

RE: Port Stephens Council 66% rate rise proposal
Submission from Cr Giacomo Arnott, Port Stephens Council

Dear IPART

I wish to register that I object to Port Stephens Council's ridiculous proposal to increase rates by 66% over 7 years.

I am a Councillor on Port Stephens Council, and have been heavily involved in the rate rise process since it was internally discussed nearly a year ago, and publicly for 8 months. I believe that the thoughts and concerns contained within this submission reflect those of the majority of people in Port Stephens.

I ask that you read the submissions provided to you via web link by Port Stephens Council. Over 2,000 people who have made submissions directly to Council since public comment was opened are provided to you. At the beginning of this process, Council promised that every submission would be forwarded to IPART, so your attention to those submissions is just as important as those sent directly to you in this process.

Over 70% of submissions to Council's proposal were against the increase. Over 2,000 people made their voices heard. Council has ignored every single one of these people.

Since this initial round of consultation, thousands more locals have signed online and paper petitions. You can find the online petition here, with 1,328 signatures:

<https://www.change.org/p/mayor-stop-the-port-stephens-rate-increase>

If you would like copies of the paper petition, I would be delighted to scan the pages and provide them to you. Over 500 people have signed this paper petition.

Local businesses are against this proposal, fearing that a decrease in individual spending power will result in fewer sales for them. Economic theory supports this thought process. Businesses would also be paying higher rates, causing a double shock to their income and ongoing ability to operate.

It is clear that there's widespread opposition to this proposal. To illustrate this, I encourage you to visit the Port Stephens Council Facebook page, and read the comments on posts regarding the rate rise. This exercise should be repeated on my own Facebook page, and that of the Port Stephens Examiner. You will find thousands of comments from concerned and frustrated locals who are angry that Port Stephens Council is trying to smash them with this increase.

I understand that IPART have five criteria that they used to assess a proposed rate increase. I will address each criterion.

Criteria 1

Criteria 1 demands “community awareness of [Council]’s plans”. I submit that there is strong community awareness of Council’s proposal to increase rates by 66% over 7 years. There is, however, poor awareness about Council’s proposed projects. This lack of awareness has been fuelled by Council changing amounts of money being allocated to projects, between when this proposal first went out for public submission, and what has been submitted to you.

This includes \$25million less over 10 years for roads. I draw your attention to the “SRV Information Booklet” published on Council’s website as part of the first round of consultation, link here: <https://haveyoursay.portstephens.nsw.gov.au/srv/documents>

This document notes, on page 19, that if option 3 is selected (66% over 7 years), there will be \$0.5m per annum for reseals, \$2.5m per annum for rehab/upgrades, and \$3m per annum for unsealed roads, totalling \$6m per annum and, over 10 years, a total of \$60million.

I then draw your attention to the Integrated Planning & Reporting documentation delivery program that has been submitted to you, located here: <https://haveyoursay.portstephens.nsw.gov.au/ipr/documents>

This document notes, on page 11, that roads will, over 10 years, cost “\$35.150million”.

This is a clear decrease from \$60million over 10 years, to \$35.150million over 10 years, a decrease of close to \$25million.

Perhaps the 30% of people who indicated some level of willingness for a rate rise in the first round of consultation may have opted for no increase had they seen the most recent proposal from Council and the fact that it is proposing \$25million less for roads.

There is a similar decrease from the SRV documents to the IP&R documents with regards to the 10-year funding for tree management, libraries, community services & event management, open drain maintenance, sports facilities maintenance, and depot construction. The total amount reduced from the SRV documents to the IP&R documents for these items is \$12.1million.

All up, Council has reduced its spend on projects between the first documents and the IP&R documents by a total of around \$37.1million. This can surely only be seen as unacceptable by IPART, as those who originally made submissions did so on the basis of there being an extra \$37million in projects than what is currently proposed.

Also of concern is that the majority of Council’s presentations for the rate increase were held during business hours. A number of them were held from 4-6PM, but the presentations were ended by 4:30PM, were not repeated during this two hour window, and staff and Councillors had packed up by 5-5:15PM for these sessions.

No sessions were held in Fern Bay / Fullerton Cove, the fastest growing part of the Local Government Area. The closest sessions to these suburbs were at Medowie, a 15 minute drive away. The lack of meetings in this area was raised repeatedly with Council, but no arrangements were made to provide this community with information on the rate increase.

