STANDING COMMITTEE ON THE ENVIRONMENT AND PLANNING

Inquiry into rate capping policy

Melbourne — 8 August 2018

Members

Mr David Davis — Chair
Mr Cesar Melhem — Deputy Chair
Ms Melina Bath
Mr Richard Dalla-Riva

Mr Nazih Elasmar
Mr Daniel Mulino
Ms Huong Truong
Mr Daniel Young

Participating Members

Mr Jeff Bourman
Ms Samantha Dunn
Mr James Purcell

Mr Simon Ramsay
Dr Samantha Ratnam
Ms Jaclyn Symes

Witnesses

Mr Frank Sullivan (affirmed), Vice-President, and
Mr Jim Collins (affirmed), Treasurer, Ratepayers Victoria.
The CHAIR — I welcome Ratepayers Victoria and particularly Frank Sullivan and Jim Collins. Can I just get you, Frank and Jim, to make a short statement at the start. We are obviously at the end of our period on this inquiry and we will do a final report. We are interested in looking backwards over the period. I am interested particularly, for example, in whether the rate capping regime has actually kept charges at the CPI or whether since the 2014–15 budget and beyond the rates have gone up at greater than CPI.

Mr SULLIVAN — David, look, rate capping has been excellent. There has been some control over the spending of councils — ratepayers money — but we are very concerned that some of the councils are getting through the back door with charges which are not under the rate capping. We strongly think the local government minister should come out and have a stronger, firmer direction of what should be on a rate notice. I can see no reasons why there should be some elements of that rate notice not subject to rate capping.

The CHAIR — So, for example, if I get quite specific, there is a question of the environment levy. So that is a state government charge that is put on the rate notice. I want to break down this rate notice and understand.

Mr SULLIVAN — Yes.

The CHAIR — So that is one.

Mr DALLA-RIVA — Rob Spence raised the same issue. The previous witness raised the same issue, so that is why David is —

The CHAIR — So there are a couple of state government charges that go onto the rate notice, that people see on the end of their notice. They have got the fire services levy which, it seems to me, has gone up way above the CPI, and then there is the environment levy that is put on by the state government.

Mr SULLIVAN — That environment levy — you are talking about the landfill?

The CHAIR — Yes.

Mr SULLIVAN — Yes, the landfill; that is definitely right. Councils are putting that up, and I am concerned why that is not subject to rate capping.

The CHAIR — Well, I make my point that the state government is putting those levies on, and I am interested in your view about the state government jacking up its charges. I think councils have got to show restraint and be held, but I would have thought that your position — forgive me if I am wrong — would be that the state government charges that are on the notice, the fire services levy and the environment levy, should be clamped similarly.

Mr SULLIVAN — They should be. Is there any reason why they should not be capped at rate capping?

The CHAIR — Well, they are not at the moment, and this is my point in asking these questions.

Mr SULLIVAN — Yes, we are definitely right behind that they should be. In fact every component of that rate notice should be rate capped.

Mr COLLINS — I think the municipal charge and the garbage charge may not be rate capped.

The CHAIR — No, they are not.

Mr COLLINS — We are in the dark at the moment because we are within weeks of the new rate notices coming out and a lot of surprises to a lot of people.

The CHAIR — I have got mine. I have got one of them.

Mr COLLINS — Well, you have got yours early. I received a phone call about a week ago from a long-term inner Geelong resident who has occupied a 1920s two-bedroom weatherboard moderate house in central Geelong. I can give you a transcript if you like to save you writing it down. It is a very modest house. It is in a group of four in a block in a street in inner Geelong, and it backs onto one of Geelong’s larger hospitals. The fourth house in the group is derelict and was recently snapped up by the hospital in the area. The lady in
question is elderly and has received a letter from Geelong council to say that, surprise, surprise, her rates could go up by 45 per cent. She is in shock.

