

# TRANSCRIPT

## STANDING COMMITTEE ON THE ENVIRONMENT AND PLANNING

### Subcommittee

### Inquiry into rate capping policy

Melbourne — 30 October 2015

#### Members

Mr David Davis — Chair

Mr Shaun Leane

Mr Richard Dalla-Riva

Mr Daniel Young

Ms Samantha Dunn

#### Staff

Secretary: Mr Keir Delaney

Research assistants: Ms Annemarie Burt and Ms Kim Martinow

#### Witnesses

Mr Domenic Isola (sworn), Chief Executive Officer, Hume City Council;

Mr David Turnbull (sworn), Chief Executive Officer, Whittlesea City Council;

Mr Bill Forrest (affirmed), Director Advocacy, and

Cr Peter Maynard (sworn), Wyndham City Council.

**The CHAIR** — I welcome witnesses to the table for the committee’s inquiry into rate capping policy, particularly noting Cr Peter Maynard from the City of Wyndham; Bill Forrest, director advocacy, from the City of Wyndham; David Turnbull, the chief executive officer at the City of Whittlesea; and Domenic Isola, the chief executive officer at the City of Hume. I will ask Anthony to swear you in in a moment. Anything you say in evidence here is protected by parliamentary privilege. The same things said outside may not be protected by parliamentary privilege, so I give you that warning.

I ask each of you to make a short introductory statement. You will have seen our terms of reference. I am sure you are all deeply familiar with the challenge around the government’s rate capping policy and the Essential Services Commission and any of the evidence you may have seen that has been presented to this committee. I want to start with you, Cr Maynard.

**Cr MAYNARD** — Mr Davis, committee members, thank you for the opportunity to present today. Whilst the die appears to be cast in terms of rate capping, and council will cooperate with the wishes of the state government if they are legislated, I think it is deeply regrettable that we are, in effect, saying that we do not trust local democratic processes to produce appropriate outcomes in terms of responsible and sustainable financial management by councils.

To briefly set the scene, Wyndham is experiencing rapid, and indeed accelerating, residential activity and population growth. Currently we are 200 000 people and growing to a total population of 400 000 over the next three decades. Currently our population is increasing by 10 000 to 12 000 per annum. Wyndham mums are producing, on average, 80 babies per week, and 3000 new homes are built per annum. Subdivision activity is accelerating quickly. Last month we issued subdivision approvals for 750 lots — three times the long-term trend. In 2016–17 our operating budget is around \$220 million, our capital works expenditure is \$100 million and income from rates and charges is forecast to be \$161 million.

Council’s strategic resource plan for the next four years and for a number of years up to this point has been predicated on an annual increase in rates and charges of 5.5 per cent, which has in effect comprised a cost adjuster, plus allowances for cost shifting and rapid residential growth impacts. Council also expects the administration to find productivity dividends each year equivalent to 1.5 per cent of rates, which equates to approximately \$240 000 per year.

There appears to have been a consistent message from across local government and more broadly that the CPI is not a good measure of cost increases faced by local government. We support the legislation not linking caps to the CPI. I would call on the committee to recommend the publishing of a local government cost index; the basis of this index being agreed by the sector. All parties should then also explain to the public why CPI is not an appropriate index to apply to measuring the cost of providing council services.

Wyndham estimates that the impact to rate revenue over four years of reducing rate increases to the level proposed by the Essential Services Commission, relative to our adopted strategic resource plan, will be in the order of \$50 million in today’s dollars — \$4.1 million in year 1, accumulating to \$50 million by the fourth year. This quantum of impact cannot be managed simply by becoming more efficient.

Two particular issues further compound this for Wyndham. Firstly, what we call cost shifting. Our submission highlights the variety of forms that this takes. One very clear example is the freezing of financial assistance grants from the federal government over the next three years. As you will see in council’s submission to this committee, financial analysis undertaken that factors in growth and the rising cost to deliver services shows significant erosion in the value of these grants. In real per capita terms our financial assistance grants have declined by 15 per cent over the last years. Even using CPI rather than a more accurate measure of the rising cost of council service provision this equates to council needing to offset \$7 million in lost revenue. These grants are now frozen for the next three years, which we estimate will cost us another \$6 million, based on 2015–16 actuals, current population growth and CPI estimates.

As a percentage of total cost of running particular services, the value of grants has eroded in relation to the following: libraries are down from 35 per cent to 16 per cent over 8 years; maternal and child health, down from 58 per cent to 47 per cent; aged and disability services, down from 71 per cent to 58 per cent; and school crossing supervisors, down from 28 per cent to 19 per cent. Another example much closer to home for the chair of this committee is the cessation of funding for the Healthy Together Wyndham program, leading council to

pick up the cost of this most important, successful program, or elements of this program, for this current financial year of \$173 000 and in a full year in excess of \$200 000.

I would recommend this committee turn its mind to how the rate capping legislation might be amended to require the Essential Services Commission to analyse what is happening in relation to cost shifting — in particular, the erosion of government grants — and provide this service to the minister each year before he or she sets caps, and share this analysis with the public via its annual reporting processes.

A second major compounding factor is this cost being borne across the municipal rate base for infrastructure and services in our growth areas. Council warmly welcomes the establishment by the state government of the \$50 million interface council fund. In the first round of funding council was successful in securing support for three projects totalling \$4.1 million, and council will urge all parties to support the continuation of this fund, which we hope will increase to \$100 million in the next year, followed by \$150 million going forward. This may at first glance appear to be a lot of money, but it needs to be considered in a context of 10 councils shouldering the responsibility for 50 per cent of this state's growth.

Just in terms of future infrastructure requirements, Wyndham currently has two developments in the north and the west of our city. In the 30 years that it is estimated that the development is projected to occur, it will be costing council \$2 billion to provide the infrastructure that it has to provide. Income from DCs and other streams will total \$1.25 billion, leaving a shortfall of \$800 million. If council wants to meet that \$800 million, irrespective of what other rate increases it chooses to do, it would have to increase its rates by 10 per cent every year for the next God knows how many years to meet that \$800 million shortfall alone.

The burden of this \$860 million is spent across the following: road and road intersection upgrades, including significant costs in relocating existing services such as gas, electricity, water, sewerage and communication. One of the problems that we have, committee members, is the fact that if we go to do work and we come across a piece of Telstra infrastructure, Telstra says to us, 'We don't want to move it; if you want to move it, you pay for it'. That is another cost that we bear.

