrastructure they will not use.

Change in the Urban Growth Boundary

The change in the urban growth boundary will also create problems for the agriculture sector. There are two main sources of problems a) the change in the land use, b) planning and managing the interface areas.

Change in land Use

The increasing of the UGB will take strong productive agricultural land out of production. Once agricultural land is converted to residential, it will never be returned to produce food. Victoria has a very important part to play in feed Australia and the world. Valuable agricultural land should be protected and fostered to maintain our ability to feed a growing population. The world's population is set to reach 9bn by 2050 and climate change modelling predicts dramatic global reductions in commodity yields. The International Food

² http://www.gaa.vic.gov.au/Assets/Files/INFORMATION_SHEET_Supp_GAIC_260609.pdf

Policy Research Institute predicts a 50% fall in global wheat yields by 2050 and a decrease of maize and rice yields in the Middle East by 47% and 30% respectively.³ Areas of strong food production should not be sacrificed to accommodate urban sprawl. In fact, urban planning with a focus on a future food security sensitive world and a carbon economy would not be promoting infrastructure intensive urban sprawl, but would further explore effective ways to increase urban density to better utilise existing infrastructure.

Another approach would be to provide additional support for regional development. Additional investment in the existing linkages between metro and regional centres and other vital infrastructure such as broadband in regional areas would vitalise the regional areas of Victoria and curb the high costs of urban boundary growth.

Another practical problem created by the expansion of the urban growth boundary is related to the relative increase in property values of land within and UGB. For those agriculture producers whom wish to continue farming the sudden shift in land value will translate into significantly higher local government rates, with no increase in the ability to pay. An overnight increase in property value does not translate into higher access to working capital. Land used for agricultural purposes should not see a significant increase in municipal rates, until there is a land use change.

Planning and Managing the interface Areas

The planning aspects to the expansion of the UGB cannot be overlooked. The capacity for agricultural activities in these areas to expand is limited due to their proximity to urban development and associated urban uses. Therefore if these operations are to remain viable, the planning scheme must do two things: facilitate intensification of activity including value adding, and protect 'normal' agricultural activities.

Regular farming activities are currently hampered in many of Victoria's interface areas due to the frequency of complaints by urban residents. Those individuals moving into these areas need to realise and accept that the farming activities of the area are an important part of the region and by moving into the area they are *de facto* accepting the practise. Some of the common complaints from people new to agricultural areas include:

Noise

Farming is a '24 hours per day' business and machinery may sometimes be required to work at night. Animals can also be noisy. At certain times of the year crops need to be protected by scare guns, and/or frost fans. Irrigation pumps can also cause complaint.

Odours

Farming activities can sometimes generate odours, for example, fertiliser spreading, animals in groups, silage, and some horticultural and broad acre crops such as canola at certain stages of growth.

³ Climate change: impact on agriculture and the cost of adaptation By Gerald Nelson and others IFPRI

Dust

Dust will arise from crop raising, moving stock, and moving machinery. With climate change and the forecast of drier years this will only become a bigger problem. It is, however, a largely unavoidable part of agricultural activity.

Spraying

Crop and pasture spraying is frequently the subject of neighbours' complaints. Very often these complaints are emotive and based more on a philosophical objection to the use of chemicals rather than any real risk of spray drift. Spraying crops is a legitimate, legal and necessary practice that farmers have to carry out in order to grow a crop that is fit for sale.

Movement of machinery

As traffic volumes increase, and the scale of businesses drives the use of larger more sophisticated machinery, it becomes more difficult for farmers to move machinery from one property to another.

The 'bucolic' amenity valued by the community which makes farm areas sought after as a place to live is supported by commercial activity in a very competitive industry. It is counterproductive for a community, or a planning scheme to demand a certain amenity outcome if that effectively negates the capacity of the landholder to provide the outcome. The planning scheme must draw a better balance between the demands for amenity from non-farm residents and the capacity for farmers to make a living. In areas zoned farming and farming activity the land use that should be given prominence in this debate is obviously agriculture.

Encroachment

Residents should be aware that, in moving to an area with agricultural activity, there will be some movement of livestock and the associated mess and noise. There is a legal requirement for residents to be made aware of this. Section 32 of the *Sale of Land Act 1962* clearly states that:

*'The property may be located in an area where commercial agricultural production activity may affect your enjoyment of the property. It is therefore in your interest to undertake an investigation of the possible amenity and other impacts from nearby properties and the agricultural practices and processes conducted there.'*⁴

Residents should not move into an area with agricultural activity if they know they will not be comfortable there, rather than attempting to constrain agricultural activities once there. The VFF suggests that there is an important role for organisations such as the EPA and local Councils in encouraging realistic community expectations and emphasising Section 32. Agriculture is not always 'pretty', and residents considering living within the vicinity must be made aware of this. Agriculture must operate as a business, and should not be expected to

⁴ *Sale of Land Act 1962*, No. 6975 of 1962, page 59, S32

constrain its economic efficiency due to community aesthetic values and unrealistic expectations.

Government must seek to minimise the opportunity for frivolous or vexatious amenity claims by urban or rural living residents in regard to normal farming practices. This should involve the recognition of the legitimacy of farm practices within interface areas.

- Protect and ensure continuation of regular farming activities in interface areas by allowing commercial agricultural interests to take precedence over amenity value in farming/farming activity zones
- Facilitate intensification of industry

Conclusion

To conclude, there should be a long-term, global view taken when making planning decisions. This includes the very real possibility of a carbon economy and serious food security issues. With this being said, the decision to expand the urban growth boundary has been made. As this has been the decision, the State government should not fund the additional infrastructure to accommodate the increased outer urban populations through a tax on the sale of land. The developmental contribution should be assessed at the time of development. Also, the remaining agricultural activities should be supported and allowed to operate viably; this includes the prohibition of interference from new residents to the area.

Thank you for the opportunity to comment on the change to the Urban Growth Boundary and the proposed development contribution. If you would like to discuss further please contact myself or Darryl Harrison, Senior Policy Advisor at (03) 9207 5522.

Kind regards,

A handwritten signature in black ink that reads "Andrew J Broad". The signature is written in a cursive, slightly slanted style.

Andrew Broad

VFF Farm President