

18th of May 2022

Mr Ray McDermott
Manager Financial Services / CFO
City of Karratha
Welcome Road Karratha WA 6714

Dear Councillors

RE: Differential Rates – Transient Workforce Accommodation

On behalf of the owners of Lot 550 Cherratta Road and Lot 1068 King Way Karratha (MAPT Developments), I am formally objecting to the proposed Differential Rates model being recommended for approval for the 2022/2023 financial year, more specifically, the methodology behind the charge being applied to landowners of Transient Workforce Accommodation/Workforce Accommodation Businesses in the City of Karratha.

Please see below the proposed rate table, and the rate in the dollar charge against each rate category for 2022/2023.

Table 1

Rate Type	Rate Category	Rate in \$	Minimum Payment
GRV	Residential	0.122092	\$1,610
GRV	Commercial/Industrial	0.104727	\$1,610
GRV	Airport/Strategic Industry	0.162603	\$1,610
GRV	TWA	0.402243	\$1,610
UV	Pastoral	0.107708	\$338
UV	Mining/Other	0.138119	\$338
UV	Strategic Industry	0.192140	\$338

The differential rate model adopted for TWA in 2016/2017 represented a rate increase of over 35% at the time. The General Principles of the rate model consisted of the relativity of TWA population as compared to overall Residential population. The model relied on the “capacity” of TWA being actual occupancy, meaning 100% occupancy used in the calculation of TWA population in comparison to overall residential population using the ABS figures of 26,228 total population.

This is the first flaw in the adopted model that has continued over the years. The last 12 months has seen the occupancy/population of Cherratta Lodge and King village combined being 27%. We assume that population/occupancy of TWA would be similar across TWA therefore taking 100% occupancy as the population of TWA is fundamentally flawed.

The second General Principle that is fundamentally flawed is the link to GRV. The linking of GRV to rate differential is fine in isolation, however when GRV moves down significantly, the Council moves differential rates up to maintain the same revenue. The same principle does not apply when GRV moves up, differential rates have never moved down, resulting in an ever-increasing spiral of revenue that does not regulate based on the Councils own Principles relating to the matter.

We have reviewed the table above, and the objectives and reasons for the 2022/2023 proposed differential rates and we continue to disagree with the disproportionate percentage being proposed for workforce approved businesses. We understand that the council is focused on sustainably managing its community

and infrastructure assets and we support this. However, we strongly disagree with the reasoning for the higher rate in the dollar being applied to Transient Workforce Accommodation.

Councils' assertion that TWA land has the potential to have a greater impact on council services/assets than other properties is demonstrably incorrect. Council asserts that high vehicle numbers in relation to the area of land has a higher degradation of road assets, in reality more people in TWA travel in coaches, actually relieving degradation of road assets. Council asserts that TWA guests use more Council lifestyle assets, in reality TWA workers utilise the assets of the TWA facility. Council asserts that due to the number of occupants in a relatively small land parcel (concentrated coach/vehicle movements).

We do not object with paying what is fair, however what has been proposed, and the mechanics behind how this is being calculated, is not a fair and reasonable charge.

With the continued increase in the rate in the dollar being charged over the last 11 years, and again this year, to retain income from workforce accommodation operations, any increase in accommodation rooms added to the market, or any increase to our GRV, will see the City of Karratha increase revenue significantly, as there is no agreed method to review the rate in the dollar being charged.

This year has seen both items occur simultaneously, with over 1100 additional rooms being added to the market since the last valuation, and a proposed GRV double that of the last valuation being received (Note: The GRV for Lot 550 Cherratta Road, and Lot 1068 King Way is being reviewed at present, as Landgate require further information. At the time of this response being prepared, the GRV had not been amended)

Proposed rates for 2022/2023 as received by MAPT Developments on the 3rd of May 2022

