

3 February 2014

Dr P J Boxall
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB NSW 1230

Dear Sir/Madam

Review of Prices for land valuation services provided by the Valuer General to councils

On behalf of Council I wish to submit the enclosed response in regards to the above IPART Issues Paper released in January 2014 for consideration by the tribunal.

In general Council is opposed to any increases and respectfully seeks a moratorium on the current cost distribution model which seems excessively directed towards local government and is without enough consideration of other government services that access this information.

Overall Council appreciates the timeliness and accuracy of the data provided by the Valuer General in determining valuations for rating purposes.

If you require any further information please contact the undersigned

Yours sincerely



Corinne Mears
Manager Financial Services

EXECUTIVE SUMMARY

In considering the pricing review Council has looked inwardly at the processes taken in establishing its own sources of revenue in order to maintain service levels with its customers (ie, ratepayers) and found a significant number of fees are constrained by regulation and therefore requiring subsidies from the ratepayer (tax) funds.

Principally these are in the area of Planning Development Application fees that have not changed for many years and the amount paid for Development Applications fall well short of the cost to make a proper determination, the balance being funded from other sources of Council revenue.

Council continues to improve its business activities in order that efficiency savings may be passed onto its ratepayers, minimising the need for rate increases. Over the years there have been many reports into the efficiency and sustainability of local government with cost shifting being regularly identified as a burden on council's. The Hawker Report from 2003 recognised the impacts of cost shifting between Federal to State to Local government and recommended inter-government agreements to eradicate the practice.

The argument justifying a return on investment and capital improvement is considered invalid for monopoly services. Council is not a shareholder of the Valuer General and therefore does not benefit from any profitability or sale of the capex infrastructure. Most councils have invested heavily in new IT infrastructure without seeking any additional funds from the community (ie, ratepayers), mostly the additional costs are realised in efficiency savings.

Council would support a CPI model similar to the current Local Government Cost Index. However efficiency savings and a significantly high apportionment of the Valuer Generals costs to Local Government in the 2008 price review believes the current price may need to be fixed for a period or reduced before such indexing starts.

1 Should IPART set one 5-year determination or undertake multiple periodic determinations over the 5-year referral period?

This is a matter for IPART to determine, Council would prefer to know the methodology and if possible the amount early in December each year. This is in-line with current budget timetables for local government.

2 In what circumstances should IPART consider making a new determination?

Council accepts the governments entitled to review pricing at any time, the current timing is appropriate

3 Have the land valuation services provided by the Valuer General changed since the 2009 Determination?

No. The valuation service has not changed. The local government areas of Camden, Campbelltown, Liverpool and Wollondilly were serviced by an office located in Campbelltown. This office has closed since the 2009 determination (August 2011) and been relocated to existing offices in Wollongong. Although the service provided by the Valuer General staff remains equal costs associated with the running of the now redundant Campbelltown office should reduce the Valuer Generals overhead.

In September 2009 Campbelltown City Council commenced participation in the provision of Address for Service of Notice (ASON) data to the Valuer General. Software to extract this data was paid for and developed by Land and Property Information (LPI). Council officers maintain mailing address data and supply it each month to LPI without charge. This information relieves the need for duplication of records and associated staffing costs for the Valuer General.

4 Is the quality of land valuation services provided by the Valuer General meeting customers' expectations?

Yes. The Valuer General's staff and service provision has been timely and accurate. Valuation objections continue to be allowed by the Valuer General well outside of the prescribed time causing council's problems in budgeting and financing the refund amounts. These issues seem to be outside the scope of this review.

5 What is an appropriate rate of return for the Valuer General's assets?

Council has concerns on the use of Sydney Water as a comparative data source for the Weighted-Average Cost of Capital (WACC) as the business and capital infrastructure seem to be significantly different. Without substantially more information Council respectfully withholds comment as there is insufficient information to provide a response.

6 What is the appropriate equity beta and gearing ratio on which to calculate the Valuer General's rate of return.

Council withholds comment; there is insufficient information to provide a response.

7 Is there a case for changing the methodology for allocating costs to councils? If so, on what basis should costs be allocated?

Yes. Council believes the distribution model between government services is flawed and needs to be reviewed. In the 2008 review the IPART stated the total number of valuations made annually were 2.4 million, all of these were made available to the Office of State Revenue (OSR) and presumably other government agencies, yet only 800,000 were provided to local councils. It was further noted that a number of other government agencies have access to the land valuation database and either do not pay or paid the (marginal) cost of extending services to these industries.

Council submits that a better, more equitable method of allocating costs be determined and both council's and the OSR receive equal benefit from annual valuations as it enables the Valuer General to provide an accurate valuation database. The costs of printing, graphic services and postage should not be fully allocated to councils as these are tools in providing the community of NSW, or taxpayers with information about their land and do not assist councils or contain any council information. Whilst the Valuer General remains a monopoly service responsible for maintaining a roll of land values for the state of NSW the data should be own source and informative to the community. A further review into the source of objections be taken into account and provided to councils for consideration. Council's need to be informed on the quantum and origin of objections before agreement to sharing costs with the OSR and all other government agencies can be agreed.

Council proposes the allocation of costs be reduced subject to a further review and suggests an amount closer to 25% rather than 40% as contained within the report.

8 Should the current price structure of residential and non-residential prices be retained, or is there a more appropriate pricing structure for land valuation services (eg, a single price)?

The current pricing structure is acceptable to Council. Council accepts that there is more "handcrafting" required for non-residential valuations and therefore attracts a higher price per assessment.

9 What is the impact on customers (i.e., councils) from the proposed change in price structures?

A shift to one price will impact those Councils with a proportional split between non-residential and residential inconsistent with the state average. It stands to reason that those councils with lower than average non-residential assessments would incur higher charges.

- 10 Is there new evidence that would warrant differential pricing for councils and a move away from a common charge across all councils?**

Council does not believe this would impact on its area and is a matter for Sydney City Council.

- 11 Should an indexation approach be used to set the maximum prices for the Valuer General's land valuation services to councils?**

Council considers this as a matter for IPART.

- 12 How should the price path account for customer impacts?**

Council considers this as a matter for IPART, however would appreciate advices of any increases in December each year for budgetary purposes.