

REPORT OF PROCEEDINGS BEFORE

**JOINT STANDING COMMITTEE ON THE OFFICE OF THE
VALUER-GENERAL**

INQUIRY INTO THE LAND VALUATION SYSTEM

At Broken Hill on Wednesday 6 March 2013

The Committee met at 2.30 p.m.

PRESENT

Mr M.J. Kean (Chair)

Legislative Council
The Hon. S. MacDonald

Legislative Assembly
Mr C.G. Barr

CHAIR: Well good afternoon and thank you everyone for making yourselves available to participate in this process. My name is Matt Kean and I am the State member for Hornsby, so it was a very early start for me this morning, coming from Sydney on a Red Eye Special to Broken Hill, but we thank you so much for making us feel so welcome in this great town. And I would like to firstly welcome and thank the Major and the Acting General Manager and the Financial Controller of Hornsby Shire Council. I would just like to introduce my fellow Committee members. Firstly, we've got the member for Cessnock, Clayton Barr, to my immediate right. Clayton is a member of the ALP. And to my immediate left we've got Scot MacDonald who's a member of the Legislative Council and is a Liberal Party member. So this is a bipartisan Committee. The purpose of our Committee is that we are an oversight body to review the actions and the Office of the Valuer-General, who's an independent statutory officer. He can't be removed by government. He's independent of government. He can only be removed by two Houses of Parliament. In fact he's appointed by the New South Wales Governor. So our function is as an oversight body to make sure that the Office of the Valuer-General is functioning properly and that the Valuation of Land Act in New South Wales is delivering fair, equitable and transparent outcomes across this State. And that's one of the reasons we're in Broken Hill today, to investigate a number of systemic issues that we've identified and that the community has raised with us. And I'd just like to firstly take the opportunity to thank all of you for being part of this process because your input is how we're going to fix a system that is leading to unfair outcomes around the State. So we've just recently, by way of background, we've recently undertaken an inquiry into the valuation of land in – valuation of land system in New South Wales and we're looking at things like the volatility of land valuations, the complexity in the system, the drivers of inefficiency in the system and any inequity in the valuation system. And we're looking to make recommendations to the government before the State budget, so we're looking to hand down a report in April this year. And we're looking at things like any legislative change that's required, changes that would be consistent with best practice in comparable jurisdictions, measures to improve the transparency within the system, measures to achieve greater efficiency within the system, the need for possible amendments to the Valuation of Land Act, and the cost benefit analysis of proposed changes to the system. So that's the Terms of Reference we're operating within. Obviously there are a number of issues with regard to the effect that it's had on your local community here in Broken Hill, the rates and things like that. Some of those areas are outside the Terms of Reference of this Committee. We're focussing on systemic issues around the valuation, the Office of the Valuer-General, and issues around the *Valuation of Land Act 1916*. So today we have a number of witnesses that will be appearing before our hearing. Those witnesses – I'll just for the benefit of the public let you know that firstly we're having testimony from the Council, the Mayor, the General – Acting General Manager and the Chief Financial Officer. At 3:45 we'll be having Mr Michael Williams who is the Executive Officer of Regional Development Australia Far West. At 4:20 we'll be having Mr Ray Steer who is a former councillor. At 4:55 we'll be having Mr Paul Seager and Mr Dennis Roach who's the President and Executive Officer of the Broken Hill Chamber of Commerce. After that we're going to move to an open mic session and we're going to ask members of the public who wish to have their say to come forward and give their testimony. If you could – if people are interested in giving testimony before the Parliamentary Committee under parliamentary privilege, then if they could please let the Clerk of the Parliament know over here, Mr John Miller. So John stick your hand up. John will be taking names of people who wish to have their say today. So we – we're - we do have some limited time. I want to make sure everyone gets their say, but if we could do it in an orderly fashion that would be greatly appreciated. So I now will open the proceedings formerly. I declare the hearing open.

WINCEN CUY, Mayor, Broken Hill City Council

KATE O'NEILL, Acting General Manager, Broken Hill City Council; and

TIMOTHY DREW, Chief Financial Officer, Broken Hill City Council, affirmed and examined

CHAIR: Thank you for appearing before the Committee on the Office of the Valuer-General today to give evidence. I'm now going to swear in the witnesses. So can you please confirm that you have been issued with the Committee's Terms of Reference and the information related to the examination of witnesses?

Mr CUY: Yes, we have.

CHAIR: Thank you Mr Mayor. I'd like to remind you that while you are protected for any evidence that you give before the Committee, while you are participating as a witness in this hearing, you will not have the same protection if you repeat, republish or refer to any of your evidence outside these proceedings. The Committee's role is to monitor and review the exercise of the Valuer-General's functions with respect to land valuations. It cannot investigate the valuation of a specific parcel of land. In keeping with Parliament's recognition of the role of the Courts the Committee will not be considering any question currently before the Courts for determination in respect of land valuations by the Valuer-General. You should have careful regard to this position when giving your evidence. If you wish to raise any particular, sensitive or confidential matters with the Committee you may request for part of your evidence to be heard in private. So just for the benefit of the public we do want – we don't want to restrict any debate. If there are confidential issues relating to a legal case we'll take it *in camera* so that the Mayor and witnesses can have their say.

CHAIR: Thank you Kate. In what capacity are you appearing before the Committee today?

Ms O'NEILL: The Acting General Manager of the Broken Hill City Council.

CHAIR: And have you provided the Committee with a submission? Do you want the submission to form part of your formal evidence?

Ms O'NEILL: I will be making a submission before the due date.

CHAIR: In what capacity are you appearing before the Committee today?

Mr CUY: As Mayor of Broken Hill.

CHAIR: Thank you. And have you provided the Committee with a submission?

Mr CUY: We will be submitting after – before the due date.

CHAIR: Fabulous.

CHAIR: In what capacity are you appearing before the Committee today?

Mr DREW: As Chief Financial Officer of the Broken Hill City Council.

CHAIR: Fabulous. And thank you all for giving up your time. Would you like to – any of you or all of you might like to make an opening statement before the commencement of questions.

Mr CUY: I think that what the proceedings – what we plan on doing, I'll be opening the proceedings and then the Acting General Manager will make some overlay and the Chief Financial

Officer – I'm sorry, and the Chief Financial Officer will then be bringing some technical issues too. So what I'd like to do is thank you for the opportunity, and also I'd like to welcome you, Mr Chair – Mr Matt Kean, as Chair, to this great city, the Honourable Scot MacDonald and Mr Clayton Barr. I'd like to welcome you to our city, first and foremost. I know Scot has been here previously on again a matter of great concern to us as well so – about the development of the Far West. So I'd like to thank you for the opportunity to provide – that you're going to provide for the submission to the Joint Committee of the Office of the Valuer-General in this matter. And further, we'd like to – because we've already had the opportunity to make a bit of a presentation to Matt when you were out here the first time, and really we welcome the fact that you've chose to open these proceedings in Broken Hill, mainly because I suppose it's a very topical point at this point in time for everybody in Broken Hill and we really do need to make sure that what we do with this whole process is have a fair and equitable outcome for everybody, so that everybody understands what the Valuer-General's procedures are, how the Valuer-General can affect the operations of a council. We are a \$30 million operation, but this really has significant impact on us into the future. By getting it potentially so wrong is what our greatest concern to us is. The problem we also face is that whilst we are going to, as a community, really be at the pointy end when decisions are being handed down, but at no time are we part of the proceedings. We have the Valuer-General on one side and we have a – the opponent – wrong word. We have Perilya. I'm going to - I've probably put the names in it, but we have somebody there that is actually having conflict. We're stuck in the middle, and I've said on many occasions it's like being at a tennis match. The ball was in one court, the ball was in the other court and we're sitting there as an observer. I think that, to me, really needs to be looked at. We believe, and I strongly believe, that the process you go through to – from a valuation point of view, the residents, business get their valuations. They have XYZ amount of days to challenge that. Then that goes back to the same people who actually did the valuation. Then it comes back, and unless you are a large organisation, do you have the opportunity and do you actually have the money to be able to challenge that? I think that a fair and equitable way of doing business is actually giving everybody the same opportunity to challenge the decision of the Valuer-General. That goes from large business, medium sized business, right down to the residents of any community, because I take on board that you're not only just talking about Broken Hill in this instance, you are talking about the broader New South Wales. So from that fact that we have had this firsthand experience in a very large way gives us some insight into what we believe happens throughout the whole process, that nobody really gets a true opportunity to really look at the valuations of their property, simply because – it might be \$500 but \$500 to a person on a single income - fixed income is a lot of money. They should still have that same opportunity to be able to challenge that as a large organisation has the right to challenge it as well. So I think that is a very, very strong point that I believe we need to look at into the future. I also – I don't think a lot of people understand how we have such a varying difference in our land valuation, especially a community like Broken Hill, when you have XYZ dollars to develop and to deliver to the community the services that provide to actually operate and live in residents. They're all basically the same. It costs XYZ dollars to get it to the front yard all these services, but the variance of the rate of – the income from the rates and the valuation is so varied in this community, and I'm sure it's not only this community, it's in every community. I think people have a very difficult time in understanding the process. Unless people really delve into it they really don't understand the process that goes on through the entire four years. I believe most people believe that Council set the valuations and Council do this, because that's all you ever hear is, "Well Council is taking the money away. Council is doing this. Why is Council setting our rates at this," because they don't – the general public don't understand that the Valuer-General sets that and then we deliver the rates on top of that. So I think also a greater understanding by the broader community of the process will be of great benefit into the future. So that's my opening. That's where I think that from a broader community point of view that I would like to finish, that we then take it to, specifically about Broken Hill and in some degrees about our special set of circumstances. Okay.

CHAIR: Thank you Mr Mayor. General Manager?

Ms O'NEILL: Thank you Committee. If it's suitable with the Committee what we thought we would do is set some context first. Tim will talk about some of the technical valuation issues and recommendations that we think the Committee should consider, and I was going to close with some commentary around where we're at currently with our valuation issues if that's okay. Great. So just for context for the Committee, the community vision for Broken Hill which was set as part of a wide consultation process with the community, is for our city to be a self reliant, strong regional community with services and facilities that support an active and vibrant residential population, valuing and sharing the region's unique natural and built environment with regional, national and international visitors. The city itself is approximately 109 square kilometres and is the largest regional centre in the western half of New South Wales. We lie in the sparsely populated outback as you probably observed flying in this morning and are close to the South Australian border and midway between Victoria and Queensland. Our nearest population centre is Mildura in Victoria, which is approximately 300 kilometres to the south on the Murray River, and our largest capital city is Adelaide, which is approximately 500 kilometres to the south west. The area itself is surrounded by and is a regional service centre to the unincorporated area of New South Wales and adjoining shires and district communities. The most recent estimates of our population is approximately 1,900 – oh, sorry, 19,000. This represents a 30% decline since 1971, and that's mainly relating to the decline in our local mining industry. However, in recent years the population has stabilised somewhat and the rate of decline has slowed. Mining development and exploration activity in both the city and surrounding region has experienced a resurgence in the past few years and this is related to the high commodity prices. But this is a cycle that has continued for the past 130 years and remains buoyant for the foreseeable term. Tourism also is widely regarded as a strong performer and is not subject to the same impacts as the mining industry. Council's infrastructure improvements, together with retail, renewable energy, arts and film developments in and around the city will be a means also for a vibrant and culturally rich community and to make it a continually liveable region for the city in the long term. I'll now hand over to Tim.

Mr DREW: Thank you Mr Chair. As foreshadowed I will be talking about some of the more technical related aspects of the legislation and the application of the legislation and perhaps some changes that we feel could be made to improve the current system. One of those improvements, we think that quite clearly needs to be made, is to increase the flexibility and choice of the land valuation methodology that councils can apply. At present we're limited to site value only, and we believe that Council should be able to use one of three valuation methodologies, site value, capital improved value or net annual value, as the circumstances require. Now obviously every town, every city, every council area has its differences in every regard, and what best suits a city council in terms of rating and valuation methodologies might not apply out in the bush to a small country town, might not apply to Broken Hill. And so under the current methodology of using site value, two identical properties will be rated at exactly the same rate, assuming that the site value is roughly the same, and that's regardless of what improvements have been made to that property and what a ratepayer can actually afford to pay. So if you just envisage a situation where you have two identical house blocks next to each other in a street, one's vacant, one's got a great big whopping mcmanion on top of it worth half a million dollars, they're both going to be rated on site value only. And that does not bear any reflection on one of the principles of a taxation system generally or a rating system which should be the ability of people to pay. Obviously someone who can afford to put a large house or lots of improvements on their property can afford to pay more rates, and we believe it would be certainly more equitable if Council had the choice to use that valuation methodology and rate accordingly. And if there was change to the Act to reflect that then we believe that the definition of the different valuation types could be improved as well. At the moment site value perhaps is a bit unclear in that it can take into account some of the capital improvements which for all intents and purposes have become part of that property over a long history of time and essentially have become invisible, but a valuation system where those improvements clearly reflected in the capital improved value, would certainly increase the transparency in relation to the valuation methodologies used. So we believe that applying that sort of methodology, which is used in Victoria and used successfully, would give a lot more flexibility to councils throughout the whole State in which method they apply and what is best for their

circumstances. Generally, regarding the operation of the land valuation rating system, Council believes that it is inherently sound but it's obviously critically important that valuations are frequent and kept up to date. The need for annual valuations to come into effect as soon as possible through a supplementary valuation process is something that obviously needs to continue so that the rating basis that we are using – sorry, the valuation basis that we are using for rating purposes reflects the latest actual values that come into play. Averaging – in our submission we'll be talking about averaging and it's an approach that could have merit and could be used in lieu of an annual reassessment of property values, where an average of say the last three years' values could be used to determine an average rateable value for say the third valuation year in a cycle. That's something that could be considered. However, as long as the supplementary valuation process continues then I'm not sure about the real necessity for an averaging system, as long as generally the valuations are being kept up to date and assessed for any major movements on an annual basis by the Valuer-General or their contractors. Just talking about the valuation cycle a bit further, Council actually did raise concerns about the volatility of valuations in 2006 and 2007, particularly in relation to the significant variations that were being experienced here in Broken Hill between north and south Broken Hill localities. Following both Council and community consultation and support the Valuer-General decided in 2007 that they would review Council's – sorry, Broken Hill's land valuations every three years rather than every four years, and that's obviously been a welcome move on Council's part and we believe it's more equitable and more in line with market conditions. In our submission we will also be suggesting that the introduction of value – annual valuations could be considered and that that should be considered on the basis that it will give more accurate valuations on a more regular and frequent basis, and obviously will more accurately reflect what's happening in the market, the movements and the sales of properties in any given year. Moving on to issues around transparency and accountability, and the Mayor touched on these in his opening address, in our submission we will be saying that we do believe that the valuation and the rating processes should be distinct and separate processes and that the current system, as it works, with the Valuer-General being responsible for undertaking the valuations either through their own professional staff or through contractors can be retained and perhaps should be retained to ensure that a rating or taxing authority such as a local council doesn't really have the ability to manipulate valuation data to suit its own purposes. We agree that the rights of objection and appeal should continue to be available to all landowners who wish to challenge the Valuer-General's assessments and we certainly believe that those rights of objection and appeal should continue to be open to local government authorities. We do believe though that there should be increased transparency on the part of the Valuer-General with regards to the valuer – valuation process generally, but particularly the objection and appeal process. We are kept up to date with objections that are submitted and under consideration by the Valuer-General, and that happens on a regular basis, but as the Mayor alluded to, what actually happened in the case with Perilya was Council was not kept up to date, was not kept informed by the Valuer-General of what actions had taken place since the objection had been essentially rejected by the Valuer-General, and in fact I'll make mention, which the Mayor has publicly stated before, that Council actually only found out about Perilya's objection after the Court case had been concluded - sorry that was the appeal, after the appeal had been concluded, and that was through contact made with the Mayor personally by Perilya itself. We don't believe that's acceptable. As a local government authority we're paying the Valuer-General \$50,000 a year thereabouts for valuation services and obviously with the separation of the valuation process from Council we have no control over that at all, and essentially there's little, if any, accountability back to Council on behalf of the Valuer-General, and in situations such as the one that we've just been through and described, you could wonder and quite rightly ask the question, "Well what's Council actually getting from the Valuer-General for its \$50,000 a year?" Okay, sure, we're getting the valuation but in terms of outcomes it's hardly satisfactory considering the amount of effort and work that Council is being put through, plus all the uncertainty and the consternation that the community is also being put through. It's had a broad effect well beyond just the four walls of the Council building next door. This reverberates throughout the whole community, and it's a process that the community obviously has no control over and gets frustrated about, and I can assure members of the community it's a process that we have no control over as Council, and similarly get frustrated about as well. And so in talking about accountability we just wonder

