

16 March 2015

Independent Pricing and Regulatory Tribunal
Level 15, 2-24 Rawson Place
Sydney NSW 2000

RE: APPLICATION FOR A SPECIAL RATE VARIATION BY BLUE MOUNTAINS CITY COUNCIL


The Australian Hotels Association (AHA) NSW notes that the Independent Pricing and Regulatory Tribunal have received an application from Blue Mountains City Council for a special variation to their regulated general income, as provided for under Section 508A of the *Local Government Act 1993*. The application requests a 40.3% cumulative rise in rates over a period of 4 years, to be retained on a permanent basis, for the purposes of infrastructure renewal and maintenance, environmental protection, and financial sustainability. The AHA NSW wish to formally submit an objection to the proposed variation.

Special Rate Variations (SRVs) are intended to provide a mechanism for councils to address funding shortfalls by raising income above the rate peg, either for a specific year or several years running. The assessment criteria for an SRV emphasises that the impact of the rise on affected ratepayers must be reasonable, taking into account current rate levels, the existing ratepayer base and the proposed purpose of the variation.

The grant of a special variation is conditional upon a council demonstrating that they have extensively engaged with their community about their financial position and projections, ascertained the community's service delivery and expenditure priorities, and importantly, considered the community's capacity and willingness to pay higher rates.

As a federally regulated industry association representing employers of labour, AHA NSW represents almost 2,000 hotels across NSW, including several located in the Blue Mountains Local Government Area. Like all others across the state, these hotels are operating under the recently introduced risk-based licensing fee scheme, which has the potential to add many thousands of dollars to their operating costs. These fees represent a substantial new financial burden to our members, the majority of whom are independent small business owners, and will negatively impact upon the capacity of hotels to pay rates that are higher than the current rate.

These costs are in addition to the significant capital invested by hoteliers to ensure that their premises are compliant with various new legislative requirements imposed upon them in recent years. The implementation of the *Smoke-free Environment Act*



2000 in particular necessitated that many hoteliers take on additional debt obligations in order to refurbish their venues to ensure that patron comfort and amenity were not adversely impacted. Much of this debt is still extant, and places significant financial pressure on hotel operators in an increasingly crowded, competitive market.

The AHA NSW acknowledges that Blue Mountains City Council undertook community consultation in the form of the *Resourcing Our Future* campaign, as required by the *Guidelines* issued by the NSW Office of Local Government. Although the campaign engaged residents in the debate around the SRV application, it failed to engage the business community in the same manner. Local businesses – who pay higher rates than residents – were not able to participate in the community workshops run by the Council, and were thus unable to meaningfully communicate their attitudes to the proposed rate increase.

The AHA NSW also acknowledges that Blue Mountains City Council was recently allowed a continuation of a special variation for infrastructure, and has in fact enjoyed the benefits of another special variation, in the form of an Environment Levy, for the past decade. The Council's own research indicates that these funds have not been well allocated – just 28% of the City's built assets are rated as being in good condition – and also revealed that within the community "there is a strong expectation that the Council needs to continue its focus on being efficient".

Taking into account current rate levels, the existing ratepayer base and the stated purpose of the variation, the proposed rise is both exorbitant and unreasonable. Hotels already contribute substantially to the Council in the form of rates, and to the wider community through charity and sporting groups. On behalf of our member hoteliers, the AHA NSW therefore objects to the Special Rate Variation application. Yours faithfully,



JOHN WHELAN
Chief Executive Officer