Submission by

Combined Community Groups

- **Buchan Point Residents Association**
- **Palm Cove Residents Association**
- **Clifton Beach Community Association Inc**
- **Paradise Palms Residents Group (Kewarra)**
- **Trinity Beach Community Association**
- **Trinity Park Ratepayers Association**
- **Yorkeys Knob Residents Association Inc.**
- **Machans Beach Community Association**

To

Cairns City Council

‘Approach to General Rating’

15 February 2006

This ‘Submission’ was presented to Cairns City Council by

Cairns Residents Reference Group (Rates)

on behalf of above named

Combined Community Residents Groups

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1.0 INTRODUCTION

The following is in response to Cairns Council's invitation to make 'Submissions' on issues of General Rating. We also support and endorse the separate 'Submission' presented by the Cairns Residents Reference Group (Rates) [CRRGR]. That 'Submission' is a detailed and wide-ranging paper covering the general principals and philosophy of rates policy in its broadest sense.

This paper almost exclusively seeks to address the specific problem, which has only recently arisen for Cairns ratepayers with these latest valuations. It deals with the need for a greater responsiveness by Council to the consequences raised by its present rate policy, in particular (i) the excessive rate rises for some properties in 2005-2006; and (ii) the now-huge disparity between the 'Minimum Rate' and that suddenly now payable by some resident owners. We see the consequences of these valuations on the rates payable as having giving rise to various Residents Rates Groups; as having caused much genuine anguish with some resident owners; and as having now given rise both to the very negative publicity for Cairns, and to this offer by the Council to review its policy prior to the 2006-2007 Budget.

There is a particularly acute problem for owner-occupiers, and one that has been recognised by those other Queensland Councils with a comparable problem, but not by Cairns. There is a complete lack of relationship between **ABILITY** to pay [dependent on income] and a non-discretionary **OBLIGATION** to pay rates [based on **UNREALISABLE** (in the case of owner-occupiers) unimproved value of the land on which one's house is situated].

It is clearly understood that Rating Issues are very complex matters in terms of principles and application, and -- as will be seen -- the CRRGR submission addresses these matters in some detail.

The great majority of Queensland Local Government areas (i.e. all those covering the vast inland areas, and some on the coast) do not have the problem of massive and sudden valuation (and thus rate) rises, and do not have huge disparities within one category (urban residential) between their Minimum and highest, single–residential payments. Thus they have no need for a solution. Indeed, this also applied to Cairns until the latest valuations – no very severe problem existed, so there was no necessity to deal with the matter.

It is acknowledged that Cairns Council's Minimum Rate is lower than that for some other Local Governments, and that the pensioner Rebate is higher than some others. It is creditable also that Council has made a very significant increase in the pensioner rebate in 2005-2006, and has introduced an additional category for the Rates Relief Tribunal based on excessive rate increases (unfortunately something of Council's good intentions have been largely negated by the inappropriate form sent out, which has discouraged many from applying. Nonetheless for those who have applied and been assisted, the help is undoubtedly acknowledged and appreciated).

However these efforts have at best been a 'bandaid' approach, and are sadly quite inadequate in resolving the difficulties for most ratepayers involved in the huge rate rises and now enormous 'stretch' in valuations.

The Cairns rates situation has now become a national scandal, with bad publicity in local, state and national press; on radio; and state and local TV. This publicity is widespread; extremely effective; will go on unless Council responds to ratepayers' genuine concerns; and is in effect impossible to counter.

Whichever solution of the various ones available is adopted, we believe Council no longer has the option of doing nothing to resolve the situation.

Council can no longer attempt to defend the indefensible. It can in no sense say that the its present policies are in any way resulting in an 'equitable' outcome. Charging the same rate in the dollar of unimproved value may well be a valid <u>definition</u> of 'equity' (as also, incidentally, is the definition of 'equity' applied to a flat fee per property for water, sewerage, etc; and indeed the charging per person for [say] admission to the Civic Theatre).

What must be emphasised is that the outcome of such 'equity' (as currently applied to General rates) is a grossly inequitable, unfair, unjust and outrageous result.

It is an obscene perversion of the language to suggest that an outcome which results in reductions/the same amount of/or minor increases of 40 cents to <$1/week for 80% of ratepayers and **RISES** of up to $100-150/week for others, is in some bizarre way an 'equitable' or 'fair' outcome. The average rate rise of 3.9% is meaningless when the variation is between MINUS 20% and PLUS 200%!