whether it needs to be codified into legislation or into some standard of best practice which forms some sort of loose or formal or semi-formal service level agreement between the Valuer-General and the local councils. Now obviously if the Valuer-General is contracting out to private valuation firm they would need to have some sort of contract with those valuation firms, and I would imagine that there are standards of service and quality and duty of care that would come into play. We believe, even though we're a step removed from that process as the Valuer-General does contract out valuation services here, we still believe that there is some sort of duty of care, some standards that should be applied that we have some recourse to should we have real concerns or issues with the quality of work being undertaken through the Valuer-General's office. We have no satisfaction in the latest situation at all. We don't have deep pocket as a council, as I'm sure every member of the public here is well aware, to pursue the Valuer-General through a lengthy Court process spending a significant amount of money on legal fees. We're spending a significant amount of money on legal fees as it is, and obviously taking up administration time and effort which is a cost to the ratepayer. So we believe there are some real concrete measures that could be put in place to hold the Valuer-General to a higher standard of account than currently exists through the legislation. Okay. And just talking further about the situation, I won't breach any confidentiality issues in relation to obviously current proceedings, but talking more generally about what Council might be required to do in order to remedy the situation that's arisen as a result of the successful Court appeal of the valuation, as a Council, in December we obviously had to consider the issue with some degree of urgency as to what Council would be required to do if it was to have to find \$6.9 million to repay Perilya in overpaid rates as a result of their property valuation being much, much higher than the Valuer-General had previously assessed it at. So that involved Council looking at its capital works program and its special works program for this current 2012/13 financial year and vacant positions, and in order to try to free up as much cash as we could should we be required to, at short notice, pay that money to Perilya, Council made a decision to freeze all capital works that hadn't been commenced or committed to as well as special projects and put a freeze on recruiting staff and the filling of vacant positions. So through that process we're expecting to generate a reasonable amount of savings and free up some cash in this financial year. But despite that we're still looking at the situation where we'd be needing to take out loan borrowings to actually hand over the money to Perilya, should we actually have to do it tomorrow. Now that's obviously still subject to the Court proceedings and may not be required, and obviously there are also negotiations being undertaken with the State government about what could come to pass should Council have to pay that money, but we obviously have to consider all options, and loan borrowings of \$6.9 million for the Broken Hill City Council at this current point in time is a significant commitment, and it's a cost that's going to be borne in the end by all the other ratepayers of Broken Hill City Council in one way or another. And just to highlight how that might come back to the ratepayers, a scenario that I was just looking at this afternoon prior to coming here was, should Council have to repay that \$6.9 million, and assuming that Perilya's objection to its 2010 valuation is successful along similar lines, and assuming that the other mining company in the Broken Hill City Council goes down the same path in relation to its 2010 property valuation, Council could be looking at a total notional lost rate revenue of \$14.9 million which we obviously can't afford to lose. That's one year's worth of – that's more than one year's worth of rate revenue. Council has been incurring operating deficits for each year over the last at least six, seven years and our cash reserves have been depleted over those years as a result of that, so we cannot afford to absorb \$14.9 million in lost rate revenue. So if we were to apportion that over the two other key rating categories, being residential properties and business properties in town, over a 10 year period for residential properties we would be looking at a 10% rate increase every year for an average residential property. That's across each of the 9,567 thereabout residential properties, each one of them 10% every year for 10 years. That's assuming that this \$14 million burden is split 50/50 between residential and business. The business properties would have to pay an extra 3.2% every year for 10 years. Now quite clearly that's not a sustainable situation for the ratepayers of this city. So the consequences of the Valuer-General getting valuations so wrong doesn't just stop in one year, it goes on for 10 years. And the retrospective nature of the objection process which allows a ratepayer to object to say their 2007 property valuations well after the event, what Council – what that does is that places Council in a really uncertain position because for the future we can't

necessarily rate with confidence knowing that at any given time there could be an appeal or an objection lodged against a valuation which goes back five, six, seven years. So in planning for the future we've got a horrible legacy to deal with now that goes back to the 27 – the 2007 valuation which first came into play in the 2008/9 financial year. So we also believe that there should be some modification of the legislation that doesn't allow for that level of retrospective application because the implications for a rating body like ours into the future can be horrendous. Now in saying this and putting this forward to you we are obviously aware of the fact that this could work for and against a council or a local government authority. Should we object to a valuation being too low and it couldn't be applied retrospectively across a number of years, we could possibly be losing out on income. But under the current circumstances we're obviously facing a significant issue based on a retrospective decision going back over a number of years.

CHAIR: Mr Drew I'm just conscious of time and I'm very keen -

Mr DREW: Sure.

CHAIR: - to draw out some questions that the Committee has.

Mr DREW: Okay.

CHAIR: A number of these policy ideas that you have I assume they'll be included in your submission -

Mr DREW: Correct.

CHAIR: - as part of the public submissions process?

Mr DREW: Correct.

CHAIR: Is there anything else that you would like to make in your comments before we start our questioning?

Mr DREW: No, I was actually getting very close to the end of it.

CHAIR: Okay.

Mr DREW: So that key point about the objection and the appeal process –

CHAIR: Yeah.

Mr DREW: - not having such a retrospective view was probably the last point.

CHAIR: Fabulous.

CHAIR: Mr – I might direct my questions to Mr Drew if that's okay, and if you'd like to add anything then feel free to jump in. Mr Drew you've outlined very well the impact, the financial impact on Broken Hill City Council. I would just like to get a clear understanding of a couple of things. Can you tell me what your annual turnover is for Council?

Mr DREW: Annual operating revenue is in the order of \$42 million. And given the fact that, as I mentioned before, we've been working on operating deficits, our operating deficit before capital items is about \$7 million. So our realistic annual turnover is more – should be more in the order of \$33 million a year.

CHAIR: Okay. But your annual turnover is \$42 million a year?

Mr DREW: \$42 million a year.

CHAIR: What was your net profit last year or net loss?

Mr DREW: Net loss was about \$4.7 million.

CHAIR: Of your total turnover how much of that is from rates?

Mr DREW: \$13 million, so approximately 30%.

CHAIR: And of that \$13 million from rates how much do you rely on from mining companies?

Mr DREW: In the order of 25/26%.

CHAIR: Have you had to pay back the figure that I've seen in the media of \$6.9 million in overcharged rates yet?

Mr DREW: Not to this point, no. I should say we have made provision for it this year.

Mr MACDONALD: Sorry, you have made?

Mr DREW: We have made provision for the full amount this year as an expense.

CHAIR: And when do you expect to make that payment -

Mr DREW: Hopefully never.

CHAIR: - be required to make that payment?

Mr DREW: A difficult question to answer at this point. I guess we're waiting for the appeal process at this point in time to be seen through to its end.

CHAIR: I'm interested in taking up the point you made about transparency, and I just want to go through a timeline with you Mr Drew. So I understand that the Valuer-General determined the value of the Perilya Mine at 1 July 2007 to be \$29. - \$20.9 million; is that correct?

Mr DREW: That's correct.

CHAIR: Okay. And when were you told that Perilya had challenged that valuation?

Mr DREW: I can't answer that. I might defer to the Acting General Manager.

Ms O'NEILL: Mr Chair, the information available to us at this stage is that we were aware that the objection was lodged with valuation – with the Valuer-General on 3 May 2010. That was by a VNET report, we were aware of that, but I can't confirm when Council actually received the supplementary notification that made us aware of it.

CHAIR: So can I just clarify? When was Council made aware that an appeal had been lodged against the valuation?

Ms O'NEILL: I have to take that one on notice. Current staff weren't at Council when this actually happened. We just know the dates from the workflow – from the Land and Property information system.

Mr CUY: You're talking about the officially – official notification from the Valuer-General?

CHAIR: Correct.

Mr DREW: And I guess we just need to be clear about what the question refers to, whether you're referring to the objection or the Court appeal process?

CHAIR: Well let's start with the – I'd like to get a timeline about how the value – I want to understand how the Valuer-General kept Council and the public informed of this process, from objection to Court case, to final determination. I want to know when Council was made aware of these issues. So the valuation at 1 July 2007 was done for – and can I just – that was the valuation done for the next three years which would determine rates for the next three years; is that correct?

Mr DREW: Correct.

CHAIR: Okay. And when were you informed that there was an appeal lodged by the Valuer-General?

Mr DREW: Appeal or objection?

CHAIR: Objection, sorry.

Mr DREW: I think as the Acting General Manager just said we can't quite be specific about that date.

Mr CUY: We – if I could just speak Mr Chair, that at this point in time it's very difficult for us to actually lineate that because we believe that there was no real – we have to go back through our archives and actually understand from an information point of view. I can't remember at any Council meeting having official notification that that has actually been undertaken. So I -

Mr DREW: Objection.

Mr CUY: That's what I'm saying. I wanted to clarify, making sure that we understood that we were saying that it was from the Valuer-General to us about the process and from memory I can't remember any Council meeting that's been brought up.

CHAIR: Okay.

Mr CUY: So I'm sure it would have been before Council if it had –if it materialised anywhere.

CHAIR: Can I maybe come from this angle? When was the first time Council was made aware that there would be an issue in relation to rates that it had collected?

Mr CUY: That's again – I think that May 2010 a valuation objection was lodged. That's the information that we've been able to determine, that 3 December 2010 the objection was disallowed, and then the proceedings from there. We don't hear too much more until the appeal of Land and Court was received in February 2011.

CHAIR: So the appeal was done in February 2011. And were you informed when that appeal was lodged?

Mr CUY: No.

CHAIR: When were you informed that there had been an appeal?

Ms O'NEILL: Yeah. We received notification from Perilya directly approximately a week after the decision of the Land and Environment Court.

CHAIR: Which was when?

Ms O'NEIL: 25 or 26 October. I think it was 26 October. And I understand the decision was actually – the hearing – the appeal hearing at the Land and Environment Court was held between 10 and 12 October and the decision of the Land and Environment Court was handed down on 19 October with -

CHAIR: And you found out from Perilya -

Ms O'NEILL: Perilya -

CHAIR: - on 26 October?

Ms O'NEILL: - contacted the Mayor and forwarded a copy of the Land and Property Information Notice they have received with the change of valuation.

CHAIR: From – can I ask any of you, from when the objection was disallowed to when the appeal was upheld by the Court, did the Valuer-General contact Broken Hill City Council at any stage?

Mr CUY: As far as we're – as far as we know, no, that we can't find any record at this point in time to say that the Valuer-General has contacted us.

CHAIR: So the first time you were made aware of this in – over two years, was from the – from Perilya?

Mr CUY: That's correct. Well that's our indication. And unless we got that we really probably wouldn't still know.

CHAIR: You pay the Valuer-General \$50,000 a year to undertake rating of valuations for this LGA; is that correct?

Mr DREW: 49,000, yes.

CHAIR: And does the Valuer-General – you said – you talked about a service level agreement, is there a service level agreement between Council and the Valuer-General?

Mr DREW: Not to my knowledge.

CHAIR: So what is the arrangement between Council and the Valuer-General? What is Council's expectation of the Valuer-General's services?

Mr DREW: Well what our expectations are and what's formally written down in an agreement, there might be a fair degree of divergence around those. As far as I'm aware there's no written or formal agreement between Council and the Valuer-General. What are our expectations around the valuation? I guess in a nutshell we want timely and accurate valuations that reflect the market conditions as much as possible and we want a high quality of service and communication.

CHAIR: Do you think you're getting a high quality of service from the Valuer-General, Mr Drew?

Mr DREW: In regards to communication, no. In relation to general valuation data, on the whole, on balance, I would say yes. In relation to specific individual properties, there might be occasion where the answer has to be no, where there's such a wide discrepancy between a value assigned by the Valuer-General and what's determined through the Court process. And that could go for any property where there - on appeal or objection, the difference between the reassessed value and the original value is so widely off the mark.

CHAIR: Mmm. I don't think that's an unreasonable expectation. Mr MacDonald would you like to?

Mr MACDONALD: Thanks. You actually touched on something I was going to ask just then. I get the point about communication. I get the point about wanting to know if there's an impact on the Council there's going to be substantial materiality. So if we're going to make recommendations to the Minister and to the government, do I hear you to understand that you perhaps don't need to know about every objection if it's not material, but if it's material to Council you need to know? So if Bill Jones and his small suburban block and there might be a variation or an adjustment in the hundreds of dollars or a few thousands of dollars that's not necessarily something you need to know about overnight? But in this case where you're talking about 50% of one year's rate revenue, that's obviously something that you need to know about and in a timely manner; is that - if we're going to make recommendations to government, the materiality, is that something that we need to incorporate?

Mr CUY: I totally support what you're saying. I think that we don't need to know those types of issues because it is very, very important to the resident at the time, but from our point of view that's what needs to happen and there is a small adjustment. But when you're talking, as you said, a significant part of Council's income and that we have rightly or wrongly relied on for many, many years, we need to know that and in a prompt and efficient communication back to Council to actually prepare, prepare the community and actually look at where we can go to in the future is paramount. Without that what are we paying for?

Mr MACDONALD: Yeah.

Mr CUY: Realistically what are we paying for?

Mr MACDONALD: Mmm. And a little bit further too, the Chair's comments, I'm astounded there's no agreement of any sort. You hand over \$49,000 or \$50,000 a year and you hope for the best but there's no service agreement, there's no KPIs, there's no - so is that something - even if it's a very simple document to say, "This is our expectations" as the Chair was saying, "This is the communications we need," and no doubt he would have his side of the service agreement as well. So a simple document, a one pager or a two pager that would give you some clarity?

Mr DREW: Oh, I think that would certainly be of great value and assistance and in a situation where the Valuer-General contracts out to a private firm, perhaps that could include a summary of similar conditions that the Valuer-General would have with their contractor as well -

Mr MACDONALD: Yeah.

Mr DREW: - without breaching any confidentiality, "The Valuer-General, we require you as a contract valuer to deliver a valuation within a certain date and to contain these characteristics and so on."

Mr MACDONALD: Yeah, yeah. Look and my final thing was, right at the beginning of your talk you did say you wanted more consultation. Can you maybe just flesh that out for me a little bit? What would you like? How would you like to engage with the Valuer-General I guess I'm asking?

