

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 NEWCASTLE CITY COUNCIL

The Australian Hotels Association (AHA) NSW notes that the Independent Pricing and Regulatory Tribunal have received an application from Newcastle 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 46.9% cumulative rise in rates over 5 years, to be retained on a permanent basis, for the purpose of selective service level improvement and enhancing 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 in the Newcastle Local Government Area. Like all others across the state, Newcastle 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 Newcastle City Council undertook community consultation as required by the *Guidelines* issued by the NSW Office of Local Government. What this engagement revealed is that there is significant community opposition to the proposal to increase rates above the peg – an extensive telephone survey revealed that a clear majority of residents support Council adopting the 2.4% increase granted by IPART. The results are indicative of a community lacking the capacity and willingness to pay for such an increase, and hotels in the area are no different in this respect. The lack of consultation with business during the community engagement period was particularly disappointing, especially in light of the continuing investment on the part of hotels in the area to provide a safe and diverse range of venues for the citizens of Newcastle to enjoy.

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