

Submission: This is why Sutherland Shire Special Variation Application has nothing to do with 'fairness'

Just one week before Christmas, in the midst of preparation for the holiday season, Sutherland Shire Council launched a campaign to support its unanimous vote for a 50% rate hike, applicable to 20,531 unit-owners. Tag-lined *"A fairer way forward"*, the council proclaimed in various publications that *".. as a community, everyone needs to fairly share costs"*.

"The proposal ... attempts to reflect equity in contribution to Council services amongst all residents of the Southerland Shire by re-aligning the amount paid by apartments/units compared with rates paid by the average house". (Special variation application form - part B, Page 5 – Why Council is seeking an SRV).

However, the council does not support its 'fairness claim' with convincing figures or facts, nor proposes an alternative fairer rate-calculating system. Instead, it has chosen to take the easiest and most unfair course of action: Impose a higher tax rate on a minority - lower-income residents.

Assessment criteria 1 – Demonstrated need for the variation

A. The rationale for variation relies on a manipulative survey: Council supports its rationale by presenting key figures from a recent market research (by 'Ruby Cha Cha'): *"Two further key research pieces both with statistically valid representative sample size"* (phrase originally highlighted! Note that statistic validity is an absolutely basic requirement from any quantitative market research...):

- *"76% of residents believe that the amount of rates paid should be fairer between houses and units"*
- *"68% believe that council should reduce the gap between rates charged for houses and units"*
- *"There was a higher level of support for increasing the minimum rate than a blanket increase"*. (Special variation application form - part B, Page 15)

These figures are hardly surprising, given Sutherland Shire's household makeup; Council forgot to highlight the simple fact that approximately 75% live in houses Vs. 25 % in apartments/units. It is obvious that when given the option – the majority will vote for taxing the minority, instead of inflicting additional rates on themselves. It raises a huge question-mark over the integrity and professionalism of this entire market research: Total sample of the survey was 2183, with only 223 participants living in high density dwellings (10%!). (Attachment 5 – Community feedback page 242). The original questionnaire was not attached, preventing examination of wording of questions and inherent bias. For example:

- *"When presented with a range of options for increasing revenue, reducing the gap between houses and apartments was preferred over options such as selling community halls or implementing user fees for sporting fields of payed parking"* (Special variation application form - part B, Page 6, Attachment 5 – Community feedback page 256).

One would presume that the answers would be totally different, if for example, the alternative options were: 'Reduce council's unnecessary spending', 'renegotiate and improve contracts with suppliers', 'install sustainable, energy-efficient infrastructure', etc.

I wouldn't bother IPART with detailed methodological and interpretational discrepancies, but if requested – I'm happy to provide elaborate analysis of this questionable survey. I'm under a firm impression that it was commissioned and tailored in order to legitimise a predetermined decision (note that the survey was conducted 13.11.18 – 5.12.18), after the council decision became public!).

B. By paying the 'minimum rate', unit owners already contribute more than their fair share: The expression 'minimum-rate' creates a false impression, as if residents are granted with some sort of a welfare benefit. In reality, unit-owners who are about to be hit by the rate-hike, already pay more than their share: Rates for units are calculated based on strata entitlement; the minimum is applied only if the calculation results in a lower sum. It raises the bar for those unit-owners that should have been paying less, according to the prevailing rates calculation system, based on land size & value.

C. Leadership is not about 'popular' decisions – as explained above Council's justification of the need for variation relies on a 'popular vote'. However, leadership is judged on its ability to make morally just decisions, supporting and protecting different segments of society. Using the sentiments of the affluent majority to increase rates for lower-income residents is not democratic and immoral.