Active open space, community and recreation infrastructure, things like grandstands and scoreboards — this city currently has 30 pavilions and sporting ovals. It has three under construction. It has over the next number of years another 34 that it needs to build at approximately \$6 million to \$7 million apiece — that is at current projections.

Higher order sports facilities and regional sports and cultural facilities such as aquatics centres and cultural centres — to date the focus of the interface councils infrastructure growth fund has been on a backlog of works. Again, to give you some idea of the scale, council has recently developed and upgraded our only indoor aquatic sports facility — at a cost of \$54.7 million — our indoor recreation facility and our major events facility. We have one of each of these facilities for a population of just over 200 000 people. The total cost of these works over the last two years has been \$100 million; \$15 million has come from federal and state grants, so 85 per cent of the cost of these facilities has been borne by the residents of Wyndham. We are very grateful for the financial assistance that we have received; however, it is a small component of the total costs this community has borne. Already the aquatics facility, which is an indoor 50-metre pool and 25-metre pool, is over capacity. We currently have 3200 children enrolled in 'learn to swim' at one facility and have at least 400 on a waiting list. Council is already planning in the next number of years to build its next facility, which will cost approximately \$100 million on land that council has already purchased itself.

Developer contributions are not able to be collected for these types of facilities. Wyndham is no different to any other council that continually searches for productivity and efficiency savings and improvements. Under our 'Excellence@Wyndham' framework, which focuses on improving organisation-wide systems, processes and cultures, excellence at Wyndham is guided by the Australian Business Excellence Framework, and 23 projects are currently underway or scheduled to commence in 2015–16, including eight best value service reviews. Recent examples of improvements and increased efficiencies have been the contracting out of the running of recreation and kindergarten services. This council has 23 kindergartens that it currently operates, builds and funds on an ongoing basis and will continue to build more.

Use of mobile paperless technologies in a range of on-site inspection activities and streamlining subdivision approval processes, also eliminating much rework. In terms of the key focus of this committee, the likely impacts from the inability of councils to find sufficient productivity and efficiency dividends to offset the

difference between rate capping increases, in-service costs and cost shifting will be minimal in year one. It is an election year for councils next year. It is also a revaluation year, and attached to the rate notice will be a 7 per cent increase in the state's fire services levy. Impacts will ramp up significantly from year two and beyond. Unintended consequences are likely to include the following: erosion of maintenance standards, erosion of service level standards, deferral of capital expenditure on maintenance renewal and new infrastructure to serve growth areas, an increase in usage charges greater than the increase in cost of providing the service and cuts to services.

An open and honest dialogue with the community about the cost of providing services and who pays is urgently needed. I hope this committee can make a contribution, including amending the act to require consideration and public disclosure of cost-shifting impacts and a cost index that is not CPI. The Minister for Local Government yesterday called on all councils to be as transparent as they can. Having regard to the issues I have raised, I call on the state government and state Parliament to do the same. I thank you, committee members, for your time.

**The CHAIR** — Thank you, Cr Maynard. I will ask Bill Forrest — —

**Mr FORREST** — I think my 5 minutes are done!

**The CHAIR** — Yes, he has taken your time too. David?

**Mr TURNBULL** — Thanks, Chair and members. I will take our submission as read. Things have moved on, actually, since the original submission was made. I do want to make a few comments about the context within which we operate, particularly as growth councils, and my colleague Domenic from Hume will also touch on some of those.

I have been at the city now for 20 years. Sitting here perhaps six years ago with a similar inquiry I probably would have said that maybe we could handle the rate cap at CPI. That is when we were, in my term, jogging along at about a 2500-people-a-year population increase. But six years ago, as a result of a whole lot of different contextual factors similar to Wyndham's sort of figures, we jumped up to 8500, 9500 or 10 000 people per year, and those numbers are now set to continue for at least another 20 years. There is absolutely no question in my mind, notwithstanding the well-intentioned series of metropolitan planning strategies that have been released over the last few years. History will show us that, despite well-intentioned consolidation policies for middle and inner suburbs, the share of outer suburban councils such as Whittlesea, Hume and Wyndham will take will continue to be at those very high levels. I am in absolutely no doubt about that. I have been in growth-area planning now for 35 years.

**The CHAIR** — So not 70-30, more the 50-50.

**Mr TURNBULL** — Exactly, and I have no doubt that, as I said, despite the best intentions, the share of our suburban growth will defy metropolitan plans in whatever shape they come. We have to deal with that reality. It sometimes concerns me that the government of the day putting out the strategy will take comfort in the fact that things will be fixed for outer suburban areas because you will not be getting that growth anymore, but from my point of view we are assuming we are going to continue on that sustained pattern. My point was that, as I said, from my experience, a growth rate of about 2500 people a year is manageable at local government level; 8500, 9000 or 10 000 people is not manageable without significant assistance from other levels of government as well as the non-government sector.

It is not of great assistance to us, coming to my major point, to be tied back to a CPI index in having to cope with those sorts of growth figures, unless for its part the state can give us long-term certainty about the funding — and the mayor of Wyndham mentioned this — coming back to local government for all those sorts of things that we currently co-fund.

A little bit about Whittlesea: we are 200 000 people. I have talked about our growth figures. What is often not thought about when people think of Whittlesea, and Hume for that matter, is that we have 100 000 people living in the postwar suburbs of Thomastown, Lalor and Bundoora, which are now by virtue of their age undergoing significant redevelopment and regeneration, which again brings great challenges. So when we talk about Whittlesea, we talk about growth and change, not just growth. Those sorts of suburbs, as I said, are undergoing the need for quite significant capital investment in rehabilitation, rejuvenation and rebuilding, not to mention significant pressure for intensification, which we are accommodating, but that does bring other issues.

The other thing I wanted to mention in terms of local government, if you like, being on the other end of the seesaw of other government policies is that we know, for instance, that about 4000 of the 13 000 Syrian refugees that the federal government has just announced are going to be fast-tracked into the country are coming to Victoria, as I understand it. Probably two-thirds of those will be coming to Hume and Whittlesea, where there are significant Syrian settlements that have taken place. You might say we should be planning for those sorts of things, but we cannot always be aware that they are happening.

