

Dear Dr Boxall,

May 25, 2015

Thank you for the opportunity to comment on the Independent Pricing and Regulatory Tribunal's draft methodology as it undertakes the role of Expert Advisory Panel in the State Government's "Fit for the Future" process.

The Sydney CBD, which contributes around 7% of national GDP and 25% of the state's GDP, deserves special consideration due to its need to function as efficiently as possible as an economic powerhouse and Australia's only truly global city. Those functions, which primarily serve businesses, workers and visitors, are very different from the needs of the inner-city suburbs which are currently included in the City of Sydney Local Government Area.

The special role of Sydney as our capital city and economic engine room is already reflected in the fact that it has its own Act, with special provisions for voting by non-residential (or business) electors.

Business rates are expected to amount to 76.5% of the City of Sydney's total rates revenue of \$264 million in the 2015-2016 financial year. Rates paid by businesses in the CBD are expected to be \$137 million or 52% of total revenue, with other ordinary businesses contributing another \$65 million.

Over the past decade or so, the City of Sydney has built up significant cash reserves, currently totalling \$621.4 million. The massive contribution of rates from City businesses has enabled Council to plan infrastructure investment totalling \$1.95 billion over the next 10 years, including provision of around \$440 million for projects related to the residential development and urban renewal being undertaken in Green Square to the City's south, and \$220 million for the CBD and South East Light Rail project.

The wealth provided by its business ratepayers has meanwhile enabled the City of Sydney to effectively subsidise its residents, who mostly live in suburbs closer to the southern and western borders of the Local Government Area. As a result, the City's residents enjoy some of the lowest rates in the state and have unique advantages compared with the residents of other Councils. In 2012-2013, City of Sydney residents paid average rates of \$582, compared with \$614 in Botany Bay, \$784 in Marrickville, \$893 in Waverley, \$984 in Randwick, \$1,055 in Woollahra, and \$1,106 in Leichhardt.

Despite contributing the lion's share of revenues to the City of Sydney, the participation of businesses in recent elections in the Local Government Area has been extremely poor. In 2012, only around 1,300 businesses, out of an estimated total of about 22,000, exercised their voluntary right to vote in the election. The nature of the electorate at the next election, however, is set to change, following the amendment of the City of Sydney Act in 2014 to provide for compulsory voting by non-residential electors, some of which will receive two votes.

With these considerations in mind, a superior proposal to ensure that the City of Sydney is Fit for the Future would be to create a Local Government Area that truly reflects the new nature of our global city, dominated by the CBD. Rather than the Independent Local Government Review Panel's recommendation that the City of Sydney amalgamate with Botany Bay, Randwick, Waverley and Woollahra councils, the superior proposal would be for the boundaries of the current Local Government Area to be contracted to cover the core CBD and immediately adjacent business districts.

**Such a Local Government Area could be bounded by the Harbour to the north; Wattle and Abercrombie streets to the west; Cleveland Street to the south; and South Dowling and Boundary streets to the east, continuing along the current City of Sydney boundary to the Harbour at Potts Point.**

A local government area with such boundaries would fit the criteria of scale, as preferred by the City of Sydney, which argues that scale should be based on numbers of people serviced, as opposed to the number of residents. The number of people serviced in a CBD-focused City of Sydney would still be around 1 million daily, including business owners and occupiers, workers, students, tourists, visitors and residents.

IPART's proposed terms of reference (included at point 4.1) call for consideration of the social and community context as part of its Fit for the Future assessment. These may include the area's demographics; social and economic needs; and sense of local identity, which are "particularly relevant when considering the scale and capacity criterion."

There is no doubt that a smaller, CBD-oriented Council area would be better placed to deliver good government to its business owner and occupier constituents, who are bound to have a much greater say in the electoral process under the amended City of Sydney Act. A Council overseeing a redrawn Local Government Area would be more focused on representing the workers, residents and visitors in the CBD than the current Council, which has built its policy framework around a "City of Villages" concept that prioritises the quite different needs of the inner-city suburbs.

Such a Council would also be more effective at concentrating its efforts on the further development of Sydney's Cultural Ribbon, a priority which was identified in the State Government's Plan for Growing Sydney.

A smaller City of Sydney would lose some current residents and significant numbers of future resident ratepayers, particularly in Green Square and other areas in the south, and toward the Bays urban renewal area to the west. The existing Council, however, has been able to build its substantial financial strength and sustainability without these future residents and with a policy of zero debt. On that basis, it should have considerable capacity for maintaining revenue and for future borrowings, in the unlikely event that these would be required.

A smaller Council would also be well placed to grow its revenue stream as improved and prioritised CBD governance and regulatory oversight provides a more conducive economic environment for the area's business and residential ratepayers. In addition, it would benefit from new revenue streams from the world-class Barangaroo development, which is expected to host 23,000 workers and 33,000 visitors daily, as well as at least 3,000 residents.

The redistribution of current resident ratepayers living toward the existing boundaries of the City of Sydney Local Government Area would clearly assist in providing scale and capacity to the surrounding Council areas through the addition of significant urban growth and residential areas. Under such a scenario, Botany Bay would gain Green Square; Leichhardt would gain the Harold Park development; Marrickville would gain Newtown and Erskineville; and an enlarged Woollahra/Waverley/Randwick would gain parts of Paddington and Centennial Park.

I look forward to your response to my submission.

Yours sincerely

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