Mr CUY: It's about having the conversation and understanding. I think from the Valuer-General's point of view - well their contractors, do they come out here? Do they actually understand the community? One of the things that I find, and I might be getting off the point here, but one of the things I find is very, very strange is that we have - we actually have one system again that fits every community within New South Wales.

Mr MACDONALD: From Tweed to Albury.

Mr CUY: That's exactly right.

Mr MACDONALD: Yeah.

MR CUY: We have one system that fits there and we go, "Okay, this is your glove, you're going to wear it exactly the same as any metropolitan council. You're going to wear it the same as any regional council." The individuality of every community, whilst we shouldn't have a different - 100 variations, there needs to be, as Mr Drew's point takes out, there needs to be an opportunity to actually undertake different rating systems, so what suits the Council and what suits the residents going through that process.

Mr MACDONALD: So could I ask there say - this comes around about every three years. So would it be useful if the VG go gets a consultant valuer to do that - I think they came out of Dubbo in this case, for that valuer to sit down with you for half an hour, you explain where you're at in the mining cycle, where you're at in terms of population, as you just raised there before, how retail is going, how investment is going and that sort of thing? So I guess this person in - who's come out from Dubbo thinks he knows what's going on, but would a half hour or hour consultation with Council have -

MR CUY: I -

Mr MACDONALD: - any merit?

Mr CUY: - think that's - that should happen, yeah. You're absolutely right. I think that anybody who's going into a community to look at the valuations needs to understand what the community and what the process is going through. I think that there wouldn't be anybody out there in any community probably in Australia that has a situation that we have with a mining precinct smack bang in the middle of the community. So - and actually having that historical factor, we've relied on the mine rates for so often and so much, that we need to sit down and have any person that's coming into our community understand our community. And I think that that should be mandatory that they could come and consult with some lead agencies and lead bodies and quite obviously Council needs to be one of us.

CHAIR: Mr Barr?

Mr BARR: Thank you. Look I want to start by saying as a human being and a ratepayer in a different council I'm really sorry that you guys are in this position. I don't know how we amend what's happened in the past. But going forward Mr Drew, I was really interested in something that you said during your comments, and I think that you said something along the lines of, valuing - valuations and ratings should be two separate and distinct activities. Is that correct? Is that what you said? And if it is, or if it's not, could you please fill me in on it?

Mr DREW: Yeah. Sure. Certainly. In terms of a process and the bodies responsible for the process, the separation of the two does have merit in that Council, as a rating authority, considers and sets the rates on an annual basis based on the valuation of the properties. Now depending on the makeup and the demeanour of the council, if it was the rating and the valuation body and performed both functions then it could be argued by doing those functions it could manipulate, if it so wished, valuations, in order to achieve certain rating outcomes. So in terms of having separate processes where they're undertaken by separate bodies or organisations there's no danger of that happening. So Council is quite happy with that situation. Obviously as the rating authority Council has its role to play, but it relies very heavily on an adequate valuation process being undertaken by another organisation. So as long as that process is undertaken and undertaken well then that separation of the powers if you like, can and should continue in our view.

Mr BARR: All right. Thank you.

CHAIR: I just want to follow up on the issue Mr Barr raised about independence. Do you currently think the Valuer-General is independent?

Mr DREW: Independent of Council obviously, yes. Independent of other influences and pressures that might come to bear, I think in terms of framing our submission when we were talking about this the other day, we have concerns about the Valuer-General not adhering to the objection timeframe set in the Act. Now there's flexibility in the Act. It gives the Valuer-General discretion to consider objections beyond the mandated 60 day objection period. But I don't think that that really helps from an independent transparency point of view when years after the event the Valuer-General will suddenly consider an objection and no-one's advised or there's inadequate advice being provided to the most affected parties. I don't think it's necessarily for us to call the Valuer-General's independence or integrity into question in this forum. I don't think we'd be suggesting that for a minute. But lack of transparency could lead people to come to that conclusion.

CHAIR: Do you think it's important that the Valuer-General is independent of the rating and taxing agencies?

Mr DREW: I believe it works well generally speaking, as I said before. I –

CHAIR: Do you think it's important?

Mr DREW: I think, yes. I think –

CHAIR: Why do you think it's important?

Mr DREW: Well as I was just saying before, I think keeping the powers separate means there's not going to be any manipulation of the valuation process for any purpose that's not above board. I know in Victoria, for example, councils do contract the valuation firms directly, or at least had to up until recently, and I'm not sure if there's been any issues there in relation to independence or separation of powers. But the way it's set up in New South Wales at the moment I think it works fine and I think independence is important.

Mr CUY: Yeah. I'd like to make a comment on that, I actually think the independence is important. It needs to be at arm's length from Council, but also needs to be at arm's length from the State government as well. And I think that is truly important that if you're going to have a Valuer-General that they need that arm's length from both tiers of government who depend on them, for, one, rates, two, land tax. So that to me is really important. But the processes we've got to go through to have them communicate and also inform of significant challenges I believe is what's— and I think that everybody would be exceptionally happy as long as they know the process, they understand the process and they're adhered to. That's what we all probably at this

point in time would say, we're not quite sure about what happens here, what happens here, what happens over here. So— but definitely the independence I believe is extremely important.

CHAIR: Do you think it's a problem that the Valuer-General has contracted his role to government?

Mr CUY: To government?

CHAIR: I.e. the Land and Property Information, so which is an arm of government.

Mr CUY: I haven't put a great deal of thought into it, but I – if that precludes the independence, yeah, I suppose it would be. I haven't put too much thought into that process. But if it's then seen to have some sort of relationship with the government, it loses a little bit of its independence.

CHAIR: Mr Mayor, this council went two years without the Valuer-General telling them that a decision that he had made that would adversely affect this Council – so there was a lack of communication for two years from the Valuer-General about a decision which would have a major impact of this Council. Do you think that's acceptable?

Mr CUY: No, absolutely not. I mean - and that's our record. I mean our records, we've been going back, and since this whole thing, looking at – from what would be the information we've got from the Valuer-General. We think that is absolutely completely and utterly wrong. To find out from basically a ratepayer the decision of the Appeals Court was absolutely wrong. The process that the Valuer-General has undertaken in this instance is absolutely wrong.

CHAIR: What would Council have done if you had known about the issue?

Mr CUY: At least we're not getting to a point where – we're coming into a new financial year not understanding where our position is because the decision will be handed down on 23 July. But we have to make decisions for our future and our future ratepayers, our future works, our capital infrastructure. We've put all these things on hold simply because we don't know where we are. As you're aware the capital infrastructure works throughout the governments – the local governments in New South Wales, buildings that are millions of dollars, we're deferring ours, deferring ours and they're deteriorating all the time. So what would we have done? I'm not quite sure but probably the same as what we're doing now, panic. But at least we could have had the conversation with the community at a much lengthier period. We would have been now by – probably by now understanding our position so we could actually go forward with a little bit of certainty of how it's going to impact upon the broader community, how it's going to impact on Council and how are we going to deliver those services back to the community that they rely so heavily upon.

CHAIR: Do you think the valuation system is working effectively?

Mr CUY: On a whole, I think that you can say that the valuation system – I personally believe that what we have said on the improved capital would – gives better structure. You have people on fixed incomes that are there, their dwellings they don't have the income, don't have the disposable income to actually improve their dwellings but next door you actually have somebody who's on a high income, who's able to improve their capital assets – but they're rated exactly the same because their blocks are exactly the same. I don't see that that makes any sense to me, I really don't. So in saying that I think we truly do need some ability to look at how we do it and undertake it on a wants/need from a council point of view.

CHAIR: Thank you.

Mr CUY: So I'm saying probably no.

CHAIR: Thank you. Mr Drew finally I just wanted to ask with regard to the suggestions you made about getting more stability into the system. So you talked about averaging before for example. Could you maybe expand on that a little bit about how that would assist the Council?

Mr DREW: Yeah. I'm not sure I can actually. It's something that's included in our submission by the ex-General Manager, so in some regards I'm coming into that issue a bit cold Mr Chair, but –

CHAIR: You'll include that in your submission?

Mr DREW: We will still include it in our submission.

CHAIR: Okay.

Mr DREW: If the current valuation system in terms of the cycle continues to be the Broken Hill City Council on a three year basis and we get to the end of a three – we get to the third year of a valuation cycle, there may be a case for averaging the valuations across those three years in that final year of the valuation cycle, depending on what events have transpired before that. It's a bit difficult to really envisage a situation where, with supplementary process as it happens and the regular updates that we get, that the averaging is going to add a great deal more value, but there might be the odd occasion where it could come into play and yield a reasonable result.

CHAIR: Mr Mayor, my final question is who do you hold responsible for the situation now Council finds itself in?

Mr CUY: The Valuer-General. I mean it's – I think it's that simple. I just don't understand how he can get something so wrong. That's been my point all the way through this, is that the Appeals Court has actually upheld that there was a \$16 million difference. I don't know of anywhere where you would say that you would get it so wrong, so at this point in time Perilya quite obviously have appealed. They believe they've been hard done by and the appeals process has actually found that the case. We believe that the notification and the length of time and the lack of information that we've been hard done by, and at the end of the day we're the ones who are going to fit the bill. The Valuer-General sits there, will go to Court and appeal it but where does it sit? What legal responsibility does it have through this process? And I'm saying, no. Sorry, what monetary obligations is it going to have during this process? No, because we as a council, Perilya are going to send the bill to us.

CHAIR: Thank you Mr Mayor.

Mr CUY: Sorry, Valuer-General.

CHAIR: Mr MacDonald?

Mr MACDONALD: I'll be quick. I mean we're meant to be here talking about processes and systems and things like that but it is very alarming listening to that. Can you just give me a little bit of a snapshot how the community feels about that? And I think one of the things you said before that's hurting you is that you haven't had the time to explain. So do they – do – is there some appreciation that capital works could be put off for years? You might be looking at rate increases at – through the roof, that sort of thing?

Mr CUY: Oh, I can tell you that the general public out there and you'll probably hear some submissions later, yeah, they're extremely upset, extremely concerned, to the point where in nearly just one day there was 400 signatures to a petition about putting rates up, because people out

there – and then too, and rightly so, are looking after their interest. They're saying, "Well I don't want my rates to go up because of somebody else's mistake." So that's the process that we're faced with, as whilst we have no control over what is happening to us, but we have the ramifications. We have to actually deal with the ramifications and we have the consensus of the community who say, "Well we don't want our rates to go. We don't want to lose our services." But in real terms that's probably what's going to have to happen if things don't pan out our way. And there is still a process that we're going to go through. There's still another appeal. But if we don't do something, we sit here and put our head in the sand, the community is going to suffer, we're going to suffer in the Council and I don't find that an acceptable position to be in.

CHAIR: Well Mr Mayor I just want to take this opportunity to thank you so much for your candour in your testimony, Acting General Manager and Mr Drew. We appreciate the situation that you're in. We share your concerns. And the role of this Committee is to take recommendations to the government that we can implement, to ensure nothing like this ever happens again. So on that note I need to wrap up the hearing of your testimony and do I have to read something in particular? My crib notes. Thank you for appearing before the Committee today. The Committee may wish to send you some additional questions in writing, the replies to which may be made public. Would you be happy to provide a written reply to any further questions?

Mr CUY: Thank you. And we also thank you for the opportunity to present and can I say if you make any laws can you make them retrospective? Thanks.

CHAIR: Thank you very much.

(The witnesses withdrew)

MICHAEL WILLIAMS, Executive Officer, Regional Development Australia Far West, sworn and examined.

CHAIR: Ladies and gentlemen if we could restart. Mr Williams, thank you very much for appearing before the Parliamentary Committee today. We welcome you and we thank you for having this beautiful town of Broken Hill. I'd like to declare the hearing open and we thank you for appearing before the Committee on the Office of the Valuer-General to give evidence. So can you please confirm that you've been issued with the Committee's Terms of Reference and information regarding – relating to the examination of witnesses?

Mr WILLIAMS: Yes, I have.

CHAIR: Fabulous. I would remind you that while you're protected for any evidence you give before the Committee while you are participating as a witness in this hearing, you will not have the same protection if you repeat, republish or refer to any of your evidence outside these proceedings. The Committee's role is to monitor and review the exercise of the Valuer-General's functions with respect to land valuations. It cannot investigate the valuation of a specific parcel of land. In keeping with Parliament's recognition of the role of the Courts, the Committee will not be considering any question currently before the Courts for determination in respect of land valuations by the Valuer-General. You should have careful regard to this position and when giving your evidence. If you wish to raise any particularly sensitive or confidential matters with the Committee you may request for part of your evidence to be heard in private. Do you have any questions regarding these proceedings Mr Williamson?

Mr WILLIAMS: No, thanks.

CHAIR: Thank you very much Mr Williams. And in what capacity are you appearing before the Committee today?

Mr WILLIAMS: I'm appearing as the Executive Officer of Regional Development Australia Far West New South Wales.

CHAIR: Thank you. Have you provided the Committee with a submission? And if so do you want the submission to form part of your formal evidence?

Mr WILLIAMS: No, we have not yet provided a submission, but we may do so by the due date.

CHAIR: Fabulous. Thank you very much. Just to make you aware that the submissions are closing this Friday.

CHAIR: If you can't make that deadline that's okay. If you could just let the Committee know that you need a bit of further time and we'll be accepting late submissions.

Mr WILLIAMS: Thank you.

CHAIR: Fabulous. Mr Williams, would you like to make an opening statement before the commencement of questions?

Mr WILLIAMS: Yes, thank you. Whilst I'm here as the Executive Officer of Regional Development Australia I would like to state that our opinions, or my opinions are the opinions of our members and our staff and not an opinion of the entire community. We have not consulted with the entire community on this. With that in mind I guess that we believe that the majority of people do not understand the process and how this process happens. We believe that it's entirely too complex for the average person to understand. And with that in mind, we look at this and say,

“How does somebody 1,000 kilometres away in Sydney actually value our land? Have they come here? And do they look at our land?” So the system is probably entirely too complex for many of us to understand and we’re paying for something that we just don’t understand how it works. I see huge value in possibly some process, some educational process, that actually provides that information to the general public and allows us to know what we’re paying for and how we got to that point, how that rate formula is determined if you like. I guess we’re a little confused that we’ve never been consulted do we want to pay rates and how much rates do we want to pay. Yet in this situation it appears that we’re about to be held accountable for somebody else’s error. So I guess that confuses us greatly in the real world if we made the error we’d stand up, take responsibility and we would address that ourselves, but we don’t understand the process and we’re about to pay for a mistake that wasn’t ours. I guess that to further demonstrate that we don’t understand the process and how this works, it would appear that our rates go up on a regular basis, yet during crisis, financial crisis etcetera, the land and house package devalues. So real estate within our community has seen a fairly steady decline over the last few years which appears to us that we’re now looking at our houses are declining but our rates are increasing, so the value of our land increases while the value of our house decreases. So again that’s somewhat confusing for the majority of people and we look at that and go, “So how does that work?” I guess on the issue of equity, we all have friends and relatives in other centres around Australia and we look at the rates that they pay and the services that they get within their community. We appreciate that our council draws rates from a considerably smaller pool of people than they do and thus we get probably not quite the same level of service. But if we’re paying the same taxes and we’re being – our land is being rated at the same value as everybody else’s there doesn’t seem to be a whole lot of equity there for people that are living in the bush. So I guess with that we’d like to see more equity. We’d like to know that what we’re paying we’re actually going to get something back for it, and we’d like to know what we’re going to get for the money that we’re actually paying. Look I think that’ll be my opening statement. Thank you.

