

6 March 2015

**IPART - Blue Mountains Rates Variation
Application for a S508A Special Variation Application from 2015/16**

Dear Sir/Madam

Proposed 2015-2019 Rate Increases

We respectfully lodge an objection with the proposed rate increases for the Blue Mountains City Council, which will see residential rates rise by over 40% over the next four years. Our reasons are set out below. (This 40% includes the rate peg level and the Environmental levy.)

Summary

- **Prior Rate Increases already incurred:** There have been significant rate variations above the rate peg already agreed to by IPART, an addition to an Environment Levy in prior years for this Council, and reassessment of land values last year saw an additional rise in rate income for many residents. This Application appears to be largely a revenue increase by Council at the expense of property and business owning rate payers, as opposed to a balanced approach. Council should be taking into consideration current economic factors, the changing demographics, and service delivery/infrastructure options. The Application is unreasonable, unfair and unbalanced.
- **External economic factors:** With lower economic growth, low inflation and reduced increases to average weekly incomes forecast for the near term, this rate increase is disproportionate. We must ask, which business could increase its pricing by 40% over 4 years and remain viable in the current economic landscape? Which union could expect to be taken seriously arguing for a 40% pay increase in enterprise bargaining negotiations? Whose incomes are going to be rising by 40% over the next four years? We suggest very few, without a radical overhaul of what they do, (i.e. changing jobs or fundamentally changing their business structure/offerings.) A rate rise of this magnitude should be supported by more compelling restructure and project delivery. This rate rise not only impacts severely on those on fixed incomes, it impacts on those earning an income. Again, getting the balance right is important here. This Application fails that test. The existing rate peg of 3% is in excess of current economic growth, inflation and wage growth and this should be taken into careful consideration when contemplating large variations to rates. The Council, like the rest of us, must live in the real world.
- **Flawed Community Consultation Process an inadequate basis:** The Council did not receive a strong response to its communication process, despite its claimed mandate for supporting the increase known as Option 1. The postal communication received a low overall response. Apathy is not acquiescence. The Options put forward were simplified and inadequately supported. In our view the Council could still increase its revenue base, and improve some quality of services by adjusting its delivery, achieving more efficiencies and completing some asset sales. As above, we need to strike the right balance. In arguing against the Application we are not supporting savage cuts to local services, but we are expecting a bit more enterprise, greater efficiency and a forward looking council. Incentives to achieve this need to be set, rather than simply looking towards ratepayers for hand-outs. The Council should approach this process with pride and vigour. At present this Application resembles that of a third world country seeking foreign aid.

Concluding Remarks

As noted in the Blue Mountains Gazette (page 3, 4 March 2015) Katoomba in the Blue Mountains, is suffering from a relatively high degree of mortgage stress, with a number of people in rate arrears. As the article mentions some 562 residents are behind in rate payments and 40 homes may be repossessed. This situation is only going to worsen once the interest rates rise as part of the economic cycle in approximately 2 years' time. The Council needs to be prepared to ensure that any rate increases are sustainable and set according to both current and forward economic projections, mindful of the consequences to ratepayers who must balance their own budgets.

The Council has acknowledged that much of the built infrastructure is decades old and was provided from other layers of Government and is now seriously depreciated. However this is 2015, and not 1975. The Council needs to grasp its current and future objectives without reminiscing on past glory. If maintaining dilapidated assets is burdensome and uneconomic a more creative solution needs to be found. This might include, for example expansion of joint ventures with the private sector, seeking funding from other levels of Government to purchase/partner in new assets while selling off some assets/services which can now be better provided for outside Council's operations.

We acknowledge that the Blue Mountains municipality has a flat population base, and an ageing population relative to Sydney, which is skewing some of the projections. However that perhaps says more needs to be done at various levels of Government to increase the economic prosperity and opportunities here. Enlarging the pool of business and residential ratepayers, and the revenues received from commercial activities must be more prolific as a key business plan for the Council to ensure our sustainable viability.

The ageing of Australia is borne out in the Intergenerational Report released this week, so the Blue Mountains is not unique in this regard. But also in this report so is expansions of our population and on that basis we do need to look at how we can, with limited land supply, still attract more young people, provide more jobs and new businesses to the region of the Blue Mountains. The Council planning fails to emphasise how it is participating in this process. Relying on the rate increases to maintain its future delivery of services is totally unimaginative, lacking in substance and inadequate.

In the Blue Mountains Gazette, dated 4 March 2015, the Mayor in his column argued that inaccurate information was circulating which may mislead the community. He stated "*The reality is, current rates are not going up by 40% over 4 years. This figure includes the annual rate peg increase set by IPART and the contribution to the existing Environment Levy. The true increase would be 23% over 4 years.*" In fact, it is the Mayor who is misleading the community, in pretending that the rate peg and the Special Environmental Levy represents 0%. These impositions are already above current inflation levels; they are increases to rates, but it appears, Council is taking them for granted and not even recognising them as an increase in revenue. That's appalling governance and rationale, indicative of failing financial management and reflects how poorly we are reviewing our obligations.

We argue that this Rate Variation should be withdrawn because it is unfair, excessive and unreasonable. We urge IPART to replace it with a more modest increase for 2016/17 and 2017/18, while requiring Council to better prepare for its future and a return to the standard rate peg beyond these years. The Council must stop its bloated expectation that it is an exceptional case that will always be seeking Variations as the norm rather than the exception.