



SydneyOlympicPark 

4 September 2008



Mr Michael Seery
Program Manager, Taxation and Local Government
Review of the Revenue Framework for Local Government
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Dear Mr Seery,

Re: Review of the Revenue Framework for Local Government – Issues Paper

We refer to the above issue paper prepared by IPART in July 2008, and make specific reference to section 8 – Framework for setting the charges levied by other public authorities.

Sydney Harbour Foreshore Authority (SHFA), Sydney Olympic Park Authority (SOPA), Redfern Waterloo Authority (RWA) and Growth Centres Commission (GCC) met to discuss the benefits of a joint submission to the Review.

There is some commonality between SHFA, SOPA and RWA. Issues relating to GCC are of a different nature and GCC accordingly will make an independent submission to IPART.

IPART is seeking comment on a number of issues including:

46 Whether a common legislative or regulatory framework be introduced to improve consistency in the levying of charges by authorities (such as SHFA, SOPA, RWA and GCC) that provide services akin to those produced by Local Government?

A common framework is not considered necessary for the levying of charges.

SOPA

Authorities such as SOPA and SHFA derive most of their income from commercial activities such as leasing and car park operations. The framework for levies imposed by these authorities such as developer contributions and planning assessment fees are not greatly dissimilar to that of local authorities. The framework for levying charges in many areas is currently mirroring that of Local Government.

There are however, some fundamental differences between local and state authorities. SOPA for example, is the landowner (head lessor) on all sites that are the subject of its new master plan and infrastructure funding contribution plan. This

is a unique situation to Local Government areas, and the application of a common framework for the levying of charges may not recognise some of these fundamental differences.

SOPA does charge an estate levy to tenants, however these charges are not necessarily linked to services provided and are usually derived from historical 'commercial arrangements' and are in no way intended to fund the base-line services that would normally be the responsibility of a local council.

SHFA

SHFA does not currently collect development levies or estate levies within its precincts, except that a Section 94 scheme, administered by City of Sydney is applicable to developments falling within the boundaries of the former City West Development Corporation.

SHFA is giving consideration to a 1% development levy at Barangaroo to assist the funding of infrastructure of regional and city significance, such levy to be in lieu of the 1% development levy normally paid to City of Sydney under Section 61 of the City of Sydney Act.

SHFA also intends to impose an estate levy on Barangaroo leasehold owners to partially fund ongoing public space management, maintenance and general community service obligations at Barangaroo, such levy to apply unless the recurrent costs of maintaining Barangaroo can be recovered from City of Sydney out of the increased rates arising from the project.

SHFA denies the comment at 8.1.1 of the IPART Issues Paper questioning whether some SHFA tenants are paying twice for some of the services provided.

RWA

The RWA in 2007 introduced the following two developer contributions plans:

1. The Redfern-Waterloo Contributions Plan – which applies a levy of 2% of development cost (as defined) to fund public infrastructure and amenities etc. The levy only applies to development on those strategic sites within the RWA's operational area that have been declared to be State Significant. While most of these sites, which total about 35 hectares, are surplus lands owned by the State Government, some are also privately-owned.
2. The Redfern-Waterloo Affordable Housing Contributions Plan – which applies a formula for developer contributions equivalent to about 2% of development cost for the provision of affordable housing within the RWA operational area – once again derived only from development on State Significant sites.

The above two contributions plans have been developed taking into account the particularly characteristics and needs of the Redfern-Waterloo area and of the need to stimulate residential and commercial growth to help address the area's social and economic disadvantage.

It should be noted that developer contributions for public infrastructure, amenities etc are generally not intended to recover the full cost of building and maintaining such

facilities. In a local government context, the bulk of the income for this purpose is derived from rates, with developer contributions only paying for a portion of the costs of a council's section 94 plan. Given that the RWA does not derive any income from rates, all the works under its developer contributions plans must be fully funded from the contributions.

The City of Sydney will be the major beneficiary of commercial and residential rates from the future proposed developments on the strategic sites.

By virtue of particular provisions under its legislation, the RWA has also reached a voluntary planning agreement with the owners of the former Carlton and United Breweries site in Broadway, which is outside the RWA operational area. The agreement will provide developer contributions over the next six years for the provision of affordable housing within the RWA's operational area.

The RWA owns the Australian Technology Park and derives income from the various leases and licences that it holds with its tenants. The ATP is responsible for all costs relating to the public domain that would ordinarily be borne by local government.

47 The best form for this legislative or regulatory framework to take.

A common framework in the levying of charges is not considered necessary.

