

Special Rate Variation Request from the City of Newcastle

Submission March 2015

Introduction

The Hunter Region has long held the reputation as the powerhouse of the NSW economy and ranks highly as one of the most valued, diverse and resilient regions in Australia.

The Hunter Business Chamber is the largest regional business chamber in Australia and was established in 1886. The Chamber represents over 1800 member businesses to all levels of government. The Chamber is the peak industry association in the Hunter which represents all sectors of business in the region.

The Hunter Business Chamber welcomes the opportunity to provide a submission to IPART on the Special Rate Variation Request from the City of Newcastle (Newcastle City Council).

Key Points

The Hunter Business Chamber provides the following grounds of objection against a request by the City of Newcastle for a Special Rate Variation of 46.9% over five years.

- As directed by IPART guidelines Council conducted some stakeholder engagement and awareness processes to inform community and ratepayers of the SRV proposal and provided opportunity to make comment on three rating options.

Option 1 – Take no action, no rate rise above the NSW Government's rate peg.

Option 2 – Fund financial sustainability, SRV of 6.5%-6.8% per year over five years including the rate peg.

Option 3 – Fund revitalization, SRV of 8%p.a. per year over five years including the rate peg.

- Council's own Community Engagement Report (see attached) shows support for the three rating options in ranked order. Option 2 – fund financial sustainability received the highest level of support with 54% supportive or very supportive of this option. Option 1 showed 33% supportive or very supportive while Option 3 ranked lowest with 32% supportive or very supportive.

Council notes in its report that "in terms of significant differences, those who own a property in the Newcastle LGA were less supportive of option 3 than those who rent". This is clearly related to the fact that home and business owners are the individuals accountable for rate payments.

- In addition to indicating their level of support for each of the three rating options, respondents were also asked to rank the three options in order of preference. The results in Figure 7 p15 of Council's Community Engagement Report clearly show that from the Micromex phone survey just over half (52%) of respondents ranked Option 2 – fund financial sustainability – as their first

preference. One in four (28%) respondents ranked Option 1 – take no action – as their first preference, with the remaining 20% of respondents opting for Option 3 – fund revitalisation – as the first preference. The data speaks for itself.

- At the Ordinary Council Meeting held on Tuesday November 2014 (see attached Council Meeting Minutes page 33 Point 18) Councillors recommended Option 2 as the basis of a SRV application.

18. Option two is recommended as the base for the SRV application as this option is most representative of the collective feedback from the community and recognizes the majority support for a SRV. Option two was also the option outlined in the previously exhibited documents including the 2013-17 Delivery Program and the 2014/15 Operational Plan.

It is disappointing to note that Option 3 was later adopted by Councillors in their request to IPART despite the clear preference for Option 2 during the community consultation process and recommendations from Council Officers during the November Ordinary Council Meeting.

It is unclear why Council would provide three distinct options throughout its consultation process if it didn't intend to take feedback on board and listen to ratepayers' preferences. On more than one occasion the Community Engagement Report defines Option 2 as the preferred option.

The Hunter Business Chamber's primary role is to support the interest of its members and provide a collective voice to the Hunter business community. To this end we sent a CEO alert to our members advising them of the Council's request to IPART for a SRV of 46.9% over five years and advised them of the process to make submission to IPART or provide feedback via the Chamber. Both the CEO alert and member feedback are attached to this submission.

The Chamber is aware that any rate rise is hard on the community but Option 2 was considered by the Chamber to be a reasonable option as it was underpinned by a strong and agreed strategic plan to deliver on services in a financially responsible manner.

As a result of this alert to members correspondence has been exchanged between the Lord Mayor's office and the Chamber, which has also received correspondence from Cr Declan Clausen. See attached letters and responses.

The Chamber refutes claims by Cr Nelmes and Cr Clausen of a political stance by the Chamber which has long been a staunchly apolitical organisation. Our communication to members was directly related to the closing date for submissions to IPART. It further concerns the Chamber that Council believes by-elections represented an endorsement or provide a justifiable mandate of Option 3.

Council has no grounds from which to support this claim and while their IPART submission also claims that the engagement campaign demonstrated “strong community support for a higher rate increase” (i.e. option 3) it fails to mention that Option 2 was supported by 54% in the independent survey (option 3 only received 32%) and Option 2 received 46% in the Council survey (36% for Option 3).

After local media (Newcastle Herald) ran a story based on the Chamber objecting to Newcastle Council’s request for Option 3, Newcastle Herald ran an online poll asking readers “Do you support Newcastle Council’s plan to increase rates by 46.9% over the next five years?”

1,050 votes were received and at 84%, the overwhelming majority said “No” they did not support this request (see attached online poll and comments).

This is an important issue for ratepayers in the Newcastle LGA and the impacts of this rate rise on business should not be underestimated. Council will argue that the impact is small but feedback from members has shown that the impact will weigh heavily on their operational sustainability.

Member feedback excerpts

- Commercial occupancy is already terribly low. This can only make things worse. Is council willing to pay 8% more PA for all the services it currently purchases? Unlikely. Neither will consumers - they will opt to spend their money elsewhere. The proposed rate hike leaves local business in an impossible position. The majority of this cost will likely be borne by business owners, reducing profit margins and the viability of continuing to trade.*
- We say NO to rate increases in Newcastle. We are low income earners who have made our home in this wonderful city, but cannot afford any increases to our cost of living.*
- [REDACTED]

- *Novaskill is a not for profit organisation working towards helping young people secure their future within their community. The organisation relies on government funding but under the current economic conditions this is proving to be more difficult and funding is not readily available. Continual price increases for infrastructure weighs heavily on the organisation.*
 - *Rent will go up, business in retail trade will go down no one will be able to afford spending so that means putting the staff off.*
 - *We are a primary healthcare provider and have no choice but to pass on additional costs to patients to keep our business viable. Healthcare as you have seen through recent issues at a federal / medicare level is highly price-sensitive so an increase in our cost of doing business is challenging, especially when there appears to be no mandate for the decision to proceed with option*
- 3.
- *Newcastle Council has applied for an 8% rate rise in our area. I would like to submit my strong objection to this rate rise. Small business in Newcastle is already in a downturn with numerous businesses going into receivership, bankruptcy or closing due to unsustainability with our customers not having funds for non-essential items.*

Youth unemployment in the Newcastle area is (real rate) at approx 18% and further job losses on the increase. I believe that if Council are successful with their increase this will place a further strain on all businesses within Newcastle, further depress our market and lead to greater numbers of job losses.

Our own business employs 25 people and we work on a very small profit margin which if the rate increase goes ahead will reduce to a figure that is very close to non-viable resulting in either an increase in our prices or we will have to lose staff. Increasing our prices in a market that is already in crisis will only further diminish our customer base and still result in job losses within our business.

Conclusion

While the Hunter Business Chamber objects to a rate rise of 46.9% over five years, it is not asking for IPART to dismiss any rate rise. It is asking for a decision that reflects the majority support shown by the community during the consultation phase (that is Option 2).

Feedback from community consultation clearly shows a preference for Option 2 as presented to the community by Council and the Chamber supports this as it provides a joint approach to addressing the financial challenges facing Council through a combined moderate rate rise and financial sustainability plan.

This community feedback is important because it reflects the state of sustainability under which businesses in the Newcastle LGA are operating. Economically they are already being significantly challenged and any future increases will only serve to add further burden. This should be taken into serious consideration when determining an appropriate rate rise level.

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