

12 August 2015

Dr Ron Ben-David
Chairman
Essential Services Commission
Level 37
2 Lonsdale Street
MELBOURNE VIC 3000



Dear Dr Ben-David

Thank you for the opportunity to comment on 'A Blueprint for Change.'

I have enclosed my previous submission to the City of Stonnington about its proposed (and since adopted) 4.3 per cent general rate rise for 2015-16 that in various subsequent Council publicity including a newsletter has been incorrectly described as modest or minimal.

The submission is self explanatory. You will note that this affluent Council is increasing its staffing numbers by about 10 per cent which given the fragile nature of consumer confidence across Australia I find extraordinary.

I was the only ratepayer to be heard by the City of Stonnington's committee regarding its proposed 2015-16 rate, although there was a small number of other written submissions. Council rubber stamped its officers' proposed rate rise.

Notwithstanding the oft-repeated local government claim that the 'headline' (or any) Consumer Price Index is an improper basis on which to judge Council costs and hence required rates and other charges, an increase of almost three times what has been an annual 'headline' CPI of 1.3 (now 1.5) per cent is hardly 'modest.'

It represents a pre-rates cap cash grab by local government and effectively seeks to impose an above-CPI cumulative 20 year rate rise of 50 per cent on ratepayers.

Australians' activities are increasingly regulated. We are over governed. If local government is not to be abolished, it must be reformed. It cannot retain an unfettered right to impose rate rises that are above 'headline' CPI. It has to cut its cloth to suit the economic times. While residential owner occupiers and residential investors are not its only source of revenue and reason for expenditure, they generally outnumber non-resident commercial and industrial ratepayers.

While I endorse much of the ESC's draft report, its limiting of the proposed rates cap to only general rates and municipal charges and its contention that 'service rates and charges be excluded' is naive.

Councils will simply allocate some more of their costs to this area and increase this component of rates by an even higher percentage than they do now.

I therefore suggest that the proposed rates cap include 'service rates and charges', but I agree with the other draft exclusions.

In section 2.4, the draft report proposes an initial forecast rate cap of 3.05 per cent in 2016-17.

Given that 'headline' CPI is 1.5 per cent, this is way too high.

The ESC's proposal to calculate part of the proposed annual cap from the Wage Price Index (WPI) is, with respect, like delivering a slap with a lettuce leaf to the local government 'club.'

Financial discipline must be imposed on local governments. I suggest that the 2016-17 rate cap be set at 'headline' CPI minus 0.5 per cent which gives a figure of about 1 per cent as the rate cap (maximum permitted increase.) As noted above, this should include service rates and charges.

Previously, some Councils entered into arguably overly generous enterprise bargaining agreements with their staff. The Councils' argument is that they are bound by these contracted agreements, but in many cases ratepayers had little knowledge that these were being negotiated.

Few ratepayers or residents have the time or inclination to read Council meeting agendas that are buried in websites or sometimes discussed in camera. While ratepayers can be criticised for this, resulting in receiving the 'local government they deserve', it demonstrates yet again the 'club like' atmosphere of local government and its refusal to act in the best overall interests of ratepayers, many of whom are far more subject to market forces in small business income or wages and salaries received than are local governments and their staff.

While the current Andrews socialist government in Victoria will not have higher rates of home ownership as one of its key policy aims or if it claims to will merely deliver 'lip service' rather than the Liberal Party's genuine advocacy and commitment, continual above 'headline' CPI rate rises by Victorian local governments are contributing to the difficulties that those under 35 are having in affording their first home.

Historically the Victorian community has benefited hugely from encouraging home ownership.

Above 'headline' CPI rate rises also hit tenants as landlords, although subject to market forces, try to pass on such increases.

Thank you again for allowing public comment on this important matter.

Yours sincerely



Edmund Carew
Encl.

28 April 2015

Mr Warren Roberts
Chief Executive Officer
City of Stonnington
PO Box 21
PRAHRAN VIC 3181

Dear Mr Roberts

I would like to submit comments on the draft City of Stonnington 2015/16 Budget.