Rates Assessment:	A89383		
Property Owner:	Koyote Property Group Pty Ltd		
Location:	Lot 550 Cherratta Road, KARRATHA INDUSTRIAL ESTATE		
Proposed Rate Category:	TRANSIENT WORKFORCE ACCOMMODATION / WORKFORCE ACCOMMODATION		
Proposed increase in the Rate in the Dollar	3%		
Rate in the Dollar (2021/22):	0.390527	Proposed Rate in the Dollar (2022/23):	0.402243
Current Valuation:	\$322,400	New Valuation:	\$650,000
Rates Levied (2021/22):	\$125,905.90	Proposed Rates (2022/23):	\$261,457.95

Rates Assessment:	A31055		
Property Owner:	Koyote Property Group Pty Ltd		
Location:	Lot 1068 King Way, KARRATHA INDUSTRIAL ESTATE		
Proposed Rate Category:	TRANSIENT WORKFORCE ACCOMMODATION / WORKFORCE ACCOMMODATION		
Proposed increase in the Rate in the Dollar	3%		
Rate in the Dollar (2021/22):	0.390527	Proposed Rate in the Dollar (2022/23):	0.402243
Current Valuation:	\$135,200	New Valuation:	\$176,800
Rates Levied (2021/22):	\$52,799.25	Proposed Rates (2022/23):	\$71,116.56

We do not agree with the General Principle of taking 100% occupancy as the population of TWA relative to overall residential population. In the General Principles it is even named “potential population”, the model is based on flawed principles, the Council has never sought to find actual population data of TWA and as proven by raw data of our occupancy reports, the figure is far lower, in our case in the 2021 calendar year it was 27%.

We do not agree with the rate model based on lifting rates during lower GRV and subsequently not lowering rates during higher GRV using the same Principle.

In previous years we have sought legal assistance and advice with our objection to ensure that we are being commercial, and fair, in our request for review. We have:

- Provided feedback, requested clarification, and provided objections for discussion and review.
- Acknowledged that the City of Karratha is working towards reducing the council’s reliance on differential rates.
- Confirmed that unlike special area charges, the basis for the imposition of the differential rates is not to recover costs due to the land use, but rather to make up for budget deficits.
- Seen increases to our differential rate percentage simply based on a lower number of workforce accommodation beds in the market, or a reduced GRV, to make up for lost revenue.
- Seen new approvals for workforce accommodation proceed with no downward adjustment to differential rates made for the existing workforce accommodation providers, upon the increase to overall room numbers receiving their lodging licences (combined 1100 new rooms to the market since the last valuation); and
- Although we have responded annually (apart from 2020) over the last 11 years, we have seen our rate in the dollar continue to increase from .0901% in 2011 to .402243 of our GRV in 2022 – see GRV, and rates levied in the table below:

Lot 550 Cherratta Road Karratha WA 6714

Date	GRV	Rates Levied	Type	Ref
13/07/2021	322,400	\$127,654.60	RB	BILLING
02/07/2020	322,400	\$126,457.54	RB	BILLING
02/07/2019	322,400	\$126,457.54	RB	BILLING
10/07/2018	322,400	\$123,970.86	RB	BILLING

13/07/2017	358,800	-\$14,760.27	JT	CONCESSION
13/07/2017	358,800	\$118,167.19	RB	BILLING
18/07/2016	358,800	-\$22,140.40	JT	CONCESSION
18/07/2016	358,800	\$116,939.74	RB	BILLING
14/08/2015	358,800	\$79,180.34	RB	BILLING
11/07/2014	865,800	\$103,314.18	RB	BILLING
09/07/2013	865,800	\$99,733.23	RB	BILLING
01/09/2012	865,800	\$66,103.99	RI	RV
10/07/2012	865,800	\$82,430.63	RB	BILLING

Lot 1068 King Way Karratha WA 6714

Date	Rates Levied	GRV	Ref
13/07/2021	53532.57	135,200	BILLING
02/07/2020	53030.58	135,200	BILLING
02/07/2019	53030.58	135,200	BILLING
10/07/2018	51987.78	135200	BILLING
13/07/2017	-5561.84	135200	CONCESSION
13/07/2017	44526.76	135200	BILLING
18/07/2016	-8342.76	135200	CONCESSION
18/07/2016	44064.25	135200	BILLING
14/08/2015	29836.07	135200	BILLING
11/07/2014	42814.89	358800	BILLING
09/07/2013	41330.89	358800	BILLING

We understand that the City's infrastructure is expensive to run, but we do not believe that this operational cost should be inequitably covered by workforce accommodation landowners. As a business, we constantly seek out new technology, better ways to do business, ways to reduce our impact on the environment, and are pushing ourselves to do more for the local economy and community in general. Differential rates, along with utility and insurance costs are now the greatest risks when doing business in the Pilbara.

