



LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

(Reference: [Inquiry into the methodology for determining rates and land tax for strata residences](#))

Members:

MRS V DUNNE (Chair)
MR M PETTERSSON (Deputy Chair)
MS B CODY
MR A COE

PROOF TRANSCRIPT OF EVIDENCE

CANBERRA

WEDNESDAY, 11 JULY 2018

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Secretary to the committee:

Dr B Lloyd (Ph: 620 50137)

By authority of the Legislative Assembly for the Australian Capital Territory

Submissions, answers to questions on notice and other documents, including requests for clarification of the transcript of evidence, relevant to this inquiry that have been authorised for publication by the committee may be obtained from the Legislative Assembly website.

WITNESSES

PETHERBRIDGE, MR GARY, President, Owners Corporation Network45

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Amended 20 May 2013

The committee met at 9.31 am.

PETHERBRIDGE, MR GARY, President, Owners Corporation Network

THE CHAIR: Good morning and welcome to the third public hearing of the Standing Committee on Public Accounts inquiry into the methodology for determining rates and land taxes for strata residences. Today we are hearing from Mr Gary Petherbridge of the Owners Corporation Network, who provided a submission to the inquiry.

Mr Petherbridge, before we begin, I advise you that today's proceedings will be recorded and transcribed and are subject to parliamentary privilege. After the hearing you will receive a proof transcript from the secretary of the committee for comment. Have you had an opportunity to read the pink privilege statement?

Mr Petherbridge: Yes.

THE CHAIR: Do you understand that?

Mr Petherbridge: Yes.

THE CHAIR: Thank you, Mr Petherbridge, for being here today. You have presented a submission that is moderately comprehensive, but for the purposes of the committee I would like you to give some background on the Owners Corporation Network, what prompted this submission, a synopsis of the position put forward in the submission and any solutions you might want to put forward.

Mr Petherbridge: I am the President of the Owners Corporation Network, which is an organisation started in 2008. It has been quite active in a number of areas ever since representing specifically the owners and residents in the strata sector, which is a growing sector in the housing area of Canberra, probably in the order of 30 per cent of the housing sector at this stage. But, significantly, it is growing at a faster rate than single dwellings at this point. I think it fits with probably both sides of party policies to increase density and the way ACT land is used to create some efficiencies in infrastructure and all sorts of other benefits. That is the purpose of the organisation.

As far as this particular submission is concerned, I was approached by a number of owners, based on my role with the Owners Corporation Network, to see if we could represent their views on the impact that it created for them, in terms of the direct impact on their cost of living, as in their rates and land taxes. Many of these people that approached me were retired people already on fixed incomes, so they really did not know how to handle an increase of up to 100 per cent on the value-based charges that they incurred in their rates between 2016-17 and 2017-18.

It was based on those requests that the owners corporation, the likes of me, specifically got involved to put forward a petition. We had approximately 5,700 signatories to the petition over about four months. I believe that was then partly responsible for this inquiry being set up to investigate whether the methodology really was a fair and equitable way to address the rates and taxes applied to individuals across the strata sector versus the single house sector, but also between some strata operations and other strata operations, because there are inequities there as well. So

both issues are noticeable.

Since that time, we have had some pro bono support from some credible economists. I think you may have interviewed some of them as well. I will not go into the detail of their material. I think that has already come to you directly from them at this point, although they are representing the Owners Corporation Network in some of their comments.

I emphasise again that it was not specifically the OCN that started this; it was individuals within the community that started it. We became a support facilitator, if you like, or an advocate to support the interests of those people. They are across the whole of Canberra; they are not just in particular suburb areas. They stretch from the new Molonglo area through to Gungahlin. Recently I have had meetings with all the seven community councils. They understand the impact on people living in their areas. It is quite a broad issue. Is that sufficient?

THE CHAIR: How big an organisation is OCN?

Mr Petherbridge: I emphasise again that this was not an OCN initiative.