We hope that Council will offer to individuals, and to various residents groups, an opportunity to work productively, and in a constructive and positive way, WITH Council, and not be forced by their exclusion, to work against it.

Nonetheless unless the Council does adopt a conciliatory attitude to ratepayers and ensures it resolves the problem, the sort of extreme negative publicity which exists at present will undoubtedly go on being generated, with all the damage and embarrassment it is causing for Cairns residents.

Might we emphasise that none of the signatories to this Submission have attempted to date to gain any such bad publicity for Cairns, nor is there any connection with any other group, which may have recently been similarly renamed.

This submission deals with revenue from rates rather than the overall size and expansion of Cairns City Council (CCC) revenue and expenditure [although that is a separate if related issue of substantial importance as well]. This Submission deals specifically and mainly with…

- **<u>GENERAL RATES</u>** [utility charges such as Water, Sewerage, Garbage etc do not seem to have been a serious issue for ratepayers];
- **<u>RESIDENTIAL PROPERTIES</u>** [not commercial; industrial; shopping centres; charities];
- **<u>SINGLE-DWELLINGS</u>** [not 'multiple dwelling', group titles, or residential development sites]; and
- **<u>URBAN</u>** [not rural] land.

We look forward to Council involving residents' and their representative groups, both to assist in resolving the present crisis over the existing rates policy, and to help address any issues involving rates, which might arise in the future. In particular we would welcome an opportunity to have further direct consultation with the Councillors and to be invited to be involved in on-going consideration of rates matters.

It is highly desirable that Council involve and works WITH its residents and the groups with which they are involved, rather than against them, and we can assure Council that any such invitation would be met with a very positive and constructive response.

2.0 SUMMARY /SYNOPSIS

2.1 ISSUES ARISING FROM THE PRESENT RATING METHODOLOGY

The major issues that we see as arising from the present rates policy are:

A. **EXTREME RATE RISES**: there is an acute and immediate need to alleviate the burden of disproportionately large rate increases (especially for owner-occupiers), some of whom have had rate rises of $100-150 / week; and

B. **ABSOLUTE LEVELS**: there is also now an extreme disparity between the Minimum General rate and that for highest valued properties, which has also only now occurred in Cairns with the latest October 2004 valuations, and has resulted in ratepayers who previously paid rates of 5-6 times the minimum, are now paying 18-20 times or more, and in dollar terms total amounts of $200-250 + / week.

Neither problem had arisen prior to the current [new] valuations, and neither was addressed prior to the 2005-2006 Budget; both need urgent resolution for the 2006-2007 year.

2.2 SUGGESTIONS FOR CHANGES

It is essential that some solution be found to provide a less outrageously unfair, inequitable and iniquitous system for setting general rates, given the situation, which has now arisen.

The paper addresses the following suggestions including those encompassed in the CCC Discussion Paper.

(i) Differential Rating

It is appropriate to consider such method, provided (obviously) there is a significant variation WITHIN the single residential category (which is the major problem that presently exists). In particular it could address the excessive disparity (stretch) between highest and lowest levels of general rates. An example of this method is included in the main paper.

(ii) Averaging

While any form of rate relief is welcome, averaging is not an adequate answer to either problem (i.e. excessive rises and absolute amounts). It may be useful as an additional tool where used say in conjunction with rates capping – as in Townsville – but at best delays only briefly the impact of rates increases, and nor does it have any long-term impact on levels. There is now little point in introducing it from 2006-2007 anyway.

(iii) Capping

We very strongly support this as an alternative to Differential Rates, provided (again, obviously) the ‘base’ level is calculated, using the levels of general rates as at 2004-2005. The method provides specifically targeted relief directed at owner-occupiers, thus in a manner attempting to match rate rises with income changes – which is a crucial difficulty when rates suddenly rise by $100-150 or more / week – for a single household on fixed income! It is very simple both to understand, implement and administer; and happens also to be the method most widely used throughout the state (Brisbane, Townsville and elsewhere).

We consider some of the additional surplus from this year’s actual revenue should be used to rebate the excess rise for 2005-2006.