In Whittlesea's case, and let us assume it is an even split, that is an extra 1500 people with very significant needs for services that currently are not necessarily there that we are accommodating. Obviously we are going to do that, but just from the point of view of growth councils and outer suburban councils generally, we do tend to be on the other end of that seesaw, particularly of federal policy when it comes to migration and immigration. They are the sorts of things about which you, again, might say, 'It's not traditional roads, rubbish and rates', but we do pick up the tab for those policy implementations.

Wyndham have talked a lot about the revenue streams that local government has got and about the number of services. We have recently mapped our services, and you will probably hear different local governments talking different numbers. We have mapped our service activities at 318 at the moment. We are looking at those very closely in terms of whether we have to be in them all or not, but as you would know, withdrawing any sort of service is quite problematic when it comes to the political interface. I can assure you that from a growth council perspective we are doing our bit to accommodate the capping environment. For its part Whittlesea has always adopted a policy of CPI plus 1 or up to 2 per cent. Our rating increases have been between 3.5 and 4.5, touching 5 a few years ago, but that has always been on a well-argued and justified predominantly infrastructure provision situation.

I will finish off on this point because I think my friend from Hume is going to cover some more issues. I talked about Whittlesea really escalating in its growth over the last six years in particular, and I wanted to give you a few figures just to paint the picture.

#### **Visual presentation.**

**Mr TURNBULL** — I am sorry about the crudeness of this diagram, but you cannot see it obviously on the tapes. That is a block 80 metres by 40 metres. That is a street, street, street, footpath, street, trees et cetera. In a growth area that will yield about 12 to 16 house lots and an average rate of, in Whittlesea's case, \$1358. I know you are going to hear from the inner councils a little bit later on, so I will be careful what I say, but the same size block in the inner and middle areas will yield you probably a factor of 5, 10 or 15 more rateable properties. The same amount of footpath, the same amount of drain, the same amount of road, pavement, street, trees — —

**The CHAIR** — Less density of population in your area and more services. The services follow the individuals.

**Mr ISOLA** — It is more the spread of the infrastructure.

**The CHAIR** — Yes, I get the spread issue.

**Mr TURNBULL** — The other factor you will see in the inner areas is that sitting along that pavement are parking meters, which we do not obviously have access to.

**The CHAIR** — I am not proposing that on your subdivisions.

**Mr ISOLA** — I would not have thought so. It is hard to do that in outer Craigieburn.

**Mr TURNBULL** — I will come to some figures. I have done some calculations. Over the last six years with this accelerated growth rate: 830 kilometres of extra kerb and channel to maintain; 103 MCGs of sealed road pavement; 33 MCGs of footpath pavement on reactive soils — as Wyndham has already noted, the soils are quite different in outer Melbourne to what they are in inner Melbourne; 500 kilometres of drainage pipes; 20 000 drainage pits — the pit cleaner has got to go along and service all of those; 10 botanic gardens of mowable area — this is all in the last six years that has been handed over for maintenance; 77 kilometres of fences; 1060 significant trees — you would probably be aware of the red gums in the City of Whittlesea and Hume; and three and a half botanic gardens of garden beds handed over for maintenance.

Often what is put back to us is that residents ought to be able to get along and not have pleasant environments to live in, and they should wait, but what the City of Whittlesea has always been on about is good-quality urban environments — those that are under our control — so that people can feel proud about where they live, and that is what we aim to provide. If the government say to us, ‘You’ve got to rate cap. Start cutting your services’, I can assure you that they are the sorts of services we will not be cutting for good reasons.

The point of giving you those figures and then talking about the relative densities and therefore rateable properties that we achieve out of development is that there is a big call on growth councils, particularly with those growth rates that I talked about that all of us are now experiencing and will be experiencing for the next 20 years. We will certainly do our bit, but our proposition is to tie us back to a one-size-fits-all arrangement — and I know the legislation is not saying one size fits all — but there is a real case in our opinion for growth councils to have an enduring premium on that CPI, and we believe the local community can well and truly appreciate why that would be the case.

**Mr ISOLA** — I think Cr Maynard and David have summed up a whole host of things that affect Hume as much as they affect Wyndham, and growth councils across the board. Those things have been existent for a number of years now as growth has picked up. David quite rightly pointed out that the majority of new people coming into the city are actually coming out into those growth areas. Our growth rate is not as high as Whittlesea or Wyndham, but that is only on one side at the moment. At the moment our growth is up on the northern corridor, Craigieburn and beyond, and we are just about to agree and adopt all of these precinct structure plans for the Sunbury area, so our growth is about to double on two fronts. The spread of that means we are 504 square kilometres as a municipality. It is not one area beyond another area; they are two areas that are miles and miles apart, so some of the numbers we have are very similar to what both David and Cr Maynard said. I have all the numbers and I am happy to go through them, but I think we might get those through some questions and answers.

I just want to provide a few other examples. We have a development occurring, which is Merrifield. It is 15 kilometres or so from Craigieburn. It is about 15 kilometres away from any type of convenience activity. If you want a litre of milk and you live in Merrifield at the moment, you have to travel between 10 and 15 kilometres to get it — to get to any sort of convenience store at all.

The developers of that site in that area were hoping they might sell about 12 lots a month. At the moment they are selling between 40 and 50 a month. People are coming there and living there. That means there are a lot of extra requirements that local government now needs to provide — we need to provide — to make sure those residents who get there do have somewhere to go — a community place, a preschool, a place where the kids who are born there can get to see an MCH nurse. They are real life things that are happening day in, day out in the growth areas.

We have our leisure centre — and Cr Maynard talked about Wyndham. Our leisure centre at the moment with learn to swim is in Craigieburn, so the Craigieburn leisure centre takes in all the growth up in the northern corridor. We have our pool split in half — it is a 25-metre pool, not a 50-metre pool — and learn to swim lessons are run in half the pool. It is split in half across the whole pool. That is six or eight swimming rows. That has to be split because of the extent of the growth. We are building a \$48.5 million facility to cater for that.

The point I make around all of that is that when this council was elected three years ago, it put in place a plan to do a range of things for the community over its term — the four-year council term. Some of those included large-scale projects like this to be delivered within that four-year term. Think about it: if you are operating any form of business enterprise, in any capacity, and you have a long-term plan, which all of us have — it is well documented, it has been budgeted for and it has been described and issued to everyone in the community — that says, ‘This is what we’re doing, and in order to deliver all those things, this is what we believe we need to raise in rates’. We have said that. It will be between 4 per cent to 5 per cent per annum.