She is in shock, and she wonders that, because of the cap, councils are seeking other ways of getting money to match the pie they want to spend — the pie which is the budget they put to the people, the pie which is explained in some form but not adequate form, full of gobbledygook and mystique and wonder and adornment to fund what they want to do. And because of the valuation of the house, if it is increased, she will get a greater share of that, and she cannot suffer that.

**The CHAIR** — She cannot pay it. And the CPI is what — 2 per cent?

**Mr SULLIVAN** — Yes, less.

**Mr COLLINS** — I listened to ABC radio on Thursday, 7 August. It was a call from a lady in Hoppers Crossing. She said that she and her many fellow residents had received a letter from Wyndham council to say that their rates could rise by 50 per cent.

**The CHAIR** — Really?

**Mr COLLINS** — This lady is bordering on retirement with her husband, and her mother, who lives in Werribee, has received such a notice — a 50 per cent increase in rates.

**Mr SULLIVAN** — David, there seems to be a hell of a burden put on our country people. We all concede that we people in the city make up something like 70 per cent —

**The CHAIR** — Of the state?

**Mr SULLIVAN** — of the state, and 30 per cent are the country people. And the stories I get back from our ratepayer groups around the country are quite disturbing, to be truthful, that they are paying two, three or four times more. I have got a nice home in Wantirna; it is worth about $1 million and I pay $1700. But in Mildura, a similar home, they are paying $5000 or $6000.

Look, our governments are trying to encourage our people to live in the country, but for what reasons when you are so disadvantaged? Our poor old farmers, they are copping whacko. And I have seen the new budget; no doubt you have seen it yourself. The charitable organisations are exempt from paying rates, but in times of difficulty like we are going through now, with Australia in a drought, the federal government should be able to somehow take the burden off our farmers. They are our bread and butter, and we are just forcing them off the land. I have got some horrible stories of what is happening to farmers. It is up to the federal government and drought areas, but I consider that right across Australia we should be more compassionate and caring towards these farmers.

**The CHAIR** — I might ask if the secretariat can be in touch to get the details of those cases for a case study in the report because we are obviously aware of a number of these sorts of cases. We were discussing one before in Monash, where there are some really big movements in some of these rates as well.

**Mr SULLIVAN** — Sure.

**The CHAIR** — The other point I was going to ask about is this variation process that the government has got there. You can do CPI, although it is not really CPI because actually they are estimating what CPI will be, and who knows whether they are right or wrong. But then councils are allowed to apply for a variation. Do you agree with that variation process?

**Mr SULLIVAN** — Well, I do. Andrew Chow, the Essential Services Commission manager, we have a lot to do with him. He does not grant too many, but I think considering most of these that were granted in recent times have been country shires, country councils —

**The CHAIR** — You agree with those.
Mr SULLIVAN — I do. They have got bigger infrastructure to cover; they have got less money coming into their coffers. I have discussed it with our federal minister, that the federal government should be doing more with infrastructure through the wide parts — not only of Victoria but throughout Australia.

Mr COLLINS — There needs to be cross-subsidy.

Mr SULLIVAN — There has got to be some assistance, a fairer system. I consider the present system is not fair.

The CHAIR — I should, then, ask what other reforms you would seek in this area. Are there other changes that you would seek? Do you agree with this prospective thing, if I can call it that, this forward-looking estimate? Or do you agree that the CPI actually ought to be the proper thing itself — the CPI, I would put, is a figure that has actually measured what has happened — the actual, real CPI?

Mr SULLIVAN — The real CPI.

The CHAIR — The real CPI is the thing that has come down and happened, isn’t it? The ABS releases it and that is what it has been in the last 12 months. Do you think that should be a basis for the movements forward, or do you think it should be this, if I am unkind, guesstimate where Treasury licks their finger and puts their finger up to feel the wind on what they think is going to happen into the future?

