ELECTION CHATTER

March 2024 looms. Council election time.

STUDY 2|ARE OUR RATES REASONABLE?

HIGHLIGHTS

- **Rates and charges are up to $800 higher** in the Cassowary Coast than in comparable QLD regions.
- We agree with Council that such **comparisons must be fair**. CCRC cannot be compared with Cairns or Townsville. However, we found relevant data in the regions of Ingham, Atherton and Port Douglas.
- Our region has high asset levels, so **depreciation is the major factor forcing our rates up**.
- **There is no quick and easy way to fix this gap**. The only effective solution is to sell or eliminate assets, so, if an election candidate runs that popular line, ask them which assets they will shut.
- The current **Council is doing quite well** at moderating costs and has closed the gap 2-3% in four years.
- The previous Council (2016 – 2020) made the gap much worse.
- **The major issue affecting rates now** is a proposed $144M Innisfail CBD upgrade.
- If you support it then we **face an addition to the rates gap of $400 per year, maybe even $800 per year**.
- The project will not generate income and the mammoth new rates gap will hit ratepayers for 50 years.

STUDY

After living here for more than 40 years, Dominic Mobbs left Mission Beach this month. His fine efforts to highlight Council issues will be missed. Dom was a notable financial controller for major Australian infrastructure projects and a capable and accurate analyst who reported for CCI News.

Before the 2020 elections, he showed how Cassowary Coast rates and charges compared with 11 other Queensland regions. We pay the highest amounts of all by a wide margin. Most towns pay $400 to $800 per year less than us.

Dom challenged the, “it’s not our fault” excuses offered by Council in their spin leaflets. They always say we have more roads to maintain and our population density is lower, but Dom showed that many Councils with far lower rates than us have even more roads to maintain and lower population densities than Cassowary Coast. Dom argued that CCRC should compare us with relevant Local Government Areas like those of Atherton, Ingham and Port Douglas and look into how they achieve lower rates and charges. So true, these are the ideal comparators.

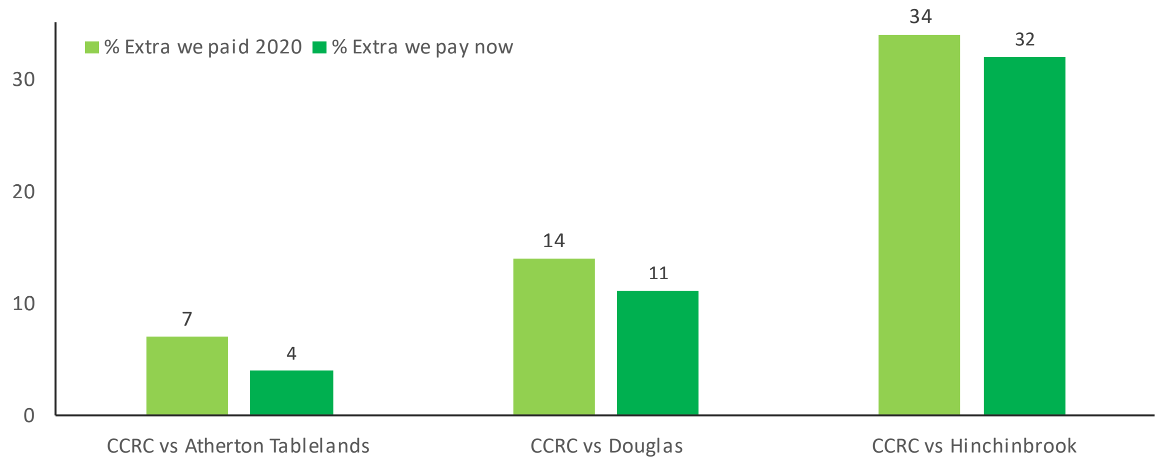
Let’s look at how well the current Council has done to minimise rate and charge rises in the last four years.

Residential rates and charges for properties of median unimproved value in the Cassowary Coast today are approximately $900 higher than Ingham, $400 higher than Douglas, and $200 higher than Atherton. For Mission Beach residents, the rates gap is at least $400 more due to high land values.

2020 and 2024 comparisons are shown below (next page) as the % extra rates and charges paid for median unimproved value landowners in CCRC.

This indicates that the current Council is doing OK; they closed the rates gaps a little in the last four years. The Council CEO controls most of that. Councillors can insist on spending that thwarts the efforts of a CEO to moderate rate rises. It is best to move slowly on cost cutting, not big bang with retrenchments. That seems to be happening.

