



19 March 2020

Local Government Team  
Independent Pricing and Regulatory Tribunal of NSW  
PO Box K35  
HAYMARKET NSW 1240

To whom it may concern,

I make a submission in respect of an application presently before IPART for an increase to the minimum rate submitted by Bayside Council for that local government area. This application is in opposition to an increase in council rates on my community during a pandemic and period of extreme financial hardship.

Bayside Council was formed in September 2016 by the merger of the former City of Botany Bay and the former Rockdale City Council. This was despite the residents of the former Botany Bay expressing their opposition to a merger with Rockdale Council at a plebiscite where 90% of participants voted No to the amalgamation proposal.

The Council is now undertaking a highly contentious 'rate harmonisation' process, the net effect of which is to shift the burden of rates paid from residents of the former Rockdale to residents of former Botany.

Botany Bay always had one of the lowest minimum rates, and ad valorem residential rates, in metropolitan Sydney, all while delivering a higher quality of services than are presently provided for by Bayside Council.

Residents of Rockdale Council paid average residential rates of \$1239 per annum compared to Botany's \$709 per annum. Rockdale's minimum rate was \$768 per annum, while Botany's was \$553. Bayside Council proposes to 'harmonise' the minimum rate simply by raising the minimum rate across the Council to Rockdale's \$783.

The NSW Parliament is presently considering the Local Government Amendment Bill 2021, which proposes to introduce a four year 'staged harmonisation' process. Without staging rate increases, ratepayers would suffer significant bill shock on 1 July 2021, when their Council rates would suddenly jump, in some cases by 51%.

Over the four years to the 2024-25 financial year, minimum rates in the former Botany area would rise from \$553 to \$844 per annum, an increase of 53% over four years, applying the annual rate peg in each of those financial years.

I will address IPART's five criterion accordingly.

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**Criterion 1:** The need for, and purpose of, a different revenue path for the council's General Fund (as requested through the special variation) is clearly articulated and identified in the council's IP&R documents. The IP&R documents and the council's application should provide evidence to establish this criterion. This could include evidence of community need/desire for service levels/projects and limited council resourcing alternatives.

While the ostensible justification for changes to Bayside Council's minimum rate is the NSW Government's amalgamation legislation, little justification is provided as to why the minimum rate in the former Botany area must rise to equivalence with Rockdale's rate.

Financial projections in Bayside Council's application forecast negative unrestricted cash reserves in the final years of the 2021-2031 financial plan should the minimum rate be lowered to Botany's \$553 per annum, plus an assumed rate peg of between 2.0% and 2.6% each year to 2031. Council has also identified years where it would be in operational deficit save for capital grants and contributions in this same scenario.

Without a 53% increase in minimum rates to FY24-25, my residents are threatened with a reduction in "capital expenditure and/or services provided", or "additional revenue sources", likely a Special Rate Variation. These cuts would come on top of the already precipitous decline in services and standards enjoyed by residents prior to the amalgamation.

This compares unfavourably to the former Botany Bay, which was found by IPART, in its Fit For the Future assessment, to have met sustainability criteria "based on a positive and increasing operating performance ratio and continued improvement in own source revenue". Further, Botany met IPART's infrastructure and service management criterion, asset maintenance ratio criterion, and had zero debt at the time of the merger.

Somehow, a merger, which was supposed to generate productivity and savings, has left residents of Botany Bay staring the barrel of higher rates and a further reduction of services if they do not acquiesce to a 53% rise in minimum rates over the harmonisation period.

**Criterion 2:** Evidence that the community is aware of the need for and extent of a rate rise. In particular, councils need to communicate the full cumulative increase of the proposed SV in percentage terms, and the total increase in dollar terms for the average ratepayer, by category.

This criterion presents the greatest challenges for Bayside Council's application. Certainly, in those parts of Bayside Council constituted by the former Botany Bay, ratepayers are not just well aware of an impending rise in their Council rates, but are furiously angry about it as well.

A casual examination of the sentiment on my Facebook page, or Council's Facebook page, on any material concerning rate harmonisation, will evidence this attitude. There is no issue on which I receive more feedback and engagement on social media than rate harmonisation, and it is universally negative towards the proposal.

Bayside's own engagement data reveal that just 6% of Botany residents supported an immediate harmonisation in rates from 1 July. The balance preferred staged harmonisation, or expressed no opinion one way or another.

The elephant in the room is that Council did not give residents the opportunity to express their view about harmonisation in general, instead presenting the issue as a *fait accompli*. This was hardly an oversight. Had Council given ratepayers the opportunity of voting in opposition to rate harmonisation, the results would have been overwhelmingly against the proposal.

**Criterion 3:** The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation.

As outlined above, residents of the former Botany Bay are being asked to agree to an increase in minimum rates of 39% over 4 years, as part of an overall increase to the rate burden on our community of between 28% and 51%, without regard to an assumed rate peg of 2% per annum over four years.

This imposition comes during the worst health crisis in a century and Australia's first recession in almost 30 years. While the headline economy across NSW and the country generally may be recovering from the pandemic, the impact is still being felt very deeply in my community, for a number of reasons.

Bayside Council contains the whole of Sydney Airport and a substantial proportion of its economic activity is generated by that institution. The Airport estimates it has shed 11 000 full-time equivalent (FTE) jobs as a result of pandemic, border closures, and the cessation of international airline travel. That does not include the number of pilots, flight attendants, baggage handlers and other airport support staff who have been laid off or stood down during the pandemic. Nor does it include the many industries who are supported by the employment income generated by those workers.

We have pilots and flight attendants stacking shelves and operating checkouts in Woolworths and Coles. Mums and dads are struggling to put food on the table and meet their mortgage obligations, and there has been an explosion in the number of "community pantries", which exist for people to donate or access food anonymously and without shame.

**Criterion 4:** the relevant IP&R documents must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation.

No submission is made in respect of this criterion.

**Criterion 5:** The IP&R documents or the council's application must explain the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.

No consideration appears to have been given by Council to productivity gains and efficiencies which may support – indeed, Council's application does not make a single reference to productivity gains or efficiencies.

Independent analysis from expert local government consultants LSI Consulting released in October 2020 found that 19 of 20 merged Councils in NSW had become less efficient over the four years since their merger. 8 of the 10 worst performing Councils in NSW were 2016 mergers, and the worst of them all was Bayside Council, totalling \$155 million in accumulated productivity losses over just three years.

LSI's figures showed that, despite a greater scale and capacity to deliver services, Bayside had suffered a blowout in labour and other costs. Mr Ian Fahy, the consultant who prepared LSI's reports, advised the Bayside have hired an additional 100 staff since the merger. Bayside rejected the findings, which were based on financial figures published by the Council itself, and threatened to sue LSI in the tort of 'injurious falsehood'.

With \$155 million in accumulated productivity losses, and outright hostility towards impartial, independent auditors who point out the Council's failings, it's clear that Bayside has no plan to increase productivity or rein in costs.

I am grateful for the Tribunal's consideration of this submission. It is for these reasons that I urge the Tribunal not to grant approval to Council's application to raise the minimum rate on residents of the former Botany Bay City Council.

Should you require any assistance or have any inquiries, please do not hesitate to contact my office on [REDACTED]

Yours sincerely,

[REDACTED]

**Ron Hoenig MP**  
**Member for Heffron**