I would welcome the opportunity to discuss this with you further, specifically around the reasoning for the council's decision, and the methodology of how changes to GRV, affect the charges being raised.

Thanking you in advance,

Regards

Aaron Polini

Aaron Polini
Director - MAPT Developments and Cherratta Lodge
Cc: malcolm@cherrattalodge.com.au



23 May 2022
Mr Ray McDermott
Manager Financial Services / CFO
City of Karratha
Welcome Road
Karratha, WA 6714

Dear Sir

Re: Differential Rates Submissions
Lot 570 King Way - NLV Velocity Villages Pty Ltd
Lot 10 Cherratta Road - VV2 Pty Ltd
Lot 1069 King Way - VV2 Pty Ltd

We refer to your notice dated 2 May 2022 titled "Advertised Differential Rates Model 2022/23", advising of the intention to levy a proposed increase of 219% on our annual City of Karratha rates.

We reply as follows:

Proposed Rates

	2021 Rates	2022 Proposed Rates	Increase in \$	Increase in %
Lot 570	\$196,825.61	\$388,968.98	\$192,143.37	97.62%
Lot 1069	\$46,472.71	\$69,024.90	\$22,552.19	48.52%
Lot 10	\$82,010.67	\$253,091.30	\$171,080.63	308.61%
	\$325,308.99	\$711,085.18	\$385,776.19	218.58%

Gross Rental Valuation

We put the City of Karratha on notice about our severe disappointment that no communication with us as to the Gross Rental Valuation has occurred. If this had taken place, then it would become readily apparent as to the severe financial constraints our business has experienced in the last two years.

The definition of GRV is "Your gross rental value (GRV) is the gross rental income that could reasonably be expected if you were to rent out the property."

Velocity Villages has achieved an average occupancy of 34% over this period, with room rates charged being 60% of those in 2011 when we opened. Given this occupancy rate, then it follows there is no capacity to increase rates. If someone had undertaken the simple steps to seek out relevant information from both accommodation providers and users of these services, then it would be apparent that an increase in GRV of 212% cannot be justified on the relevant facts or information.

Fairness and Equity

We do not consider the Proposed Rate meets the Key Values set out in Objects and Reasons for implementing Differential Rates as adopted by the City of Karratha, expressly the objective of “*Fairness and Equity*”.

In your notice, you raise the issue of inflation as a justification for increasing rates. We of course, as a small business are also experiencing increases in costs, not the least insurance. However, on no objective basis can it be argued that an increase of rates payable to the City of Karratha from **\$325,308.99** to a total sum of **\$711,085.18** is on any measure meet the criteria of “*Fairness and Equity*”. An increase in total rates by **\$385,776.19** (which equates to 219%) cannot be justified in any way by referencing inflation as the City of Karratha has done.

To continue as a going concern over the last two years, the shareholders of Velocity Village have had to provide additional working capital to remain solvent and continue providing the service that we do to the community, employ local staff and utilizing local suppliers. We have not had the ability to increase profit margin at all, yet the City of Karratha proposes to increase our cost by 219 per cent. All this information would have been readily available, had someone from the City of Karratha engaged with us.

In these circumstances, it is difficult to comprehend that the City of Karratha considers it fair and equitable to charge annual rates of **\$711,085.18**.

Differential Rate

It is proposed that a differential rate of 0.402243 be applied to Transient Workforce Accommodation / Workforce Accommodation.

We note that statement by the City of Karratha to support this rate references the following:

This differential rate maintains a proportional share of rating required to raise the necessary revenue to operate efficiently and provide the diverse range of services and programs and associated infrastructure/facilities required for developed residential and urban areas. These services, programs and facilities are available to FIFO workers in the same manner as they are available to all other residents of the City and the contribution from this category has been set at a level that reflects this fact.