Mr SULLIVAN — I just do not like the present system. We have got to do better. Now, what that is — I am not an expert; I am Mr Average. There are too many people who have been disadvantaged by the present system. Councils seem to be — we would like to know who they are accountable to. Who are they accountable to, because they seem to do what they like. At the end of the line they are accountable to the local government minister, but we as a ratepayer group find it extremely difficult to deal with the minister. There are people hurting out there. Sure, I am retired and I am on a comfortable government pension; it does not affect me. But there are people out there that it does affect, and that is not Australian.

The CHAIR — Let me put it this way. There is an open way forward for you. If you have case studies and examples of where you think it has gone wrong, we would welcome those in the next week or two, because we are looking at the report and the finalisation of it, but we actually want to see across a broad spread.

Mr SULLIVAN — Cases — abnormal rate increases.

The CHAIR — Yes, and problems that have occurred in the administration of it. We are happy to hear those too, because that may be something we can actually respond to.

Mr COLLINS — And people have had no real increase in earnings, have they?

The CHAIR — No — well, very small increases in earnings, and it seems to me many have had quite big rate increases that are actually truthfully far beyond the CPI.

Mr SULLIVAN — It is very concerning that people lose their homes because they cannot pay their rates. That is awful — in Australia. You see occasionally the Herald Sun and the Age have articles on it, and I shudder. I am so sad that that could happen in Australia, our great country. We have got to get more control. We at Ratepayers Victoria have been pushing the old corporate cops, which the federal government are looking to put into the banking system. We have been trying for four years to put independent monitors into councils, not to interfere with what they are doing but to oversee that they are spending our ratepayers money correctly. Why are some contractors getting three and four times more to do a council job than in the private sector? The monitor would not interfere with decisions made by those duly elected councillors but oversee that they are acting within the Local Government Act and they are acting in an ethical manner. We have formed six new ratepayer groups in the last eight months, including Geelong, where Jim comes from. We are trying to make councils more accountable — not asking much.

Mr DALLA-RIVA — Just on that, you said there has been an increase in Ratepayers Victoria groups or associations?

Mr SULLIVAN — Yes. We can name them: Geelong, Bendigo, Shepparton, Warrnambool, Sale and Maribyrnong.
Mr DALLA-RIVA — So all country?

Mr SULLIVAN — All country bar Maribyrnong.

Mr DALLA-RIVA — The purpose of rate capping was to reduce the need for concern and ratepayers’ frustration. The reason I am asking the question is if it is meant to have reduced the frustration of the ratepayers, why is it we now have an increase in ratepayers associations who are concerned about the rates?

Mr COLLINS — Rates among other things; rates among falsifications and fraud and —

Mr DALLA-RIVA — So it is a generalised —

Mr COLLINS — Yes. We seek accountability and we seek to be able to look at things, not to influence them but just to report on them. We are barred from doing that now. For example, I think the Mornington council was concerned about insurance payments. I think insurance policies were paid to the MAV by direction. The Mornington council took action against the MAV and got $700 000 back and sourced their own insurance policies outside what was deemed to be appropriate.

The CHAIR — I think Boroondara did the same, did they?

Mr SULLIVAN — Yes, there are more councils —

Mr COLLINS — We seek accountability.

Mr SULLIVAN — The MAV was set up in 1905 or something —

The CHAIR — Seven.

Mr SULLIVAN — to give insurance for councils. Now they are a monster, a pretty big organisation.

Mr COLLINS — It has lost its way.

Mr SULLIVAN — They get so much government funding. We at Ratepayers Victoria have tried to get staffing for one member, and we cannot get it. We have approached Daniel Andrews’s office and we have hit a brick wall. We are volunteers trying to represent the ratepayer. When a ratepayer has a problem, unless he has got a ratepayer group there to get guidance, advice and help — and since these six new ratepayer groups have been formed, they are on their own, but they are always coming to us for advice, ‘What do we do?’.

The CHAIR — Well, you can work with them a bit. Look, I pay tribute to the work that you do because it does need a local community group in a particular area to keep some focus on things, go to council meetings, read the minutes and actually ask questions.