Council will no doubt raise the 2017-18 IP&R documents are the reason for proposing a rate increase. Their line throughout this process has been that, through this process, many people demanded more infrastructure and assets. Only 66 submissions were received through this particular process, and only 102 people attended Council's workshops on the matter. It is extraordinary that Council would claim that this is the source of their plan to increase rates by 66%.

Further, only 5.5% of people in submissions to Council identified that they support a 66% rate increase over 7 years. This clearly shows that very few people have at any stage desired such a drastic increase to rates.

I believe that on this first criteria, Council has failed. Only 70 submissions came in on the latest round of public consultation, showing very clearly that Council has failed to consult as widely as they did in the first round. They have, more concerningly, failed to communicate the vastly different project plan located in the IP&R documents with the wider community.

There is no way that Council has adequately consulted with the community and engaged to a level that there is an acceptable level of community awareness.

Criteria 2

Criteria 2 requires a “demonstrated need for higher increases to charges”. There is no evidence that any of the projects proposed by Council are ‘needs’. Rather, they appear to be ‘wants’. I agree that most of the projects would be nice to have, but none of them are essential for Council to continue to operate.

Council has, in recent years, demonstrated a strong capacity to fund large-scale projects without the need for a rate increase. Over \$4million has just been put into a sports club in Medowie, raised from s94 funds and loaned money. Hundreds of thousands went into a croquet court at Raymond Terrace, paid for by loaning money. The Men’s Shed at Raymond Terrace was paid for by selling a Council property and the Shed themselves fundraising. Upgrades to many local sports fields are being funded through various grants and campaign commitments.

To demonstrate this point, I encourage you to read the last few editions of the Port Stephens Examiner. Local politicians have been out and about in the local area, pledging money and services for the Port Stephens community on a weekly basis.

The ability to produce funds for these projects is always present, and Council, to its credit, works hard to secure grants and commitments for all sorts of projects. This approach can and must continue, and shows that there is no need for a rate increase.

If Council thinks it can truthfully claim that they are unable to fund these projects without a rate increase, then the people of Port Stephens - myself included - will be rightly concerned about Council’s own rating of its ability to fund projects outside of a rate rise.

It’s clear that Council has a strong capacity to secure and utilise outside funding, demonstrating that there is no need to increase rates to fund these projects.

Concern has also been raised by ratepayers and internally, that the vast majority of the proposed projects have no detailed costing behind them. Any of those projects could cost significantly more than what is noted in the IP&R documents, meaning that delivery could be compromised significantly. Council has rushed this process and failed to provide confidence to the community that the costings provided are accurate and can be adhered to.

Criteria 3

Criteria 3 demands that Council shows that there is a “reasonable impact on ratepayers”. This is the criteria where Council’s proposal fails most.

The facts and figures used by Council at its public meetings were out of date by years, when more recent data was available. The most recent data showed an even worse climate to try and push through a rate rise. This is particularly the case with unemployment data. Council’s data was from over a year prior to its used, while the most recent data showed an increase in unemployment at that time.

Aside from Council using the wrong data, this is the worst possible time for Council to be pushing for a rate increase.

Wages are stagnant. Wages grew by just 2.2% from September 2017 to September 2018. The International Monetary Fund says wages in Australia won’t increase above 2.9% until at least 2023.

The price of utilities such as electricity and gas are on the rise, showing no signs of slowing down amid uncertainty in the overall energy market.

Petrol prices are still close to their historic highs, with global uncertainty meaning prices are unlikely to go down anytime soon.

Monthly insurance costs keep going up. Private health insurance, car insurance, home and contents insurance - it’s all rising.

Inflation, in the year to December 2018, increased by 1.8%, with the price of food increasing by 1.5% in that time.

Pensioners are already deciding between turning the heater on in the dead of winter, or not spending that money so they can pay bills. Parents are already deciding whether they can afford to buy bigger shoes to send their kids to school in, or whether they can afford a bigger school uniform. This is all without a rate increase.

In Port Stephens, 11,338 people are on an aged pension, 3000 are on a disability support pension, 2287 are on newstart allowance, 600 on student payments, and 6000 receiving Commonwealth Rent Assistance, according to the Department of Social Services. This is out of, per the 2016 census, 69,556 people living in the Local Government Area.

In fact, compared to the four other Lower Hunter LGAs that Port Stephens Council refers to in its own reports (Newcastle, Lake Macquarie, Cessnock, Maitland), Port Stephens has the highest rate of aged pensioners (16%, next closest is Lake Macquarie on 14%), the highest rate of pensioner concession cards (26%, next closest is Cessnock on 25%), the highest rate of

Commonwealth Rent Assistance (8.6%, next closest is Cessnock on 7.8%), and the second highest rate of NewStart allowance (3.2% compared to highest of 4.2%, being Cessnock).

