

# TRANSCRIPTS

## STANDING COMMITTEE ON THE ENVIRONMENT AND PLANNING

### Inquiry into rate capping policy

Melbourne — 4 August 2015

#### Members

Mr David Davis — Chair	Ms Samantha Dunn
Ms Harriet Shing — Deputy Chair	Mr Shaun Leane
Ms Melina Bath	Ms Gayle Tierney
Mr Richard Dalla-Riva	Mr Daniel Young

#### Participating Members

Mr Jeff Bourman	Mr James Purcell
Ms Colleen Hartland	Mr Simon Ramsay

#### Staff

Secretary: Mr Keir Delaney

Research assistants: Ms Annemarie Burt and Ms Kim Martinow

#### Witnesses

Mr Peter Olney (affirmed), President, and  
Mr Colin Carter (sworn), Secretary, Whitehorse Ratepayers and Residents Association Inc.

**Necessary corrections to be notified to  
executive officer of committee**

**The CHAIR** — In light of the time, I will just get Keir to swear you in and then we will ask you to make a statement followed by questions. Colin Carter and Peter Olney are the secretary and president respectively of the Whitehorse Ratepayers and Residents Association Inc. I ask you, Colin and Peter, to make a short opening statement and note the submission that you have just provided to us.

**Mr CARTER** — Thank you. My name certainly is Colin Carter, and I am secretary. I am not the president of the Geelong Football Club, and I do not hand out free tickets to Cats matches!

Thank you, Chair. To the committee, I thank you for the opportunity to participate here today. Government policy on rate capping is an excellent progression, and the government is to be congratulated for this initiative. WRARA's connection with the Whitehorse council and its administration shows we are dealing with a belligerent, egotistical, opportunistic and incompetent council in Whitehorse, a council with a propensity to spray cash at philanthropic and superficial and feel-good items rather than focus on good delivery of basic services, infrastructure rationalisation and maintenance. That is evident. It is a council which treats ratepayers at times with contempt. We often relate this window-dressing council to a cake with lots of icing, froth and bubbles, sparkles and sprinkles on the top whilst the bottom of the cake is crumbling. On page 5 of the document I have provided are just a few simple examples of what is going on.

A council which will test any legislation to the limit, and it will slide around it where possible. This might sound harsh, but I certainly do not say it lightly. It is a very unfortunate situation. It is embarrassing — certainly I do not feel good having to sit here and say it — but it is a very real situation. The document that we have provided is effectively supplemental to our original submission to the committee and mainly in light of the volume 1 draft released last Friday. We have attempted to divide our critique into two sections: areas under Essential Services Commission control and areas under government control. Perhaps if I could just touch on a couple of those initially.

First is the experience with rates capping by our democratic forebears, the UK. We hear a lot superficially about New South Wales but nothing of the wealth of UK experience in this area of rate capping. I do not propose to go through the UK experience today, but I have included two appendices, appendix 1 and appendix 2, which include summaries of their policy documents. Suffice it to say that the UK has greatly exceeded the ESC proposals on transparency, and the UK has provided, very interestingly, a rate rise veto power to ratepayers. Well worth having a good look at that; I commend that to you.

We have some very, very serious concerns with regard to consultation between councils and ratepayers. Councils and their representative bodies have totally misled the ESC into thinking consultation is used and is working beautifully. You would think we were walking on water. Unfortunately we are not. I have included at page 13 facts relating to Whitehorse's pretence of consultation. It is a veritable sham. I have included a page from the recent Whitehorse draft budget 2015–16, which includes claims like, for example, that councillor budget committee in camera meetings are consultations with ratepayers. Nothing could be further from the truth. We have open admissions by the CFO of Whitehorse council, when pressured — but he squirmed and tried to get out of answering — that in fact the community consultation sessions on budgets have never, ever in his living memory resulted in a change to the draft budget. He handballed the answer to two councillors who were present — Cr Philip Daw, Cr Robert Chong — and both of these councillors confirmed what the CFO had said. Please, do not take it lightly. What has come out in volume 1 of the ESC report suggests that consultation is alive and well. Our experience at Whitehorse is that it is certainly not. We certainly need the government to do something about this.

Extending this topic, the only time that the level and quality of consultation will be reviewed is when a variation is requested by council. That is the only time that there will be some question about the level of consultation as proposed by the ESC, so alleged consultation will stay as the same window-dressing, without engagement, if a council simply adheres to the CPI/WPI cap.

We heard from one of the previous speakers that the 7.6 per cent rate hike at Whitehorse was well justified. What utter rubbish! Whitehorse council has made a significant cash grab for the 2015–16 budget — a slap in the face for Minister Hutchins and this government. Whitehorse rates have risen in excess of 6 per cent for the last 10 years. This year was 5.6 per cent, but wait there is more: an extra 2 per cent jumped out of the woodwork and was added to the 5.6, taking it up to 7.6. If I look in the background and see what has happened with the carbon tax rebate, it has disappeared into general revenue. If I add that on, we are well over 8 per cent.