CHAIR: Thank you very much Mr Williams. I might just throw to Mr MacDonald. Have you got any questions?

Mr MACDONALD: Thank you Mr Williams. Look really the only question I’ve got is – and you’ve referred to it, the opaqueness of it, the complexity of it, the need for better communication, do you think there’s a – amongst - so I guess I’m talking about more your business community, do you think there’s an understanding about this train wreck that’s about to hit?

Mr WILLIAMS: No.

Mr MACDONALD: That’s probably a bit over the top. Sorry, but -

Mr WILLIAMS: No, I don’t. I actually think that the understanding is that we’re going to pay for something we weren’t responsible for. And I don’t think that many of us have an understanding of how we’ve got to that point.

Mr MACDONALD: So are people starting to factor into their business plans, their cash flows, higher rates? And we did hear this from some of the – from some people today, this could have a significant impact if you’re a landholder of some size. Are people starting to talk about that?

Mr WILLIAMS: Look I think they are, but I think at this point in time because there’s no certainties with that we’re still at a point of panic. We probably haven’t factored that in so much at this point because we’re uncertain of what the outcome will be with that. I guess what we’re really concerned about that is if it does go through and then Council does have a bill like that where does it stop? We’re a declining population now which means the Council then have less pool of funding to draw on for their rates. And if we’re already declining and we’re already in this situation then where does it stop? We’re going to get less services with more rates.

It'll make it really, really difficult for us as a community to attract additional investors to our community. It makes it really, really difficult to attract other people to come and want to live within our community.

Mr MACDONALD: So if I hear you right, consistency, and I think to use the Chair's term, stability, is obviously pretty important. The highs and the lows are a problem as much as the quantum of the money. Well, the quantum of the money is obviously important but it's the variability of it also if I'm hearing you right is an issue?

Mr WILLIAMS: It is, yes.

Mr MACDONALD: Right, right. Yeah, that's – I guess the problem with this is it's going to take two, three years to resolve itself and you're looking at retrospectivity and no-one knows what it's going to look like two or three years down the track.

Mr WILLIAMS: Yeah, which makes it really, really difficult. I mean if I was an investor coming to invest in our community I don't know how I'd plan for that.

Mr MACDONALD: So you're actually saying this is potentially a barrier to investment?

Mr WILLIAMS: I think it's a huge barrier to investment, yes.

Mr MACDONALD: Yeah, that's worrisome. I think that's all I've got Chair.

CHAIR: Thanks Mr MacDonald. Mr Barr?

Mr BARR: Thank you Mr Williams. I wonder more if there's any chance of you being a little bit more expansive. Obviously as I understand the role of RDA it's about trying to operate in a way that brings together the different tiers and levels of government. This is a situation clearly where local government is going to be impacted by a State government process or outcome. How – I guess how do you see your role in potentially trying to bring that all together and still delivering your role as RDA in terms of the prosperity of the region? And you've just mentioned there that if it's not attractive for people to come people won't come. That goes without saying I guess, but how – in your role with RDA and what you understand your role to be, how do you see the potential to bring together local government and State governments on this issue around rates and land valuation?

Mr WILLIAMS: It's clearly not something I've put a lot of thought into. I guess if the State government have created the issue and the local government is going to have to pay for the issue, actually getting to that point where they sit down and come to a resolution may be quite difficult.

CHAIR: Mr Williams I see that you're from RDA Far West. Which areas does that cover?

Mr WILLIAMS: It covers an area of Broken Hill, Ivanhoe, Menindee, Wilcannia, White Cliffs.

CHAIR: Have you seen other examples of the valuation system failing in your region?

Mr WILLIAMS: Other than this specific situation, no.

CHAIR: What is the impact of this situation, this valuation, on the town of Broken Hill from your perspective?

Mr WILLIAMS: I think the impact is extremely detrimental. I think that as I've stated I don't think we can attract investors to our community with this situation as it is. We're a declining population which then gives less rates, puts us into a further situation. I'm not sure how we attract other people to want to come and live in our community with this situation as it is.

CHAIR: What specifically would stop people coming to Broken Hill around the Valuation of Land Act?

Mr WILLIAMS: Well I think a declining service and increasing rates won't be extremely attractive.

CHAIR: Do you think the valuation system provides certainty for businesses and investors in Broken Hill?

Mr WILLIAMS: Not in the current situation, no.

CHAIR: Do you think the Valuation of Land Act or the valuation – Office of the Valuer-General needs to be reformed?

Mr WILLIAMS: Extremely, yes.

CHAIR: Do you have any suggestions on how we can improve the way we do valuations in New South Wales?

Mr WILLIAMS: I think that the valuations need to be transparent for the average person to understand exactly what they're paying, why they're paying it and what they should expect from that payment.

CHAIR: Are you concerned about the complexity of the Valuation of Land Act?

Mr WILLIAMS: Yes, yes.

CHAIR: Do you hear that from your stakeholders?

Mr WILLIAMS: I do hear that regularly.

CHAIR: What is the major complaint?

Mr WILLIAMS: Exactly as I've stated. We don't understand how – we don't understand the formula. We don't understand how we're being charged for that. And we don't exactly understand what services we should expect for that.

CHAIR: Do you think there's a barrier to entry? Do you think it's difficult for small businesses to object? Do you think that the system is equitable at the moment?

Mr WILLIAMS: No, I don't think the system is equitable at all, and I think there is a barrier for many of us to object.

CHAIR: Why?

Mr WILLIAMS: Well I think the process is probably quite complicated and very expensive, and our perception would be that for the value of the rates that we are expected to pay and what we might get should we object, it's probably financially not worth going down that road. So I guess the majority of us think that let's just pay it and move on.

CHAIR: Do you get the impression that you can only enter the objection process if you can afford to do so?

Mr WILLIAMS: Yes, very much.

CHAIR: And have you heard that from your members?

Mr WILLIAMS: I do hear that on a regular basis, yes, that it's financially not worth objecting.

CHAIR: Okay. Do you think that there should be a level playing field in the objection process?

Mr WILLIAMS: I think there definitely should be a level playing field in the process, yes.

CHAIR: Do you have suggestions on how we can improve understanding about how valuations are done in this State?

Mr WILLIAMS: Look I guess an educational process that would inform people. How that might look I don't know and I haven't really put a lot of thought into that. But I think it's really, really critical that we understand exactly how we've got to that point, the formula that was used, and if we're being rated the same as everybody else across the State I guess we have a general expectation that we should receive exactly the same service as everybody else across the State. We clearly don't believe that we get those same level of services. So I guess on that we believe that we shouldn't pay the same as everybody else.

CHAIR: Do you think the value – in light of what happened with Perilya, do you think the Valuer-General consulted with the community adequately?

Mr WILLIAMS: Look I've got no idea if the Valuer-General consulted with the community adequately or not. It doesn't appear to be. None of us seem to know how it got to this point.

CHAIR: Who do you hold responsible for the situation that happened at Perilya?

Mr WILLIAMS: Clearly the Valuer-General. He's made the mistake and I think he should be held responsible. If there's payment to be made it certainly should come from his office.

CHAIR: We heard testimony from the Council earlier that the Council pays the Valuer-General \$50,000 a year to provide a service. Do you think it's reasonable to expect the Valuer-General to keep the Council informed when challenges are made to the valuations he gives?

Mr WILLIAMS: I think it's critical, and I think it's fairly standard business practice. If I was paying \$50,000 for a service I would certainly expect considerably more service than that.

CHAIR: What would you expect?

Mr WILLIAMS: I'd expect to be completely informed. I'd expect the system to be transparent and I'd expect to know exactly what I was going to get for my \$50,000.

CHAIR: Do you think the independence of the Valuer-General is important?

Mr WILLIAMS: I think it's critical.

CHAIR: Why do you think it's critical?

Mr WILLIAMS: I think it's critical in that it provides considerably more transparency for the rest of the people that are paying those rates.

CHAIR: Do you think there's a perception that the Valuer-General is not independent of government?

Mr WILLIAMS: I think there's a very big perception that it's not independent.

CHAIR: Amongst your members?

Mr WILLIAMS: I think so.

CHAIR: And why do you think there's a perception that the Valuer-General is not independent of government?

Mr WILLIAMS: I guess it comes back to the fact that we don't really understand how the process works, and I guess now looking at this current situation in that they've made a mistake and we're now being held accountable for that, that doesn't look to be independent to us.

CHAIR: Mr Williams, we're out of questions but is there any final statement that you would like to make?

Mr WILLIAMS: No, I think I've covered it all. I thank you for the opportunity for Regional Development Australia to be involved.

CHAIR: No, we very much appreciate your interest in this matter and we want to – as I said earlier, we want to make sure that the Valuation of Land Act and the Office of the Valuer-General is delivering transparent, efficient and equitable outcomes, whether you live in regional – rural or regional New South Wales or metropolitan Sydney. And that is the focus of this Committee's inquiry. And if – we would encourage you and your members, if you have concerns about the Valuation of Land Act and how it's operating, we encourage you to have your say by making a submission in addition to the testimony you've given today and we'd like to continue to work with you to make sure that we get a valuation system which the community can have confidence in. So Mr Williams on that note I want to thank you for appearing before the Committee today. The Committee may wish to send you some additional questions in writing, the replies to which may be made public. Would you be happy to provide a written reply to any further questions?

Mr WILLIAMS: Certainly.

CHAIR: Terrific. Mr Williams we thank you so much for your time.

Mr WILLIAMS: Thank you.

(The witness withdrew)

RAY STEER, sworn and examined:

CHAIR: Thank you for appearing before the Committee on the Office of the Valuer-General today to give evidence. Can you please confirm that you've been issued with the Committee's Terms of Reference and the information relating to the examination of witnesses?

Mr STEER: Yes.

CHAIR: Fabulous. I would like to remind you that while you are protected for any evidence that you give before the Committee while you are participating as a witness in this hearing, you will not have the same protection if you repeat, republish or refer to any of your evidence outside of these proceedings. The Committee's role is to monitor and review the exercise of the Valuer-General's functions with respect to land valuations. It cannot investigate the valuation of a specific parcel of land, and in keeping with Parliament's recognition of the role of the Courts, the Committee will not be considering any question currently before the Courts for determination in respect of land valuations by the Valuer-General. You should have careful regard to this position when giving your evidence. If you wish to raise any particularly sensitive or confidential matters with the Committee you may request for part of your evidence to be heard in private. Do you have any questions concerning these procedures?

Mr STEER: No.

CHAIR: In what capacity are you appearing before the Committee today?

Mr STEER: A ratepayer.

CHAIR: Thank you. Mr Steer have you provided the Committee with a submission?

Mr STEER: I lodged at the Council December monthly meeting 376 signatures in 40 hours regarding the treatment that we've been getting as a ratepayer.

CHAIR: Would you like to make a submission to this Parliamentary inquiry Mr Steer?

Mr STEER: Well my background since 2004, I've been a councillor, Deputy Mayor of our city and a very proud Broken Hill person, as we all are.

CHAIR: Mr Steer – I'm just making sure I've done it all properly. But if we could just finish with the formalities before I get you to make your opening statement. I wanted to know whether you've provided the Committee with a submission as part of this inquiry?

Mr STEER: Not that I know of.

CHAIR: A written submission. Okay. If you'd like to make a submission we'll be taking public submissions up until this Friday. If you would like to make a submission you're very welcome to after this Friday, but if you could let the Committee know or just provide us with an indication that you'd like to make a written submission as part of this process Mr Steer, we can accept that at a later date but if you could just let us know whether you would like to do that.

Mr STEER: I'll do that by Friday.

CHAIR: Fabulous. Thank you very much Mr Steer. And you'd like that submission to be – form part of your formal evidence?

Mr STEER: Yes please.

CHAIR: Fabulous. Thank you Mr Steer. Now we'd like to give you the opportunity to make an opening statement before we commence questions, so over to you Mr Steer.

Mr STEER: Well since 2004 I've been a councillor in our city and a ratepayer. Forty-three percent of our town is run by pensioners, disability people and self funded retirees and it makes it very hard on our infrastructure to generate money. But the biggest thing I've been concerned, since 2004 we've had businesses paying rates, as the big shopping centre who had improvements done in 2004 and 2005, their rates never went up 20 cents. These things concern me very much because we're getting picked up – the ratepayers are getting picked up for these big shopping centres that come into town and do improvements, and the rate structure is not done properly by the Valuator-General.

CHAIR: Mr Steer just with regard to the rate structure, I should just clarify that the purpose of this Committee is to look at issues relating to valuations which obviously underpin the rates that are charged on those valuations. But in terms of rate structure that's a matter for the Council, so if we could focus your testimony towards issues relating to the valuation of land, that would be greatly appreciated.

Mr STEER: Well the valuation of land, we asked the Valuator-General to come out to our city and value our land. They do it from the Sydney office. Don't - just get down and talk to the people. I mean the system is very hard to work out, the structure in place, and the average person is – don't know the rate structure. They just pay their rates to Council, but we're not getting the more information being supplied to us when we do our valuator's – when the Valuator-General comes to Broken Hill and – or when they do our – value our land in Broken Hill, we don't get no response. How do they get to that figure?

CHAIR: Mr Steer have you finished with your opening statement because we might throw to questions if that's the case?

Mr STEER: Yeah, I've read it.

CHAIR: Okay. Fabulous. Well Mr MacDonald would you like to kick off?

Mr MACDONALD: Thank you Chair. This is a very difficult situation, there's no question about it. Mr Steer I'm just trying to get an understanding of how ratepayers knew this. Do the ratepayers resent Perilya or any mining company or any mining activity? Or do they – where do they see fault and blame if you like?

Mr STEER: Well getting back to 2007, I believe we had an administrator in place and they've done a rate reduction on the mine in Broken Hill, under administration. Why wasn't the Valuator-General notified to Broken Hill that a rate reduction was done? The point is with the mining system, that land has gone from 16.8 back to 4.9 or 4.7 it is. It's a big jump and my rates have gone up 60,000 - \$60 a quarter. So it's not fair. The system is broken. I think the only way to fix the system is value the city again so the ratepayers – and come down and talk to the ratepayers. We're not shy people. We're easy to talk to, but we have good standing people in our city can understand the rates and they'll help the other people in our community to get the rate system fixed. As a person who runs a business in our city the rate reduction done on the mines was hanging on commercial in Broken Hill, 17.6% on rates for commercial. So we're picking up the bill again. Everyone in town got a 17.6 pay increase on their rates, and these things we stand back and take it but we're not taking it this time. The point is to me were wrong, the Valuator General, and it should be going back on his desk. We pay \$50,000 to him to value on our city. Who does he answer to? Nobody.

Mr MACDONALD: And again, this is slightly off track a bit, but do you feel – the rates contribute I think we heard, about a quarter – sorry, about a third of the income, so do you feel that Council is delivering value for services for that rate income? I mean it's –

CHAIR: I just have to inform you that –

Mr MACDONALD: Are we going off track a bit? Okay. Sorry. Yeah.

CHAIR: - you need to stick to issues around valuations.