The Port Stephens community therefore has a statistically higher rate of pensioners and those requiring government assistance. This should have caused great concern for those cooking up this rate increase proposal, but it appears that this has hardly factored in.

According to the Australian Bureau of Statistics' latest data on the subject from 2016-17, approximately 25% of persons aged 45 years and over who have retired from the labour force have as their main income "superannuation/annuity/allocated pension". These people on fixed incomes are another group who will struggle with this rate increase. The amount of money in their retirement funds only goes down, not up. Their fixed rate of income does not increase and the balance of their funds will not increase by 66% to keep pace with this rate increase.

Returning to unemployment data. The data used by Port Stephens Council in its presentations and initial documentation was from June 2017, when at the time, data from March 2018 - three quarters later - was available. At the time, Council noted that Port Stephens had the "second lowest unemployment rate in the Lower Hunter". In the graph used, Council actually includes 7 LGAs far outside the Hunter. I contend that this was to confuse viewers of the graph, or to make our unemployment rate seem comparatively lower than it was.

In any case, the most recent unemployment rate, as at September 2018, per the Small Area Labour Market publication, puts Port Stephens at the third-highest in the Hunter, at 5.5%, behind Newcastle on 5.9% and Cessnock on 7.6%. All of these families, trying to get by while unemployed, will be hit with this 66% rate rise.

Businesses will, unwillingly, contribute to unemployment increasing if this rate rise goes ahead.

As mentioned previously, with less money, consumers in the LGA will have less disposable income to spend at local shops. When local shops have fewer customers, they will sell less products and make less profit. They will need to either increase prices, or decrease costs. The most likely path will be to reduce costs (because people won't be able to pay increased prices due to having less disposable income), and the most effective way for a business to reduce costs is to reduce staff.

Whether this is through sacking staff or reducing their hours, it will increase unemployment, and further reduce disposable income. This will create a vicious cycle. By the time the so-called 'benefits' of this rate increase can make their way through the economy, if they do at all, many will have lost their jobs and many businesses will have been forced to close.

In its submission, Council will no doubt talk about its hardship policies and the ways it's attempting to reduce the impact on those who will be hit the hardest by this proposal.

Council proposes to fund a reduction in waste service charges for those on a pension.

According to council documents, in the final year, a pensioner would pay \$287 in waste service charges, a reduction from \$497 under the status quo.

These savings are illusory, as the average pensioner will be paying an average \$800 extra per year in rates by the end of the 7 years.

Additionally, the pensioner waste charge decrease is being paid for by every other ratepayer, whose charges will be \$546 per year, instead of \$497 per year under the status quo.

Those on fixed incomes, working families, and struggling parents will pay for Council's "generosity" for pensioners.

Council's hardship policy is another document worked up to appear useful, but is in reality, functionally useless. Only \$25,000 is proposed to be expended on this policy. Council is only proposing to support 100 people per year who are struggling, with support of up to \$250. By the end of year 3 of the SRV, support of \$250 will already be less than the annual increase since the rate rise began, for the average ratepayer.

Worse, Council is proposing to provide a \$5000 limit for each of the five partner agencies. One agency says they predict 200 homeowners will seek assistance annually.

Clearly this policy is severely lacking. When one agency has run out of its allocation, people will be sent on a chase to the other agencies, begging for Council's "generous" support that they wouldn't need to be seeking if Council hadn't increased their rates by 66%.

38% of respondents to Council's first round of submissions noted that affordability is a problem for them when looking at the rate increase. 21% said that Council needs to live within its means. 15% said that they don't agree with the projects. 7% said that they don't trust Council's capacity to deliver.

These numbers should be a shock to proponents of this proposal. It shows that rather than just being baseless opposition, those opposed to the proposal have legitimate concerns about their financial position, or Council's ability to function properly.

According to the 2016 census, 26.2% of families in Port Stephens are renting. While not ratepayers themselves, it is extremely unlikely that landlords will absorb an extra \$700 per year on average. They will pass on the rate increase in the form of increased rent. Renters are one of the most vulnerable groups of people, and a shock increase as a result of Council's rate rise has the potential to push people out of their housing and onto the streets.

I also want to make special note of a number of rating sub-categories that exists in Port Stephens. Around the RAAF Base at Williamtown, there is contamination by a class of chemicals called PFAS. As a result of this contamination, residents and businesses in the area

have lost significant property value, and many have lost their ability to use their land to generate income.