THE CHAIR: Yes, I know.

Mr Petherbridge: OCN represents probably about 10 per cent of the total strata dwellings or owners of strata dwellings. In that sense, it is probably in the order of 5,000 members because the number of dwellings is probably more like 50,000 to 60,000. It is difficult to get a full representation with any organisation like this because we do not know where they all are. Apart from doing letter drops in letterboxes, it is difficult to get the coverage. Let's face it: people do not usually want representation or to belong to organisations like this unless they see a direct impact on themselves.

I suppose that is what was a bit alarming about this particular issue: so many people—often they were not members of the OCN—came forward and were willing not only to be signatories to the petition but also, then, upwards of about 500 to 700 of them actually put in written submissions or written comments when they signed the petition. It was a fairly active petition. I understand that it might have been one of the biggest petitions the Assembly has received.

MR PETTERSSON: I want to clarify something. Is this submission from you or is it from the Owners Corporation Network?

Mr Petherbridge: It is me representing the Owners Corporation Network and the Owners Corporation Network representing the people who were signatories.

MR PETTERSSON: So it is from them? It says right here, "Submission by Owners Corporation Network." That is who I assumed it was from. But you are saying you do not speak for them?

Mr Petherbridge: That is a technical issue, I think. That is a bit of a technical comment because, basically, as I explained, the signatories were not all members of

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the Owners Corporation Network, nor did the whole thing start with the Owners Corporation Network. However, we were asked by people to represent their interests; so in that sense, sure, it is the Owners Corporation Network but we are representing the community.

THE CHAIR: Do you have a substantive question, Mr Pettersson?

MR PETTERSSON: I do.

Mr Petherbridge: Is that an issue? I mean, I do not understand.

MR PETTERSSON: I was more just confused by it. It is not an issue; I was more just trying to clarify who we were engaging with here.

Mr Petherbridge: I wrote the submission, but I included many things that came directly from the community as a way of encompassing the broader set of things that people were saying. Rather than have 5,700 people come here and be interviewed by you, I am representing their views.

MR COE: And you do so officially through the OCN?

Mr Petherbridge: Yes, absolutely. The OCN supports what I am doing.

MR PETTERSSON: Okay—never mind; it really does not matter.

Mr Petherbridge: No, I am happy to answer your comment.

MR PETTERSSON: No, it really does not matter. You mentioned in your submission that you think stamp duty has hardly moved. By what measure do you make a claim like that?

Mr Petherbridge: In terms of the published amount of money that has come from stamp duty between one year and the next, it actually has gone up. I do understand that some of that increase relates to the number of properties that might have increased. I understand that. But the bottom line is that if people buy a property today versus buying it 13 years ago, they do not pay a lot less in stamp duty than they did before. Certainly, the rapidity of rates increases has been far greater than the reduction in stamp duty.

MR PETTERSSON: We can get to that, but I want to talk about your claim that stamp duty has hardly moved.

Mr Petherbridge: Yes, I have.

MR PETTERSSON: You said, “Get to the bottom line.” The bottom line is the rates at which stamp duty are charged, what levels they are. In 2016-17, for a \$300,000 home—

THE CHAIR: Have you found one of those lately?

MR PETTERSSON: you would pay \$5,460 in stamp duty. If you go back to 2012, it is less. If you go through all of the rates for stamp duty, they have gone down. What has happened with the price of housing is that it has gone up. Are you suggesting that the ACT government should set its tax policy based on what the housing market does?

Mr Petherbridge: Look, I think—

MR COE: Yes, that is right. That is what rates are.

Mr Petherbridge: I think probably there are a number of suggestions that have come through now from associates of mine. I mentioned a pro bono economist who has been doing some work with us. There are decent suggestions there on alternative ways of collecting the same amounts of money. I think the fact that I have made a comment about stamp duty hardly moving is not the significant thing. You might think it is significant, but I do not think it is that significant. I am happy to agree with you that maybe it has moved more than I state in my implied statement there. I am happy to accept that your comment there is fine. Right?