Mr MACDONALD: Yeah, yeah. Now look really that's all I – I'm just trying to get an understanding of how the ratepayers feel about them, I guess the variability of it or the uncertainty of it. So is one of your messages to us that it's –

Mr STEER: The ratepayers are unhappy with the situation in the town. Put a lot of doubt in the people living here. We have teachers coming to our city. We have good schooling in our city for the students. Nurses in the hospital, they come here and policemen come here and they end up buying the houses they're living in. Being a policeman or a fireman or a teacher, they love our city, but if they're going to be hit with a rate increase with capped at five years is something that –

Mr MACDONALD: And you think that will make people rethink where they –

Mr STEER: Of course it will. When the teachers coming from the central –

Mr MACDONALD: - either retire or work?

Mr STEER: - when the teachers are coming from the Central Coast to the outback, the rates – if you're paying \$1,200 on your rates now and then another 50 - 50% on that is \$600 and it makes it very hard on the pensioner. It makes it very hard on the disability people. And our rate system is not done properly.

Mr MACDONALD: For lower income or fixed income.

Mr STEER: People on fixed income, people in business –

MR MACDONALD: Yeah.

Mr STEER: - it fluctuates. Their income goes up and down.

Mr MACDONALD: Yeah.

Mr STEER: But it's paying its price on the commercial people in town. The town is fairly dead at the moment over this situation. So if the Valuator-General valued the city again and made everyone quite clear where we stand and we don't pay the \$50,000, to have it valued again.

Mr MACDONALD: So just my final question, that that petition you got up, I think you were telling me over the side here that went via Council. Did it reach – did it go to New South Wales Parliament?

Mr STEER: It went to Council in December meeting. The Council passed it on.

Mr MACDONALD: Right. Is there some intent – any intention of petitioning via your local member, John Williams, New South Wales Parliament? Because the –as the Chair explained the Valuer-General is an instrument of the State government.

Mr STEER: Well there will be a bigger petition I guarantee it handed it to him. This matter is not solved and you have a big 10,688 ratepayers –

Mr MACDONALD: Right.

Mr STEER: - sign it.

Mr MACDONALD: So you do think there's another petition coming through?

Mr STEER: There will be, I guarantee it. I'll walk every house in Broken Hill.

Mr MACDONALD: Right. Okay. And look just – sorry, just finally for me, yes you got signatures on a petition. Was there a groundswell of objections? Do you think – it's one thing for a petition but is the Valuer-General – I don't know if the Valuer-General reads the Barrier Daily newspaper. Is he getting objections? Obviously he got an objection from Perilya and some of the resource companies, but residences?

Mr STEER: But the biggest thing is people signing the petition are fed up with what's going on in Broken Hill. They don't like the system how it works.

Mr MACDONALD: Right.

Mr STEER: And the biggest thing it's got to be explained a lot better before we come and discuss Perilya. We have to pay this money out.

Mr MACDONALD: But are you aware of the objections? Are people actually objecting via the Valuer-General process?

Mr STEER: Yes.

Mr MACDONALD: Okay. Thank you.

CHAIR: Mr Barr?

Mr BARR: Yeah. Thank you very much Mr Steer. Earlier today we heard from the Mayor, the Acting General Manager and the Chief Financial Officer of Council. Were you in the room for their testimony?

Mr STEER: I got here 20 to 4. I didn't hear all of it.

Mr BARR: Okay. One of the things that we spent a little bit of time questioning and answering about was to do with correspondence to and from Council, between Council and the Office of the Valuer-General. I sat on this side of the room and found myself more than a little bit shocked that there hadn't been that ongoing correspondence. You were a councillor between the years of 2004 and 2012; is that correct?

Mr STEER: 2004 and 2006 when we were sacked as a council –

Mr BARR: Right. And –

Mr STEER: - and back on in 2010 'til 2012.

Mr BARR: Okay. During your time as a councillor – thanks for clarifying that for me, during your time as a councillor were you aware of correspondence at different times or at any particular time between the Office of the Valuer-General and the Council?

Mr STEER: The correspondence we got sent to us on a monthly basis and any other further correspondence we needed for a Council meeting we were kept updated if we asked for situations. Over the four years that we were under and administrator we – I come to three or four – six meetings I think I come to under administration and no-one objected about the rate reduction under administration.

Mr BARR: Sorry Mr Steer, can I just clarify? I take on board that you would – the normal business papers of Council would come to you on a monthly basis, but specifically can you recall any correspondence from the Valuer-General about the land valuations in Broken Hill?

Mr STEER: Only what was supplied to it on a monthly basis. That's all we had.

Mr BARR: Okay. All right. Thank you. Thank you Mr Steer.

CHAIR: Mr Steer, as a ratepayer do you think that the valuation system is working in New South Wales?

Mr STEER: No.

CHAIR: Why?

Mr STEER: It's put in the too hard basket for the average person. It's got to be documented a lot more easier for people, for the average person who pays their rates, to understand it. There's got to be seminars set up by the State government, Valuator-General and teach the people how you pay your valuation on your land, how you come to that decision. But it's not – it's broken. The system is broken, so the only way – fair way of doing it is putting a line in the sand and starting again.

CHAIR: What part of the system is broken?

Mr STEER: Well we don't see – the Valuator-General evaluates our city from an office in Sydney or something like that. All we do we get it for our paperwork through Council and our rate valuation in our letterbox.

CHAIR: As a resident of Broken Hill, and obviously a passionate Broken Hill, a passionate one at that, what's the impact? Can you describe to the Committee the impact the decision, the Perilya decision, has had on the community?

Mr STEER: Well speaking the 380 – 376 people and the ratepayers coming in my business making their concerns, they're very upset about it because they don't think there was made in a - fairness decision made by a New South Wales government department which the Valuator-General is a – they're employed by the New South Wales government. I don't think that ratepayers are going to take it sitting down. They're going to stand up and fight.

CHAIR: So what's the impact it's had on the town though?

Mr STEER: The town is dead at the moment. People are worrying about the rate bill. The average person think the rates are going to come in next month when we get our quarterly rate bill. We've had concerns, some people coming to Council about it, a lot of people writing into Council, but we've got to stand united in Broken Hill and we will fight this and we'll win.

CHAIR: So you want to fight?

Mr STEER: Yeah.

CHAIR: Who are you going to fight?

Mr STEER: The Valuator-General and the New South Wales government.

CHAIR: And do you blame – who do you blame for what's happened in Broken Hill?

Mr STEER: The Valuator-General.

CHAIR: And what do you think the Valuer-General should have done?

Mr STEER: Should have come out to our city and looked at our city and value it and sit down and talk to the people. We're easy to talk to out here. So make it as understanding how the rate structure is involved. The average person wouldn't be able to get their head around it. It's all right for Council and the finance man and the businessman to look at it, but getting a full understanding of the rate structure – this is why we're – things that happen in the city and we've just built a big aquatic centre down in the north. The people living around that area, we've had value land increases. What about the south Broken Hill? And Coles closed down out the south because they're going to – are rates going to be reduced? No. And the shopping centre and Coles in Garnet Street or Gossan Street, people who live around there would – and Brookfield Avenue the retirement village. The people who live around there there's proof you pay rates on land and improvements to land. So I can't see the fact in – the Valuator-General has got to come out to our city, free of cost to the New South Wales government and talk to our public, show his face out here. He won't be very well liked out here I bet you.

CHAIR: Do you think the Valuer-General – do you think the Office of the Valuer-General is hurting the Broken Hill economy?

Mr STEER: Of course he is.

CHAIR: How?

Mr STEER: Well you've got the uncertainty of where people are going to find that extra money for rates –

CHAIR: You better turn your – can you just turn your mic back on? Thank you.

Mr STEER: Yeah. Where are they going to go, where the people are going to find - a lot of old people worry about money. And a lot of old people still carry money in their houses which we're trying to educate people to put money in the banks, but the old days - people still carry money now is to pay their rates. They budget. How are they going to budget with something they haven't got the money for?

CHAIR: What do you think about the Council's testimony today that a decision of the Valuer-General which would impact their revenues to the tune of \$6.8 million, they weren't told about for two years?

Mr STEER: Well I don't think I could comment on it. I didn't hear the full details about the 6.8 but –

CHAIR: Let me phrase it this way. Do you think that a decision of the Valuer-General which materially impacts the Council and the local government area of Broken Hill, do you think the Valuer-General should make the Council aware of such a decision?

Mr STEER: Yes, they should.

CHAIR: So do I.

Mr STEER: If the Valuer General is invited to Broken Hill he wouldn't be a very happy man. We're very passionate people out here. We stand united. We fight for our city. We've fought for things in the past. And to me, the ratepayers of our city are getting kicked in the guts by something that didn't involve Council.

CHAIR: Do you have any more questions? Clayton, do you have any more questions?

Mr BARR: No.

CHAIR: Mr Steer I think that's it. Do you have any closing remarks you'd like to make?

Mr STEER: I'd like to thank my opportunity to speak on behalf of the ratepayers of Broken Hill and we will see what comes out of this.

CHAIR: Well we thank you for your passion and for your advocacy on behalf of the ratepayers of Broken Hill and the good work you've done in pulling together a petition and raising awareness of an issue that's going to have – or is having a huge impact on this community, and not just this community Mr Steer, communities right across the State.

Mr STEER: Great. Thanks for your hearing.

CHAIR: So we thank you for appearing before the Committee today. The Committee may wish to send you some additional questions in writing, the replies to which may be made public. Would you be happy to provide a written reply for any further questions?

Mr STEER: Yes.

CHAIR: We thank you so much for your testimony today Mr Steer.

(The witnesses withdrew)

PAUL SEAGER, President, Broken Hill Chamber of Commerce, and
DENNIS ROACH, Executive Officer, Broken Hill Chamber of Commerce, affirmed and examined:

CHAIR: Well we might get underway if that's okay. So I would like to welcome Mr Paul Seager and Mr Dennis Roach from the Broken Hill Chamber of Commerce. Thank you for appearing before the Committee on the Office of the Valuer-General today to give evidence. Can you please confirm that you've been issued with the Committee's Terms of Reference and information relating to the examination of witnesses? I would like to remind you that while you're protected for any evidence you give before the Committee while you are participating as a witness in this hearing, you will not have the same protection if you repeat, republish or refer to any of your evidence outside these proceedings. The Committee's role is to monitor and review the exercise of the Valuer-General's functions with respect to land valuations. It cannot investigate the valuation of a specific parcel of land. In keeping with Parliament's recognition of the role of the Courts the Committee will not be considering any question currently before the Courts for determination in respect of land valuations by the Valuer-General. You should have careful regard to this position when giving your evidence. If you wish to raise any particularly sensitive or confidential matters with the Committee you may request for part of your evidence to be heard in private. Do you have any questions regarding these proceedings?

Mr SEAGER: No.

Mr ROACH: No.

CHAIR: Thanks Mr Roach. Have you provided the Committee with a submission and do you want that submission to form part of your formal evidence?

Mr SEAGER: No, we have not provided a written submission.

CHAIR: Okay. I'll just make you aware that the Committee will be taking written submissions up until this Friday, 8 March. Should you wish to make a submission after that time you're very welcome to do so, but if you could just let the Committee know so that we can prepare for it and make sure that we take it into account, that we should be expecting a submission from the Chamber. I would now like to ask you if you'd like to make an opening statement before the commencement of questions?

Mr ROACH: Would you like to lead in?

Mr SEAGER: Sure. A little about the position of the Broken Hill Chamber of Commerce if I may.

CHAIR: Thank you. Yes please. Thank you.

Mr SEAGER: The Chamber was established in 1891 so it's an institution that has 122 years of heritage in this city. I'm a relative newcomer to Broken Hill. I've lived here 11 years, so in the local vernacular I'm from away and Dennis is from away also.

Mr ROACH: As well.

Mr SEAGER: However, we're both passionate residents of and advocates for Broken Hill and the Far West of New South Wales. Part of the Chamber's heritage is passed from President to President and the following explanation was given to me to describe how the Chamber of Commerce fits into the society of Broken Hill and the Far West of New South Wales. Broken Hill

has five pillars to its community - this is going back to its original foundations, the mine managers, the unions, Broken Hill City Council, the Pastoralists Association of West Darling that represents the rural landholders, graziers and the Broken Hill Chamber of Commerce. So we represent an organisation that has a rich history. It's witnessed some of the more adversarial phases in Broken Hill's past. However, the Chamber today works very collaboratively with partners and stakeholders looking for win, win opportunities for business, economic and industrial relations outcomes, for the benefit of Broken Hill and the wider community of the Far West region. So we have a strategic role, we have an overview role, we have an advocacy role for business. We look to objectively foster a positive economic outlook and promote business confidence and I think that particular role is impacted by the nature of the inquiry that we're here to discuss today. We broker on partnership arrangements between large project managers and local business capacity, and an example of that currently is the Silverton Wind Farm, where we are providing the opportunity for local businesses to partner to increase their capacity to tender for some of these larger projects, and of course we provide industrial relations information to our members. So in terms of our role in fostering of positive economic outlook and promoting business confidence I think that's directly relevant to the matters before the inquiry.

CHAIR: Mr Roach, is there anything you'd like to add?

Mr ROACH: Not really. I just want to add my support to my colleague's comments. As he has pointed out I too am not originally from Broken Hill, I'm a blow in. I've been here a shorter period of time. I've lived in the town for three years. I have become part of the community very quickly. It's a very welcoming community. It's quite cosmopolitan. It's attracted people from across the world all of its history and you can very quickly become involved with the community and find out the issues that concern the community, and this is certainly one of the major issues at the moment. I also, until yesterday, was the secretary and public officer of the hospital kiosk auxiliary. I am still a volunteer up at the hospital, so I have a fairly wide conversation base as it were and I get the views of quite a number of people from Broken Hill, in particular from the older members, because the hospital does have an older clientele.

CHAIR: We might throw over to questions now, so I'll ask my Deputy Chair, Mr MacDonald, to kick off.

Mr MACDONALD: Thank you. That was a really good opening statement. I think you covered a lot there. Just before we open formally we had a bit of a discussion around certainty. So is certainty the issue or is it quantum the issue? So we hear the rates are going up by, I think I've heard 17% or so, I don't know quite what that would represent to a typical shop or a typical home or a typical piece of land. Is it the quantum or is it the certainty and the lack of stability that you think might concern people the most?

Mr SEAGER: In my opinion certainty is the primary issue. Of course quantum is a consideration, but we represent a member base across a wide range of sectors in Broken Hill including manufacturing, retail, hospitality, trades. Virtually every sector of Broken Hill has some membership of the Chamber of Commerce. Business sentiment is a fickle thing particularly for small business. Retail in our community along with many communities is doing it very tough at the moment and small signals can have big flow on effects. For some of our larger business partners, and maybe the Silverton Wind Farm is an example, the current rate discussion in Broken Hill has little impact, but for the retail traders, for the hospitality traders, for the tradespeople that are running a premises for their business, they're material issues. So in my opinion the certainty or lack of certainty at this point in time is undermining business confidence. People are unsure whether they should make an investment, expand a business, buy a new piece of plant and equipment. And I think the signals that are given is – one of the strong signals is that Broken Hill City Council occupies an unusual place in our community. Yes, we all have experience with city and rural and regional councils, but because of the isolation of Broken Hill, Council here provides a range of services that are unlike any that I have experienced elsewhere, a broader range, and has a

much stronger community support role than many of the council areas that I've lived in in my life. So for example a sponsorship of community events which elsewhere might be more the domain of the private sector, in our community it is often that support is provided through Broken Hill City Council. So one of the key triggers or one of the key indicators for our business community is Broken Hill City Council. And when our business community, particularly small businesses, see Council making some very hard decisions to make financial cutbacks to cover the liability that they're faced with that sends really strong negative messages to our business community and significantly erodes business confidence.

