

20 November 2003

REVIEW OF RENTAL FOR DOMESTIC WATERFRONT TENANCIES IN NSW

Independent Pricing and Regulatory Tribunal
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My wife and I have owned our home for about thirty years. Attached to the property is Permissive Occupancy #. We are extremely concerned that the outcome of the above review is not influenced by incorrect assumptions.

Critical consideration should be given to the suggestion that the formula used by the Department of Lands for setting licence fees on the far north coast may be appropriate for adoption in the Sydney area.

6% RATE OF RETURN

It is noted in the attachment to the Terms of Reference that a 6% return is consistent with analysis of investment returns from residential properties throughout NSW. This may be the case, however, it is not consistent with returns from residential properties in Sydney. The Real Estate Institute of NSW will confirm that net yields in Sydney are in the vicinity of 3% which is a reflection of the security of investment in Sydney compared with regional and country areas.

It should also be noted that the 3% yield achieved in Sydney is for developed residential property not for vacant land.

In regard to waterfront properties the net yield would be about 1%. If the full rate of Land Tax is applied as would be the case if the property is held as an investment the net yield would fall below 1%.

Assuming verification of the above the amount of 6% in the formula is not appropriate for Sydney and should be changed to 1%.

EQUITY/OTHER CONCERNS RE VALUATION.

The owner of a home that requires a long jetty to access deep water does not receive any additional benefit from his jetty compared with an owner that can reach deep water with a much shorter jetty. The jetties have the same value and as the cost of building and maintaining the long jetty is greater it can be argued that the land area on which the jetty is built is less valuable.

Jetties are built and maintained by the home owner at their cost. The licence fee is consideration for the use of vacant land and water area beneath jetties and pontoons

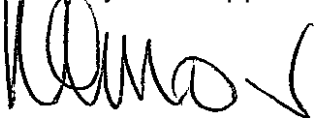
The rate for area approach assumes that every square metre has the same value. The area that has the most significant value is the portion of the jetty that is located in deep water.

Two near neighbours could be in entirely different situations. The first may only require a short jetty to access deep water whereas the second requires a jetty five times the length to reach deep water. A rental five times greater for the second owner is not equitable and can be challenged in valuation terms. (Two adjoining retail shops of similar frontage but one with double the depth would not result in the second shop achieving twice the rental)

CONCLUSION.

The need for an annual review of Licence Fees is commercially sound and most licencees would agree acceptable. The main concern is that the any formula for establishing fees is also commercially sound and is not implemented as an additional form of taxation. The matters for consideration by the Tribunal are reassuring in this regard.

Thank you for opportunity to make the above submission



REX GILMOUR