(iv) Other alternatives: Setting a Maximum Rate

The Discussion Paper has not canvassed this; however setting a maximum rate at around 4 to 5 times the minimum rate is a procedure we would endorse. It still recognises the much greater contribution, which is called for by owners of some more favoured properties, without the extreme excess of the present system. It would possibly be the least expensive of the alternatives, and if for fiscal reasons needs to be further targeted, could be limited to (continuing) owner-occupiers of single-residential properties only.

2.3. REVENUE CONSIDERATIONS

The statement in the Discussion Paper ‘suggestions as to how revenue lost could be earned in other categories’ is entirely inappropriate and assumes the Council needs to retain the levels of income it presently raises.

There is no reason at all why income for 2006-2007 needs to match this year’s (2005-2006) income and expenditure, when these are highly inflated levels anyway. Revenue raised appears already to have been well over budget expectations, and it is unconscionable conduct on Council’s part to continue to impose outrageous and excessive burdens on a small group of homeowners, in particular when it has raised even more income than it initially required.

It is considered essential that a (significantly) greater burden NOT be imposed on residents in the less highly valued areas of the city to overcome the crisis for those adversely affected by the recent valuations and rate rises. It is essential that ways be found to REDUCE the growth of Council expenditure instead, and / or to utilise the unexpected surplus that is apparently now available.

Furthermore rates levels should not need to be raised to provide targeted relief, as there are relatively small numbers of ratepayers involved.

Despite this impediment by Council some discussion is presented in Section 5 of the Submission.

It should not, in any case, be a requirement for ratepayers to produce solutions to the problem [just as pensioners are not expected to discover ways to fund the pension rebate]. The Rate policy is clearly scandalous and completely out-of-line with other Queensland coastal local government areas; there are funds available to sort out the mess, and this must be done immediately.

3.0 ISSUES ARISING FROM THE PRESENT METHODOLOGY

Generally in the past valuations appear to have moved more-or-less in unison throughout the Cairns City Council area. As in every city and town, there are always some areas more favoured and valuable than others, and over time in Cairns there have been movements of such relative valuations with a more gradual divergence or convergence between and within maximum and minimum values. With previous valuation changes, a [say] 10% average change was likely to be a range of 5-20%. The valuations (and therefore the general rates) moved in a somewhat 'parallel' way, with marginal variations only within the overall range.

However, between the valuations of 1 October 2002, and that of 4 October, 2004, there has been a dramatic shift in the disparity, and extreme variations in the rates burden has arisen this year, for the first time -- at least in decades -- as a result of this wide range of increases in the DNRM's Unimproved Property Valuations [UCV] based on 4 October, 2004 and effective 30 June 2005. Within the overall CCC area, there has been an (rather meaningless) average increase of 53%, with the rises being in a range of between 10% (mainly at the lower end) to 200%+ (at the already higher values of esplanades, beachfronts and headlands).

Due to the single General Rate (Residential) per $ of 0.7962 cents of UCV, this 'stretch' in valuations has led to a corresponding 'stretch' in rates payable. This has, as a consequence resulted in extreme **unfairness and inequity** whereby 80% of ratepayers have had a reduction or a modest increase of <(c) $1/week, (including the 40 % on Minimum Rate which is 3.7% higher), while others have **rises of $100, $150 and more, PER WEEK**. The average rise of 3.9% trumpeted by Cairns Council is similarly quite meaningless when it involves both REDUCTIONS of 20% and RISES of up to 200%+ in the General rate burden.

This is a particular problem for owner-occupiers, and one that has been recognised by those other Queensland Councils with a comparable problem, but not by Cairns. There is a complete lack of relationship between **ABILITY** to pay [dependent on income] and a non-discretionary **OBLIGATION** to pay rates [based on **UNREALISABLE** (in the case of owner-occupiers) unimproved value of the land on which one's house is situated].

The new valuations have also opened up an extreme, **unfair and inequitable difference in the absolute and relative difference** between the Cairns minimum General Rate [$571], and the amount for the group of highest valued properties, many in excess of $10,000. Previously this was a multiple of about 6 times; it is now up to 20 times. And this is of course, for funding what is essentially the same level of services.