Mr MACDONALD: So it's the difficulty of planning. It's looking at two years, three years. There's another variable that's more of a variable.

Mr SEAGER: Yeah, and the magnitude. While the quantum is not known it's not just about the rates. A lot of small businesses, and again I will pick on the retail sector, are doing it tough and the lack of certainty about business viability means that people aren't taking on new employees, for example. Businesses are asking themselves a question, with increased operating expenses across the board, the cost of goods and services, the rising cost of transport with fuel increases, increased electricity and water prices, is this, because of the quantum perhaps, going to be the straw that breaks the camel's back for some small business holders?

Mr MACDONALD: So if we had the Valuer-General sitting in that empty chair there where that glass is what would you say to him?

Mr SEAGER: I would say that the flow on impact of decisions that are perhaps subject to public scrutiny and the lack of certainty that provides has far greater ramifications than the setting of a valuation and the subsequent levying of rates. So it's like the centre of a spider web. You pull one string and the whole spider web starts shaking, and I think that's perhaps a good analogy for the experience we currently have in Broken Hill.

Mr MACDONALD: Right. Thank you.

Mr SEAGER: Thank you.

Mr ROACH: If I could just add a comment also?

CHAIR: Mr Barr?

Mr ROACH: One of the things I've noticed about Broken Hill is because we are fairly remote from another large regional community we have quite a diversity of small businesses that you may not see in other areas as well. For instance, I think we have something like 15 ladies' hairdressers in town. Now they're mostly one person operations. So their overheads are relatively low but their customer base is not great either and an increase in rates which would result in an increase in either rent, or if they own the premises, in their overall cost, is a significant additional charge to those businesses, and what would – and a further sense of insecurity to them is that they don't know whether these increases are going to accumulate. Are there going to be further increases, because there is still that doubt about what sort of overcharging of rates to the mining companies has occurred?

CHAIR: Thank you Mr Roach. Mr Barr?

Mr BARR: Yes. As Chamber of Commerce I guess delegates and representatives, in and around the Chamber is there conversation around land valuation outside of the conversation about rates as a result of land valuation, or is it only ever a conversation because of the rates leveraged?

Mr SEAGER: From my perspective, primarily about rates. There's a broader issue but it's not the main topic of conversation. I think Dennis eloquently put the discussion – before you introduce that, if you don't mind – I think Dennis eloquently put the discussion about the impact of rates on small business holders. I think the other larger issue is this uncertainty which I'd like to come back to. There's uncertainty about the impact of the decision on Council of the current rate issue, and as you said that's not part of the discussion here today. But the questions are then raised about, well if one valuation has such a material impact on Council, what then for the other valuations that have been determined for some of our other large mine leases, for example, for some of our other large properties in Broken Hill? If one has been appealed and materially changed what is the resilience or the robustness of other valuations and should other landholders be appealing valuations? So there is a – there is something of a broader conversation there. And I think the other thing that's much on people's minds, aside from the rate – the individual domestic household rate issue, is the criticism that Broken Hill City Council has been subjected to, because they're obviously going through an exercise at the moment of identifying cost savings to cover the quantum of the liability that's been identified and I'm sure other people have given a full detail of that today. But what the flow on effects of that are is that Council's had to make some highly unpopular decisions about cost saving to make provision for whatever the outcome of those proceedings might be. So in recent weeks Council has proposed reducing its financial support and in kind support to the Resources and Energy Symposium, which is a large conference that's been held here over the last several years and has significant benefits to the business community, highly unpopular and was – has been the subject of much media discussion in our community. Support for the St Pat's race meeting which is the largest event on our social calendar, last year attracting over 8,000 people, many from out of town, many from out of the region, is a significant litmus test of the economic and community health in our region, and also the Civic Ball which is a smaller event but part of Broken Hill's tradition. So one of the obviously unanticipated consequences of this is that Broken Hill City Council with which the Chamber enjoys a very constructive relationship is absolutely being hammered at the moment because of the challenges associated with trying to save costs to cover the liability that they currently are exposed to.

Mr BARR: And if I can offer this, and for the entire room, so that I get out of here safely, with all due respect, all of those things are very, very important but they are really the red hot burning embers on the end of a stick, and I guess the role of this Committee is talking about what that stick looks like because ideally we don't want burning hot embers on the end. We want a good solid piece of stick that everyone knows how it works. And so that's why I asked the question whether or not the business Chamber conversation is about the land valuation outside of the rates, because the rating is the hot ember.

Mr SEAGER: Sure.

Mr BARR: So what about this process back here? From a business perspective, I mean land valuations going up or going down, particularly if you own the property on which you have your business, must be a good or a bad thing for your bottom line at different times. And I couch my original question in wondering about that conversation at a business Chamber level, whether or not that happened. So have – I don't know if I've explained my question a little bit better now to try and identify for you guys what I'm essentially asking of you, trying to stay away from the burning hot embers which is the rates –

Mr SEAGER: Sure.

Mr BARR: - and the massive impact that has right across the community and I feel for everybody on that, but what about that other end?

Mr SEAGER: Look I think that it's not the basis of the conversation.

Mr BARR: Yeah.

Mr SEAGER: I think that there is a conversation about transparency of decision making.

Mr BARR: Yeah.

Mr SEAGER: And perhaps I'll leave my answer at that.

Mr ROACH: I – there's one – I just want to add a bit to that. The actual value of properties in Broken Hill are not subject to the same highs and lows that you get in capital cities or major –

Mr BARR: Sure.

Mr ROACH: – regional areas. Property values here –

CHAIR: Sorry, can I just get you to turn your microphone on?

Mr ROACH: I'm sorry. Is that better?

CHAIR: Yes.

Mr ROACH: Sorry about that. The property values here are more stable. They don't increase dramatically but they do increase. In fact a downturn in business here has a significant effect on the property values as well. One of the things that we like to see available to Council which will also benefit our businesses is a principle of consistency in the way in which properties are valued, the way in which rates are levied as a result of those valuations. One – I did some research before coming to this meeting. One of the things that I noticed which I was a bit concerned about, in the 2010/2011 annual report for the Valuer-General they mention the land value verification project which – in which they are – the Valuer-General has since, between 2006 and 2011, reconfirmed the value of every property in New South Wales. Now if they're giving that sort of assurance the Council has a reasonable expectation that they can levy their rates based on the Valuer-General's actual – the advice that they give. It appears now with this issue with Perilya's rates that that's not the case. This project has taken away that certainty and Council may well have acted on that in good faith, but that capacity to act on that for other properties is no longer there as well.

Mr SEAGER: Mmm. I agree.

Mr BARR: To that end, with your understanding of the way that valuations are currently conducted in New South Wales and applied, what advice would you offer this Committee about making the system better in the future?

Mr SEAGER: I can only offer a personal view –

Mr BARR: That's all I can ask for.

Mr SEAGER: - on that. I'm an ex-pat South Australian. Still own property –

Mr BARR: Sorry about that.

Mr SEAGER: - in South Australia. Don't hold that against me.

Mr BARR: No, it's all right.

Mr SEAGER: And I do barrack for the Adelaide Crows and don't hold that against me.

Mr BARR: Sorry about that too.

Mr SEAGER: The valuation system in South Australia is based on capital or improved value. So if you have two blocks of land with similar street frontage and similar size and one's vacant and one has a two storey house on it the valuation is significantly different. The – if you've got a \$500,000 house on one block and the other block is empty the valuation reflects that. Moving to New South Wales where the valuations are based on land value, it seemed to me, having moved here, that that was a less equitable model than the rating based on improved value. So I just offer that as a personal observation.

Mr BARR: Sure. Mr Roach anything else?

Mr ROACH: Well I'm from New South Wales all my life.

Mr BARR: Congratulations.

Mr ROACH: I'm a South Sydney supporter.

Mr BARR: Sorry about that.

Mr ROACH: I think what people would want to see are clear decision making principles as to how the Valuer-General makes their decision on the value of a property.

Mr BARR: Yeah.

Mr ROACH: I think that's the most important thing. People should be able to say, "Well my property has been valued at X because of ABCDE and E and so on. Principles have been applied. I think that would take away a lot of the concern that people have that it's an ad hoc process and it would give a lot more certainty to it.

Mr BARR: Mmm. Can I just check in with you Mr Seager about something you said about the improved property values and how that might potentially work? I had a walk up the main street. This is my first trip to Broken Hill –

Mr SEAGER: Welcome.

Mr BARR: - and it's got a beautiful feel about the main street. I had a walk up the main street. I didn't see many derelict buildings, but in some CBDs there are a lot of derelict buildings. If you were going to apply a rate on the improved property value, based on the infrastructure put on top of that land, do you suppose that might actually create a bit of a disincentive to improve a block and actually potentially, in the CBD, maybe even leave it derelict or rundown because the value of it is much lower than if it was a good quality thing that was empty or something like that? Do you suppose there's a chance that might create a disincentive and/or in South Australia did you ever experience that as an outcome?

Mr SEAGER: Look I'm not an expert on the South Australian valuation system. I understand that they apply residential and commercial valuation systems so that it may not be apples and apples.

Mr BARR: Okay.

Mr SEAGER: The other comment I would make is that the total rate revenue, if you assume that that's a constant regardless of which model you apply, there's a financial target to be achieved, let's say.

Mr BARR: Yeah.

Mr SEAGER: Whichever model you apply there will be winners and losers. I would suggest that the equity that would lie with that alternative rating model is that those that own the asset regardless of the value pay a fair rate. So if it's a vacant block of land it doesn't cost as much to hold as it does to hold a high value residential property. And I would suspect that our commercial properties, most of our members, the retail and trades manufacturing, would be somewhere in between. I would be interested to see what the effect would be on the typical Argent Street business applying an alternative rating model, because I think that principles of natural justice would say high valued properties should pay more than low valued properties and in the middle there may be some adjustment, but my sense is that it wouldn't materially disadvantage many of our members.

Mr BARR: Mmm. I might leave it at that thanks Mr Chair. Thanks guys.

CHAIR: Mr Seager you talked about the impact on business confidence in the area. Are there any other impacts that issues around the valuation system have had on doing business in Broken Hill?

Mr SEAGER: I see that being the main impact. I'm sure individual businesses are looking at their operating costs and trying to figure out how I'm going to cover the next increase here and how I'm going to cover the next increase there. Clearly once you start talking about operating cost increases of double figures that will alarm business owners.

CHAIR: How often do your members or businesses in Broken Hill raise issues around the Valuation of Land Act with the Chamber?

Mr SEAGER: The Act itself isn't the main topic of conversation, so infrequently is the answer.

CHAIR: Are issues raised around valuations or the Office of the Valuer-General with the Chamber?

Mr SEAGER: Indirectly, yeah. The main topic of conversation at the moment, and the main concern at the moment, is the one valuation issue that's been raised here before today.

Mr ROACH: May I comment on that one?

CHAIR: Absolutely.

Mr ROACH: One of the things I've noticed with Broken Hill because of our nature, we're a self contained unit if you like, when people discuss an issue and rates is a good example, people here don't think in terms of the actions of the New South Wales government in Sydney. They think in terms of the actions of local effect, so that they're just as likely to complain about the Council putting their rates up and what the Council does about valuations and so forth without reflecting on where the Council is actually getting that information from. It's not talked about in a direct sense, but the meaning that the people generally have when they talk about the effect of rate increases is it's passed back to the activities of the Valuer-General.

CHAIR: Is there a view that the valuations provided by the valuation – Valuer-General are accurate?

Mr ROACH: I honestly think that most people wouldn't be aware one way or the other. It's not a very public process. When this – until this Perilya matter was raised you never heard a

thing about the Valuer-General. It might rate a mention in the mainstream press in Sydney or Melbourne or Adelaide but not in the local press here.

CHAIR: I just want to take you up on the issue you talked about, Council having to cut costs. Is it your understanding that the Council will cut the Civic Ball, the regional conference, the race day to deal with the issue around the valuation of Perilya?

Mr SEAGER: Absolutely. That's my opinion. I understand that there's been further discussion and perhaps some of those decisions have been reconsidered, but clearly the decisions that Council are sharing publicly are around cost savings to cover their exposure to a liability.

CHAIR: And would be the effect of – to the Broken Hill economy of cutting those events?

Mr SEAGER: Orders of magnitude more than the amounts that are being talked about. I can give you one specific example.

CHAIR: Please.

Mr SEAGER: That is the Resources and Energy Symposium. So this is a major conference that's been held in Broken Hill for the last several years. The extent of Council contribution, cash and in kind, I understand is \$5,700. That's not a lot of money. The conference brings 300 to 400 delegates. They stay in accommodation. They fill accommodation in town. They fully occupy all the commercial air services that come to town. Special air services are put on to cater for them. Some bring their own charter aircraft. They eat in all our establishments. They take field trips. They use our commercial tour operators. They visit all our art galleries. It is a significant economic impact – injection into our community for \$5,700 investment and in kind. So that's a very small indication of the flow on effect.

CHAIR: So you think the decisions of the Valuer-General will have an impact on the Broken Hill economy?

Mr SEAGER: Absolutely.

CHAIR: Can you tell me about that impact?

Mr SEAGER: I think as Dennis mentioned earlier, the importance of the more sophisticated economy that Broken Hill has developed over the last 20 or 30 years. So Broken Hill has – strongly has its origins as a mining town, and through the last century there were two principal employers that led us towards the end of last century. Government services have expanded. The mining sector is now broader than it was 30 years ago when there were basically two main employers. We now have a broader mining economy that's contributed to by different resources that have different fluctuations and different impacts. The population of just under 20,000 is probably just at the tipping point for a long term sustainable economy or not and I come back to that observation about business sentiment. I sense that our community is finally poised to enter a period of strong growth which can be interrupted, upset by major distractions that erode business confidence. There are a lot of good things on our doorstep. If you'll indulge me, the Silverton Wind Farm project, advanced stages of planning. The Solar Flagships project which will see a large scale solar - grid connected solar power plant established just out on the Adelaide Road. There are in the mining sector, crystal, mineral sands mine. They have doubled the size of their mineral separation plant in Broken Hill, an \$11 million investment. They've got three other prospects that are coming online in the next few years which will more than double the current mine life. Broken Hill Prospecting have got a cobalt deposit out in the Thackaringa Hills about 35 kilometres west of here that is a globally limited resource. Carpentaria Resources magnetite iron ore deposit to start 60 kilometres south west of here. It's part of a formation that may see the largest open cut mine in the world developed in this region in the next 10 or 20 years. On a smaller

scale, in town we've got the Coles retail development underway at the moment, the Excelsior Retirement Village. New South Wales Health has just opened a subacute mental health unit. They have a rehabilitation unit in the advanced stages of construction. We have a GP super clinic being constructed. And I'm sure the City Council could reel off a number of other smaller development applications that have been approved just in the last few months. So there are some exciting times ahead. Part of the role that the Chamber has had over the last few months is to keep reminding people of that because when these larger distractions happen and really do fundamentally impact on business confidence, it reduces the momentum. It interrupts the momentum and we –

CHAIR: Do you think the valuation system is complex?

Mr SEAGER: It has complex flow on effects.

CHAIR: Do you think it's difficult – the objection process is as straight forward as business would like it to be?