MR PETTERSSON: Thank you.

MR COE: On stamp duty, of course stamp duty is relevant to land tax, but the apartment changes last year are totally separate to the tax reform, as Mr Quinlan clarified for us at the most recent public hearing. He certainly did not make any recommendations with regard to the change in the methodology for apartments that came in last year. So the rate reform package of 2012 really has nothing to do with that change that happened last year, the legislative change that the government brought in with regard to the methodology. With that said, do you think that the previous system—the previous methodology—for calculating rates for units and apartments was fairer? Should we be implementing that? Should we be reversing the system?

Mr Petherbridge: Maybe you do not need to return exactly to that, but the point we are making is that the new method penalises certain groups. I have read in the newspaper that parts of the government have said that a very, very small number of places have been affected. Well, we would suggest it is something like 29,000, and that is not a small number. So in that sense we disagree with some of the reports in the paper that have supposedly come from the government.

The method was put in place without due analysis, we believe, and there has been a lot of impact that was not necessarily expected. From the 2018-19 budget it would appear that the government has accepted that maybe there are some issues because they have now lowered the top tier and increased the bottom tier. That is tweaking the system, rather than doing anything fundamental to the way it was created. The government is saying that that will give people living in unit title properties another year to get used to this. That seems to me to be a little bit disingenuous because getting used to things is not necessarily the way to treat the community. “Getting used to it” I think is a poor term to use.

The point I am making is that if one were to simply take account of moving those scales around, over time those scales will no longer have that same reduction in

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separation; they will start to creep and increase again. So the problem will still be there. It is the method that is wrong, not the scales. However, I think the government accepted that there was a problem with these rates by reducing that scale, therefore appearing to give some short-term reduction in the rates in certain properties.

But, the problem is still there for people in one-bedroom apartments—often the poorer people, if I could put it that way—and smaller two-bedroom apartments where there might be families. Those apartments are often rented—one-bedroom and two-bedroom apartments probably have the greatest number of renters, so they are the ones most affected. They tend to be at the lower end of the economic scale, if you like. It seems a bit strange that a Labor government should address people who would normally be expected to be some of the people they would represent most solidly.

When I look at the likes of the federal Labor scene, like Gai Brodtmann and various others in Canberra, they make the point about increases in health funding and energy costs. The increases in rates in Canberra are 10 times more than the increases in energy or health costs over the last 12 months. So why bleat on about things that are so much smaller than the rates that the Labor government in Canberra has had responsibility for, in terms of increasing those costs on housing affordability for people at the lower end of the economic scale? It just does not make sense to me.

MR COE: The question in this situation is often twofold: firstly, can you afford it, and of course many cannot; and secondly, even if you can afford it, is it fair and are you getting value for money as a result of the rates being paid? Has there been any improvement or increase in services provided by the government as a result of this change?

Mr Petherbridge: Let me answer the first part first. The people who cannot afford it are the people I just spoke about it. They cannot afford a 109 per cent increase in their rates in one year. That is pretty obvious, I think. And it is not as if there is an outrider—for example, just a few of them. There are 23,000 of them. It is a much bigger number than just a small number.

MR PETTERSSON: What was that percentage increase in one year?

Mr Petherbridge: The value-based part of the rates for one-bedroom apartments has increased by as much as 119 per cent, and two-bedroom apartments have increased—

MR COE: The variable component?

Mr Petherbridge: The variable component; the valuation part of their rates.

MR PETTERSSON: But as a total percentage of the amount they are paying, what would that increase be?

Mr Petherbridge: No, I am talking about the valuation-based part. I specifically said that.

THE CHAIR: Not the fixed charge; the variable.

MR PETTERSSON: I get that you are talking about the variable, but in terms of how much their rates have actually gone up, you are talking about a component of their rates, not their total rates.