For example, land in the range of suburbs with lowest land values (and also subject to minimum, or close to minimum, General Rate) within the Cairns suburban area e.g. such as much of Bentley Park, Mt Sheridan, White Rock, Bungalow, Manunda, Manoora, previously valued at $50-60,000, have now been re-valued at $60-75,000. As an example of top values, the valuations such as Kewarra beachfront, have gone from $325,000 to $1.3 million.

That is, compared to those properties paying the minimum rate (i.e. formerly $550 on properties of < $50,000, and now $571 on values up to $71,000) the General Rates payable by higher valued properties have gone up by the same extreme difference [from an already high 6 times to a new and extreme difference of 20 times or more].

The effect of the new valuations on Rates as a percentage is illustrated as follows:

3.I. - PROPORTIONATE INCREASES

% Change in U/C Valuations	% Change in General Rate	
+15%	-20%	e.g. Portsmouth - rates lower by $4/week
+40%	No change	
+46%	+4%	80% of properties pay LESS than this increase
+90%	+35%	e.g. Clifton - NON beachfront
+100%	+42%	e.g. Palm Cove - NON beachfront
+200%	+113%	e.g. Buchan Point; Janet St, Yorkeys Knob
+©300%	+©200%	e.g. Kewarra - large block; Trinity beachfronts

These are, of course, percentage increases [i.e. if property had trebled in value (+200%), rates have more than doubled (+113%)].

3. 2. ABSOLUTE INCREASES

The effect in money terms has been greatly exacerbated because the most substantial percentage rises, have mainly applied to those properties already most highly valued in dollar terms, and therefore subject to the highest rates, even before the new valuations.

For the 40% of ratepayers paying minimum rates, the rise has been 40 CENTS PER WEEK, while a total of 80% are paying lower amounts, the same as last year or a rise of around $1 per week or less.

By contrast, those at Kewarra [large beachfront] are required to pay $120 per week MORE [from $3,500/year General Rates to $9,700]; making total annual rates charges of over $200 per week (including water, sewerage, etc.). Trinity beachfront have had similar rises, while those at Yorkeys Knob [Janet St]; Kewarra [half-size beachfront]; Buchan Point; Machans, Holloways, and others, previously paying around $3,000 per year, and with valuations now trebled, are typically paying $60-70 per week EXTRA. In the case of most non-esplanade properties at Clifton and Palm Cove the additional amount is $8 - $10 PER WEEK**.**

RISES OF THIS MAGNITUDE INVOLVING VARIATIONS OF BETWEEN 40 CENTS AND $120-150 + DOLLARS PER WEEK ARE CLEARLY BY ANY DEFINITION INEQUITABLE, UNFAIR AND UNJUST, particularly for owner-occupiers, who cannot adjust their incomes in a manner commensurate with the higher rates burden.

THE MAJOR PROBLEM IS THAT, DUE TO DISPROPORTIONATELY HIGHER VALUATIONS, THERE IS NOW A MAJOR 'DISCONNECT' BETWEEN THE MODERATE CHANGES (ON AVERAGE) IN **ABILITY TO PAY** – BASED ON INCOME – AND THE UNAVOIDABLE AND NON-DISCRETIONARY **OBLIGATION TO PAY** -- DUE TO THE INCREASE IN THE UNREALISABLE [in the case of owner-occupiers] UNIMPROVED VALUES FOR THE LAND.

[It has to be assumed that incomes on average will rise in line with CPI (2.5%) or average weekly earnings (around 5%), whereas the increase in rates has been 100-200% or more.]

This is a problem that is particularly acute for owner–occupiers; investors by contrast do have the possibility of raising rents from the property, subject to market conditions, and in any case can **deduct** the full amount of rates including any excessive rise, from Taxable Income. As a last resort, investors can sell the improved value property without having to give up their own house.

Council cannot be blamed for creating this situation, nor of course can it – or should it – attempt to take into account individual incomes into account in its levels of rates charges.

Nonetheless it most certainly does have some responsibility – which has been accepted by other Queensland Councils -- for trying to alleviate the problem, at the very least for (continuing) owner-occupiers of single-residential properties.

4. - POTENTIAL SOLUTIONS/SUGGESTIONS FOR CHANGES

As with any situation or problem, one can choose to do nothing or something; ignore it or solve it; forget it or fix it.