Mr SEAGER: No.

CHAIR: Why?

Mr SEAGER: I believe that, as Dennis indicated before, many of our members are relatively small businesses. They rely heavily on the Broken Hill Chamber of Commerce for information. I think many of them would have no understanding of how the rate that they pay is related back to the Office of the Valuer-General.

CHAIR: Do you have any suggestions about how we improve the operation of our valuation system in New South Wales?

Mr SEAGER: Again Dennis mentioned before about the role of the Office of Valuer-General and the role of the Council in levying rates based on those established values or those determined values. Perhaps the way that rate notices are issued, they're issued on a – under a letterhead, on a form that comes from the local or city council, the shire council in a lot of our cases. Perhaps there could be a more transparent link between how the valuation is determined and the ultimate rate levy. So to me it seems one of accountability. Many in our community are holding Broken Hill City Council responsible for the financial exposure that they have at the moment without understanding that the underlying determination was not a determination made by Council. So the decision and the accountability in many of our community members' minds and many of our business members' minds is held separately. So there's a lack of transparency.

CHAIR: Who do you blame for Council's position in this matter?

Mr SEAGER: Blame, too strong a word, but I believe that the Office of the Valuer-General is – should be accountable for the decision that Council is wearing at this point in time, label.

Mr ROACH: May I make a comment too -

CHAIR: Sure.

Mr ROACH: - on the issues relating to appeals and the like? One of the difficulties is there are several avenues of appeal which confuses people. Some issues about valuations like many of these things can be appealed directly to a tribunal, they can be appealed to an appeal mechanism within the agency, they are matters that can be settled in a Court of law. People often won't appeal because they see it as a cost. There's going to be – it's going to cost them a lot of money and there's no certainty that they're going to be successful. And even if they are successful there's no

certainty they're going to recover those costs. And many of the people here that have liked to put in an appeal don't have the resources to do it.

CHAIR: Thank you. Look, there's no further questions from myself. Mr Barr, you –

Mr BARR: No, thank you.

CHAIR: So is there anything you would like to add before we wrap this up?

Mr SEAGER: I think just to pick up the final point that we were touching on there, in the business world certainty is important and the ability to forecast is important. So too it is for Council. And as I indicated earlier Council here provides strong business and community leadership and so the – for small business, the confidence may ebb and flow with the exposure the Council has. I just in principle find it difficult that Council need to take such drastic measures to cover an exposure when accountability, or when the basis for that exposure, was a decision made by nobody in Broken Hill City Council. So they're being held accountable for a decision that's been made elsewhere, and procedurally and in the interests of natural justice I don't understand that.

CHAIR: Mr Seager, Mr Roach we thank you so much for your time for appearing before the Committee today. We wish to – should the Committee wish to send you some additional questions in writing, the replies to which may be made public, would you be happy to provide a written reply to any further questions?

Mr SEAGER: Of course.

Mr ROACH: I would, yes.

CHAIR: Fabulous. Well we thank you so much for your time and engaging in this process and we look forward to working with you to fix our valuation system and the way it's operating in the State. Thank you so much.

Mr SEAGER: Thank you for the opportunity.

CHAIR: Could I just inform the members of the public we just need to have a deliberative meeting to resolve to hear members of the public. So it's just a formality and then we'll be calling members of the public to give their testimony before the Committee. So we'll just duck out the back, resolve to do that and then we'll come back and continue.

(The witnesses withdrew)

JOHN CONNOLLY, sworn and examined:

CHAIR: Thank you for your time today, we really appreciate your interest in this matter. People who have registered with the Committee clerks will each have 5 minutes to address the Committee on the inquiry Terms of Reference. The Committee is inquiring into the extent to which the current land valuation system delivers transparent, efficient, equitable and consistent outcomes for stakeholders. So we're very keen to hear whether you think that's the case and how we fix it. I remind you that the Committee has no jurisdiction to inquire into individual land valuations. I also remind you that while what you say today is covered by Parliamentary privilege, it is not an opportunity to make adverse comments about individuals and I ask that you keep your comments as general as possible if that's okay Mr Connolly. So finally please don't comment on current Court proceedings or matters pending before the Court. And I think that's our official business out of the way. So Mr Connolly I would like to invite you to give your testimony about your views on the Valuation of Land Act and the Office of the Valuer-General. And in what capacity are you appearing today before the Committee?

Mr CONNOLLY: My name is John Connolly. I'm a citizen of Broken Hill and I have a block of land on the outskirts of Broken Hill. Alongside of my block there is a resident valued at \$380,000. I had a valuer here, a licensed valuer here in the town, come to my block approximately four years ago and he valued the block and he said it's worth \$4,000, which I paid \$1,000 for. It's a double block. Right. He also told me that there's not a block of land in Broken Hill worth any more than \$5,000, Brown Street or anywhere in Broken Hill. Now the Valuer-General's Department, I have contacted them, they have said to me that they rate my block of land on the value of the house alongside it. Right. So when it suits them – on another letter to them I know I'm rated on the price of the block of land. So the block of land is valued at \$39,000. That is to derive the rates for the Broken Hill City Council, to drive up the cost of the rates to get extra money into the coffers of the Broken Hill City Council. Now a group of us have had six Court appearances here in the Local Court under a Magistrate, and the Magistrate hasn't any jurisdiction to hear a case that's on property held in fee simple. So when Governor Phillip came to these colonies for Queen Victoria there was no railroad, there was no Parliament House, there was nothing. When the convicts got their deed title and lot number, on the left or right hand corner it had property held in fee simple. A freeholder could do anything he wanted with his own property. There has been no referendum. I have a list of the referendums at home. There has been no referendum to excel any of that type of thing. Right. Okay. So it's still applicable to today. Now this brings me around to another matter. On 3 September 1988 at a federal referendum, the six comet States came together and they voted no to any extra tier of government, being local government.

CHAIR: Yes.

Mr CONNOLLY: The local government is operating without any constitution, the full proposals or whatever, fair value for property acquired by government departments, trial by jury and compensation and acceptance into the constitution. Where the wheels –

CHAIR: Mr Connolly I might just remind you that we've got 2 minutes left –

Mr CONNOLLY: Oh, righto. But where the wheels fell off was –

CHAIR: - and it's – what you're talking about is –

Mr CONNOLLY: Sorry.

CHAIR: - outside the terms of our Committee's reference, unfortunately. So –

Mr CONNOLLY: Okay. But where the wheels fell off of all this system –

CHAIR: Yes.

Mr CONNOLLY: - there is no council rates. The High Court has ruled with us attending the Court here that the rates are a tax. It's not a rate, it's a tax. The States can't enact taxation against the commonwealth and the councils cannot enact taxation against the citizens. A friend of mine, Sam Ticli in Sydney that runs Ticli law practice –

CHAIR: Yes.

Mr CONNOLLY: - I went to school with this person, two friends of his that are ex-solicitors, they can't get a loan from State or federal coffers, and they most certainly can't get a loan from any of the banks and they most certainly cannot put the rates on our property to get them out of their mire that they're in and which means that every property in Broken – in a mining town with a limited history of endurance for what's going on, that's what it's about.

CHAIR: Mr Connolly –

Mr CONNOLLY: They're at fault. They had the money. They've squandered the money. The Valuer-General, that all fell in together in 1916. We become an independent sovereign nation in 1919 and the Valuer-General's Department – that the Crown, all the paperwork they send you, and it all changed in 1919 for our diggers' war effort under Billy Hughes – so King George V. We become an independent sovereign nation from that moment on and we're still using the constitution, the United Kingdom Parliament which is the greatest treasonous act with everybody in – anything at all swears an oath on the Bible of the current monarch which is a foreign crown of this nation. That's about all I've got to say.

CHAIR: Mr Connolly thank you so much for that testimony and thank you for your passion that you've brought here today.

Mr CONNOLLY: Thank you sir.

CHAIR: If you'd like to make a written submission about those issues or anything else relating to – if you'd like to make a written submission with regard to the Valuation of Land Act –

Mr CONNOLLY: Thank you sir.

CHAIR: - and how the valuation system works in the State –

Mr CONNOLLY: Yeah.

CHAIR: - we would very much welcome your input.

Mr CONNOLLY: Thank you sir. It's not myself sir at my age and I've had my life, but it's the young people, young women, young children and the young people, there's nothing in the town for them and it's going to get worse sir. I'm a member of Citizens Electoral Council and – which is situated in Melbourne with Lyndon LaRouche from America and there's some very interesting things afoot for the world and for this nation.

CHAIR: Mr Connolly thank you so much –

Mr CONNOLLY: Thank you sir. Thank you.

CORRECTED PROOF TRANSCRIPT

CHAIR: - for your time and if the Committee wishes to send you some additional questions in writing, replies to which may be made public, would you be happy to provide a written reply to any questions?

Mr CONNOLLY: Yes.

CHAIR: Mr Connolly lovely to have met you. Thank you for your time.

Mr CONNOLLY: Thank you sir.

CHAIR: Take care.

(The witness withdrew)

HAROLD YOUNN, sworn and examined:

CHAIR: While Mr Yourn makes his way to the witness box, I would just like to ask the media who are here to not record Mr Yourn's testimony and can I get a commitment from the media? Yeah, yeah. So – but you're welcome to take notes but just not recording. Yes. So Mr Yourn we've got a commitment from the media here that they're not going to record. They're okay to take notes aren't they Mr Yourn but they're not going to record?

Mr YOUNN: No notes. Nothing of what I've got to say, only recorded by you here.

CHAIR: Okay. Understood. Can I just get a commitment from the media that they will not take any notes, oral or written testimony, whatever of Mr Yourn's evidence? Okay. We have that commitment Mr Yourn.

CHAIR: - thank you for your interest in this issue today and we do appreciate you giving up your time. I'm just wondering in what capacity you're appearing before the Committee today Mr Yourn? Mr Yourn, I'm just wondering in what capacity you're appearing before the Committee today?

Mr YOUNN: I'm a citizen of Broken Hill.

CHAIR: Heavens.

Mr YOUNN: I've lived here most of my life but before we start I'd like to thank the Committee for coming to Broken Hill to give isolated people a chance.

CHAIR: Thank you Mr Yourn. It's a pleasure. Mr Yourn I just remind you that we're going to take your testimony for 5 minutes so -

Mr YOUNN: Thank you.

CHAIR: - your time starts now.

Mr YOUNN: We've started?

CHAIR: Yes please.

Mr YOUNN: Yeah. Well I won't take 5 minutes. What I'd like to say is I'm very nervous with the Council saying site valuations. I'm the half million guy he talked about, lovely big house sitting on the hill, and because I've worked hard all my life to provide this and make the city look better with footpaths, I don't think I should be rated on that because this town is a town of pensioners. I'm a pensioner and I'm looking at nearly \$2,000 a year. Now I stopped objecting to rates. Every year I object. Last time my wife was told the answer to our objection was, "You choose to live in the better part of town, the upper area in Wyman Street so you must expect to pay higher rates." That was the statement. I stopped. I don't bother anymore.

CHAIR: Can I just clarify? Were you objecting to your rates or to the valuation on which the rates were based? Okay.

Mr YOUNN: The valuation. I'm sorry –

CHAIR: Thank you.

Mr YOUNN: - Chairman. Yeah, to the valuation of the rates – the land, and that was the answer, we live in an exclusive area. There's got to be a more equitable system. As for this buck

shoving that's going on about who's liable and who's going to pay, surely everybody could dig out their paperwork, have a look at the date. There you'll get the answer without all this Court cases and everything. And I hear a lot of selling up of Broken Hill. It's not as good as they're talking about. The mining expansion is further out. When they legalised the search for uranium they're going to run into Native Title Act south of Broken Hill. So everybody's booming up. We've got to deal with what we've got in our hands right now, what's in the bank, what assets we've got, instead of this airy fairy. It's like we're going to the bank for a loan. That's all I hear. That's all I'd like to say to you Chairman. And before I go, when I go to Mt Isa they don't seem to have this problem. Is anybody in the Committee going to look at Kalgoorlie, Mt Isa? Isa's further isolated than we are, so is Kalgoorlie, and we can look at it and use a bit of everything to make it more equitable right across New South Wales.

CHAIR: Well Mr Yourn just quickly in response to what you've said, we think that we need to see a fair system in this State and that's why we're conducting these hearings because we want to understand how the system is currently working and how we can do it better. With regard to looking at other jurisdictions, Kalgoorlie, Western Australia, Queensland, we're going to be looking at other jurisdictions to see best practice, because we think we need to have best practice here in New South Wales –

Mr YOURN: Yes.

CHAIR: - and we'll be searching far and wide to find that.

Mr YOURN: That's good. Because you've come here I can ask it. Correspondence gets lost.

CHAIR: Well Mr Yourn thank you so much for your testimony here today.

Mr YOURN: Thank you for your time.

CHAIR: We really appreciate it. And as I said to the previous witness the Committee may wish to send you some additional questions in writing, the replies to which may be made public. Would you be happy to provide a written reply to any further questions?

Mr YOURN: Mmm hmm.

CHAIR: Thank you Mr Yourn.

Mr YOURN: Thank you.

(The witness withdrew)

ALAN TUCKER, affirmed and examined:

CHAIR: Thank you so much for your time today Mr Tucker and in which capacity are you appearing before the Committee?

Mr TUCKER: I'm appearing as a ratepayer.

CHAIR: Fabulous. Mr Tucker as the Committee resolved, we'd like to extend an opportunity for you to give testimony for the next 5 minutes. So – and I would ask you to keep that testimony focussed on the terms of this inquiry into the land valuation system and the Office of the Valuer-General.

Mr TUCKER: That – yeah, that's correct, yeah.

CHAIR: Thanks Mr Tucker.

Mr TUCKER: Just one thing I'd like to remark on, some of the information I've got here ahead of me is from media releases I've done. So if I cross the line please stop me. And also what I'd like to bring to attention, I was a councillor on the Broken Hill City Council from 2004 to the end of 2006, Deputy Chairman of the Association of Mining Related Councils in New South Wales from 2004 until the end of 2007. Now in that period of time, with another Deputy Chairman, the Mayor of Orange – there was two Deputy Chairmans, we had many meetings with the Valuer-General to get the metalliferous mines in New South Wales rated in the same system as the coal industry. The metalliferous mines, especially in Broken Hill lead, zinc and silver, over many years paid very little rates to our city council because the valuations were done on statements to shareholders, what they decided to notify the stock exchange, and over the years they changed that and with the work of Philip Western and the Association of Mining Related Councils the following was brought up at meetings, and this information was handed down by Philip Western, that the valuations for the mines would be decided, (1) on current reserves and mineralisation, whether proven, probable or inferred, anticipated life of the mine, the rate of extraction from the mine and the current royalties paying – payments showing the valuation and amount of material extracted from them in the previous period. Now by doing it that way we can see what's going on with Perilya and the line of load up here. At the time we probably had, when I started here on the mines, five different mining companies. Perilya then was put under this system of rating to do their valuations. The rates are set by the city council, not by the Valuer-General. This is a valuation that we have here, is done by the Valuer-General under the State government decision because that's where we met and who the Chairman and that went to decide on which way the mines – the metalliferous mines would be valued. Now in the last week – prior to – sorry, prior to the night we had the budget, the – sorry, the – I'm getting flustered here, the night the presentation in December for the rates Ray Steer and I come with the petition, I put a letter into the newspaper that showed the valuations of Perilya from 2003 to 2007. That was \$10 million, 10.6, 12.1, 15.7 and then we went into administration. I also objected during that administration that the mining rates be capped for three years at \$2.9 million because we believe that the valuation should have continued going up from that \$15.7 million. So I'm coming from a totally different area and a direction of what our Mayor has said. I believe that the valuations of the mines were correct and the Valuer-General has done the right thing by Broken Hill and the metalliferous mining industry. So if we have a \$20 million valuation and they appeal through the Land and Environment Court and come back with a \$4.8 million valuation for that line of load over there I'm Santa Claus. The valuations, as they have been going up over the years of me being a councillor from 2003 and 2004 through administration to the last valuation that they appealed which was only \$20 million, they appealed and got that down to \$4.8 and they want us to pay them \$6.8 million back. This now has been picked up by some of the metalliferous mines in New South Wales, not all of them, because they've been kept in the dark exactly for one reason, and that's the Valuer-General did not want people to know there had been an appeal. We – I just found out tonight – today and I'm surprised that the term it took – time it took for Broken Hill to find out the valuations, the appeal system. We have mining

companies in New South Wales in metalliferous mines now that are panicking and I mean panicking because they're fearful that their mines will now be appealed the same as Broken Hill if it goes through to the State government High Court. So we have a lot of problems, and I'm a ratepayer and the – if you want me to finish off, the final thing I would like to say, there's been gentlemen in here today and ladies, we've had them coming to us as councillors for years. They have bought a house 40, 50 years ago in an area of Broken Hill. Somebody's built up around them, their valuations have gone up, they haven't done anything with their property, their valuations have gone up, they're on a fixed income, they cannot afford to pay anything that this City Council puts on them as an extra levy. I'm sorry but that is a fact.