Now, in the last year of this term, in the last year of the plan, when all of these projects are committed, understood, informed, communicated, documented, will be provided and are starting to be provided — so you are actually starting the construction — someone above that line says, ‘Guess what? You can’t raise rates to a certain level unless you seek some sort of variation, and even then you have to jump all these hurdles, and you have to come back to us if you want to do that’. How do you tell the community? How do you get out of the contracts that you have let? How do you not deliver those things to those people in that community when you

have actually started it? It is a plan that has been well documented and it is a plan that has been discussed and communicated to those in the community.

My view, and I have an accounting and financial background, is that essentially what will happen is we will look, and we are starting to look, right across all our areas — Cr Maynard talked about cost shifting and the like — and local government will get to the point of saying, ‘Guess what? We think our main service provision will be around these things, and all the rest of it someone else can look after’. Think about what that means to that community and that group of people. That will happen, because I can tell you from the Hume end at least that we will work on the basis of making sure we are sustainable and are delivering those things that our community wants us to deliver. Outside of that, those other things that local government has been forced in many parts to pick up — and has been required to pick up — they will look at, and we will look at, very closely to say, ‘What do we need to do?’.

In terms of overall numbers the other thing I would say is we have got developer contribution plans in place and approved and documented PSPs that outline what types of things need to be provided. The numbers that Cr Maynard talked about apply to each of our councils, and they are staggering. For Hume it is about \$47 million for approved structure plans; that is \$47 million as a gap that we have to provide just for what we refer to as basic local infrastructure — your community facilities, your preschools, all of those things.

If you want to go to a higher order, the aquatic centres and the libraries that we talk about, over those approved precinct structure plans for communities we know will get to, the amount is about \$208 million. They are things that in the past we have said that the burden across all municipalities should be borne equally and hence we believe in a long-term strategy that outlines, ‘This is what the rate will be over the longer term and this is the list of things that we will provide in order to meet the community demand and allow everyone to understand what that is’. In our case it is around 4 per cent to 5 per cent.

I hear all of this — what I refer to as — nonsense about wastage in local government. People talk about cakes and things and items of that nature. If that amounted to something like \$50 000 a year, even if it amounts to \$100 000 a year — and I am not saying that is the case, but even if it was — that is a fraction of what local government does. So this thing about ‘Local government is wasteful because there have been councils that have done X and Y’, think about all the things that council, or local government, provides. In the interface area in particular think about all the things it is required to provide so that we do not have — even within our municipality — areas that have and areas that do not have. Across Melbourne we do not want to provide one Melbourne or two Melbournes, where those living in outer Melbourne get a very different level of service to those that live in other areas. I think others have said plenty about it.

**The CHAIR** — Domenic, thank you. Can I begin by putting on the record the rate increases of councils, according to the MAV: 5.31 per cent in Wyndham and 2.23 per cent in Hume. Do they accord with your figures?

**Mr ISOLA** — Our rate increase — I would be happy to say yes to this committee, but that is not right — is between 4.5 and 5.

**The CHAIR** — And what would your increase be, David?

**Mr TURNBULL** — Three and a half.

**The CHAIR** — And what would your increase be?

**Mr FORREST** — It is 5.5 per cent. It has been 5.5 for some period and the SRP has got 5.5

**The CHAIR** — It is worth having that on the record in the current year off the back of to 30 June the CPI is 1.1. But I do take the absolute point made by all of you in these three councils about your unique problems of population growth and the challenges there with figures like 8 per cent of growth in some years going forward, and I get the challenge there. I also want to thank Wyndham in particular for their submission. I thought I would seek the reaction of other municipalities to a couple of those points that Wyndham has made. The recommendations to this committee are:

That the committee:

receive detailed financial analysis of the extent of cost shift being imposed on local government, and such information should be widely shared.

Would that be agreed by other municipalities?

**Mr TURNBULL** — Yes.

**The CHAIR** — Because I think you have got similarities between the — —

**Mr FORREST** — Can I make another point on the cost shifting in terms of its differential impact in the outer urban areas? Take the grants commission. If the grants commission is frozen and the State Grants Commission takes a decision that no-one will lose money, which has tended to be what they do, then the faster your rate of growth, the greater the extent of disadvantage you suffer in terms of the cost shifting, because if you are not going to shift the money — if you are not going to take money off councils, then those that are growing the fastest are disproportionately burdened with the cost shifting. That is a compounding effect for the growth areas.

**The CHAIR** — And some municipalities are actually losing population.

**Mr FORREST** — They are, and your grants commission has got an embedded per capita thing for the inner suburbs and your grants commission historically has not been prepared to take money off councils, so those that are growing the fastest are suffering the greatest disproportionate burden in terms of the cost shifting.

**The CHAIR** — I think Victoria had about 8 million in growth from the federal government on a population basis, but your point is that some of that would — —

**Mr FORREST** — That is frozen for the next three years.

**The CHAIR** — Yes, but I think it did go up on a statewide or an interstate adjustment, but that would not — —

**Mr FORREST** — If you do a real per capita analysis, we have lost 15 per cent, as the mayor said.

**The CHAIR** — Just let me go down your recommendations and see the response of our other two councils in similar bits of city geography:

support an approach to transparency and productivity by local government that sees rate increase is encapsulated in the following framework:

a legitimate and agreed index for local government costs;

an allowance for cost shifting;

recognition of additional impacts and costs borne in outer metropolitan areas with rapid population growth and rural areas with declining populations and small rate bases;

a process of publicly reporting on efficiency and productivity gains and expectations of local government.

Is that reasonable?

**Mr FORREST** — Can I just go on from that particular item. If people are concerned — and Domenic particularly talked about the transparent processes by which we have gone through striking rates and where we have set it up — and if the committee is of a view that best value is not delivering what it ought to in terms of the degree of transparency and deep and meaningful conversations that need to occur with the community, then let us talk about that, rather than use this process of thinking that CPI on rate capping is the way in which we can have meaningful debate about what it costs to run services for people.

**The CHAIR** — I understand the point you are making. Just to follow the transparency point through and to pick up an understanding of the cost shifting, it would be helpful if these councils could provide to the committee payments by state government in aggregate over the last four to five years.

**Mr LEANE** — And federal government.



**The CHAIR** — I am going to seek federal government as well via the various schemes, so that we actually understand the actuality of payments and are able to track those through and see some of those arrangements. If people were happy to do that, that would be very helpful and enable us to look at some of those matters around cost shifting and other points in a direct way.

