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Mr Keir Delaney  
Secretary  
Legislative Council Standing Committee  
Environment and Planning  
Parliament House,  
Spring Street,  
EAST MELBOURNE VIC 3002

Dear Mr Delaney

### **Implementation of rate capping**

At the hearing on the above held in Sale on 30 June 2015, I presented a submission on behalf of East Gippsland Shire Council.

During my submission I emphasised the importance of the rate capping framework taking into account the many different and in some cases, unique funding challenges that confront Local Government Councils.

Examples provided during the hearing that would not be sector-wide included a high proportion of non-rateable property (in the case of East Gippsland Shire, approximately 75%); a significant ageing demographic (by 2021, 45% of the population in East Gippsland is expected to be aged 60+ years); the high cost of delivering services to regional and remote communities (40 disparate communities spread over 21,000 square kilometres); and the impacts of sea level rise / climate change. Another category that will need specific consideration in the guidelines is services that are provided by Local Government at a cost that far outweighs the income generated from user fees.

As advised to the Committee during the hearing, in the case of East Gippsland an excellent example of this is the Raymond Island Ferry (the Ferry). Council owns and is responsible for the operation of the Ferry, which provides access to Raymond Island for vehicles and pedestrians. It is the only publicly operated access to the island. A fee for service applies in the case of vehicles.

In 2014/15, the Ferry incurred operating costs of \$1.3 million. Fees collected for use of the Ferry for the year were \$176,000. This represents an operating shortfall for 2014/15 of \$1.1 million.

Capital costs for 2015/16 are estimated at \$300,000, with \$10 million to be required over the next ten years. The estimated cost of replacing the Ferry, currently anticipated to be required within the next ten to fifteen years, is in the order of \$3 - \$4 million (in today's dollars).

Council has an obligation to provide access to Raymond Island for residents and visitors. Given the size of the Ferry's operating deficit, it is simply impractical to apply fees that would guarantee full cost recovery. Therefore, the cost of operating the Ferry must be subsidised by other revenue sources available to Council.

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This in turn means that the net cost of operating the Ferry is, and will continue to be, subsidised from revenue streams other than Ferry user fees - in all probability, through Council rates.

As indicated in Council's written submission on rate capping, East Gippsland Shire Council believes it is imperative that the introduction of a mandatory rates cap does not inadvertently bring about a diminution in either the level of services Councils provide to their communities, or to Local Government's ongoing task of providing and maintaining appropriate infrastructure to meet current and emerging need.

To ensure this does not occur, the rate capping framework eventually implemented must provide sufficient flexibility to ensure that where significant, unique circumstances exist – such as East Gippsland Shire Council's obligations with respect of the Raymond Island Ferry - these are taken into account in a responsible and equitable way. The future sustainability of many Local Government Councils will depend on it.

Thank you for your time and attention.

Yours sincerely



**GARY GAFFNEY**  
**Chief Executive Officer**