

10 March 2019

The Independent Pricing and Regulatory Tribunal

SPECIAL RATES VARIATION SUBMISSION BY PORT STEPHENS COUNCIL

Summary of My Response

1. I accept the argument that PSC rates have lagged the average NSW rates and the existing rate peg of 2.5 % pa will likely not provide Council the funds to undertake some of the new projects residents have clamoured for. However, the lack of foresight in previous years and uncertain economic times now make a substantial rise in rates over the proposed long time period of 7 years a risky proposition for ratepayers and businesses in Nelson Bay.
2. This risk, coupled with the poorly justified projects, prevent me supporting Council's proposed rate change. I am, however, prepared to support a rate rise with clear preconditions and for a different time period.
3. My objections and proposal are outlined in detail in the following paragraphs.

Planning Objections

4. **Lack of Vision.** Council has a strategic plan, but no vision for Nelson Bay, or any other locale for that matter. The two are very different and the difference does not seem to be appreciated as evidenced from community consultation sessions. It seems evident from the patchwork efforts of expenditure on the Nelson Bay CBD that there is no comprehensive vision of what the CBD should be in 20+ years' time. The so-called improvements to Yacaaba St, possible provision of some more car parking (somewhere), and, notably, extending building heights to 8-12 storeys (again without a ghost of a credible business case). These are all signs of trying to complete a jig-saw puzzle without a box top and with pieces from different puzzles that don't interlock!¹ There needs to be a big picture for the future and a strategic plan with prioritized projects that contribute to that vision.
5. **Where Are the Business Cases?** While Council lists projects that are said to be based on extensive community consultation, there is little evidence of the business cases for the larger

¹ To support these opinions and observations, I have extensive experience in this area as a retired consultant on strategic planning and project development. Clients included state and federal government departments as well as large civil industry in Australia and the US, teaching project management, including business case development. Prior to this I directed large structural change projects within HQADF and the RAAF.

projects or a clear set of priorities. For example, should Council be at all involved in the Birubi Point visitors centre for the dune operations? This is essentially a commercial activity and the construction of the proposed centre is highly questionable from the rationale of traffic improvements and environmental suitability with the likelihood of sand storms in the area. A business case, of course, assesses benefits (both objective and qualitative against a vision and strategic plan) against costs, over time (ie, lifecycle and future value based) against risks. I see no evidence of these evaluations.

6. **Integration with the Capital Works Plan.** There seems to be little integration of the proposed projects and the published Capital Works Plan. They should be as one.

7. **Lack of Priorities.** The proposed projects lack any sense of priorities and essentially try to please everyone with something.

Affordability Objections

8. **Affordability for Residential Ratepayers.** The Tomaree area has a high proportion of self-funded retirees and pensioners (my family included) whose income is pegged or at best linked to the CPI. The quantum increases proposed are high by any standards and unanticipated when people decided to buy and settle here.

9. **Affordability for Renters.** While Council has hardship provisions for ratepayers, these do not apply to renters. By Council's own admission, rents will most likely rise when landlords pass on the rates increase. There is no provision for hardship that Council can apply for such residents (or business lessees). As a regular volunteer for Orange Sky and a member of the Nelson Bay St Vincent de Paul Conference, I have become acutely aware of the large number of local people battling to sustain the essentials of living and have to rely on charity. These people, many of them single mothers and the elderly, will be most seriously affected by substantial rent rises. Council has, to its credit, agreed to consider issuing relief vouchers to be issued by charities and this might partly relieve this problem. Any approval for any rate rise would therefore need to be conditional on such a provision.

10. **Affordability for Business.** Council is well aware of the precarious nature of small business in Nelson Bay, demonstrated by numerous closed and closing shops. Sustaining small business in the area is extremely difficult and risky with the fluctuations of the tourist trade, compliance costs and competition from the big franchises and supermarkets. Local businesses have also had to pay a special town improvement levy for over 16 years, supposedly for a limited period, but as I understand, this was translated into a Council wide raise in rates around in 2007/2008. I fear that now these small businesses, which are so crucial to creating a liveable and attractive town centre, will be simply overwhelmed by the proposed SRV options. Ironically, part justification of the rates increases, the improvement of the town centres, would be undone by further shop closures. Beautifying a dead heart of town is pointless.