The other point I had is around EBAs. As I understand it, one of the biggest costs for councils is staff, and I would be interested in the percentage of your costs that are tied up in staff. I would also be interested to know when you each individually last struck an EBA, what the increase was and when the next one is due.

**Mr ISOLA** — Our costs are about 50 per cent of overall expenditure. Most of the services are run through in-house providers, in-house teams. The EBA increase for this year is 3.5 — it is financial year — and 3.25 for the next year.

I think one of things that gets lost as well is that throughout the year, for growth councils particularly, there are two extra factors besides what the EB is. The first one is the natural incremental move from someone going from a banding level of, let us call it a 5A to a 5B. That happens and that happens in other councils as well but that gets lost somewhere. There is an EB and then there is a cost of what that movement is and for growth councils particularly, we know that our number in terms of growth — running at a growth level of about 2.5 per cent — in terms of overall salaries, 1000-odd staff, as you build a new preschool, as you take on more mowing, as you take on more garbage collection et cetera, there is a growth factor in there of, in our case, around 20 to 25 people per annum that gets put on the books. So EB is one bit. There is a natural progression, which is the second bit; and then there is the growth bit, which says as you build more community centres and preschools you need more staff, obviously, because those numbers are not dropping.

**The CHAIR** — It seems to me there are a few factors in there that you have outlined.

**Mr ISOLA** — Yes.

**The CHAIR** — There is the number of staff you start with.

**Mr ISOLA** — Yes.

**The CHAIR** — There is the natural leapfrogging that occurs inside.

**Mr ISOLA** — Progression, yes.

**The CHAIR** — There is the natural growth that occurs with more — —

**Mr ISOLA** — Facilities.

**The CHAIR** — Population and more services to be delivered.

**Mr ISOLA** — Yes.

**The CHAIR** — And then there is the actual increment in payments per person.

**Mr ISOLA** — Yes, that is right.

**The CHAIR** — Am I getting that right?

**Mr ISOLA** — Exactly right.

**The CHAIR** — I note Wyndham has a chart on page 13 of its submission that looks at effective full-time staff per 1000 residents. Something similar would be useful from other municipalities as well.

**Mr ISOLA** — Yes.

**The CHAIR** — And what would also be useful is the total payment, again over a time series. When is your EB coming?

**Mr ISOLA** — June 2017, so we have got two years to go.

We deliberately did it for four years.

**Mr FORREST** — So we have factored it in.

**The CHAIR** — What was the average annual uplift over that period — somewhere in the 3s?

**Mr ISOLA** — Three and a half per cent.

**The CHAIR** — Which does not really gel well with a CPI-based rate cap?

**Mr ISOLA** — No.

**Mr FORREST** — But it is consistent with average weekly earnings, I think you will find.

**Mr ISOLA** — If you go to DTF figures, they say 3.5 per cent at the moment is about right.

**Mr TURNBULL** — Our EB was July 2014 for three years at 3.4 per cent per annum. Labour costs are 46 per cent. We contract out a little bit more than what Hume do. Domenic is right. You do not look from one budget to another and assume it should only be 3.4 per cent in labour costs, because you have got to add the banding movements plus, as Domenic said, extra people coming on, for the growth factor, depending on what the service is.

**The CHAIR** — I fully accept that your councils are different to many others in that respect.

**Cr MAYNARD** — Chair, if I may, currently our wages are 50 per cent. We are currently going through an EBA, which at this stage has been negotiated around 3.3 per cent. One thing I might add is that Wyndham City Council, on average, receives \$200 million of gifted assets every year. So on top of what we already have, every year on average we receive from developers — —

**The CHAIR** — Requiring additional maintenance, is your point.

**Cr MAYNARD** — Yes, sir.

**Mr ISOLA** — Accounting says it is a gifted asset; we all know it is a gifted expense.

**The CHAIR** — Yes, it is a gifted conundrum.

**Cr MAYNARD** — Thank you, sir, yes.

**Mr LEANE** — It is a gift that keeps giving.

**The CHAIR** — That is very helpful. The final point in this matrix — particularly with your municipalities, which I think are a very important set of cases — relates to debt on the one hand and, talking about gifted assets, infrastructure contributions on the other. A new bill has gone through Parliament which puts the infrastructure contributions on a firmer footing. Will that bring additional resources in, which will at least help, if I can describe it, on the capital side?

**Cr MAYNARD** — Chair, if I am correct I think the cap is about \$900 — per lot, per hectare the developer contributions are \$290,000. The requirement on the council is approximately half a million dollars.

**Mr FORREST** — The local infrastructure contribution has been capped at \$900 a lot since 2004–05.

**The CHAIR** — No, but certainly the information provided to us at the time was that the new bill would likely raise the level of infrastructure contribution ask, particularly in the west and the north.

**Cr MAYNARD** — That may be true, Chair, but currently, since it has been frozen since 2004, the effect it has had on Wyndham is a \$23 million loss.

**Mr TURNBULL** — From my point of view, the government has put through what I call the headline legislation and the details are now being worked out. Unfortunately for our colleagues at Wyndham, the precedent has been based on a Wyndham case that went through a year or two ago, and there are a lot of danger signals in that for other growth areas. So \$290 000 a hectare sounds quite attractive, but what unfortunately is

being included now — you would know when you go through a growth area and you see the very well-embellished local parks that developers will provide often as part of their start-up, a terrific asset. It does come at a cost for maintenance but I still think it is a terrific asset.

Developers now, under the new regime, are going to be able to claim that as a credit. I know some developers that have pumped a million in to build a park. Now if they are able to claim that as a credit under the DCP, or the ICP as it is called now, by definition that will strip us of a lot of access to funding to build the children's services centres.

The other thing that worries me, Chair, is that VicRoads at the moment will only require a developer to build, say, two stand-up lanes to an intersection in a growth area. With the way that the development contribution negotiations are going, often without a lot of local government involvement, VicRoads are going to be able to require the developer to build the ultimate from day one so they do not have a liability later on. That ultimate is going to be able to be claimed under the DCP again. So you can see — —

**The CHAIR** — So there is a displacement of other support for local things.

**Mr TURNBULL** — You can see it looks attractive up there in the headlines, but when you get down to the detail, the other thing that I believe has now been excluded is land for district open space. Each growth corridor has the two ovals and the pavilion in the neighbourhoods. At a district level it will have the 30 hectares. Let us call it a Casey Fields-type example. The land for the Casey Fields — or the Mernda, or the Craigieburn or whatever it is in the future — is now going to be excluded from the development contribution requirement. So not pavilions or ovals, but the land. Councils have been told to go outside the UGB and buy it somewhere and let people drive to it later on if they want to. So, yes, headlines seem attractive, but I am very concerned about where we are going to end up at the detail level.

