

I consider pegging rate increases to population growth to be economically illiterate.

A larger population provides more rate income to cover increased service demand.

Further, as populations grow, the cost of service per resident should fall through economies of scale. This is what happens in the commercial world where unit costs and prices fall as customer numbers increase.

Automatically linking the rate peg to population growth will simply lead to a continuation of the upward trend in rates with no return for ratepayers in terms of service improvements. It'll just be another opportunity for bureaucrats to put their noses in the trough through ever higher salaries and perks, consultancies, and a higher percentage of higher salaried managerial positions.

IPART, as pricing regulator, should be protecting ratepayers from monopoly pricing - not pandering to the monopolies.

A better way to evaluate requests for rate hikes would be through quantitative measures of productivity and efficiency.

IPART currently does not require any quantifiable measures of productivity (output per employee) despite this being one of its criteria for assessing Special Rate Variations. Instead it merely relies on isolated examples of "cost reduction initiatives" which are usually dwarfed by unreported cost increases.

If IPART were to mandate quantifiable measures of productivity (output per employee) and efficiency, these could be used to better assess the insatiable demands of Councils for higher rates.

As populations rise, you would expect productivity (output per employee) to improve as more people are served by Council employees. You would also expect efficiency to improve through economies of scale.

So, if Councils ask for more resources to serve more people and can show hard quantifiable evidence of productivity and efficiency improvements - then there's at least a case to consider that the extra money may be genuinely needed for additional services ratepayers have asked for through public consultation. Whereas stagnant or falling productivity and efficiency would suggest Councils have room to accommodate the growth from existing resources - including the extra rate income they receive from growing populations.

This will also have the advantage of incentivising improvements in productivity and efficiency, rather than the opposite under the SRV process where a worse OPR is seen as "financial need" and unlocks the criteria for another rate hike.

Simply linking the rate peg to population without any consideration of productivity, efficiency - not to mention the extra rate income received from a larger population is economically illiterate. It'll simply mean extra revenue subsidising salaries, perks and an easier life for an unproductive and inefficient bureaucracy whilst services continue to worsen.

Regards
Kevin