Objections to Seven Year Increase

11. **Property Revaluations.** Council proposes a 7.5% annual rise over a seven-year period. That is simply too risky a financial proposition for residents and businesses.

Properties are revalued every three years. The QV valuations lead to changes in the rates base. So, in addition to annual increases on present values, these increases will almost certainly be exacerbated by revaluations of properties. Over seven years this could happen twice. I note the promise, as I understand it, that a QV generated rise would not happen over the seven-year period, but at the end of the period. The effect of two or more QV rises would kick in nevertheless, thus presenting a further hit after the seven-year period on top of the increased base. For businesses and non-investment property owners that is further bad news.

12. **General Economic Uncertainties.** In these uncertain economic times, it is highly likely that loan interest rates will rise (they are unlikely to fall further). People who have made decisions on mortgage loans and business loans based on current or recent rates will face difficult times. Improvements to the local footpaths will be of little interests to those facing foreclosure.

Council Response to Community Consultation

13. **The Positives.** Council undertook an extensive advertising and public consultation process for its SRV proposal. Residents were given good opportunities to have the proposals explained and to comment on them. For this Council should be complimented.

14. **The Negatives.** Unfortunately, and typically again (as with the recent highly unpopular 8/10+ storey rezoning proposal for Nelson Bay) there is no indication that Council has listened. The consultation seemed merely a process they had to endure and 'tick off' as a prerequisite to proceeding exactly as they had intended without serious concession to strong public opinion (71% against the proposed rise of 7.5%). This is despite a substantial majority opposition to the proposed rate rise. This modus operandi is transparently cynical and both frustrating and discouraging to residents to get involved in public discourse.

15. **Consultation Means Listening, Empowering and Responding.** Most people are reasonable, when they are truly listened to. The frustrations of being patronised by Council and not being listened to was obvious from the strident heated views expressed in the final set of public consultations undertaken. I have had first hand experience (as a councillor) of it being done very differently. This Council has consistently demonstrated an unwillingness to engage in or ignorance of true consultation, which entails listening, empowering residents in the decision making process and responding legitimate objections.

Essential SRV Prerequisites

16. I concede that an SRV is needed, but there are three essential prerequisites that are lacking the justify the case for one:

- a. A clear vision of the future for the townships (at least Nelson Bay) to which residents have signed up to. This might require a charette process. Projects should then flow from that process in a clear set of priorities instead of unsubstantiated assumptions from interested developers.

- b. Integration of any projects within the Capital Works Plan as part of the overall strategic plan and local plans that are reviewed annually but adhered to unless changed circumstances justify variation. A cashed-up developer with a great profit making idea does not constitute changed circumstances!
- c. Transparent business cases for any substantial new projects that may be examined by residents. These business cases must be demonstrably beneficial to the agreed vision.

Proposed Alternative

17. Once the above prerequisites are met, a further SRV proposal might be put forward, but with options that span a maximum of three years. After this period, the community (and IPART) can evaluate Council's progress against the prevailing economic circumstances, before committing to any extension of the SRV for another three or four years. It also provides a good accountability period for the current Council, which has not established a record of delivering what it undertakes to its ratepayers and residents.

Recommendation

18. I respectfully suggest that IPART take strong credence of considered individual submissions on this matter, including that of the Tomaree Ratepayers and Residents' Association, and not approve the proposal as such by Port Stephens Council. Instead, it should only approve:

- a. a staged increase, as I have suggested above,
- b. once Council has developed a publicly agreed vision for the various townships in the municipality,
- c. presents properly crafted and transparent business cases for each of its projects in the context of the agreed vision, and
- d. is required to provide a means of assistance for renters who will struggle to meet consequent rent rises.

Yours faithfully,