Council has been providing these residents with a rate decrease for the past year. Under this SRV proposal, the rates in the Williamtown contamination sub-categories will increase along with everybody else in the LGA. These people, struggling for survival through no fault of their own, are included in Council's plans to massively increase rates.

Council originally proposed a rate reduction to provide real, tangible support to these residents - to try and help them in their most desperate time of need. This is another large group of people in Port Stephens who can't afford their current reduced rates, let alone an increase of 66% on what they already pay for land that is virtually worthless.

I have made the point repeatedly that people in these special, vulnerable groups of people are already struggling to make ends' meet. I fear what could happen to our amazing community if people are forced to pay money that they simply don't have. The supports that Council has proposed are not going to help, and the only way to properly support people doing it tough is to outright reject this rate increase proposal.

There is no conclusion that one can come to regarding affordability, than that Council has failed.

Criteria 4

The fourth criteria is that Council must show that the IP&R documents have been adopted by Council. Clearly, this is the case. However, as outlined previously, public consultation on these documents was severely lacking. It is unlikely that the contents of these documents reached more than a couple of hundred people.

Criteria 5

The final criteria is regarding productivity improvements. Port Stephens Council engages in “service reviews”, where all areas of Council are regularly assessed to ensure that they are running as well as possible.

It would have been appropriate for a full Council service review to be conducted prior to engaging in this process, outside of the usual service review schedule. This would have reassured the community, and Council, that all possible improvements that could have been made, had been made.

A service review could be conducted a month from today, that might save tens of thousands of dollars, allowing Council to push that money into projects on the SRV list.

Other

In 2016, Port Stephens Council and the community fought against the State Government’s proposal to merge our Council with either Newcastle or Dungog. As part of this process, Port Stephens Council published a ‘fact sheet’, in which was written, “In a few short years, average residential rates in Newcastle will be almost 50% higher than those in Port Stephens - **can your family afford that?**” (emphasis from source document).

In Port Stephens Council’s submission to the merger, made in 2016, Council’s own documents stated that, “PSC does not have an SRV in place and nor does Council propose one over the life of the current Long Term Financial Plan (2015-2025)”.

There have been no financial shocks, no economic downturn, and no more demand than usual for increased services or infrastructure from the community. Since 2016, nothing has substantially changed in Port Stephens to justify such a dramatic backflip.

Port Stephens Council, during the SRV process, has repeatedly used the claim that “Port Stephens has the lowest rates in the Hunter” as a justification for increasing rates. In fact, our low rates help keep life in Port Stephens affordable. It ensures businesses stay in town, and people are willing to move to an area that is more affordable than those surrounding it.

Part of the shock for many people through this process has been learning that once the 7-year SRV is over, the 66% increase will permanently be part of the rate base. My understanding is

that the justification for this is that the infrastructure constructed in the 7-year period will need to be maintained going into the future. I don't see how infrastructure maintenance will cost the tens of millions of dollars that this will raise over the years it's in place.

The Port Stephens community has very clearly passed its judgement on this proposal - they don't believe in it and they don't support it.

I ask you to reject this proposal in full. Even a lowered percentage or fewer years will still hurt people struggling in Port Stephens. The only way to ensure that the destructive potential of this proposal is not realised, is to reject it. Now is not the time for a rate increase, and there may not be a good time for a rate increase in the near future. Council failed to realise this. I and the community hope that you realise this and do what Council failed to do - protect us from this unnecessary, extreme increase.

I am available to answer any questions or provide any additional information that you require.

Please contact me on the below details if would be helpful.

Regards

Giacomo Arnott
Councillor, West Ward
Port Stephens Council

11 February 2019

[REDACTED]
[REDACTED]
[REDACTED]

Note from IPART: The petition on the following page was also received by IPART from Councillor Giacomo Arnott. We received 198 pages of this petition. We have published first page of the petition with redactions to any personal information.

198 pages
received

PETITION: NO RATE RISE IN PORT STEPHENS

The undersigned residents of Port Stephens LGA do not support Mayor Ryan Palmer's plan to massively increase rates by at least 55%. The Mayor and Councillors of Port Stephens Council must listen to the will of the people who elected them and stop this unfair plan immediately.

NAME	ADDRESS	PHONE	SIGNATURE
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Petition organised by Councillor Giacomo Arnott, on behalf of the community of Port Stephens.

Please return completed petition pages to PO Box [redacted] Raymand Terrace NSW 2324.