**Mr LEANE** — Thanks for your time. I want to quickly touch on three areas if we do have the time. It is a given that geographically the councils have different issues they have to deal with across the state. The regional councils' evidence to us is that an issue they have is their problem of being able to increase their revenue base. The internal councils are looking at parking meters and all that sort of stuff, and they do not have that. One of the other issues they pointed out was that they do not have an influx of new ratepayers, and that is something that your councils actually do have — an influx of new ratepayers. But, given your evidence, that seems to be a problem; that is something they could do without. Would you like to comment on that?

**Mr ISOLA** — Yes, exactly right. A number of years ago we actually mapped out to the government of the time, 'This is what happens in an income stream. This is the revenue we pick up'. Many look at it and go, 'Well, you get extra rates. You're flush! You've got all this money'. Then you try to work it out — then you have to provide all these extra things. Just as a base example, we might pick up \$1.5 million in supplementary rates for the year with growth, and then we have to maintain the areas. I will use last year as an example. We have to maintain more parks and ovals, and David has already pointed out numbers and whatever. That came to us at \$1.8 million. That is just for mowing and looking after garden beds and all of those things — just parks. There were 30 kilometres of additional roads and additional staff for all of those things. When you do your sums, and we might be happy to provide all that information, the net difference is staggering. So yes, there is an amount of rates we pick up because of growth, but at the same time the expense that gets given to us — and we know that that is off a base of our contributed assets of \$58 million. I do not know how Wyndham are doing it, because that is staggering. To pick up contributed assets of \$200,000,000 —

**Cr MAYNARD** — Two hundred every year.

**Mr ISOLA** — is an enormous burden for future generations, and the current cost of just maintaining those and the areas of parks — our parks budget, say, five years ago was about \$9-odd million. It is now \$20 million — about \$1.8 million to \$2 million every year that gets picked up.

**Mr FORREST** — I make a comment. If you did not have that sort of revenue gap in terms of the new infrastructure that the existing rate base is trying to pick up and you did not have the impact of the compounding issues around cost shifting and loss of revenue and you had — David talked about manageable growth levels. We have looked at our long-term trend and think that we are maxing out at 3000 lots per annum in terms of coping. We got to 5500 a few years ago. We are heading back up there at the moment. If you did not have those

things, then you might be able to cope with the sorts of issues you have, but if you whack those things on top of it, you just simply cannot do it for a CPI-type figure.

**Cr MAYNARD** — And the other thing is too, Chair, if I may interrupt, Wyndham currently has 19 arterial roads under the jurisdiction of VicRoads that are busting at the seams — 19! We have two more that eventually they will get. One they will not take, because they want us to fix it first — then they will take it — and one will eventually be there. So there are 21 potential arterial roads in our city that are underfunded. I think, from memory, about 18 months or two years ago, not long after I got on the council, there was an Auditor-General's report that specified that in the City of Wyndham alone the shortfall in infrastructure — road infrastructure — in Wyndham was approximately \$1.4 billion. That would be, sir, to bring us up to date to that point in time only.

**Mr LEANE** — The other area I want to touch on is the growth areas, taking into account that the demand for pools and even demand for convenience shops, and I experienced that firsthand in Carrum Downs when I first moved there. What is your experience? Why does the market not step in where there is a demand and there could be a commercial concern? Why is the market not stepping in in those situations?

**Mr ISOLA** — The market, as in providing convenience stores — —

**Mr LEANE** — Yes.

**Mr ISOLA** — The market will come but after certain triggers are reached. So they will get there and go, 'We need to turn a profit'.

**Mr LEANE** — And what about the pools and the gyms?

**Cr MAYNARD** — The pools?

**Mr LEANE** — Yes.

**Cr MAYNARD** — For instance, there are a number of small pools within the City of Wyndham — pools only — that operate at substantial losses. If council builds a pool only, and included in the pool is a 1000-square metre gym, all the slides and the whole bells and whistles, in the first week we opened we had 15 000 visitors. The previous pool facility before it was gutted, I suppose, and rebuilt, was at peak at 650 000 visits per annum. The new facility has been built to reach a peak use of 1 million visits per annum, and we estimate that will be within five years. In fact, sir, within seven years we need to have the other one built.

**Mr TURNBULL** — Could I just add that I think the dynamic that Domenic talked about adds to the problem? I think it is less of a problem if your growth is going according to onion rings — sequential outward — so people who are on the outer onion ring can move back in and access services and shops. Domenic's issue, and those a lot of us face, is where you have jumped over. The catchment then needs to mature. The only thing, sadly, I have to say that probably does run ahead of catchments often is the electronic gaming machines, for instance, where some of the operators have actually said to me, 'We know people in growth areas — more of them are on welfare', for instance. That is where we target growth.

**Mr LEANE** — It is a certain market.

**Mr TURNBULL** — Sadly, those sorts of services actually do not lag. I think it has a lot to do with the sequencing.

**Mr LEANE** — Domenic, you mentioned, and I do not disagree with you, was cakes, but I am sure it was not — —

**Mr ISOLA** — I was just — —

**Mr LEANE** — I know. You were just looking at an example, and you mentioned that even if that reaches a figure of \$100 000 in the scheme of things, that is a silly thing for people to be concentrating on.

**Mr ISOLA** — Yes, I should not have said anything.

**Mr LEANE** — I am actually — —

**Mr ISOLA** — Because they are the examples that are used, and I just think — —

**Mr LEANE** — I think we are in furious agreement on that. But there has been a fair bit of evidence — I know in one of the submissions the council is flagging their concern — about HACC services. What would HACC services cost you?

**Mr ISOLA** — In our council? We are one of the larger providers, around the subsidy of about \$3.5 million to \$4 million.

**The CHAIR** — Just to understand that, that is a council contribution to the service on top of the state's contribution?

