

Sent: Friday, 24 July 2009 1:12 PM

To: IPART Mailbox

Subject: NSW Local Government General Rates - Rate Pegging Opinion

Dr Michael Keating

Chair, Independent Pricing and Regulatory Tribunal

Dear Sir,

I have just listened to your interview on the Local ABC Radio, North Coast regarding rate pegging. While I do not wish to comment on this specific point, I do want to bring to your notice my disappointment (along with millions of other NSW residents) that consideration was not given by your office to changing the basis of rate setting itself - that is an alternative to being based on land values as estimated by the Valuer General's Department. Land values are clearly not an appropriate basis for setting council general rates and there is no legitimate reason to continue this outdated practice which is causing serious financial problems for very many ratepayers and has become a basis of unintended social engineering.

An example may help in explanation.

I now live in the North Coast village of Angourie. This village used to be the place one purchased a block of land or land and house when one could not afford one in nearby Yamba etc. So like other areas of the NSW Coast residents were mainly from lower socio economic classes of the population. However, as more wealthier persons from other areas (mainly metropolitan 'tree changers', retirees etc), like the idea of living in a smaller communities on the coast, they have driven up the land values to such an extent (Angourie up 70% in the past year, and up 1500% from 1991) that general rates for these areas have got well out of sync with other areas of, in this case, the Clarence Valley Shire. Residents in coastal areas of the Shire can now be paying some 6 or 8 times that paid in non coastal areas of the Shire (and regularly 4 times) and yet the cost of providing the services covered by the general rates charge is little if any different. Residents who are subjected to larger increases in rates as a direct result of local government being forced under the Local Government Act to use land value as the primary basis (ad valorem) for setting rates clearly have **no more capacity to pay** after the increase in land value than before. The end result is persons (usually the elderly) being forced to sell out and to move to a less desirable area to live just to achieve a lower general rates impost. As a community representative for many years I struck this situation being played out many times and when it involved elderly widows it was very disheartening. eg. "Before Harry died he said that I would be able to stay here for as long as I wished, now I find this impossible financially". The special payment provisions under the Act for persons in necessitous circumstances is ineffective in practice and in any case does not help the majority of residents facing financial problems in this regard. We find that even if retirees/pensioners can afford to buy into a particular location within a shire, they are unable to do so because their annual pension does not enable them to cover the additional council general rates they would have to bear and so they are forced to look elsewhere. Even in my own case council's general rates on our residence amounts to 8% of the superannuation pension received. For those on the Commonwealths age pension it is clearly a whole lot higher and means that they have to sacrifice other aspects of living to cope, often quality food and health.

While there is a very small amount of flexibility within the Act by the use of minimum rate criteria, more than 50% of the rate imposed must, under the Act, be ad valorem based resulting from land values estimated by the Valuer General or his outsourced private contractors.

Council's general rates should be on a user pays basis (directly linked to the cost of the services provided) the same as council charges are usually set. There is no justifiable reason to rate some residents lower than the cost of the services provided and others rated at many times the cost of the same services provided just because of the particular part of the Shire or part of the town they happen to reside. If the Local Government Act was changed to allow council's to estimate the cost of general services applying to various classes of properties levied (ie. residential, commercial, farming etc.) and to levy ratepayers accordingly on a user pays basis, we might find that there is no longer a need for rate pegging and for the annual scrum of councils seeking exemptions. Instead councils would be accountable to their ratepayers for the rate to be levied and have to argue through the Annual Management Plan's public consultation process to justify same.

I respectfully ask that you and your team give serious consideration to this issue.

Greg Moore

(Retired Economic Policy Adviser)