4. 1. - DO NOTHING

Most Council's of inland towns do not have the problem and so do not require a solution. This was also the situation with the Cairns City Council, until the latest round of valuation changes suddenly produced the problem we now face in acute form. Cairns Council's failure to date to rectify the new situation, has meant that -- of the various Councils (mainly those on the coast and metropolitan area) which do have these problems of widely disparate rates payments -- Cairns Council has now been left with the highly invidious distinction of being the one major local government which has failed to assist in alleviating the difficulty faced. Despite various (individual) representations made to Council after the new valuations were advised and before the 2005-2006 year's rates were set, Cairns has chosen to ignore the situation and take advantage of the extra revenue.

It has already been acknowledged that for Cairns this was a completely new problem, and that it appears some alleviation had been anticipated, had the DNRM done new valuations from October 2005 [and of course had these new valuations actually resulted in a narrowing of the 'stretch' referred to by Council's Discussion paper. This seems a highly dubious proposition anyway, and in any event is now irrelevant].

Leaving the matter still unresolved should not any longer be regarded as a possible alternative. The matter will not 'go away' – as some had perhaps thought – and will continue to fester and generate seriously bad PR for the city. The national publicity (for example in the *Australian*, the *Courier*, and the *Australian Financial Review*, and on radio and TV) is doing the image of the city great harm. The publicity generated to date has been succinct, extremely effective and impossible to counter.

4. 2. - ASSIST RATEPAYERS… AND ADDRESS THE PROBLEM

The following are the main ways which might be considered and which are already used by other Queensland Local Governments (Councils), including those raised in the Council Discussion Paper:

4.2.A. - RATES BANDING OR DIFFERENTIAL RATES

We endorse such proposal for differential rating, provided (obviously) there is a significant variation WITHIN the single residential category (which of course is the major difficulty at present). In particular it could address the excessive disparity (stretch) between highest and lowest levels of general rates.

To be effective in overcoming the present problem, we consider that for SINGLE RESIDENTIAL PROPERTIES the rate in the dollar for the highest valued properties [say >$1.0 million} should be set at a level approximately one-third the rate in the dollar for lowest valued properties [those paying only the minimum rate] which in the Cairns situation would still mean a level of at least five times the minimum rate or more.

This method may be slightly complicated to arrange initially, but seeks to address the absolute differences between wide disparities in valuations, and applies to all properties, owner-occupied and investment alike.

It is not in the least complicated to administer once the initial subjective judgments have been made concerning number and levels of bands and levels of minimum rates for each band. Computers are very capable of applying this system as readily as the existing system, with its smaller number of differential bands for different classifications (Rural, Residential, Shopping Centres, etc).

It is the method used in the various Sunshine Coast Councils [Maroochydore; Caloundra and Noosa], and by the Douglas Shire among others. It basically involves a series of 'bands' for property values, with a different [and lower] rate per dollar (though higher actual amount) as values rise. The following is an example for the current financial year as adopted by Caloundra [other Councils have of course the same principle though different number of bands and levels etc.]

CALOUNDRA 2005/2006 Differential Rating Model

Category	Description	Rate in $	Minimum	Number of Properties
1	Rural and Agricultural	.007158	781.00	648
2	Commercial & Industrial	.010666	908.00	1783
4	Extractive Industries	.008234	855.00	6
5	Shopping Centre $1 million to $10 million UCV	.008046	15,066.00	8
6	Shopping Centre > $10 million UCV	.007410	292,965.00	1
7a	Unit Level 0 – 3	.007219	781.00	6525
7b	Unit Level 4 – 6	.007732	859.00	1261
7c	Unit Level 7 and over	.007731	976.00	563
11	Residential UCV $0 to $156,000 UCV	.006468	781.00	19420
12	Residential over $156,000 to $293,000 UCV	.004990	1054.00	7553
13	Residential over $293,000 to $433,000 UCV	.004829	1874.00	1166
14	Residential over $433,000 to $580,000 UCV	.004737	2460.00	657
15	Residential over $580,000 to $696,000 UCV	.004536	3052.00	252
16	Residential over $696,000 to $750,000 UCV	.004470	3254.00	96
17	Residential over $750,000 to $820,000 UCV	.004327	3456.00	55
18	Residential over $820,000 to $1,163,000 UCV	.003317	3657.00	114
19	Residential over $1,163,000 UCV	.002654	4061.00	39
20	Properties other than single residential dwellings over $500,000 UCV	.007088	-	2
21	Land which is subject to Section 25 of the Valuation of Land Act 1994	.006468	-	302
22	Stock Grazing permits, pump stations and small lots less than 10 m square	.012814	-	Not counted

As indicated in this example, land value of say, 12 times, might pay an amount of 4-5 times as much [of course with the present system in Cairns it would be 12 times].