Previously, the basis for proposing a higher differential rate is “*to reflect the greater potential and actual intensity of use of Council assets and infrastructure*”.

Both statements are materially incorrect, and despite previous requests, we note that there has been no evidence, facts, or information to support this statement. We request that the City of Karratha provides the information available that it used to support this statement in order that it can be considered and understood.

It is well known that restrictions placed on Transient Workforce Accommodation / Workforce Accommodation severely restricts the business operations, as opposed to similar service providers that operated under the Commercial / Industrial zoning.

We note the rating of Commercial / Industrial zoning excludes properties that do not include (amongst other issues) land *that does not have the characteristics of any other GRV differential rate category*.

Yet, properties that service workforce accommodation who operate under the Commercial / Industrial zoning, are paying a differential rate of 0.104727. Surely, on the reasoning the City of Karratha has provided as to the potential and actual intensity of use of Council assets and infrastructure, then there is no material justification for the City of Karratha issuing rates to similar users of infrastructure that is amount ¼ of the total rates being issued to our business.

We submit that there are multiple properties within the City of Karratha that meet the definition of having characteristics of servicing the workforce accommodation within Karratha. Once again, if the City of Karratha has contradictory information, then we would welcome the sharing of that information so that it can be understood.

The City of Karratha further states the reasoning for the 4 times higher rates being issued on Transient Workforce Accommodation / Workforce Accommodation:

The rate for this category supports Council’s preferred option that the operational workforce associated with resource interests be housed in normal residential properties within the town boundaries.

This is beyond the reach of Section 6.33 Local Government Act 1995 for the City of Karratha to issue differential rates for the purpose of supporting a planning policy. This amounts to a financial penalty being imposed on workforce accommodation providers, which is clearly inconsistent with the Fairness and Equity criteria in Key Values.

We request that Council consider our submissions and engage with providers of workforce accommodation to understand the material financial impact that the proposed 219% increase will have on the industry, and to consider a reduced rate that reflects other accommodation providers with a zoning of Commercial / Industrial.

Further, Council should otherwise reference and provide to all parties the actual empirical evidence to support its proposed 219% increase in rates it seeks to impose. Failure to do so, is a denial of natural justice.

Yours faithfully



Kevin Hughes
Director
NLV Velocity Villages Pty Ltd

Jenna Wilson

From: mblayney@westnet.com.au
Sent: Monday, 23 May 2022 8:06 PM
To: Rates
Subject: FW: OCR226001 - RV.10 - Differential Rates - Transient Workers Accommodation- 2022/2023
Attachments: image001.jpg; Untitled attachment 00008.htm; A74669.pdf; Untitled attachment 00011.htm

Dear Ray &/or Jenna

Over past years we have on occasions provided comments in response to the proposed differential rates model being applied to our property at Lot 500 Madigan Road, STOVE HILL, with the reply/s received being to thank us for our submission and advise that that the model as advised was to be implemented. For this reason, we have not bothered to provide comment for the last couple of years as we thought it a waste of time for all parties.

This year however we feel obliged to provide a simple comment in that the proposed 29.35% increase in the value of rates being levied now brings into serious question the continued economic viability of the transient workforce accommodation operation on Madigan Road. At a time when the valuations we have received are continuing to show a decline in market value of the property, we are now informed that we will have to find another \$128,139.98 to make our rates payment (and this on a property that was levied (circa) \$6000 rates when we first purchased 15(+) years ago (ie. our rates have increased by over 940% over that time)). We do understand that the City would prefer not to have any transient workforce accommodation in the region; however we are also aware (including from first-hand experience) that the availability of this accommodation provides a much needed and utilised service to the region and without this availability the continued growth of the region would be stymied.

For this reason we ask that consideration be given to capping the increase in rates at maximum (as a suggestion) to align with the rate of inflation (currently circa 7%), as from a business perspective serious consideration will otherwise need to be given to the continued operation of the village on site. It is further to be noted that the potential cessation of the operation at Madigan Road can only represent a LOSE:LOSE for all parties, given the reduction of funds that will be being injected into the local economy associated with the removal of this service.