**Mr LEANE** — On top of the subsidies.

**Mr ISOLA** — Yes. HACC services are around meeting certain targets and doing the assessments, so we do not have a waiting list. The funding model has changed a bit, which actually says, 'We will leave the amount of money we are providing you the same, but we will change the target hours'. So think what that means. So we might be providing 60 000 hours of home care at a rate of whatever we get funded for — call it \$40. We will keep the same dollar amount, but we will reduce the number of hours you have to provide in Hume. So instead of providing 60 000 hours, you can now provide 40 000 hours, and we will pay you at a higher rate.

We have in local government now in Hume, and I imagine in others, an opportunity to say we will only provide 40 000 hours — we are providing 60 now — and our bottom line gets better because we do not have to support the extra. But do you know what happens? You get all these people waiting, so we have waiting lists. It is a very interesting scenario. Again we have not put that to our council yet about what we might want to do in that space, but we might go to the space of, 'We will provide the target hours, and if there is a waiting list, there is a waiting list'. I do not know. It is a bit harsh.

**Mr FORREST** — Can I make two comments. On HACC we are at \$10.4 million for our aged and disability services. At the moment the grant is \$6 million, so there is a \$4 million pick-up for council. In terms of Domenic's comments, it links into what we said about service efficiencies, and I would like to table the MAV's press release of 20 October in terms of the analogy with what the state does. The state expects a productivity dividend, but the MAV analysis says that in the last 10 years total state revenues have gone up by an average 5.6 per cent per annum and your revenues from property have gone up 7 per cent per annum and you are seeking a productivity dividend of 2.5 per cent. We gave you our numbers. All the councils are looking for it. You have heard it. Our growth gives us a bit of a buffer, so we try to keep our staffing levels down a bit. We are still not getting to the point that the revenue increases, given what people want in services, is at anywhere near CPI. If I could pass this on.

**The CHAIR** — Yes, we are happy to have that.

**Ms DUNN** — Thank you, gentlemen, for your submission, and thank you, Cr Maynard, for coming along and submitting today. I am interested in exploring whether you have had an opportunity as yet to look at the legislation that has been introduced in the lower house, the Local Government Amendment (Fair Go Rates) Bill, which outlines the government's intention in relation to this — yes, that is the very bill there — and what your initial comments are in relation to what that bill proposes.

**Mr FORREST** — I would pick up on the submission from Cr Maynard where we have made references to transparency around cost shifting and transparency around what is a sensible measure of increased costs that local councils expect in terms of providing services. I think the other issue of concern with the role of the Essential Services Commission is that, if councils are to seek a variation, the level of detail around what process you are going to have to go through is pretty unclear. It is a bit like how long is a piece of string and demonstrate adequately to us that you have tried to rake up savings across the 300 services that David talked about. No matter what the number is, it is going to be more than 100; it does not matter how you cut the cake. What sorts of hoops is council going to have to go through to demonstrate that before they lodge a variation is quite difficult. Then in terms of the ultimate cost shift — and councils cannot only pay for that cost but they can pay for the cost of what the Essential Services Commission faces in that whole process — is something that would be of concern.

**Cr MAYNARD** — That is another cost shift. They are going to be carrying out what they are doing, and they are going to be charging us to do it.

**Mr FORREST** — They have got the facility to do so.

**Ms DUNN** — Do you have any further comments, David or Domenic, in relation to that bill?

**Mr TURNBULL** — I am still at the stage of re-reading the LGA response. I think the positive was that there is not that one size fits all, that there is the capacity for the minister to effectively quarantine, if that is the right expression, different sets of councils, and that is what we firmly believe should happen, particularly for the growth councils, without leaving the rest of our interface colleagues behind, but —

**The CHAIR** — The small rurals.

**Mr TURNBULL** — particularly the growth councils. So I was quite pleased with the flexibility. I do agree — ESC traditionally, with some of the other regulation they do, has quite a focused and targeted set of industries that they regulate. It is pretty clear to me that the ESC is here to stay in local government and probably will expand rather than contract their area of interest, and they will need, I think, to bring themselves up to speed, from my experience, pretty quickly about the nature of local government, the political nature of it, and at its heart the community nature of it.

**Mr ISOLA** — I agree with David around flexibility. I thought that was a very positive thing that came out of it. I was on the committee that worked with the minister, the office and ESC around implementation of it. I was very disappointed, though, that the ESC had made some strong recommendations about including a wage factor; that seems to have been removed, and there is just a reference to CPI — —

**The CHAIR** — But it is not in the government's response to the Essential Services Commission. They accept that in principle.

**Mr ISOLA** — Yes, they do, but I think the bill actually talks about it being CPI.

**Ms DUNN** — Yes, it is not referred to in the bill.

**Mr ISOLA** — It is not referred to, so — —

**The CHAIR** — It is in the second reading — wage costs.

**Mr ISOLA** — It is? That is good, because I think we would say that there is a real factor that needs to be considered across that, and the ESC recognise that, so we are happy enough that that has occurred, if that is the case.

The other point I make is that local government is very good at complying. We are governed and ruled and we stick to the Local Government Act, and those — as CEOs and councillors — that get into local government are very good at making sure we adhere to things, and the act plays a key role. We have had a look at the bill and how it is described. There are a few things that we are not sure about, and I have not got those in front of me, sorry. There are a few things that we will raise with our council to potentially raise. But overall it will be what it will be, and we will — as local government tends to do — make do with what is presented.

We would hope, as the interface — if I was to express the interface view again — that the flexibility allowed in the bill is used by the minister. There is a real and I think a proven need, a determined need. With all the facts and figures on a technical basis, on a financial basis, on a sustainability basis and on a community basis it can be demonstrated that at the interface there are particular requirements that will not go away. They are not slowing down, and they will need to be attended to; otherwise we will create a very, very large difference between those that are living at the interface and those that are not. That is the point that we would strongly make to the minister.

**Ms DUNN** — Thank you. I just raise one other issue. Cr Maynard, you talked about the local government costings index. I am wondering, firstly, negotiating around that with the sector, how would you see that operating? Is it something that peak bodies would do on behalf of local government, and also whether you believe that there should be inherent flexibilities within that as well, given the differences between rural and

regional, interface growth versus interface no growth versus inner Melbourne — the whole melting pot that is the different local governments).

**Cr MAYNARD** — I think that each council in its own right would obviously have the discussion and then work through its peak bodies. Of course you would expect flexibility, because what may be good for Wyndham or what may affect Wyndham does not affect Whittlesea or affects Hume sort of and affects the smaller councils differently as well. I think there needs to be the capacity for flexibility in there, because one size does not fit all. Everybody has their different needs.