Council blatantly lied to ratepayers in the draft budget document for this year, claiming that 2 per cent was for asset redevelopment. Subsequently, off his own bat, in an open council meeting, the mayor, Cr Andrew Munroe, openly admitted that the 2 per cent was the result of the forthcoming rate capping — a cash grab! He said that in a council meeting, totally contradicting the draft budget document. So the draft budget document was a lie.

So by this belligerent attitude, treating ratepayers with contempt, we are very concerned as to what this council will do next. Any delays in legislating on rate capping may well give rise to more and bigger cash grabs. Council is embarking on its reserves approach. Council has something approaching \$80 million at the moment in the bank, so given rate capping is coming along, what is it going to do? Spend \$106 million. How is it going to do that? Empty the \$80 million reserve and go into debt for \$30 million. Rate capping comes in, what is the first thing this council is going to do? It is going to come to the ESC with its cap and say, 'Please, sir, we are in great financial difficulty here. We need money!'. Come on! The problem is that the \$106 million is made up of \$78 million for the redevelopment of the Whitehorse Centre, which is a theatre and multipurpose room complex at the council chambers. Only 2 per cent of ratepayers actually use the Whitehorse Centre — 2 per cent. We are going to spend \$78 million for 2 per cent of ratepayers. It just beggars belief.

I have also gone into a number of areas within the handout relating to things like efficiency. Everyone appears to be focused on doing a good job outwardly looking at the statutory requirements of efficiency, but absolutely nothing is happening with regard to looking inwards at efficiency. We see the word 'efficiency' appear, but what is it? What is efficiency inwardly? Do you need to structure for it? Do you need to train for it? Do you need to plan for it? Do you live it every day, or do you look at it once a month?

Part of my background is I spent 20 years in first-tier automotive supply to the worldwide automotive industry, and if you are not up-front on continuous improvement, you are not in there — you drop out. When you tender, you are competitively tendering across the world. Part of the contract then is you will have anything between 2 and 5 per cent of costs down, so your selling price drops 2 to 5 per cent every year for the duration of that model. The automotive industry knows what efficiency is; councils have not got the faintest idea.

I have cited a number of examples in the document. Very simple things — the amount of copy paper that goes out in their bins. Exorbitant! Tonnes and tonnes a year. Thousands and thousands — tens of thousands — of dollars worth. Cash splashes — last November \$150 000 spent on, 'Let's celebrate 20 years since Jeff Kennett amalgamated councils'. Every other council in the area did not want a bar of it. Whitehorse council jumped in. They got all of 150 people turn up, most of them kids because they wanted to go to the face painting! So we spent \$1000 per head on those people who turned up. What a farce!

We are spending up to \$1 million a year on playgrounds. There is no justification for many of those playground rebuilds, nothing that a spot of maintenance would not help. It is crazy. This is what we are suffering.

**The CHAIR** — Colin, I am just conscious of the time. I am going to ask a single question here given the time. I have got your submission here, and I note that at point 3, 'Transition to rate capping', and point 5, 'Council's gross incompetence in financial management', you state that the ratepayers association:

... is extremely concerned that should a transition period to rate capping occur that this council does not have the opportunity to blatantly rip off ratepayers with yet more cash grabs.

And you say the government is strongly encouraged to immediately place a cap on major capital project commitments until rate capping has been fully introduced.

I would put it to you that the government's election commitment was to cap rates at the CPI. Whether you agree with it or not, that was the clear election commitment. There was no time period or lead-in period, and the Local Government Act has the powers to enable government to cap rates now. Would you have capped rates statewide consistent with the election policy?

**Mr CARTER** — Yes, most certainly. I found it interesting listening to some of the previous speakers talk about the New South Wales experience. I lived in New South Wales for 30 years in the Hunter Valley, a blue ribbon Labor region from its coalmining history.

**The CHAIR** — I think it is red, isn't it? That is a different colour, but I will let that point go.

**Mr CARTER** — I was going to say that I love the Lower Hunter wines; I miss them. I think rather than extend the introduction period we would prefer to take the ESC approach which is, 'Let's dive in. We won't get it right the first time, but we will get something that is very close'. But please let the ESC have the ability to spit and polish, to fine-tune. I think the longer we leave it, the more wormholes we leave for the likes of Whitehorse council to — —

**The CHAIR** — Just to follow up your point on the ESC, the ESC model as put out in its recent publications is not rate capping at the CPI. It is actually a cocktail that is a much higher rate. Do you support that, or do you support the CPI?

**Mr CARTER** — We support the CPI. We look at government motivation for moving into this arena, and part of that motivation is the fact that councils have been wasting money. They have been cash splashing.

When you have the bottomless pit of ratepayers sitting there you can make some very frivolous commitments to what the ESC is identifying as the CPI component. But we look at it and we say 'Why shouldn't that same logic apply to the WPI component?'. If we are capping all of those things under the CPI umbrella because they have been cash splashed, why aren't we capping those things under the WPI bracket under that same philosophy?

Let us be realistic. Councils have over the years found it very easy to give in to union requests for consistently high rate increases. There is no difference between the philosophy with the WPI items and the CPI items.