Council suggests on page 21 that the second principle for the Budget's preparation was 'rate and fee increases that are both manageable and sustainable' and then discusses doing so with 'less' (when it means 'fewer') resources.

My contention is that the draft Budget fails to do this.

The proposed general rate rise of 4.3 per cent continues the trend to impose rate rises that are significantly above CPI.

While I appreciate that other levels of government may at times reduce their allocations to local governments, the City of Stonnington is one of Australia's wealthiest municipalities including suburbs such as Armadale, Malvern, South Yarra and Toorak.

That does not however give the City Fathers carte blanche to continue to impose above CPI rate increases.

At a Federal level, Australia has a serious problem with a growing level of Federal Government debt, exacerbated by the end of the mining boom and a reluctance by governments to invest in city shaping infrastructure such as new heavy rail lines to suburbs such as Doncaster and to Tullamarine International Airport.

Local government should be setting itself a target of a general rate rise of CPI minus 0.5 per cent to keep Stonnington competitive with other Australian and overseas municipalities.

One key reason why Stonnington's rates are rising so much is on page 25 where employee costs are shown as rising by a forecast \$4 771 million in 2015/16.

The part 4.3.1 explanation does not break every cost down but three are of concern: the 3.75 per cent enterprise bargaining agreement, banding/ step increments and the number of new positions identified including a full time 'Communication and Branding Officer', a 0.4 (full time equivalent) communications officer and various other staff.

CPI is presently negligible at 1.3 per cent per annum according to the Australian Bureau of Statistics.

Over time, the cumulative effect of Council's generosity to its employees in awarding a salary and wage increase of almost three times the inflation rate will be a substantial impost on ratepayers. On costs such as compulsory superannuation will increase (irrespective as to any further rise in the rate of superannuation payable.)

The \$1.7 million provision for the unfunded defined benefits superannuation liability may be prudent budgeting and is to ensure full funding of this historical Victoria-wide local government liability but is not the majority of the \$4.771 million rise in employee costs.

Given that Council has benefited and will benefit further by the increase in capital improved values due to the construction of large numbers of new apartments in the municipality, thus increasing the pool of ratepayers and CIV base on which to strike a general rate, Council should be cutting the general, garbage and green rate rises to 0.8 per cent in 201516.

This would mean general, garbage, green and special rate revenue of about \$94 million rather than the forecast \$98.416 million.

On page 27, it is extraordinary that projected expenditure on communications is to rise by more than 20 per cent to \$652000, costs of hall management to increase by \$221000 to \$919000 - an area in which Council's lack of controls saw a Chapel on Chapel employee allegedly steal a total of \$700000 in liquor over an eight year period to 2013 and expenditure on aquatics to rise by more than five per cent.

These areas can all be culled if Council is serious in keeping rate rises to CPI minus 0.5 per cent.

There is no identification of 'service enhancement costs' in 4.3.7 where expenditure is predicted to rise by \$400000.

Expenditure on the Stonnington Civic Precinct Project (\$5.65 million) could be reduced and partly deferred.

My suggestions avoid any cuts to sensitive library, maternal and child health and child care services, while nor do they result in any reductions on capital investment in roads.

Not all ratepayers in the municipality are wealthy.

This particularly applies to owner occupiers of many one and two bedroom flats and apartments who may be either paying hefty mortgages (despite low interest rates), be on the brink of retirement or already retired.

Council should also note that the rate of unemployment as surveyed by door to door pollster Roy Morgan is far higher than that falsely claimed by the ABS with its ridiculous measure of 'employment' although Roy Morgan does not publicly break this down into individual local government areas.

Nor is small business enjoying good trading across the board.

It is possible that Australia faces a recession in the next couple of years.

While a 4.3 per cent annual rate rise sounds benign, its compounding effect over a decade compared with a rate rise of CPI minus 0.5 per cent (or CPI) when the latter measure is low is significant on residential and commercial ratepayers.

I therefore ask Councillors to reconsider this significantly above CPI rate rise for 2015-16 and to instead strike a general, garbage and green rate rise of no more than 0.8 per cent to impose some financial discipline on the municipality.

Yours sincerely



Edmund Carew