D. Council is not offering a new, fairer rate calculation system – Historically, council calculates our rates by multiplying the applicable rate-in-the-dollar (categorized as either business or residential) with the land value, as notified by the Valuer General. It now asserts that since the value of dwelling is not taken into account, unit owners pay "...significantly less than houses of comparable market value". However, the council does not support its 'fairness claim' with convincing figures or facts, nor proposes an alternative fairer rate-calculating system. Instead, it twists the prevailing one against the lower income minority

E. Council's income from rates is continuously growing, regardless of the SRV: Collection is increasing, due to three sources for growth:

1. Rate-pegging bound by a limit set by the NSW Independent Pricing and Regulatory Tribunal (IPART), which is set at 2.3% for the 2018/19 financial year, and 2.7% for 2019/20.
2. Land Valuation change – as notified by the Valuer General, the average valuation increase across Sutherland Shire was 22%, between the years 2015-2017.
3. Growing numbers of new rate payers: DA approval rates are soaring, contributing further to a bigger budget - new multiple storey dwellings across the shire are approved in accelerating pace; our quality of life is constantly deteriorating, while council enjoys an influx of new rate payers.

F. The relative rate gap between units and houses had actually decreased - Council claims that in the past 10 years, the gap between the minimum rate paid by units and rates paid on average by detached residential dwellings increased by 15.18%. (Special variation application form - part B, page 42). In fact, comparing the payment ratio shows an opposite trend: Minimum rate had grown from 38% to 41% of the average rate, payed by other dwellings (469\$/1233\$ in 2009/10 Vs. 602\$/1482\$ in 2018/19).

Assessment criteria 2 - Community awareness and engagement

As mentioned above, Council launched its engagement campaign on December 10th, a couple of weeks before Christmas, and ran it over the festive period and school holidays. It probably intended to minimise public uproar, when people are busy and distracted. The Council used the following false arguments:

A. Market value of dwellings is demonstrated by a misleading chart: A key graphic was centrally integrated into most publications (Attachment 4 – Community Engagement Material pages 3, 4, 9, 15, 20, 22), showing disparity between rates paid by a unit vs. a house, both having the same market value of \$1.7M. Council claims that units and houses have comparable value, hence a big gap in rates is unfair'. In fact, average market value of units in the Shire is significantly lower than the average value of houses. For example, in Cronulla, despite emergence of multi-million-dollar waterfront complexes, the median sale price of a unit in 2018 was \$880K, while median house sale price was \$2.2M (realestate.com). The vast majority of shire residents own modest 1-3 bedrooms units; only a privileged few can afford luxurious ocean-view pads. Moreover, in the Special Variation Application, Council refrains from using this argument to support its rate hike rationale, as rate calculation system is based on land value, not dwelling value...

B. Claim about similar usage of council services is unsubstantiated - In its many SRV publications, Council claimed that *"services are available for the whole community to utilise and enjoy, and as a community everyone needs to share the costs fairly"* (Attachment 4 – Community Engagement Material page 4). However, Council has no viable method to measure households' service usage, therefore this assertion is unfounded. Here are some contradictory arguments:

1. Larger households require more services: More people per dwelling, more vehicles, dogs, boats etc.
2. Larger dwellings require more infrastructure - More roads per residence, more illumination, maintenance, clean-up, gardening, sewage, waste management, etc. Please note that Sutherland Shire Council's domestic waste charges for regular service (houses) and shared service (mostly home units) is unfairly equal - \$456.3 P.A., even though units share bins, and collection is at a single point of pick-up.
3. The principle of 'Progressive Taxation': Increasing taxation on lower income residents because 'everyone has equal access to services' contradicts the principle of progressive taxing, I.E. a progressive tax imposes a higher rate on the wealthy than on the poor. It is based on the taxpayer's ability to pay.