**Ms SHING** — Thank you, gentlemen, for your contribution and for the submission which you provided to this committee to assist with its deliberations. I note that a previous set of witnesses before this committee have talked about home and community care and SES and the potential for erosion of — —

**Mr CARTER** — May I interrupt? I am having trouble hearing you. I apologise.

**Ms SHING** — Not at all. Previous witnesses have referred to the risk presented to the delivery of home and community care as well as SES services as a consequence of changes to the way in which services are able to be delivered because of or for reasons that include the introduction of rate capping. I note that your submission refers to an ageing population within the boundaries of the shire and also that you refer to your position that a council with a propensity to spray cash at philanthropic and superficial and 'feel-good' events rather than focus on good delivery of basic services, infrastructure, rationalisation and maintenance is evidenced as a concern. What in your view could the council identify or prioritise, rather than cuts to HACC and cuts to SES, to comply with a rate capping policy to ensure that those services would still be able to be delivered?

**Mr CARTER** — Our council, Whitehorse, is into all sorts of commercial ventures and bleeding money. We have leisure centres, we have golf courses et cetera. Why the heck are councils permitted to be in commercially competitive environments? That is not the philosophy or principle of where governments should be. The council even admitted in its draft budget document that it is recouping less money than it had anticipated on its leisure centres because of competition. What the heck are we doing? We are out there throwing \$20 million at this leisure centre, \$20 million at another leisure centre, yea many millions at drainage on the golf course. Unfortunately council does not provide stand-alone consolidated accounts for those business ventures, and I am surmising, just doing the rough numbers in my head, that we are losing money on those.

Why are we supporting 2000 golfers with a golf course for 1 per cent or 1.5 per cent of our residents? Why are we doing that? I have no idea, but these are the places where, apart from the blatant waste from within council — paper et cetera — we can make some big differences to get back to some of these core services. Council carries on about having 100 to 150 services. They have not been able to provide us, despite numerous requests, with what the services are that council provides.

The other thing that we do not have visibility of and that you have to go and try to regurgitate through financial numbers — we cannot marry up the exact service with the exact government subsidy. For a given service we do not know if it is a ratepayer-subsidised or paid event or a government-paid outcome. We do not know. This is where the ESC is looking solely at transparency only to confirm that rate capping has been implemented and is being adhered to.

What we are saying is in order to look at everything from internal efficiency to where the money is coming from and where the money is going to, we need what the UK has. We need visibility of the built bottom-up

budget. We need the detail. We are not getting the detail; we are being fobbed off with window-dressing. It is absolutely pathetic.

**Ms DUNN** — I just want further clarity in relation to what is a worthy service for council to provide and what is not, and it is on the basis that a couple of times you talked about only 2 per cent of residents using the arts centre or only 2 per cent of residents using the golf course. I am just wondering whether you or your organisation has in your mind a measure of the percentage of residents that utilise a service that warrants continuing in that service, and would you see that applying to council services across the board. Does the percentage measure apply to recreational reserves, libraries and maternal child and health services, for example, as it is being applied to golf courses and art centres? What is the magic number from your point of view?

**Mr CARTER** — That is a multifaceted response that I would need to give.

**Ms DUNN** — It is.

**Mr CARTER** — Perhaps if I look at one example. If I look at the Whitehorse Centre for example, council wants to build a glorious monolith to its — I will not finish that sentence! Rather than go in and simply maintain what they have, they want to spend an inordinate amount of money. Council is saying, 'Part of the justification is that we need a bigger theatre', so I look in the city of Whitehorse and suddenly I find that we already have commercial ventures which have theatres that meet council's guidelines or requirements. In fact we have got a 1000-seat theatre sitting at one of the schools down in the south-west of Whitehorse.

I look at the usage of the multifunction rooms, and I find that quite a few of them are being used simply for — I say 'simply', but it is important for the participants — dance classes. I look around and find there are a zillion places where such functions could occur. Rather than say what is the percentage usage, I think I have got to look and err back towards, 'Are we in a commercially competitive entity? Are the services essential?'. There are core services and other services.

There is a triangle, which I will not go into, but it is called the sustenance triangle, or I think it is called the sergeant's triangle, which looks at what you need. You start at the bottom with 'I need food. I need clothing. I need a dwelling to live in', and so it progresses up to the point where you have luxuries and so on. You need to look at it in that light as well. Is this an essential service that humanely we must be providing, and to what extent? I am not sure that I can answer your question, Ms Dunn, with preciseness, but I can certainly allude to the sorts of things that I would be looking at.

**Ms DUNN** — No, I am quite happy with your answer because it is more about whether there is a commercial presence providing the same service or is it essential, as your measures.

**Mr CARTER** — And certainly we would like to see some legislation on this fact that councils should not be permitted to go into competitive commercial arenas.

**The CHAIR** — Colin, I thank you and Peter for your contributions. The secretariat may want to come back to you for further information. I thank you for your particular submission but also for your answers today. Thank you very much.

**Witnesses withdrew.**