Mr Petherbridge: We will go back to that, then. That is about 40-odd per cent in one year. Energy and health cost increases are far less than that in one year. Labor, on the federal side, are suggesting how wonderful they are doing versus the Liberals. I am not political; I do not belong to any political party, but I read what goes on. They suggest that energy and whatever costs are going up enormously, but they are not going up in Canberra as much as the rates.

THE CHAIR: And the second part of Mr Coe's question?

MR COE: About the value and the services and fairness.

Mr Petherbridge: On value for money, I can give you examples of individual one-bedroom apartments that may have had an unimproved valuation of about \$100,000-odd in 2016-17 and the same in 2017-18 but their rates went up by the numbers I just mentioned. So no extra benefits. There was no extra garbage collection; there were no extra roads in the areas; nothing extra was added. Health did not improve for them as a particular group. Whatever the services are, education did not improve for them. I do not think there has been any significant extra benefit for the costs they have had to pay.

THE CHAIR: What you are saying is that as a group they paid proportionately more but got the same services as everyone else.

Mr Petherbridge: No improvement in services but proportionately a lot more. And if you want to go back to Michael's point, it might not have been the full 109 or 119 per cent that I said; from a total rates point of view it might have been 45 or 48 per cent or some number more like that.

There is another point there as well. If you look at the rates and land tax in the investment circle as distinct from the home owner-occupier situation, for a landlord to cover the extra costs, they need to put up their rents by as much as \$35 to \$50 a week. I read some time back that Canberra was number two behind Sydney on rental increases. If that continues, Canberra will far exceed Sydney in rental increases in a year.

MS CODY: The submission that we are looking at today, are they all owner-occupiers or is there a mixture of owner-occupiers and—

Mr Petherbridge: A mixture of owner-occupiers and investors.

MS CODY: And all Canberrans?

Mr Petherbridge: All have properties in Canberra; they do not necessarily all live in Canberra.

MS CODY: They all have properties in Canberra? It is just that a few in here that

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I have read in the past, and while we have been sitting here, talk about Sydney and Melbourne but they do not actually talk about the ACT properties they own. They talk about properties they have sold in Sydney for \$1.4 million and how it is a shame that they have had to pay capital gains tax. Other ones talk about lots of land tax stuff, but we are actually talking about the methodology for rates.

Mr Petherbridge: Well, the petition included both land tax and rates.

MS CODY: Right.

Mr Petherbridge: So the fact that the—

MS CODY: But today we are just talking about the methodology for rates.

Mr Petherbridge: Okay, but the petition originally talked about both. And certainly from the point of view of the economics of Canberra, for example, this week the Kanga Cup is on. The people who need rental accommodation for the Kanga Cup are families. They often use the serviced apartment environments in Kingston or wherever those sorts of places are.

MS CODY: I am not sure what this has to do with the methodology for rates, but yes.

Mr Petherbridge: Hang on—

MS CODY: I do not disagree with what you are saying.

THE CHAIR: Just to clarify, this is an inquiry into the methodology for determining rates and land tax for strata title residences.

Mr Petherbridge: So it is included?

THE CHAIR: Yes.

Mr Petherbridge: Yes, okay. Well—

MS CODY: Keep going. I am not sure what it has to do with it, but keep going.

Mr Petherbridge: I am pointing out that if Canberra is to be the place we all know and love and to continue with the Floriades and the Kanga Cups and major arts events, you need investors to provide accommodation beyond the hotels because—

MS CODY: I have not disagreed with anything you have said so far. Yes, keep going.

Mr Petherbridge: If the people providing those services by having investment properties need to recover their costs by increasing rents by as much as \$35 to \$50 a week and they cannot do it because ACAT or somebody refuses to allow them to do it, then they are going to move out of that market and you are going to lose that accommodation capability.

MS CODY: Do we know that ACAT have said they will not allow that?

Mr Petherbridge: There is a ruling in ACAT that you cannot increase rents beyond CPI. So every time there is a case like that, you have to go back to ACAT to address it.