Assessment criteria 3 - Impact on ratepayers

A. Number of residents per dwelling cannot be factored into the current rate calculating system – In order to justify its 'fairness claim', the application provide the following argument: *"Council is proposing to increase the minimum rates only in an attempt to equally distribute the burden across properties" ... "Census data shows that on average units within the Sutherland Shire have an occupancy of two persons compared with houses that have an average occupancy of three persons"* (Special variation application form - part B, page 39). However, number of residents per dwelling is not part of the rate calculation system, hence this argument is not valid. If council wants to introduce a fairer rate calculating system based on tenancy – then for instance, should a family of 6 pay 6 times the amount of a single occupier? If a tenant moves out, or god-forbid – passes away,

should the rates be reduced? And how about rented property – should the property owner stipulate low tenancy to reduce his rates? Obviously, this kind of scheme is unrealistic and unfeasible.

B. Comparison with other councils with higher minimum-rates is invalid and manipulative –

Council presents figures about higher minimum rates other Sydney councils, exceeding the 602\$ in the Shire (Special variation application form - part B, page 41). This information was also presented to participants in the Ruby Cha-Cha survey, leading to firm support for the council’s initiative (bear in mind that 90% of respondents were house owners...). I assert that offering these bare, out of context figures (other councils rate structure, financial condition, number and level of services, future projects, community’s socio-demographics, etc) – has no value or relevance, except manipulation of public opinion. A short search into other Sydney councils’ minimum rates, showed 526\$ at North Sydney Council, or 404\$ at Strathfield...

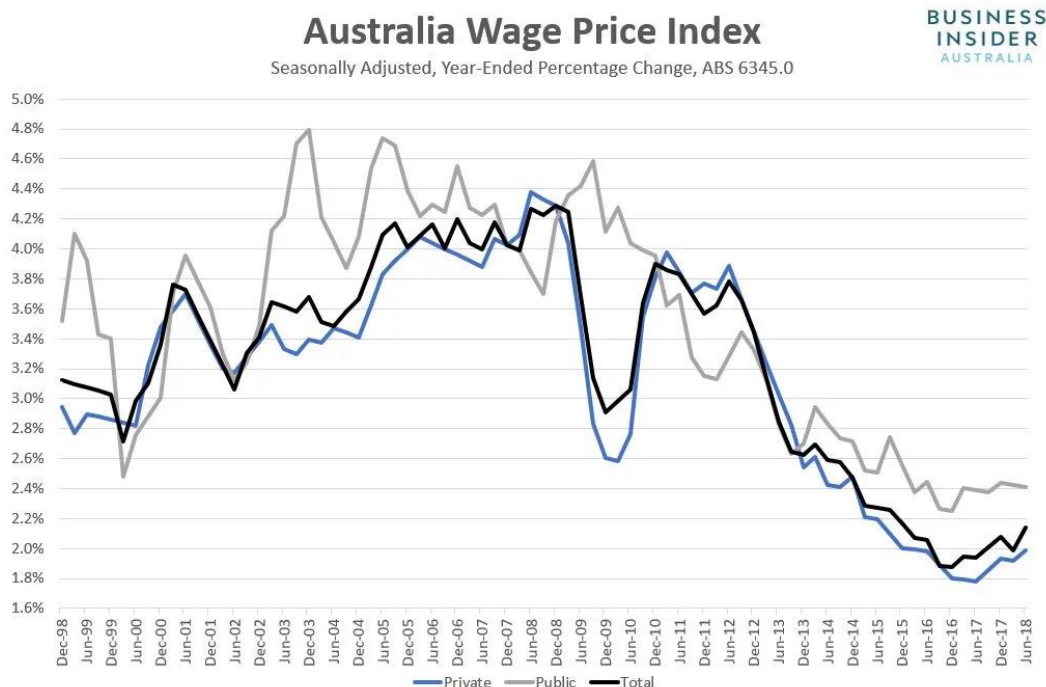
C. Unit owners are under enormous financial pressure for several years now - Average annual wage growth in Australia over the past three years has been about 2% (for the private sector, public sector is higher), barely covering inflation. At the same time, residents’ wallets are continuously squeezed by rising costs of essential services, such as utilities, education, transportation, health, and financial services.