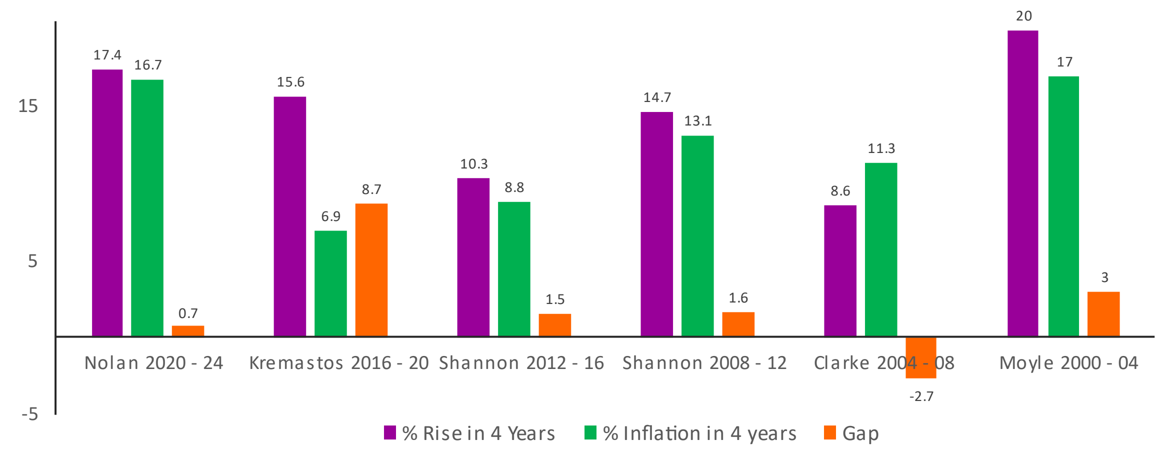
Rates & Charges: % Extra Paid in CCRC



I analysed the actual rates and charges for a specific Mission Beach property over a longer term to see how well past Councils have performed. I compared the 4-year rate rises with 4-year inflation numbers. The chart below shows that the 2004 – 2008 Council kept costs down best. That Council was sacked. The State Administrator achieved those gains. The best era has been the current Council. The Shannon Councils had to fix the financial nightmares of past Councils when they merged, so they did very well too.

The Council that let the costs blow out badly was in the 2016 – 2020 era. The message there is simple: if those Councillors run again claiming that they will manage finances better, they are dreaming.

Rates & Charges: % Increases in 4 Years vs Inflation



This year, the Council rates leaflet says, “assets per rateable property are higher than for our neighbours”. Let’s test that claim. If it is true, what should Council do differently?

This claim is valid. A Council is required by the State to depreciate its assets to allow for their replacement. For CCRC, the depreciation cost is $30M per year. That is about one third of all Council costs; staff costs are one third and materials and services are the other third. Our depreciation costs per rateable property are $414 higher than in Hinchinbrook. Depreciation is the largest factor that drives our rates to be higher than comparable Councils that run balanced budgets.

Cassowary Coast has four main towns. They are well separated, so need their own community infrastructure. Tablelands has three main towns, that is why they are the next most expensive for Council rates and charges. Douglas Shire has two main towns and Hinchinbrook only one. Having multiple community centres is the main driver of high depreciation costs.

You could rule with an iron fist and say, for example, we only need one Civic Hall. Brave move. Taking out the old Shire Hall and replacing it with a modern low cost one in Tully or Mission Beach makes financial sense. However, a high portion of the region's population live at Innisfail and it is a significant heritage building … imagine the furore if it were removed. Same in Tully for different reasons. The conclusion? There is no easy way to reduce our assets.

A determined and skilled CEO could trim 5% off staff and service costs over several years using zero based budgeting. It would not be easy and would merely reduce the rates gaps by $200 per property. Go beyond that and you hurt service levels and Council is an important employer, so there are social and economic downsides to cutting numbers.

In the past, some candidates have boasted that they will cut rates if elected. The only way to dramatically reduce rates is to cut assets, so any candidate claiming they can reduce rates must state which assets they will eliminate.

The other side of the rate's coin presents a far bigger question. What will candidates do to prevent future radical rate hikes? We have an existing proposal to upgrade the CBD of Innisfail. $1M has already been committed to the project and a plan has been. It has a price tag (today) of $144M.

This is the big one. Should we support candidates who will approve that project? Council projects that take years to fund and build usually blow out to be up to four times the original plan costs. Let's be conservative and predict that if it does eventuate years from now it will cost $300M. That adds $7M to depreciation or $440 per property. State and Federal Governments seldom provide more than 50% of the funds so double that when Council has to borrow large amounts to fund it.

A large investment in infrastructure like this makes economic sense if it generates income or expands the economy significantly. Some may hope that a CBD upgrade will improve retail sales, but the great forces at work there cannot be countered by a mere town refurbishment. A CBD upgrade on a modest scale makes sense, but the mammoth CBD project being proposed is no winner on any measure for ratepayers.

It's a dream of a few and an economic nightmare for many. It merely makes us all poorer.

Council doesn't provide data on the splits in rates income by town as they once did. No Councils do that and to give CCRC credit, their webpage is better than most in terms of easy access to public documents. State Valuer-General land valuations data helps. That shows Mission Beach pays more in residential rates ($3.4M) than Tully ($1.4M) and Cardwell ($1.2M) combined. Innisfail has almost twice the number of properties of Mission Beach and three times the population, but its median land values are much lower. Hence, Innisfail provides $5M in residential rate revenue or 1.5 times that of Mission Beach, not three times more as you may expect. These numbers do not include rural residential land which is a relatively high portion in Mission Beach.

Hopefully, this small study will bring some data to the table to create debate and help us arrive at a better future.

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