IPART submission
RE: Special rate variation application - Dungog Council.

IPART notes that Council SRV submissions are assessed against **5 criteria**. This submission by the undersigned ratepayers has been structured to reflect this.

1: Has Dungog Council demonstrated need for higher rate charges? Are there other options?
We submit that there is a major alternative option here that needs to be fully pursued before applying for higher rate charges.
Dungog Council has been the victim of considerable road cost shifting during the 1990's with the result that Dungog is the only LGA without any State roads. In addition some 23% of the land in the LGA is National park, Reserve or State forest and none of this land is rateable.
These Parks and Forests at the heads of the rivers attract some 200.000 + visitors pre annum, (source Dungog Council Tourism Plan 2015-2108) and these visitors use Council roads as the sole means of access. The Tourism plan also states that these visitors are assumed to contribute approximately $47m annually.
This provides a very strong argument for the re -classification of Council roads and changes to the road funding formulas - in other words a political solution. Having the State government step up and accept funding responsibility for the de-facto main roads in use by visitors will only happen if Council builds a case and actively lobby's politicians. If Council were in any way serious about this they would be measuring and recording traffic volumes on the de facto main roads servicing the parks and forests and pushing for the introduction of user pays fees for Park and Forest visitors. In this way they can achieve a revenue stream from the assumed $47m. Nowhere in their submission is any of this addressed.

2: Community awareness.
Council gets full marks here. They have kept the community in the picture.

3: Impact on rate payers. Is the 97.8%, (over 7 years) reasonable and within the capacity of rate payers to pay?
The income base of many rural ratepayers is based on grazing beef cattle, (the Morrison/Low report notes 41% of business types are in agriculture) and given the vagaries of the weather and markets a 97.8% increase in their income over that period is beyond their dreams. It is also unreasonable given that many rural ratepayers are in retirement phase, (25% are over 60 years) and their property is essentially their superannuation. A rate increase of this magnitude is just a tax on their superannuation and a cross subsidy to the State forest and Parks who contribute no rate income but attract the majority of the 200,000 visitors/ road users to the shire.

4: A History of well documented productivity improvements. What productivity improvements have been put in place?
Unfortunately the Council submission seems to have nothing to say about this and until and if Council publish and report on efficiency and completion benchmarks for their civil works there is no guarantee that any additional revenue raised will be efficiently spent.
Best practice cost and completion guidelines to, (for example) re- seal a unit of dual lane road exist but we nothing of how Dungog compares on these vs other Council or State benchmarks. The performance indicators in the Council's 2018/2019 Operational Plan for Public Infrastructure and Services, (at page 32) make no mention of these and this is surprising given that the estimated expenditure on Transport and Communication in 2018/91 is $19.8m. Ratepayers need to be assured that the $19.8m will be as efficiently applied as possible.

In the absence of such efficiency and completion benchmarks, additional rate revenue may well be largely wasted serving only to assist in establishing a sheltered workshop for a privileged workforce - this is hardly to be encouraged.

5: A sustainable financing strategy
Council is in a relatively good financial position with a positive operating surplus of $3.6m. On the balance sheet they can meet their immediate liabilities from cash and near cash assets 4.06 times (current ratio) and have net assets of $318m. (Source Council Financial Statements 2018)

These figures would be the envy of many private sector businesses and do not suggest an urgent need for rate payer assistance of the magnitude sought. What is of most concern is the absence of an accumulated depreciation figure. Council does note that asset revaluations are not completed, and until they are completed their argument about an infra structure backlog as the basis for this SRV cannot be properly assessed.

In conclusion we submit that this SRV application will not solve the infra structure backlog. In our view it would be counter productive as it defers attention from the need for a political solution which reclassifies roads and for the State to step up and accept funding responsibility for the 200,000 annual, (mostly park and forest) visitors. The assumed $47m contributed annually would make tourism the largest industry in the LGA and accessing this potential revenue stream has received no attention in the Council submission. If the figures are half right both State and Council are missing out on a golden opportunity.

The easy option of milking ratepayers also defers attention from the need for Dungog Council to acquire more professional civil works expertise and to demonstrate productivity improvements by adopting and reporting on the efficiency and completion benchmarks in use at other Councils. At the moment we have no absolutely no way of knowing if the approx. $20m spend on roads is delivering value for money. Long observation of Council's civil works team suggests not!

For these reasons we would ask you to decline the application, fix a rate increase more in line with the rate of inflation and suggest the Council look at other options and put its house in order so that it can demonstrate productivity improvements.

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