CHAIR: Mmm. Mr Tucker thank you for that testimony. My colleague has a question for you.

Mr MacDonald: Thank you Chair. I'm just trying to understand why – what was the basis of the change of methodology of the Valuer-General? Obviously they had one system before and you're – if I understood your testimony they changed that system. What's that about?

Mr TUCKER: The coal industry was valued in one system. The metalliferous mines, which is lead, zinc, silver, copper, gold, all the rest of them, Cobar, Broken Hill, West Wyalong, Lithgow, Bathurst, Orange, they were all valued in a different system. And I remember being on the union here in Broken Hill when the mining companies were asked to give their valuations to – before Philip Western – he only started in 2002 or 2003 or something. But what they were doing to get the valuation of their properties in Broken Hill was to go and find what their shareholders believed their cost was of that property up there, the valuation. Also the State government would then come forward and say, "What have you produced?" So therefore you would get the production from the mine. And that's the way they were working out the valuations of the metalliferous mines, and that's a fact because I was a unionist in Broken Hill and I was on the BIC – the Barrier City – the Barrier Industrial Council. That was the way things were done until 2009 we had Pasminco leave Broken Hill and walk away and leave us with 600 jobs lost. The Mayor at the time, and I've got the paperwork at home, did deals with them to make sure that they paid a certain amount of rates and that's all they could do, what they agreed between us and them. And from 2000 – from 1996/7 is where they went through the Valuer-General gradually until 2004 when they got it rated the same way as the coal industry. And anyone that lives in a coal industry or any Member of Parliament that's in a coal industry place, if they go and ask their members or their representative of the mining related council, if they're in that area, they will be able to explain exactly the same thing, that the coal industry was rated in one direction, metalliferous mine was done in a different direction, and now they're both done the same, and that's the things that I just read out of how they work out the valuation. There's no hiding it now. The Valuer-General comes here – he's supposed to come here. He's supposed to sit down and do this. He is not telling the companies, the councils and the people the answers that we want to know and this is also the answers that the elderly in Broken Hill want to know, when they build a house next door to you and they hit your valuations.

CHAIR: Mr Tucker we're going to have to wrap it up.

Mr TUCKER: I'm sorry.

CHAIR: The only thing that I will say is that just because the Valuer-General has issued instructions on how to value the mines doesn't mean it's necessarily compliant with the *Valuation of Land Act 1916* and the Court has determined the valuation of the Perilya mine in line with the Act of Parliament which may not necessarily correspond with the methodology being used by valuers –

Mr TUCKER: Yes.

CHAIR: - for these things.

Mr TUCKER: That's the Land and Environment Court, not the High Court of New South Wales.

CHAIR: That's correct.

Mr TUCKER: And this is Section 37 of the *Valuation of Land Act 1916*.

CHAIR: Yeah. Mr Tucker, thank you so much for your time today.

Mr TUCKER: That's all right.

CHAIR: We really appreciate it. If we've got further questions in writing, the replies to which may be made public, would you be happy to provide a written reply to further questions?

Mr TUCKER: I will be, yes.

CHAIR: Thank you so much for your interest –

Mr TUCKER: That's all right.

CHAIR: - in this matter and thank you for participating in the process.

Mr TUCKER: Thank you very much.

CHAIR: Thanks Mr Tucker.

(The witness withdrew)

CORAL WILCOCK, affirmed and examined:

CHAIR: In what capacity are you appearing before the Committee today?

Mrs WILCOCK: Concerned ratepayer.

CHAIR: Thank you very much Mrs Wilcock. We've resolved to take your testimony for 5 minutes so your time starts now.

Mrs WILCOCK: Okay. I'd just like to raise the concerns of the people in this town as far as the high valuations of our land. I mean it's obvious that it is overvalued because Perilya has just won a case and our rates here are higher than capital cities because it's worked on the valuations from the Department of Valuer-General. And there's a lot of poverty in this town and if people ever go onto charity runs and go around the town and they see the people that are living in poverty and depravity - it does happen. They - this shouldn't be - we shouldn't have to pay for what the Valuer-General has stuffed up because it's his stuff up and he should pay for it. If I go and book something up to you, you wouldn't pay for it would you? Well why should the people? It's not right and the people in this town are really worried about how the rates are going to keep going up because they still go up every year. Normally they go up three and a half percent, such and such every year. But they're going to be going up to 20% or something every year and everything else has gone up, and the Council is broke so they can't do much else except pin it onto us. But I don't think the Council should have to pay it either. It's not the Council's fault. I mean I don't agree with a lot of things with the Council but I certainly don't think it's their fault that the Valuer-General has pinned - done - pushed this all onto us. I'd like to see him. I'd like to see him in person and I'm sure a lot of people would.

CHAIR: What would you say to him Mrs Wilcock?

Mrs WILCOCK: I'd tell him what a dog he is. That's what I would tell him because I think he is a dog to pass this onto us. And the ratepayers object to valuations singularly but they don't get any feedback. There's the odd tick, this is it, that's that. You would have to have a class action to go against the Valuer-General with all the people in Broken Hill, but then you would have to be sure that you could win because it would be very costly. And I mean Perilya had the money to do and good on them. But I'm a bit angry with Perilya too because back in 2007 they weren't going so easy and they were given a reprieve of over \$3 million in rates by the Council and now that they have this -

CHAIR: We should just focus on valuation issues specifically Mrs Wilcock. We've just got to be careful that we stay inside the terms of reference.

Mrs WILCOCK: All right. Sorry. But it's the truth. I said I'd speak the truth.

CHAIR: It's a bit outside the terms of this inquiry though Mrs Wilcock.

Mrs WILCOCK: Yeah, well the valuation it's unfair. Our values here are higher than some capital cities. It's ridiculous. And I think the Valuer-General has got a lot to answer to and I would like to see him come to Broken Hill, that's if he's just one person because he'd go back in shreds and that's - he would. I just think it's shocking for the older people in this town, they're doing it hard enough because everything has gone - everything is more expensive now than it was and in the last four years you, yourself would understand that. And I just honestly think that something should - there should be some consideration as to the Valuer-General, that there should be big objections going into the Valuer-General. I mean all right the Council takes the knocks but it's about time he did and that's how I feel. That's all I've got to say. Thank you.

CHAIR: Would you encourage residents to object to valuations?

Mrs WILCOCK: Of course. My word I would. I would be like Ray Steer, I would go and knock on their doors because I think it's disgusting. How can he make mistakes like that then sit back and expect the people to pay for his mistakes?

CHAIR: That's the question that we're all asking at the moment Mrs Wilcock.

Mrs WILCOCK: I'll send him a bill.

CHAIR: Mrs Wilcock thank you so much for your time.

Mrs WILCOCK: Thank you.

CHAIR: Thank you for appearing before the Committee. And if we wish to send you further questions would you mind if – would you be happy to provide a written reply to further questions? Thank you Mrs Wilcock.

(The witness withdrew)

HUGH GOUGH, affirmed and examined:

CHAIR: Mr Gough, can I just ask in what capacity you are appearing before the Committee today?

Mr GOUGH: I appear as a ratepayer and as a small business owner.

CHAIR: Well we thank you for your time today and to the Committee's resolve to give you testimony for 5 minutes. So your time starts now Mr Gough.

Mr GOUGH: I am going to try and keep focussed on the issues that you need to address and you've got to make a report to the New South Wales government about the Valuer-General and his role in this whole process. Obviously it has been brought to a head by the issues that we face relative to the mines here in Broken Hill, but this is a much broader picture. What I want to do first of all though – and I've been sitting right throughout this testimony, right throughout this afternoon, and I have seen some amazing stuff and you're going to take some tapes back with you to the government and you're going to have to go through them and make some recommendations. I just want to share with you that something that's sprung to my mind and I could see Stephen Fry sitting up there and I thought that perhaps our three representatives from Council should have had a paddle with "Nobody knows. Nobody knows." I am staggered that our Valuer-General did have no means of communication or no intention of communicating to Council, relative to the issues of both objection and appeal and how could our Council know? As I interpreted, the Valuer-General is operating in a fog of mystery and I think it's quite a deliberate fog of mystery. I talk as a very down to earth ordinary person and I really feel for the – particularly for the ratepayers of Broken Hill, and I heard our Financial Officer mention a figure, and he said that the rates for the residents would have to increase by 10% per annum for 10 years. Now I'm not good at maths but I think if it goes up 10% in the first year, it goes up more because it goes up on the 110% and I think by the end of 10 years you're going to be paying double the amount you would have – I'm not too sure, but it's a huge figure. It would kill Broken Hill. So the Valuer-General needs to get the very clear message that the consequences that have resulted from this particular action will actually kill Broken Hill. I want to make another point which I hold very dearly. Broken Hill was declared a city in 1907 and I have constantly heard it referred to this afternoon as a town. I take offence at that because it is a city and a very proud city and it's a city which incidentally is on the cusp of being declared as a heritage city. And I have a suggestion, because you've really got to make some recommendations to the New South Wales government, and I think you should have the courage to start thinking from left field. Let's sack the Valuer-General altogether. We – he's operating in a deliberate field of mystery. And as an ordinary ratepayer we get Valuer-General's notices and you have a look at that and you say, "Oh, my God it's gone up that much again. We'll appeal it." And do you know what, you feel absolutely powerless to appeal it because you just simply don't have the resources or the money. Now the way that this is interpreted by our local community is it happened for Perilya. They have both the resources and the finances to be able to make an appeal and therefore their appeal has been successful as a consequence of them having the power and the funding to actually do it. As an ordinary ratepayer you have this spectre of barristers costing you several thousand dollars a day and there's no way in the world that you could have the power to appeal. So what I'm suggesting is perhaps a different way of raising the money the Councils need to run altogether and I would encourage this Committee to take forward the idea of – in fact perhaps even, and I know it's radical, but increasing the rate of the GST and then distributing the amount of money that is raised on a federal level in an equitable way through the States to fund in a fair way the services which are necessary to be provided by local government. And I think that that would eliminate the very difficult circumstances under which we try to operate. And I understand that the – well the Valuer-General, if you were to disband his Department, I think that perhaps the several million dollars that would be resultant in additional income would help – go a long way to help funding a different way of collecting the revenue in order to run local government. I am delighted to take any questions if you have any.

CHAIR: Mr MacDonald do you have any questions? Can you tell me Mr Gough – and thank you for your very animated testimony, how the appeal costs are unfair to average ratepayers?

Mr GOUGH: It's a perception. You have a right –

CHAIR: Have you appealed before?

Mr GOUGH: No.

CHAIR: Do you understand the process?

Mr GOUGH: I understand that there's various periods of time to appeal and I've been totally mystified by that today. I think that 28 days has been mentioned initially, then 60 days. As far as I'm aware you have 60 days to appeal from the land valuer's valuation which is sent out to us as landholders.

CHAIR: Do you think most residents are unclear about the appeal process?

Mr GOUGH: I think they're aware of the fact that they've got the right of appeal. I just think they're just scared to death of actually making an appeal.

CHAIR: And what about the cost to appeal?

Mr GOUGH: Well that's what they're scared of. They – if there was an appeal process which they could guarantee wouldn't cost them then there would be a lot of people making an appeal, but the Valuer-General's not going to allow that because it would create another level of bureaucracy. It – look we get land valuations and my wife and I discuss them and say, "Oh, look we should appeal." We don't know the detail of the appeal process. We don't understand the detail of the appeal process and it's the same fog of mystery that the Valuer-General is working in which deliberately keeps us unaware of those processes.

CHAIR: Do you think that stops people from objecting?

Mr GOUGH: Absolutely.

CHAIR: And is that fair?

Mr GOUGH: Of course it's not fair.

CHAIR: And what do you think we need to do to fix the objection process?

Mr GOUGH: Well I think – I've already suggested that perhaps we think from left field and come up with a completely different way of funding local government. The process of land valuations is so subject to variation. And I've heard in this room tonight that in New South Wales land valuations are made on the land value itself, not on the improved land value, and yet in the same room I've heard of the valuations have been made according to the improvements which have been made on adjacent blocks of land. So I'm completely mystified again this afternoon because the system, as I understand it, is on unimproved value. The facts are they take improved value into account. And I just don't know. I don't understand and I'm just a poor ratepayer who pays up because we feel absolutely powerless.

CHAIR: Well I don't think you're alone there Mr Gough and that's why this inquiry is being undertaken. So we wanted to thank you for your time today. We want to thank you for your testimony. And if we've got any further questions do you mind if we send them to you in writing and would you mind providing a written reply?

Mr GOUGH: I'd be delighted to do that but I just need to make an additional comment as I close.

CHAIR: Okay.

Mr GOUGH: I want to thank you enormously, this team that's come to Broken Hill, because I'm fully aware of the fact that you got up in the very early hours of this morning in order to make the Red Eye flight to Broken Hill, and you've conducted this inquiry in the most intelligent, thoughtful manner that I have ever witnessed and I want to take my hat off to you and thank you very much indeed for coming and doing just what you're doing.

CHAIR: Oh, well thank you so much and we really appreciate that feedback but we're doing it because we think the system needs to be fair. We think it needs to be transparent. And we think it needs to be open to all people to access, a level playing field, and that's what we think our role is and place is here to do. So thank you for your contribution. We look forward to working with you to fix this system.

Mr GOUGH: Let's hope we succeed.

CHAIR: Now I think everyone has had their say. Is there anyone that wants to have their say, speak now or forever hold your peace? So on that note I'm going to officially close our public hearing in Broken Hill and can I also take this opportunity to thank the Council for hosting us here today. Can I thank the residents for their passion and their love of this great city and wanting to improve it for future generations. We will work with you to fix, not just the problems here in Broken Hill, but the problems right across this State, and we thank you for the care you've shown in the community. Thank you.

(The witnesses withdrew)

The Committee adjourned at 6.15 p.m.