

# Pastoral Rents and Valuations - 2009

## Background

The *Land Administration Act 1997* (LAA) requires the Valuer-General to determine pastoral lease rents every five years with the current review becoming effective on 1 July 2009.

The LAA defines pastoral lease rent as:

*“... the annual rent payable for a pastoral lease is the amount, as determined by the Valuer-General, of ground rent that the land might reasonably be expected to realize in good condition, for a long term lease for pastoral purposes under which all normal outgoings are paid by the lessee.”*

## Determination Process

The Valuer-General determines rents based on accepted valuation practice. This associates rents with a return on the market based assessment of the unimproved value for each lease.

The adoption of a market-based assessment effectively allows buyers and sellers in the industry to determine the impact of drought, industry economics and other factors on what they are prepared to pay for an individual lease.

Only pastoral lease sales which are considered to represent “fair market” transactions are used in determining what is termed ‘**market unimproved value**’. These sales are analysed by distributing the sale price between livestock, plant & equipment, house and buildings, waters, fencing and the lease itself. The resulting lease or land value provides the basis for determining a *market unimproved value* for each lease. This final *market unimproved value* considers a number of factors relevant to the pastoral enterprise such as land system productivity, location, access, rainfall reliability, water supply, size and environmental issues such as dog predation.

The Valuer-General also consults with the Pastoral Lands Board to ensure the economic state of the pastoral industry is accurately considered in the review. As a result, for the 2009 rent review, a rental return of 2% was applied to the *market unimproved value*. The previous investment rate applied in 2004 was 3%. This reduction reflects an appropriate response to the current global economic downturn as well as economic factors within the industry.

This methodology is consistent with that used by other States and is in accordance with section 123(1) of the LAA which governs the determination of pastoral lease rents.

Rents applicable to any diversification permits are also determined by the Valuer-General and are added to the base lease rental.

## Unimproved Values and Rates

Changes to *market unimproved value* can also affect rates applied by Local Government Authorities (LGAs) and the Agriculture Protection Board (APB). However, unlike the new pastoral lease rents which will apply from 1 July 2009, LGA rates are not affected until the year following a rent review – in the current case, applying from 1 July 2010.

‘**Unimproved value**’ is determined in accordance with the *Valuation of Land Act 1978* (VLA) on the basis of the lesser of the value of the land in fee simple or 20 times the annual rental applied to the lease. In determining the value of the land in fee simple, any improvements to the land are not considered, so in this respect it is similar to the *market unimproved value* determined under the LAA.

However, for unimproved value (under the VLA), the latter formula based method applies in all cases as it always results in a lesser value. For example:

- (i) Where the assessed *market unimproved value* of the land subject to lease is \$400,000, the pastoral rent calculated at 2% is \$8000;
- (ii) The unimproved value (based on 20 times the annual rent, under the VLA) becomes \$160,000;
- (iii) As \$160,000 is less than the original *market unimproved value* of \$400,000, the formula based lesser amount of \$160,000 applies.
- (iv) This means the unimproved value (used for rating purposes) is only 40% of the *market unimproved value* used to determine pastoral lease rents.

Please note that a “rate in the dollar” as used by LGAs to determine the rates payable by individual land owners should not be confused with the return applied by the Valuer-General when determining rents. The “rate in the dollar” is independently set and managed by individual LGAs.

## Query, Objection and Review

Under the LAA and VLA, any person liable to pay a pastoral rent has the right to:

- (1) *Object* to the related assessed values; and
- (2) *Seek a Review* by the State Administrative Tribunal.

### 1. Objections

Lessees having concerns over a rent or valuation as determined by the Valuer-General are advised to contact Landgate, Valuation Services Branch in the first instance (details below) as many queries can be resolved over the telephone. If this does not satisfy their query, Lessees or their agent may lodge a formal objection.

Formal objections must be lodged within 60 days from the issue of a rent notice. While the Valuer-General may accept objections outside this period, it is more likely the matter will then be treated as an informal query without a right of review.

The Valuer-General may grant an extension of time in which to lodge a valid objection, however the onus is on the objecting party to establish reasonable cause for such an extension to be granted.

Objections must be made in writing to the Valuer-General and include sufficient information to identify the property. For the objection to be valid, this must include:

- The name of the Station and pastoral lease number(s) or Crown Land title details;
- The Department of Regional Development and Lands invoice number on the rent notice;
- Confirmation that the objection relates to the pastoral lease rent determination;
- Detailed reasons and evidence in support of the grounds for objection; and
- Details of the objector's name, postal address and telephone number.

Once an objection is received and accepted, the Valuer-General may seek to arrange an inspection of the property. A response, including the decision to allow or disallow the objection, will be provided in writing.

An "Objection to Valuation" form, including additional information, is available from Valuation Services or from the Landgate website: <http://www.landgate.wa.gov.au>

### 2. Seek a Review

If the Lessee lodges an objection and is dissatisfied with the Valuer-General's decision, the Lessee may have the decision reviewed by the State Administrative Tribunal (SAT). A request to have the decision referred to the SAT must be served on the Valuer-General within 60 days of the service of the Valuer-General's decision on the objection, or such further period as the Valuer-General may allow.

## Application for Rent Relief

If the Lessee believes their individual circumstances are such that pastoral rents will create personal financial hardship, as a result of poor economic conditions in the pastoral industry, the Lessee may apply to the Pastoral Lands Board for rent relief under section 128(2)(b) of the LAA.

Additional information on this process will soon be available from the Pastoral Lands Board website: <http://www.lands.rdl.wa.gov.au/pastoral/721.asp>

An application is required to be made in writing to the Pastoral Lands Board, however the Lessee is encouraged to contact the Pastoral Lands Board in the first instance (details below) to discuss individual circumstances and any evidence required to assess the application. You will then be provided an application form and any other relevant documents to assist your application.

The Pastoral Lands Board will engage external expertise in rural financial assessment to assist considering the application. This may require audited or otherwise duly authenticated accounts and any other records of relevant operations and transactions in support of the application in order to make a proper assessment.

## Contact Details

**Landgate Valuation Services**  
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