

Mr Ray McDermott
Manager, Financial Services/CFO
City of Karratha
PO Box 219
Karratha WA 6714

29 May 2018

Dear Ray

Differential Rates Model 2018/19

Thank you for the opportunity to provide a submission regarding the City of Karratha's proposed Differential Rates model for the financial year 2018/19 in accordance with Section 6.33 of the *Local Government Act 1995*.

This submission is made on behalf of Hamersley Iron Pty Ltd (**HI**) and the Robe River Iron Associates (**Robe**) in relation to assets owned by:

Hamersley Iron (HI)

- Residential dwellings in Dampier and Karratha.

Robe River Iron Associates (Robe)

- Transient Workforce Accommodation at Lot 369 Wickham Drive, Wickham (Wickham Lodge);
- Transient Workforce Accommodation at Lot 103 Wickham Drive, Wickham (Wickham Village);
- Transient Workforce Accommodation at Lot 7772 Cajuput Way, Wickham (Cajuput Lodge); and
- Residential dwellings in Wickham.

Comments:

As you are aware, Rio Tinto is committed to its contribution to the local communities in which we operate.

In addition to making rate payments to the City on our extensive accommodation portfolio and other facilities, we are pleased to be working in partnership with the City to deliver significant community infrastructure improvements in Dampier, Karratha and Wickham, as well as a range of new and improved cultural events.

We have recently received a number of letters providing details about the City's proposed Differential Rates model for 2018/19, including a copy of Minutes of the Special Council meeting dated 7 May 2018 (**Council Minutes**). These letters also provide an indication of the likely differential rates applying to assets owned by HI and Robe under the Residential and Transient Workforce Accommodation (**TWA**) rate categories respectively.

It is our understanding that, in an attempt to address a widespread reduction in the Gross Rental Value (**GRV**) of assets within the City, the 2018/19 Differential Rates model seeks to adjust the "rates in the dollar" and the minimum payments to ensure the delivery a balanced budget for 2018/19 (with a 2% increase in rate yield across all categories), whilst ensuring equity with the rating system for 2018/19.

While the basic logic of the proposed Differential rates model is understandable, it does appear the burden of balancing the City's rates income is falling disproportionately on HI and Robe assets held under both the TWA and Residential Rates categories.

Robe TWAs:

According to recently received correspondence from the City, it is proposed that Robe's rates bill in relation to Wickham Village, Wickham Lodge and Cajuput Lodge will increase a consistent 17%, notwithstanding that the Council Minutes show a general decrease of 14.1% in GRV of all TWAs across the City.

In this context, it is noteworthy that the three facilities owned by Robe have had no change in valuation whatsoever. Accordingly, we would be keen to understand:

1. Whether the overall reduction in TWA valuations of approximately 14% is a product of a revaluation of TWA facilities that will continue to operate in 2018/19, or whether it is due to a reduction in the number of TWA facilities or beds anticipated to operate in 2018/19 (compared to the current financial year)?
2. If it is based on a revaluation of continuing TWAs, what features of the revalued TWAs justify a reduction in GRV that does not exist at the Robe TWAs?

In the absence of such clarification, we are concerned about the significant proportional increase in TWA rates when compared to the standard 2% increase in rate yield across all categories quoted in the Council Minutes. While we recognise that the City is facing increased cost pressures, we do not consider the rationale identified for the differential rates in the Council Minutes to justify why the Robe TWAs should bear the brunt of the increased rate payments.

Robe's TWAs and the surrounding infrastructure are self-managed as they are located in towns being significantly managed by Rio Tinto. On this basis, we find it difficult to see the justification for such a large increase in City rates payable from these properties.

Whilst we are familiar with community concerns about impact of increased FIFO employees on general town services and amenities, we would also welcome a more detailed explanation of the rising cost base of the Shire's facilities and infrastructure which are being substantially impacted by additional use by TWA residents.

Residential properties:

With respect to residential properties in Dampier, Karratha and Wickham, we also note that it is proposed that the residential rates bill for HI and Robe houses will increase approximately 6%, which is effectively three times the average for the pool of residential rates stated by the Council Minutes (at 2%). In fact, some of our Pelago units will see increased rates of up to 13%.

Given that HI and Robe are significant landowners in the Dampier, Wickham and Karratha areas, we absolutely accept that we must share our portion of the rates burden. However, based on the numbers quoted in the Council Minutes, we are concerned that we are actually shouldering a disproportionate burden for residential rates that is not fully aligned to the Council's objective of equity across and within rates categories.

Thank you again for providing this opportunity to make a submission. We look forward to receiving your responses to the queries detailed above.

Please do not hesitate to contact me on 9205 0382 if you have any questions regarding our submission.

Yours sincerely

Chris Richards
General Manager