The difficulty of such an approach is NOT complexity to administer, but rather the initial subjectivity in formulating the method, and the expense involved in any necessarily significant different levels of rates, with the undesirable impact this would unfairly have on those with lower valued properties.

4.2.2. - AVERAGING

While any form of rate relief is desirable, 'averaging' does not appear to be adequate answer to either problem (i.e. excessive rises and absolute amounts). It may be useful as an additional tool where used say in conjunction with rates capping – as in Townsville – but at best delays only briefly the impact of rates increases, and nor does it have any long-term impact on levels.

This is done in some Local Government areas (including Townsville) but as a supplement, not alternative to rates capping. While certainly better than nothing, it is viewed as, at best, a short-term solution. It does allow for investors to adjust rental income to rate rises more gradually, but only temporarily postpones and slightly alleviates the problem for owner-occupiers. It is doubtful it would be wise to try to pursue multiple objectives, and better to concentrate on one (1) more satisfactory solution.

4.2.3. - RATES CAPPING

This is very strongly supported as an alternative to Differential Rates, provided (again, obviously) the 'base' level is the 2004-2005 rating level. The method provides specifically targeted relief directed at owner-occupiers, thus in a manner attempting to match rate rises with income changes – which is a crucial difficulty when rates suddenly rise by $100-150/week; it is very simple both to understand, implement and administer; and happens also to be the method most widely used in the state (Brisbane, Townsville and elsewhere).

We consider some of the additional surplus from this year's actual revenue should be used to rebate the excess rise for 2005-2006. [There is no legal impediment to this occurring; it is NOT a case of changing the rates levels for 2005-2006, simply a matter of granting rebates [or a credit on next year's rates, if this is 'administratively' easier] for 'over-payment of this year's excessive amounts.

This is straightforward, entirely objective and specifically targets the main need. It simply involves setting a maximum by which General Rates will rise per year for (continuing) owner-occupied property regardless of the amount by which valuations have risen.

In each case where a Council is using this method, they have currently set a cap of 5%. It is used by Brisbane [covering possibly half of residential urban properties in the state]; Gold Coast – the 2nd biggest population; and Townsville, the rival to Cairns as 'Capital of the North'.

In every case where Councils have used this method, it is specifically targeted; it does not apply to investors and applies only for the time an owner-occupier remains in the present place [once your house is sold, rates revert to what they would otherwise have been without capping]. It has the great virtue of aligning maximum rate rise with the likely changes in income (based on average weekly household income).

Pros and cons in Council Discussion Paper: It is entirely incorrect to claim that it is 'administratively more complex'. It would apply in the same way the Pension rebate is given now [i.e. by rebate when application is made by eligible ratepayers]. For the same reason it is nonsense to say it is a 'con' that one property would pay a lower amount than the one next door with a [new] owner; this again is the case now if there is a pensioner next door. It would of course – as alleged -- mean [say] 5% rises each year until the actual amount paid matched the amount otherwise payable, but this is far preferable on equity grounds to a sudden rise of 200% followed by [maybe] a drop of 10% sometime later.

OTHER POSSIBLE SOLUTIONS:

4.2.4. - <u>SET MAXIMUM GENERAL RATE LEVEL</u>

The Discussion Paper has not canvassed this; however setting a maximum rate at around 4 to 5 times the minimum rate is a procedure we would endorse. It still recognises the much greater contribution, which is called for by owners of some more favoured properties, without the extreme excess of the present system. It would be the least expensive of the alternatives, and if for fiscal reasons needs to be further targeted, could be limited to (continuing) owner-occupiers only.

No known precedent of it being done in other Local Government areas but still perfectly reasonable to pursue as an objective. There is a MINIMUM GENERAL RATE, so it would not be unreasonable to have a MAXIMUM of say 4 or 5 times this amount, and justifiable on grounds that the rate burden would be spread to higher value properties without the gross inequity which currently applies, whereby the same services are charged with no upper capping.