Should you have any queries, or if you require any additional information, please do not hesitate to contact me.

Thanks in anticipation.

Thanks and regards

Mark Blayney

m. 0439 947 092
e. mblayney@westnet.com.au

From: Barbara Blayney <bmbalayney@westnet.com.au>
Sent: Friday, 6 May 2022 7:05 AM
To: Mark Blayney <mblayney@westnet.com.au>
Subject: Fwd: OCR226001 - RV.10 - Differential Rates - Transient Workers Accommodation- 2022/2023

Sent from my iPhone

From: Chris Spielvogel <C.spielvogel@mineralogy.com.au>
Sent: Tuesday, 3 May 2022 10:22 AM
To: Public Enquiries <enquiries@karratha.wa.gov.au>
Subject: Rates increase

Good morning,

As discussed, today our rates have leapt from \$4,881.59 to \$6,033.65 in the period of one year. That is a 23% increase in charges. From the RBA, CPI for the same 12 month period is 2.6% (link below).

This is unacceptable as wages and price indexes have not grown to match and is simple gouging.

Reserve Bank Australia inflation
<https://www.rba.gov.au/inflation/measures-cpi.html>

Regards

Chris Spielvogel

[General Manager SA & WA Operations] **MINERALOGY PTY LTD**
[Executive Project Manager NZ Operations] **MINERALOGY PTY LTD**

Level 22, 2 The Esplanade, Perth, WA, 6000

PO Box 7334 Cloisters Square WA 6850

☎ P 08 9324 2227 | M 0409 852 229 | F 08 9324 2277

✉ c.spielvogel@mineralogy.com.au

17 May 2022

Mr Chris Adams
Chief Executive Officer
City of Karratha
PO Box 219
Karratha WA 6714

By email: enquiries@karratha.wa.gov.au

SUBMISSION - DIFFERENTIAL RATING 2022-2023

Thank you for the opportunity to make a submission regarding the proposed rates for 2022-23.

We note that valuations provided by the Valuer General are used in calculating mining tenement rates, and these valuations are based on the rent imposed by the Department of Mines, Industry Regulation and Safety. Any increases in the rent therefore result in an increase in valuations and in turn an automatic increase in rates.

Effective from 1 July 2021, the Department increased the rent rate for exploration licences by 3.54%, prospecting licences by 10% and mining leases by 10%. With the Shire proposing an increase in the rates in the dollar for 2022-23 from 0.134096 to 0.138119, a significant increase in the actual rates levied will occur as illustrated in the table below.

2021/22 RID: 0.134096				2022/23 Proposed RID: 0.138119	
	2021 Rates	2022 Rates - no change in RID	Percentage increase in rates - no change in RID	2022 Rates - proposed increase to RID	Percentage increase in rates - proposed increase to RID
P (200Ha)	\$402.29	\$442.52	10%	\$455.79	13.3%
E (10sbk)	\$472.69	\$489.45	4%	\$504.13	6.7%
M (100Ha)	\$1,340.96	\$1,475.06	10%	\$1,519.31	13.3%

The exploration and mining industry is one of the most significant contributors to the State's economy. It has played an integral role in the development and enduring strength of this State, creating jobs and opportunities across the State but particularly in remote and regional parts of Australia. The industry is undoubtedly critical to the continued economic recovery of the State and country which has been severely impacted by the COVID-19 crisis. While the resources sector is slowly recovering, it continues to be constrained by the ongoing labour, supply and capital shortages stemming from the pandemic and recent world events.

To support the continued contributions made by the resources sector to the State economy it is critical that all government fees are set so as to reduce the cost of doing business in the State in the face of ever increasing international competition wherever possible, and increase and incentivise investment in local exploration to discover vital new resources which benefit the whole of the State.

I would be happy to discuss this matter further on (08) 6467 7997.

Yours faithfully,



Shannon McMahon
Director
McMahon Mining Title Services