48 To what extent these authorities provide services that overlap with or duplicate those of local government, what benefits or disadvantages arise from the duplication of service provision.

It is not believed that there is currently a duplication or overlap of services as the report suggests. Whilst the authorities provide similar or the same services, it is usually clear which organisation performs certain services in their respective areas. To suggest there is a duplication of services is not correct.

Opportunities for economies of scale or resource sharing may exist in some areas of service provision between authorities however, SOPA for example outsources all of its maintenance functions and local government authorities would need to be competitive on price and levels of service if they were to undertake services on behalf of state authorities.

SHFA

Cleaning services are provided by City of Sydney Council within The Rocks; these are invoiced to and paid in full by SHFA. Costs in 2007 were \$1.119m.

SHFA's precinct total maintenance cost in 2007 of \$12.056m reflects standards higher than normally provided by Councils; these standards are required to maintain The Rocks and Darling Harbour as premier tourist precincts.

49 To the extent that these authorities provide local government services, how should the cost of these services be recovered ?

The Issue Paper currently makes reference to the fact that state government authorities provide services that would normally be provided by councils and that IPART will be reviewing a framework for setting the charges to be levied by these authorities, to facilitate recovery of costs of service provision.

SOPA and SHFA are of the view that the appropriate instrument to facilitate recovery for costs of service provision (as a percentage recovery of rates income) is through amendment of the Local Government Act, 1993. This proposal does not recommend a new levy arrangement to customers, and is simply a process of determination of a reasonable apportionment of existing Council general rate income between Council and the Authorities.

Any Act amendment would need to be supported by a Regulation. This would allow the Minister to appoint a suitably qualified independent person (to ensure equity) to assist in making a reasonable determination of the proportion of rates that would relate to services provided by the state authority.

The proposed amendments would apply to all landowners/lessees within the areas managed/serviced by SOPA, SHFA and other 'public authorities' as approved by the Minister for Local Government.

It is acknowledged that often the level of service provided by state authorities may exceed "base line" service levels provided by local councils, and it could be argued that local councils should not have to pay for this higher level of service. The framework for determining cost recovery could be complex, and for this reason, SOPA and SHFA support a framework that provides for a simple estimate of rates recovery rather than a detailed costing regime that has to be performed on an annual basis.

The timing of rates recovery payment by councils to state authorities should not have a negative impact on council cashflow. Accordingly, payment by councils 90 days prior to the end of the rating year, will not disadvantage councils from a cashflow perspective, with most rates revenue paid by this time, and mostly received well in advance of the required time for payment.

It should be noted that SOPA and Auburn Council officers have discussed the issue of rates recovery, and there is an acknowledgement by council that this matter has to be addressed. SOPA is sympathetic to a phasing approach that takes into account the short-term impact on local council financial planning.

In conclusion, SOPA and SHFA are of the view that the appropriate instrument to facilitate recovery for costs of service provision is through a percentage recovery of rates income determined by an qualified independent person, providing a simple, efficient and equitable solution to this issue.

50 Similarities and significant differences (in quantum, scope or standard of service) between SHFA, SOPA, RWA and neighbouring councils.

SHFA

We anticipate an opportunity will be available to discuss with IPART issues of commercial sensitivity.

51 Question for GCC

52 The extent to which SOPA, SHFA RWA and the GCC, respectively impact upon the costs incurred and the revenues generated by the corresponding councils.

The areas controlled by the state government authorities are usually the subject of significant government funding for infrastructure and renewal projects reflecting the State significance of these projects. Local authorities usually benefit from substantial increases in rate and other revenue derived from new development, particularly as a result of State-owned land becoming rateable upon sale and development. The State controlled redevelopment of Barangaroo at East Darling Harbour is a contemporary example of rating revenue benefits that will flow to City of Sydney.

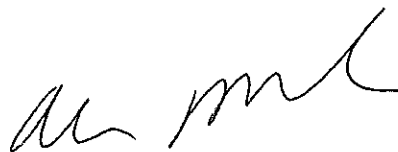
With the increased number of ratepayers, comes an increase in demand for services. Local authorities will incur much of the cost for local government services, however, state authorities are performing a component of the new services and are not receiving a proportion of rates revenue to help fund the cost of performing these services. On balance, the additional rates revenue derived from Councils should exceed costs incurred from the impact of state authorities.

If IPART officers wish to further discuss this submission, please contact Robert Domm on 9240 8870.

Yours sincerely



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Sydney Harbour Foreshore Authority
Redfern Waterloo Authority



Alan Marsh
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