There is no legislative impediment whatsoever to this being undertaken. The *Act* provides for Council to give rebates and it can be implemented either automatically [if covering all properties] or by way of rebate applied for by individuals, in the same manner as pensioner rebate, if (to further limit the cost) the method is applied only to owner-occupiers.

It is the simplest and most inexpensive of all the options presented and would alleviate the difficulty for that small fraction of the total 550 properties valued above © $350,000 (if set at, say, 5 x minimum rate) to which it would need to apply -- i.e. excluding in any case multiple-dwelling lots; vacant residential development land, etc., and very many fewer again if applicable to only owner occupiers. It is incidentally NOT 'administratively difficult'.

It is also by far the least expensive and most cost-effective way of silencing the most vocal critics of the Council's present policies.

4.2.5 - <u>SINGLE FLAT GENERAL RATE</u> *[same for all properties]*

It is accepted that it would be politically very difficult to adopt a flat fee; it may necessitate changes to the State Act; and would unfairly penalise the majority of ratepayers, and so it is not realistic to advocate this suggestion [though it should be pointed out that it was raised by a number of residents as appropriate].

This is deceptively simple: after all if there is one same-for-all charge for water, garbage and sewerage, why not one only level of General Rate, which is to provide for essentially the same level of Council services.

The problem is that …

(i) The State Act requires Council to take account of UCV in setting Rates;

(ii) It has to be recognised that it would never be acceptable politically;

(iii) It would be inequitable to those in lower valued properties as the Standard Rate would have to be set at close to the present average of $880 —even IF economies could be found elsewhere -- as this would mean a significant percentage rise for around 75%-80% of all ratepayers (indeed for those on the minimum rate the rise would be about 1/2). It would be too readily criticised as unfair and is a waste of time pursuing.

4.3 ALLEGED DIFFICULTIES RAISED IN THE COUNCIL DISCUSSION PAPER

- *It should be emphasised that NONE of the various proposals considered present any difficulties in implementation and administration.*
- *Differential rating – alone of all the possibilities -- necessitates some element of subjectivity in initial formulation, only inasmuch as it requires decisions on the number of bands, and the rates levels and minima in each. Generally changing any of the many variables requires an adjustment in all the others, to produce the same given revenue outcome. However once these are decided, it is as administratively straightforward to have 20 different categories as the present 8 or 9.*
- *NONE of the other suggested alternatives have either subjectivity or complexity -- whether to introduce, understand or implement.*
- *All the methods in the Discussion Paper are widely used by other Councils in the state.*
- *Rates capping has by far the greatest applicability as it is used [without any difficulty] in the whole Brisbane Metro area as well as Townsville.*
- *Townsville also and additionally uses averaging wherever it is more advantageous to the ratepayer.*
- *Douglas Shire and the 3 Sunshine Coast Councils uses differential banding, among others, with none of these Councils finding the various methods are either "complex" or particularly "time consuming".*

We are therefore perplexed that the authors of the Council Discussion Paper appear to have such a low opinion of the Cairns City Council employees' mental abilities, and why such a low opinion of their employees' IT skills. We have generally found Cairns City Council employees to be individually helpful, co-operative and friendly, and to display competence in their respective positions. They all appear to have appropriate computer skills.

It would be interesting to ascertain why the authors of the Council Discussion Paper therefore regard Cairns City Council employees as being less competent at dealing with Rates Issues and different rating methods than those employed by Townsville City Council, Brisbane City Council, Douglas, Noosa, Maroochydore, Caloundra and elsewhere.

We would not of course, be so cynical as to suggest that non-existent "difficulties" have been invented to further a pre-determined Agenda for the Council.

5.0 COSTING

The statement in the Council Discussion paper '… suggestions as to how revenue lost could be earned in other categories', seems to assume the Council needs to retain the levels of income it presently raises.

There is no reason at all why income for 2006-2007 needs to match this year's (2005-2006) income and expenditure, when these are highly inflated levels anyway. Revenue raised appears already to have been well over budget expectations, and it is unconscionable conduct on Council's part to continue to impose outrageous and excessive burdens on a small group of homeowners in particular, when it has raised even more income than it initially required.