MS CODY: But, generally speaking, the people that own the serviced apartments are looking at not weekly or daily rents; they are looking at visitors and people coming in for work, and more short-term accommodation, yes?

Mr Petherbridge: That is true, but surely—

MS CODY: So then they would charge appropriately for the short-term accommodation.

Mr Petherbridge: But surely if a weekly rent needs to go up to recover something then that would apply to a daily rent as well. Let's face it: it is a matter of economics. The shorter terms might be three days, four days; for something like the Kanga Cup they are probably almost a week, anyway.

MS CODY: A couple of weeks.

Mr Petherbridge: Yes. I am not here to give you a full economic analysis of the benefits to Canberra; I am not qualified for that. I am a volunteer. I think it is probably evident that I have spent a lot of time advocating for the community since 2008, when this organisation was set up. But I am not an economist. I have been a consultant, but I am not in the economics field.

MS CODY: That is fine. To be perfectly fair, I do not think you have answered much of my question, but I have one final question, noting the time: do you think the only fair way to fix this is for units to pay less in rates than freestanding houses?

Mr Petherbridge: That is a bigger question than what you just asked. Houses have the opportunity to get much greater capital gain than units, so there is that benefit. House owners have much greater control over what they do with their individual properties than people with unit titles, so that is another benefit the household has. So there are a number of reasons why you might say that units should be paying proportionally less than single-dwelling houses, because there are all those extra costs that unit owners have that individual house owners do not have—all the body corporate fees, their costs—

MS CODY: I guess you are saying, “Yes, unit owners should be paying lower rates than house owners”?

Mr Petherbridge: I am saying that, and I can give you an example where that—

MS CODY: Thank you. That is all. I am finished there, chair.

Mr Petherbridge: Can I give you an example where that clearly has not happened? For example, a house in Ainslie advertised at \$1.9 million with an AUV of \$737,000 would have a valuation-base charge of \$3,491 compared with a private apartment that has a marginally higher liability of \$3,527 but with an improved value of less than

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80 per cent of the Ainslie property. So there is an example—and there are many of these—where the houses have significantly higher value but lower rates than the units of a similar value. There are examples out there.

MS CODY: That is fine. I just wanted you to answer the question.

THE CHAIR: I am mindful of the time, but I want to ask you to touch on something we have skirted around a little. In your submission you say in relation to the services that one normally expects to receive from rates—kerbing, guttering, garbage collection et cetera—that some of those services in some places are paid for twice because some are paid for through body corporate fees. Could you expand on that? Could you highlight some examples where people might be paying twice?

Mr Petherbridge: There are some where they do not as well.

THE CHAIR: Yes, I understand that.

Mr Petherbridge: But there are places around. There is one in Kambah, for example, that is a complex of B-class units in almost a village-type environment. They provide for the garbage collection and those services themselves directly, but they are already paying for it in body corporate fees. So there is an example; I am sure I could find others, but I know of that one.

THE CHAIR: I am mindful of the time. Do members have any quick questions?

Mr Petherbridge: Could I make one other comment?

THE CHAIR: Yes.

Mr Petherbridge: There are suggestions in some of the supplementary submissions that have been provided by the OCN collaborative. We recognise that the ACT needs to be able to pay for the services we get, and constructive suggestions have been made as to how rates could be collected to the same degree. Those suggestions, we hope, will be taken account of and considered. I think you have those there, and I want to emphasise that point. Rather than just tweaking the edges of the methodology that already exists, I think the whole thing needs to be looked at again, and there are some constructive suggestions made by my associates.

THE CHAIR: Thank you for providing testimony today. Dr Lloyd, the committee secretary, will forward you a copy of the proof transcript for consideration. If there are any issues arising from that, you can raise those through Dr Lloyd. Thank you very much for your appearance today.

That concludes the hearings for the inquiry into the methodology for determining rates and land taxes for strata residences.

The committee adjourned at 10.00 am.