Mr SULLIVAN — Spot on. I go to every council meeting — for 15 years. People say, ‘Haven’t you got anything better to do with your time?’, but that is where you learn things.

The CHAIR — I pay tribute to the work that you do. I think it is very important. As I say, we welcome any examples that you have. If you have an example in Shepparton or Geelong or Bendigo of where the rates are wrong or there has been a process that is wrong, we welcome that. I think we have one more hearing, which is in two weeks. So it is a short time frame, but anything you wanted to add we —

Mr COLLINS — Can we come back to that?

The CHAIR — Or others amongst your groups, if you wish.

Mr DALLA-RIVA — We are running out of time for public hearings; that is all.

The CHAIR — But they can put in written submissions in the next couple of weeks.

Mr COLLINS — It is just that the rate notices are on the cusp and a lot of people are going to be surprised.

Mr SULLIVAN — David, there is a problem with us that that percentage there on the valuation of a property — there seems to be no control over that percentage factor. It goes up and up —

8 August 2018
Standing Committee on the Environment and Planning 12
Mr COLLINS — It depends on the municipality.

The CHAIR — I am quite serious. If there are points that some of your members want to make in the next couple of weeks, we would welcome those. We are interested to hear about case studies and issues that people have in their local areas. A couple may be able to give evidence next sitting week — next Wednesday week — but they are all certainly welcome to send in any written submissions.

Mr SULLIVAN — David, could I ask: in previous hearings has there been a trend towards ‘We’ve got to do more for our country people’?

The CHAIR — I think there is a strong awareness of the plight of country Victoria. There is a strong awareness of the fact that whilst the equalisation that occurs is significant, there are still real issues. One of the things that I think hit country Victoria very hard was the loss of the Country Roads and Bridges program. They all lost $1 million in a hit — just gone.

Mr SULLIVAN — Yes.

The CHAIR — That was obviously targeted, but it was a big base that they had to do that work. They have got a lot of roads, those smaller councils — a smaller population and a lot of roads. It is not a party political thing, but my personal view is that the Country Roads and Bridges program actually made a big difference and supported their position in a practical way. Now that has gone.

Mr SULLIVAN — Yes.

The CHAIR — It has not been restored, and I certainly think it should be.

Mr SULLIVAN — This would be at a federal level?

The CHAIR — No, it is a state program. It used to be $1 million a year extra for every country council for roads and bridges, and the current government took it away.

Mr SULLIVAN — Could I ask why?

The CHAIR — I do not have an answer but I think it was nuts, and one of our early reports made this point very strongly. I will certainly seek to advocate for the reintroduction of that because that is a practical way for every small shire to get a significant dollop that helps with their roads and bridges, and that is an economic issue as well as tourism and local schools and movements.

Mr SULLIVAN — Was that taken away without knowing, David, in the present term?

The CHAIR — Yes. It just stopped dead.

Mr SULLIVAN — Yes. Okay.

The CHAIR — That is one of the things that has worried us a lot about the country areas. There are other things too, but we have been very worried about that. Certainly the committee has previously recommended it be restored, and it has not been.

Mr SULLIVAN — Yes. In the big picture it is not a lot of money, but to a country —

The CHAIR — $40 million a year it was, but it is important.

Mr SULLIVAN — Yes, definitely important.

The CHAIR — Now that they have less money to spend on roads they have got to scrimp and save from elsewhere.

Mr SULLIVAN — Yes, which is unfair.

The CHAIR — Anything that your members wanted to make commentary on around those issues we would welcome, but the time line is short.
Mr SULLIVAN — Can we come back to Michael for those?

The CHAIR — Come back to Michael, yes.

Mr SULLIVAN — Great. Okay. Thank you.

The CHAIR — Thank you. We are very appreciative.

Mr COLLINS — Thank you for your time.

Mr SULLIVAN — It is great to get the opportunity to express our feelings.

The CHAIR — No, it is a pleasure. It is important. We support it. I am going to call the hearing to a close and thank Hansard and the secretary.

Committee adjourned.