In dealing with the issue of costs it can be said that generally, the wider the attractiveness of any solution to a larger number of residents the greater the cost, and consequently, the stronger is the argument that any such solution is too expensive to be affordable, and that it would unfairly impact on lower-valued properties. The setting of a maximum rate, particularly for single-residential owner-occupiers [say 4 to 5 times the Minimum] is least expensive, but applies to a very limited number of properties; rates capping is usually targeted to owner-occupiers and particularly 'saleable' on grounds of fairness and equity; banding or differential rates, especially in conjunction with rate capping, has appeal to many more including investors but is the most expensive.

It is of course, quite impossible for individuals and groups to undertake adequate costing of the various alternatives, or to analyse the Councils line-by-line income and expenditure. To meet this request by Council would require Council to make available to any ratepayer full and unimpeded access to its detailed accounts.

It is an unreasonable expectation on Council's part to set that requirement for individuals, and then expect them to produce ways for Council to save on its outlays [the charge of $23 for obtaining a copy of the CCC Annual Report is certainly not conducive to meeting such Council expectation. Presumably this is legal, though it would most certainly NOT be, if it was a corporation and the shareholders were billed for annual company reports].

The cost of the various solutions is, in any case, reasonably limited by virtue of the relatively small number of properties involved, and as a consequence, rates levels should not need to be raised to provide appropriately targeted relief.

It is considered essential that a greater burden NOT be imposed on residents in the less highly valued areas of the city to overcome the crisis for those adversely affected by the recent valuations and rate rises. It is essential that ways be found to REDUCE the growth of Council expenditure instead.

Despite this limitation on funding information made available to us, we would suggest the following might be considered

- The obvious starting point is to use of the additional surplus over and above budget (reported as an extra $3.6 million to December) to rebate rates for this year, 2005-2006, for owner-occupiers, to the amount in excess of a 5% rise from 2004-2005.

- Given this improved revenue base for future years, such higher levels of revenue and consequent potential surplus be first utilised to establish meaningful rates relief by way of either differential rates or rate capping;

- Council's $1.6 million in 2005-2006 for 'Beach Protection Works' does not need to be repeated next year (in fact the State government is obligated to refund all monies spent by local councils on coastal erosion) and in any case, as there is no need to make such provision in the future, funds should be available for targeted rate relief from 2006-2007 on.

- Council review all of its expenditure to ensure ratepayers funds are being efficiently used and with the minimum staffing levels required for effective operation;

- Council refrain from grandiose projects of dubious merit whenever it has had a windfall such as this year;

It should not, in any case, be a requirement for ratepayers to produce solutions to the problem [just as pensioners are not expected to discover ways to fund the pension rebate]. The necessary information and costing of various proposals is simply not available to individuals.

The Rate policy is clearly scandalous and completely out-of-line with other Queensland metropolitan and coastal Local Government areas; there are funds available to sort out the mess, and this must be done immediately. The fact that Cairns has not had a serious problem until the most recent valuation changes is no longer an excuse for inaction.

6.0 SUMMARY AND LIST OF RECOMMENDATIONS

Recommendation 1: *That Council use any excess of surplus revenue above budget expectations in 2005-2006 to rebate General rates for 2005-2006 for any amount above a 5% increase, based on 2004-2005 levels for owner-occupiers of residential properties;*

Recommendation 2: *Council use it's higher revenue base to limit any increase in 2006-2007 General rates to a maximum of 5% for all such continuing owner-occupiers;*

Recommendation 3: *Council review its expenditure to ensure that any concessions do not impact excessively on other ratepayers, notably those in lower valuation categories, or by using its higher revenue base or surplus as above;*

Recommendation 4: *Should Council pursue the alternative Differential rating method, that it distinguish between single-residential and multi-dwelling [aggregated group titles] and apartments; and that within the single-residential category, the level of rate in the dollar for higher valued properties be set at around a level no more than one-third to two-fifths of the rate in the dollar for the lowest valued properties;*

Recommendation 5: *That of the various alternatives in the Council Discussion Paper, it is not considered particularly appropriate to introduce averaging for 2006-2007, as this does not address the main issues adequately;*

Recommendation 6: *Council give particular consideration to setting a Maximum General Rate at 4 to 5 times the Minimum Rate [applicable if necessary by way of rebate to continuing owner-occupiers of single-residential properties] as the most cost-effective way of addressing the present problem and removing the negative image and bad publicity the city is now receiving*