I can say to you now that I bet you everyone sitting on that side of the table does not wear a size 6 shoe. It is the same thing, with respect, with the councils: each one is different. As has been said, yes, we do comply, we are open, we are transparent. One of the things that has really become quite unpalatable to me is that, with respect, we have bad people in society; that does not mean that every single person in society is bad. There are some councils that may not be doing the right thing. It does not mean that every single council is not doing the right thing — with respect.

**Mr FORREST** — Domenic might be in a better position to comment, given that he was on the working group around construction of local government cost indices.

**Mr ISOLA** — There was a lot of information that was put up, and the ESC at the end agreed to look at just wages rather than assess other issues. That has been pointed out a number of times.

**Mr FORREST** — Local government costs — as you would know, Samantha — group around a range of things. Wages is a big part of the bill. You have got road and civil construction costs and you have got building construction costs. Yes, the wages bill as a percentage of local council costs I do not think is going to vary a huge amount. You have heard the numbers from these three councils. Certainly the amount of capital activity probably does vary a bit, but I would have thought you could build around three or four core elements and not have too much variance across those core elements.

**Cr MAYNARD** — If I could just make an additional comment, with your indulgence. One thing I think is not being explained to the public or our residents. I know that a majority of people voted in the Labor government based on some of their policies, and one of them was CPI, but I do not think they fully understand the fact that council does not buy a basket of goods at the supermarket. They are going to expect next year for their rates not to change in a revaluation year, and we know that is going to be impossible. Respectfully, I think the discussion and the dialogue from government should also be about the fact that we do need a local government index which is quite different and explains exactly what council does.

**Mr ISOLA** — Can I just pick up? In our submission we actually talked about the basket of goods in much the same way. If you look at the CPI, the basket of goods and the 100 per cent factors that make up the CPI, 17 per cent is food and alcohol — big expense for local government! That is a joke.

**Ms DUNN** — We hope not.

**Mr ISOLA** — It is not. It is not even close! But have a look through all of those, and they are not relevant — not in the slightest. We do not go and buy a basket of goods. We just do not do that.

**Cr MAYNARD** — But also, too, the residents will expect us to maintain their services. In fact Wyndham council in the September council meeting passed a resolution to fund for one more year our snake-catching service. Very few councils do that. I think there are only probably two.

**The CHAIR** — No volunteers for it?

**Cr MAYNARD** — No, sir! And the only cars in the municipality that can be left open are driven by people who do that job. The cost to council is about \$30 000; and it is an unsatisfactory service because about 80 per cent of the callouts result in no snake being caught, so the people are not happy. We decided we were going to fund that for one more year. We received a petition of 1400 signatures calling on us to retain that service. The previous year we undertook a survey of 800 residents in our municipality, which we do every year, and 19 of those 800 residents said they are paying too much in rates — 19 out of 800. The highest rate was attributed to lack of infrastructure.

**Mr FORREST** — The question was: what is a priority for council?

**Mr YOUNG** — You blokes have given us a pretty detailed, comprehensive account of what your type of councils face, and I thank you for that. I have to say that in my time here you have probably been the most knowledgeable council representatives we have had. I do not actually have a lot of questions, but just one odd one from left field: in your opinion, what do you think is a harder idea to sell to the public — the fact that you have to cut services or the fact that you have to lift rates?

**Cr MAYNARD** — Cut services, sir. They will most certainly expect us to maintain the services that we are, and we continually get told by people from various governments and what have you that we should — under parliamentary privilege, which I wish I had at times — concentrate on roads, rates and rubbish.

I have said to the local government minister, when I have met with her with interface councils, ‘What would the government do if all councils handed back lollypop people, Meals on Wheels?’, where we have faced fundamental cost shifts over years. And people expect, when a school is built, the lollypop person is there before the school is built, and if it is not there, there is hell to pay, with respect. I do not know if my fellow —

**Mr ISOLA** — Agree, agree, agree.

**Mr FORREST** — It is a political statement, but yes.

**Cr MAYNARD** — Yes.

**Mr ISOLA** — Think about the average rate — 1300, David, 12? I do not know what yours is.

**Mr MAYNARD** — Yes; mine is about 1300.

**Mr ISOLA** — One per cent — 12 bucks? Twelve bucks per annum? Cut a service, you are going to get petitions of whatever.

**Mr FORREST** — It comes back to this fundamental proposition: can you run a council service with a CPI rate increase and not impact services or infrastructure? Fundamentally, you cannot. The other thing that is in the MAV piece there is what has happened in New South Wales with rate capping over a period of time. The average spend on infrastructure by New South Wales councils during that period was 55 per cent of the national average. That is where they found their savings to meet rate capping, and there is argument that it actually impacted on the New South Wales economy.

**Cr MAYNARD** — And I suppose, just to pass a comment on rate capping, I would be more than happy for the government of the day to cap our rates at 2 per cent. Provide us the money that we need to provide the services that we need to provide, and we will happily accept rate capping — but give us what we need.

**Mr FORREST** — Or there is an honest conversation. If major political parties want to form a view that local government is too expensive and the community cannot afford what we have got in terms of services, then let us have a meaningful conversation about what services you want to cut and not pretend that you can get away with this without doing that.

**Mr YOUNG** — Thank you, gentlemen.

**Mr DALLA-RIVA** — I do not have a question, but I have two properties in Wyndham and one property in Hume.

**Mr ISOLA** — You like your Hume property?

**Mr DALLA-RIVA** — I like your rates better.

**Cr MAYNARD** — Well, we might put in a differential for you, sir.

**Mr DALLA-RIVA** — It is in my pecuniary interests.



**Mr FORREST** — And it is a challenge. Rates as a proportion of property values are pushing it a bit there in the fringe. They are not as high as rural councils, but we are pushing it, and that is a stress point for us.

**Cr MAYNARD** — Just to add to that if I could, just quickly, the other issue that we are facing, we are having considerable issues down at Werribee South with our farmers and their water entitlements and quality and those sorts of things. They, sir, are now in the process of starting to ask us to consider a differential rate for them. So who, if we give them a rate differential, will we shift that to?

**The CHAIR** — I thank the four of you for your contributions. There is a list of items that have come through that we would seek further information on.

**Mr FORREST** — Do we do that through the secretary?

**The CHAIR** — Through Keir, yes. Thank you very much.

**Cr MAYNARD** — Thank you very much for your time.

**Witnesses withdrew.**