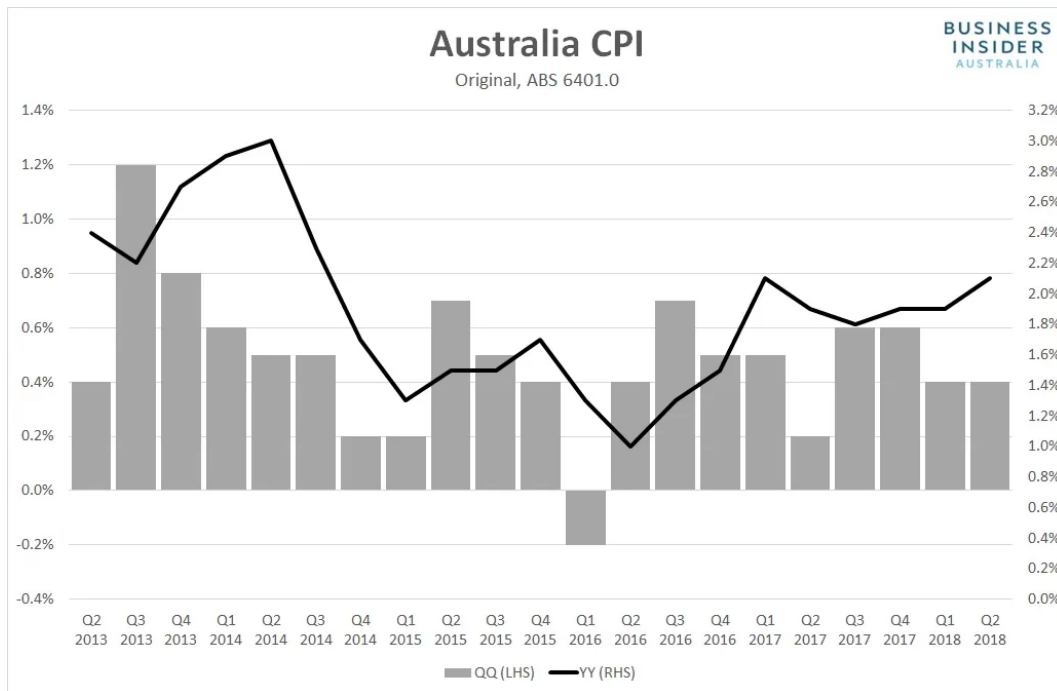
[a-high-price-for-policy-failure-the-ten-year-story-of-spiralling-electricity-bills-89450](#)

[australia-news/2018/nov/27/australians-dumping-private-health-insurance-as-prices-rise](#)

[national/nsw/opal-creep-average-fares-rise-10-per-cent-since-ticketing-overhaul-20171213-h03o3a.html](#)

(Just to list a few sources).





When our budget is tightening, we have to operate within its limits: Work harder, do overtime; manage our budget more efficiently and optimise expenditure; try to bargain, renegotiate contracts with utility & service suppliers; postpone purchases; find frugal alternatives. Similarly, council should operate within its (growing!) budget: scrutinise efficiency of operations, re-negotiate contracts with suppliers; increase web-based automated services; move to solar energy, just to name a few alternative avenues for action.

In Conclusion:

I would like to ask IPART to disapprove this SRV application and show sensitivity to our economic hardship during times of pressure and uncertainty. Please remember - most of us are not protected by unions or capable of voting ourselves a hefty pay rise.

[redacted] [mayors-hefty-pay-rise/](#). We are hard-working, contributing people; we do not ask for sympathy, but for a justly, transparent, and substantiated decision-making process.

During the first community engagement session at Sutherland library, I had the opportunity to speak with mayor [redacted] in-person, and presented my reservations regarding the proposed rate hike. “[redacted]”

Well, for some of us, this is indeed a **significant amount**, adding to non-stop rise of cost of living, while eroding superannuation contributions.

Kind regards,

[redacted signature]

Daniel Biro

[redacted]